

Onion River Co-op/City Market

Board of Directors Meeting

November 23, 2015

Board Attendance:

Julia Curry, Board Member, President
Faye Conte, Board Member, Vice President
Brian Guy, Board Member
Joanna Grossman, Board Member
Rachel Jolly, Board Member, Secretary
Wayne Warnken, Board Member
Charles Baldrige, Board Member, Treasurer
Allison Searson, Board Member

Absent:

No absences.

Also in attendance:

Michael Healy, Board Facilitator
John Tashiro, Member, General Manager
Allison Weinhagen, Director of Community Engagement
Liz Jarvis, Member Services & Board of Directors Coordinator
Kiersten Hallquist, Board Minutes Taker
Garth Allen, Gallagher Flynn
Steve Austin, Gallagher Flynn
Serrill Flash, Member
Jennifer Kennelly, Director of Finance
Steven Farnham, Hunger Mountain Coop Board Member
Billy Donovan, Hunger Mountain Coop and City Market Coop Member

A quorum was established and the meeting started at 6:01PM.

Preliminaries

Review Agenda

The Agenda was accepted with the following change: “Conflict of Interest” moved to the first item in Executive Session.

Review Minutes

The October 26 Minutes were accepted with the following changes: “Julia proposed that the board...” to “Julia suggested that the board...” and delete the second sentence. No formal proposal was made.

Board calendar: please note that April 2, 2016 has been set aside for the Board Retreat.

Review Follow-Up Items

Seven items were removed from the October follow-up list.

Open Member Time

The Board welcomed a guest from the Hunger Mountain Coop Board, Steven Farnham. Steve is from Plainfield, VT.

The Board welcomed Billy Donovan, a Member of the Hunger Member Coop and City Market Coop.

Auditors Report

Steve and Garth, of Gallagher and Flynn, presented on the Auditing Process. Gallagher and Flynn moved the process from a review (analytical procedures focused) to an audit (required sampling and detailed procedures in addition to performing analytics) per feedback from last year.

Gallagher and Flynn provided an audit overview, which included a review of the roles and responsibilities. The Board's role is to review the audit results and incorporate them into management. Management provided the financial data to Gallagher and Flynn for review and inferences. The Auditors work with management to apply test procedures on the financial statements (sample basis). A common misperception is that the audit is intended to discover fraud, if it exists; Gallagher and Flynn considers the risk of fraud, but it doesn't look at the effectiveness of internal controls; they look at end results, not operational analysis. This audit focused on presenting helpful data to external users ("financial statements with generally accepted auditing standards"). The Auditors report on consistent or significant deficiencies (financial or material).

Gallagher and Flynn reported on the City Market financial statements. The Auditors did not have significant findings: "Unqualified report," "no significant proposed adjusting journal entries." and "no significant deficiencies or material weaknesses in internal control to report." Gallagher and Flynn noted sections of the financial statements that highlight the fact that they completed both a review and an audit (audited End of 2014 – End of 2015). Note how on page 10, A-8 is a new item: there is a deposit for the purchase of real estate, which shows as a significant amount on the balance sheet; patronage is not new, but was noted across a number of pages because it is a significant aspect of the financial statement.

Gallagher and Flynn presented an overview of the financial analytics. Details included to financial trends over the past 5-10 years. Numbers report general success, positive outcomes, and significant growth. City Market is currently covering their liability by about three times the total liability; moreover, City Market has a lot of equity to cover its debt; thus, City Market is well-positioned financially. Working capital and sales are seeing strong positive trends. Gross Margins (profit on inventory sales) and Operating Margins have remained relatively consistent. Operating Income has been growing, but not as strongly as the Sales Growth. Membership is increasing significantly and with that, City Market is also increasing the amount of money that goes back to its members.

Gallagher and Flynn presented an overview on financial distribution. The percentage paid to taxes has decreased over time; City Market is using its earnings to benefit its Members and the general public. City Market is also still able to retain equity in sales to members. Members are clearly re-investing in the Coop.

The Board asked clarifying questions.

Julia suggested the Board continue this conversation at the spring retreat, looking closely at the metrics and brainstorm how to continue this success into the second store. Julia also asked the Board to consider inviting Steve and Garth, of Gallagher & Flynn, to attend a future meeting to discuss the second store.

GM Update

John shared his appreciation for the feedback and conversations he has been having via email. He is also sincerely looking forward to his first holiday celebration with the Board to reflect and appreciate the past six months together.

The Board asked clarifying questions including but not limited to John's observations of store culture and patron feedback.

GM Reporting

Monthly GM Update

John presented his report to the Board and presented some highlights including leadership transitions and maintaining a positive approach to HR function and the job recruitment process aligning to the GM search procedures.

The Board highlighted their appreciation of the section of the report highlighting LED Dynamics. John shared how other stores are creating more innovative and environmentally conscious spaces.

The Board asked clarifying questions including the rise in the produce department sales and the fluctuations in local and organic sales. The Board noted a typo on the final page, referencing the "Food for All" numbers.

Rally for Change annual update

"Nice big wow factor." The growth over the past year is HUGE. The large spike in April aligns with Vermont Restaurant Week and the added support from Seven Days. This money is channeled through City Market; the store does not claim it in its profits or intake anywhere.

Monthly Expansion Update

John presented an update on the store expansion to the Board and presented some highlights included but not limited to an approaching "Key Planning Meeting" (December 8th), which will address a key amendment decision. Phase two of the environmental assessment at the second store site is starting; this phase is particularly extensive and will run through mid-February. Jennifer is working closely with Pat and NCG to consider infrastructure/equipment options and costs. We are still on schedule to break ground in June 2016, and opening in June of 2017.

The Board asked clarifying questions including the sequencing of staff knowledge synthesis and integrating customer and member input into the timeline and the planning commission's involvement in the zoning decisions.

John shared he is hoping to have all expertise and feedback synthesized for the internal and external store by early spring; the conversations cannot occur until John and his team have finalized cost options. Currently, John and his team are focused on gathering and addressing concerns.

B3: Asset Protection

The Board asked clarifying questions including the reason behind a spike in 2014, the money market accounts interest rates as they compared to other accounts, and store computer function. The Board shared their appreciation for Jen's careful review.

The Board reached consensus that the interpretation and the data were sufficient to demonstrate compliance with policy.

Board Monitoring

C1: Delegation to the GM

Joanna reviewed C1 and reported the Board is in compliance.

John as the conduit for operations information has been working well. The Board has been respectful of the GM's choices, but Joanna wanted to hear John's feedback. John validated the observation.

Joanna drew the Board's attention to the final section of the report, and wanted the Board to be mindful of its use of Jennifer, Alison W, and Liz for information when the GM is the primary point of contact. John shares that he does not feel it is a concern, but highlights the value of revisiting the policy; it reminds the Board to remain mindful of the channel of communication primarily running through the GM.

D7: Trusteeship & Relationship to Members

Brian reviewed D7 and reported the Board is in compliance.

Brian shared some highlights of the policy including "The relationship with owners is the Board's primary relationship." He feels the language of the policy is somewhat vague and the use of multiple terms to reference the same group. Faye also noted challenges with the language and redundancy.

The Board decided to make some semantic changes including changing the existing first sentence: original first sentence is deleted and replaced with "The Board obtains its authority from and represents the Members." Moreover, the policy will use the terminology from the title throughout the document, thus applying the term "Members" where it states "member owners" and "owners." Additionally, "The Board has financial and legal responsibility to the Members" should be a single item and will be assigned as bullet item #2.

The Board feels the terminology regarding "Member Owner" "Member" and "cooperative" should be defined and defining the terms warrants a deeper conversation on Board purpose. (Parking Lot item)

Future Planning

Open Member Time Response

None

Confirm Holiday Dinner

The holiday dinner is set for December 4, 6pm-8pm, location TBD (most likely downtown, near Church Street). The new Board Member, who will be starting next year, was invited to the dinner.

Spring Retreat Dates

The spring retreat is confirmed for April 2, starting at 8:30am. The Board shared how they enjoyed and appreciated the meeting house space Alison W booked for their most recent retreat.

Review Board Calendar

The Board discussed changes to be made to the Board Calendar.

Charles is still unsure if he will be able to attend the December board meeting.

Joanna confirmed she will review D11 in December. Alison S will review D9 in March.

Wrap Up

The Board shared an appreciation for time “padding” when we host the auditors.

Executive Session

The Board moved into Executive Session at 8:14pm to discuss expansion and a conflict of interest item. The Board discussed and came to resolution on the conflict of interest issue. The Board also agreed to accept the partnership agreement presented to them. Finally, the Board adopted the B11 policy as presented.

The Board came out of Executive Session at 10:01pm.

Adjourn

The Board adjourned at 10:01pm

Action Items

John will present research on business plan structure when exploring expansion for a second store for a future meeting.

John will incorporate updates on NCG compliance into Board meeting infrastructure. **John and Julia** will determine where this update might fall in the Board meeting process (ensure it happens at least annually).

The Board will hold December 4 for the Holiday Dinner.

John will add April 2, 2016 Board Retreat to the Board Calendar.

The Board to consider follow up with Gallagher & Flynn to inform planning for the second store, whether at the spring retreat or a future board meeting.

Jennifer Kennelly will explore the reasoning behind a spike in the data for 2014 in B3: Asset Protection Policy report.

Rachel will revise D7 to reflect the Board feedback on language.

Alison W will book the meeting space used at the last retreat for the April retreat.