

## PFC Board of Directors Meeting Minutes – February 14, 2008

Location: Menlo Innovations, 410 N. Fourth Avenue, Kerrytown Shopping Center third floor

### Attendance

Board Members: Linda Diane Feldt, President; George Esler, Secretary; Pete Schermerhorn, Treasurer; Anjanette Bunce, Laura Trumbull.

Absent: Chris Good, Katie Wimsatt.

Ken Charboneau, PFC General Manager

John Austin, Board administrative assistant, recording minutes

Guests: Cheri Rieman and Kristin Gelino, PFC kitchen Staff members.

Call to order - at 6:30PM by Linda Diane.

Agenda Review - At George's request, the *L.1, L.4.9, and L.6 Monitoring Reports* were pulled from the Consent Agenda for open discussion. *L.3 Financial Planning & Budgeting, Meeting agenda creation procedure, and Member/Board communications procedures* were postponed until the March meeting. A discussion of progress on recruitment for the election was added to the agenda.

Member Comments - Following up on her presentation at the November Board meeting, Cheri said that living costs in Ann Arbor make it difficult for many Co-op employees to make ends meet on their current wages. She maintained that the Co-op's reputation among workers in Ann Arbor is not positive. She again urged the Board to look into the issue of living wage and presented a brief outline of how it might be approached.

Anjanette had already scheduled time at this meeting to explore the topic but had to postpone it until March due to time constraints. Anjanette said she will talk with Cheri as she makes plans for that discussion.

Announcements - Pete noted that the U of M Inter-Cooperative Council's Education Center on Hill Street is another possible location for Board meetings. Laura said that the Member Linkage Committee will try to arrange informal coffee-with-the-candidates meetings in the Café with two or three Board members present to talk and answer questions. She will e-mail the Board with details as the plan takes shape.

Consent Agenda - *Minutes 1/10/08 board meeting, Development minutes 1-24-08, GM Evaluation Committee minutes 1-15-08, Development minutes 2-4-08, and the L.4.1-8 Financial Conditions monitoring report.* All Directors having reviewed and understood these materials, Anjanette moved approval of the revised Consent Agenda, George supported, passed 5-0.

Report from the General Manager - Expanding on the written report he supplied for the meeting, Ken confirmed that January had been the biggest sales month in PFC history. He then went into detail on his request for Board approval of the purchase of new bulk bins. Bulk products continue to be a staple for the Co-op, with annual sales roughly the same as dairy products. The current fixtures are extremely worn and at the end of their useful life. It is estimated that new bulk bins would contribute to an 8-10% sales increase in 2008. Cash flow is currently sufficient to fund the purchase.

Ken provided a quote from Trade Fixtures, the dominant manufacturer of bulk dispensers throughout the grocery industry, for approximately \$29,000. He is awaiting quotes from two other vendors which are expected to be higher, as they are distributors for Trade Fixtures equipment. After further discussion, George moved approval of up to \$30,000 for the project as presented, Laura supported, passed 5-0.

Ken recommended that the old fixtures be donated to another co-op such as Ypsilanti or East Lansing. Anjanette so moved, Laura supported, approved 5-0.

GM Evaluation Committee Report - Laura noted that the Committee had met once to review the monitoring record for 2007, and again with Ken. The Board will meet in executive session in March and April to complete the evaluation.

Annual Meeting plans - Laura confirmed the April 8 date and the location at *The Neutral Zone* on East Washington. She reported that the Committee is working closely with Kevin Sharp, PFC's Marketing Manager, on arrangements and that plans are progressing satisfactorily. A list of PFC suppliers to participate in a panel discussion is being developed and musicians have been lined up to provide entertainment.

New Board Member Orientation - Anjanette gave an update on Development Committee planning for the training. A full day session is envisioned in order to cover all the important issues. The Committee plans to create a manual for orientations that can be used each year. To the list of potential topics developed by the Committee, Linda Diane suggested adding the Cooperative Values & Principles, Pete emphasized full disclosure of the job's time commitment, and Anjanette suggested an overview of the GM monitoring/evaluation process.

George asked if a condensed, two-hour program could be developed for Board candidates. Anjanette and Laura said that it is being considered.

L.1 Treatment of Members monitoring report - Referring to stated plans in the report for better compliance with L.1.5 and L.1.6 in the future, George suggested that offering a timeline for providing data from these new procedures would be helpful to Directors. In the report segment on L.1.8.a it was noted that Federal law mandates that the percentage of profit returned to Members as patronage rebate may not exceed the percent of total sales made to Members, which in 2007 was 63%. The amount approved by the Board in December exceeds that legal limit. George raised the question of whether the Board now needed to approve a corrected figure, and it was agreed that Ken would present such a proposal at the March meeting. The Board noted Ken's recommendation in the report that the Board consider revising L.1.9 as well as Ends policy E.3.a. After further discussion, George moved that the Board accept the report, Pete supported, approved 5-0.

L.4.9 Current Ratio monitoring report - George noted that the ratio of current assets to current liabilities for 2007 was 7.3:1, well above the Board mandated minimum of 2:1. He observed that while a higher ratio is generally a sign of financial health, a very high current ratio may be an indication that a business is missing opportunities by being over capitalized. He suggested that the Board consider setting a maximum figure as well. Ken recommended that no upper limit was necessary now and that one could be considered if there was little change in 2008. The Finance Committee will research the issue and present its findings at the April meeting. After further discussion, George moved acceptance of the report, Pete supported, approved 5-0.

Monitoring Training follow-up 1: Board self monitoring - (This and the following item address the lessons learned and questions raised at the January 16 Monitoring Training phone conference session with Marshall Kovitz of Cooperative Development Services). Anjanette suggested beginning with round-the-table observations from Directors.

- Anjanette brought up Marshall's suggestion that the Board could rate its performance against each of its *Governance* and *Board-GM Linkage* policies on a 1-5 or 1-10 scale by Board survey.
- Linda Diane: good plan; would get the Board back into regularly looking at its policies and performance and enliven the whole process
- Pete: it would engage all Directors rather than just the one doing each report; some policies could be grouped together, others (such as G.7) could be split up
- George: anything that would save time would be good; the old method took too much of the group's time
- Laura: the old process does need to be simplified and streamlined; this must be balanced with the education aspect of the process and the need to keep the policies fresh in Directors' minds
- Anjanette: agreed with need to streamline the process; willing to work on a proposal
- An online survey tool such as Survey Monkey could be used; results could be archived

- The policies could be divided into four groups and monitored quarterly
- Could be done once a year, in November/December to allow newer Directors time to become experienced

The Governance Committee will develop a proposal for presentation at the April meeting.

Monitoring Training follow-up 2: GM monitoring - The Board supported proceeding with the proposed one-on-one training for Ken with Marshall Kovitz and asked Ken to schedule it.

Comments during further discussion:

- George: if a policy interpretation changes from one report to the next it should be noted in the report; Directors have to care about this because they're responsible to the Membership for oversight and continuity of good governance
- Pete: it's incumbent on the Board to catch such changes
- Anjanette: guidelines for policy interpretation had not been strictly applied for past reports, before the January monitoring training and before Ken became GM; the changing of an interpretation, in itself, is acceptable under policy governance
- Ken: understands the concern, but suggests giving it time – no need for Board action at this point
- It was suggested that Ken could note changes in his own interpretation in following years but not his differences in interpretation from those done in the past
- George: doesn't think the procedure defined in the monitoring training is what PFC wants
- Linda Diane: policy governance approach to monitoring is currently in place – changing it would require a proposal for an entirely new system, not just abandonment of the current one

Laura and Anjanette agreed that some defined process is needed; the Board's shared understanding should be written down. Laura suggested that the Board go forward with this system as the foundation and revisit it if necessary. Pete agreed. John was assigned to draft a description of the current system as understood for the Development Committee by March 17 for review and presentation to the whole Board. The Board tentatively scheduled a follow-up discussion for the June meeting.

Several Directors agreed that the past year's monitoring reports should be available electronically, perhaps on the Board archive, and Anjanette suggested that the Board's administrative assistant could prepare copies of them for newly elected Directors. The Board will clarify their instructions at a later date.

Commenting on the monitoring reports submitted at this meeting, Pete requested clearer instructions if some materials had to be picked up at the office. Anjanette agreed that notes stating materials were attached, when they weren't, were confusing. All agreed that materials should be distributed electronically whenever possible.

L.6 Asset Protection monitoring report - Referring to the L.6.1 report segment, George questioned whether insuring PFC assets at 100% of replacement value was excessive. Ken said he considered that level of protection to be reasonable and prudent. He also expressed the opinion that the Board is *under-insured*. It was agreed that Ken would present a proposal for increased director and officer insurance at the March meeting.

George felt that the supporting data for L.6.2 (regarding proper use and maintenance of equipment) did not speak to the policy wording but simply listed to whom it's been delegated. He suggested that a stated inspection schedule would do more to assure the Board.

George disagreed with the interpretation of L.6.3 (regarding exposure to claims of liability) saying that policy wording requires careful oversight of all areas in which PFC could be susceptible to liability claims, not just financial and physical assets. He felt the supporting data was sufficient; the interpretation however was too narrow.

Referring to L.6.6 (regarding investment of operating capital) George pointed out that the data presented doesn't support the interpretation of the policy.

After further discussion, George moved Board acceptance of the report, Anjanette supported, approved 5-0.

Recruitment update – Ken mentioned the letter he had mailed to all Members in lieu of the unpublished PFC Winter newsletter urging candidates to come forward. He also noted that recruiting signs are posted in the

store, Staff members are wearing placards, and individual sheets describing the application for candidacy process are available around the store. Ken said that twelve candidate packets have been taken but that no applications have been received so far. The Board expressed appreciation for Ken's letter. Pete noted that it would have been more appropriate for it to have been signed by the Board. Directors will continue personal outreach to potential candidates.

Task Review – The Board conducted a review of the task list to remove items no longer relevant and adjust deadlines for remaining assignments. The Board's new TASK LIST-CURRENT may be viewed on line at <http://groups.google.com/group/pfcbod-archive>

Future Meetings - March 13, 6:30PM at the Ann Arbor District Library, 343 S. Fifth Avenue, in the fourth floor conference room and April 10, 6:30PM at the offices of Menlo Innovations, 410 N. Fourth Avenue, Kerrytown Shopping Center third floor.

Attendance – Pete moved the approval of Chris's and Katie's absences, Laura supported, passed 5-0.

Meeting Evaluation - Positives: Ken's work on the GM monitoring reports; George's careful reading of the monitoring reports; good results from the monitoring training, progress on GM & Board monitoring; John's clean-up of the task list and help with agenda preparation. Changes for future: none noted.

Adjournment – The Board adjourned the meeting by acclamation at 8:50PM.

Materials considered by the Board at this meeting may be viewed on line at:  
<http://groups.google.com/group/pfcbod-archive>

Respectfully submitted by George Esler, Board Secretary