

Minutes of May 2009 board meeting

Held at the Corner Building, Carrboro 6:15 p.m. Wednesday May 20, 2009

Directors present:

David Rizzo (chair), James Morgan (secretary), Lori Washington (treasurer), Ruffin Slater (general manager), Jacob Myers, Linda Stier, David Bright.

Others attending:

Andy Sachs (facilitator), Kate DeMayo (notes), Mickey Jo Sorrel, Bill Madden, Rob Nichols, Don Moffit, Deborah Konneker, Kathy Bucher (visiting owners)

Preliminaries

Owner input:

Bill Madden spoke to advocate for the continuance and development of the volunteer program. He also commented on the circumstances of employee right of appeal after dismissal with cause. The secretary noted as owner input the email which had been circulated by Geoff Gilson which made several requests of the Board, principally that non-owner employees be permitted to vote in the worker-owner Director election. The Board had declined to consider the proposal as it was not consistent with our basic principles of cooperative governance.

Agenda:

The agenda was modified to defer the scheduled discussion of Asset Protection, Treatment of Staff and Board Budget items to the next meeting.

Minutes:

The Board approved the April minutes as posted.

General Manager Items

GM Report and Communication to the Board

The GM presented an oral report as a general introduction to his Monitoring Reports 2-6 and 2-11. As a response to the continuing out-of-compliance condition on both these reports the GM proposed restructuring the present owner return practice by replacing the consumer-owner register discount with a patronage dividend system similar to that already in place for worker-owners. The register discount on selected items was established at the beginning of the coop's history because it was easy to implement but it had led to inequities in return between the two owner groups. The GM could no longer reconcile the cost of the program with his obligations under Board Policy in our current depleted financial condition. Adoption of the patronage dividend system will enable the cooperative to better control its own finances and will bring us into line with the current standard of practice among our peers in the cooperative world. The GM also proposed the elimination of the senior discount. The volunteer program would not be affected by this proposed change and volunteers would continue to receive a 15% register discount in return for their involvement. The GM described the measures that had already been taken to improve efficiency and control costs during the present financial crisis which had reduced our ongoing deficit to about \$61,000 per month. He estimated that these changes to the discount system would result in a saving to the coop of approximately \$60,000 each month and thus bring us back close to break-even in the short term and hasten our return to profitability in the near future.

The General Manager acknowledged that owners had become very comfortable with the discount system which had been in place for over twenty years and many had expressed resistance when the idea of a switch from discount to dividend had first been floated about three years ago. At that time the profitability

of the coop was such that the discount was not causing problems either in equitability or affordability, but our situation has drastically changed since then. We have encountered a perfect storm of aggressive new competitors (Trader Joe's, Fresh Market) coupled with the global financial collapse following immediately after our the depletion of our resources by the expansion in Hillsborough, and drastic change in our discount program is now the only acceptable remaining option for recovery.

The GM circulated updated versions of documents that had previously been shared amongst the board outlining a timeline for the proposed change and describing an owner communication program which would allow the WSM community to join in shaping a new spectrum of owner benefits and incentives with the aim of preserving affordability and accessibility to all income groups while building profitability for the coop as a whole.

Monitoring Report: 2-6 Financial Condition

The GM's report showed continued out-of-compliance items in our financial performance. Reductions in sales volume and start-up losses from the expansion have resulted in a negative balance over the year-to-date of nearly \$1.2m. As a result of these losses we are also out of terms with a number of vendors. Our overdue payables continued to be reduced with the help of loans from NCGA and Self-Help Credit Union. Measures to increase operational efficiency had improved the situation to the extent that losses in April had been reduced to just \$61,000 but further action needed to be taken. The GM referred to his report on Policy 2-11 below which included his plan to address items of non-compliance in both reports by discontinuing the owner and senior register discounts.

Decision: The Board accepted the Report with acknowledgement of contravention.

Monitoring Report: 2-11 Owner Return and Investment

This report continues to indicate non-compliance in the matter of equity of return between owner groups. Owner return in the form of register discounts has distributed nearly \$500,000 to consumer-owners in each of the last two years while worker-owner dividends have remained at zero. If register discounts continue at the present rate it is hard to see in the present financial climate when this imbalance is likely to be redressed. The GM proposes to replace the owner discount with a patronage dividend as described in the general introduction above. This will help us return to profitability sooner rather than later and the distribution of profit to both owner groups can then be equitably made on an even footing.

Decision: The Board accepted the Report with acknowledgement of contravention.

The Board also reviewed the timeline and communications documents relating to the change and suggested minor edits.

Policy Development

Board Policy 2-11 Owner Investment and Return (Volunteer Program)

The Board wished to review how the development of the volunteer program might be further addressed within this Policy. The Chair presented suggestions for developing non-operational volunteer opportunities to directly address areas of our Ends that were currently under-fulfilled such as outreach and education. It was suggested an owner workgroup be formed to develop these ideas: this would require Board support and other resources which were currently otherwise committed and consequently the project was deferred until later in the year. This would also give the opportunity for the upcoming dialog with the owners on the dividend transition to feed into the process.

Task: the Chair was tasked to further explore this area and bring back a proposal for an owner workgroup for volunteer program development to the September meeting.

Board Policy 2-8 Communication and Support to the Board

The Secretary had circulated a draft update of this policy to address the issue of administrative and logistical support for Board functions. He had also circulated an outline of current support needs as a guide to the General Manager.

Decision: The Board adopted the revised policy 2-8 as presented and endorsed the outline as a representation of current needs.

Board Process

Elections Committee

The Chair had received a number of emails from owners expressing interest in serving on this committee.

Task: the Chair was tasked to follow up and confirm appointments to the committee and to convene and serve on the committee as representative of the Board.

Closings

The Board reviewed its tasks and decisions, confirmed its tasks and decisions and conducted a brief evaluation of the meeting.

Agenda items to be scheduled include elections committee update, planning for a comprehensive by-law review, by-law adjustments consequent on the introduction of patronage dividend for consumer owners, owner involvement with the Pollan project.

Visiting owners were thanked for their presence. The Board welcomed Don Moffit's update on the development of a new independent coop in Durham, and special acknowledgement was given to owners Mickey Jo Sorrel and Bill Madden who had both been members of the 2005 Ownership Investment & Return Task Force which had laid the groundwork for our Board Policy in this area.

The meeting was adjourned at 9:20 p.m.