

PFC Board of Directors Meeting Minutes – February 19, 2009

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

Attendance

Board Members: Anjanette Bunce, Co-President; Chris Good, Co-President; Joan Bailey, Secretary; Daniel Soebbing, Treasurer; Linda Diane Feldt; Pete Schermerhorn.

Ken Charboneau, PFC General Manager

Missy Orge, PFC Member-Owner

Aaron Streiter, PFC Member-Owner

Ashish Gupta

John Austin, Board administrative assistant, recording minutes

Absent: Laura Trumbull

Call to order - at 6:30PM by Chris.

Member Comments - Aaron introduced himself and explained that he's in the MBA program at U of M. He wants to learn about the natural foods industry and get involved in it locally.

Agenda Review - Dan asked that the L.1 and L.4 monitoring reports be removed from the Consent Agenda for discussion during the meeting.

Announcements, Info-sharing, Future Scanning - Dan announced that he would be out of town from late August through November attending an outdoor leadership school in Wyoming. He said he would like to return to the Board in December but suggested that Directors consider whether a leave of absence or replacement would better suit the needs of the organization.

Linda Diane noted that Joan had made a significant contribution during her year on the Board; she brought a snack to share around the table to celebrate that service.

Anjanette said that Laura had called her to explain that she had another commitment come up that prevented her attendance tonight.

Consent Agenda - *Minutes 1/15/09 board meeting* and *L.4.9 Financial Conditions* (current ratio) GM monitoring report. All Directors having reviewed and understood these materials, Dan moved approval of the 1/15/09 Minutes, Chris supported, passed 6-0; Dan moved acceptance of the L.4.9 monitoring report, Joan supported, approved 6-0.

L.1 Treatment of Members monitoring report - Dan referred to L.1.2, which calls for the GM "to strive to provide exceptional value and service to members and customers." He said that while the supporting data offered on sales and membership level was useful, he wondered if it adequately supported Ken's operational interpretation of the policy. Ken responded that the policy was difficult to quantify and noted that the planned biennial surveys he described at the December meeting would enable him to provide more data in the future.

L.1.4.c "The Board must authorize any other use of the [Member] database". Pete commented that Ken's operational interpretation would be better if it also specifically acknowledged limiting it to *just* the GM.

After further discussion Linda Diane moved acceptance of the monitoring report, Joan supported, approved 6-0.

L.4 Financial Conditions and Activities monitoring report - Regarding L.4.2 which states that the GM must maintain member shares in a separate account, Dan observed that only a portion of those funds were so maintained. Ken explained that that is how he interprets the policy and believes that 50% minimum is appropriate. The Board could make the policy more specific or narrow if it wishes.

Regarding L.4.8, Pete noted that earnings before interest, taxes, depreciation, amortization, and patronage rebates of 2.75% or greater are called for and that the figure reported is 2.74%, subject to final audit by PFC's accounting firm.

After further discussion, Pete moved acceptance of the monitoring report with exception noted for the earnings shortfall, Anjanette supported, approved 6-0.

L.6 Asset Protection monitoring report - Regarding L.6.6, Dan noted plans to withdraw PFC funds from *Northcountry Cooperative Development Fund* as soon as the money becomes available because deposits there are not insured. (The Board had approved this deposit in 2005, and since that time the Fund has experienced financial difficulties stemming from its investments in cooperative housing). Dan asked if perhaps PFC should wait to see if they improve, since NCDF is a cooperative organization using money invested by the cooperative community to support the development and growth of cooperative enterprises. Ken explained that, as the Fund is not insured and he feels it is his charge to avoid risk for PFC, he believed our money should be withdrawn as soon as possible.

After further discussion Dan moved acceptance of the monitoring report, Linda Diane supported, and it was approved 6-0.

Report from the General Manager - Ken expanded on the regular written report he supplied for the meeting and answered questions from Directors. He reported that anticipated trends in the retail grocery industry suggest flat sales growth for the next year. All sectors are trending downward including, for the first time, natural foods. He recently attended a *National Cooperative Grocers Association* conference that focused on sales expectations for supermarkets, natural foods, and cooperatives. Based on information garnered there and sales results for PFC over the last six weeks Ken intends to revise the sales and expenses budget for 2009 to anticipate little or no growth in the coming year. He will revisit the budget on a quarterly basis to respond to actual results. PFC will reduce, postpone, or eliminate every possible expense and focus on conserving cash.

Ken reported that co-ops tend to lag behind other sectors in showing the effects of an economic downturn, and co-ops with a high percentage of sales to non-members tend to fare worse in such circumstances. PFC had fairly respectable 63.5% (approximate) sales to members in 2008, and, spearheaded by Kevin Sharp, will be making extraordinary efforts to grow the membership in 2009.

Ken is exploring the possibility of obtaining a beer/wine license for PFC and will present a proposal to the Board in March. Beer and wine has been the number-one growth area recently for NCGA members and a common request in PFC customer feedback. Linda Diane noted that PFC had explored this in the past but had encountered technical, regulatory problems. Ken responded that from what he understands it is now fairly easy.

The Board also considered the suggestions in Ken's report for revising policy *L.1 Treatment of Members*. The Board assigned the Governance Committee to review these suggestions and will consider its proposal in April.

PFC Bylaw revision proposals for ballot - The Board considered final recommendations from the Governance Committee on bylaw revision proposals for the upcoming election along with introductory wording for ballot presentation. Dan moved approval of the recommendations and introduction for presentation to the Membership, Linda Diane supported, passed 6-0.

Annual Membership Meeting and Election Update and 2009 Candidate deadline – The *NEW Center* at 1100 North Main Street will be the location for this year's meeting. *Tentative* schedule (subject to change): doors open at 3:00 for snacks and socializing, meeting start at 4:00, end by 6:00.

Accurate information on the number of candidates applying so far was unavailable. Several candidate information packets have been handed out. Staff and Board members will continue the candidate search as the current February 27 deadline approaches and Ken will provide updated information to Directors as available.

GM Evaluation Revisions and Update - After extended discussion, Chris said that the GM Evaluation Committee would rework its proposal for changes to policy *M.2 Accountability of the General Manager* and resubmit it to the Board. A special meeting of the Board may be appropriate for the completion of the discussion.

Pete noted that Chris and Anjanette, the only remaining Committee members after Joan's departure, will be leaving the Board in April and strongly suggested that an ongoing Director be added to the Committee as soon as possible to provide continuity. Missy expressed willingness to be on the Committee.

Detroit FDA request for Member database access - Ken informed the Board that US Food & Drug Administration officials in Detroit have asked for access to the database for use in monitoring the national peanut recall. Reaction among Directors was unfavorable. Linda Diane moved that the Board *not approve* this use of the database, Dan supported, passed 6-0.

Expansion check-in and update - The Expansion Committee recommended discontinuing all efforts regarding Liberty Lofts as a possible expansion location.

Ken led the Board through his summary of the history of rent increases for 214 N. Fourth Avenue (the grocery side of the store). In 1994 PFC signed a five-year lease agreement with three five-year options to extend and a schedule of regular rent increases over the entire period. The final five-year option is due to be signed by April 30. Ken feels that that agreement has led over the years to an unjustifiable and unsustainable rent level and he is negotiating with landlord Ed Shaffran, seeking a revision of the agreement.

Board vacancy - Chris moved the appointment of Missy Orge to fill the remainder of Joan's term ending in 2011, Linda Diane supported, approved 6-0. Linda Diane praised Joan's contributions, saying she had jumped right into Board work, got up to speed very fast, and brought important skills and perspectives to the Board and to the committees on which she served.

Board Secretary - Anjanette moved the election of Linda Diane to replace Joan as Secretary until new-officer elections after the Board changeover, Pete supported, passed 6-0.

Board Transition - Anjanette asked Board members to spend time considering possible officers and committee assignments after the changeover and to prepare for discussion in March.

Looking Ahead - Anjanette reviewed upcoming commitments on the Board Calendar, among them:

- G.1 self-monitoring summary & synthesis by Anjanette
- G.3 self-monitoring survey - all Directors; summary & synthesis by Dan
- G.10 self-monitoring survey - all Directors; summary & synthesis by Chris
- M.2 self-monitoring survey - all Directors; summary & synthesis by Dan
- Elections/Annual meeting
- Board Annual Report to Members for the Annual Meeting
- Set patronage rebate

Task List Review - The Board's latest TASK LIST-CURRENT may be viewed on line at <http://groups.google.com/group/pfcbod-archive> under "Files".

Future Meetings - March 19, 2009, 6:30PM, at Menlo Innovations, 410 N. Fourth Avenue.

Attendance - Dan moved approval of Laura's absence, Chris supported, passed 6-0.

Meeting Evaluation - Positives: good process; enormous volume of work and preparation; good feedback from Ken on the evaluation process; excitement over Missy's addition to the group; Missy's willingness to join the GM Evaluation Committee; Joan's calming presence (throughout the year).

Concerns: M.2 proposal presentation and discussion (civil but ineffective and somewhat contentious – "like a family dinner"); enormous amount of information on the agenda, a lot to get through.

General comments: Praise for Joan, sadness at her departure; much accomplished over past year: set a good tone, "healed the Board", lots of laughter and mutual respect, productivity can only continue to escalate.

Adjournment – 9:00PM by Chris.

The agenda and the materials considered by the Board for this meeting may be viewed on line at:
<http://groups.google.com/group/pfcbod-archive> under “Discussions”.

Respectfully submitted by Joan Bailey, Board Secretary