

MEETING MINUTES, February 27, 2019

- Present: Tom Battles, Kevin Birdsey, Liz Blum, Bill Craig, Rosemary Fifield, Victoria Fullerton, Jessica Giordani, Dana Cook Grossman, Ed Howes, Benoit Roisin, Ann Shriver Sargent and Jessica Saturley-Hall
- Staff: Janet Couture (Finance Operations Manager) Ed Fox (General Manager), April Harkness (Board Administrator), Lori Hildbrand (Director of Human Resources), Mark Langlois (Director of Finance)
- Members: Emmanuel Ajavon (2019 Board Candidate), Carrie Kocik (2019 Board Candidate), Peggy O'Neil (2019 Board Candidate) and Allene Swienckowski (2019 Board Candidate)
- Guests: (arrived at 6:30 p.m.) Doug DeLara (Audit Manager) and Jeffrey Wheeler (Audit Principal) of Baker Newman & Noyes, LLC

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

Consent Agenda: January 23, 2019, Meeting Minutes (Appendix A) and January 2019 Share Redemption Requests

MOTION: Kevin Birdsey moved to accept the January 23, 2019, Meeting Minutes and the January 2019 Share Redemption Requests.

Tom Battles seconded the motion.

VOTED: 12 in favor, 0 opposed. The motion passed.

General Manager Report

Ed Fox told the board that FY19 is off to a strong start, with January/February sales up 4.8% over budget and expenses down. Work has begun on the Business Continuity Plan (a two-year project). A tour is scheduled for board members to see the Co-op's new resource center location (replacing Buck Road) in White River Junction on Friday, March 1. Move-in is set for June.

Strategic Planning update: Ed met with several board members recently on strategic planning initiatives. He will work with management to prepare a SWOT analysis (a plan identifying strengths, weaknesses, opportunities, and threats for the organization) for an upcoming board retreat. The retreat will likely take place in May, providing an opportunity for both outgoing and newly elected board members to participate.

\$15 Minimum Wage Report (Appendix B): Ed presented an analysis of the impact of implementing a \$15 minimum wage at the Co-op over the next 6 years. There were questions about Vermont's proposed legislation on the issue, as well as about factors such as the effect of inflation on a \$15/hour wage 6 years hence and whether benefits are included in the state-reported county-by-county livable wage figures. The Co-op already has a plan in place to gradually implement a \$15

minimum wage as of 2025, designed prior to this new Vermont legislation, and Ed believes implementing it by January 2024 (the activation date in the Vermont legislation) would be feasible.

Some board members spoke in favor of being ahead of the curve on this issue and referred to End 6, which refers to the Co-op as a source for “livable wages and financial security for employees and their families.” The statewide average livable wage in Vermont currently is \$13.06 per hour. It was pointed out that state livable wage figures do not include employee benefits, whereas the Co-op offers benefits on top of its wages.

Policy Monitoring

Monitoring Report: EL 2 – Financial Condition and Performance

MOTION: Liz Blum moved to accept the report on EL 2 – *Financial Condition and Performance* as in compliance.

Kevin Birdsey seconded the motion.

VOTED: 12 in favor, 0 opposed. The motion passed.

Monitoring Report: GP 4 – Board Members’ Code of Conduct

MOTION: Jessica Saturley-Hall moved to accept the report on GP 4 – *Board Members’ Code of Conduct* as in compliance.

Benoit Roisin seconded the motion.

VOTED: 12 in favor, 0 opposed. The motion passed.

Note to the minutes: There were transcription errors in the Appendix C report of the monitoring on this policy; on page 40 of the board packet for this meeting (February 27), the votes on GP 4.2, 4.4, and 4.5 should have been reported as being *unanimous*.

Member Comments

Introduce 2019 Board Candidates: There are 8 candidates for 5 seats this year. Among the 8 are 4 incumbents: Kevin Birdsey (an employee member), Bill Craig, Jessica Giordani, and Ed Howes (an employee member). The 4 new candidates are; Carrie Kocik, a public relations consultant in natural and organic foods; Emmanuel Ajavon, manager of DHMC’s blood donor program; Allene Swienckowski, a member of the Hartford Committee on Racial Equity and Inclusion; and Peggy O’Neil, the director of WISE.

Annual Audit Presentation

Jeffrey Wheeler and Doug DeLara of Baker Newman & Noyes, LLC, presented the results of the 2018 annual audit of the HCCS, Inc. books. The audit is essentially complete. Procedures are close to done, a decision on a patronage refund will be made, and a clean and unmodified opinion will be issued. The audit went very well, especially considering it was a first-time audit with this firm.

The auditors did discuss an alternative treatment this year of the valuation of the Co-op’s investment in National Co-op Grocers. It was simply a matter of which year the investment of \$137,923 was

written up. They found no material fraud and no significant or unusual transactions. They also reviewed management judgments, such as inventory reserves, accounts receivable reserves, self-insurance reserves and accruals, and valuation of investments in other cooperatives. There is a \$32,680 potential reserve on the inventory side.

In evaluating IT internal controls, it was determined that adequate processes are in place, but the audit firm's recommendations include conducting annual information security training for employees, moving away from end-user programs such as Microsoft Office suite to application-based systems, and engaging in disaster recovery planning and testing (a process the organization has already begun).

In evaluating the Co-op's financial reporting controls, the auditors determined that adequate processes are in place, but they did offer some recommendations, including management review of daily reconciliations from point of sale to the general ledger and establishment of procedures to formally document review and approval of journal entries and bank reconciliations (implemented in December 2018).

Their review of the Pennies for Change program revealed an overpayment of approximately \$1,200 over the donations collected in 2018. Procedures are in place to avoid this in the future.

Lastly, the auditors reviewed several new and pending accounting pronouncements, including a requirement that long-term leases be recorded on the balance sheet, starting in 2020, both as an asset (the right to use the property in the future) and as a liability (the future rental payments). This may affect the Co-op's ratios.

The auditors thanked the Co-op for the opportunity and the board thanked the Co-op's Finance Department for the unremarkable audit.

Executive Session

MOTION: Benoit Roisin moved at 7:30 p.m. to enter into the usual Executive Session with the auditors, including the employee board members but excluding all other employees.

Tom Battles seconded the motion.

VOTED: 12 in favor, 0 opposed. The motion passed.

MOTION: Liz Blum moved to come out of Executive Session at 7:42 p.m.

Jessica Saturley-Hall seconded the motion.

VOTED: 12 in favor, 0 opposed. The motion passed.

MOTION: Benoit Roisin moved to accept the audit as sufficient for 2018.

Ed Howes seconded the motion.

VOTED: 12 in favor, 0 opposed. The motion passed.

Patronage Refund

Benoit presented the board with the option of offering a patronage refund to the membership, seeing as 2018 resulted in a surplus of about \$108,000.

MOTION: Liz Blum moved to give 100% of the surplus back to members as a patronage refund (i.e., based on each member's proportion of overall sales), with the refund made available as a credit

at the registers of all stores — and to offer members the option of donating their refund to the Hanover Consumer Cooperative Fund.

Tom Battles seconded the motion.

VOTED: 7 in favor, 3 opposed (Kevin Birdsey, Rosemary Fifield, and Ed Howes), 2 abstained (Bill Craig and Ann Shriver Sargent). The motion passed.

Note to the minutes: Ann asked to have the minutes reflect her reason for abstaining — i.e., her feeling that there was insufficient discussion about the issue, particularly related to the donation option, as it would have an impact on operations.

Tom and Benoit offered to study the topic of how to handle a patronage refund next year, should there be sufficient funds for one, and to present some options for the board's consideration at the September meeting.

Tom Battles left the meeting at 8:10 p.m.

Board Articles

Bill encouraged board members to communicate with members by submitting articles for the monthly e-newsletter. The following board members signed up:

March – Liz Blum

April – Rosemary Fifield

May – Jessica Giordani

June – Ann Shriver Sargent

July – Bill Craig

October – Benoit Roisin

CCMA (Consumer Cooperative Management Association)

This annual food cooperative conference, open to management and board members, will be held in Durham, NC, on June 6-8, 2019. Bill, Rosemary, and Ann expressed interest in attending. The board will reserve 3 spots and further details will be worked out closer to the date. The HCCS has submitted 2 applications to make presentations at the conference; those proposals are still pending at this time.

Diversity Committee Charter

Liz presented a proposed Diversity Committee charter, noting that the committee membership was being expanded to include the Director of Human Resources.

MOTION: Jessica Saturley-Hall moved to send the proposed charter back to the working group for redrafting in a manner that incorporates the recommendations of the Governance Coach and that is consistent with policy governance.

Dana Cook Grossman seconded the motion.

VOTED: 8 in favor, 0 opposed, 3 abstained (Liz Blum, Victoria Fullerton, and Benoit Roisin). The motion passed.

Confidentiality and Fiduciary Responsibilities update

Jessica Saturley-Hall explained that she has communicated with the Co-op's general counsel, Jeff Zellers. He has offered to provide board training on confidentiality and fiduciary responsibilities and to clarify organizational counsel versus board counsel relationships.

MOTION: Liz Blum moved to authorize Jessica Saturley-Hall to schedule a meeting with Jeff Zellers to speak to the board about confidentiality and fiduciary responsibilities.

Kevin Birdsey seconded the motion.

VOTED: 10 in favor, 0 opposed, 1 abstained (Victoria Fullerton). The motion passed.

The meeting will be scheduled after the new board members are seated.

Report on City Market visit

Liz reported on her recent attendance at a City Market Co-op board meeting. Based on her visit, she recommends that the board consider a meeting facilitator. A board member mentioned that it would be nice to know when any board member is planning to visit another Co-op.

Committee Updates

Election Committee

Committee chair Liz Blum noted that the 2019 board candidates were introduced earlier in the meeting.

Governance Committee

Governance Committee chair Kevin Birdsey reported that the committee continues to assess the policy monitoring process; among the options they are considering is assigning individual board members to oversee specific policies. The committee will provide the board with a proposal, but in the meantime their recommendation is to continue to use the current method of monitoring.

The Board Handbook was presented as a living document. Recommendations for future changes should be submitted to the Governance Committee.

Benoit Roisin left the meeting at 9:00 p.m.

MOTION: Liz Blum moved to approve the Board Handbook

Dana Cook Grossman seconded the motion.

VOTED: 7 in favor, 1 opposed (Victoria Fullerton), 2 abstained (Rosemary Fifield and Ann Shriver Sargent). The motion passed.

Member Engagement project

Jessica Giordani, the board liaison to this project, updated the board on a recent engagement workshop. It was focused on mapping out the Co-op's stated goals (reliable access to goods and services and cooperative commerce), reviewing current programs offered at the Co-op, and considering actions members can take to help reach these goals. The project is in need of a clearer definition of *cooperative commerce* and would like the board's guidance. Jessica will send information to be included in the next board packet.

Waste Reduction Committee

Committee chair Jessica Saturley-Hall reported that the committee’s survey of the membership on the availability of single-use plastic shopping bags at store registers is out and has had 688 responses to date. A report will be submitted at the March board meeting. It was noted that this is a member survey to gather information and not a vote on whether to discontinue providing plastic bags at checkout.

MOTION: Dana Cook Grossman moved to authorize Jessica Saturley-Hall to write a letter about the survey to the *Valley News*, to encourage both members and nonmember shoppers to fill it out.

Liz Blum seconded the motion.

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

Governance Coach and Accountability

MOTION: Jessica Saturley-Hall moved to set aside at least 30 minutes at the March board meeting to follow up on the Governance Coach recommendations.

Liz Blum seconded the motion.

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

Adjournment

MOTION: Liz Blum moved to adjourn at 9:17 p.m.

Jessica Saturley-Hall seconded the motion.

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

Respectfully submitted,

April Harkness
Board Administrator

Dana Cook Grossman
Board Secretary