

Karma Co-operative Board of Directors
Minutes of the meeting held on Monday, May 4, 2009, 7:00 – 8:30 pm
Annex Art Centre, 1073 Bathurst St.

Directors present: Donald Altman, Corey Berman, Arthur Jacobs, Harry Koster, andri mandiola, Reg McQuaid, Sarah Pretty, Jae Steele, Kevin Taylor.

Staff present: Justin McNabb, manager

Member present: Howard Kaplan (finance committee)

Also present: Ken Godavenos (labour contract negotiator)

Minutes recorded by: Reg McQuaid

1) Call to order. Declaration of any conflict of interest.

Meeting was called to order at 7.00 pm by Sarah Pretty. There were no conflicts of interest declared.

2) Minutes of previous meeting

The minutes of the April 6th meeting were approved. Moved by Art Jacobs, seconded by Corey Berman.

3) Report on Labour Contract Negotiations

Harry introduced Ken Godavenos, labour consultant whom we have engaged to lead our contract negotiations with CUPE Local 1281, representing Karma staff. Ken reported as follows:

(i) Update: The third negotiating session was held today. The union is moving slowly in scheduling meetings. With vacations coming up, it looks like we may not complete the contract before October. Angela Ross leads the negotiations on behalf of CUPE, assisted by staff members Paul and Greg. Margaret Knittl (past board president) and Harry Koster (current president) are sitting in on the negotiations with Ken. A series of Friday night meetings have been held with a small group of current and past board members, as well as another Karma member, to go over the union's proposed agreement clause by clause. In addition to Ken, Margaret and Harry, these meetings have involved Sarah, Reg, Charles Danzker and Debra Hayes. Things are generally going well.

(ii) Issues: The union has requested to have a member on the Karma board. We have declined, and the matter has been tentatively dropped. It raises the issue of employees being members of Karma. There is a conflict of interest if they sit on certain committees and boards. We need to be comfortable with this "two-tier" membership. Could they excuse themselves if the agenda touched on union business? This feels

like the thin edge of the wedge. The Labour Act says you can't be simultaneously an employee and owner of an entity. A list could be drawn up of things in which employees would not participate as members, provided this is compatible with Karma's by-laws.

Corey suggested that employee members might be excused from membership fees, in exchange for giving up the right to sit on the board. It was decided to discuss the issue of union members as Karma members at a later date.

(iii) The increased costs of having a union are not so much in wages and benefits as in payment for non-productive work, i.e. for pursuing grievances and other union work on paid time. Labour costs will increase by as much as 25%. The margin on sales will get thinner. The co-op has to look seriously at its financial situation, and share the long-term prognosis with Ken, so that it can be worked into the negotiations. We can't surprise them afterwards with cutbacks, etc.

- Donald asked if the question of member labour has been dealt with yet. Ken said that it has not, but we have apprised them of our priority on member labour. We won't lay off staff because of increased member labour. This is our compromise. We will use it only in case of a vacancy or if increased work is available.

- Donald pointed out that consistent failure of member labour to show up will result in union labour doing the work. Ken said that if all staff were to have the same job description, then union members could be called upon to do any work. Skill-based pay is also an option for new hires.

- There was also a discussion re possible labour action (strike, work-to-rule, etc.).

- The next bargaining session is May 25th. We need to plan, to have a course A and a course B, and to communicate it in a timely manner, to get the cooperation of the staff in any financial downturn.

- Corey pointed out that in the context of staff as members, we should examine what kind of employee deals are in place (e.g. purchase at cost, etc.), and what impact these have on our financial situation.

4) Manager's report

- A contract has been signed with Contex for a new roof, which should end up costing around \$37,000. It will involve closing the store this month for at least a Monday and possibly the Tuesday, which are low shopping days. The refrigeration units will be shut down for two days.

- A second frozen meat freezer failed last month, and its entire inventory was assigned to shrinkage. The freezer has been repaired, but at some point we should seriously look at the possibility of replacing the current freezer units with an energy and space efficient walk-in unit. This was recently done at London Co-op with successful results. We agreed to talk about it at our next meeting.

- Members' room: Volunteers are ready to work on the room. The building committee is working with the membership person on this.
- Justin recently visited London Co-op and viewed their new Point-of-Sale (POS) checkout system, which uses handheld scanners. There would be several advantages to adopting this system, but Donald pointed out that this system does not keep track of inventory like we want to do.
- The store will be closed Sunday May 31st for the year-end inventory.

5) AGM – Board Nominations

This year we will have four board vacancies to be filled, plus one incumbent (Corey) who will have to stand for election by the general membership. Everyone should try to identify suitable candidates for these four positions. We will also ask Charles to help recruit board members.

The AGM will be held at Friends' House on Monday October 19th. Registration will begin at 6.30 pm, with the meeting starting at 7 pm. Space has already been booked. Documents for the AGM need to be sent out at least 10 days prior to the meeting. The notice of meeting should state where financial records are to be accessed. Also any proposed by-law changes must be sent out in advance. Jae will get info re the AGM into the Chronicle.

6. Finance Committee Report

(i) Membership budget – Donald presented the membership budget as prepared by the Finance Committee.

- It is recommended that the annual fee be kept at \$18. The current income shortfall is due to fewer members than last year, a situation that could be exacerbated if the fee were to rise.
- The main change from last year's budget is that the cost of the Member Labour Coordinator be moved from the membership budget to the store budget, where it rightly belongs.
- We are budgeting for the full cost of the newsletter, in spite of the current paper donation, which may not continue.
- Jae said the Chronicle plans to reduce their press run, in order to cut costs.
- The \$250 needed to cover the Web hosting belongs in the store budget.
- The following motion was passed:

THAT the membership fee of \$18 remain unchanged for 2009-10, and that the membership budget below as presented by the Finance Committee be approved, with the sole change that the \$200 indicated for Business Planning be transferred to the Outreach Committee's budget, which now becomes \$700.

Income

16,200 (900 members @ \$18)

Expenses	
600	Members' portion of the audit
2,400	Membership Secretary
1,500	Board of Directors
5,000	Newsletter
2,000	Members' meetings
600	Staff Relations
200	Member Services
200	Food Issues
1,000	Events Committee
<u>700</u>	Outreach
16,200	Total expenses

Moved by Donald. Seconded by Harry. Passed.

(ii) The store budget will be ready for presentation at the July Board meeting, after discussion at the June meeting.

(iii) Donald presented the store's condensed income and expense statement for the 10 months to March 31st. The loss for March was lower than the loss for February, which was lower than the loss for January. Aggregate loss to date is \$60,000. Year-over-year we are \$90,000 behind where we were this time last year. We're losing money every month, but we are making progress in the store.

The contract negotiations have cost us \$3,700 to date.

We should note Ken's estimate that having a union will raise labor costs by 25%.

Corey – We must look at the three top cost-cutting measures we can take.

Donald – We have to begin by adjusting the non-working member fee.

(iv) Donald reported that an offering statement for Big Buck loans is due with the regulatory authority by June 1. Last year we were authorized to raise \$500,000 and raised \$59,000. We need to provide the reason why we want the loans. We don't have to do all the things indicated in the offering statement, but we can't do anything that is not included in it, so it is better to give more rather than fewer purposes. We are asking for authorization to raise up to \$200,000 this year. We are trying to get our Alterna line-of-credit (currently \$70,000 owed) down to zero.

- Harry proposed that the cost of a walk-in freezer (\$30,000) in the offering statement be amended to \$35,000.

- Corey had 3 questions re the offering statement (answers provided by Donald):

a) What are the legal liabilities for the board? (We are liable only if we misrepresent the facts.)

- b) What is the priority of debt repayment? (Big Buck loans are last in priority.)
 - c) What is the risk of default? (Virtually zero, as the value of the land would cover all our loans. The store building was appraised most recently at \$475,000.)
- Karma has repaid all its Big Buck loans in the past.
 - The following motion was passed:

THAT we submit an offering statement to Alterna in the form attached, to raise Big Buck loans for roof costs and other stated expenses.

Moved by Donald. Seconded by Corey. Passed, Kevin abstaining.

(v) Regarding our line-of-credit, we have to send Alterna a copy of our financial statements as soon as they are available. We'll likely be on a watch list because of our negative financial results this year. Ted Brown is our Alterna contact, and there have been no problems to date in our dealings with them.

(vi) Howard Kaplan pointed out that the 2009-10 budget must include repayment of debt. The \$18 building fee goes to this.

Howard will review Karma's by-laws to see if there is anything regarding staff being members.

Howard will come to the June board meeting to present the resolution regarding the non-working member fee on behalf of the finance committee.

7. Adjournment

The meeting adjourned at 8.30 pm. It was followed by an in camera session.

Next meeting: Monday, June 1st, 7.00 pm, at the Annex Art Centre.