

Weaver Street Market Board of Directors

Minutes of September 2007 meeting

Held at the Corner Building, Carrboro

6.15 - 9.30 p.m. Wednesday, September 19, 2007

Directors Present: Seth Elliott (treasurer), Tam Fetters, James Morgan (secretary), Jacob Myers (chair), Robert Short, Ruffin Slater, Linda Stier

Others attending: Emily Buehler (notes), Andy Sachs (facilitator), Bruce Mayer (external auditor), Geoff Gilson, Sara Carter, Rachel Wortheimer, Kathy Bucher, Eliza Dubose

1. Pre-Meeting Session:

Presentation of financial review by Bruce Mayer, external auditor.

Bruce presented his draft report which indicated that the books of the coop were in good order and showed no signs of financial problems. He emphasized that this was a review and not an audit: a full audit would probably be required to complete the paperwork for the New Market Tax Credit scheduled to be part of the expansion financing next year. The cost of a full audit would be about 40% greater than the customary annual review.

Cash flow was good and the improvements to the Southern Village store had been paid out of revenues with no increase in debt. Debt to equity ratio was very sound and was projected to remain well within safe margins after the completion of the two Hillsborough capital projects. Bruce clarified that member loans were included as equity in conformity with the standard practice of banking institutions and he confirmed that this was an appropriate measure.

Accounting systems and controls were in good shape and Bruce noted improvements that had been made during the year to address minor problems that had arisen. He had also reviewed the three primary financial limitations which the Board placed on the General Manager and considered them to be sufficient.

2. Preliminaries

The Board approved the Agenda with the addition of a consent agenda item requested by Ruffin in connection with a new bank loan, agreed to be inserted as item 3A. Corrected minutes of the July 18th minutes were accepted. Minutes of the special meeting on July 3 were still not available. Minutes of the August meeting were accepted.

3. Policy Review

2-6 Financial Condition provisions 1 & 6

Provision 1: we regularly accept GM monitoring reports which indicate gross profit in individual quarters less than the 1% required by this provision. The GM has always supplied an acceptable rationale for the deviation. Is this an indication that the policy needs to be adjusted? The 1% threshold could be changed to a different number, or we could draft a policy which sets a performance standard for profitability rather than a fixed number. Bruce con-

firmed that the 1% - 2% range was a good profitability target for a coop grocery but that variations from that target were not in themselves an indication of a financial problem. Provision 6: the 3:1 debt/equity ratio was discussed by the Board with further input from Bruce including the fiscal reliability of including owner loans as equity. Recent reporting had consistently indicated a substantial conservative margin on this limit even when owner loans were counted as debt. The limit was considered as an alarm backstop: other accounting controls would probably kick in first as warnings of potential fiscal jeopardy.

Decisions: further consideration of 2-6.1 would be scheduled. No change to 2-6.6 at this time.

Tasks: Linda to draft options for adjustment to 2-6.1

2-7 Asset Protection provisions 5 & 6

The Board discussed the suggestion that the provisions of 2-7.5 limiting the spending authority of the GM was out of date and its intent was better covered elsewhere e.g. in budgeting and planning policy 2-5. It was also suggested that 2-7.6 could better reflect Ends values. It was further noted that the language of 2-7.8 contained a grammatical ambiguity.

Decisions: 2-7.5 to be deleted and numbering adjusted. Comma following "controls" in current 2-7.8 to be deleted to remove ambiguity. Linda was tasked to draft options for 2-7.8.

3A. Consent Agenda item

Ruffin requested formal consent from the Board to the loan documents for the current expansion projects. The Board authorized the Secretary to sign the documentation on its behalf.

4. Direct inspection monitoring, Policy 2-8: Communication and Counsel to the Board

The board reviewed the summary of directors' responses prepared by Kate. Discussion: board members were concerned that the protocol currently being followed was insufficient to monitor this policy as there was no opportunity for the GM to provide an interpretation.

Decisions: the direct inspection report was accepted. The annual monitoring of this policy would be rescheduled to January, with the GM providing interpretation to the board chair the preceding November and the chair circulating direct inspection survey to the Board based on the interpretation in December: this new schedule to commence its cycle in November 2007.

5. GM monitoring reports

1-1 Ends

The GM presented his report on the achievement of the organization's Ends indicating compliance with the directives of WSM Policy. The Board discussed the elements of the reports in detail and comments were made on a number of the performance measures used.

Decision: the Board accepted the report.

2-11 Owner Investment and Return

The GM presented his report on this policy indicating compliance with its requirements.

Discussion: the Board noted that the discrepancy previously shown between consumer-owner and worker-owner return was absent in the present reporting period. The report stated that this was due to good recent levels of profitability and that the discrepancy would return if there was a drop in profitability, due to the consumer-owner return being paid “off the top” as a discount while worker-owner return were profit-dependent. The GM indicated no plan to change the owner return system at present, but that he felt that the ownership would respond appropriately to a change if the need arose in the future. It was suggested that the Bye-law requiring the consumer-owner discount was out of compliance with the fairness provision of policy 2-11 and that this anomaly could be addressed as part of the general update of Bye-laws currently under preparation. It was also suggested that 2-11 contained several redundancies and could be improved.

Decision: the report was accepted. Policy 2-11 was noted for review and a Bye-law update would be considered after any changes had been made to this policy.

6. Update on Annual Meeting

Tam reported on developments in planning for the meeting. There was general discussion of the purpose and goals of the annual meeting and the perennial difficulty of getting more than about a hundred of our eight-thousand-plus owners to attend: these numbers would indicate that the meeting may no longer be seen as the primary source of linkage with the ownership.

7. Closings

Decisions and tasks were reviewed. No particular linkage implications for this meeting were noted.

Calendar discussion: Tam was going to be out of the country for two months and requested reconsideration of October and November meeting dates. After discussion meeting dates were confirmed as 10/16 and 11/27.

Comments in evaluation: Good to have Andy back. Very helpful having Bruce present both for his report and for his input on financial implications of subsequent agenda items. Meeting ran over time.

The meeting was adjourned at 9.50 p.m.