

Meeting Minutes for Weaver Street Market's Board of Directors

February 2017 Meeting

Monthly Board Meeting, WSM Admin Center, Hillsborough, NC on February 8, 2017, 6:15 pm to 9:30 pm

Directors present: Ruffin Slater (general manager), Alicia Altmueller (consumer owner), Hank Becker (consumer owner), David Bright (consumer owner, secretary), Jon McDonald (chair, worker owner), Linda Stier (consumer owner), and Charles Traitor (worker owner).

Others attending: Andy Sachs (facilitator), Brenda Camp (notes), and Amy Lorang (worker owner).

1. Preliminaries

Owner Input: No owner input.

Agenda: The Elections timeline was added to the agenda and two Elections Committee (EC) items were swapped out.

Minutes: The minutes from the December meeting were approved with a date correction.

Decision: The Board approved the December minutes with a date correction.

Decision Recorded from January 6 retreat: The Board elected officers for 2017: Jon McDonald, Chair; Dave Bright, Secretary; and Alicia Altmueller, Treasurer.

2. GM Succession

The Board continued its discussion of updates for policies related to GM Succession. Jon McDonald and Dave Bright presented their work on the task assigned at the January retreat.

B9-Emergency and Interim GM Succession

The Directors agreed on the need to add language to Policy B9 so that it covers GM succession in two situations—emergency situations and for planned situations, such as when the GM was resigning. The Directors revised the policy to include “Interim” as well as “Emergency GM Succession.” The updated policy reads:

B9-Emergency and Interim GM Succession

To protect the Board from sudden loss of GM services, the GM must not have less than one other manager sufficiently familiar with Board and GM issues and processes to enable her/him to take over with reasonable proficiency as an interim successor.

B2-Planning and Budgeting

The Directors agreed that “succession planning” is important enough to be included with “social, environmental, and financial planning” in Policy B2. They also reworded provision 4 to remove the confusing stacked negatives. The Directors considered adding a fifth provision that would require a development plan to prepare internal candidates for key management positions, but the Directors agreed that this provision was not needed. The updated policy reads:

B2-Planning and Budgeting

Planning, including social, environmental, financial, and succession planning, shall not risk fiscal jeopardy, fail to be derived from a multi-year plan or fail to be consistent with achievement under Ends policies and other Executive Limitations policies.

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Further, without limiting the scope of the foregoing by the following, the General Manager shall not:

1. Risk incurring those situations or conditions described as unacceptable in the Board policy "Financial Condition and Activities."
2. Omit credible projection of revenues and expenses, owner investment and return, separation of capital and operational items, cash flow, and disclosure of planning assumptions.
3. Fail to address business system improvements or to test for feasibility.
4. Fail to provide for Board prerogatives during the year as set forth in the Board budget.

C2-The Board's Job

The Board agreed to add a provision to Policy C2 that identifies hiring the General Manager and preparing for GM succession as part of the Board's job. The Board also agreed to make all six provisions start with an action verb. The updated policy reads:

C2-The Board's Job

The job of the Board is to lead the organization toward the desired performance and to assure that it occurs. The Board's specific contributions, which can only be fulfilled by the Board, are necessary for proper governance and management.

Accordingly, the Board will take direct responsibility to:

1. Create the link between the Cooperative and its owners so that owners' interests can be translated into organizational performance. The Board will:
 - a. Listen to owners in order to understand common interests and values.
 - b. Ensure that owners understand the role of the Board: the process that it uses to lead the Cooperative, the ongoing work in which it is engaged, and the current issues facing the Cooperative.
 - c. Account to owners about the accomplishment of Ends within acceptable means.
2. Hire the General Manager and prepare for General Manager succession by creating and maintaining a hiring process for the General Manager.
3. Create written governing policies, which address the broadest levels of all organizational decisions and situations:
 - a. *Ends*: The specific organizational results to be produced for which beneficiaries and with what cost-efficiency.
 - b. *Executive Limitations*: Constraints on Executive authority setting the prudent (risk) and ethical boundaries within which all Executive activity must take place.
 - c. *Governance Process*: How the Board conceives, carries out, and monitors its own task.
 - d. *Board-General Manager Delegation*: How the Board hires, compensates, delegates responsibility to, and holds accountable a General Manager.
4. Assure successful organizational performance:
 - a. Rigorously monitor operational performance in the areas of Ends and Executive Limitations.
 - b. Rigorously monitor Board performance in the areas of Board Process and Board-Management Relationship.

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5. Perpetuate the Board’s leadership capacity:
 - a. Create opportunities for owners to engage with the Board in a way that will encourage and educate future Board members.
 - b. Ensure a robust recruitment process and fair elections.
 - c. Promptly make temporary appointments to elected seats until the next election in order to keep all seats full.
 - d. Fill the two appointed Board positions using the process in Appendix C4.
6. Determine how financial surplus is distributed.

Decision: The Board made revisions to B2-Planning and Budgeting, B2-Planning and Budgeting, and C2-The Board’s Job as documented above.

3. Quarterly Ends Update

The GM presented a Quarterly Ends Update—an informal report that updates the Board on what was proposed in the 2017 Plan and what’s on the horizon. The Ends and the 2020 goals provided the framework for the report, with Quarter 2 updates in boldface:

Q2 UPDATES FEBRUARY 2017

| MEASUREMENTS | PROJECTS | Q2 UPDATES |
|--|--|---|
| 1. Healthy Eating <ul style="list-style-type: none"> • WSM foods sales • Produce/salad bar sales • Healthy food provided for food insecure • Ending hunger in Orange Co. in 5 years | a) Converting to healthy eating-staff b,c,d) Healthy product development e) Next generation food pantry f) “Round-up” funding mechanism | a)- Healthy recipe demos b,c,d)- Healthy frozen meals project e)- f)- Round up results |
| 2. Local & sustainable <ul style="list-style-type: none"> • WSM local food sales • WSM co-op produced food sales | a) Set goals/track progress b) Local producer visits c) Local producer loan fund d) Co-op sourcing initiative | a)- Local sales up 11% and co-op sales up 12% in Q2 b)- Employee visits have started c)- Loan to Carolina Farmhouse Dairy; working with PFAP and Orange County on loan fund for PFAP clients d)- NCG working on getting Italian co-op products Carolyn-Eco Farm conference in CA Peg-Riojana Tour in May |
| Invigorate downtowns <ul style="list-style-type: none"> • Local economic impact • Downtown transactions • Number of downtowns with WSM store | a) New store planning <ul style="list-style-type: none"> i. Food House systems b) SV Expansion c) CB Café expand/lawn renovation | a)- ai)- b)- SV expansion started c)- |
| 4. Net Zero <ul style="list-style-type: none"> • Net energy use • Waste to landfill • % of packaging recycled or reused | a) Zero waste teams b) Packaging Project TBD c) CB HVAC | a)- b)- Returnable glass container test in spring c)- CB HVAC complete, 100% LED lighting |
| 5. Worker well-being <ul style="list-style-type: none"> • Worker pay • Worker dividend • Benefits • Overall satisfaction | a) “Open book” dividend tracking? b) Health benefits/cost Team c) Advancement d) Safety TBD e) Worker survey in Spring NEW | a)- Worker dividend \$1.08 hr. thru December vs. \$0.72 Last year b)- Employee group working on this c)- d)- 125 Wellness screenings (19 more than LY) e)- March worker Net Promoter survey |

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| <p>6. Consumer well-being</p> <ul style="list-style-type: none"> Affordable prices Great quality Great service Overall satisfaction | <p>a) Net promoter survey follow-up NEW</p> <p>b) Healthy eating info</p> <p>c) Enhanced value</p> | <p>a)-Did net promoter survey. Set goal for next year</p> <p>b)-</p> <p>c)-Co-op Basics sales grew from 3.5% to 4.5% of store sales from July to January-\$35,000 per month</p> |
| <p>7. WSM well-being</p> <ul style="list-style-type: none"> Sales growth Profitability Expense reduction Efficiency | <p><u>Sales growth</u></p> | <p>a)-Sales up 8% in Q2. Any highlights to report?</p> <p>b) Q2 Financial report well ahead of budget and last year</p> |
| | <p><u>Expense reduction</u></p> <p>a) Shrink reduction</p> <p>b) Occupancy costs</p> | <p>a)-</p> <p>b)-New FH 10-year lease with option to buy</p> |
| | <p><u>Systems</u></p> <p>a) Orbital shift</p> <p>b) Warehouse distribution software</p> <p>c) Theme calendar</p> <p>d) New scales NEW</p> <p>e) New phone system NEW</p> | <p>a)-Orbital shift employee scheduling in implementation</p> <p>b)-</p> <p>c)-</p> <p>d)-New backroom scales coming to stores in spring</p> <p>e)- New SV phone system installed</p> <p>f)- New signs,Tag rail update</p> |
| <p>8. Shared Community</p> <ul style="list-style-type: none"> Event attendance Community gathering place Survey respondents citing "community" | <p>a) Events</p> <p>b) Outreach</p> | <p>a)- 2nd co-op fair April 30</p> <p>b)-Scout badge tours starting in spring; worker team formed to give tours</p> |
| <p>9. Shared Knowledge</p> <ul style="list-style-type: none"> Sharing information Providing input Promoting the co-op model | <p>a) Enhanced online communication</p> <p>b) Financial education (open book?)</p> <p>c) Department meetings/huddles</p> <p>d) Co-op Relationship Tool NEW</p> | <p>a)- New Kind project update</p> <p>b)-</p> <p>c)-</p> <p>d)-Co-op relationship tool advancing</p> |
| <p>10. Driven by widespread and diverse participation</p> <ul style="list-style-type: none"> Number of owners who shopped/worked Community Food Partnership donations & volunteers Participation in co-op planning events Contribution to Co-op Community Fund | <p>a) Participation in plan and budget</p> <p>b) Participation in projects</p> <p>c) Small games</p> <p>d) Tasting polls</p> <p>e) Advisory groups (consumer)</p> <p>f) Volunteer opportunities (consumer)</p> <p>g) Change owner share system NEW</p> | <p>a)-2nd Co-op Fair Sun Oct 30</p> <p>b)-Project team roster</p> <p>c)-</p> <p>d)-Tastings</p> <p>e)-Heads up on Porch campaign in March</p> <p>f)-</p> <p>g)-Owner share system update</p> |

In addition to the updates shown, the General Manager reported that he would share the update at the managers' quarterly retreat. The GM expressed his intent to provide more metrics and to make the update available on the website and for employees.

He noted that at the managers' retreat, the group would look at the 10-Year Journey from 2008, when the Hillsborough store and the Food House opened, to 2018. He observed that the journey has had four transformative goals—quality, artisan products, unique local and co-op produced products, and efficient operating models and systems—which have allowed the stores to focus on service and product story.

The GM expressed the need to pick up the pace over the next 18 months, especially with healthy products, use of local ingredients, presentation and story, cross training, supplier development, logistics software, and an internal communication system.

Directors expressed appreciation for both the quarterly update and that it was being shared at the operational level as well.

4. Project Outlines for Packaging and Product Tastings

The GM presented project plans for two new owner groups: A group to test returnable containers and a group to participate in product tastings. Preliminary plans have been made for the returnable container group. The group will test consumer acceptance and operational issues, such as packaging, labeling, transport, display, sale, return, return transport, and washing and storing. The plan is to distribute one product in returnable containers at the April 30 Co-op Fair. Consumers will be asked to complete a survey and bring the containers back to the stores.

This spring a seven-person employee tasting group will build on the tastings already held the FH, which have been successful in evaluating new Food House products being developed. In the fall, the project will broaden to include consumer tastings. The GM clarified that the goal was both to have more products tested and to have more feedback per product.

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The Directors were excited about the owner groups and the test project for the reusable containers.

5. Board Business

Recruiting Committee

The Board reconvened its Recruiting Committee for the 2017 elections. Members are Jon McDonald, Hank Becker, and Dave Bright.

Elections Committee

Elections Committee Chair Linda Stier reported that the committee is looking for a new consumer member to join the current committee, which includes two worker owners and two consumer owners. Worker-owner Caroline Yerena is interested in joining the committee and will attend the March 22 meeting.

Stier also reported to the Board that Hank Becker brought up the question of whether owners are receiving sufficient information to make a choice among multiple candidates. She observed that currently candidates provide information through answers to the questions in “Call for Candidate” brochure/application and to the questions asked by the Elections Committee for the candidate video.

Decision: The Board conditionally approved Caroline Yerena as a member of the Elections Committee based on her agreement to serve.

Decision: The Board approved the Elections Timeline.

Board Budget

Treasurer Alicia Altmueller made the quarterly Board budget report. There were no questions.

6. GM Reports

February 2017 GM Report

The General Manager answered questions on his monthly GM reports. Highlights from the report include:

- **Sales Growth:** Sales in the quarter ending in December were up 7.5% overall, with Carrboro up 7%, Southern Village up 8% and Hillsborough up 7%.
- **New Kind Engagement:** The New Kind project to better present our story to the greater community is underway. The first of five phases—data gathering and analysis—will run to the end of February. Over 3,000 current and potential owners have participated so far: over 1,500 existing owners, 1,500 people in downtown Raleigh, and 100 worker owners submitted surveys, and New Kind has done lengthy interviews with key stakeholders. New Kind will present the data in a workshop with the Project Team on March 2. The total project will take approximately six months.
- **Community Food Partnership:** The December Round Up fundraising drive was a big success. The round up had about 82,000 donations and raised about \$43,000. For calendar 2016, owners and shoppers donated over \$133,000 in the three campaigns, which was a 60% increase over the prior year. We are part of a project looking at distributing low-cost frozen healthy meals through convenience stores in low-income neighborhoods.

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- **Southern Village Expansion:** The Southern Village expansion has started. The store entrance has been moved to the front right corner, and the construction area across the front of the store has been fenced off. Demolition is complete and the new construction is about to start. The construction should be done by the end of April.

Monitoring Report: Policy B1 – Financial Condition

The General Manager answered questions on “Monitoring Report: Policy B1 – Financial Condition. The GM noted that the addition of Lease Renewal Notices and agreed to highlight new information in subsequent reports. When asked why the quarter had been so successful, the GM responded that profits were good because sales were good. He attributed increased sales in part to the strategies that are working for increasing co-op products. He observed that it is unusual for sales growth in all three stores to be almost identical. He further noted that five weeks into this quarter, sales growth is more like 5% due to the snow storm and loss of water from OWSA in Chapel Hill and Carrboro.

Decision: The Board accepted Monitoring Report: Policy B1 – Financial Condition.

Monitoring Report: Policy B – Global Executive Constraint

The General Manager answered questions on “Monitoring Report: Policy B – Global Executive Constraint.” The Chair observed that the new policy includes the co-op principles provision, which is a new way of looking at the monitoring report. The GM agreed to add a table of benchmarks being used for the report and how they’re being watched and monitored.

Decision: The Board accepted Monitoring Report: Policy B – Global Executive Constraint.

7. Open Board Time

Director Hank Becker brought up two items that he believed would increase owner participation: Increasing volunteer opportunities with the co-op and increasing two-way communications through the cooperative relationship system being developed.

Linda Stier expressed appreciation for the video Director Charles Traitor made for Orange County Living Wage.

Task: Brenda will identify where our living wage certificates are going to be displayed.

8. Closings

- Decisions and Tasks
- Next Month’s Agenda
- Meeting Evaluation

8. Executive Session

- Real Estate
- GM Evaluation