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Council Meeting Minutes

May 1, 2017

Facilitator: Mark Simakaski

Note Taker: Michael Dougherty

ATTENDEES

Council: Alex Brown, Scott Hess, Ashley Hill, Marcia Wales, Steven Farnham, Carl Etnier, Mark Simakaski, Bertil Agell

Staff: Kari Bradley, Stephani Kononan, Tim Wingate, Michal Duffy (Staff Rep.), Kevin O'Donnell, Laura Furber, Mary Mullally (all except Kari dep. 7:10)

Guests: Ed Fox, Terry Bowling (both dep. 7:10)

5:30 Welcome, agenda review- Terry introduced himself. Michal asked to move the Staff Rep Report to before the break.

5:33 Co-op community comments- Marci thanked the team that put together the Earth Day activities. The Council thanked Michal and wished them best of luck. Scott said some acquaintances that are long-term members mentioned an improvement in customer service over the last couple years.

5:34 Consent agenda- **Bertil moved to accept the minutes and consent agenda, Scott seconded. Approved.**

5:35 Conflict of interest- Scott said he is helping out with sales for the Vermont Sushi Factory, which may start selling at the Co-op.

5:37 Terry Bowling presentation- Terry who is National Cooperative Grocer's Eastern Corridor Development Director presented on issues facing co-ops today. NCG expects 15% annual growth of natural and organic food sales to continue. Major competitors include Wegmans, Trader Joe's, and Whole Foods. A new category NCG calls "supernaturals" can take from 15-40% of co-ops' business. "Old friends" like Walmart, Kroger, and Safeway still present competition. Larger chains have greater purchasing power and flexibility to innovate in merchandising. Take-home meal solutions and "groceraunts" are becoming more common.

NCG co-ops' sales growth has dropped from 7% to 4% over the last 3 years. Good general managers and boards working together are key to success. Weighted personnel as percent of sales has increased. Weighted EBITDAP (earnings before interest, taxes, depreciation, amortization, and patronage) as % of sales has decreased about 1% over the same time period. The number of NCG co-ops managing declining sales is increasing. GM turnover is increasing. Most of the GM turnover they see is failure to manage culture rather than business/finances.

Terry talked about how to expand the circle of "we" - serve a larger portion of the community, increase membership, and extend the co-op business model. All forms of

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participation - consumer, member, social, and leadership - can strengthen a co-op. NCG is considering working on an e-commerce platform its co-ops could use.

6:25 Q&A with Terry- Marci asked what resources NCG can provide around succession planning. NCG has a talent development division that hosts conferences and workshops for staff, including Co-op U online. Marci asked what co-ops can do to prepare for situations that would endanger their stores. Terry said NCG provides guidance to member co-ops that are at risk.

Alex asked how best to make policy changes without members resisting. Terry said communication and engagement are key to bringing member-owners along with the council's decisions, although there will always be some pushback. Steven asked whether HMC's location could be improved. Terry said it doesn't seem to present a problem.

Scott said more guidance on innovations like delivery service and e-commerce based on other co-ops' examples would be helpful. Steven asked whether the Co-op should consider rebranding as a "farmers market" or "organics" store. Bertil asked what we need to do to restart the product cycle. Terry said fresh products are seeing the largest growth - he's seen some stores remove their center aisles.

Carl asked whether any states have a legal definition of what kind of business can call itself a "farmers market." Terry said stores like Sprouts and Lucky's have mainly been built to be sold to larger grocery chains. Steven asked how much natural/organic competition from larger chains is real rather than a perception of natural/organic. Terry said the competition is real - Walmart is selling a higher volume of natural/organic products than any other retailer.

Michal asked whether there's a trend of co-ops publicizing their buying standards. Terry said most stores haven't changed their standards much, and don't communicate about their standards unless there's a change. Terry said more local sales are great, but educating customers on buying local is the more challenging part.

Carl asked about making members feel like owners. Terry said any opportunity to have members participate in decision-making helps. Steven asked about United Natural Foods Inc. Whole Foods is UNFI's biggest customer, but NCG is second. Non-NCG co-ops are charged significantly higher prices from UNFI.

6:58 Community dinner meeting- Kari said the event will be June 13 at Montpelier Senior Center. It will be a dinner and discussion with a local food theme, including other vendors, plus a meal and a screening of a Local Motive film. Scott suggested adding a section for Q&A with the council. Carl said the committee thought that might be more useful at a different event, but this dinner could include topics at each table with a designated council member present.

7:04 Staff rep report- Michal said all-staff safety trainings took place, and green team participation has increased. Staff have started regularly composting again. There is no one collecting packaging material from the receiving department. Morale continues to be an issue - grievances are taking too long to resolve. Grievances moving to step 2 often creates scheduling conflicts. Resolving more issues at step 1

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would help speed up the process and reduce the feeling of issues repeatedly being escalated. "Shallow listening" from management is an issue - there is a feeling that staff input is not being honored.

At least one staff member is interested in taking on the role of council staff rep after Michal leaves. Kari said negotiation for the union's contract renewal at the end of June has not started, but he believes there will be time to meet and come to decisions.

On packaging - Marci suggested requesting that vendors take back their packaging after delivery. Steven suggested putting out a call to local businesses who may be able to pick up and reuse packaging materials. Kari asked whether the next staff rep should be elected for the remainder of Michal's term or for the coming year-and-a-half. The group agreed that the next person should just fill out Michal's term.

7:10 Break

7:20 Executive session - GM evaluation

8:28 Employee survey- Kari discussed this year's survey of employees including the 10 failing grades. There was solid agreement with the fundamental satisfaction statements.

8:32 Monitoring report- Kari reported one ongoing safety noncompliance and shared that there were three repetitive motion injuries in April. Kari said an ergonomist was brought in to look at the issues, and Steven volunteered to help. Marci asked whether management would consider advancement plans for line staff. Kari said the lack of business growth and the low rate of turnover create few opportunities for advancement, but professional development will be considered as part of the business plan.

Alex moved to accept the report, Steven seconded. Approved.

8:41 GM report- Negotiations around the union contract will start in May. Kari will provide Council with a weekly email update. Carl asked for clarification on AmazonFresh providing produce and dairy products - Kari said they are delivering these products in select urban markets, but we don't know whether the program is sustainable.

8:48 Committee reports- Nominations committee submitted a written report. Marci and Steven reported on a North Country Federal Credit Union meeting they attended. Marci said involving members in community events like Corporate Cup could be possible.

8:52 Environmental Ends- Marci said she believes environmental concerns are an afterthought for the Co-op. She suggests that a triple bottom line committee could combine the Co-op Community Fund and any other social and environmental ends. Kari said he believes the environmental bottom line is already part of the organizational culture. Alex said the past iteration of the Environmental Ends Committee struggled to separate the operational aspects of environmental ends and the role of the council. Marci will bring a written charge for an Environmental and Social Ends Committee to the next meeting.

9:05 Annual Meeting Committee formation - Alex said volunteers are needed for a committee to set an agenda and discuss logistics for the Annual Meeting. Ashley and Steven volunteered; Alex will ask Rita if she would like to join with Scott as a backup.

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Alex also suggested a housekeeping change to bylaws so that the voting procedures are made more readable.

Steven moved that the council vote on this change. Carl seconded and cited a need for more discussion. The group agreed to table this discussion for the next meeting.

9:12 Council or community comments- A member spoke to Steven about having someone accompany a shopper with a clipboard to get better feedback about their experience. He also suggested considering a Customer Relation Management system for the co-op.

9:17 Carl moved to adjourn. Steven seconded. Meeting adjourned.