



APPROVED

Council Meeting Minutes

October 3, 2016

Time: 5:32 - 8:51

Facilitator: Ashley Hill

Note Taker: Michael Dougherty

ATTENDEES:

Council Members: Ashley Hill, Alex Brown, Steven Farnham, Tyler Strange, Carl Etnier, Marci Young (arr. 5:40)

Staff: Kari Bradley, Michal Duffy (Staff Rep.), Mary Mullally (dep. 7:42), Stephani Kononan (dep. 7:42), Kevin O'Donnell (dep. 7:05), Phoebe Townshend (dep. 7:42)

Guests: Ed Fox (dep. 7:42), Alec Hill (dep. 5:38)

1-Welcome (5:32) Ashley called the meeting to order. Kari asked to move item 10-Solar proposal to after the monitoring report.

2-Community comments (5:34) Alec brought up the council culture retreat conversation from an earlier meeting. Someone had brought up the issue of people rolling their eyes during meetings. Repeat instances seem inappropriate, and attendees made lighthearted references to it later in the same meeting. Alec encouraged considering this as part of a second retreat on council culture. Kari added that group dynamics will be discussed later in the meeting alongside the self-evaluation survey.

3-Consent agenda (5:38) In addition to minor edits submitted by email, Michal offered minor edits to the August minutes. Kari confirmed a correction by Steven regarding a note about Alex's point that meeting facilitators should not be prevented from voting. Ashley asked whether to include names of people voting aye or nay on votes as seen in August minutes. Group agreed on a tally of ayes/nays without names.

Alex motioned to approve the consent agenda. Carl seconded. All in favor, motion approved.

4-Monitoring report (5:43) Kari and managers presented Ends Report. Mary presented on sustainability an audit, lighting and refrigeration upgrades, tracking of energy consumption and waste diversion, and the Green Team. Future goals include solar carport and EV charging station, HVAC efficiency, more LEDs, and communicating sustainability efforts to the community.

Phoebe presented on staff compensation and job satisfaction. 100% of staff are now making at least the Vermont Livable Wage. Staff discount averages over \$600 per

employee annually. Staff satisfaction on surveys showed positive improvement. The hiring process has been revamped to include more questions about whether an individual's values match the Co-op's values.

Kevin presented on local impacts. 40% of Co-op sales were from local products. A large part of the growth was in prepared foods and beer. The same growth in beer is unlikely again this year, but there is room for more growth in prepared foods and produce. Local is part of our mission, but it's also good business.

Kari presented on financial returns. Profit is balanced between 3 constituencies: member-owners, employees, and the business itself. Liabilities to equity ratio has gone down from 1.89 in 2009 to 1.00 in 2016. The Co-op plans to continue to pay down debt, grow membership, remain profitable, and retain patronage.

Stephani presented on membership. Membership grew 6.4% to 8,239. The Co-op plans to redesign recruitment materials, communicate impact of ownership, and hold membership drives. Workshop participation has been dropping, but online engagement and member labor programs have grown. Management plans to expand promotion of workshops, continue expanding use of online outlets, and growing the volunteer program.

Kari said the report will be posted to the web site but it may be too much information, and that the Annual Report is a distilled version. A summary will also be featured in the November newsletter. Carl asked if there's a place in the store where we could post a small part of this to demonstrate the effect the Coop is making in the community. Ashley suggested posting small factoids on social media.

Alex noted that the report does not acknowledge the drop in profitability. How do we reconcile growth in membership and net sales with a decline in profitability? Kari responded that the drop in profitability is a fraction of a percent. The prior year was surprisingly profitable given the decline in sales growth. Alex asked whether expense management changed this year to affect profitability. Kari said that discounts and employee benefits were key expenses that had huge fluctuations, plus workers comp.

Steven asked whether we have a statistic of what the Co-op invests back into the community. Kevin said we don't, but it's worth noting that 40% of our sales are local, the Coop is the 3rd largest employer in the city, and our community outreach efforts are strong. Steven suggests that we find a statistic to represent these impacts.

Tyler asked about the realistic forecast for membership growth continuing to rise at the rate of previous years. Kari noted that 25-30% of members are Montpelier, and 1 in 10 Washington County residents are Co-op members. Steven asked whether we track data on people who travel into or work in Montpelier.

Alex moved to accept the Ends Report. Steven seconded. All in favor, motion approved.

10-Solar proposal (6:28) Kari said the Co-op is looking at next steps towards sustainability, including energy generation and membership engagement. Out of 3 responses to the recent RFP, Kari recommended SunCommon's proposal for a solar carport - it seems like the proper scale and could achieve these goals.

Carl asked whether the Co-op would own the installation. Kari said yes, but a future expansion might involve an outside financier. Steven asked whether financial incentives for solar will benefit the Co-op. Kari said there are two - one is a credit on the energy bill, and the other is a 30% tax credit. We may benefit from that, but the Co-op typically does not have enough taxable income to guarantee we can take full advantage of it.

Marci asked to clarify the SunCommon incentives for members. Kari said James Moore is attracted to this project because he is a Co-op member and wants to attract more members for his business. They have begun to brainstorm incentives for Co-op members to consider a solar development.

Tyler supports solar at the Co-op, but noted that presenting a thin profit margin and reduced discounts alongside a \$60k project could be perceived unfavorably by members. Kari added that the other two proposals were for upright solar panels along the lawn. Uprights would be less favorable from a safety and aesthetic point of view. Kari clarified that if expanded in the future, the first piece will not be dismantled, just added to. The Co-op can't use the roof for solar because it doesn't have the structural support, and has membranes that should not be penetrated.

Alex moved to accept the proposal. Carl seconded. All in favor, motion approved.

5-Patronage refund decision (6:40) Kari said the council has to decide on patronage before submitting taxes. Kari recommends Option 4 in the memo, which balances depreciation with a reasonable patronage refund and taxable income amount. Alex asked whether 60% retained patronage is a given considering that our current liabilities to equity ratio is very stable. Kari said the council can choose to adjust that to between 20-80%. Mimicking last year's percentage has value in managing members' expectations.

Kari explained that the refund is based on net income and how much of that net income is attributable to members. Some has to go back to members, and the rest can be retained. Michal asked whether members have a say in whether to use retained patronage for new projects. Kari said only through their Council representatives. Marci asked whether we are worried about fiscal jeopardy. Kari - no, finances are sound. Steven asked whether selecting one of these options will affect spending projects for next year such as the solar installation. Kari - no.

Alex clarified that the patronage refund reminds members that they own the business. The profit has already been achieved and belongs to the members, so writing patronage checks does not affect the Co-op's current finances. Michal asked whether accelerating depreciation prevents us from counting depreciation next year. Kari - no, the general practice in theory is to maximize depreciation.

Carl moved to accept Option 4. Alex seconded, but added that she was going to advocate 50/50 based on the stability of the debt to equity ratio. Kari added that 50/50 would almost match last year's total amount for distributed amount.

Alex proposed amending the motion to Option 4 with a 50/50 split. Tyler seconded. Alex expressed concern that the council does not know enough about what they are voting on. Marci and Ashley agreed. Alex suggested that the group might feel more comfortable relying on the CFO's recommendation of Option 4. Carl expressed that either way, we'll be demonstrating continuity with last year.

Vote to amend motion: 3 in favor, 2 abstentions. Amendment carries.

Vote to accept Option 4 with a 50/50 split: 4 in favor, 1 abstention. Motion approved. Kari noted that a future meeting item should cover "patronage refund 101."

7-Rules committee (7:05) Carl brought up G4.7 proposal regarding email and other electronic communication. The rationale is that this follows best practices and CDS recommendations. Committees are exempted because they function on a more informal basis and don't make decisions. The group suggested amending the language to clarify that phone and other real-time communication tools like Skype are not included.

Steven moved to approve with this amended language. Tyler seconded. 4 in favor, 1 opposed. Motion approved:

G4.7 The Council may use email and other forms of electronic communication for the purpose of scheduling a meeting, organizing an agenda, or distributing materials to discuss at a meeting. Email and other forms of electronic communication may not be used by the Council to deliberate or decide; no such restriction shall apply to Council committees. Notwithstanding the above provisions, Council members may participate in warned Council meetings via phone or other real-time electronic communications.

Carl reviewed proposal regarding parking lot and action items. Ashley asked whether this was a change to policy - Carl said no, this is an informal clarifying of meeting procedure. Michal suggested that unanimous consent for all action items is unnecessary. Alex agreed. Steven asked whether these items expire if not attended to after a certain period of time - it is not specified in the language.

8-HMCCF committee (7:18) Kari said this cycle included 21 compelling requests for funding. A common theme was food security, an area where the fund can make a big difference. Carl brought up an Iowa court case where a church was not eligible for funding because it was a religious entity - does this come up with the committee? Kari - no, churches tend to be home to food pantries and have repeatedly been awarded funding. Alex moved to accept the grant recommendations from the committee. Steven seconded. All in favor, motion approved.

9-CDS (7:22) Kari said HMC has participated in the CBLD program for about 10 years but there has been discussion of whether the Co-op is getting the most for its money. CDS noted that there are a number of unused hours built up over time and would offer reducing the fee for 2017 by \$1500. Marci asked whether some hours could be used a la carte to do board development for new members. Kari - no. Alex expressed concern with the value of our specific consultant. Kari has not explored using a different consultant. Carl agreed that there may be value in switching.

Steven moved to approve the CDS agreement, while strongly encouraging that we consider an alternative consultant. Carl seconded.

Marci noted that there was not general enthusiasm for this agreement. Ashley said that based on prior board experience, some form of board development is crucial. Carl agreed, particularly because we have high turnover.

Alex proposed amending the motion to include reducing the fee by \$1500, "cashing in" the unused hours per Mark's offer. Carl proposed a counter-amendment to find a way to use the unused hours. Alex noted that it can be difficult to use additional hours. Steven noted that additional retreats would add expense. Steven withdrew the original motion.

Carl moved to adopt the agreement as recently negotiated with the "cash-in" provision. Alex seconded. 4 in favor, 1 opposed. Motion approved.

11-Break (7:42)

12-GM report (7:54) Kari added to the report that the Co-op has started collecting the Montpelier local option tax on most prepared foods. The truckload sale was very successful. Marci brought up an issue with an employee around confusion about the breastfeeding room - both thought it was for customers as well as staff. Kari said it has not been messaged as being offered to customers.

Ashley asked about the credit card terminals - when will they be able to accept WIC and other discount cards? Kari said there is not an update yet, he recommends sticking with Mercury but will update the group monthly. Kari said it is an internal goal to be PCI compliant. We are working with NCG to put pressure on Mercury to move forward on accepting these. Carl suggesting looking into whether Mercury has federal contracts, in which case that could provide leverage.

13-Communications committee (8:06) Alex presented the calendar.

14-Other committees (8:07) No updates.

15-Staff rep report (8:07) Three step-2 grievances were denied by management. One person was terminated with staff concerned that it was a "cold dismissal." Union will be voting on whether to argue the denial of these grievances based on the feeling that

management denies grievances out of hand rather than engaging. Ashley asked whether a lawsuit would initiate council involvement. Kari said that he would notify the council in that case. Carl requested more information on grievances over the past year. Union elections are in process. The Green Team is reconvening under new leadership.

Steven asked whether the dismissal discussed earlier could have resulted in a relocation of that employee to a different set of responsibilities. Kari said the Co-op will always do its best to accommodate restrictions and believes the Co-op did everything possible in this case. Michal clarified that many staff believed that after many years of service, this person was not treated respectfully.

16-Council self-evaluation (8:15) Alex presented the notes from an article about Seventh Generation's board. Alex said it was worth considering that the council's removal from anything operational mitigates its ability to discuss strategy.

Alex presented a list of some items from the survey that may be worth addressing, suggesting that the theme is that we don't work together well as a group. Another is that we don't communicate well to members. Marci suggested that critical thinking and strategic thinking are lacking. Michal noted that we started the council year getting into business with little orientation, and this survey shows the results of that. Ashley noted that the comments show the retreats can be effective, but are missing follow-through.

Steven asked whether this is a public document. Kari - yes. Tyler suggested that the numbers and comments indicate a lack of clarity or cohesive direction, which leads to more discussion of minutia. Michal suggested that the team building retreat should come earlier. The retreat committee will convene and make a proposal.

17-2017 Council officers (8:36) Kari discussed having members self-nominate and go into the November meeting with a printed ballot. Members can contact Kari to be added to the ballot.

18-Wrap up (8:42) Steven asked to clarify whether to include the self-evaluation in the new member packet. The group generally agreed there would be no harm in including it. Carl asked whether orientation will take place before the November 7 meeting. Alex suggested that 90 minutes should be allotted for the orientation.

20-Other business (8:48) Steven summarized the work of the nominations committee. Steven motioned to adjourn. Marci seconded. All in favor, motion approved.
8:51 Meeting adjourned.

Action Items:

Kari clarify timeline for Morrisville Food Co-op loan.

Council members self-nominate for officer positions by emailing Kari.