

TPSS Board of Representatives Meeting

Date: September 22, 2013

Time and Place: 5:00pm, TP Store Community Room

Present: Tanya Whorton (TW), Steve Dubb (SD), Emily Townsend, (ET), Dan Robinson (DR), Ken Firestone (KF), Erin Gabrielson (EG), Matt Hersh (MH), Bill Rodgers (BR)

Absent: Kahlil Yanes (KY)

Others Present: Abdi Guled (AG), Marilyn Berger (MB), Al Romero (AR), Navneet Rangra (NR), Rachel Hardwick (RH), Alice Richardson (AR), Jim Lynch (JL)

Minutes submitted by: Solveig Mortensen (SM)

RESOLUTIONS:

- The Board agreed to add OTBA, CDS renewal, and Open Member Forum to the agenda.
- The Board approved the August 25, 2013 minutes as amended; SD moved, ET seconded, and approved by consensus.
- The Board accepted the submitted 2013-2014 operational budget; DR moved, EG seconded, and approved by consensus.

SD reminded the Board and meeting that five items emerged from the Board retreat. He recounted one as a strategic conversation between the Board and GM to give guidance and develop a strategic plan.

General Manager's/GM Report: AG relayed that the Takoma Voice asked the Co-op if they had pieces for future articles. Describing the fall NCGA meeting, he shared that they highlighted a troubled co-op in Atlanta GA, where two different boards from within the same co-op (different years) disagreed on the election process. He reported that this co-op, is currently requesting donations.

EG reflected that the GM's report gave useful background information on how the Co-op arrived at its present status in regards to its membership list. However, she wondered if there might be a way to look back prior to 2005, clean up the list/s and implement that information to have the most accurate records possible; the membership lists were identified as a problem in the most recent audit report. AG shared his plan to confer with the Common Market on good ways to handle the Catapult limitations in regards to capturing membership.

The Board discussed employing a strategy of determining decision points on managing the lists, utilizing a consultant to sift through them, and writing off the losses under standard accounting procedures. Noting that the Co-op's auditors will probably give a timeline to remedy the accounting of the membership, several Board reps. recommended setting a time limit to complete this work. **The GM planned to confer with a consultant regarding the membership list.**

Finally, the GM described the success of the new local cheese line. Management clarified that given space availability at the SS store, there is not the same variety, and sales have not significantly increased there.

Open Session meeting: suspended at 5:30pm for Closed Session, Resumed again at 6:45pm.

Open Member Forum: AR inquired about an email she sent; several reps. confirmed that they had seen it. She conveyed her surprise to hear that Co-op staff are no longer required to be members and asked if the membership were made aware of this. She asked the Board questions re: their protocol to inform members and non-members of Co-op changes and decisions.

ET gave background information on the TP Food group. The Co-op, she explained, does not have formal product selection guidelines, so the TP Food group undertook designing them. She reported that recently one group member emailed, expressing their disappointment in the lack of progress and response on the guidelines. She recounted that the groups had wanted to confirm the amendments with the GM and then bring the guidelines to the Board to set product selection timelines, however the GM had not yet sent any revisions.. **AG stated he would be in contact with the group in the upcoming week.** ET requested that the Board consider the document at the next meeting.

JL described seeing more and more Styrofoam items and frequently boycotted items, such as, Nestle products in the Co-op. He wondered if the Co-op provides oversight on carrying these products or if it just goes with cost. JL identified Poland Springs as a Nestle product in the Co-op; SD gave a basic description of the Co-op's Boycott policy. JL also remarked that the SS store could be helped by reaching out into the community for a needed loyal following and expanding its imprint onto the plaza it sits in.

Nominations Committee Update: EG reported that the Co-op will be including the option of survey monkey as a voting instrument in the upcoming Board election. She relayed that voting will begin on Oct.8th, and that the NC completed tabling at both store locations on Sept. 19th to encourage members to run, and that the NC will be tabling at both stores on Oct. 17th to encourage members to vote. She confirmed receiving five candidate submissions to date and explained that all the candidates' profiles and pictures will be included in the upcoming newsletter. She confirmed that the meet-the-candidates forum will occur at the October 19th Member-owners meeting.

The Board discussed some in-store issues re: giving correct directions and elections information to candidates. They also clarified that Board reps. can campaign for themselves and can endorse others as Board candidates in personal communications, but may not endorse other candidates at Co-op meetings.

Finance and Audit Committee (FAC) Update: DR reported that the FAC met on Thursday, September 19th. Nancy Hammond, one of the three non-Board members submitted her resignation, he shared, and the October meeting will be her last. He commented that they will be sorry to see her go.

DR stated that last year the SS store had \$3 million in income. He explained that this income was slightly under budget and cost of goods was slightly over budget at \$2.2 million. Thus the gross profit, which was budgeted for some \$972K, came in at \$845K. Its total expenses were \$933K, so it had a net loss of \$125K, rather than the budgeted \$68K. He shared that the TP store's net income more closely matched the budgeted amount; the TP store made \$412K, which was 80% of the budgeted amount of \$510K.

SD noted that the Co-op budgeted \$150K for income taxes, but only had to pay \$700 for income tax because of a carried over loss from a previous year. SD said that there were two factors driving down the profits at the TP store: the sales being \$60K less than projected and the cost of goods being more than projected. He noted that eventually the income tax carry over will expire and a clearer picture of the TP store profits will emerge.

DR reported that the SS store's inventory at end of July 2013 had been reported as \$80K, but he expected it to be \$150K. DR said he would get clarification about this from the FM and report back to the Board. DR expressed the FAC's bottom line concerns in regards to the SS store. The Board accepted the 2013-2014 budget.

Membership Committee Update: SD relayed that for their next meeting the Membership Committee is planning to address membership list compliance, strategic relationships with OTBA, member-worker education, and clarification on the budget location for membership expenses. He relayed that the Membership Committee can also offer to address product selection issues in their meetings if it is helpful to the GM.

SD announced that the Oct. 19th Member-owner meeting will happen from 2-4pm at Historic Takoma and Matt Muller from the Arcadia Center on Food and Agriculture will present on Arcadia's work starting a food hub. He confirmed that there will also be committee and general Board updates and the meet-the-candidates forum.

Expansion Committee: KF updated the Board that AG, MB, AR, and he looked at a potential store site within DC. He shared that the EC and GM are still planning to hold a closed session with the architects who performed the feasibility study.

Bylaw: article 4: TW recounted that the recent audit identified a need for increased clarity in the by-laws, within article 4 (patronage refunds). She explained that the instruction to distribute patronage refunds each year is not required by the Maryland Co-operative code, and that some pieces need to be removed due to issues of legality.

TW discussed how the Board/Co-op should review the ways other co-ops set up their patronage rebates, while remaining cognizant of the IRS's requirements for them. She reiterated that the reason the Co-op may do patronage rebates is to be able to declare tax exempt a sum of profit. Thus, the Co-op may declare that it is returning some or all of its profit to its members as equity. It must then pay its members at least 20% of that equity, but can hold the other 80% for the benefit of the members. By following these guidelines and doing patronage rebates, the Co-op is not obligated to pay taxes on any of the full 100% of the equity.

She clarified that the rebates would only go to members who shopped at the Co-op within the prior year and that other co-ops sought a tax opinion and learned that if the rebate is for personal shopping it is not a taxable item for members. TW clarified that because of this co-ops are not transferring their tax burden onto their members; some co-ops have explained this point in an appendage onto their bylaws. However, she informed the meeting, that if a member does not cash their rebate check within a certain time, then a co-op has to regain that money and pay income taxes on the full 100% of the equity that check represents. She described how other co-ops educate their members re: cashing the checks on time.

TW described other sections of the by-laws that may also need modification and how in doing review, it will be an opportunity to think aspects of them through from the Co-op's operational process. She noted the typo identified in the last Board meeting, how some writing sounded punitive, where it could address members more diplomatically. She also felt the conflict of interest section was weak, because it does not provide examples of potential conflicts. TW assessed that a thorough by-law update will be a long-term project and probably warrant covering it in a member meeting prior to a vote in May.

ET noted that the Co-op's other alternative is to not provide patronage rebates but to lower prices or offer more discounts to members. She pointed out the problem with this is that the Co-op does not want to plan to just break even to minimize profits and then to lose money if things do not go as planned. But the Co-op does hold the long-term goal of having low enough prices to serve members.

Noting the length of the by-laws, SD discouraged strengthening the conflict of interest within them, but suggested strengthening it in the Co-op's policies. He also gave the feedback that the Co-op always strive for a profit and that doing patronage rebates would generate communication with members each year. KF stated that the Board needs to be thoughtful of the 80/20 split when considering patronage rebates.

OTBA: SD shared that he had some correspondence with OTBA. He recounted how the Co-op typically gives them financial support in terms of sponsors and membership; they had requested \$5K. He summarized his previous suggestion that they co-sponsor some events and hoped to put forward a proposal in October after the GM speaks with them. **AG planned to update the Board re: the Co-op's conversation with OTBA around potential proposals.**

CDS Renewal: TW announced that CDS has increased their renewal fee. The Board discussed the pros and cons of maintaining a CDS membership and stated that the Co-op benefits from a relationship with CDS for different reasons. They discussed the appeal of having a more local consultant, who might be available to attend meetings on occasion. **TW agreed to contact Art Sherwood and Mark Goehring of CDS re: options.**

Future agenda items:

GM and Board strategic conversation

Product Selection Guidelines

Meeting adjourned at 7:57pm

Term 2013:

<u>Rep.:</u>	<u>Dec.</u>	<u>Jan.</u>	<u>Feb.</u>	<u>Mar.</u>	<u>Apr.</u>	<u>May</u>	<u>Jun</u>	<u>Jul</u>	<u>Aug</u>	<u>Sep</u>
Dubb	*	*	*	*	*	*		*	*	*
Firestone	*	*	*	*	*	*	*	*	*	*
Gabrielson	*	*		*	*	*		*	*	*
Hersh		*	*	*		*	*	*	*	*
Robinson	*	*			*	*	*	*	*	*
Rodgers	*	*	*	*	*	*	*	*	*	*
Townsend	*		*	*	*	*	*	*	*	*
Whorton	*	*	*	*	*	*	*	*	*	*
Yanes	*	*	*	*	*	*	*	*	*	*