

MINUTES July 22, 2015

Present: Sarah Blum, Harrison Drinkwater, Margaret Drye, Victoria Fullerton, Benoit Roisin, Anthony Roisman, John Rosenquest (left at 8:43 p.m.), Susan Sanzone Fauver, Brett Tofel

Absent: Michael Bettmann, Kay Litten

Staff: Terry Appleby, Anthony Alongi, Eugenia Braasch, Amanda Charland, Lori Hildbrand, Ed Howes, Paul Lambe, Mark Langlois, Steve Miller, Tony White

Members: Nancy Carter, Anne Garrigue, Jackie Gordon, Paul Gordon, Antoinette Jacobson, Buddy Kirschner, Ginny Kirschner, Donald Kreis, Ryan Scelza, Ulrike Von Moltke, Michael Whitman

Margaret called the meeting to order at 6:02 p.m. in the Richard Black Community Center, Room 212.

Welcome

Margaret noted that the Co-op Board meeting is not public and requested that no filming or recording take place. Board members introduced themselves.

Agenda Change

The Committee Updates and Administrative matters were tabled.

Co-op Stories

Sarah spoke with a White River Jct. employee recently and was surprised to learn about her 40 years experience in the grocery business.

Harrison is fascinated by the current information campaign about the Co-op partnership with a Mexican coffee producer cooperative.

Tony, Susan, and Benoit endorsed the fresh nectarines, peaches, and sangria now available at the Co-op.

July 8, 2015 Board Retreat

Margaret summarized the retreat outcomes:

- Consider how seating affects Board performance (assemble in a circle for face-to-face discussion).
- Revise member comment time in Board meeting agenda (try putting mid-way through).
- Enforce Board self-discipline (only speak when recognized by the Chair, use electronic devices for accessing the packet, keep remarks germane to the topic).
- Plan strategic use of Executive Session (at end of meeting).
- Order monitoring report sequence by complexity (start with easier topic before getting into deeper topic).
- Use consent agenda where appropriate (combine minutes and share redemption request, for example).
- Improve Board communication (use email primarily for scheduling and announcements).

Several of the eight board members who attended the session found it to be a useful way to get to know one another and to reach a shared understanding of Board meeting expectations.

Margaret outlined the parameters for conducting an Executive Session, noting that while the goal is to use that non-public discussion mechanism as little as possible, there have been legitimate reasons for doing so in the past year. Executive session is used for three principal reasons: a personnel issue, to meet with counsel, or to discuss a business opportunity. Information discussed in Executive Session is confidential.

In accordance with Co-op bylaws, there are no votes taken in Executive Session; the Board votes to come out of Executive Session, and then votes about a decision, and records it in the minutes.

Member Outreach

Board members agreed in principle to meet with members via other venues than at their monthly business meeting. No decisions were reached about how to structure the sessions. Some Directors indicated their availability to host a table at the August 8th Producer's Fair at the Lebanon store.

June 24, 2015, Meeting Minutes

MOTION: Benoit moved to approve the June 24, 2015, minutes as amended.

Victoria seconded the motion.

VOTED: To approve the June 24, 2015, minutes as amended.

9 in favor, 0 opposed, 0 abstained, 2 absent.

The motion passed.

The June 24, 2015, minutes were amended as follows:

Draft [deleted text in brackets]

Final **new text bold**

Elections (Succession Planning Task Force)

Elections (Succession Planning Task Force)

VOTED (by paper ballot): To elect [Susan as Chair of the HCCF Committee].

VOTED (by paper ballot): To elect **Michael as Chair of the Succession Planning Task Force.**

Share Redemption

Share Redemption

VOTED:

VOTED:

10 in favor, 0 opposed, 0 abstained, [1] absent

10 in favor, 0 opposed, 0 abstained, **0** absent

Share Redemption

MOTION: John moved to authorize the redemption of the shares, as presented, in the Share Redemption Request dated July 13, 2015.

Susan seconded the motion.

VOTED: To authorize the redemption of the shares, as presented, in the Share Redemption Request dated July 13, 2015.

9 in favor, 0 opposed, 0 abstained, 2 absent.

The motion passed.

General Manager Update

Terry asked Operations Director Tony White to report about the Hanover Store renovation project. Tony commended the construction team (project superintendent, architects, general contractor and sub contractors) and also recognized Hanover Store Manager Steve Miller and maintenance staff Brian Barrell for their key contributions to keeping the project on track. The project is in its final phase, with the completion date set for September 25, 2015. It is currently running \$8,900. over budget; primarily due to change orders, which are being carefully reviewed and negotiated.

Board members asked about (1) the sales forecast for Hanover (which Tony characterized as conservative, given that the final fiscal quarter is what will remain after the renovation is completed), and (2) the energy efficiencies (these include: new refrigeration cases that will dramatically reduce gas leaks. LED lights on timers, propane, wall insulation, condensers, roof structural reinforcement to hold a heavier snow load when the roof is replaced – an anticipated future capital improvement).

There was interest in holding a Board gathering at the Culinary Learning Center this year.

Member Comments

Regarding member outreach, a member encouraged the Board to decide what information that they need, then seek specific input about topics of strategic relevance, offering multiple ways for members to respond, rather than holding open-ended listening sessions.

Another member advocated taking advantage of member involvement at the monthly board meetings, with opportunities to provide input throughout the meeting discussions.

A member questioned the Directors' decision to enter into Executive Session in a private setting, citing the example of the June 24th Board meeting. In response, Margaret outlined her decision-making process, saying that she operated in good faith, not realizing that a late change to the June agenda had not been posted to the Co-op web site.

The upcoming July 27th union vote at the Lebanon store generated some discussion, and it was suggested that the Board explore the possibility of establishing a multi-stakeholder model as the Co-op governance structure.

Policy Monitoring

EL 2 Financial Condition and Performance

MOTION: Harrison moved to accept the EL 2 monitoring report as in compliance.

John seconded the motion.

VOTED: To accept the EL 2 monitoring report as in compliance.

9 in favor, 0 opposed, 0 abstained, 2 absent.

The motion passed.

In response to a question about the \$2M sales decline, Terry explained that it results primarily from Hanover store product reduction in the grocery department, as well as from lower gasoline prices.

In response to a concern about possible declining sales of local produce, management said that there are no indications of decline in that area.

Management explained employee wage increase and bonus decisions.

The Board discussed the new operational definition of EL 2.5, inadequate net income. The new definition uses a comprehensive 3-tiered list of what is required to prevent the Co-op from being in financial jeopardy:

1. That net income before taxes WILL NOT be negative,
2. That actual and forecasted net income before taxes will not negatively affect the Co-op's ability to execute its annual plan, including planned capital expenditures and wage adjustments,
3. That actual and forecasted net income will not result in the Co-op defaulting on any bank covenants in place to support borrowings.

The meeting adjourned at 7:46 p.m., then resumed at 8:00 p.m.

EL 4 Treatment of Customers

MOTION: Susan moved to accept the EL 4 monitoring report as in compliance.

Benoit seconded the motion.

VOTED: To accept the EL 4 monitoring report as in compliance.

8 in favor, 0 opposed, 1 abstained, 2 absent.

The motion passed.

The Board endorsed Management's plan for a customer satisfaction survey, projected for spring 2016. Management briefed the Board about the Co-op's member benefit credit program; the agreement stipulates clearing the account balance within 30 days. Management is considering the possibility of canceling the credit account program, given the difficulty with resolving some long-term outstanding balances.

Management explained the vendor product promotion program and associated margins. Promotions are based on what is in the best interest of Co-op members and what products are most likely to be purchased. It is managed very carefully, predicated on the assumption that the wholesaler is marketing to the retailer, but the retailer is not obligated to pass along all discounts on items to the customer. It was suggested that this topic be outlined to the membership (two public forums were offered during the past year about this topic).

John Rosenquest left the meeting at 8:43 p.m.

EL 6 Compensation and Benefits

MOTION: Susan moved to accept the EL 6 monitoring report as in compliance.

Harrison seconded the motion.

VOTED: To accept the EL 6 monitoring report as in compliance.

6 in favor, 1 opposed, 1 abstained, 3 absent.

The motion passed.

Discussion centered on the merits of publicizing the top five managers' salary information, some advocated full transparency, also suggesting a wage range structure which links the lowest wages to the highest. Others noted that compensation ranges are typically held confidentially and are established relative to the level of responsibility, the business/industry, and the region. There was some interest in proposing a policy revision.

At 9:15 p.m., Margaret asked the Board whether they wished to continue the agenda or table the remaining items to another time. The consensus was to complete the EL 5 monitoring.

EL 5 Treatment of Staff

MOTION: Benoit moved to accept the EL 5 monitoring report with acknowledgement of non-compliance.

Susan seconded the motion.

MOTION: Brett moved to table the EL 5 monitoring report discussion.

Tony seconded the motion.

VOTED: To table the EL 5 monitoring report discussion.

3 in favor, 5 opposed, 0 abstained, 3 absent.

The motion was rejected.

The sub- policies reported out of compliance were:

EL 5.5 Retention of Data - Employee Handbook.

Terry reported that he sought the advice of the Associated Grocers counsel, who suggested using the 7 year standard statute of limitations. Board and Management agreed to archive the Employee Handbooks as least as long as that standard, with the goal to retain all copies permanently.

EL 5.8 Employee Opinion of Equity.

When asked about the source of the benchmark value, Terry said that the CDS Consulting Co-op developed it as a reliable indicator level for compliance, based on their extensive experience with food cooperative staff surveys. A Board member observed that that value is the lowest in the survey, possibly because people have a natural predilection to feel underpaid.

Discussion centered on mixed views about the 2015 employee survey data. Some Board members rejected the validity of the survey process, asserting that it was positively biased toward Management. They further asserted that it yielded flawed data, which was then aggregated in ways that masked significant employee problems. It was charged that a “cancer” exists in Co-op culture (particularly at the Lebanon store) which affected the responses, leading to the belief amongst staff that they must respond positively to the survey questions in order to keep their jobs.

Other Board members were satisfied that the policy compliance was supported by acceptable, and not necessarily perfect, results.

Terry acknowledged that a group of dissatisfied staff exists, which is evident in the survey results. He asserted that reputable, highly-experienced professionals conducted the survey, which yielded reasonable data and interpretations. The 2015 Lebanon store results were lower than the other locations, yet higher in all categories than the 2012 Lebanon responses (when that Board approved the compliances). All 2015 responses were above the compliance benchmarks. It was observed that different Co-op locations would generate different response patterns; they could not all be the same.

Suggestions were made that the Board engage an independent 3rd party firm to conduct another employee survey, and/or Board members directly solicit testimonials and comments from employees.

Executive Session (to discuss a personnel matter)

MOTION: Harrison moved to enter into Executive Session at 10:15 p.m., inviting Susan as Employee Director, Terry, HR Director Lori Hildbrand, and HR Staff Trainer Paul Lambe.

Benoit seconded the motion.

VOTED: To enter into Executive Session at 10:15 p.m.

8 in favor, 0 opposed, 0 abstained, 3 absent.

MOTION: Brett moved to end the Executive Session at 11:20 p.m.

Tony seconded the motion.

VOTED: To end the Executive Session at 11:20 p.m.

8 in favor, 0 opposed, 0 abstained, 3 absent.

VOTED: To accept the EL 5 monitoring report with acknowledgement of non-compliance.

4 in favor, 4 opposed, 0 abstained, 3 absent.

The motion was tied.

Because of the tied vote, the Board scheduled additional follow-up monitoring for the August meeting, given that the results of the Lebanon store employee union vote would be available by then.

The Board tabled the committee updates.

The Board briefly discussed their communication to members and decided to report the outcomes of the policy monitoring.

Adjournment

MOTION: Brett moved to adjourn the meeting at 11:45 p.m.

Susan seconded the motion.

VOTED: To adjourn the meeting at 11:45 p.m.

8 in favor, 0 opposed, 0 abstained, 3 absent.

The motion passed.

Respectfully submitted,

Eugenia F. Braasch
Board Administrator

Harrison Drinkwater
Secretary