



North Coast Co-op  
Board of Directors Meeting Minutes  
December 1, 2016 – Ten Pin Building – 793 K Street, Arcata

Present at meeting:

**Board:** Mary Ella Anderson, Colin Fiske, Robert Donovan, Ed Smith, Leah Stamper and Cheri Strong

**Staff:** Duncan Thomas, Nicole Chase, Melanie Bettenhausen, Cassie Blom, and Kala Eichamer

**Member-owners:** Roger, and Brenda Harper

Meeting was called to order at 6:08 pm by Leah Stamper at the Ten Pin. Participants introduced themselves.

Agenda Review:

**MOTION:** Move to approve the December Board agenda.

**Comments:** NC has no updates. Board Correspondence is in Executive Session per Leah. Roger asks to move item 12a to member comment period.

Stamper/Fiske

**MOTION PASSES**

6/0/0

Approval of the Minutes:

**MOTION:** Move to approve the November 3, 2016 Board meeting minutes.

Smith/Fiske

**MOTION PASSES**

6/0/0

Member Comment Period:

Brenda Harper comments that she noted the member only coupon in the Senior News.

**MAC:** Roger may miss some meetings due to a health issue he is dealing with. He will be back likely in January for the meeting.

Brenda Harper informs everyone that the fragrance survey will be presented at next MAC meeting, Mary Ella will not be there.

**Board President Report:** Leah met with Melanie two days ago, they talked about developing a plan to discuss the board meeting agenda two weeks in advance moving forward. Dave is not here, will not be able to finish his term as he has too many personal commitments. The board needs to start process of appointing a new member. Act quickly and put a notice to members in the January coop new and start taking letters of interest. Also, post on the website as soon as possible. Ask staff to create posters and post in the stores as well as add to the SMS register screens. All applications should go to Nicole Chase. Ed Smith will be the contact for Cassie Blom. End of January deadline. Candidate forum and appointment will happen at the February Board meeting.

**Board Tracking System:** This is a follow up from a discussion at the September Board meeting. Should a Board member take up creating a collaborative spreadsheet? It would include notation of all action and updates. The Board would share the document with management, possibly using Google Docs. Colin Fiske will go through the minutes for the past two years, create google doc and share with Melanie Bettenhausen to start.

**Patronage Refunds:** The Board members review Melanie's proposal (see attached\*). Melanie comments that it would be possible to offset losses associated with issuing a refund by tightening up inventory and labor or pursue a small cash loan if needed. Melanie asks if the board accept the recommendation. Colin would like the wording to include "as per bylaws" or "pursuant of bylaws". Melanie adds that there is a complication with issuance of part of the refund in B shares as she just found out that in our current Securities Permit the cap is 800,000 and the balance is at 775,000 which means we have only 25,000 that we can issue. The proposal would need \$149,000. Could management send out the letter and vouchers and distribute the B shares later? To complete the process for obtaining a new permit, the Draft Securities Permit needs to be updated and have all board members sign, there is processing time. Hopefully we will have it within the next 90 days. Management could change the wording of letter to members to say they will see the addition of B shares on their end of year statement. Discussion of validity of taking \$2 and under cash refunds and donating to CCF. Colin would prefer to change the letter to say under \$2

would be issued as B shares. Decision to adjust the resolution recommended in Melanie's proposal to say the following:

<p><b>MOTION:</b> Pursuant to bylaws the Board of Directors will issue a patronage refund of \$337,465 for fiscal year 2016. Fair Share Members will receive their refunds in 100% cash while all others will receive their refund in 50% cash and 50% in B shares, except where the cash distribution is less than \$2. Any cash distribution that would be less than \$2, the entire amount will be issued in B shares. All B shares referred to in this meeting will be issued by the March board meeting, if not board will revisit this topic at that time. In the letters sent out to members, management will change "B shares in next statement to "B shares will be issued by end of the year".</p> <p>Fiske/Anderson</p>	<p><b>MOTION PASSES</b> 6/0/0</p>
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**In-Store Security:** Robert Donovan inquires about the location of our contract with the security service we use. Regarding the recent stabbing security wasn't there at the time (on lunch). Discussion of potential liability the Coop is exposed to by using an external security service. Robert expresses concern over lax behavior he has witnessed by security guard(s) in Arcata store. Management is aware of the issue. Colin says that If security is permanent maybe it should be in house. Melanie is looking into it, we would take on more liability and are at least 6 months to a year out from being able to consider changing anything. We are missing a key safety component in our staffing and staff education. Melanie mentions that neither of the clerks that were first to aid the shopper who was stabbed had and first responder training which, if they had, could have aided them greatly with attending to the victim and themselves afterward.

**Setting Dates:**

- **MOTION:** Next AMM will be Sunday October 22 time of day TBD. Fiske/Smith **PASSES** 6/0/0
- Board & Management Team Retreat: Late February weekend, Robert will doodle poll the board.
- **MOTION:** Change FC: Wednesday March 29th @ 5:30 Fiske/Stamper **PASSES** 6/0/0
- **MOTION:** Change EAC: 4th Thursday, Stamper/Smith, **PASSES** 6/0/0
- **MOTION:** Leah Stamper will be EAC Chair. Fiske/Smith **PASSES** 6/0/0
- PPC: add change time to next meeting agenda
- Board Meetings: Will remain the same, first Thursday of the month

**Board Orientation:** Create an introduction process for new members. Could be a Nominating Committee agenda item, to create outline of topics including: processes, ongoing issues, board/staff communication. This would be helpful for staff to keep materials updated. A date needs to be set for the next Nominating Committee meeting. Confidentiality agreements needs to be worked on by PPC Kala will add this item to the hot list.

Committee Reports:

**Member Action Committee:** Addressed in Member comment period, see above.

**Nominating Committee:** Kala will remove the recommendation "Approve the 15 recommended additions and or changes to the Election section of the Board Policy Manual" from the October meeting minutes, it was a typo.

**Earth Action Committee:**

- **Regarding Zero Waste:**

<p><b>MOTION:</b> Direct Staff to conduct a member survey regarding how much they would value a Zero Waste certification and report back.</p> <p>Fiske/Smith</p>	<p><b>MOTION PASSES</b> 6/0/0</p>
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- Direct development of Zero Waste Policy to PPC, invite Maggie Gainer to add to the discussion. No action required.
- **Regarding measuring ecological impact of the Eureka deli remodel:**

Direct staff to develop an index of indicators to measure environmental impact and how they will track these factors. By next phase, management will present the board with information to ensure zero net impact.

Fiske/Stamper

**MOTION PASSES**

6/0/0

- **Durable Goods Bank:**

**MAC should review the idea of a durable goods bank and pursue how it should be set up.\***

Fiske/Smith

**MOTION PASSES**

6/0/0

\*Ed Smith expresses concern over potential health department sanitation regulation violations, Cheri Strong seconds concern.

**Policies & Procedures Committee:** Recommends refraining from meeting in December and resume in January.

**MOTION:** Recommendation to amend Board Policy Manual items 6a and 6b with a statement regarding officer nomination: "Following and change in membership of the Board, and whenever other circumstances warrant, the Board shall ensure that all offices identified in Bylaws Article VI are filled. Selection of officers may occur in any manner consistent with Article VI".

Fiske/Smith

**MOTION PASSES**

6/0/0

**Finance Committee:**

**MOTION:** Approval of recommendation to keep C share dividend APR at 2% for the fourth quarter.

Anderson/Fiske

**MOTION PASSES**

6/0/0

**MOTION:** Require Treasure or President (in times when the Treasurer is absent) sign off on all General Manager expenses and disbursements other than payroll at the quarterly FC meetings. The General Manager will submit all above mentioned expenses in a report prior to the meeting.

Fiske/Anderson

**MOTION PASSES**

6/0/0

**MOTION:** Recommendation that the board accept the fiscal year 2016 audit report.\* Additionally, direct staff to report back as to the feasibility of acting on audit suggested changes when feasible, without a timeline attached.

Smith/Stamper

**MOTION PASSES AS AMMENDED**

6/1/0

\*Colin notes that some attachments mentioned in the audit were not included. Melanie responds that this is because she does not have them. Adds that in the future, when the new controller is hired and up to speed, documents will be easier to access. Robert Donovan expresses concern regarding funds security.

**Cannabis and the Coop:** Discussion, in accordance with prop 64 stipulations, this is not an issue for discussion as long as we continue to sell alcohol, the proposition states that we cannot do both. Possibility of selling at a satellite store? Melanie mentions that we own an additional liquor license that is not in use at the moment. Discussion of the potential conflict with sale of CBD oil as the production is bad for the environment. Continue the conversation at MAC or EAC, Kala will send to both agendas for January meetings. Regarding the Purchasing policy being developed by PPC, should the coop be scoring producers as a whole or specific products that we carry? Continue discussion regarding purchasing policy at January meeting.

**Deli Remodel Update:** Melanie, in report highlights, see below.

**General Manager Report Highlights:**

- **Finances:** Regarding our current trends, Arcata store numbers are down due to Mckinleyville Eureka Natural Foods negative impact. Our new store manager has ideas about how to mitigate this effect and get more shoppers back in the store. He is participating in Marketing, Merchandising and Membership monthly meetings. The Meat and Produce departments have seen the most dramatic dips in sales. Produce being down is part of a national trend. The Deli department in both stores continue to see year over year increases in the double digits, week after week.

- Our new Human Resources Director, Michelle Sanders is implementing cost saving measure of adjusting our legal service provider which will shift yearly costs from over \$100K to nearly \$12k per year.
- Staffing Update: Assistant Deli manager positions in Eureka store, interviews are happening now. The Deli Purchase/receiver position will work with vendors and farmers. Management is in the process of negotiating a side letter with the union rep regarding expansion in the deli. Ron Sharp is retiring, his position has been posted. Interviews will happen soon, we have good internal candidates.
- CCOF inspector came, our certification is in the works likely ready by January.
- Nic is tabling in both stores, she invites board members to join her. She is working on updating the board binders with Kala and it is close to being done.
- Colin would like copy of union contract, in digital form.
- Heavy emphasis on safety in both stores. In every meeting an aspect of Safety is discussed. Duncan has been working on getting manuals for assets to ensure correct maintenance to increase safety and is creating Blood Bourn Pathogen kits. Maintenance has been overwhelmingly busy.
- Union contract finalized.
- Hoopa update.
- Deli remodel, selection of John Vieira of Supermarket Source as the Project Manager.

**Financial section of the Board of Directors orientation binder:** Discussion of what could be included as overview in place of the information that is included currently. Historical information is helpful, include last two FY audit reports.

<b>MOTION:</b> Direct staff to update the Financial section of the Board of Directors orientation binder to include the last two fiscal year audit reports.
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Fiske/Smith

**MOTION PASSES**

6/0/0

**Board Correspondence:** Discussion of letter from Bill Beers. Consider LED's that don't put out the harmful spectrum. Incandescent is not possible in the stores, illegal in California. Melanie would like to have a lighting specialist come in during remodel to evaluate both stores. Duncan has seen progress in LEDs specialized for grocery stores, leans toward established brands at this point. Colin expresses that any specialist should focus on employee health as well as product appearance and quality. Melanie will respond to the letter from Bill Beers.

Consensus reached to adjourn the November meeting at 9:15pm and move into Executive Session.



North Coast Co-op  
Board of Directors  
Executive Session Minutes  
December 1 2016 – Ten Pin Building – 793 K Street, Arcata

**Present at the meeting:**

**Board:** Mary Ella Anderson, Colin Fiske, Robert Donovan, Ed Smith, Leah Stamper and Cheri Strong

**Approved guests:** Melanie Bettenhausen

Meeting opened from Regular Session to Executive Session at approximately 9:16pm

Board adjourned Executive Session at 9:50pm after no action.

Minutes by Kala Eichamer

## Attachment\*

Patronage Refund Proposal for  
FY16 by Melanie Bettenhausen  
December 1, 2016

Total amount of patronage income to be distributed in refunds: \$336,221\* (see Wegner calculation)

Patronage refunds must be sent to members in a qualified notice (see attached sample letters) indicating the itemized amounts and how they are allocated. Refunds can be allocated in cash, shares, retained, or some variation of the three.

The entire patronage refund must be distributed in at least 20% cash in order to be exempt from income taxes. By distributing the cash portion in a qualified check (see voucher in sample letter), the Co-op releases tax liability for the income to the member. By signing the qualified check the member accepts responsibility for claiming their entire refund (not just as the cash portion) as income if they do not qualify for the exemption as defined in our bylaws Section 9.03(g), which makes an exception for purchases made for household and personal use.

The qualified notice (letter) of patronage refunds must be sent no later than 8.5 months after the close of the fiscal year; in this case, post-marked by December 15, 2016. The qualified check (voucher) must not expire before 90 days after notice is sent; in this case March 15, 2017. Any vouchers not redeemed will be subject to Unclaimed Equity per bylaws section 2.07. This will be the date at which we consider not having communication from the member. Any unredeemed amounts will be considered a tax liability for the Co-op and must be claimed as income. If patronage refunds are claimed after the expiration date, the Co-op is eligible for a tax refund on those amounts.

De minimus amounts, those considered an administrative burden, do not need to be distributed in cash. However, those amounts become a tax liability for the Co-op. Our CPA recommends that we instead donate that amount to our Cooperative Community Fund and recoup our tax benefit through charitable donation. There is no regulation that sets an amount as de minimus, so the amount can be determined based on cost, administrative concerns, and perceived benefit to membership.

### Assumptions:

- The board would like to maintain the incentive to become a Fair Share member (patronage refund distribution 100% in cash)
- The board would like to distribute as much as possible in cash to non-Fair Share members in order for them to feel they have received a significant benefit from the Co-op, ideally 50%
- The board would like to meet the minimum 20% cash allocation (per membership) in order to take advantage of the tax savings (\$29,722 for state and \$125,654 for federal=\$155,376)
- The board would like the non-cash allocations to be in B Shares
- The board does not want to allocate any refunds in retained patronage
- The board would like to set a minimum amount that will be distributed in cash so as not to appear ridiculous (ex: 2 cents refunds)

### Considerations:

- A large patronage refund distributed in cash has the potential impact cash flow negatively (\$85,600 represents daily needs of the business; average cash on hand is \$1.5M or 17 days)
- Large patronage refunds connect members to the Co-op and they feel appreciated ● Small patronage refunds are not meaningful
- Cash distributions will be more important to most members than shares
- Member will use their vouchers at the stores and will spend more (usually than the voucher amount)

Based on memos and phone conversations with attorney Therese Tuttle, feedback from the Finance

Committee, and careful assessment of budget and cash flow, the following resolution is recommended:

The Board of Director declares a patronage refund of \$337,465 for fiscal year 2016. Fair Share Members will receive their refund in 100% cash while all others will receive their refund in 50% cash and 50% in B Shares except where the cash distribution is less than \$2. *Where* Any cash distribution less than \$2 will be donated to the Cooperative Community Fund.

The breakdown is as follows:

Total Cash Distribution (minus \$2 minimum)	\$185,023
Total Share Distribution (B shares)	\$149,468
<u>Total Donated to CCF</u>	<u>\$ 2,974</u>
Total Patronage Refund	\$337,464

The impact to cash flow equals a deduction of two days of cash on hand and should not create a problem in the fourth quarter of fiscal 17. The number of memberships who will receive cash distributions less than \$2 is 4,456 with 75 of those being Fair Share Members.

\*Total amount used in calculations: \$337,465 (discrepancy due to difference in how new membership database pulls patronage information from SMS point of sale system and how sales/returns are handled by or accounting department)