

Moscow Food Co-op Monthly Board of Directors' Meeting
Tuesday, September 8, 2015, 6 p.m.

Present: Bill Beck, Kurt Obermayr, Idgi Potter, Colette DePhelps, Charlene Rathbun, Alex Lloyd (Board); Melinda Schab (GM); Dena Van Hofwegen (Board Administrative Assistant)

Absent: Glenn Holloway (Board)

Facilitator: Kay Keskinen

Guests: Joan Rutkowski, Joe Gilmore, Ellen Thiem, Greg Meyer, Leonard Smith, Judy Sobeloff, Logan Morris, Tristan Sokol, Chris Sokol, Diana Armstrong

6 of 7 members present, a quorum is present

PUBLIC FORUM

Public Forum is a time for the Board to listen to owner and general public comments; follow-up is considered outside of the forum.

Judy Sobeloff

Judy wanted to revisit the topic of the printed newsletter no longer being available. Judy feels that having a printed newsletter is an important part of community engagement and can help in addressing issues within ownership. Judy does not want to discredit the Rooted publication or the online presence that we currently have, but feels that a printed newsletter allows her to speak in a much more personal way to other owners. The decision to not print the newsletter should have been brought to the attention of owners before the Board decided to publish online only.

Kay addressed the speaker of the forum, clarifying that the Board will consider her concerns and the Board President will contact her with responses.

STUDY & ENGAGEMENT: *Growth and Expansion*

Bill opened the Study and Engagement discussion on Growth and Expansion in order to reaffirm the topic for Board members. All Board Members had a chance to share their thoughts and concerns in regard to growth and expansion. Towards the end of the discussion, guests were invited to share their thoughts about the subject as well, which brought a lot of positive feedback on the benefit of receiving background information and reasons for expansion. Below is a list of shared thoughts:

Kurt said that growing into Pullman is a way to discourage competition from coming into the area. Expansion into Pullman is a viable next step for the Co-op as we continue to grow, and a way to protect ourselves from competitors. The Co-op runs business in a healthy and functional way, completely different from the corporate world. The Co-op has a very special place in many owners' lives, therefore it can be emotional to many when logical and necessary changes are made to the store.

Colette explained that there have been many chains of natural food stores opening up recently. From certain competitor's perspectives, Pullman is a prime area to open up a store. Currently, there are a lot of MFC Owners that commute from Pullman to shop at our store and expansion was especially important for them. We know from our recent strategic planning process owners want us to open a

Pullman store. We also know if a competitor opens close to our location, it will greatly impact our store sales and ultimately current employees.

Colette asked Melinda how people feel about the changes taking place in the store.

Melinda said that people are noticing the changes and that she is receiving both positive and negative feedback. People and owners really care about the changes that are being made at the Co-op and many are emotionally attached to the store. With so many owners, it is going to be very hard to make everyone happy about the changes. Melinda brought up the subject of talking points, and recommended talking about growth to the public and owners to get people more comfortable with the idea.

Bill spoke in regards to a conference that he attended in Boise this past spring. He shared some insight from a conversation he had with Marilyn Scholl of CDS Consulting. Her opinion in relation to sales was that nothing stays flat when there is competition. Sales will either increase or decrease. While the market for natural foods is increasing, we need to have our sales continue to increase in order to provide the quality products we do to our owners. The MFC doesn't want to grow for growth sake, but as a way to protect ourselves from competition.

Idgi shared two different conversations she had with owners in the last week regarding expansion into Pullman. The first owners fear was that if we expand into Pullman, we are no different than a Whole Foods when it comes to the look and feel of the store. The other owner thought it was good to have a familiar place to shop that can be recognized from place to place, like a Safeway. Idgi confirmed that Moscow is located in a college town and contains both transient people and lifelong owners who don't necessarily like change. Idgi thinks it would be beneficial to communicate the current happenings of the Co-op including the expansion, and explain why it is for the greater good of the Co-op.

Alex directed the conversation back to the original topic and confirmed that the decision to grow is simple and plain. The most logical place to grow is Pullman, and with our current research and studies we will find the best location to do that.

Feedback from the audience:

Judy Sobeloff said that the open discussion on growth and expansion was really helpful. It was important to hear about the competitor angle since she hadn't thought of that as a reason to be motivated to grow.

Diana Armstrong appreciated the discussion as well and is strongly in favor of expansion. She has a strong emotional attachment to the Co-op, but agrees that expansion is important to the store and employees.

Logan Morris agrees with expansion to Pullman and doesn't think that we can stay stagnant. He disagrees with the statement "discouraging competition" and believes welcoming competition is a way to encourage your store to sharpen your edge and make you better. The Moscow Co-op looks and feels unique and he likes the idea of making the Pullman Co-op expansion unique from the Moscow store as well. Logan thanked Joan Rutkowski for her hard work in sharing with people what a Co-op is, and what it really means.

Greg Meyer thinks that growth and expansion is an important enough topic to have an open forum on.

Ellen Thiem agreed that growth and expansion is an ideal topic for an open forum considering challenges that are on the horizon for this move. Ellen also made note that she strongly supports a paper newsletter.

CONSENT AGENDA

Minutes:

Motion to accept the August 2015 BOD meeting minutes as amended, seconded, **passed 6-0-1**

GM Compliance Reports:

Policy B1: Employee Treatment

The General Manager (GM) provided a written report about efforts to ensure that employment conditions are humane, fair, dignified and in accordance with the employee Personnel Policy Handbook.

Kurt asked what ADP stands for; Melinda explained that it's an acronym for Automated Data Processing which is the payroll service that we hired.

Melinda confirmed that there is an Employee Survey currently being conducted in the store. Colette would like to postpone the report for now and review for compliance in November after the survey is done.

Action: Policy and Bylaw to change the schedule of Policy B1 from September to November.

Motion to accept Policy B1 and find it in compliance, seconded, **passed 6-0-1**

Policy B3: Communication & Counsel to the Board

The General Manager (GM) provided a written report about events and trends affecting store performance and stability.

Colette asked Melinda about the multi-year business plan timeline. Melinda shared that Paula's assessment gave the entire management team a lot of work to do, but with everyone on the same page of what needs to be done Melinda feels comfortable giving the plan in January.

Action: Melinda to include in B3 what a reasonable time frame is for the multi-year business plan.

Bill complimented Melinda on sales being really high, and noted that July was one of the best July sales months for the Co-op ever. Gross margin is currently at 43% and a lot of that is due to the deli department sales. Deli labor costs are higher compared to other departments because all foods are prepared from scratch. The Board confirmed that it will be most beneficial to take a look at each departments gross margin individually in addition to the entire store.

Action: Melinda to compare our deli sales with other Co-ops deli sales to see where we compare.

Motion to accept Policy B3 and find it in compliance, seconded, **passed 6-0-1**

Policy B9: Current Financial Conditions

The General Manager (GM) provided a written report, per Policy B9, about the Co-op's financial activity.

Bill complemented Melinda on how great the gross margin and profits are doing. Melinda gave all the credit to Co-op employees and their hard work. Melinda is hoping to meet profit sharing in order to give back financially to employees.

Motion to accept Policy B9 and find it in compliance, seconded, passed 6-0-1

General Manager (GM) FYI Report

The General Manager (GM) provided an FYI report as an informal opportunity for the GM to update the Board on important Co-op information and for the Board to ask brief, clarifying questions.

Melinda was excited to share the Co-op's Basics Program that offers consistent discounts on many items in the store, including case discounts.

The new location for Natural Grocers in Spokane is at North Division and Franklin Park Mall.

Kurt asked about the bike rack roof that needs to be built, Melinda confirmed that a permit is required to complete this.

Melinda is meeting with an equipment person soon to discuss produce coolers. The Co-op currently needs two coolers.

BRIEF ANNOUNCEMENTS AND ACTION ITEM FOLLOW-UP

Colette made an announcement that "Eat Local Week" for Moscow is next week. MFC Board of Directors is hosting Beer with the Board on Tuesday, September 15th from 6-8 pm at Moscow Brewing Company. Colette invited all those present at the Board Meeting to attend.

Action items as of September 8, 2015

- Deliberate ideas for a forum that allows owners to actively participate in their roles at the Co-op. *(In process)*
- Create an Ad Hoc Owner Communication/Community News Committee. *(publicized in the last e-newsletter and invited all interested volunteers to attend next meeting, In process)*
- Owner Engagement Committee will submit to E-newsletter every 10th of the month. *(Add to monthly Board Calendar, Done)*
- Review and update next year's application process to make sure application is clear, specifically outlining that incomplete applications will deem applicant ineligible. *(Done)*
- The Nominations and Elections Committee will gather more information on staff serving on the Board and report back to the Board. Specifically if this is even legal? *(In process)*
- Nominations and Elections Committee to provide a proposed timeline by September board meeting. *(Kurt to send out email by next week to Board for approval, in process)*
- Nominations and Elections Committee will be in charge of submitting an article for winter publication, due November 11th. *(In process)*

- Continue to look at B policies (other than B13, B6 and B7) for congruence with the new Ends and the purpose of B policies. *(In process)*
- Policy and Bylaw Committee will ask Laurene to review the Co-op’s bylaws (using drafted version with member-owner changes), and if she finds anything significant she will put it on the Board’s agenda for directors to consider submitting for owner approval at the Annual Meeting in April. *(In process)*
- Clarify Policy B3 to state which months of the year the GM will provide financial quarterly reports. *(Done)*
- Review the Code of Conduct Policy so its content specifically references upholding the Co-op’s bylaws and refer back to the Board at September’s Board meeting. *(In process)*
- Policy and Bylaw will move forward with an approach to change current ownership practices. The Committee will consider changing ownership to allow for only one Primary owner, with all other persons having only the right to shop on the account. *(In process)*
- Colette to submit Board publication for August 20 in regards to BWB. *(Done)*
- Melinda will review the presentation from the last work session and redact any confidential information before sharing it with the Ad Hoc Committee. *(In process)*
- Colette is working with Dena to find lodging for the Fall Retreat. *(In process)*
- Colette will send an outreach email to interested committee participants. *(Done)*
- Melinda will gather the information necessary to prepare for store expansion in Pullman. *(On going)*
- Melinda will gather more information on customer satisfaction surveys and share her findings with Colette. *(In process)*
- The Board will review Growth Policy at their Work Session. *(In process)*
- Colette will draft a clear charge for the Ad Hoc committee and send it out for Board review. Once it is approved by the Board, it will be sent to the Owner Engagement Committee to guide their recruitment for the Ad Hoc Owner Communications committee. *(Done)*

Future Action Items

- Laurene will complete pro bono research on member loan options. *(In process)*
Strategic Plan Timeline (some items duplicate action items above, but here are organized together)
- Develop talking points to make owners feel heard, specifically related to expansion and growth. Melinda suggested creating these with the management team so everyone can be on the same page; she will touch base with Todd in the future about bringing him out to facilitate discussion around management team/Board talking points. *(In process)*
- Melinda will look into Campus Christian Center on Greek Row (point of contact: Matt Meyers) at the University of Idaho as a location for Co-op’s growth option. *(In process)*
- Melinda will share what policy she comes up with based on the charitable giving criteria. *(In process)*

CONFIRM AGENDA

Idgi would like to make a motion to change D10 before approving it.

BUSINESS AGENDA

Participating Owner Program (discussion)

Melinda lead a discussion on the Participating Owner (PO) Program in regards to current owners who were added to receive the monthly discount of 18% before the voucher system began in October of 2013. The 27 owners currently receiving the monthly discount were given the option to switch over to the voucher system and currently do not wish to do so. There are 23 owners' currently on the voucher system. Melinda is not currently advocating for one system or the other. Either way she wants the owners to feel appreciated for all the work and passion that they put into volunteering at the Co-op. The main goal of this discussion is to have the Board agree on a specific outcome and speak with one voice. Melinda then went on the record saying that if we want to go ahead and leave it as it is then we need to be open about that and exude transparency.

Melinda referenced bullet point #2 and #7 from Policy B6 in her discussion.
Please see below for reference:

2. Designate an MFC employee to coordinate and oversee the program and implement guidelines that are consistent with the International Cooperative Principles and ensure equitable benefit to all participating members.
7. include in the monthly compliance report to the Board the percentage rate of member involvement in comparison to the overall rate of membership in terms of progress made toward the goal of 2% of the membership as Participating Owners;

Bill responded to Melinda saying that he did not find Policy B6 in compliance this year or last year.

Melinda is afraid that she can't count on the Board for support in speaking with one voice in whatever decision is made regarding PO discounts. Just last year the Board authorized Melinda to switch all PO's over to the voucher system, however, several Board members still express discomfort with that change. Melinda thinks that moving everyone to the same reward structure is the most equitable option. However, PO's receiving the flat monthly discount are resistant to the change.

Kurt would like to see the PO program left as it currently is. Owners receiving the monthly discount will continue to receive it while all new PO's will be added to the voucher system as they join.

Bill wanted everyone to know that even though he did not find B6 in compliance he will still support the unanimous decision made and will speak with one voice with the Board. He would like to grandfather the 27 volunteers to the 18% discount in order to not upset the PO's that have worked so hard for the Co-op.

Colette agrees that because we have given an option to switch over to the voucher system, it is inappropriate to make them switch. We have to honor the track that we have already gone down.

Colette would like to provide a directive to the GM on the PO Program. Any new volunteers will be in the voucher system. Those who already have the month-long discount will be grandfathered in and will continue to receive it.

The Board stated that it will find the program and report in compliance with regard to point #2 of the policy even if half the participating owners receive month-long discounts while the rest do not.

Melinda would like the Board to vote to have the 27 PO's to be grandfathered into receiving the 18% discount.

Idgi understands that we have decided to switch to a voucher system. That said, she, personally, does not believe that the monthly discounts are a legal risk to the Co-op.

Motion to approve providing directive to GM on the PO Program that will grandfather the 27 current PO's into receiving the 18% discount **Passed 5-0-1**.

Action: Policy and Bylaw to tidy up Policy B6

Lease Negotiation for our current location(discussion)

Melinda wanted everyone to know that we have 4 ½ years left on our current lease and will need to start thinking about lease negotiations.

Bill noted that, on a national average, NCG Co-ops report it is 1% of sales cheaper to own vs. lease their building.

Financial Audit Update (discussion)

Kurt led the discussion and wanted an update on what was going on with the financial audit.

Bill asked Melinda about the Financial Audit Readiness Assessment the Co-op is currently having performed and the timeline for a full audit.

Melinda reminded the Board there is an Audit update in B9 and that she has contracted for a three phase audit. Details of this three phase process were provided to the Board at the December 2014 Board Meeting.

Add Quarterly financial reports to Policy D10 (proposal)

In Policy D10 move Policy B1 from September to November and B10 from October to September.

Action: Policy and Bylaw to change the schedule of Policy B10 from October to September.

Motion to update Policy D10 and add quarterly financial reports **passed 6-0**

October Work Session scheduling conflict (discussion)

There is no longer a scheduling conflict with the October Work Session. The meeting will take place on Monday, October 19th from 4-6 in the Fiske room.

Member Forum on Growth & Expansion (discussion)

Colette would like to schedule a Member Forum on growth and expansion. All Board members are in favor of having a member forum on the topic of growth and expansion.

Colette would like to hold the member forum at a time when the majority of people can attend. We would like to include a kid's station at the member forum to attract families with children.

Kay included that it is important to have a fair amount of time available at the Open Forum to give people the chance to be heard.

Action: Dena to reserve the Great Room at the 1912 Center for Sunday, October 11th from 3:30 – 6 for the Growth and Expansion Open Forum.

Action: Owner and Engagement to take the lead on design for the evening of the Open Forum on October 11th.

Fall Board Retreat – focus and dates (discussion)

There was a discussion of available dates to travel to Bellingham WA for the Fall Board Retreat. Colette confirmed that Art is available to meet the 5th or 12th of December. Todd is only available to meet in December. Charlene shared concern for traveling in December since it is such a busy month.

There were some questions brought up about what Art and Todd would be able to help us with and what the agenda for meeting with them would be. Could we have similar service by having Bill Gessner travel to Moscow and consult with us for a few days instead of the entire Board traveling to Bellingham?

December is an alright time to travel for most Board members, if that doesn't work then we will have to push the meeting to January or February, and those are extremely busy months for Colette.

Action: Melinda to decide on working with Bill Gessner or DC while she is in Seattle.

Action: Melinda to find out if GM in Boise is available to meet with us?

Action: Colette to find out if Art can travel to Moscow in December instead of us traveling to Bellingham? The 5th is preferred.

Elections Timeline and Recruitment (discussion)

Kurt explained that the committee is in the process of updating the application packet and decided to remove A1.4 as an example of a compliance report. This information is too dense and will be given at orientation instead of on the application. Another update is to extend the voting period to two weeks. The goal is to have the application packet ready by the 1st of October.

There was discussion of an uncontested election. This option allows voters to vote no or yes on the ballot, allowing those with more yes votes to be seated.

Kurt conducted a straw poll on who agrees with the yes/no option:

agree – 5

The yes/no option will stay in the procedures.

Bill would like to see the traditional way of voting in a contested election. Having the option of a no vote adds negativity to the election. We are a cooperative, we are all inclusive and welcome everyone.

Colette would like to provide more clarity on how to vote for this year. We need to inform voters how many people they need to, or can vote for. Including instructions in multiple locations for the election is important.

Kurt confirmed there will be no online voting this year.

Action: Nominations and Elections Committee to work on verbiage for elections making it clear for voters of how many people they need to vote for.

Action: Policy and Bylaw to work on immediate resignation if Board Member is convicted of a felony.

Rooted Publicity Schedule (discussion)

Kurt to submit an article by November 11th in regards to elections.

The spring deadline for Rooted is February and we will be writing about the Annual Meeting. We need someone to write this article.

Committees: Reports/Work Plans progress (report)

Colette asked the Owner Engagement Committee what the specific age is to be a PO. There is nothing in our bylaws that the age is 18 to be an owner. The front end is currently not checking ages for owners who wish to sign up.

Action: Colette to ask Todd G our attorney, what is the age to be an owner?

Action: Joan to find out from Insurance what the age to be an owner is?

Action: Dena to draft a paragraph for OE open forum announcement

Action: Dena to email out publicity schedule

BOARD ASSIGNMENTS AND MEETING REVIEW

Rooted submission:

November 11 – Kurt (Elections)

February – (Annual Meeting)

E-newsletter assignments:

September 10 – OE Committee (Forum announcement)

September 20 – Bill (e-newsletter submission)
October 10 – OE Committee
October 20 – Kurt (Elections)
November 10 – OE Committee
November 20 – Kurt (Elections)
December 10 – OE Committee
December 20 - Glenn

Upcoming dates to remember:

Work Session – September 14th 4-6 in Fiske Room
BWB - September 15th 6-8 pm at Moscow Brewing Company
Board Meeting – October 13th
PNW Co-op Café – October 17th
Work Session – October 19th 4-6

Meeting review – overall the meeting went well. Bill was happy that Kurt involved the guests in the Study and Engagement discussion

Meeting adjourned at 8:38 pm

EXECUTIVE SESSION

Executive session ended at 9:03

*Notes taken by Dena Van Hofwegen
Meeting adjourned at 9:03 p.m.*

The next meeting will be October 13th at 6:00 p.m. (with dinner beginning at 5:30 p.m.) in the Fiske Room of the 1912 Center.

Signature of the Board President

Date