

KARMA CO-OPERATIVE BOARD OF DIRECTORS

Minutes for meeting of Monday, June 7, 2010

Arthur Jacobs' home, 90 Olive Ave.

Directors present: Arel Agnew, Corey Berman, Hilary Gibson-Wood, Arthur Jacobs, Howard Kaplan, Angela Lee, Reg McQuaid, Sarah Pretty

Regrets: Danielle Thibodeau, Benjamin Watts

Staff Present: Justin McNabb (General Manager)

Chair: Sarah Pretty

Note-takers: Howard Kaplan, Hilary Gibson-Wood, Reg McQuaid

Minutes editor: Reg McQuaid

1. Call to order.

The meeting was called to order at 7:10 pm.

2. Presentation of agenda

No agenda had been circulated in advance. The following agenda, which was verbally presented, was approved by the meeting:

- Review and acceptance of previous minutes
- General Manager's report
- Treasurer's report
- Report on a conversation with Brian Iler
- Report on neighbours' noise complaints
- Review of updated member booklet
- Membership policy changes
- June 12 open house
- AGM planning and Board recruitment
- By-laws revision proposals for the 2010 AGM
- July agenda [not discussed]
- June email communication [not discussed]

3. Review and acceptance of previous minutes

**Moved by Sarah,
To approve the minutes of the May meeting.
All in favour. Passed.**

4. General Manager's Report

Justin expanded on issues raised in his written report (attached), and some items led to extended discussion.

Membership: We now have 899 members. We may see a drop again in June, because some members resign when fee collection time occurs.

Staff: David Chivers has been hired for two nights/week, and Russell Moses has resigned.

Inventory: Our year-end inventory was performed on May 30th. There was a good turnout of member labour for this event. Our auditor performed extensive checks for accuracy.

Membership Fees: We began collecting the 2010/2011 fee on June 1st. We've now collected about 40% of the fees. Some members are complaining about the fees, generally to the cashiers. Howard suggested having a small handout cashiers can use to tell people how to direct their complaints most effectively. Hilary noted this note would help us support the cashiers. Sarah suggested we make the note a more general card about how to contact the Board with suggestions or complaints. Hilary suggested we have a good explanation of why we need the fee, available at the cash, and she agreed to prepare what we need; Howard agreed to review the note.

- **ACTION ITEM:** Hilary will write up and print out these sheets, explaining the membership fees, in consultation with Howard.

Howard also noted there is a piece about the fees/budget in the upcoming Chronicle. Justin suggested we combine the two membership fees into one, to avoid two annual opportunities for members to become dissatisfied with the fees.

Freezers: We were again subject to freezer break downs, and shrink will be up a bit as a result. Art repaired our newest freezer which had some defective wiring. A chest freezer had to be replaced.

Break-in Attempt: The outside portion of the large east window was smashed during a break-in attempt on May 12, but no one entered the store. Howard asked what our security system does when there's a break-in attempt. Justin replied that only one window broke despite many attempts. There are motion detectors but not glassbreak detectors, and in fact nothing in this break-in attempt triggered the alarms.

The security company calls Justin & Michael when there's an alarm, and our staff authorizes the police to come. In this case, neighbour and Karma member Yuill McGregor phoned 911 when he heard the glass break. Justin said that the tempered glass in that window was break-resistant, but Art said that tempered glass might be only shard-resistant (that is, it's not unbreakable, but the broken pieces don't have sharp edges).

Howard recommended we investigate adding glassbreak detectors (\$700?) to the security system; Sarah said she'd rather invest in stronger windows, if possible. Justin said that

our alarm, when it is triggered, is loud, not silent. Art noted that there are break-ins going on in the neighbourhood, and the police are aware.

Insurance: The Directors & Officers Liability renewal application has been sent in on time.

Staff (continued): By July, we will be down 7 staff shifts (Shannon's maternity, Meaghan will be returning to Chile in a month, and Russell is also gone). Arel reminded Justin to post the availability of increased hours for existing staff, in case any want to apply for such hours.

ACTION ITEM: Justin will send out a job description by email to us – Angela and others volunteered to distribute this by email to their networks.

5. Treasurer's report

Howard had distributed a written Treasurer's report, in two parts (both attached), prior to the meeting. He offered to answer any questions about issues mentioned in that report, before the Board proceeded to discuss specific resolutions. There were no questions.

The first action item to be considered was the problem of resigning members' loans being repaid without proper checking to see if the members had debts to Karma to be deducted from the loans. Our bookkeeper Denise expressed concern about the member loans. She feels we may not be keeping the records totally accurate. Concern that members resigning are getting their full loans back even if they owe us money, because staff aren't checking to see if they owe Karma any money. Howard is suggesting we make a change to make sure staff are doing this.

Justin talked to Marilou about this recently. She is under the impression that you can't really touch someone's member loan – Howard thinks that she is confusing 2 issues here. One issue is forfeiting the loan if you are inactive for a set number of years, and the other issue (that we're talking about now) is taking out debts to Karma from the loan when it is returned when a member resigns.

After some discussion, Howard mentioned Donald Altman's suggestion that we not return any members' loans immediately, but always by cheque within two weeks after the resignation request was received. The Board agreed with this suggestion, and Howard drafted a motion along these lines to replace the motion distributed in advance; unfortunately, the exact wording has been lost:

Moved by Howard,

The Board authorizes the General Manager to establish the following practice for returning loans to resigning members: (1) Written resignations will be received by the staff at any time; (2) Before any member loan is returned, staff will check to see if the member owes any debts to Karma, and the value of those debts will be deducted from the loan being returned; (3) Loan refunds will be made only by cheque, the target being within two weeks of receipt of the written resignation.

Approved unanimously.

Howard had distributed a motion clarifying the time span covered by the membership fee. As the primary purpose of that motion was to justify an interpretation of how we would collect HST on membership fees, and since it was subsequently decided that we did not need to collect HST until receiving a formal ruling about our fees' taxability, Howard did not ask to have the motion considered by the meeting.

Howard had distributed a motion clarifying our policy about when inactive members cease incurring obligations to pay additional fees. The Board discussed what currently happens when a member hasn't been around. Based on Hilary's suggestion, we will try to implement an email to inactive members telling them that we're putting their membership obligations on hold after those two months, and they're welcome to reactivate their membership. Further discussion about this motion included the question of whether the General Manager should have flexibility to waive fees or would benefit from a firm policy so members couldn't pressure him for exceptions. The Board decided, on Justin's recommendation, to adopt a firm policy.

Moved by Howard,

The Board hereby clarifies what happens when members cease actively shopping and working without formally resigning.

The by-laws already specify that a member who is six months behind in paying an annual fee is deemed to have resigned from membership, whether or not the member has participated in any other co-op activities.

A member who was last active during the previous membership year but does not shop at all during a membership year incurs no new obligation to pay any membership fee or to meet any work commitment. According to the by-laws, such a member remains a member of Karma Co-operative for six months and is entitled to receive a notice of the Annual General Meeting but is not a member in good standing and may not vote at the meeting. If the member subsequently reactivates membership during the year, the Member Services fee will be pro-rated by the same amount as for a new member joining at the same time, and the full Building Maintenance fee will be due as of its usual date.

A member who shops at all during the membership year incurs the obligation to pay the same Member Services Fee that would be payable for someone joining in the first month of the member's shopping, even if for any reason the membership fee

was not collected at that time. The value of this fee, if unpaid, will be deducted from the member's loan upon resignation.

A working member ordinarily incurs the obligation to work or to pay a fee in lieu of working, even if the member does not shop that month. However, once a working member has not shopped for two consecutive months, no further work obligation is incurred for any further months of non-shopping. Any unpaid work obligations will be deducted from the member's loan upon resignation.

Any member who does not shop in the two months before the Building Maintenance fee becomes due is not obliged to pay that fee unless resuming active shopping. Instead, if and when the member formally resigns, the resignation will be treated as being effective as of the end of the second consecutive month of not shopping.

Approved unanimously.

Howard next presented the membership budget. The most significant expenditure item is the Opportunity Fund, which accounts for almost half of the total. We need to clearly explain to the membership what the Opportunity Fund is for. Members might otherwise object to our collecting a fee that's twice as large as our known expenses.

There was a brief discussion about whether to require committees to report their spending back to the Board in more detail than is generally recorded by the Bookkeeper, but it was decided that was not necessary:

Moved by Howard,

(1) The Board hereby adopts the following FY 2010-2011 membership budget, as submitted by the Treasurer after consultation with the General Manager, the Finance Committee, and those other committees that made the requested submissions for the budget:

MEMBERSHIP BUDGET	
Income*	16,200
Expenses	
Audit fee	600
Membership secretary	2,000
Membership administration	1,000
Board of directors	1,500
Chronicle	1,500
Member meetings	1,500
Finance Committee	100
Community Development Committee	150
Food Issues Committee	100
Building Committee	50
Orientation Committee	25
Web Committee	300
Opportunity Fund	<u>7,375</u>
Total expenses	16,200
<p>* This is calculated as 900 members, paying \$18 each. Note that, if members receive \$18 shopping credits for recruiting new members, the \$18 credits will be paid from the membership account, but compensating \$18 fees from the new members will contribute to that account. Therefore, there is no need to budget for lost revenue or increased expenses as a result of the shopping credits.</p>	

- (2) The Board intends the Opportunity Fund mentioned in the budget to be allocated to specific projects during the year, on the basis of applications from itself, the General Manager, the Membership Secretary, and the committees.**
- (3) The Board hereby authorizes those committees whose expenses are listed in the approved budget to spend the listed amounts, without limiting their right to request additional amounts from the Opportunity Fund.**
- (4) The Board hereby directs all Committees who wish to spend money from the Opportunity Fund to address their requests to the Committee Secretary, who shall approve or decline to approve expenditures of up to \$200, reporting both the approved and declined requests to the Board, and who will convey any larger requests to the Board in a form suitable for the Board's consideration.**
- Approved unanimously.**

Howard next presented the operating budget, changing the term “depreciation” to “amortization”, as recommended by finance committee member Donald Altman.

Donald Altman also felt that the non-emergency capital purchases amount should be higher. Justin has some budget for non-emergency funds, whereby he can deal with relatively small things without talking to the Board. Justin clarified that anything expensive comes to the Board, or the finance committee. When asked for examples of small capital projects that shouldn't need specific Board approval, Justin gave as examples a freezer (\$700) or shelves (typically around \$1,500). Therefore, Howard amended the last clause of the motion to raise the general manager's non-emergency spending limit from \$1,500 to \$2,000.

Moved by Howard,

(1) The Board agrees with the General Manager, Treasurer, and Finance Committee that the FY 2010-2011 operating budget, as submitted by the Treasurer and shown below, is a realistic projection of what the co-operative will achieve in the fiscal year (a loss of approximately \$7,500) if no significant changes are made and no catastrophic events occur.

OPERATING BUDGET	
Sales	
Total sales before staff and work credit discounts	1,436,442
Total Cost of Goods Sold	<u>-1,149,154</u>
Gross margin, \$, before discounts	287,288
Gross margin, % of total sales	20.0%
Staff discounts	<u>-14,400</u>
Gross margin, \$, after discounts	272,888
Expenses	
Total wages and benefits paid out	222,586
Work credit discounts	7,900
Non-working offsets	<u>-35,368</u>
Wages & benefits net of offsets	195,119
Amortization	26,118
Other expenses excl. consulting	<u>71,413</u>
Total expenses excl. consulting	292,650
Total expenses excl. consulting, % of sales	20.4%
Operating Income	-19,762
Miscellaneous store income (excl. building fees)	1,002
Building fees	16,200
Contract negotiations and other consulting	<u>-5,000</u>
Net Store Income	-7,560

(2) The Board does not interpret this budget as granting or limiting the General Manager's authority to commit the co-operative to any specific operating expenses; instead, the Board directs the General Manager to make decisions about such expenses in a way that will reduce the currently projected loss, within the terms of his general authority.

(3) The Board directs the Treasurer to use both this budget and the results for past years as references when presenting financial statements, providing a context for

this year's results, and to present summary statements in a format as similar to the budget format as is practical.

(4) The Board does not yet authorize any new capital expenses over \$2,000 each, except in the case of emergencies. The Board intends to authorize additional capital items in a separate capital budget later this year.

Approved unanimously

Justin reported that Howard had made much progress with the cash registers. Howard noted that he'd gotten to the point where the staff had documentation and could test the registers, but he'd not yet reprogrammed the cash report.

6. Report on Conversation with Co-op Lawyer Brian Iler

Reg reviewed his conversation with Brian Iler, Karma's lawyer, as originally presented in his written report (attached).

This was a follow-up from last Board meeting. Howard had drawn up a list of questions that needed clarification.

Brian has no problem being our official lawyer – there isn't a formal process necessary for this.

Concerning advice from past year that after 8 yrs, member loans can be considered forfeit, he didn't offer anything in writing on this – Reg felt if we pressed him, we might be able to get this. If we take reasonable measure to contact people, and can't do so, then we can just incorporate the member loan into our capital. Howard felt that this advice was more practical advice vs. based on any particular legislation, but that this is still useful.

- Re. borrowing limit – offering statement. Howard explained that we can borrow up to \$1000 per year from each willing member without issuing an offering statement, but once we've borrowed a total of \$200,000 in loans (other than our line of credit), we cannot borrow anything beyond that \$1000 per year without an offering statement. Howard felt that, if we go through our member records, identifying member loans that needn't be fully refunded because of debts to Karma, and if we also are more prompt in getting formal resignations before eight years elapse, we may find we room to raise a few thousand more in member loans before we hit the \$200,000 limit. Brian recommends having such an offering statement in any case, since it would provide potential lenders with a greater sense of security about their loans.

- Howard said that completing applications like this isn't one of Donald Altman's strong points, even though he prepared the last one. The application was rejected on technical grounds (the way that information was stated or supplied), not on financial grounds.

-Howard thinks we may want to become more aggressive about this, and get people's loans back sooner. Sarah agreed that we should have some sort of policy, vs. the box of member cards sitting there. This could be part of a fuller new membership policy, that we'd have our members sign off saying that they understand it and are happy to continue

as members of Karma. We will come back to this in later discussion about our membership policy.

- How we keep on top of legislative changes affecting the coop: Brian's advice was to monitor the newsletter of the Ontario Cooperative Association, for which Brian is their legal columnist.

Howard noted that he'd followed Brian's advice and read a recent article about changes to the Co-op Act. As Howard currently understands the changes, none of them require Karma to do anything new, but some allow Karma to change its bylaws to do new things, such as provide for voting by mail.

7. Report on neighbours' noise complaints.

Art reported on communication from a group of seven households on Palmerston (attached). He subsequently drafted a response (attached) and asked the Board to approve his sending it. Art has started to design a sound barrier consisting of vertical panels, and the Building Committee will review it. Art read the letter from the neighbours, which was very reasonable. Art thinks the new roof material, membrane instead of gravel, may be increasing the noise radiation. It is not practical to add more gravel, as the membrane gets very soft in the summer.

ACTION ITEM: Sarah offered to sign and send the letter in hard copy to the neighbours, and nobody objected to this. The bldg committee will continue to look into the options for a noise buffer.

8. Review of updated member booklet.

At May's board meeting, Justin pointed out that this booklet has been neglected by both the Board and the staff, and that we should revise/approve a copy.

Angela spoke briefly about the process of revising the member booklet (attached). A few members, such as Arel, mentioned discrepancies between the circulated text and decisions made recently (including decisions at the Board meeting), but Howard promised they'd be caught in the final editing which his forthcoming resolution authorized. Several members were particularly concerned about continuing to value member labour at only \$10 per hour when our staff costs are so much higher, but the Board decided not to deal with that issue before approving the text, as that might be only one of many issues requiring revision in the near future.

- Idea is to pass something at this point to approve something, but we do still have to figure out the origins of some policies that the booklet makes reference to.

- Howard: One this the Board needs to decide, is after we approve this, whose responsibility is it to maintain it? We could approve this printing, and say we haven't yet decided who would be responsible for the upkeep.

- Howard: A lot of things in the booklet reflect policy items that the board either never got around to setting, or we can't trace where they were set. What we have to be clear on is that we're approving this booklet, knowing that we are approving bits and pieces of larger policies.

To specify what the Board meant by its approval, Howard presented a motion which Angela considered appropriate.

Moved by Howard,

The Board approves the text of the Member Booklet as circulated by Angela Lee prior to the meeting. The Board hereby directs that all of the statements of policy contained in the booklet should be treated as official policy, although the Board has not yet had the time to update the larger policies of which these statements are part. The Board authorizes Angela Lee and Howard Kaplan to correct any further minor errors and to convert the text to a format that can be maintained and printed using currently-available software. The Board authorizes the General Manager to print copies of the revised booklet and authorizes the Web Committee to post it on the web site in a suitable format. The Board defers its decision about how the booklet will be revised in the future.

Approved unanimously.

9. Membership policy changes.

The Board discussed the process of dealing with further changes to membership policy; it did not discuss the desirability or the details of the changes.

Hilary reminded us that we have now distributed the final document arising from the February meeting. The only responses at any stage have been from Board members. Justin, in response to Hilary's question, said no one had taken up our pilot project offer to give \$10/hr credits for cleanup shifts, but attendance by other cleanup workers has been better since we publicized the problem of filling the shifts. Angela reported good awareness of the pilot project among committees.

Two remaining membership changes received substantial support at the forum and therefore deserve to be considered seriously: sales to non-members and new membership categories. Sarah proposed that further development take place outside of a Board meeting.

ACTION ITEM: Hilary and Sarah will organize an ad hoc committee on membership structure, composed of both members and non-members of the Board, to propose next steps. Howard offered to be at least a finances liaison to that committee if not a full participant. They will approach some people with a known interest in the topic, such as Betsy Carter and other key people from the February Forum.

Incidentally, Hilary reported that she and Jason Moore had initiated some work to update our email list.

10. June 12 open house.

A few directors committed to attend. Angela briefed us on plans for the day. No further progress was reported on other aspects of the membership drive that the Community Development Committee had committed to organize.

ACTION ITEM: Angela will check in with Nikki and Natalie from the Community Development Committee about the status of the membership drive.

11. AGM planning and Board recruitment.

ACTION ITEM: Reg will ask Hilary Krupa if she's interested in helping to organize the AGM again.

Sarah offered to take on Board recruitment. Howard suggested that no recruitment take place until the Board reviews a document, which he offered to write, describing the real work of Board members. He suggested that, with such a document in hand, the Nominations Committee could justify recommending the best candidates rather than maintaining indifference among all formally qualified candidates. Sarah said that she had accomplished something similar last year, although informally, by discouraging the least qualified potential candidates from running for the Board.

The Board tried to assess who was likely to return next year. Danielle, Reg, and Sarah will not stand for re-election. Art has served 3 years and is still eligible to run for a 1-yr term. He will not run for the board this time, but will continue to serve on the Building Committee. No two-year members are resigning, but Hilary may need to limit her responsibilities somewhat during the next year. No one knew Ben's plans; he is in his first year of a two-year term. Howard is interested in serving again but is not making a commitment at this time.

ACTION ITEM: Howard will work on a document describing the actual work of Board members, to bring to our next Board meeting in July

12. By-laws revision proposals for the 2010 AGM.

The Board did not try to fully review the minutes of the 2009 AGM, but it did address one specific issue that some members at both that meeting and the 2008 AGM wished to see addressed. The minutes indicate that members were interested in changing the by-laws to allow either three-year terms or a longer limit on consecutive years of Board service, currently four years. In discussion at the Board meeting, those Board members who spoke to the issue said that three-year terms would have discouraged them and

would discourage new candidates. Howard said that changing the by-laws to allow longer service would be technically much easier than changing them to provide three-year terms.

Beyond this, we also need to think about if anything in membership changes needs to be brought to the AGM. Our current membership policy was established in 1978-79.

ACTION ITEM: Howard agreed to draft a package of by-law changes including a change to allow six-year service and any other appropriate, small, technical amendments.

- Beyond this: we also need to think about if anything in membership changes needs to be brought to an AGM. If we make new membership

13. Other, brief discussions.

The Board informally shared some observations about things happening at Karma.

- **ACTION ITEM:** Sarah and Hilary will work on the June e-mail newsletter.

- **ACTION ITEM:** Sarah will send out a list of agenda items to workshop tomorrow

14. Adjournment.

The meeting was adjourned at 10:10 pm.

The next Board meeting will be held on at 7 p.m. on Monday, July 5th at 90 Olive Ave.

Attachments incorporated into this document:

General Manager's report

Attachments as separate documents:

Treasurer's Report, parts 1 and 2, including summary April 2010 statements

Karma Building Committee Report June 5, 2010

Draft response to neighbours about compressor noise

Membership handbook text as of June 2

Report of conversation with co-op lawyer Brian Iler

Attachment: General Manager's report

The Receiver General has been paid; PST and WSIB payments are up to date.

Membership: We have 899 members, a slight drop from last month.

Staff: David Chivers was hired. Russell Moses has resigned.

Inventory: Our year-end inventory was performed on May 30th. There was a good turnout of member labour for this event. Our auditor performed extensive checks for accuracy.

Membership Fees: We began collecting the 2010/2011 fee on June 1st.

Freezers: We were again subject to freezer break downs. Art repaired our newest freezer which had some defective wiring. A chest freezer had to be replaced.

Break-in Attempt: A large window was smashed during a break-in attempt on May 12.

Insurance: The Directors & Officers Liability renewal application has been sent in.