

**Treasurer's report from Howard Kaplan
For the Karma Board meeting of Monday, 12 April 2010**

1. Finance Committee status

Neither Donald Altman nor John Biggs could attend the March 22 meeting, but I met with Quincin Chan and Lisa Anderson, along with Justin McNabb and Denise Stapleton (who are not committee members).

I am aware that Ivan Lekic has offered to work on some financial planning project, but I haven't tried to contact him about his offer, pending some clarification of committee recruitment and membership practices.

2. Credit policy

In February, the Board accepted Corey's suggestion that he meet with Justin to draft a credit policy less complicated than the one I had drafted. Corey sent me a one-paragraph summary of the meeting, I worked with Corey to expand some of the unclear details, and I drafted a new one-page policy. When I presented it to the Finance Committee for review in March, Justin stated that the new draft policy did not reflect his views, as Justin wishes to keep our current credit policy. After consulting with Corey, I asked Justin to provide a written statement of that current policy, since it is not clear what policy Justin wishes to continue. (The Board's resolution on the matter, as reported in the April 2009 minutes, is not at all clear.) In addition, Corey agreed to try to find out where communications about this policy broke down.

3. Membership fees collection policy

Board action required: Justin proposed a policy on prompt collection of membership fees. After slight modifications, he and the Finance Committee agreed with the procedures that I have rephrased in the following resolution:

The Board hereby establishes the following procedure for the collection of the annual Membership Services fee each June:

- No later than the Board Meeting held in May each year, the Board will determine the membership services fee for the next fiscal year. It will announce that fee as soon thereafter as possible and will tell members that the fee is due at the first shop on or after June 1.
- The membership fees for all members in a household must be paid at the same time.
- Collection of the membership fee will be recorded on its own cash register receipt, separate from the receipt for any shopping done at the same time. One copy of that receipt will be given to the member, the other retained for Karma's records. Payment of the fee will also be recorded on the shop/work card and in the membership database.
- If a household shops once on or after June 1 without paying the fee, the shop/work card will be removed from the box, and the household will not be allowed to shop again until its fees are paid.

Note that this resolution does not address the question of prompt payment of the November building and maintenance fee. There are a number of technical issues, such as the option of working off the fee, that prevent us from applying a similar policy. The Board will need to consider the issue again, even if just to confirm the same procedure that was approved earlier this year.

Note that we will stop using the white business cards, preprinted with household and member information, as a way of verifying information each year when fees are paid. Justin believes that

members know how to notify the office of any changes. The additional copy of the cash register receipt will replace the white cards as a backup record of payment.

I am hoping that, by June 1, the new cash registers and their support software will allow us to record collection of these fees more easily on the membership database.

Board action required: To implement the preceding resolution, which is intended as permanent policy (until changed, of course), I also present this resolution:

The Board hereby establishes each of the Membership Services fee and the Building and Maintenance Fee as \$18 per member, for the membership year June 2010 through May 2011. As in the past, working members who are not behind in their hours may work for an additional two hours beyond their monthly commitments to pay the Building and Maintenance Fee. The Board directs the Communications Secretary to inform members of these fees and of the rules for their prompt payment.

The resolution assumes that the Board wishes to continue allowing the Building and Maintenance fee to be paid by work instead of in cash. If that is not what the Board wishes, the second sentence will need to be changed. The Finance Committee has not expressed any opinion on that matter.

At the last Finance Committee meeting, there was a suggestion that the Building and Maintenance Fee be renamed simply the Maintenance Fee, to remind members that it's a permanent fee. I always thought it was to be a permanent fee, and the written documents I've found support my memory, but apparently some people thought the fee was to be temporary. Since the costs of the recent renovation are far from having been paid off, I am not recommending any change in name for this fee at this time, since there is nothing in the current name that suggests the fee will end soon.

4. Proposed shopping credit for banked member labour hours

The Finance Committee did not discuss the proposal, generally favoured at the February 21 Members' Forum, to grant a \$10 shopping credit for each hour of work in excess of the minimum required to maintain working member status.

5. Abuse of the trial shopping privilege

Trial shopping currently incurs no surcharge. There has been concern that some people are abusing the trial shopping privilege by repeatedly using it. Even when it is not abused, it does not provide a realistic view of Karma prices, as it provides the view that a working or flat-fee-paying member sees to a person who is not providing any work or fee in exchange. **Board action required:** Both Justin and the Finance Committee agree that this should be changed, and I present this resolution for the Board's consideration:

The Board hereby changes the procedures for trial shopping, effective immediately.

- Until the new cash registers are installed, all non-member shops will incur a 10% surcharge.
- When the new cash registers are installed, all non-member shops will incur a 15% surcharge.
- If a person who has made a trial shop joins Karma within 15 days of the trial shop and becomes a working member or pays a flat fee for the month of joining, then Karma will rebate the full surcharge paid on the trial shop. The new member needs to present the receipt as evidence that the surcharge was paid.

Note that not all non-member shopping is trial shopping. Guest shopping also occurs when someone who is not a trial shopper, such as our auditor or one of our suppliers, wants to do

some incidental shopping while at Karma. On rare occasions, we give a gift certificate to someone who is not a Karma member. In such a case, we will need to charge the appropriate surcharge when the certificate is sold, so the recipient need not worry about it.

I have some concern about this resolution, even though I am presenting it. My concern is that, once we collect a surcharge for non-member shopping, we are somehow legitimizing it, even though the surcharge ought to discourage it. In other words, this resolution could be seen as a way of allowing non-member shopping without going through a full discussion with the membership.

If anyone wishes to draft a resolution or a friendly amendment requiring people doing trial shops to identify themselves by name and requiring Karma to keep records of such trial shops, as another way of preventing or controlling abuse, I expect that I would support such a change.

6. Shopping on behalf of large non-member groups

Board decision required: In the past month, there's been some email discussion of "corporate memberships". Some members who don't pay surcharges realize that, if they simply shop on behalf of a large group like a daycare or hiking club, they may be abusing their shopping privileges. If we want to let our members make large purchases without abusing the system, we can adopt the following resolution.

Karma members are welcome to shop for their households, including occasions where the households have guests, host parties, and so on. Karma members are also welcome to pick up the occasional product for their friends or associates. However, when Karma members purchase significant quantities for non-household groups, such as daycares or clubs, they should do that shopping as a separate transaction, telling the cashier that it's a "group purchase". This group purchase will incur the standard non-working members' surcharge, even if the member is ordinarily exempt from surcharge for household purchases. Members should note that they are welcome to bring other group members along to help them shop, but this group purchase privilege is not extended to people who are not themselves Karma members.

If we adopt this resolution, the Communications Secretary can include it in her April newsletter, ensure it gets into the next Chronicle, and post a copy on our bulletin board.

7. February financial statements

The February 2010 statements are being sent along with this report. There is nothing really surprising about them – we are still barely breaking even on operations, and that is before we start accounting for the additional direct and indirect costs of the new collective agreement. The only mildly bright spot comes from the attached sales history graphs. This month, there are two sales history graphs and no sales history table. The top graph is in the format you have previously seen. February sales were less than January sales, both two years ago and this year. This is not surprising, as February is shorter than January. If you squint hard enough, you can tell that the January-to-February drop is slightly smaller this year than it was two years ago. On the bottom graph, sales have been adjusted for the length of the month and for the pattern of days within each month (because we sell more on weekend days than weekdays). On that graph, the heavy maroon line shows a drop from January to February (and an inexplicable further drop in March) in 2008, while the heavy blue line shows a slight increase from January to February in 2010. In other words, February was a rare month when, by the measure of sales growth rather than by the measure of absolute dollars, we actually did better than two years ago. Preliminary figures for March show that sales were a little better than February, even after adjusting for month length and day-of-week effects, so this is encouraging.

8. Collective agreement implementation and related HR matters

The signing bonuses were paid in the week that began on March 15, and retroactive wage adjustments back to the January ratification date were paid in the week that began on March 29.

I have created an Excel workbook to compute vacation pay and sick pay, reading between the lines of the collective agreement where necessary. (The way we previously computed vacation pay, as a straight percentage of other pay, will no longer be adequate under the new collective agreement.) I have reviewed this workbook with Denise and will review it with Arel and with the most likely co-stewards-to-be, Greg and Paul. We will use this workbook to calculate the departing vacation pay for Shannon Waterman, who has given notice.

Denise will compute and deduct union dues from the ratification date through the end of March when she computes the paycheques that include March 31, and that will be the first time we meet our obligations under the union dues checkoff procedure.

Justin has started to use the new form for recording staff hours. In reviewing the form, he noted that I had assumed that overtime would start after 40 hours for all waged staff, while in fact that number applies only to unionized staff. The Employment Standards Act requires overtime pay beyond 44 hours, but it doesn't forbid overtime pay at a lower threshold. **Board decision required:** We need to decide when non-unionized staff get overtime pay. I suggest the following resolution for Board consideration, and I regret that I cannot phrase this as an amendment to our official HR policy, because we have no such policy.

Whereas the collective agreement specifies that, whenever a work week exceeds 40 hours, all unionized staff will receive overtime wages for the excess hours at the rate of 1.5 times regular wages or lieu time equal to 1.5 times the excess hours, we hereby extend the same overtime policy to all employees receiving hourly wages.

We've now resolved the confusion about how Co-operators bills us (through the Big Carrot) for our extended health care insurance. Part of the payment is for long-term disability coverage, that coverage varies from employee to employee (we think it's related to age), and that coverage is taxable. That's why there are previously unexplained differences in the amounts we pay for different employees' insurance. We are not yet sure whether, with the implementation of the HST, the coverage will become non-taxable or will become something for which we can claim credit, as we currently do for GST.

Board decision or referral to committee required: We still need to clarify our staff discount policy for managerial staff, contract employees like Marilou and Denise, non-unionized but regular staff, and casual employees. With the implementation of the new cash registers being imminent, I will be programming the current percentage, 24.5%; no resolution is required for that, since it's a continuation of what we're doing now. (Arel and I have determined that keeping the same percentage will cause less disruption than trying to lower the percentage and pay additional wages or salary to compensate. Having two separate percentages for unionized and other staff is not a technical problem at all, though it might be a political problem.)

The question of who is entitled to that 24.5% discount is basically an HR issue, though it has financial implications. The Board, after consulting with the General Manager, can make that decision, or it can refer specific questions to the Bookkeeper or the Finance Committee before making that decision. (Before anyone asks, total staff discounts for the first 9 months of this fiscal year were \$12,000.)

Note that, effective with the finance statements for March, we will be showing staff discounts as a separate line in the monthly statements and abandoning the old fiction that we're selling goods to anyone at wholesale prices. Beginning in June, we'll have separate account lines for union and non-union staff discounts, so we can know the cost of union staff discounts when we negotiate contract renewals.

9. Cash registers

I have made some progress with the cash registers. Inland Cash Registers, who developed the SkanTalk software that allows us to communicate between the cash registers and the office computer, has discovered a bug in the cash register firmware provided by Sharp, who manufacture the cash registers. Inland cannot change the firmware; they can only report the problem to Sharp. If Inland cannot work around that bug, we will need to set up communications with the cash registers in a way that will be slightly less convenient for the staff but will not prevent proper operation. I'm more concerned about the cash registers' incorrectly dealing with the relationships among non-surchargable departments (such as membership fees), surcharge percentages, and taxes. As of Tuesday, April 6, Atlas POS (who sold us the cash registers and the SkanTalk software) hasn't been able to tell me how to program the cash registers to handle those correctly, and I'm continuing to press them for answers.

10. Budget planning

There is nothing new to report yet. At the Board meeting, we should confirm the only really urgent decision, the \$18 Membership Services Fee, as described in a resolution back on page 2. If the budgets are not ready for consideration in May, that will not be much of a problem, as we're meeting again on June 5, which is only a few days into the new fiscal year.