



President's Report Fiscal Year 2016-2017

Fiscal year 2017 (July 2016-June 2017) was an exciting and rewarding time for the Syracuse Real Food Co-op's board of directors. We have entered a period where the financial and operational health of the organization has permitted us to become proactive about the future of the co-op rather than simply reactive to crisis. This annual report will provide you, the members, insight into the work of the board and the new opportunities that are in front of us.

Board Development

Our board is composed of 9 volunteer directors who serve staggered 3-year terms. In principle, this should mean that in any given year, there should be 3 seats up for election. In practice, this varies somewhat. In the event that a board member resigns or is removed in the middle of their 3-year term, the bylaws allow the appointment of a board member who will serve until the next election, at which time they must run for a 3 year term. This year there are two such seats on the ballot in addition to the 3 seats already up for reelection; one filled with a short-term appointment in anticipation of running, the other filling a currently vacant seat, both filling seats that were vacated mid-term by directors who were unable to continue the office for personal reasons. We are still left with one seat which is unclaimed, and for which there is not currently a candidate. We encourage any member in good standing who is interested in being part of the board to contact the board directly, or contact store management to express your interest and submit your CV and board packet for consideration.

The board continues to take advantage of our membership in CDS Consulting Co-op and its Cooperative Board Leadership Development program. Monthly consulting calls and annual retreats to share our challenges with experts from co-ops around the country provides us with additional insight and knowledge, as well as solutions that have worked (or not worked) for other co-ops. It also provides us with the advice of numerous professionals in fields like Human Resources, Accounting, economic planning and other specialized disciplines that reinforce the knowledge and experience of our own board to ensure that we are making the best choices we can for the health and future growth of the Syracuse Real Food Co-op.

Strategic Planning and Growth Strategy

The '16-'17 Fiscal year began with some excellent news: we received our third consecutive "clean bill of health" from our financial auditors, Wegner & Co. a national accounting firm which specializes in co-ops. This was a milestone in several different ways. First, it demonstrated that the management model and board governance that we were engaging in was producing the desired results. Second, it ratified our trust in the management team. Third, the cornerstone of any expansion plans that the Co-op might wish to engage in would rely to some degree on member loans. By New York State law, in order to have a member loan campaign, a co-op must demonstrate 3 years of clean audits prior to embarking on such a

campaign. Hitting this benchmark opens a plethora of opportunities that were previously unavailable to us. In addition, we anticipate that this year's audit will bring our winning streak to 4 years in a row.

There has been a great deal of discussion about expanding the Co-op, and it is a topic that has been bandied about for years. The last fiscal year pulled some things about this into stark relief. The biggest issue is that our current location is untenable in the long term. It won't be this year, or next, but within a decade the Kensington store will fall victim to an inevitability: grocery prices are increasing slower than the rate of inflation (this is called deflation) while wages and other costs of doing business continue to rise. We are currently, by our own measure, and in the professional opinion of numerous consultants and industry experts, wringing close to as many dollars-per-square-foot out of the Kensington store as we possibly can. The only way to increase gross revenues and insure the long-term health of the organization is to increase the volume of products we sell. That requires a larger location. That we have recognized a net profit for several consecutive years makes this a considerably less difficult task than it might have been even a few years ago. We will continue to seek input and share ongoing developments with the members as information becomes available. The good news is that we are currently profitable, and are far enough ahead of the problem that we feel confident that we will be able to find a solution that will guarantee the health of the organization while still providing the level of service to the Westcott and University neighborhoods that our members and guests depend on.

Another component of our strategic planning was to address a long-standing issue with the Co-op's brand identity. After careful consideration among the board, store management, and with our co-op consultants, we decided to authorize management to explore developing a new brand identity for the store. Our current growth areas for both membership and attracting new shoppers is largely within a younger demographic, and making the store attractive to younger shoppers is part of the desired outcome. Another concern is wanting to have a visual identity that would be appealing to new audiences in the event that we relocate or expand into additional locations. Having a more contemporary and versatile visual identity system is integral to those plans being successful. In pursuit of this, member input was sought throughout the process. Workshops were conducted at the Spring meeting in which members were invited to discuss options and share their opinions with the design team which was engaged for the rebrand. Throughout the year, online and in-store questionnaires were made available as well as opportunities to weigh in on aesthetic direction and helping to winnow the choices in terms of look and feel. There were hundreds of respondents, and all of the member input weighed heavily in the process. Ultimately, once authorized by the board to proceed, the management team is not required to seek further input about branding decisions, but the board has been an active participant in all aspects of the rebranding, and we are as excited as the management team is to unveil some of that new direction at the Fall member meeting.

Governance

The core of our board's work is "policy governance." We set written policies that articulate the vision for our Co-op, define the responsibilities of the board, and lay out expectations and limitations for the General Manager -- the professional to whom operational matters are delegated. Each policy is monitored at least once per year. Jeremy DeChario, our GM, prepares reports for each board meeting, and by discussing these reports the board analyzes his job performance and the overall welfare of the business. A compilation of these reports is the basis for our annual GM performance evaluation. Finally, the board monitors our own compliance through systematic review of governance policies.

As we work through our annual monitoring schedule, the board determines whether policy revisions or additions are needed. Last year, we devoted significant effort to streamlining a number of policies in order to better reflect the end-goals of those policies in term of both board and management outcomes. This has resulted in less time being required to analyze these documents. The board has also adopted a “consent agenda” model for documents requiring a vote. This model requires all documents that require a vote of the board to be submitted well in advance of meetings. Board members are required to review those on their own time and then seek answers from the document preparers for any questions they may have in advance of the meeting. Unless there are serious structural or content issues with the documents, they are put to a vote as a block without further discussion. This allows significantly more time at the monthly meetings to discuss in detail the actual governance issues that are in front of the board as opposed to spending that time in the minutia of monthly reports. This has resulted in vastly more productive meetings and opportunities to meet head-on some of the challenges that the co-op faces in the future.

Last year, the board selected Jen Eldridge, an existing staff member, to assist the board and management team by coordinating paperwork, agendas, etc. and providing documents and other resources to the board, thus allowing the board to concentrate on governance rather than meeting logistics. This has been an enormous help to the board, and we wish to commend Jen on her ongoing excellent work in this capacity. It has improved recording and transparency for all board related activities; the results of Jen’s hard work can be seen in the public documents section of the co-op’s website and in the quality of work that the board and management team have achieved.

Looking Ahead

The 2017-2018 fiscal year is well underway, and the excellent performance of the last several years appears to be exceeded by recent returns. We are continuing to see increasing financial health while also making substantial infrastructure investments. We have begun exploring a number of different options for expansion, and have engaged consultants and industry experts to insure that all due-diligence is done in a satisfactory manner before any long-term decisions are made. Those decisions will obviously also involve you, the members.

While we have had several successful years, we continue to set our expectations higher. We are all proud of the work that we have done over the past year, and hope that everyone shares our enthusiasm for what’s yet to come. We thank you, and all of our members, for your continued support and investment.

2017 Board of Directors

John Craddock (President)

Andy Erickson

Debra Lee Gertz

Abigail Henson (Secretary)

Michael Jurbula (Appointed 2017)

Steve Morris (in absentia)

Larry Rutledge (Treasurer)

Anthony Terrinoni

Meagan Weatherby (Vice President)