



Board of Directors Meeting Minutes

September 6, 2018 • 6 – 8pm

Ten Pin Building – 793 K Street, Arcata

Present at meeting:

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

Absent Board Members: None

Co-op Employees: Melanie Bettenhausen, Emily Walter, Lyndsi Reel, Kiya Villarreal, Laurie Talbert, Lauren Fawcett, Austin Wright, Mara Segal, Kristen Hayen

Member-owners: Lisa Blandford, Pam Brown, Roger, Brenda Harper, David Dahler

1. **Welcome**

Meeting was called to order at 6:01pm by Colin and introductions were made.

2. **Agenda Review and Approval**

Consensus to approve the agenda.

3. **Member Comment Period**

Lisa – after attending the recent finance committee meeting I had some thoughts for the board. When the Co-ops finances are in order I would like to see a plan of action put into place to prevent putting the finances in disarray again. I urge the board to be vigilant regarding investigating the Co-ops finances. The board are the defenders of the Co-ops financial solvency. I appreciate your efforts to get the finances into order.

- Colin – we do have financial statements being provided by an outside organization that we can now trust. We are in a lot better shape than we have been. We appreciate your comments.

Roger – at the last Member Action Committee meeting we met in the Arcata store for a tour. We saw workers that were very passionate about their work. I would like to see an effort to make this seen to our members. Is the board actively talking to members and employees to get their opinions about the Co-op? I encourage more conversation. Why can't there be more transparency when someone loses a job? It's mysterious and deflates the members confidence. Are there key words of sorts that could describe the situation?

- Mary Ella – I think we should have a conversation about employee policies and how these situations are handled.

4. **Consent Calendar**

Motion: Approve the September 6, 2018 consent calendar:

- a) Approve August 2, 2018 Board meeting minutes.
- b) Approve August 16, 2018 Special Board minutes

Approved by consensus (7/0/0).

5. **Board President Report** – Reported by Colin

Designate who will write the board report

Cheri will write the September board report. Colin will write the Co-op News article.

KHSU Update

The board received a response email from Peter Fretwell at KHSU. The board doesn't wish to take any action at this time and will continue its underwriting of KHSU.

ACTION: Emily will forward Peter Fretwell's response to the member who brought the petition regarding KHSU to the Co-op.

Board Management Retreat

The board would like to schedule a retreat following the elections.

ACTION: Emily will poll the board and management team for weekend dates in late January and early February.

Board Meetings in Eureka

The board discussed their interest in convening board meetings in Eureka again.

- Melanie – we can do this, but I want you to be aware that it may have to be a standing meeting (no chairs), no technology if someone needs to call in and it could be difficult to hear.

Motion: Direct staff to figure out how to hold the October board meeting at the Eureka store.

Robert moved, 2nd from James, Motion passes (7/0/0).

6. Member request to oppose Measure M

- Pam – passed out a list of those endorsing no on Arcata’s Measure M as well as a letter submitted from a Co-op member who couldn’t attend tonight’s meeting that is also against Measure M. Measure M is to keep the McKinley statue on the Arcata plaza. I’m opposed to measure M but ultimately the community needs to decide. The Co-op is a huge part of the community and committed to the concepts of racial equity. I’m asking you to endorse removing the statue from the Plaza. Cultural acknowledgement and culture respect should be embraced in this situation. Values and ethics to influence the well being of the community. A no on Measure M would be advancing racial equity. You’d be validating the voices that this Measure is ignoring.
- Mara – I’d like to play devil’s advocate as a cashier who encounters many of our members. I’m not confident that this board can make this decision for our members. It doesn’t mean that I personally disagree with anything that is being said. I’m not sure the Co-op should endorse something that our members fall on both sides of the lines on. I’m hoping the measure will be defeated.
- Roger – I do sense that the board should not get involved with non-food related measures. But the board could write a strong statement on this issue. Recognize if people have been mistreated. Recognize that there are things that can happen to the plaza that everyone can be happy with. Find the ground that encourages people to be involved in the conversation. We can’t represent them on a vote that is not food related. We should look for solutions that are more inclusive than the current situation on the plaza.
- Cheri – the board is elected by the membership with the assumption that the board will do its best to represent the voice of the membership. The Co-op and the community have serious work to do as far as racial equity. The board should take a stand on this.
 - o Roger – if I ask a lot of co-op members if the board they elected took stands on issues that are not food related, they would say that I didn’t vote for my board for those reasons.
 - o Leah – I agree with Cheri. I get that this isn’t a food issue but its relevant to the racial equity that we are working on. That statue has always been divisive.
- James – before we drafted a letter to KHSU we asked for a petition from the members. I would like this to be done in a similar way.
 - o Colin – Measure M is on the November ballot. We need to take a position soon.
- Ed – I have no need for statues on the plaza. I like the concept of moving it. I’m not comfortable with the Co-op taking a direct stand with local democracy. I don’t like seeing other corporations influencing democracy in other areas of this country. I’m uncomfortable with the company getting involved.
- Pam – the first time this issue came up was in 1958 and it was the merchants that wanted the statue removed from the center to bring the community together.
- Colin – I struggle with what Ed and Roger have said. I understand we can’t get involved with every political issue that comes up. Last year we took a position on single payer health care which was not a food issue. I agree with Cheri in that we’ve adopted a racial equity statement and I think this issue falls under the umbrella of making our store welcoming to everybody. The statue does not make everyone feel welcome. I feel okay endorsing No on Measure M.
- Mary Ella – the statue is not the issue. The issue is that we have never acknowledged our colonial racist history. The statue represents that we deny our past. The statue has served the purpose of people being on one side or the other. It doesn’t address the real issue which is that from the beginning of history we have appressed other people. That is what the statue represents. We’ve been working on racial equity for a year and we still don’t have racial equity.

- Pam – the Tribes and NAACP are saying that voting no on M and removing this statue is acknowledging all of what you just said.
- Colin – would it help if the Co-op drafts a reason why the we are endorsing no on M?
- Robert – would like to include polling of the membership as part of the motion.

Motion: The board endorses No on Measure M and acknowledges the damage that colonial culture has done to indigenous people throughout the world.

Cheri moved, 2nd from Mary Ella, Motion passes (6/0/1). James abstains.

- Colin – we support having a plaza that is welcoming to everybody and will write a statement to explain our endorsement of no on Measure M.

ACTION: Staff will write a statement and send it to Mary Ella and James for review.

ACTION: Emily will forward Pam's contact information to Robert.

- Pam – thanks the board for their commitment.

7. Food for All Program Proposal – Reported by Colin

The proposal stands as presented in August. In light of current financial standing, I believe staff would be fine tabling this proposal for now. I don't think it would be responsible to adopt the proposal as presented right now. If we are going to wait a time before revisiting it, I would like to gather more data to better inform a future decision. Alanna had suggested increasing the number of participants in the pilot program to get more information which sounds doable. I think it would be good to consult with a statistician to see what kind of data we'd need as we continue a pilot program to project financial impact if we were to implement some version of the proposed program in the future.

- Mary Ella – this proposal pits two groups against each other. It throws seniors under the bus. There is nothing good in this proposal. I'm appalled at this proposal. Senior Tuesday is our biggest shopping day. We need to do better than this. This is food for a few, not food for all.
- Ed – having been on WIC in the past the CAP program would have been fantastic. We had to buy cheap food at vendors other than the Co-op. When we wanted good food, we went to the Co-op but that was rare because we couldn't afford it. It would have been more helpful for me in that point in time to have assistance than it is for my parents who now get a senior discount even though they have money and can afford good food. I can't support the program without a limit on the number of participants.
- Lisa – what if we got rid of some of the coupons we give members to help fund these programs? Being on WIC and food stamps makes it hard to get good food. There are older people who will let their pride get in the way of applying for this program.
- Mary Ella – why can't we provide food for all? Not just certain groups?
- Colin – part of the proposal is to remove the senior discount. We think removing the senior discount would cover the cost of the Food for All program which offers discounts to shoppers based on need. Seniors who are low income would qualify for this new program and get an even bigger discount. I'd like to have a statistician review the cost of the proposed program. Perhaps our current estimates are wrong, and we wouldn't need to remove the senior discount.
- Leah – I don't like the idea of getting rid of the senior discount. I've been talking to members I know. I talked to one person who feels guilty for taking the senior discount thinking it should go to those who really need it.
- James – we need more data. If we could double the participants in the CAP program, we could get more data and then build it into the budget. I don't like the idea of getting rid of the senior discount. We just don't have enough data. Doubling the participants and leaving the cap at \$500/month would be a good option for now.
- Robert – there is a store on Interstate 5 that has a similar program. They don't have qualifications. They just go on the honor system. I don't know how they do it.
- Colin – if we were in better financial health I would be in favor of the proposal, but we are not. I don't want to wait another year and not have better information to base a decision. I don't want to let this slide.

MOTION: I (Colin) propose we direct staff to consult with a statistician or qualified person to find out what data we'd need to make a confident projection of financial impact and come back to board with options to modify the current program to that effect. 2nd from James.

DISCUSSION

- Melanie – I think the priority should be getting a controller in place. A statistician would tell us we don't have a large enough sample size to get the data we need. I don't think it's a good use of resources at this time.
- James – I don't think this would take much time to do.
- Melanie – would someone on the board like to take this on?
- Colin – we need to take action on this. It doesn't have to take attention away from critical short-term needs.
- Melanie – staff and board have invested a lot of time in this proposal. This isn't going to disappear. When we create a new budget, it should be written into it and brought to the board. If we can get our financial situation in order, then we can have a different conversation about the feasibility of the program.
- Colin – we don't know what the financial impact of this program will be. It's guess work.
- Dave – who is hiring and paying for this statistician? It goes along nicely with the ideas of the Co-op, but is it realistic to justify this fantasy?
- Colin – I don't think this is a fantasy. We have HSU here. We could engage a professor for free.
- Dave – you are a board with responsibilities to the members.
- Ed – my position is that we need to exist first. If we don't exist we can't do anything good for anybody. I think we should focus on existing currently. Push the CAP back six months or a year and then reevaluate.
- Colin – I agree with Ed. I just want to make sure we have the info we need to make a decision in the future.
- Roger – perhaps Colin and James could approach an HSU class to help gather statistical data. I think the board could direct staff to set up a method where seniors could donate their discount money, like the round up program. That would be a good poll of the seniors.
- Mara – I encourage the board to stand behind my register. There are a fair number of seniors that round up on senior day.

No vote was taken on the motion. The board decided to table the Food for all Program and authorize Colin and James to reach out to an expert to get financial analysis of the proposal.

8. Racial Equity Consultant Proposal

- Melanie – we need to discuss what the process will be regarding moving forward with what has been proposed. Because of all the pieces of this proposal and crossover between the board and management, it might be good to have a board committee manage this or have one or two board members that will be the contact points for moving this forward.
 - o James – I would like to be part of the committee to move this forward.
- Mary Ella – the proposal doesn't accomplish what we want to accomplish. It doesn't help us integrate with other cultures. We don't need a consultant to deal with others. I invite the board to the Home Away From Home potluck on Sunday. There you will actually participate and meet students of color.
- Melanie – the \$11,000 cost of following through with the board approved proposal has not been budgeted for. This would be incorporated into a mid-year revised budget and parts into the next fiscal year. It's not all or nothing. This is part of what's been built into our 5-year strategic plan. We want to understand where we are now to see our institutional barriers so that we can improve.
 - o Cheri – we can spend money and have workshops, but individuals need to open their hearts. They need to get over their fear of discovering that they themselves are likely racist.
 - o James – when you have an institution a consultant can point out where things need to be changed within policies and such, help the organization address bad practices, and fix them. If you are racist as an institution, you can't work on it internally without an outside consultant. There needs to be a trusted partner to point things out.
 - o Lisa – I agree with what you are trying to do as an institution.
 - o Cheri – this trusted person is coming from HSU/HAF who I don't believe have good track records. It needs to come from someone that's not part of the liberal community.
 - o Roger – years ago environmental groups spent a lot of money with consultants. A lot of problems came from within and they listened to the consultants but very little changed.
- Colin – The board has previously approved this proposal from the consultant we hired. Unless the board is changing their minds, I'd like to get us back on track of what this agenda item is about. James has volunteered to be a delegate of the board to work on this.

Motion: The board authorizes James as a point of contact to work with staff to further the racial equity proposal.

Moved by Colin, 2nd from Leah, Motion passes (5/0/2). Cheri and Mary Ella abstain.

{ 5 Minute Break }

10. Nominating Committee – election update

The nominating committee met and approved all eight applicants. The election starts October 2. There will be an election kick-off on October 6, 6-9pm, at Eureka Books during Arts Alive! There will be another opportunity to meet the candidates during the Annual Membership Meeting on October 21, 1-4pm at the Arcata Vets Hall. Elections end on October 24 and the votes will be counted on October 25.

- Colin – I appreciate the efforts that staff and the Nominating Committee did to get the word out to get candidates to run.

11. General Manager Report

- Colin – am I correct in reading that the workers comp rates are affected by claims that are three years old?
 - o Melanie – workers comp insurance evaluates a combination of what your claims were three years ago and also take into consideration measures you’ve taken to reduce claims currently.
- Cheri – how much cash on hand days do we have?
 - o Melanie – if we use the NCG methodology to calculate cash on hand it comes to about \$95,000 daily. At the end of August, we had just over two days of cash. Our working capital loan is helping that situation.
- Cheri – have we had 20 days cash on hand recently?
 - o Melanie – we may have about a year ago but that could have been inaccurate due to the unreliability of our financial statements. RFS is now making an accurate determination of our financials. We also have a \$149K line of credit that we have not tapped into. Cash on hand is not the same as what the money in the bank is. It’s what our liquid cash assets versus what needs to be paid. We’d prefer 15 days cash on hand.
- James – without the working capital loan, we’d be \$150k in the hole.
- Colin – you had previously presented the 20 last quarters at James’ request. I went back and did some quick analysis of those numbers. It’s not a surprise that when correlating key indicators the two things standing out are that inventory is highly correlated with cash on hand and the main thing correlated with net income is personnel. Cash on hand is the most pressing problem. We’ve known this for a while. Why have we not seen more progress on this?
 - o Melanie –we could cut eight positions right now. The board has wanted to avoid that. We have considered a sidewalk sale. We are ending the forward buying program and are looking for alternative space for administrative staff that will lower rent and utilities.
 - o Lisa – maybe you could do a special warehouse sale for members on a special day for a few hours with discounts to clear the warehouse out.
 - o Melanie – inventory in the warehouse isn’t the struggle. It’s been reduced by half. The struggle is on the retail floor and in backstock where there are high cost products moving slowly. There is a lot happening to reduce inventory which won’t show until P4/P5. It won’t be until P6 when we see the needle really move.
- James – general and administrative costs are up.
 - o Melanie – we have looked at cutting security personal in Arcata and reducing to bare minimum in Eureka. We are looking to reduce overtime which is costing us \$5,500 every two weeks. We finally have access to data and reports from RFS to show what is happening so that we can now do something about it. We need dramatic change quickly. We met with staff today to let everyone know what the situation is.
- Cheri – why wasn’t days cash on hand not brought up at the finance committee meeting?
 - o Melanie – we did talk about cash on hand being under ten days.
 - o James – RFS did talk about the decrease in cash and cash equivalents to the tune of \$700,000 at the beginning of their report.
- Colin – we’ve talked a long time about how to deal with big health care claims. They are still having a big impact on us. We need to consider going with a fully insured plan even if it costs us a little bit more a month.
 - o Melanie – the minimum cost of a fully insured plan would be \$1.6 million annually.
 - o Colin – I feel it would cost us less to be fully insured. Some of the options we’ve looked at in the past seemed reasonable.

- Melanie – we just received the last month of billing through Humboldt IPA. There were several major expenses that might not have been necessary that were paid. We did not have a broker to intervene. Going forward with our new insurer, we have a broker to review these things and make sure we aren't paying for claims that we shouldn't. I believe Humboldt IPA has mismanaged our coverage which is why we recently moved to a new third-party administrator on August 1. Employees have access to care that costs less. We've moved to a better insurer, but we aren't seeing the benefits yet.
- Mara – glad to see that Cal-Ore Life Flight is part of what is being offered.
- Robert – how many employees do we have?
 - Melanie – we have 225 employees.
 - Robert – how many have been around 10, 15 plus years?
 - Melanie – we have a large percent of long-term employees. High turnover is in entry level positions and deli positions. We should be closer to 200 employees for current sales.
- Colin – how can we keep positions open in a way that won't impact sales?
 - Melanie – we have started the conversation with management and administrative staff. We've talked a lot about positions that we will not fill. There would be an impact to reduce staff, but it would eventually normalize. If this is a temporary low due to the fires and we cut a bunch of people and sales then go back up, then do we have to hire again? We are working on reducing overtime, reducing security personal, maybe shaving hours from many positions, and not filling positions. We haven't yet seen the impact from positions we haven't filled in the last month. More must be done.
- Cheri – has there been discussion with management about taking a temporary pay cut?
 - Melanie – the question came up yesterday and I don't think it will happen. I'm not sure we legally can.
 - Mary Ella – they should take cuts if they are managing fewer people and got the Co-op into this position.
- Colin – it might be a good idea to proactively approach the union to discuss the situation. There may be ways to avert future strife. They may have ideas. They have an interest in the Co-op surviving. It could benefit our relationship with the union.
 - Melanie – if we can increase sales we wouldn't be in this situation. We can't just talk about cuts. I shared with staff today and gave them tools to help them figure out ways to increase sales. I have the numbers and what our goals are. I showed them what we need to do to increase sales. We need to get 5% above what our budgeted numbers are. We will focus on areas where it's easier to increase sales.
 - Colin – I agree with Melanie. We can't only look at cuts which can lead to a downward spiral. Sales are not correlated meaningfully with our net income over the past 4-5 years because of the variable cost of health care. I think we need to get health care under control.
 - Melanie – we just changed our health care system and hope to see the benefits of our work on this.

Motion: Accept the September 2018 General Manager Report.

James moved, 2nd from Leah, Motion passes (7/0/0).

11. Member Comment Period

- Ed – I'd like to thank all the members in attendance.
- Lisa – within the first five years of my husband working at the Co-op there was a financial downfall. They trimmed where they could and focused on customer service and they got out of a bad situation. There is hope.
- Laurie – we have a Zagster bike station at the Arcata store as of today. I've seen the bikes with our logos riding around town already.

12. New Business (items for next agenda):

None

Consensus reached to adjourn the September 6, 2018 meeting at 8:53pm and move into Executive Session.

Minutes by Emily Walter

**North Coast Co-op
Board of Directors Executive Session Minutes
September 6, 2018
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Present at the meeting:

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

Absent Board Members: None

Approved guests: Melanie Bettenhausen

No reportable action this month.

Executive session ended at 9:26pm

Reported by Leah Stamper