

APPROVED MINUTES

Brattleboro Food Co-op Board of Directors Meeting Minutes

July 5, 2010

American Building Conference Room, 67 Main Street, Suite 5, Brattleboro, VT

Directors Present: Lucinda Alcorn, Bob Crego, Joanne Finkel, Tom Franks, Denny Frehsee, John Hatton, Will Keyser, Bob Lyons, Bill Murray, Pamela Reagan, Harriet Tepfer.

Directors Absent: None

Others Present: Alex Gyori and Dick Ernst, management; Larry Middleton and Erin Perkins, prospective Board candidates; and John Vanderdoes, a non-shareholder, attended through dinner.

The meeting was called to order at 5:15 PM. Lucinda Alcorn facilitated.

1. Agenda Review: John Hatton added a discussion on what to focus on for the remainder of the year, since the Board's involvement in the redevelopment project will diminish significantly, to the end of the meeting.
2. Minutes from June 7, 2010: Bob Lyons moved to accept the minutes; Bill Murray seconded. The minutes passed unanimously.
3. Minutes from June 21, 2010 (special meeting to pass resolutions for financing the co-op redevelopment project): John Hatton moved to accept the minutes; Bob Lyons seconded. Tom Franks made a friendly amendment, which was adopted by unanimous consent, that the Board affirm its action of accepting these minutes, which they had previously done using the Board's Google group (i.e., electronically). The motion as amended passed unanimously.
4. Shareholder Input on Issues: None to report.
5. GM Report:
 - A. Sales are 3.31% ahead of the same time as last year. Dottie's sales are doing well: they ended at 5.8% ahead of last year.
 - B. Hanover has opened a new Coop Food Store in White River Junction in a space vacated by a grocery store. The question of the impact on Upper Valley Food Coop was raised. Alex said the agreement is that the new Co-op Food Store won't carry natural foods.
 - C. Erbin Crowell has officially started as executive director of NFCA effective July 1.
6. Redevelopment Project:
 - A. A closing date and firm start date (groundbreaking) are still unknown.
 - B. ReNew Salvage will be deconstructing Best Muffler (and Bruegger's) prior to demolition.
 - C. The shareholder loan drive is about \$25,000 over the \$1 million goal. Bruce and Alex continue to contact shareholders who have expressed interest in making a loan to the Co-op.
 - D. Brattleboro Savings & Loan's loan committee approved their portion of the Chittenden financing package with the caveat that the USDA loan guarantee be initiated at the start of construction, which is not how the deal was structured between Chittenden and the USDA. Denny's opinion is that, under the circumstances, the Co-op should say that the \$40,000 fee for the USDA guarantee is onerous and look for another major funding source. Others felt this isn't realistic at this point.

- E. Last week the Co-op learned that the USDA application hasn't been sent from Montpelier to Washington and that it could still take several weeks for a decision from Washington about the reduction of loan fee to 1% and the 90% guarantee of the amount Chittenden finances. This will take the Co-op and housing beyond the 60-day guarantee by Baybutt Construction, which lapses Saturday, July 10. The project team is looking into approaching the regional USDA rep to see if the process can be expedited.
 - F. A federal energy efficiency grant application for nearly \$300,000 was filled out and filed by Tom Appel to meet a June 30 deadline.
 - G. The Co-op's attorney, Downs Rachlin Martin, has reviewed the documentation for Co-op Fund of New England and Coop Capital Fund; Rebecca Dunn has accepted most of the suggested changes.
 - H. A tenant who lives in The Victoria has lodged a complaint with the Agency of Natural Resources that Best Muffler is a toxic waste site. Peter Lynch, assistant fire chief, has confirmed with testing machinery that there are no gasses in the air at that location and talked with the tenant. In 2003 we drilled around this area and no hazardous waste was discovered. We may need to do more drilling to confirm this.
7. Board Monitoring Reports:
- A. QIV 3 – Board Member Code of Conduct
 - i. Bill Murray moved to accept the report; Bob Lyons seconded. The monitoring report was accepted unanimously.
 - B. QIV 4 – Cost of Governance
 - i. Bill Murray moved to accept the report; Tom Franks seconded. The monitoring report was accepted unanimously.
 - ii. It was decided to add *The current policy states:* to the policy monitoring template as a way to easily reference current policy. Ann will add this and repost the template to the Board's Web site.
 - C. QIV 7 – Board Officers; QIV 9 – Board Relationship to Shareholders; and QIV 10 – Board Committees
 - i. Bill Murray moved to accept QIV 7.
 - ii. Tom Franks made a friendly amendment, which was adopted by unanimous consent, to also accept QIV 9 and QIV 10. Harriet Tepfer seconded. The motion as amended passed unanimously.
8. Report-outs on CCMA:
- A. Pamela Reagan and Lucinda attended CCMA in Bloomington, Indiana, this year. Pamela felt that the Brattleboro Food Co-op was advanced compared to many of the other co-ops. At many of the workshops she attended, we were "already there" or beyond. Lucinda agreed that in terms of how the Co-op is run and how the Board works together, we run a little more smoothly than many.
 - B. Wheatsville uses Survey Monkey for their monitoring reports, which we briefly tried this spring; however, they include comments and discuss the reports at their meetings, which we didn't do.
 - C. Alex reported that Walter Fogg (staff) also attended CCMA and a meeting with Equal Exchange. Five co-ops in the U.S. are working with Equal Exchange to develop a co-op fair trade program; Brattleboro Food Coop is one of them.

The meeting adjourned for dinner at 6:17 p.m. and reconvened at 6:45 p.m.

9. Board Candidates:
- A. Amy Frost and Suzy West have decided to not run this year; Suzy would consider it in the future. Denny feels the Nominating Committee should also keep Amy on their list as a future candidate. Larry Middleton, Erin Perkins, and Tom Martyn are interested in running for the Board.

- B. Commitments from candidates will need to be secured by August; candidate statements must be to Walter by September 1.
- C. The point was made that if the Board wants to encourage younger members, it may want to consider a babysitting stipend as part of the cost of governance, as it was mentioned by a prospective candidate that childcare could cost up to \$60 to attend each Board meeting.

10. Patronage Dividend:

- A. This fiscal year is the first in which the Board will vote on whether to pay a patronage dividend. Bob Crego reviewed *BFC Patronage Dividend – Next Steps*. Discussion included the following:
 - i. The tax savings to the Co-op is figured on both the retained portion and the amount paid out. Shareholders will need to be encouraged to cash their dividend checks, as the following year BFC will have to pay taxes on all uncashed checks.
 - ii. Whether to distribute the patronage dividend as cash or store credit (and allowing it to be used toward an unpaid balance on a shareholder's equity account), and the goodwill, PR, and connection value of getting a check in the mail. Dick Ernst, Operations Manager, feels too many choices will cause confusion and cost the Co-op money. Tom Franks suggested management evaluate the cost of mailing checks vs. creating a credit on shareholders' accounts.
 - iii. If the Co-op cashes dividend checks as a convenience, the bank fee the Co-op pays to do so should be considered.
 - iv. Some co-ops provide shareholders with a means to donate their dividend to a non-profit organization if they so desire.
 - v. The Co-op won't roll over a dividend for less than \$5 (the amount previously set as the minimum for a patronage dividend check), but can the system flag accounts below \$5?
 - vi. Dropping the minimum for a check from \$5 to \$1. The cost to keep dividends below \$1 on account will be looked into by Alex.
 - vii. Whether the Co-op would distribute more than the 20% minimum. Alex wants to look at the ratios when the books close before addressing this (shareholders will compare their dividend to what they would have gotten as a 2% discount at the register).
 - viii. Since dividend checks will be relatively small, it was suggested they include something that says how much the Co-op saved in taxes. Another suggestion was to focus on return on investment, comparing the dividend to the cost of a share.
- B. Bob Crego made a motion that the Board make a decision on the four points related to the patronage dividend program: (1) that 100% be allocated, (2) that 20% be distributed, (3) the method of distribution be check or cash, and (4) that the minimum amount of distribution be determined (discussed changing from \$5 to \$1).
- C. Tom Franks made a friendly amendment: (1) that the Board allocate 100% of the profits on shareholder sales to the patronage dividend, (2) that the Board distribute 20% of the patronage dividend to shareholders, (3) that distribution be by check, unless the amount is less than \$5. Bob Lyons seconded.
- D. Alex said that: (a) in most co-ops, management makes a recommendation to the Board; and (b) he is not sure that the fiscal year will be closed by the August Board meeting. It was agreed to have Alex research issues of cost and report to the Board before any decisions are made.
- E. Bob Lyons withdrew his second of Tom Frank's amendment and Tom withdrew his friendly amendment. Bob Crego withdrew his motion.
- F. Bob Crego was thanked for preparing his report and the clarity with which it was presented. Regarding the attachment produced by Lexington Co-op for their shareholders, it was suggested BFC focus on return on investment.

- G. Action items related to the patronage dividend discussion:
- i. Management will evaluate the cost of:
 - Mailing checks vs. creating a credit on shareholders' accounts;
 - Cashing dividend checks (bank fees);
 - Dropping the minimum to cut a check from \$5 to \$1;
 - Tracking dividends below \$1 by individual shareholders' accounts;
 - ii. After the books are closed, management will evaluate ratios and make a recommendation to the Board, including whether it's feasible to distribute more than the minimum 20%;
 - iii. Alex will enlist Marketing to start drafting something for shareholders.

11. Board Focus for Remainder of Year:

- A. The Board's two major areas of focus—the patronage dividend and the redevelopment project—will soon be winding down.
- B. The following were suggestions for how the Board can effectively spend its time between now and November:
 - i. How to make shopping at the Co-op more affordable;
 - ii. Read and discuss books or articles (suggestions were a book by Michael Schuman and *Community* by Peter Bloch, a book about what makes a sustainable community);
 - iii. Review the CDS webinar on visioning—how to keep the intellectual discussion going—and do a combination of discussion topics for the Board, and articles/books that could be discussed with a wider audience such as other businesses and stakeholders;
 - iv. As a cooperative Board we struggle to have the Board's message have meaning and relevance—how to address this.
- C. Board members were invited to email John other ideas.

12. Critique.

The meeting adjourned at 7:51 PM.

Minutes submitted by Ann Wright, Board Administrator