



Board of Directors Meeting Minutes

January 3, 2019 • 6 – 8pm

Ten Pin Building – 793 K Street, Arcata

Disclaimer: This is not a verbatim transcript of the meeting and is based on the author's understanding of the meeting.

Present at meeting:

Board Members: Colin Fiske (Board President – via phone), Robert Donovan (Vice President – via phone), Leah Stamper (Secretary), James Kloor (Treasurer), Cheri Strong, Ed Smith, Mary Ella Anderson

Absent Board Members: None

Co-op Employees: Melanie Bettenhausen, Emily Walter, Laurie Talbert, Barney Doyle, Alisha Hammer, Kirsten Lindquist, Lauren Fawcett, Jason Davenport, Alanna LaBelle, Kristen Hayen

Member-owners: Faye Honorof, Roger, Moonlight Macumber, Margaret Gainer, Kathleen Pelley, Vince Blandford-Graves, David Dahler, Brenda Harper

1. Welcome

The meeting was called to order at 6:02pm by James. Everyone was reminded of the ground rules and introductions were made. James informed everyone that member comments should take place during the two-member comment periods on the agenda. Board meetings are for the board to conduct business. Member input is important, but the in-depth conversations that have been happening at recent meetings are better met at other board committee meetings.

2. Agenda Review and Approval

Consensus to approve the agenda.

3. Member Comment Period

- Faye – I want the community to be informed of the financial situation. There isn't much customer service happening at the Arcata store. I was told checkers didn't want a notice on the registers, but I talked to some that thought it would be a good idea. A member and friend communicated to me that the signs are not at all visible. The sandwich board sign in front of the store is visible but doesn't say why to support the Co-op. This has been an ineffective step in the right direction. I'm frustrated about poor communication to members. The sign that was made is good. I'd like a sign at the registers.
 - o Kirsten – in regard to what Faye brought up about people going to customer service for explanation about the financial situation or getting information at the registers. We are understaffed. We don't have enough cashiers at the moment, and this is a burden on the staff who are currently working. It would be good to find another way to communicate to members. I want people to be aware of this. I want to echo Faye's frustration. I realized these are extraordinary circumstances for the board, but it's frustrating being on the other side. You listen. We get reports, but we can't respond to much. Everyone is trying to do the best they can, we're all trying to stay informed, but we still feel like there is this huge thing that we don't have our hands around.
- Roger – I think some people feel the spirit of the signs didn't match with the input from members. The board isn't getting along. At all levels we need to be working together. I hope that gets worked on. The Co-op is not an investment firm. This board should shift it so that we don't have members that have lots of money in the Co-op. Or maybe we should be worker owned. We should have discussions about shares. I think a one-page newsletter in the store is a way we can all communicate with each other. Maybe membership should have a different price. My daughter shops at the Co-op. She is concerned about affordability. She goes to Eureka and noticed a lot of stuff wasn't available in Eureka that is in Arcata. I asked her if she wished they were two stores with two boards. Another person commented on neighborhood accessibility to shopping and affordability. Many friends say it feels like a big box store. Do we have to keep being the same just for the sake of being the same? A friend believes that Arkely is paid a percent of sales from the Eureka store. Is this true?

- Melanie – in our lease it is stipulated that if we reach a certain level of profitability at that store then a percentage of sales would be added to our rent cost. We've never come close to that threshold.
- Robert – regarding reducing exposure to liability of larger investors. Do you support increasing membership requirements? Such as increasing membership shares to \$300-\$400?
- Roger – I think that is the conversation to have. Something that is reasonable. I think we should do something. As a business we shouldn't worry about losing \$50K from one share holder withdrawing.
- James – I think this a great topic that should go to a committee for further discussion.
- Mary Ella – to have an annual fee has the advantage of maintaining contact with members.
- Ed – we have 11,000-13,000 active members in a given year.
- Brenda – it has been proposed in the past that everyone had to get to the fair share amount.
- James – this is difficult because a lot of comments are operational issues. The board can guide staff and let them know that member comments that have been brought to them are important and we need to make progress on them. I don't know the best way to show or inform members that movement is happening. I understand its frustrating when you don't feel like movement is happening.
 - Roger – one-page flyers would be effective. I know there's been a newsletter for the employees.
 - Leah – I believe we discussed having a one-page flyer for the stores at the Member Action Committee meeting. It's on Laurie's list of to-dos.
 - Mary Ella – it would be nice if the workers produced a newsletter.
 - Vince – article 7 in the Articles of Incorporation says the management of the affairs of this corporation shall be vested in a Board of Directors. It's your choice to manage as far as you want or to hand it off. To say that it's outside your scope – according to the Articles of Incorporation, nothing is outside of your scope. Unless it's different now than its stated in here. Unless you have something in some other document, there's nothing that states the way you phrased it.

4. **Board Correspondence** – reported by Colin

Kim Koontz from the CA Center for Cooperative Development offered to supply assistance to attend the CA Cooperative Conference in Sacramento in April to get additional training. Colin, James and Leah attended last year.

- Mary Ella – how would this training be helpful?
- James – I went to a lot of great legal panels. I retained information about conflict of interest and a board policy came out of that.
- Colin – there are many opportunities for different types of trainings at this conference.

ACTION: Colin will follow-up with Kim and look into how much it would cost for a board member to attend.

5. **Consent Calendar**

Motion: Approve the January 3, 2019 consent calendar:

- a) Approve December 6, 2018 Board meeting minutes.

Leah moved, Ed second, approved by consensus (5/0/2). Mary Ella and Cheri abstain.

- James – I recommend people submit written comment to the board. The minutes are not a transcript of what is said at meetings. What you submit to the board is exactly what will go into the board packet.

6. **Financial Bottom Line**

a) **General Manager Report Period 8**

We have shown improvement for Period 8, which covers the month of November. Our sales growth has improved although it is down year over year. It is much better than what we saw in October. Personnel, including benefits was down. Cash is growing. We had positive net income for the first time in several quarters. The biggest contributors were reducing labor, controlling expenses, no major health care claims, everyone working hard to keep inventory under control, providing customer service and all those shopping at the stores. We are short staffed right now and it's difficult for everyone. I'm thankful for the community coming out to support the Co-op, including Faye who wrote an opinion piece asking for support. When I worked on the sales floor over the

holidays, I heard people say they've made a conscious decision to shop more at the Co-op. We may not be in the clear. This may have been generosity during the new year but so far, it's looking positive. Our cash projections (if sales stay where they have been, and with no change in labor) show we can get to May without tapping into our line of credit. It will be tight, but this is much better.

- Barney – the audit went smoothly. The best thing that came through was that RFS was able to provide bank statements and we can start with a clean number for the beginning of the fiscal year. My next main task is to make the software system do the reconciliations that it's designed to do so we can stop using spreadsheets.
 - o Faye – what do the auditors do?
 - o Barney - The auditors examine different sets of financial information and apply standard tests to see if our methods are meeting those standards. They check to see that controls are in place for how cash is received and accounted for, controls for how vendors are paid, and getting into the ledger system. They've gathered all the information and now we wait for them to send us a report.
 - o James - They also make you prove your balance at the end of the year.
- Mary Ella – in the last audit there were a number of findings in ways that departments were organized.
 - o James – our last audit had no findings which, are egregious errors. It did have recommendations for management. I talked to the auditors about releasing the management letter to the members this year, even though that is not common.

b) National Co+op Grocers (NCG) Development Advisor

- James - NCG reached out and offered to send out an advisor to offer input to help the Co-op increase sales, and generally help us through this crisis.
 - o Colin – the idea is that the person would focus on agreed upon areas and act in an advisory capacity. They wouldn't have authority to make decisions. They would work with the General Manager but report to the board. I have mixed feelings about it but think we should consider it. There would be no cost to us. My misgivings are that there are certain aspects of the way NCG approaches running a grocery store that I'm not comfortable with. They are less focused on the democratic side of being a co-op than I'm comfortable with. On the other hand, they would just be advising.
 - o Robert – your misgivings are valid and important. UNFI wishes to change this Co-op. It's not a good idea to further our relationship with UNFI/NCG. It's best to find our own path.
 - o James – my opinion is that most of the time more input isn't bad. As long as the contract doesn't hold us to anything. And as long as we have autonomy to decide if we want to take their advice. They might affirm everything we have against NCG. Or they may come with some great ideas.
 - o Brenda – I think everyone has a negative attitude about NCG. We should look at the history of what it has done for the Co-op over many years. If they are only advising and it's free, we should consider it. It might be helpful to listen to people that have experience. NCG is there to help coops.
- Jason – if the board was to consider bring in somebody I think they should look at a variety of options, create a list and then select the most appropriate.
 - o Kirsten – perhaps we should reach out to former Co-op employees. We are a unique place and I think getting ideas from people that are here and that understand the changing culture would be useful. I reached out to Patrick Cleary for advice and he's happy to participate. Bud Culberston could be another person to contact.
 - o Mary Ella – I have felt for some time that we need a more experienced manager. I've talked with Martin Roth who applied for the GM position. He will mentor for free. The reaction from Colin and the other board members was negative. There are issues of political fantasies or seeing yourself as more than the situation deserves. People shut me out completely mentioning his name. He has 30 years' experience.
 - Robert – the hiring of the current GM was predicated on the idea that there would be mentoring. There was an agreement at that time that with Martin.
 - Colin – I don't believe what Robert just said is accurate. Regardless, if Martin Roth wants to offer services to us, I would be open to reviewing his proposal of what he's offering. I'm open to reviewing an alternative proposal.
 - o James – it would be great to get advice from multiple sources.
- Ed – the sample NCG contract that was sent to us was missing important information. It would need to stipulate there would be no legal ramifications if their advice was not followed.

- James – the joint liability is the stick they could use against us.
- Melanie – if you choose to sign the contract, they lower the JFL contribution while we are taking their advice.

ACTION: Colin will ask NCG for a real contract for the board to review.

ACTION: Mary Ella will solicit a proposal from Martin.

The board will review any advising or mentoring proposals received at the February board meeting.

7. Social Bottom Line

a) GM update – it has been great that members have come together to help solve this financial situation.

b) Ideas for building trust between the board, employees and members – reported by Colin

This agenda topic was brought up a few meetings ago with the purpose of finding ways to improve communication. Perhaps it would be good to have some open meetings between the board and employees to have questions asked and answered, shared ideas to help improve trust.

- James – some members are concerned about transparency from the board. What if we direct staff to not edit anything that the board writes or publishes anywhere - even if there are typos, false information, and personal opinions.
 - o Mary Ella – it's good to have differing opinions. It's a sign of a good board.
 - o Colin – I think its important that when a board member expresses individual opinion that it's made clear that its their opinion and not an opinion of the board. I do have a problem with factually incorrect statements being published on behalf of the board.
 - o James – staff could put asterisks next to information that is incorrect, with corrections at the bottom of the page.
 - o Mary Ella – I'm a journalist that searches for facts. The censorship going on here is PR to make things look like they are great.
 - o Kirsten – if it's put out as the board I want to make sure it's absolutely true.
 - o Colin – I want to mention that we've had issues with board members saying non-factual things. There have been factually inaccurate statements made tonight by board members. It's a concern to me.
 - o Robert – facts are based on one's perceptions and I'd think the north coast culture would understand this better than anywhere else in the US. Facts are based on one's perception. Facts are not equal depending on differing perceptions. I believe Colin and Mary Ella would agree with me on this.
 - Colin – I would not agree with that. I believe there is a difference between fact and opinion. For the purpose of running a business there a difference
 - Mary Ella – as a journalist there is a difference between fact and opinion.
 - o Mary Ella – Lets allow members to have uncensored comments in the newsletter. We could invite members to contribute.
 - o Melanie – we get a lot of emails to the board and me regarding Co-op happenings. We could ask them if they'd like to be incorporated in the Co-op News or in the stores. Feedback could be distributed to a larger audience. I've responded to many members with great ideas. Interaction is happening but its not visible and I agree it should be.
- Maggie - is there agreement among the board that no one board member represents the whole board to the media without consent that the information is what the whole board agrees to?
 - o James – in the board binder there is a page about communication with members. One of the things it notes is that if you are speaking about a board decision that it's a decision of the board. It talks about how you want to present a unified board to create confidence. I think it's a document that the board should review again.
 - o Mary Ella – what it means is that descent is suppressed and that only consent goes forward. There's no open forum discussion about these issues. That would be a democratic thing to do. To have open discussion about whatever policies we're thinking about adopting. That doesn't happen very often.
 - o Colin – I disagree. That happens at every meeting that we have and it's happening right now.
 - o Mary Ella – it doesn't always happen at these meetings.

- Colin – I agree that the board need to be able to express their dissenting opinion but it's important to recognize that you can speak on behalf of the board when the board has voted on an item, otherwise you can only speak of yourself as a board member. Making that distinction is important.
- James – this item will be continued at a future board meeting.

{5 minute break}

8. Environmental Bottom Line

- a) GM update** – nothing to report at this time.

9. Process for GM Search – reported by James

At the last board meeting the board agreed with Melanie to begin the GM recruitment process. Melanie would apply and continue her contract through November. Melanie may be hired, or a new person could be. The intention tonight is to review the workplan I handed out and insert dates. I want employees and members to be able to provide input during this process and that is notated in the work plan. I think there needs to be a subcommittee of the board, members and staff, similar to the strategic plan committee structure.

- Colin – I like the idea of broad input during the early stages of what the GM job description is and what the criteria and ideal candidate would be. I have concern about having mixed interview panels. We would need to do significant training to keep people from asking questions that we can't legally ask during an interview.
- James – there is something in there about training in the timeline.
- James – how do folks feel about hiring a part-time HR consultant to help with this process?
 - Faye – what will the cost of an HR consultant be?
 - Ed – what's the cost of hiring the wrong GM?
 - Kirsten – is it possible to engage an HR consultant willing to do something in trade? Having input from members and staff is a great idea.
 - James – we have recency bias.
 - Mary Ella – the bad situation is happening right now. I'm appalled by the way we treat our employees.
- Melanie – I want to point out that there was a statement that things didn't go well. The board went through a lengthy process to hire me. While we did have a serious financial issue, we are turning it around. Leadership is in place to make changes to turn the Co-op around. The reason the board is doing this search now is that I recommended that they do their due diligence if they thought they were not going to renew my contract. As far as I've been informed there are not issues with my performance and my contract was extended to November. I'm creating a space for the board to do one of the most important things they can do. In my mind there is no problem. Many of the people here were the ones that hired me, and they hired me for very strong reasons. There is a narrative from at least one board member that there is something wrong with me, with my leadership and management and I disagree with that. If those problems existed, then the board, as a whole, does not agree with that.
 - Mary Ella- I was not allowed to offer negative comments on your job performance. My comments were disallowed.
 - James – I don't feel your comments were disallowed. I'm sorry you feel that way.
 - Colin – The board votes as a majority on these issues. I'm not sure what Mary Ella is talking about right now.
- Roger – boards pick managers and I don't think they need specialists to help them. We have an elected board to do the job.
 - Dave – if you can't as a board do a search and hire someone, then maybe you shouldn't be on the board. Every solution doesn't have to have a consultant. It's time for accountability for the board. The board should be able to hire someone. To sidestep that responsibility is wrong. If you don't want that responsibility you shouldn't be on the board. Democracy isn't pretty. There can be conflict. I want to see democracy work.
 - Mary Ella – I don't think it works that way here.
 - Dave – It's your responsibility to try and make it happen. I expect the board to come up with a plan, such as the workplan we are looking at.
 - Colin – the roles a consultant plays to provide expert advice the board may not have. And that's the right and responsibility of the board to lean on advice to make the best decision. Another role is to

carry out things that are time intensive, such as posting advertisements, responding to applicants etc. There is a legitimate role that that person could play in this process.

- James – how much can the board utilize the HR staff at the Co-op?
 - o Melanie – you can use the HR Manager.
- James – I think we need a subcommittee to fill this workplan out by the next board committee.

ACTION: Robert, Cheri and Colin will be the GM hiring subcommittee this month to complete the workplan for the February meeting.

10. Member Comment Period

- Faye – Melanie said the Co-op is moving in the right direction. I like Rogers suggestion about flyers. Can the sign be made into a flyer for people to take from the store?
 - o Laurie – this idea was brought up at the MAC committee. We discussed putting an outreach flyer on the rack with the Co-op News and sales flyers.
 - o Faye – I don't think that is enough. I think every shopper should be given a flyer.
 - o Brenda – I have proposed handing out flyers at the register. But it's never happened. Everyone has to go through the register.
 - o Kirsten – I disagree with this. I recently looked at our weekly sales. Our sales have gone down. When you tell people that things are bad people run away. A dedicated group might respond but most won't. Negative information scares me.
 - o James – I think the best thing for member comment period is that we hear the comment from members. Managers will then take that information and act. I rely on management to take the comments and take them where they need to go. Staff who are here are listening.
 - o Kathleen – I was on the Co-op board when we went through a major downturn. I'm concerned about the negativity. I want to see us work together to clean this up and I'm optimistic that we can. I agree that negativity is bad marketing.
 - o Roger – I think the flyers can exist and not be negative. I encourage that.
- Faye – since the Co-op is not out of the woods, meeting once a month feels like a long time. Should the board meet every two weeks and get reports from Melanie on how things are moving along?
 - o James – the board does a lot of emailing and as the board Treasurer I get updates often.
 - o Kathleen – what about a Finance Committee meeting once a month so that the board could meet twice a month?
 - o James – I will think about that.
- Member – I was shocked about this person that is impersonating someone at board meetings that was noted in the GM report. Has he been called out on this personally?
 - o James – my preparation for this meeting today was to figure out what to do if that impersonating member showed up again. The intention was to inform them that they are not welcome at this meeting and ask them to leave and if they didn't leave, we would call the police and he would be escorted off the premises. This person has behaved in a hostile manner at recent meetings.
 - o Mary Ella – so we have codes of conduct now where people can be evicted from meetings?
 - o James – he's not a member. He was impersonating member #117. He was using a name to sign in that wasn't his.
 - o Robert – it may or may not be true that he is not a member. Nobody knows who the gentlemen is.
 - o James – to the best of our abilities we've determined that he is Robert Eckart. He has multiple photos online that tie that name to that person. Robert Eckart is not in the member database. And his actions at the meetings alone should bar him from attending these meetings whether he is a member or not. We need to adhere to some code of conduct or civility. We need to protect those in attendance. They should not feel threatened from behavior such as his.
- Roger – It might be an idea to rotate who chairs the meetings and rotate who writes reports for meetings.

12. New Business (items for next agenda):

- Ideas for building trust between the board, employees and members

Consensus reached to adjourn the January 3, 2019 meeting at 8:19pm and move into Executive Session.

Minutes by Emily Walter

North Coast Co-op
Board of Directors Executive Session Minutes
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Absent Board Members: None

Approved Guests: Jason Davenport

No reportable action taken.

Executive session ended at 9:29pm

Reported by Leah Stamper