

Approved

**Hunger Mountain Co-op Council Meeting  
Monday 6/27/2011  
HMC Conference Room**

**Council Members Present:** Matt Levin, Michael Duane, Drew Hudson, Scott Hess, Sylvia Fagin, Linda Kelly, Amy Scharf.

**Staff Present:** Kari Bradley, Justin Stender, Ali Goguen, Autumn Martinez, Neal Giarro, Demsey McCann, Becky Fowler, Diane Stark, Kristi Smith, Emma Parodis, Nettie Cadieux, Deborah Messing, Bob Messing

**Member-Owners Present:** Harvey Golubock, Susan Still

Matt called the meeting to order at 5:30 PM.

**1. Agenda review and time allocation**

Kari noted that Dallas Cline could not attend tonight and may reschedule with staff. Due to the large number of staff/Member-Owners present, Matt suggested adding 10 minutes to the staff report. A ballot committee discussion was also added to the discussion of annual report, and the policy reflection and report was moved to immediately follow the annual plan.

**2. Approval of Minutes of 6/6/11**

ACTION: Scott moved and Michael D seconded the minutes of 6/6/11 as submitted. **APPROVED**

**3. Opening: Scott**

Scott reflected that while he is new to The Coop, many old issues are new again. Changes in the climate may drive more people to our part of the country, and our part of the world. He hoped that The Coop will adapt and wrestle with this as part of the 10 year plan and vision.

**COOPERATIVE TASKS:**

**4. Equity Refund Requests: Kari**

Kari reported that there were 6 equity refund requests for a total of \$526.12.

**ACTION: Drew moved and Sylva seconded a motion to approve the Equity Refund Requests. APPROVED**

**5. General Managers report : Kari**

Kari reported several pieces of good news: The Coop has hired Chris Kiper to be Facilities Manager; Now that the bank has granted its approval, we have repaid all Member loans, which will improve our debt to equity and other key financial metrics; Several more managers have received training in open book management; And the Coop has made several hundred dollars in donations to local businesses and charities to assist in flood cleanup. These

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donations are in addition to donations from customers for the Flood Fund at the register.

Kari also reported that in general, fiscal metrics are on track with sales for June up approximately 4.5% over the same period last year (with the Truckload Sale pending). Sales in May were down 1.8%, in part due to not having a May truckload sale this year.

There have also been some challenges and developments: most notably that a customer found 3 small plastic shards in the bulk salad mix in late June. Staff and the vendor (Pete's Greens) have investigated and believe this is an isolated incident. Outside The Coop, credit card legislation limiting "swipe fees" is scheduled to take effect July 27 – this will benefit customers slightly in lower fees, and will require no major changes from staff.

Finally, The Coop is planning several upcoming events including a truckload sale on June 24-26 and an Early Harvest Dinner- July 26 5:30-8:30 pm at the Montpelier Unitarian Church. Council members are encouraged to attend the Harvest Dinner and hear input into the 10 Year Planning process.

**6. Staff Representatives Report: Justin and Ali**

Justin and Ali expressed concern that they were not elected properly to their post as Staff Rep because another staff member has come forward and raised questions about the nominating process. Matt and Michael D reminded those present that the process for electing Staff Rep is up to the staff, and that the Council has submitted a letter simply clarifying that we'd be happy to have two Reps.

Matt suggested that staff figure out a process to nominate people (including Justin and Ali), submit votes and count ballots. Justin and Ali will take that discussion back to staff and let the Council know if we can help

**7. CCMA report – Sylvia and Scott**

Sylvia reported that CCMA is a national meeting of coop staff and board members. She left excited, and came back excited and sobered by the responsibility of being on the Council. There's a lot to do even though we don't manage day-to-day operations. One idea that she was left with is why being a co-op matters – as opposed to 'just another natural foods store'. She is thinking about what else we can do for the community through the Hunger Mountain Cooperative Community Fund, and our outreach programs and more. She also noted that 2012 is the International Year of the Coop, a great opportunity to share content and programming from a worldwide audience.

Scott also attended the CCMA meeting and was struck by the fact that Vermont is a coop-intensive area. The conference attendees were focused on the movement and the business model and the things we work on in

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common. A lot of those present at the conference were discussing the same ideas as Hunger Mountain Coop – how to support local farms and entrepreneurs.

#### **8. Vendor survey - Kari**

As a brief aside, Kari shared some data on quarterly sales for NCGA stores in the last 2 years: If you look at these numbers including new stores the trends are improving, but if you exclude new stores the trend is for sales growth to shrink, especially in the east.

Kari reported that about 70 vendors had replied to our survey out of approximately 250 total vendors who work with The Coop. This is considered a very good showing, and the responses were overwhelmingly positive:

- The vast majority of vendors – 75% – do less than 20% of their business with the coop.
- On satisfaction – most vendors marked “Very satisfied” in all categories
- The lowest marks were on items about shelving and stocking. But even these average ratings were well over 4 (out of 5)

Results of the survey have been shared with several committees to inform their work on planning.

#### **9. Annual Plan FY12 – Kari**

Kari presented the Annual Business Plan which is a product of our 3-year Cooperative plan, department-level plans and budgeting. As with all Coop plans, this one is consistent with the Ends policies and the L5 policies, which require financial prudence.

In crafting the plan, Kari and staff considered the global situation, including the recession, rising prices for fuel, food and health care; Regional factors including tremendous interest in and investment in local foods; And local factors like last year’s market study that indicate limits to our growth like the size of the building and parking lot.

Considering all these factors, we are operating from a strong base of staff, customers, vendors and community – which includes a thriving movement of local coops regionally and nationally.

Specific Initiatives in this year’s plan include:

- Improve operations while paying down debt;
- Local food system development;
- Maintain and build a healthy and productive workplace and service oriented culture;
- Increase contacts and strengthen connections in the community;

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- Create additional affordability initiatives and resources.

On the budget side, the plan projects:

- Sales to increase 5.85% annualized;
- A net income of \$70,966 or .37%;
- This number is lower than other co-ops like ours, because our gross margin is lower and our labor costs are higher than other similar sized co-ops;
- The plan reduces total liabilities and increases total equity;
- The plan also includes metrics for local food sales, local investment, environmental standards and more;

Drew noted that the Finance Committee has reviewed the budget and recommended it to the Council.

Kari also noted that the budget and the plan are built on a series of assumptions that include staff compensation and benefits, which are not fully known as a result of the ongoing contract negotiations. Similarly, Deli renovation is a potentially large capital investment that is being considered, but is not fully proposed in this plan because the opportunity is still being analyzed. Kari and his team will come back to the Council for discussion and approval of a Deli renovation plan if they decide to move forward.

Matt asked that we pick the “right” bike rack and asked for more context from previous years -- including budgets and actual expenses from previous years – in the executive summary on page 3.

Sylvia noted that this budget does not suggest a likely patronage refund for Member-Owners.

## **OPERATIONAL MONITORING**

### **10. Policy Reflection - Sylvia**

Sylvia noted that at the CCMA conference she was reminded that our job as Council members is to look at the reports and know enough to really examine and understand what’s happening at The Coop. She also noted that there’s nothing necessarily wrong with non-compliance, which simply demonstrates that the Council is paying close attention, not that they disagree or are in conflict with staff and management. That close scrutiny of the finances is also the source of our ‘conservative’ budget requirement – because this is about the community’s money, not one individual’s. A vision without a plan is a hallucination. So the Council looks at reports and budgets and plans to make sure we’re dreaming and planning but not hallucinating.

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### 11. Monitoring report- Kari

Kari noted that this is a very clear and useful policy because the metrics are very specific and easy for the management team to report to Member-Owners on progress or challenges. He reviewed all the elements of the report, including one report of non-compliance, which refers to fiscal 2009 when we failed to meet our standards for 'conservative' budgeting.

Matt noted that we need to amend "June" to read April in the last sentence of the Comments on L5.1

Sylvia confirmed that the market study on Page 5 refers to the same thing as the market study from last year that is referenced in the annual plan.

**ACTION: Scott moved and Michael D. seconded a motion to approve both the report of compliance and non compliance including the amendment from Matt. APPROVED**

### 12. Union Contract

Kari reported that The Coop and its employees' Union, the United Electrical Workers, have not yet been able to reach a compensation agreement for fiscal year 2012, which begins in July.

Kari briefly summarized the Coop and the Staff's competing proposals. And Matt and Drew reminded all present that the full Council does not negotiate the contract. We designate several members (this year, Amy, Scott and Linda) to represent the interest of the Member- Owners at the bargaining table. A final contract is then approved or disapproved by the Council based on its impact on the budget and plan, as reflected in our policies.

Several of the Staff present shared their thoughts on the negotiations, which they have found frustrating, difficult and at times disrespectful. Kari shared his belief that no disrespect or hostility has been intended by the process, but that The Coop faces a difficult position with declining sales, increasing costs and desire to honor all parties – including staff, shoppers and Member-Owners.

Council members agreed that negotiations are more difficult this year, but that listening and valuing all community members, including staff, is a key value to The Coop.

All parties remain hopeful that negotiations can continue, and an accommodation can be reached that meets everyone's needs.

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## **Vision and Planning**

### **13. Marketing and Food Delivery- Sylvia**

Sylvia reported that we heard back that the Center for Applied and Economic Development at UVM is willing to work with The Coop only if they have a spare grad student – we're looking for that person now. Sylvia will convene the group to review the vendor survey results and will forward any relevant findings to the 10-year committee.

### **14. 10 Year Committee – Drew**

We have reviewed the vendor survey information, and done a small group discussion with a few staff and Member-Owners. Staff have also been polled and engaged in several discussions separately. Our plan for the next few weeks is to conduct additional small focus groups, prepare for the Harvest Dinner, and interview several thought-leaders in our community for suggestions and advice. We still plan to present a draft plan at Annual Meeting for consideration by Member-Owners.

### **15. Executive Committee – Michael D.**

There is likely to be a special meeting of the Council in July to consider union contract, and its potential impacts on our budget and plan, especially the Deli.

- a. **Ballot Committee** – Must be reconstituted from Council members not up for election this year. Amy, Michael C., Matt and Lydia will meet in August to review process. Staff will send a July email looking for volunteers.
- b. **Annual Meeting Committee** – will be formed to help shape the agenda and format of this years meeting. Sylva, Linda and Michael D will meet in August to begin this process.

### **16. ACTION: at 8:25 Michael D. moved and Matt seconded a motion to adjourn. APPROVED.**