

Wheatville Board of Directors  
 August Meeting Agenda  
 Tuesday, August 25th, 2015  
 6:30pm- 9:30pm  
 4001 South Lamar



TIME	TOPIC	ACTION
6:30pm	1. OPEN TIME – for WV Owners to present any topic to the board	LISTEN
6:40pm	2. AGENDA REVIEW	DISCUSS VOTE
	3. CONSENT AGENDA: July 2015 Meeting Minutes D1 – Financial Conditions and Activities Monitoring Report D2 – Business Planning and Financial Budgeting Monitoring Report C4 – Evaluating CEG Performance Monitoring Report FYE 2015 4 <sup>th</sup> Quarter Financial Statements CEG Report	
6 :50pm	4. COMMITTEE WORK	
(1 min)	Recite Ends	RECITE
(0 min)	ACBA Committee	DISCUSS
(10 min)	Nomination Committee	DISCUSS
(0min)	Policy Review Committee	DISCUSS
(15 min)	Review Committee	DISCUSS
(9 min)	Fall Owner Gathering Committee	VOTE
(0 min)	D6 Committee	DISCUSS
(0 min)	Transparency Committee	DISCUSS
(5 min)	Policy Governance Mini-Retreat Preparation	DISCUSS
(20 min)	Allocations	DISCUSS
7 :50pm	BREAK	REST
8:00pm	5. STRATEGIC LEARNING Living Wage	DISCUSS
8 :45pm	6. CEG Evaluation	
<b>***EXECUTIVE SESSION***</b> <b>Purpose:</b> Discuss confidential personnel information <b>***END EXECUTIVE SESSION***</b>		
9 :30pm	7. ADJOURN	

Wheatville will be at the forefront of a transformed society that has:

- a thriving community centered on hospitality, kindness, and generosity
- a robust cooperative economy
- easy access to sustainable, healthy food solutions



# Board of Directors Meeting Minutes August 2015

Present: Reyna Bishop, *President*; Doug Addison, *Treasurer*; Kitten Holloway, *Secretary*; Michelle Hernandez; Deborah Ingraham (via phone 6:35pm- 8:14pm); Nada Lulic; Allison Maupin; John Vinson; Andi Shively.

Also present: Dan Gillotte, *Chief Executive Grocer*; John Perkins, *Finance Manager*; Beth Beutel, *Board Administrator*; Amy Knop-Narbitus, candidate; Ivan Miles, owner; Rob Jackson, candidate; Julie Le, candidate, Jeanette Adelson, *Produce Clerk* and candidate; Nicole Purvis, *Wellness Order Clerk*; and Joy Petty, *South Lamar Deli Supervisor* (8:24pm-9:00pm).

Absent: none

## Call to Order

6:32PM

Reyna called the meeting to order, and asked everyone to introduce themselves.

## 1. OPEN TIME

6:33PM

Rob Jackson addressed the Board about the benefits of self-management practices including increasing creativity, empowering employees, and aligning the work of staff with the purpose of the organization. Rob recommended two books on the subject: *Reinventing Organizations*, and *Drive*.

## 2. AGENDA REVIEW

6:35PM

No changes were made to the agenda. Reyna explained to the guests that the Board will go into executive session at approximately 8:45pm, and that everyone is welcome to stay until then.

## 3. CONSENT AGENDA:

6:36PM

July 2015 Meeting Minutes  
FYE 2015 4<sup>th</sup> Quarter Financial Statements  
CEG Report

--- Michelle pulled the D1 monitoring report and D2 monitoring report.

--- Doug pulled C4 monitoring report.

---Kitten moved to approve the Consent Agenda. Michelle seconded. Motion passed: 9-0-0.

## D1 and D2 Monitoring Reports, 6:41pm

Doug asked for clarification about D2.3, "address excellence in business systems and operations" interpretation. Dan clarified that his interpretation reads this to mean having excellent business systems, not necessarily user perfection, and that the D global policy enumerates the mistakes the Board forbids the CEG and operations to make.

Regarding the D1 monitoring report, John Vinson clarified that D1.10 refers only to the regular book-keeping of the co-op which must confine to GAAP, but that using EBITDA for allocations



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doesn't violate D1.10 since Allocations of Net Savings is not a part of regular book-keeping, which he had questioned over email.

---Michelle moved to accept the D1 and D2 Monitoring Reports. Nada seconded. Motion passed: 9-0-0.

#### **C4 – Evaluating the CEG Monitoring report, 6:47pm**

Doug pointed out that it would be better to do the C4 monitoring in September after the CEG Evaluation; this will be discussed further during the policy review at the September meeting. Doug also asked for clarification on directors' comments as they were cut off on the document.

---Doug moved to accept the C4 – Evaluating the CEG Monitoring Report. Nada Seconded. 8-0-1 (abstain).

#### **4. COMMITTEE WORK, 6:50pm**

##### **Recite Ends, 6:50pm**

The Board and guests recited the Ends in unison.

##### **ACBA Committee, 6:52 pm**

No discussion. A written report was included in the Board's meeting packet.

##### **Nominations Committee, 6:53pm**

Doug updated the Board on the progress of the election, noting that Jeanie Donovan withdrew her candidacy as she plans to move out of state. The Board included Jeanette Adelson on the list of qualified candidates in her place. Amy Knop-Narbitus has successfully submitted a petition to be on the ballot.

The Board discussed election tabling scheduling and guidelines. Doug agreed that Nom Com would send out draft tabling guidelines to the Board, with time allotted for thoughtful review and input, prior to implementing the candidate tabling guidelines. Deborah agreed to review the guidelines.

##### **Policy Review Committee 7:00pm,**

An in-depth Policy Review discussion is scheduled for the September meeting and all relevant materials are on Backpack for the Board to review.

##### **Review Committee, 7:04pm**

Doug reported on behalf of the Review Committee; they will meet after they get the final audit report from Wegner in the latter half of September. Reyna noted that overall it was a really excellent audit report, and commended John Perkins and Dan on their work.



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The Board discussed the three issues brought up by the auditors. John Perkins gave an overview of how the co-op handles bank reconciliations, how small inconsistencies developed as a result of a transition to new software, and what changes had been made to reconcile the issue. The Board discussed tracking of cashier's ring statistics, as there was an inconsistency on how tracking is handled between stores. Dan clarified that the systems are intended to be as similar as possible across the stores, but that the inconsistency was caused by a transmission error from one supervisor to their trainee. Doug will follow up with Dan on a direct inspection of company credit card statements by the Treasurer and create a process document.

Reyna briefed the Board on article topics for the Annual Review issue of the Breeze. The Board will use Backpack to sign up for articles.

## **Fall Owner Gathering Committee, 7:31pm**

Michelle and Deborah briefed the Board on the committee's work. Directors discussed how to update the ownership about the living wage issue and the best way to include perspective from the Wage Task Force without putting a staff person in an uncomfortable position. The Board and Dan agreed to have 4 minutes allotted on the FOG business schedule for the Wage Task Force update. Reyna will speak for 2 minutes, and Dan will find a willing representative to speak for 2 minutes for the Wage Task Force.

## **D6 Committee, 6:39pm**

No discussion. A written update was provided as a part of the Board's meeting packet

## **Transparency Committee, 6:51pm**

No discussion. A written update was provided as part of the Board's meeting packet.

## **Policy Governance Mini-Retreat Preparation, 7:01pm**

Reyna reminded the Board that the retreat will be from 6-9:30 at the Sustainable Food Center on Thursday September 4<sup>th</sup>. She will be sending reading materials beforehand.

## **Allocations, 7:46pm**

Directors asked clarifying questions of John Perkins and Dan regarding the terms in the Investor Shareholder agreements. Directors, Dan, and John Perkins debated the relative merits of paying or not paying a dividend. Reyna contextualized the allocations decision as a part of the BIG Direction. Andi asked whether the Board approved a Business Plan and Budget that had both an operational loss in the arena of what was achieved and a dividend payment to investors, which the Board did in June 2014.

The Board and John Perkins reviewed the updates to the net Savings Resolution provided to the Board via email. John Perkins reiterated that both the co-op's CPA and attorney have expressed no reservations about issuing a dividend based on EBITDA.



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---Reyna moved to approve the Net Savings Resolution for Fiscal Year Ending June 1, 2015. Kitten seconded. Motion passed. 6 (for) - 1 (against) - 2 (abstain).

## **BREAK**

**8:14pm**

## **5. STRATEGIC LEARNING**

**8:24pm**

### **Living Wage, 8:24pm**

The Board discussed the information that Allison provided in the packet on strategies used by five other cooperatives that have recently tackled the issue of a living wage. Reyna noted that none of the co-ops used a process to arrive at their method for achieving a living wage that included input from the staff. The Board and staff discussed the various models of calculating living wage: MIT, Universal Living Wage, the now not-updated CGIN model.

At the Board's request, staff members clarified that the Wage Task Force has been discussing the nuts and bolts of where staff are more and less comfortable re-allocating funds to wages, perceptions around wages and benefits, inefficiencies that could be improved to the financial gain of the co-op. The task force was also gathering opinions and representing thoughts and feedback from the rest of the staff. The Board asked if there is a number goal or a model to work from that the task force prefers, and Beth clarified that it hasn't been discussed by the Task Force and that she is looking to the Board for leadership on defining what a living wage means to the ownership of Wheatville. Jeanette concurred. Allison noted that four out of the five co-ops she gathered data on have a living wage either explicitly in their ends policy or in their staff treatment policy. Allison agreed to attempt to obtain and provide these to the Board.

At Reyna's request, Dan clarified that in the next few months his and the HR manager's work, as well as the Task Force will be to decide how the changes take place, and where to create the pools of money to pay for the changes in compensation.

## **6. CEG EVALUATION**

**9:00pm**

---At 9:00pm, Reyna moved the Board into executive session to include Dan Gillotte

**\*\*\*EXECUTIVE SESSION\*\*\***

**Purpose: to discuss confidential personnel information**

At 9:35 p.m., Reyna moved the Board out of executive session

## **7. ADJOURN**

---At 9:41pm, Reyna adjourned the meeting.

### **Parking Lot**

- Member Engagement Committee- added 02/14  
Review question format and answer of "don't know" on B & C policy surveys - added 5/15

**WHEATSVILLE CO-OP  
BOARD OF DIRECTORS  
August 25, 2015**

**Net Savings Resolution for Fiscal Year Ending June 1, 2015**

*Whereas* Section 251.302 of the Texas Business Organizations Code and Article IX of the Wheatsville Bylaws provide a process for an annual apportionment of “net savings” by the Board of Directors to specified uses including payment of investment dividends, retained earnings, and distribution of patronage allocations to owners; and

*Whereas* some uncertainty exists with regard to the precise meaning of the term “net savings,” particularly in a fiscal year when both taxable income and net earnings per generally accepted accounting principles (GAAP) are negative; and

*Whereas* Manuel Escobar of the law firm McGinnis Lochridge was consulted and has provided a memorandum stating that the Board of Directors is permitted to rely upon the advice or opinion of an accountant with respect to the meaning of the term “net savings”; and

*Whereas* Bruce Mayer of the accounting firm Wegner CPAs LLP, which has conducted financial audits and reviews of the co-op every year for the last eight years, has provided a written statement that EBITDA (earnings before interest, taxes, depreciation and amortization) is a reasonable accounting interpretation of the term “net savings” in this context; and

*Whereas* Wheatsville’s net savings measured as EBITDA for the fiscal year ending June 1, 2015 are \$576,193 per the audited financial statements; and

*Whereas* Section 251.301 of the Texas Business Organizations Code provides that investment dividends distributed may not exceed 50% of the net savings for the period, and the investor dividends earned for this accounting period are \$59,322, which is less than 11% of net savings defined as EBITDA; and

*Whereas* payment of investor dividends as described in the 2005 and 2013 offering memoranda and individual investor subscription agreements is a high priority for the general welfare of our co-op; and

*Whereas* the statement from Bruce Mayer explains that a patronage dividend would not be deductible under the Internal Revenue Code when taxable income and GAAP earnings are less than zero; and

*Whereas* the Board of Directors has determined by due diligence that funds are legally available, that the net worth of the co-op exceeds the amount to be distributed as required by Wheatsville’s Bylaws, and that payment of dividends will not place the co-op in any fiscal jeopardy; and

*Whereas* both Manuel Escobar and Bruce Mayer have provided reassurance that the following action is reasonable and proper;

*Now therefore*, pursuant to the Texas Business Organizations Code and Wheatsville’s Bylaws, the Wheatsville Board of Directors hereby declares investment dividends in the amount of \$59,322, to be distributed to investor shareholders for the fiscal year ending June 1, 2015, as provided in the individual shareholder agreements, with any remainder of net savings allocated to retained earnings as permitted by Section 251.302 of the Texas Business Organizations Code.

Action taken by Board:           Approved          

Certified by:           Reyna Bishop           Title: Board President Date: 8/25/2015