

Board of Directors Meeting
Monday, January 20, 2020
6:09pm open | 8:32pm adjourn

6:09 Opening (GL)

Directors present: Tatum Evans, Mike Strode, Peter Frank, Ally Young, George Langford, Celeste Levitz-Jones. **Absent:** Brian Perea, Rebecca Reynolds, Sindy Soto.

Owners: Nancy McClelland (accountant)

Staff: l'Talia McCarthy (GM)

6:18 Consent Agenda (GL)

- December meeting minutes approved.
- B12.4 follow-up report accepted. AY noted absence of attachments referenced in report as data; GL has reviewed, IM will share with the board.
- Revised B1 report for Q1 accepted, with the exception of follow-up items noted; AY suggested these be rolled in to Q2 report next month. GL requested that IM keep an eye on exposure between now and B1.3 follow-up on insurance scheduled for March.
- Update on legal proceedings filed.
- Finance Committee minutes filed.
- New owners approved.
- GMED Committee report filed, updated charter adopted.

6:23 Meeting Agenda (GL)

- Owner loan repayment requests pulled for discussion by PF. *(Item tacked on to end of meeting.)*
- Owner comments item dropped from agenda in absence of guests.

6:25 Board Monitoring: CI, Governing Style (AY)

Through a group discussion on sub-policies, compliance with CI was assessed with the following notes and points of improvement:

- **CI.1:** TE seeks clarification on board visioning process. AY emphasizes need for monitoring process to be through a strategy lens, also requests full board re-examination of the Ends report as the Policy Committee, where interpretation questions were delegated, is not currently active. PF notes that we can do more to activate committees and improve attendance.
- **CI.2:** MS notes that structural problems with previous iterations of the board challenged people to step up. AY thinks that this is a holistic system that can be used with agility, but that a piecemeal application poses risks. GL responds that policy governance is a tool to achieve our goals, not an end in itself.
- **CI.3:** PF assesses that we need more capacity as we take on big project with capital campaign. CLJ notes that we need to distribute work more evenly. TE says we need to be more disciplined about holding people accountable and notes that bylwas state that 4

unexcused absences results in removal from the board. IM agrees, has seen attendance policies exercised at previous co-op. MS suggests a self-reflection exercise. AY will begin tracking attendance for reference.

- **CI.4:** IM feels well-supported and comfortable addressing issues during monthly check-ins. AY notes that recent missteps with owner loan program were a matter of IGM to GM transition handoffs, not role clarity, but suggests assessment of roles for upcoming capital campaign as accountability has been a past concern.
- **CI.5:** MS felt encouraged by Owner Linkage Committee meeting. PF notes need for anti-oppression training. TE questions welcoming vs. encouragement of diverse viewpoints, GL seconds. PF notes difficulty in new directors voicing opposition with time pressures. CLJ notes previous board attrition may be correlated with lack of encouragement for voicing a range of viewpoints. GL will continue mixing up presenters on agenda and facilitate in a way that encourages quiet folks to speak up with opinions.
- **CI.6:** All directors possess updated documents distributed by the Secretary.
- **CI.7:** All relevant laws, bylaws are obeyed.

What's missing from this policy? GL would like to discuss whether Policy Governance is the right system for us.

6:56 **Board Retreat Agenda Review** (Call with Thane, Columinate)

Directors affirmed that the draft agenda speaks to current priorities. RR's item on embezzlement debrief has been dropped in order to be forward-looking. Thane will re-title agenda item to clarify inclusion of management team. Note that Tatum, Ally should be cognizant of distinguishing board/staff roles.

Thane, TE, AY, CLJ, GL are available to prepare a shared meal on Friday evening, 6-7pm. CLJ will correspond with Thane re: menu. Dietary needs confirmed. CLJ will pick up breakfast items from co-op for Saturday, start time 8:30am. GL will share the address of the AirBnB location. AY will cancel reservation with Second Shift.

7:15 **Financial Overview: Liquidity** (PF)

As new Treasurer, looking over numbers: immediate realization that we don't have much cash. \$80K short of original working capital goal + 2yrs sales underperformance + \$130K embezzlement = current situation. Focus: why are we kicking off a capital campaign? BI review: current ratio is below desired threshold, which means we need more assets and less liabilities to stabilize. Still fairly recently expanded, have a lot of debt to pay off to owners and to institutional partners..

Review of key indicators: quick ratio, days cash on hand, debt to equity ratio. Note that in terms of cash, anything over \$-21K is actually positive because of monthly depreciation of >\$21K. We don't have even 2 days worth of cash on hand, \$16K as of Dec 2019. Explanation from Nancy about float re: bank balance. AY questions why this isn't reflected on WSR. IM will connect with Admin Services staff re: WSR. IM and Nancy are working on bringing on a Finance Manager.

7:33 Capital Campaign Brainstorm (PF)

Our fundraising approach needs to tell our financial story in a compelling way. Review of sources & uses: getting money from owner loans, new owner equity and spending it on operational improvements. Needs to balance.

IM provided ballpark estimate \$300K for hard costs on equipment, construction, fees, consulting, etc for desired operational improvements. Finance Committee will assess sources/uses budget in future meetings as campaign progresses.

Nancy notes that new IL Co-op Act allows for 10 shares at \$1K per share, which is lots of potential cash and a much less risky way for owners to invest because debts can be called. AY will look at restructuring equity program. Nancy will send more info.

Finance Committee, Executive Committee have met to discuss hopes, concerns, and decided to pump brakes on timeline to make room to talk about it. Article included in packet outlines four phases:

1. Laying legal + financial groundwork: budget, vision. 3mo out. Needs more work, getting packet in order. On track to launch in April.
2. Building team: in progress. Finance Committee is home base. Recruiting volunteers.
3. Targeting sources, developing strategy: identifying precommitments, silent phase.
4. Developing systems, materials: prior to public launch.

IM's initial thoughts: trying to get operations running smoothly. Wish list: new POS system, rotisserie oven, glass cooler chiller, commie oven to keep up with deli production, refrigerated endcap, store lighting and layout redesign, brand refresh. Lighting is poor. Layout is most important: currently not inviting, doesn't create comfortable environment for owner usage-- including in cafe area.

Additional ideas from directors: owner may foot bill for solar installation, store vibe is seen as priority, cafe area could be invigorating for inviting folks into movement, elevator, build out basement, raised beds outside, patio seating, recognition/commemorations for lenders, dinners.

GL: ideally all funds are unrestricted. CLJ likes idea of simplifying owner loan program to reduce options, but leaving option of 0% interest to save cash.

Finance Committee will consider these ideas at next meeting. Additional open questions around assessing capacity amongst board, staff, owners, need to hire a campaign manager?

7:52 **Operations Report (IM)**

Nancy, IM went through training on how to pull financials. IM will resubmit page with changes. Decision made on major internal control change: staff can no longer force general ledger to foot; discrepancies will now be booked to uncategorized expenses.

Bank balance is concerning. AP balance incorrect in report; Dec not closed, immaterial difference, will mark as draft. Report finally shows apples to apples comparative data. Store sales up 12% from prior year same period.

Department updates: New center store manager. All buyers on extremely strict purchasing budgets to help with cash flow. Wellness, spirits have gained inventory-- game plan to liquidate backstock asap. Wellness dept will be cut in half, bringing in new items. Spirits are going well, but inventory tying up cash. Deli consultant on site this month, already making changes to salad bar, just received equipment to produce made to order sandwiches, making changes to bakery set, in the long run hoping to fix grab & go. Looking to lease espresso machine, will look at additional vendors. Specialty departments really shined during holiday season, though cooler meltdown in November affected sales. Looking at hiring part-time staff to support. Facilities managing cleanliness. Have been going to neighboring businesses to ask what they'd like to see. Moving to 70/30 organic/conventional product mix.

8:08 **GM Monitoring: B5, Treatment of Consumers (GL)**

Report not accepted. Directors will submit questions. IM will resubmit with necessary changes.

8:10 **Owner Loans (PF)**

Consent agenda item to submit two outstanding loans to CCLF for payout approval pulled from consent agenda for discussion. Decision that these will not move forward at this time; board would like to own and directly communicate its position to freeze subordinated payouts.

Agreement that in cases of financial hardship, a written document should be submitted. Thane recommends that to streamline communication, all submissions to the board packet come directly from the GM moving forward.

8:32 Meeting adjourned.