

Meeting Minutes for Weaver Street Market's Board of Directors

July 2012 Meeting

Monthly Board Meeting, Panzanella meeting room, Carrboro, NC on July 18, 2012, 6:15 pm to 9:30 pm

Directors present: Ruffin Slater (general manager), Curt Brinkmeyer (chair), David Bright (secretary), Audra Marotta (treasurer), Lisa Best, Linda Stier, and Zack Robertshaw.

Others attending: Andy Sachs (facilitator), Brenda Camp Orbell (owner services coordinator/notes), Jon McDonald (worker owner), and Michael Marotta (consumer owner).

1. Preliminaries

Owner Input: Consumer owner Michael Marotta introduced himself as a candidate for the consumer owner position in the upcoming election. Worker owner Jon McDonald, one of the lead bakers at WSM, introduced himself and expressed his interest in running for the worker owner position. Zack Robertshaw introduced himself as the department manager of prepared foods and as a former Board Director, who has been asked to serve as an appointed Director standing in for Steve Bos.

Agenda: The appointment of Zack was added to the agenda. Agenda Planning was moved to August.

Minutes: Minutes from the June meeting were approved.

New Owners: There were no exceptions to the owner lists for June 2012: 94 new consumer owner shares, 3 new worker owner shares, and 8 refunded shares.

Decision: The Board approved the June minutes.

Decision: The Board made no exceptions to new consumer and worker owners.

Decision: The Board appointed Zack Robertshaw as Interim Director until the October 2012 meeting.

2. Patronage Dividend Preparations for August Decision

The Board is currently engaged in a four-month process of making a dividend decision for FY2012. As the second step in that process, the GM presented an update on the FY2012 dividend plan presented earlier. The plan addresses the range of implications and options for the patronage dividend and for the interest rate paid on worker-owner internal accounts.

The GM reported that 25% of the FY 2011 dividend vouchers were cashed and 10% were donated to the Cooperative Community Fund. He reported a number of patterns in the redemption of these dividends:

- The larger the dividend, the more likely it was to be either cashed or donated. However, even the largest dividend vouchers were only cashed or donated 53% of the time.
- The larger the dividend, the more likely it was to be cashed instead of donated. For the smallest dividends, the difference between the percent cashed and the percent donated was minimal. For the largest dividends, 10 times as many were cashed as were donated.
- The number that was donated held steady at 10% regardless of the dividend amount. The number that was cashed went up as the dividend amount increased.

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The GM presented two dividend scenarios for the Board to consider. The scenarios considered the split between consumer and worker owners, the portion distributed and retained, and the minimum distribution. The plan presented projections for the different scenarios and addressed the implications of each.

The plan also addressed how the dividend would be communicated and distributed. As with last year's dividend, owners will still be notified of their dividend and its calculation by mail or email. However, possibilities for this year's distribution include redeeming the vouchers electronically at the register.

The plan also included different scenarios for determining interest rates on worker owner internal accounts. Discussions included what index the rate would be based upon and the possibility of having an escalating rate that rewarded longevity.

The GM identified three decisions that need to be made, based on an equal split between consumer and worker owners (50%/50%): On the consumer side, 1) the amount retained and the amount distributed (last year was 80/20% for consumers) and 2) the minimum amount of the distribution. On the worker side, 3) the interest rate for the internal accounts.

The discussion focused on the three decisions.

1. **The amounts retained and distributed:** One of the critical points discussed was weighing the benefits of increasing the amount of the disbursements to make them more meaningful to owners versus retaining funds to build capital and eliminate the need to borrow capital. GM observed that while larger contributions were more meaningful to the owners, the larger amounts meant less money retained as savings for the co-op.

Another topic discussed was the perception owners had of the dividend. Issues identified and discussed included the value owners assign to the dividend, setting precedents and expectations with a large jump in the distribution amounts, the importance of creating consistency among Board actions, and the need to establish a visible connection between dividends and the health of the co-op.

2. **The minimum amount of distribution:** The Directors discussed the pros and cons of a wide range of minimum distributions and the effect of each on the number of owners receiving a distribution, with the discussion settling on 50 cents to \$1 as the minimum distribution. One of the issues raised was the perception of the cost to mail a 50-cent voucher. The GM pointed out that the difference between 50 cents and \$1 did not affect the retained earnings nearly as much as the difference in percentage distributed/retained.
3. **Interest rate(s) on internal accounts:** The GM pointed out that the rate being discussed was for the current year, and that a decision is made each year about the rate to pay. Two advantages for the increasing rates were identified as providing an immediate reward for the current year and compensating more for years when there were no dividends. The group also discussed the need for a rate that would be sustainable and the possibility of taking this interest out of the worker-owner portion of the dividend. The GM was asked to provide an additional scenario in which more worker owners were projected into the figures, and the Board wanted more time to reflect on the intent of the interest rate. Other issues included the option of a lower rate until vested, and a higher rate after becoming fully vested.

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3. General Manager Reports

General Managers Report

The General Manager answered questions on his monthly General Report. *General Report* included a number of highlights:

- WSM finished the fiscal year just short of \$30 million in sales. All three stores met or exceeded their sales budget for the year.
- With the close of the fiscal year on June 30, 2011, dividend vouchers are no longer being redeemed. For the year, 34% of the dividends were redeemed representing 43% of the dollar amount.

Monitoring Report 2-5: Planning & Budgeting

The GM presented an updated Planning and Budgeting report with two attachments (WSM 2020 Vision and Goals and WSM 2013 Budget). The revised plan included WSM's CAMEL score at the end of FY 2012, which was 74%. A score higher than 65% means less than a 1% chance of default, the highest level of risk avoidance. The CAMEL score is budgeted to remain above 70% for the next ten years, meaning WSM will continue to have less than a 1% chance of default.

Decision: The Board accepted Monitoring Report 2-5: Planning & Budgeting.

Monitoring Report 2-3: Treatment of Staff

The GM reported on the condition, procedures, and decisions related to treatment of paid and volunteer staff.

Decision: The Board accepted the Monitoring Report 2-3: Treatment of Staff.

Monitoring Report 2-10: Treatment of Customers

The GM reported on the conditions, procedures, and decisions related to interactions with customers.

Decision: The Board accepted the Monitoring Report 2-10: Treatment of Customers.

4. Owner Communications Update

The Owner Services Coordinator presented an updated calendar with deadlines for the annual report and proposed calendar for the annual meeting and events for co-op week. The Board set a tabling calendar for the fall and made the following assignments:

Southern Village: Saturday, September 15, 10 am - 12 pm (Zack and Ruffin)

Hillsborough: Saturday, September 15, 10 am - 12:00 pm (Audra and Lisa)

Carrboro: Sunday, September 16, 11am - 1:00 pm (Curt, Dave, and Linda)

5. Board Process

Board Budget

The Treasurer expressed concern over the differences between budgeted and actuals and requested additional data to complete the actuals, including print costs and an update on auditing costs. The

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Treasurer requested additional time to investigate gaps, especially expenses not yet identified. The GM suggested annotating the budget so that it documents what is included in each category. The Treasurer suggested reviewing the Board budget in a Treasurer's Report on a quarterly basis.

Tasks: Audra and Curt will meet to fill in gaps in the data and return in August with a Board Budget.

Report on Board Emails

The Board of Directors received no emails during the month of June.

Board Monitoring: Policy 4-7 Board Operating Structure and Policy 4-8 Officer Authority and Responsibility

The Chair reported that the Directors were happy with the way things had been operating under Policy 4-7 Board Operating Structure, but acknowledged that concern was expressed over how the Board operates when a Director is lost. Chair identified the need for a training session for a new Director. Another Director pointed out that the bylaws empower the Board to replace a Director and leave it to the Board to determine the process for the replacement based on the specific context. The Board decided the policy was adequate as written.

The Board was comfortable with the process being used for decision making as identified in Policy 4-8 Officer Authority and Responsibility.

6. Open Board Time

The Board discussed Steve Bos's stipend and suggested checking with the estate about what to do with his stipend. The December meeting was moved to December 12.

Decision: The Board decided to pay Steve's Bos's estate the distribution of his stipend and allow them to give the estate the option of how to handle it.

7. Closings

Tasks and Decisions: The Board reviewed and confirmed its tasks and decisions.

August Agenda Items:

- Review Board Budget
- Make Patronage Decision
- Plan for Annual Meeting
- Review Draft Annual Report
- Review of Agenda Planning Policy

Meeting Evaluation:

The Directors expressed satisfaction with the efficiency of the meeting and expressed appreciation for Zack's participation.