

TPSS Board of Representatives Meeting

Date: December 18, 2017

Time and Place: 6:00pm, Historic Takoma

Board present: Rachel Hardwick (RH), Robert Anderson (RA), Melissa Schweisguth (MS), Susan Cho (SC), Fred Feinstein (FF), Susanne Lowen (SL), and Mary Rooker (MR)

Board absent: Adam Frank (AF), Diane Curran (DC)

Staff present: Martha Whitman (MW) Interim GM, Hussein Choteka (HC) Store manager

Attendees present: Julia Eddy (JE)

Minutes submitted by: Solveig Mortensen (SM)

BOARD ACTIONS:

- The Board approved the September 24, 2017 open session Board meeting minutes as submitted.
- The Board approved the November 30, 2017 open session Board meeting minutes as submitted.
- The Board accepted the proposed revisions to policy L-6, Asset Protection as amended. APPENDIX A.
- The Board accepted the proposed revisions to policy L-4, Financial Conditions and Activities as submitted. APPENDIX B.
- The Board tabled the approval of policy L-5, Budgeting/Financial Planning.
- The Board approved, via electronic mail on December 7, 2017., MW's December 5 *Transfers of Membership Proposal* regarding membership transfer for two specific member numbers due to one death and one divorce.

Interim GM's Report: MW summarized the findings of her report and described how the Co-op experienced a number of non-routine expenses during the month of November, including an extra pay period and some additional operational, administrative, and maintenance costs. She elaborated that this November was not as strong a month for the Co-op as compared to last November's.

MW relayed the ways the Co-op is working hard to benefit shoppers and members, such as doing product resets; pursuing opportunities to lower prices and generate promotions wherever

possible; and price-comparing with competitors. MW highlighted the newly, lowered prices on some of the Co-op's produce and how the Co-op is price competitive with Whole Foods. MW and the Board discussed the best strategy for communicating these Co-op shopping advantages.

MW shared that she is also planning to bring in some external guidance to work with the Co-op's buyers. MW named several pieces of equipment that the Co-op is interested in upgrading and/or obtaining. The Board and MW touched on the challenges with the Co-op's POS system, Catapult, and confirmed most co-ops use Catapult.

Board committee updates:

GM Search Committee: MS reported that Committee screened 43 candidates and whittled the candidate list down, with two Committee members ranking each individual candidate to ensure impartiality, MS suggested that a search consultant can support the Co-op in pursuing the best possible channels to reach potential candidates.

Membership and Community Affairs Committee (MCAC): FF reported that the MCAC had a productive meeting where they discussed a variety of things, including:

- the process for engaging members to have them help determine the purpose and goals of activating the membership and the process for activating members
- the purpose of membership outreach
- ideas regarding attracting people to shop at the store
- background on the Co-op's newsletter; the Co-op's Outreach and Marketing Director shared the immediate plans for the newsletter

Policy Committee: The Policy Committee (PC) submitted proposed revisions for L-6, Asset Protection, L-4, Financial Conditions Policy, and L-5, Budgeting/Financial Planning.

MS summarized the proposed revisions for policy L-6: standardized formatting in areas; incorporated in new language to cover as an asset to be protected not only electronic data, but also other data not expressly mentioned (within the policy) that may be designated as confidential, in the future. The Board approved with the modification of removing the word "by."

MS summarized the proposed revisions for policy L-4: standardized formatting in areas; incorporated the content of the former *Internal Financial Reporting Memo* into the policy; and thus, codified policy L-4's monitoring section with the monthly, quarterly, and annual reporting requirements that the Co-op has been doing to date. The policy was also revised to specify that within two months after the end of each quarter, the GM will provide a report that assesses each quarter's compliance with policy L-4.

MS summarized the proposed revisions for policy L-5: standardized formatting in areas; codified the GM's current practice of providing actual sales and expenses to date when presenting the next fiscal year's projected budget; and adding quarterly reviews of budget projections versus

actuals (due within two months of the quarter ending). The Board agreed to table the approval of L-5, as MW indicated that it needs a revision to include budget/actual reports for each individual quarter and not just year to date as proposed in the draft.

Committee Assignments:

Audit and Finance Committee: AF (Chair); RA, MS, SL

Policy Committee: MS, SC, (Co-Chairs); AF, DC

Membership and Community Affairs Committee: FF (Chair); MR, SC, DC

GM Search Committee: MS (Chair); MR, AF

Nominations Committee: RH (Chair); AF, FF

Personnel Committee: RH, RA, MR

Term 2017:

<u>Rep.</u>	<u>Dec</u>
Anderson	*
Curran	ex
Cho	*
Feinstein	*
Frank	*
Hardwick	*
Lowen	*
Rooker	*
Schweisguth	ex

(ex=excused)

Board Representative	Term:	Term Ends:
Anderson	1 year (consecutive term)	2018
Curran	3 years	2020
Cho	3 years	2019
Feinstein	3 years	2019
Frank	3 years (consecutive term)	2020
Hardwick	3 years (consecutive term)	2019
Lowen	3 years	2020
Rooker	2 years	2018
Schweisguth	2 years	2018

7:20pm Meeting adjourned.

APPENDIX A:

Policy Type: Executive Limitation
Policy Title: L6 – Asset Protection
Adopted: July 2002
Last Revised: [December 2017](#)

Assets shall not be inadequately maintained, unnecessarily risked, or unprotected. Accordingly, the General Manager shall ensure that:

- L6.1 Insurance coverage of stock, building, furniture, and equipment remains at an adequate level to ensure continued operation of stores in event of loss.
- L6.2 Exposure of the organization, staff, or the Board to claims of liability is limited as much as practicable.
- L6.3 Purchasing arrangements avoid unnecessary conflicts of interest.
- L6.4. Receipt, processing, or disbursement of funds and inventory occurs with control systems that are sufficient to meet the Board-appointed auditor's standards.
 - L6.4.1. Cash handling occurs in strict compliance with written procedures.
- L6.5 Maintenance and proper use procedures are in place that limit risk to buildings and equipment.
- L6.6 Organizational procedures are in place to limit the risk of theft, loss, or damage to property.
- L6.7 Operating capital is retained in federally insured institutions, unless the Board authorizes some other arrangement.
- L 6.8 Confidential data, including but not limited to financial, member-owner, investor, volunteer, staff, customer and other data that the Board or GM may delineate as confidential from time to time, are kept secure. Clear policies for preventing unauthorized use of or access to confidential information are in place.
- L 6.9 Critical operating data are archived, protected from loss, and accessible by management over time

MONITORING: This policy will be monitored annually through an external review or audit.

APPENDIX B:

Policy Title: L4 – Financial Conditions and Activities

Adopted: July 2002

Last Revised: December 2017

With respect to the actual, ongoing financial conditions and activities, the General Manager (GM) must not cause or allow the Cooperative to be unprepared for future opportunities, the development of fiscal jeopardy, or key operational indicators to be below average for our industry. The GM must not:

1. Allow sales growth to be inadequate.*
2. Allow operations to generate an inadequate net income.
3. Allow liquidity (the ability to meet cash needs in a timely and efficient fashion) to be insufficient.
4. Allow solvency (the relationship of debt to equity) to be insufficient.
5. Allow growth in ownership and member-owner paid-in equity to be insufficient.
6. Default on any terms that are part of the Cooperative's loans.
7. Allow late payment of contracts, payroll, loans, or other financial obligations.
8. Incur debt other than trade payables or other reasonable and customary liabilities incurred in the ordinary course of doing business.
9. Acquire, encumber, or dispose of real estate.
10. Allow tax payments or other government-ordered payments or filings to be overdue or inaccurately filed.
11. Use restricted funds for any purpose other than that required by the restriction.
12. Allow financial record keeping systems to be inadequate or out of conformity with Generally Accepted Accounting Principles (GAAP).

Monitoring: This policy will be monitored in several ways:

1. The GM will provide a quarterly report to show compliance with all above limitations.
2. Financial reports will be made available to the Board and the Audit and Finance Committee on the following schedule:
 - Annually, after the close of the fiscal year and in time for the annual report to member-owners:
 - 10-year trends (by year) of: annual sales, net income, cash, days cash on hand, total debt to equity ratio, current ratio.
 - 10-year trends (by year), a balance sheet showing: current assets, fixed assets, other assets, current and long-term liabilities, member-owner equity, patronage dividend, and earnings.

-A data-based comparison of our financial performance to comparable consumer food cooperatives.

Quarterly – reports should be sent in time for the Audit and Finance Committee meeting the second month after completion of inventory every quarter:

-5-year trends (by quarter) of margin minus labor, sales/labor hour, inventory turnover, sales growth, EBITDAP, net income as percent of sales, the current ratio, the quick ratio, debt-to-equity ratio, number of member-owners, member-owner paid-in equity.

-Quarterly tax payments made (dates and amounts for payroll taxes, sales, federal income, state income, and any other taxes).

-5-year trends (by year), a balance sheet showing: current assets, fixed assets, other assets, current and long-term liabilities, member-owner equity, patronage dividend, and earnings.

- A comparison of the budget versus actual income and expenses for the quarter

Monthly, for the previous month, one week in advance of the Board meeting if it is held on or after the fourth Sunday of the month:

-5- year trends (by month) of: sales, net income, cash, current ratio. Numbers for the immediately preceding month may be preliminary pending additional invoices, etc.

These reporting requirements shall be considered the minimum information the Board requires to assess the financial condition of the Cooperative. The GM shall provide additional information as deemed important to the Board for it to consider, regarding the Cooperative's financial condition.

*It should be noted that the financial conditions and activities policy lays out what the GM is prohibited from doing in order to maintain the financial stability of the Co-op. As part of policy governance, the Board should limit the GM as little as possible based upon its assessment of his or her ability. In other words, unless the Board thinks that the GM is not following its guidance, the GM should be given as much leeway as possible. This gives the GM the flexibility to run the Co-op most efficiently, and gives the GM the understanding that the Board trusts his or her judgment. In this spirit, the Policy Committee/Board has made the financial conditions and activities policy as open as possible by using the terms "inadequate" and "insufficient." For example, in L4.1 the Policy Committee/Board states that the GM should not "Allow sales growth to be inadequate." By using this term, the Board is allowing the GM to define what "adequate" means and is for the Co-op at any given time. If we are in the midst of expansion, adequate growth may be measured differently than it is currently. For example, the GM may compare our growth to other co-ops going through expansions (or who have completed such expansions) to show that the Co-op is growing at an acceptable rate for such circumstances. As a result, the GM must fully explain the definition he or she is using for "adequate" or "sufficient" for each limitation. In addition, he or she should give the Board copies of any statistics used, etc. so the Board can fully understand the definition used, how the GM came up with the comparison figures, and how the GM came

up with the figures from our co-op. The GM should also give the Board any other reports, etc. he or she feels necessary for the Board to fully understand the co-op's current financial picture.