

MEETING MINUTES, December 19, 2018

- Present: Tom Battles, Kevin Birdsey, Liz Blum, Bill Craig, Rosemary Fifield, Jessica Giordani, Dana Cook Grossman, Ed Howes, Benoit Roisin, and Ann Shriver Sargent; in addition, Jessica Saturley-Hall participated by phone, after a vote to that effect
- Absent: Victoria Fullerton
- Staff: Mark Langlois (Director of Finance), April Harkness (Board Administrator), Lori Hildbrand (Director of Human Resources), Amanda Charland (Director of Member Services & Outreach), Ed Fox (General Manager), Bruce Follett (Director of Operations), Jacob Vincent (Merchandising Director), Allan Reetz (Director of Public Relations), Doren Hall (Store Manager – Lebanon), Steve Miller (Store Manager – Hanover), Paul Lambe (Manager – Employee Learning & Development), Janet Couture (Manager – Finance Operations), Caitlin Woodbury (Manager – Community Market), Jimmy Kidder (Manager – Service Center), Joi Purrell (Production Manager – Co-op Kitchen), Tom Guillette (Manager – Facilities)
- Members: Terry Appleby, Allene Swienckowski (2019 Board Candidate)
- Guests: Jeffrey Wheeler and Doug DeLara (Baker Newman Noyes, P.A., LLC)

Bill Craig called the meeting to order at 6:00 p.m. in the Board Room at the Hanover, NH, store.

**MOTION:** Tom Battles moved to allow Jessica Saturley-Hall to participate in the board meeting via telephone.

Liz Blum seconded the motion.

**DISCUSSION:** While some board members feel that remote participation should be allowed only when there are critical issues on the agenda, due to the adverse effect that remote participation can sometimes have on the conduct of the meeting and on the overall board dynamic, other board members feel that the board should make any reasonable attempts to include all board members willing to participate whether in person or by phone.

**VOTED:** 8 in favor, Dana Cook Grossman and Kevin Birdsey opposed. The motion passed.

**Consent Agenda: November 28, 2018, Meeting Minutes (Appendix A) and November 2018 Share Redemption Requests**

**MOTION:** Ed Howes moved to accept the November 28, 2018, Meeting Minutes and the November 2018 Share Redemption Requests.

Benoit Roisin seconded the motion.

**VOTED:** 10 in favor, 0 opposed, Jessica Saturley-Hall abstained. The motion passed.

## **New Business/Action Items**

### **Auditor's Presentation**

Benoit introduced Jeff Wheeler (Audit Principal) and Doug DeLara (Audit Manager) from Baker Newman Noyes. The firm will be conducting the Hanover Consumer Cooperative Society's 2019 audit.

Mr. Wheeler described their philosophy behind the audit process, beginning with their approach of open communication. The firm conducts a systems controls review, expresses an opinion on the financial statements, and issues a letter describing any opportunities for improvement. They are currently in the planning stage with Mark Langlois and his team, reviewing accounting procedures. Early next year, they will begin to identify key areas to review with management and the board.

The auditors discussed potential high-risk areas, such as systems/IT processes, the financial statements close process, investments in other cooperatives, internal controls, the handling of accounts receivable, the inventory valuation process, the accounts payable cutoff, the level of self-insurance reserves, the accounting for the new service center location, and transactions of significance, plus any other areas the board would like to focus on.

One board member expressed a concern about cash on hand levels and liquidity, and the auditors said that the best-case scenario would be enough cash liquidity to fund operations for the succeeding 12 months.

There were follow-up questions about the ratio analysis related to the Co-op's borrowing capacity. Another suggestion included a review of the Pennies for Change program, which is an in-and-out cash transfer from members and shoppers who round up at the register to benefit various nonprofit organizations. The Co-op levies no administrative costs, and all funds go directly to Upper Valley organizations.

Another focus area mentioned by a board member was a review of the impact that the Member Appreciation Day discounts (on the 15th and 16th of every month) have on the likelihood of achieving sufficient profit to also offer member patronage refunds.

The auditors also discussed fraud-related procedures with material impact, such as misappropriation of assets and "cooking the books." If any board members have particular concerns of that nature that the auditors should be attentive to, they were instructed to submit them to Board Treasurer Benoit Roisin for consideration during the audit review.

Lastly, the auditors reviewed new and pending accounting rules that may impact future audits. These include a rule that will go into effect in 2020 that will recognize a long-term lease as the equivalent of a liability.

### **General Manager Report**

Ed Fox said the new service center location is planning for a January 2 opening, with full staffing of three technicians and one service writer in place. The Co-op recently launched two pilot programs, partnering with other organizations in assisting people in need in the Upper Valley. The Norwich Technologies solar proposal for the Co-op's Norwich land was incomplete and will be resubmitted at a later date. The Lebanon store is co-hosting an all-day Feed-A-Family event on December 20. The Culinary Learning Center is seeing a significant increase in attendance — from 1,791 participants in 2017 to 2,461 participants through November of 2018. Finally, he mentioned that the headquarters for Pete & Gerry's Organic Eggs is moving to Centerra, which may present some opportunities for collaboration with this Co-op vendor.

The board had a few follow-up questions and specifically asked to understand the history of Member Appreciation Days and their effect on member engagement. Board members agreed to submit a specific request for information on this topic to the GM. Ed offered to have Amanda Charland make a presentation at the January board meeting about the Co-op's member engagement strategy as it relates to this initiative, as well as the larger picture of this multi-year project the Co-op is undertaking at all levels of the organization.

## Policy Monitoring

### Monitoring Report: EL 1 – Planning: Proposed Budget and Business Plan

Ed Fox reviewed the 2019 Budget and Business Plan with the board, including the new metrics section, which will be embedded into next year's General Manager reports as an indicator. He thanked those employees in the room and the members of the board, pointing out that all of them are stakeholders in the plan. He said he is looking forward to working with the board on strategic planning for the future considerations section of the plan.

**MOTION:** Benoit Roisin moved to accept the General Manager's report on EL 1 – Planning: Proposed Budget and Business Plan.

Liz Blum seconded the motion.

**DISCUSSION:** The board had a few questions related to the member engagement strategy and will save them for the presentation at the January board meeting.

**VOTED:** 9 in favor, 0 opposed, Tom Battles and Jessica Saturley-Hall abstained. The motion passed.

### Monitoring Report: GP 3 – Governance Development

**MOTION:** Kevin Birdsey moved to accept the report on GP 3 – Governance Development with acknowledgement of non-compliance.

Ann Shriver Sargent seconded the motion.

**DISCUSSION:** Kevin reported on the Governance Committee's summary of the board survey results, including suggestions to achieve compliance with this policy. One suggestion is for the Board Treasurer to provide updates on the board budget throughout the year, including a presentation of the draft board budget in September of each year prior to the December monitoring. The board is also anticipating help with policy governance review and compliance through the consulting firm they will be engaging, the Governance Coach.

**VOTED:** 9 in favor, 0 opposed, Jessica Saturley-Hall and Tom Battles abstained. The motion passed.

## Member Comments

Terry Appleby commended the board for their consideration of the risks of demutualization and encouraged the board to continue its study of the issue and to engage members in appreciating the benefits of the Co-op to the community. He also commended management and employees for the results evidenced by the increases sales and membership. He noted that questions around

capitalization are not new and have historically been an issue for the Co-op — specifically around current legislation that prohibits a co-op from accumulating cash reserves to fund capital projects.

Secondly, a board member raised a concern voiced to her by a member regarding the fact that a spouse of a Co-op employee feels that securing health insurance through the Co-op is cost-prohibitive. The Director of Human Resources explained that spousal insurance can indeed be expensive and explained that there are complex issues involved. The General Manager expressed a willingness to follow up with the member, if that is desired.

## **New Business/Action Items (*continued*)**

### **Confidentiality and Fiduciary Responsibilities**

Jessica Saturley-Hall had presented her findings to the board via email prior to the meeting. She summarized her conversation with attorney Dan Luker, who offered to cover the topics in a one- to two-hour meeting with the board. The item was deferred to the January board meeting.

### **Demutualization**

Ann Shriver Sargent referred to the white paper she sent to the board and the General Manager, summarizing the concept of demutualization of cooperatives with a few key points:

- Member engagement, as it relates to *customer* value
- Capitalization
- Bylaws, as to how money is spent and the board's role in such decisions
- Consideration of counsel for the board, separate from that of the organization
- Diversification

New Hampshire statutes state that *there is no material interest* in demutualization in the case of the cooperative business model, as all shares would be returned to the shareholders (members) and any assets that remain would be divided among nonprofits.

### **King Award**

Jessica Giordani will take the lead on seeking applications for the 2019 King Award. Kevin Birdsey will mentor her during this process.

### **Governance Coach Update**

The board scheduled a two-day retreat for January 21 and 22 with the consultant Governance Coach.

### **Absences and Executive Session**

**MOTION:** Dana Cook Grossman moved that any board member present at an executive session may debrief another board member not present at the executive session as to what transpired during the session, with the onus placed on the absent board member(s) to initiate the contact to receive a debriefing. (The standard remains, however, that the proceedings of an executive session may not be discussed with anyone not a current member of the board.)

Ann Shriver Sargent seconded the motion.

**VOTED:** 10 in favor, 0 opposed. The motion passed.

*(Jessica Saturley-Hall had terminated her remote participation in the meeting by this point.)*

## **Committee Updates**

### **Finance Committee**

Benoit presented the draft FY2019 Board Budget and will present quarterly updates to the board during the year.

**MOTION:** Liz Blum moved to approve the draft FY2019 Board Budget as presented, with the addition of up to \$28,000 in the “Board Development; Training; Retreat” line item, as long as the total remains under 0.2% of total sales.

Tom Battles seconded the motion.

**VOTED:** 9 in favor, 0 opposed, Ann Shriver Sargent abstained. The motion passed.

*Benoit left the meeting at 9:03 p.m.*

### **Election Committee**

Liz provided an update on the Election Committee’s search for board candidates, with a focus on diversity, including socioeconomic diversity. The one declared candidate was present for the beginning of the meeting but had to leave at 7:15 p.m. for a prior engagement. Liz also stated that the committee is committed to rigorous training, including policy governance videos, if possible. Candidate recruitment through in-store tabling will continue after the holidays. Liz mentioned that other issues the committee is looking at include how the names are listed on the ballots, how to handle invalid ballots, and ways to increase the percentage of members who vote.

### **Governance Committee**

Kevin provided an update on the committee’s work on the board handbook, including the timeline for board review of the document at the January board meeting. The goal is to have the handbook finalized by February. He will also be creating a parking lot of ideas for suggested bylaw changes that will be shared with the board. Work continues on GP 5 – *President’s Role* policy revisions.

### **Member Engagement Update**

Jessica Giordani described a recent member engagement project meeting that she attended with Co-op managers Amanda Charland, Jacob Vincent, and Bruce Follett, as well as Beth Saunders Consulting. They’re reviewing the three goals laid out earlier in the process: reliable access to healthy food, a resilient food system, and cooperative commerce. The group is asking for board input in further defining cooperative commerce. Jessica will email the board with more details about next steps and solicit input at the January board meeting.

### **Waste Reduction Committee**

Liz noted that some members are concerned that the committee is not moving forward, so she’s seeking guidance from the board on issues such as plastics and containers.

**MOTION:** Tom Battles moved to instruct the Waste Reduction Committee, in collaboration with the General Manager, to study the pros and cons of eliminating single-use plastic shopping bags at the Co-op Food Stores in 2019 and to report their findings to the board.

Rosemary Fifield seconded the motion.

**VOTED:** 8 in favor, Kevin Birdsey opposed. The motion passed.

**Adjournment**

**MOTION:** Liz Blum moved to adjourn at 9:28p.m.

Ed Howes seconded the motion.

**VOTED:** 9 in favor, 0 opposed. The motion passed.

Respectfully submitted,

April Harkness

Board Administrator

Dana Cook Grossman

Board Secretary