

# **Alberta Cooperative Grocery**

## **12.06.2011 Board Meeting Minutes**

Directors Present: Elliot, Scott, Mychal, Heather, Jim, Russ Teryani, Jocelyn, Anni

Staff Present: Grace, Andrea (Facilitator), Rachel Anne (Scribe)

Owners Present: None

Meeting Commences at 6:00 PM exactly.

### **Check Ins**

### **Owner Comment Period**

### **Approve Agenda**

Any changes to the agenda?

*There are no changes.*

### **Does the Board approve the agenda?**

*Approved by full consensus.*

### **Consent Agenda**

1. Change board lists so that 'board@albertagrocery.coop' goes to the board directors only, and 'boardplus@albertagrocery.coop' goes to the GM / link and our consultant (currently Todd Wallace) in addition to all the board directors. See agenda request form.
2. Authorize an additional joint meeting of the transition committee and the staff CMSC. See agenda request form.

### **Does the Board the consent agenda?**

*Both items approved by full consensus.*

### **Does the Board approve the November minutes?**

*Approved by full consensus.*

### **New Business**

### **Grace's First Board Meeting**

### **Budget Report for the First 3 Quarters of 2011**

The 2011 Budget was updated by Jason and Grace, but originally prepared by Evelyn. A few highlighted items will be accounted for differently in the future. ACG projected \$2.6 million in sales revenue, and are slightly under. However, sales have increased in the last quarter and are likely to reach or exceed this target by the end of the year.

There was some confusion about margins because the same margin was applied to all departments (36%), contrary to performance history and goals. Actual margins were very similar to past years.

A few items are assets or liabilities rather than income or expenses, and will appear on Balance Sheets instead of Income Statements in the future.

**Clarifying Question:**

- Is it worth considering lower or higher margins on certain items based on our values? How can the Board express its values around pricing?

**Response:**

- The Board is welcome to express values related to the affordability of staples, but it is the staff's job to price specific items in compliance with the Board's general values.

**Clarifying Question:**

- What items are being re-categorized as assets or liabilities?

**Response:**

- Bottle deposits, gift certificates, and possibly some merchandising items.

**Clarifying Question:**

- If ACG is doing well financially, what is the purpose of increasing margins?

**Response:**

- This depends on ACG's long-term goals. If expansion is one of the goals, ACG needs to be prepared financially. The Board is encouraged to balance its goals against the need to keep products affordable.

ACG has underspent overall, but it is difficult for Grace to pinpoint exact causes because she was not here during most of 2011. The chart of accounts was changed to better align with the budget and industry norms. ACG has overspent on personnel (due to the wage increase and CM transition).

**Clarifying Question:**

- Will the transition to collective management affect how we calculate margins for 2012?

**Response:**

- Grace does not think ACG will need to budget a higher percentage of sales income for personnel after the transition is complete. However, the transition itself will be costly because of additional training and planning. Grace and Jason budgeted for a slightly lower bottom line in 2012 because of this.

The Board is interested in discussing affordability. This discussion may be appropriate when reviewing Ends. Grace notes that there is often a gap between actual prices and consumer perceptions of affordability. Accessibility includes more than just affordability.

**Monitoring Report: L-4 (Budget, Planning), Final Budget (L-4, L-5, E-6), and Final Annual Plan**

Jason and Grace budgeted for 7% sales growth, with a slightly higher overall margin of 36.7% and a 1.9% net income. The occupancy expenses reflect a rent increase and the duplex. Personnel costs are budgeted at 23.6% of sales, which is appropriate for cooperatives this size. The new equipment will be

depreciated over the next 7 years, so this will appear as an expense. The donations budget will also be higher than in the past.

**Clarifying Question:**

- How are donations allocated?

**Response:**

- There is a set of written criteria, and there is a process by which owners can request donations.

**Does the Board approve the Budget Report for the first 3 quarters of 2011?**

*Approved by full consensus.*

**Board Budget**

The Board Budget does not seem to reflect the Board's needs. Actual expenses are exceeding budgeted expenses. Furthermore, the Board's Income Statement seems inaccurate. There is Board work that needs to be done in order to reach a shared understanding of its budgetary needs.

**Is \$19,900 enough for the Board's 2012 budget?**

\$19,900 appears to be a high estimate, but the Board is unsure exactly how to allocate this amount. It is recommended that the Treasurer (currently Russ) present quarterly reports so the Board can better understand its spending.

**Commitments:**

The Budget Task Force (Russ and Jocelyn) will present the Board Budget in the January meeting. The Finance Committee will present the 2011 Board Budget Report in the February Board Meeting.

**Is \$19,900 enough for the Board's 2012 Budget?**

*Approved by full consensus.*

**Does the Board Consent to the Final 2012 ACG Budget?**

*Approved with one stand-aside (Mychal).*

There is a concern that the Board does not have an opportunity to weigh in on budgetary issues related to its Ends, such as affordability and community contributions.

**BMAD Retreat Check-in**

The BMAD is preparing for upcoming retreats. They would like to receive feedback on study topics before Sunday.

**Comments:**

- It would be helpful if the BMAD can work on developing the process for the retreat, so the Board is able to translate its visions into actions.
- The existing process has been useful, not all Board members want to use a new process.
- There is a necessary tension between visioning and identifying actions. It would be ideal if the Board can make space for visioning and then identify supporting actions. Conversations can follow this trajectory, but it may or may not take multiple meetings.

Jocelyn has access to the notes from the last retreat. Board Directors have agreed to review Ends statements in pairs.

**Commitment:**

All Board Directors will meet with their partners by February and e-mail out their Ends statements to the rest of the Board.

**BREAK**

**Transition Committee: L-9**

Russ has incorporated more Board feedback into this draft of L-9.

**Clarifying Question:**

- Do L-9.1 and L-9.2 suggest that the staff must know who the collective members are, or does this language mean that the Board also needs to know who is a collective? Would the Board want to see a list of names, or just a policy explaining how staff become collective members?

**Friendly Amendment:**

L-9.1 could be changed to read, “Lack of clarity to either the staff or the Board as to who is a member of the collective at any point. . .”

**Concerns:**

- Requiring staff to provide a list of collective members may mean that this monitoring report could not be available to members, and we may want to share other information from this report with the members.
- From a legal perspective, the word “or” in this amendment may mean that it could be just one or the other, not both.

**Comments:**

- If the staff disagrees about whether a decision-making process was followed correctly, the Board may need to resolve the disagreement (this is a last resort protocol at Olympia). More specifics in L-9 may reduce the likelihood of this happening.
- If we dilute L-9 by attempting to address internal staff conflicts and other issues, the clarity and importance of L-9 may be lost.
- L-9.4 provides an opportunity for staff members to raise concerns with Board Directors.
- The criteria for being a collective member will need to be spelled out very clearly in order for the collective to function.

This amendment is withdrawn.

**Are there any further concerns with proposed language in L-9?**

- An earlier offer to add more language was not completed, but this can be added at a later date.

**Comment:**

- The Board should strive to develop reasonable language, but cannot expect to perfect every policy. The Board will be revising policies related to collective management for years to come.

### **Does the Board approve the language as amended in the version Russ e-mailed out?**

*Approved by full consensus.*

## **Annual Meeting / Form Election Committee**

We need to either create an Election Committee or approve a process for creating one. What role should the Board play in the elections? How can the Board solicit feedback and input on Ends from members?

G-10.2 requires that 2 Board Directors who are not running for re-election this term serve on the committee. One of them must chair the Election Committee.

Scott and Russ will sit on the Election Committee. Scott is interested in focusing on recruitment, and will host social events for members interested in running for Board. Russ will chair the committee.

All Board Directors are responsible for ensuring that the new Board has the ability to govern effectively. All Board Directors are encouraged to recruit qualified candidates and make sure they meet all the requirements, including attending a Board meeting and a committee meeting.

### **Commitments:**

Russ and Scott will invite staff and Board members to share input regarding the upcoming elections. Directors whose terms are ending will talk to Scott and Russ about whether they will run for re-election. The BMAD will take on developing the agenda for the Annual Meeting for elections and supporting the staff. This will include soliciting member feedback about Ends.

## **Patronage Dividend Discussion**

Cooperatives are taxed differently from other corporations because they are selling products to member owners. The IRS is been suspicious of cooperatives whose sales to non-members constitute over 50% of the total sales. ACG's sales to members have been between 20% and 30% for a while.

### **Clarifying Question:**

- Would not switching to a patronage dividend reduce the likelihood of an IRS audit?

### **Response:**

- We do not know what the IRS agenda is. ACG may or may not come under scrutiny.
- It may be useful to discuss the implications for members.

### **Comments:**

- We just approved a budget that forecasts a 1.9% net profit. We will not know if we have 2% to give back to members until the end of the year. If we must be fiscally cautious, how can we assure members that we are using their money to support sustainable economic development?
- For some, the decision to participate in a fiscally responsible policy is part of developing an ownership mentality. Others feel a stronger connection to ACG when they receive a discount.

- A patronage dividend is wise for ACG's budgeting process, but it may be less attractive for consumer members. Some members were dissatisfied with both the change and the process.
- If members are unhappy with patronage dividends, new member recruitment may dwindle. This may adversely affect ACG's long-term financial health.
- ACG has unintentionally created a classist organization. There are people who can comfortably afford to support ACG, people who support the ACG on a tight budget, and people who cannot afford to join or shop at ACG. It is important to respond to this range of needs.
- The discussion of the 2% ACG can give back to its consumers feels trivial, because this tiny amount is relatively insignificant. How can we make patronage more meaningful?
- What motivates consumers to become members? The patronage dividend is symbolic, but it may help members to feel like they are getting something back. On the other hand, it may be difficult for members to identify how their perceptions are formed.
- Supporting other cooperatives is important. It is upsetting that membership at other cooperatives is not honored at ACG.
- When People's stopped offering discounts to members of other cooperatives, they began contributing to a cooperative development fund. They also give owners non-monetary privileges, such as use of the community room and discounted admission to workshops.
- Cashiers have limited time to explain complex ethical and economic issues to customers at the register. We must find other ways to disseminate the information.
- It may help to offer members a choice between a patronage discount (which might be tiny for individuals) or a donation to an appropriate cause (which might be substantial if pooled). Other health food stores are able to do this quickly at the register and customers enjoy it.
- ACG could use money saved for outreach, recruitment, and membership.
- ACG could use some donated patronage dividends to match community member donations.

It may be useful to put this conversation on hold and instead focus on increasing sales to members to exceed 50%. There are many barriers to membership, and the cost is only one of the more concrete and obvious. It may be useful to identify and reduce these other barriers.

It may also be helpful to think about the connotations of "ownership" versus "membership." We often say "ownership," but some ACG supporters may prefer to think of themselves as voluntary members of a community rather than owners of a business.

### **Questions for further reflection:**

- What can we do to be more accessible and attractive to prospective members?
- What is the role of the cooperative? What makes us relevant to members, non-member shoppers, and community members who do not shop at ACG?
- How do we support a cooperative economy?
- How does the Board represent stakeholders when so few participate in ACG's governance?
- What do we want to communicate to our current owners about this issue?
- It would be helpful to survey members about what they want to see happen in their communities, and what they would like to see ACG do for their communities.
- How do we honor our members? What does it mean to be a member?
- What would the process be for adopting and implementing new ideas around the use of patronage dividends?

These are valuable Ends questions, and it may be useful to raise some of these questions at the Annual Meeting.

Andrea brought a copy called *Waking the Sleeping Giant: Recognize patronage dividends for what they are— co-op capital*. Andrea is open to discussing her experience with patronage dividends at People's Co-op.

### **Meeting Review**

- This was the first 30-minute study period at a Board meeting!
- It is important to make sure we move into acting on these ideas.
- We appreciated Grace's presence and input.

### **Next Meeting Agenda Brainstorm**

- Did we delay the L-4 Monitoring Report?
- Heather and Teryani will be presenting on the possibility of joint Board-Staff trainings.
- The Board's budget will be coming before the Board.
- The role of the Link will be discussed.
- Teryani may be able to submit an agenda item on Ends and affordability.
- There is a request for a consensus training from Grace, because Grace trained the staff. Kayla and Anni committed to develop on Board consensus training resources.

### **Hold Executive Session?**

#### **Is it necessary to move into an Executive Session?**

*Approved by full consensus.*

### **Lease Check-in**

**Meeting adjourned at / goes into Executive Session at 8:48 PM.**