

**Wheatsville Board of Directors  
August 2018 Meeting Agenda  
Tuesday, August 28, 2018  
6:00-9:00pm, Meeting Room @ 3105 Guadalupe**



TIME	TOPIC	ACTION
6:00pm	1. OPEN TIME – for WV Owners to present any topic to the board	LISTEN
6:10pm	2. AGENDA REVIEW 3. CONSENT AGENDA: July 2018 Minutes CEG Monthly Update	DISCUSS VOTE
6:15pm	4. GOVERNANCE AND COMMITTEE WORK (1 min) Recite Ends (10 min) Meet and Greet with Bill Bickford (10 min) D2 – Business Planning and Financial Budgeting (4 min) C4 – Monitoring CEG Performance (10 min) Audit and Review Committee (10 min) Net Savings and Patronage Rebate Discussion (5 min) Nominations Committee (10 min) Owner Engagement Committee	RECITE DISCUSS VOTE VOTE VOTE VOTE DISCUSS DISCUSS
7:15pm	BREAK	ENJOY
7:25pm	5. COMMITTEE WORK, PART II (20 min) ACBA Committee	DISCUSS
7:45pm	6. EXECUTIVE SESSION: CEG EVALUATION, PART I Purpose: to discuss confidential personnel information	DISCUSS
8:00pm	7. EXECUTIVE SESSION: CEG EVALUATION, PART II Purpose: to discuss confidential personnel information	DISCUSS
8:50pm	8. CLOSING (10 min) Meeting Evaluation (0 min) Adjourn	DISCUSS

Wheatsville 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

## August Meeting Minutes

### August 28th, 2018

Present: Rose Marie Klee, *President*; and Lyz Nagan, *Secretary* (via phone 6:07- end); Lisa Mitchell, *Treasurer* Jason Bourgeois; Brandon Hines (6:06pm-end ); Brian Mikulencak; and MeriJayd O'Connor; Don Jackson (6:12pm-end).

Also present: Dan Gillotte, *Chief Executive Grocer*; John Perkins, *Finance Manager*; Beth Beutel, *Board Administrator*; Bill Bickford, *HR Manager*; Kyle Schaaf, *CPA at Wegner CPAs* via phone (6:27-6:54pm).

Absent: none.

#### Call to Order 6:00PM

#### 1. OPEN TIME 6:00PM

Directors discussed the conversion from Backpack to Basecamp 3. Beth will find or create training resources.

Ryan Vanstone, IS Manger, was unable to come before the meeting to assist with email-device connections. Beth will reschedule.

Dan asked directors to forward any Spear Pfishing email spam to Ryan.

#### 2. AGENDA REVIEW 6:13PM

Move Audit and Review Committee right after meet and greet.

If other conversations run long, compress ACBA discussion, can add time in September if more discussion is needed.

#### 3. CONSENT AGENDA 6:14PM

##### CEG Monthly Update

----Doug pulled the July 2018 Minutes.

----Doug moved to approve Lisa seconds. Motion passed 9-0-0.

Doug noted that there was a sentence fragment that should have ended with "ensure candidates are aware of the date for the Annual Meeting" Also the headers and footers need to say July instead of June.

----Jason moved to accept the July minutes as amended. Doug seconded. Motion passed 8-0-1(abstain).

#### 4. GOVERNANCE AND COMMITTEE WORK 6:17pm



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#### Recite Ends, 6:17pm

Director and Guests recited the Ends policy in unison.

#### Meet and Greet with Bill Bickford, 6:18pm

Dan noted that he typically invites new high level managers to introduce themselves to the Board. Bill Bickford introduced himself and detailed his work experience. Directors introduced themselves and asked a few questions. Bill will be back in March for the presentation of the D6 – Staff Treatment and Compensation Monitoring Report, if not sooner.

#### Audit and Review Committee, 6:27pm

Kyle, our auditor from Wegner CPA met with the board via phone to debrief the board on how the audit went generally, and answer their questions. Kyle explained that due to changes in the tax code moving forward, it is more advantageous to apply the operating loss carry forward this year than it would be to do so next year. Kyle said on behalf of himself and Bruce said that it's a pleasure to work with Wheatsville and they appreciate the ongoing relationship.

Dan commended John and Bill on their work all year round that results in clean audits. MeriJayd thanked Lisa for her work as Treasurer. Brandon also thanked Lisa for her leadership and said it was great to be on the committee.

---MeriJayd moved to accept the FYE 2018 Audit Report with tremendous gratitude to all involved. Lyz seconded. Motion passed 9-0-0.

#### Net Savings and Patronage Rebate Discussion, 6:54pm

As planned on their Board Goals and Learning document, directors discussed patronage rebates and an article called "Waking the Sleeping Giant" from Cooperative Grocer Magazine regarding issuing patronage rebates as it relates to capitalizing the cooperative and reducing the co-ops tax liability.

The board discussed the value of a rebate to individual owners both financially and emotionally versus the value of having that money retained by the co-op to further fund the business that they've invested in and the stores where they shop.

The primary reasons that management did not recommend a patronage rebate this year are that, due to operating losses carried forward from previous years, a patronage allocation is not needed to reduce taxes, and we want to preserve our cash resources for possible growth opportunities. Dan also noted that net income was relatively low this year, and the rebate amount per owner would possibly be disappointing, especially if the co-op retains 80% as owner equity. John added that it is costly in labor to calculate and distribute rebates.

Dan gave a brief history of patronage rebate distribution, noting that we went a long time without doing any, did them several years in a row during the 2000's and then told owners as we entered



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into building the second store that we would not be doing them again for some time as a result of the costs of second store.

Jason expressed interest in having owners understand how they are investing in the co-op and what their investment is doing. Dan noted that after opening the South Lamar store, Wheatsville reduced profit margins in order to have better prices and be more accessible to more shoppers and we decided to greatly increase wages to a new livable wage and benefits model – those are both investments that Wheatsville, and its owners, have made in making Wheatsville a better place to shop and work, and a better member of the community.

#### **Net Savings Resolution, 7:14pm**

Dan and John presented a draft Allocation of Net Savings Resolution. The Draft Resolution intentionally follows the same order prescribed in the Texas Business Organizations Code for allocation of net savings. Dan noted that Wheatsville strategically decided to pay out dividends to our shareholders as part of our capitalization strategy. Dan also noted that "net savings" has no fixed legal or accounting definition, so we interpreted as EBITDA and were assured by Wegner CPAs that it is reasonable to do so. EBITDA is measure of net savings that we've been using for the past several years.

Doug disclosed that he is an investor shareholder, which may be perceived to be a conflict of interest. RMK explained when we have a conflict of interest, real or perceived, person should disclose and may recommend how to proceed, with the approval of the remainder of the board, or the board may dictate how they are allowed to proceed. Doug recommended that he participate in both the discussion and the vote, as he has done so during his nine-year tenure on the Board. The Board agreed.

Don noted that investor share programs are an advantage of co-ops, giving organizations a way to find capital other than banks or private equity, and that the organization should honor that by paying dividends.

Directors discussed the desire to have the values which guide the decision reflected publically. The Board decided to craft the minutes to express those values, as well as write a Breeze article. MeriJayd volunteered to write the article for the Breeze.

RMK noted that she will ask Dan and John to prepare a learning on Investor Share Dividends.

The Board decided to adopt the resolution to follow the letter of the law, and act as fiduciary stewards of the organization, seeing as it is in the best interest of the organization to avoid taxation to preserve Wheatsville's funds to invest in ways that reflect the values of our community, such as in paying a living wage and offering accessible prices on high quality food, and honoring our written commitment to pay dividends to our investor shareholders, and preserving for the future the reputation of Wheatsville's investor share program as a good



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investment.

---Jason moved to adopt the Net Savings Resolution\*. Brandon seconded. Motion passed 8-0-1 (abstain).

\*Note that there was a correction to the resolution. The version passed in August was rescinded and a new version was passed during the September 2018 Meeting.

#### **BREAK**

**7:30PM**

#### **September Meeting Date, 7:35pm**

The Board discussed rescheduling the meeting to ensure all could be present. No date with full attendance existed so the Board will have their meeting as scheduled on September 25th.

#### **D2 – Business Planning and Financial Budgeting, 7:37pm**

Directors asked clarifying questions about the D2 monitoring report, with many noting that they appreciated the table detailing various initiatives announced in previous business plans as well as the current one.

---Brian moved to accept the D2 Business Planning and Budgeting Monitoring report. Lisa seconded. Motion passed 9-0-0.

#### **C4 – Monitoring CEG Performance**

Due to time constraints, C4 was rescheduled for September.

#### **Nominations Committee, 7:45pm**

Doug reported that the Nominations Committee will resume the work on updating election, recruitment, and training documents. Doug reported that he directly inspected in store and online that the bylaw provision requiring notification 14 days before the election starts and postings were available and correct.

Dan added that the candidate video statements were done and that operations paid to have the videos professional recorded and edited this year.

#### **Owner Engagement Committee, 7:47pm**

MeriJayd reported on the proposed agenda and other details of the BIG Co-op Fair and Annual Meeting. This year there will be an incentive to attend the meeting, a coupon for 10% off one shopping trip, which is being managed by Raquel. The Board approved the choices of speakers of Dos Lunas cheese and Ann Kitchen, Austin City Councilor. MeriJayd will bring thorough directions to the September meeting.

#### **5. COMMITTEE WORK, PART II**

**8:07PM**



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#### Austin Cooperative Business Association Committee, 8:07pm

Don updated the Board on the activities of the ACBA, noting their recent advocacy wins at the city council level and ways other people can get involved, including running for the board.

#### 7. EXECUTIVE SESSION

8:15PM

---At 8:15pm, RMK moved the Board into executive session to discuss confidential personnel matters to include Dan Gillotte, Beth Beutel, Bill Bickford, and John Perkins.

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

**Purpose: to discuss confidential personnel matter.**

--- At 8:16pm, RMK moved board out of executive session.

#### 7. EXECUTIVE SESSION

8:16PM

---At 8:16pm, RMK moved the Board into executive session to discuss confidential personnel matters includes Dan Gillotte.

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

**Purpose: to discuss confidential personnel matter.**

--- At 9:12pm, RMK moved board out of executive session.

#### 8. ADJOURN

9:12PM

#### Meeting Evaluation and Ideas, 9:12pm

- Good discussion and process for CEG evaluation!
- CEG appreciates getting praise for the things he values
- Following on our generative/Chait discussion in July, MeriJayd submitted two thoughts/questions for further consideration:
  1. In the era of grocery wars, do we give Owners immediate cash back or invest in the co-op for longevity?
  2. Connecting our members to investing in the co-op: strategic advantage

**At 9:15pm, Rose Marie adjourned meeting.**