

TPSS Board of Representatives Meeting

Date: June 24, 2012

Time and Place: 6:00pm, TPSS Community Room

Present: David Walker (DW), Tanya Whorton (TW), Matt Hersh (MH), Steve Dubb (SD), Emily Townsend (ET)

Absent: Mary Rooker (MR), Nelson Graves (NG), Ken Firestone (KF), Mike Burnell (MB)

Others Present: Brenda Tilery (BT), Finance Manager; Marilyn Berger (MBe) Human Resources; Tilahun Berie

Minutes submitted by: Solvejg Mortensen (SM)

RESOLUTIONS:

- The Board amended the evening's agenda: Financial Committee Report seated before the GM Report.
- The Board approved the May 2012 Open Session minutes as amended; ET moved, SD seconded, and approved by consensus.
- The Board approved the FY 2012-2013 Board budget; SD moved, MH seconded, and approved by consensus.
- The Board resolved to re-hire the financial group Chawla and Chawla to conduct an audit this year for the 2011 audit; SD moved, DW seconded, and it was approved by consensus.
- The Board agreed that new Board reps should begin their term December 1st.
- The Board supported the idea of having a physical box placed in the customer service area of the Co-op for Board nominations and for operations staff to oversee the emptying of.
- The Board agreed to provide interim approval of the Expansion Committee Charter with a plan to give it final approval in July's Board meeting; SD moved, ET seconded, and the Board approved by consensus.
- The Board agreed to table the topic of CCMA for the next meeting.
- The Board resolved to move the date of the Board meeting in July to the last weekend: July 29th.

Finance Committee Report: It was clarified that in regards to Board stipends, checks could not be issued until a revision in the By-laws occurred, which entails a notable cost.

ET presented several specific questions re: negative numbers within the financial reports. She was curious why more appeared to be spent on overhead in SS for the previous month. The Finance Manager (FM) clarified that due to the change in management structure in SS, the overhead and the budgeted amount for overhead were not shown in agreement. There was also an explanation of why negative pre-paid taxes showed on one balance statement: essentially, the Co-op will be receiving a deferred tax benefit. Finally, the amount of the gift certificates was listed as a negative number and this was said to be characteristic of how items are currently being entered into the POS. The FM shared that research on this had occurred; a POS specialist had come to the Co-op to evaluate the matter. Furthermore, gift certificates are valid for up to four years. ET also planned to follow-up on a question re: a negative number in the category of product return.

The FM highlighted communication and awareness of timelines. She asked the Board for feedback and direction in re: to which financial reports are the most worth receiving. SD responded that the four reports were useful and that while the Finance Committee (FAC) should probably receive monthly reports, he believed the Board only needed quarterly ones. He commented that he would like to see industry comparables—be they from the NCGA industry trend report or CoCoFiSt data—integrated into the quarterly reporting. DW requested a TPSS Co-op balance sheet at least quarterly, noting the requirement in the Financial Conditions Policy; he elaborated that if this step is dependent on actions by an auditor, then the Co-op needs to have the auditor complete it each time, so it happens. The Board discussed performing the eliminating entries quarterly for the balance sheet.

CoCoFiSt Data: TW shared Board materials that included some CoCoFiSt number comparatives (JJJ Ranch Group, in particular) from previous Co-op Board meetings. She recounted the history of the Co-op's interest in and use of the CoCoFiSt numbers and noted that the Financial Conditions Policy no longer requires their use. However, she explained, some current Board reps. still asked why they were not seeing them for comparisons sake; the GM had responded that there is not a truly comparable area co-op--one without a deli. The FAC was asked to look further into the matter. TW relayed how she, then, researched the ways Boards use CoCoFiSt numbers: there are a huge number of data points that CoCoFiSt captures. However, she learned that operations use CoCoFiSt for benchmarks and that it is designed as a management tool rather than a governance one. She shared the FAC's recommendation that requirements for CoCoFiSt not be included in policy, but still be utilized as data for management. One Board rep. conceded that the CoCoFiSt data was certainly an operational tool and should not be mandated in policy, but still believed it included high level data, pertinent for comparisons. He emphasized his interest in receiving some kind of comparative data because he believed it becomes meaningful over time, even if it is not an exact comparable. The Board President concurred that he did not want the task of benchmarking CoCoFiSt built into Co-op policy, but he had an interest in comparative data and stated that he would like to see the CoCoFiSt data on TPSS Co-op, actually, and the report format. ET supported the idea of having some comparables as a means of placing the Co-op in context. SD explained that simple industry average numbers could be helpful. SD and DW planned to create a list of suggested indicators for co-ops, which they would like--as an informal request--for the GM to compare against approximately half a dozen other co-ops. DW also commented that the Board has previously discussed Board education around the eight indicators and this may be the place to raise and integrate the CoCoFiSt data in an annual review.

TW recognized that he FAC did make recommendations in re: to the Financial Conditions Monitoring Report; however, she suggested that the Board table it and send the recommendations out for July meeting. There was some discussion re: the calculations of the indicators and the two included values: the percentage and the actual values. BT determined from feedback that she should continue to do both.

Audit Review: Prior to this Board meeting, the Board discussed, on-line, the decision to have the financial group Chawla and Chawla perform the audit this year; five were counted in favor and four were counted as not in favor. Consensus was not reached and the Board did not agree to suspend consensus and move to straight vote; the decision was deferred to this Board meeting.

TW updated the Board that they were at the point of considering a compromise, which had been discussed with the GM. Thus, despite the lack of Board unanimity for the financial group Chawla and Chawla, the Co-op could have the audit with them this year but, still, have another full audit with a different firm the following year. The GM had stated that there was not adequate time for a RFP for new auditors for this year. TW shared that the GM also proposed that if this was the outcome, the Co-op should begin looking in advance for a new auditor for next year; and, she noted, when an organization is looking to expand, it is not unusual to have two full audits. DW pointed-out that ultimately the Treasurer makes this decision, which he would support; however, he introduced the idea of having an independent auditors review this year and a full audit next year. He highlighted the Board's fiduciary duty to check the work of operations and the need for a distinct independent auditor. The Board considered the cost difference between an independent auditor's review versus that of a full audit. There was discussion about what can be determined in a full audit—fraud, etc. as opposed to oversight to operations. The Board President felt an audit would entail examination of internal controls. The Finance Manager noted that the last audit occurred in 2006. SD pointed out that a banking institution will require an audit inclusive of the last three years, i.e., verifying the last three years, for the obtainment of any loan. Due to the upcoming timelines, including a loan application, the Board agreed that an audit needed to occur this year. There was a point made about how the auditors work has always been independent of that of operations and also discussion about how the current auditor has performed the Co-op's taxes in the past. The Board President expressed that he would like to see the Co-op issue a statement with all the completed adjustments by the middle of August, for the auditors to review.

The topic of the accrual method of accounting was raised and DW stated that he and Nancy Hammond, of the FAC, will start using an accrual method in tracking the Co-op's finances and begin to issue their own statements for the Board.

GM Report: Although the GM was not present for the evening's meeting, the Board president wanted to offer Board reps. the opportunity to submit questions. SD appreciated the included bench marks and cost estimates in re: to the strategic plan for the SS store; he also requested more information about next steps in the event that targets are not met, including a stop-point. The Board President made an inquiry about the Co-op's operations budget and pointed out that the Board can comment on the proposed operations budget prior to the point of acceptance, where it then becomes policy directive. He also commented that the budget worked well in the prior year. MH recounted the understanding that the SS recommendations would come before the budget.

Open Member Forum: One member shared a reminder about the evening's agenda.

Nominations Committee: The Board reviewed the Nomination Application and suggested adding a fifth open question to it.

The question of the start date for the new Board term was raised; Board reps. MR, DW, and NG have three year Board terms, but their election occurred late, so it was a question as to whether they need to stay through the December 2012 meeting to complete their full terms. TW presented the suggestion that they stay on the Board voluntarily through that month of December, so as to err on the side of giving Board reps their full term. Otherwise to be consistent, DW observed, the Board election would have to happen later each election cycle. SD suggested that exiting Board members still attend the December Board meeting but as members. There was discussion re: how a twelve representative Board would be a violation of the By-laws, and yet, how there are times when the By-laws may need to be violated in the spirit of their intent. The Vice President did not want to see Board reps. have to resign from the Board to avoid an overlap in Board representatives' terms. The Board agreed that the term for the new Board reps. will begin on December 1st 2012.

The Board supported the idea of placing a physical box at the Co-op's customer service desk for voting members to enter their nominations in; Co-op operations staff would be in charge of emptying it. SD suggested that members be allowed to make an electronic submission for their Board vote; and the Board President indicated that this was permissible as long as members accepted that electronic signatures are legally binding.

Expansion Committee update: TW reported that the Expansion Committee reviewed the Expansion Committee's Charter and streamlined it, but did not share it in advance of this meeting. So, she explained, they will send it to the Board prior to the July meeting. However, due to the need to have the EC Charter available for upcoming EC meetings, SD suggested that the Board provide interim approval of the Charter at this meeting and final approval at the July [2012] Board meeting.

SD asked for an update on the EC's communication with Seth Grimes. DW reported that the GM had sent a letter and received instruction to contact the Mayor to try to be placed on the agenda. He also noted that the Board Vice President is to speak to the City Council.

TW raised two questions that the EC and Board had been attempting to resolve: 1) Does the EC simply carry out the oversight of the expansion or do they actually perform the work of the expansion as well? 2) Who can join the EC? DW reported that now the EC is trying to focus on oversight and not the work itself and that, soon, duties will start to be tasked to specific people. SD commented that it was certainly time to get the expansion effort staffed by adding a project manager or other positions. TW shared that the EC had that discussion with the GM in which it was not only acknowledged that it is appropriate for the GM to lead the expansion, but also recognized staff were needed due to the GM's many current responsibilities. The FM inquired

about the relationship between the EC and the project staff; SD explained his impression, which was that the project staff will report to the GM and that the EC will provide oversight--receive reports and updates on the progress. The Board President clarified that the EC's role is to inform the Board, not to wield authority.

In re: to the question of who can join the EC, TW reported that the EC Chair was not comfortable unilaterally making that decision, so the EC developed a self-selecting process. The EC recommended that interested individuals submit background information, give a CV, and sign a commitment statement, which confirmed that they have read and agreed with the EC Charter.

Membership Update: The next meeting will be the third Monday, July 16th; Board reps. and Co-op members were encouraged to attend. SD set a tentative Membership meeting date of Oct. 27th.

Closings: MAFCA will be held on July 15th at Mariposa Co-op.

TW reported that she attended the Brickyard farm fundraiser in Potomac, and the farm is increasing its outreach and involvement with school kids come and trying to launch a program for new incubators. Reportedly, the Farm is still fighting with the county and in appeal re: the lease. There is a lot of support to keep Nick's Organic Farm operating, and TPSS Co-op contributed a \$50 gift certificate to their fundraiser.

TW suggested the Board consider Art Sherwood's doing an in-person consultation at the Co-op. MBe confirmed that the Co-op is looking for an Operations Manager. There was discussion about the letter of apology to the Membership Committee; TW planned to follow up with the Board President.

Meeting adjourned: 9:15pm

BOARD ATTENDANCE TALLY:

Term 2012:

<u>Rep.:</u>	<u>Dec.</u>	<u>Jan.</u>	<u>Feb.</u>	<u>Mar.</u>	<u>Apr.</u>	<u>May</u>	<u>June</u>
Burne		*	*		*	*	
Dubb	*	*	*	*	*		*
Firestone	*	*	*	*	*	*	
Graves	*	*		*	*	*	
Hersh	*	*	*	*	*	*	*
Rooker	*	*	*	*	*	*	
Townsend	*	*	*	*	*	*	*
Walker	*	*	*	*	*	*	*
Whorton	*	*	*		*	*	*