

Board of Directors Meeting
Monday, July 20, 2020 via Zoom
Facilitator: Ally Young | Minutes: Lis Harvey

Directors: Peter Frank, Mike Strode, Ally Young, Celeste Levitz-Jones, Rebecca Williams, Victoria Birkbeck, Don Washington. **Owners:** l'Talia McCarthy, Nancy McClelland, Marelyn Garcia, Cara Sawyer, Johanna Vargas, Sean Shatto. **Guests:** Lis Harvey.

6:00 Opening

Overview of meeting format, director introductions.

Reflections on Cath Duffy (sp?), owner #1: Huge transition point, working so hard to make this happen (Peter), accessibility to natural and organic foods continues to be expanded (Celeste), brash, foul-mouthed, loved life and the Golden Girls “thank you for being a friend” honesty, friendship (Nancy), Cath would be excited about the tools we’ll need to make an accessible annual meeting (Rebecca), Neighborhood member involvement (Victoria), vision of Dill Pickle, cooperative economy summit, uplifting a cooperative anchor in Chicago (Mike), was really hard when Cath left us; the world is sadder without her, I miss her (Don), “Get real, kid!” Cool idea but is it feasible? Idealism is at our core but we are a practical solution (Ally).

6:05 Meeting Agenda

- *Agreed upon changes:*

Pull board perpetuation out of executive session (dropping executive session)[later, a decision is made to discuss board perpetuation in an emergency/special meeting that Mike will schedule, whereat open board seats will also be addressed]

Annual meeting discussion? Make space for that on our next meeting. Brain storming tonight?
[later, a decision is made to move the annual meeting online]

Victoria interested in attending an owner linkage meeting

Rebecca would like to devote some of the board perpetuation discussion to the changes required of this year’s annual meeting.

“Skinny up” c8 or c4?

All in favor of approving meeting agenda with the above changes, and no objections/abstentions.

6:07 Approvals

- June meeting minutes *HOLD* (three BI bullet points were omitted... Ally will look back at her notes to fix them. She will team with l'talia, record it, and resubmit the minutes over email so they can be posted to the web.)
- Finance Committee minutes *filed*
- FY2018-19 audit [board letter, financial statements, mgmt letter, approve draft response]
approved (filed and authorized to be sent)

- New owners and equity repurchase requests *approved*
- Director resignation from Tatum Evans *accepted*
Post mortem requested by Mike and seconded by Victoria. Mike proposes time on next agenda for a discussion. Rebecca points out that there are other post mortems we could do. Celeste will look at possibilities. Tatum's seat is open.
- NLRB case settlement *acknowledged*
- Director COA forms *confirmed and filed*. (Noted: still waiting on submissions from Mike, Brian, Ally)

6:24 **Owner Comments** (Mike)

- *Note owner names, summary of comments, board response if any*

From Sean Shatto to Everyone: (6:28 PM)

I've got no comment, just dropping in!

From Rebecca Williams to Everyone: (6:29 PM)

Love some of the new meat suppliers btw. or meat products VERY HELPFUL!

From Nancy McClelland to Everyone: (6:32 PM)

Totally -- thank you so much, Cara!

Cara Sawyer: Asked about the day to day operations. Seems like they're getting knocked sideways by COVID, as is every business in the world. Wants to make sure the on-the-ground staff are getting day to day support that they need. "People don't want to work there because it's dangerous" and half of the shelves are empty. Running a good business and keeping to our core is fantastic. But Cara owner number 411 keeps her ear to the ground in the business aspect. She can see the improvement in our fight for our ideals. What do new people think about empty shelves? Everyone knows what is going on with COVID, but still... when I go to the grocery stores, I have no idea what's going on with the supply chain. It looks like everything has settled down... maybe make a statement to the ownership that this is not something we can control.

My first thought as an owner with a loan was "shit" things are not going well. Suppliers are prioritizing big box stores over DP.

Board response: l'talia: UNFI has seen a lot of out of stocks in our Racine warehouse. There's been a big hit with pantry-loading, warehouse employees have caught COVID. Distribution issues are huge. Small stores are hit the hardest. Whole Foods, Cirmac... they get serviced first. UNFI invoices include about 10 pages of out of stocks. Buyers are looking for other suppliers to try to compensate for out of stocks. Not a personnel issue, a supply chain issue.

Nancy: signs? Major supply chain interruptions. Communicate to people who are looking at empty shelves.

6:33 **Operations Report** (l'Talia)

- *Summarize discussion points, action items, acceptance of report*
June fraud question?

Nancy: l'talia had to bring up the question, but really the Board members should have asked about why sales were so much higher last year. The fraud was booked to that month (June 19)... correction of member discounts was also booked to June 19. The fraud was perpetuated by understating sales. The way they adjusted for it was to put it as an other expense, in June. For good reasons, the member discounts are seen as a reduction of sales. When that was adjusted for all the of the prior year. June sales are crazy looking.

Victoria: fundraiser for Brave Space Alliance question. What's the system? Are we taking the donations directly there or partnering with others? Will they be able to keep it up?

l'talia: Jess/Madi have been coordinating pickups at the store, but have also made deliveries. Yes, the effort will continue. Diapers, baby clothes are coming in from our owners. Keeping it going as long as we can.

Ally: 45% dip in transactions, 85% increase in basket size. How long can we expect to see this? Future reports would benefit by month to month comparisons.

l'talia: We are one of the lucky coops still seeing a sales increase! Lots of other co-ops are losing a lot of money and can't keep up with Payroll. (NCG reports). With Lori Lightfoot announcing bar closures again and the return to Phase 3... I see it staying the same.

Rebecca: I LOVE the Tuesday-Newsday part of this update! Would love to also get this information.

Ally: YES we can add the board to the staff recipients.

Peter: How is Mercado going?

l'talia: really well. We're already at the 15K a month point, and getting close to 20K. Launching was kind of a nightmare. Theresa is doing well with it, and looking into specific deli-only delivery options. Looking into cargo bike integration within a certain radius.

Nancy: thumbs up to Theresa... always has been frustrating to not have someone technical on site to do financial things, and Mercade integration was a total disaster to get into quickbooks... other coops have had the same frustrations and have cobbled together tools to help. Jessie got in touch to use some of those tools, and Theresa was able to work with it! Stepped up and is technically able.

Ally: had hoped to see progress on B1.12, and there HAS been progress/movement made it's just not in the report

Nancy: Actually there was mention of it in an update that got missed! Will email that section to everyone. Only update is the inventory thing... included in Peter's finance committee minutes.

Acceptance of report, no abstentions/objections

_____ Policy Monitoring: Executive Limitations _____

6:46 Monitoring: B3, Asset Protection

- *Interpretation / data / conclusion*

l'talia: Only changed the header and not the title, should say Asset Protection and B3.

Global report of non-compliance:

Sub policies flagged.

Celeste: 3.1

This policy also includes the physical building as an asset. After the closure by health dept, I was hoping to have followup in here re: structural issues, basement flooding, just a followup on those things. To see if we have a secure building, are there major steps to be taken? What steps have been taken?

Fear around looting/rioting and measures that were taken to alleviate that, data to include as something that happened this year.

I'talia interpreted this differently.

Ally: Global question:

What would you consider the reporting period? Since you've been in the GM role, six months back?

I'talia: dated back as much as she could by asking other managers who were there before her. 1 yr to 1.5 years back.

Ally: tricky because the last time this report came around it focused on one particular incident, not on a whole year. Would be helpful to include the timeframe. Just a brief explanation of the timeline I'talia was looking at. It's up to you, what timeframe you want to look at.

Rebecca: going forward, you could just report on half of it and it's too meaty for just one meeting. I'talia you can also ask for priorities from the board.

Celeste: Insurance policy still has the old address

I'talia: we are not insured under that address anymore... that's just how the paperwork reads. I was reassured that we are not covered on the wrong address.

Peter: 3.2

Automobile insurance as relates to cargo bike delivery.

I'talia: we're looking into the additional coverage, but no one is using the bikes just yet.

If we use another entity with their own insurance, that will be covered.

Victoria: 3.4

You need to audit the Gmail accounts. Is there a chance that affects the curbside pickup forms?

I'talia: no, I am very sure there is no way that data can be shared. Theresa mainly has access.

Gsuite access has been initiated for clean-up and new tools. Company is coming to help with new computer security next week.

Ally: B3.6

Data/evidence comment: I noticed that it doesn't directly support the interpretation, because I'talia's actions aren't commented on by that policy. I'talia is doing a great job, and great work around that, and it's not mentioned/assessed in this sub-policy. Image...

I'talia: this policy threw me for a loop. Some GMs don't know how to report on it. The image part... I'talia doesn't feel we're in compliance.

Rebecca: sometimes non-compliance is not a reflection of you, but an honest snapshot of where we're at. I appreciate the way you've reported on this, and it is an accurate representation of where our store is at right now.

Celeste: would like a follow-up on the structural stuff. How do you get an assessment? Inspection of building? Maybe you need more than a month on something like that? Anything from your perspective that is a bigger issue... notes from the pest company about holes that were closed up...

l'talia: (someone is coming to look at the roof this week...)

Ally: back up, think about the global interpretation provided. Is it reasonable? YES

Celeste: interpretation should include the additional data updates she'd like.

Ally: enough data to determine a conclusion? NO (Don, Celeste, Victoria)

We'd like to see this again next month. Board does not accept the report, would like additional data included (as mentioned above).

Board requests the GM submit an amended report at next month's meeting.

Celeste motions, Victoria seconds — report is not accepted (see above).

7:10 Monitoring: B2, Financial Planning & Budgeting

- *Interpretation / data / conclusion*

Also needs a header change.

l'talia: 30 second here's what this is: This budget is based on a rolling yearly budget where we only look at quarters at a time. This is the recommendation of NCG and Nancy McClelland and in light of uncertainties around the pandemic and the looming recession.

Nancy: with this new quarterly arrangement, we'd be reporting on B1 from the prior quarter, Ops report for the recently ended month, and then B2 for the coming quarter. This has been approved by the board but not codified into policy.

Victoria: is there any precedent for policy changes around this? Perhaps a memorandum that ends on a proposed date? Maybe one calendar year out, we reassess?

Nancy: the impetus is uncertain times, but quarterly budgeting is the norm these days. I see the budgeting of DPFC as outdated. Budgeting for a year is no longer practical.

Ally: Let's flag this for review by the policy committee and actually make it neat!

Celeste: When we reported on this in the past... business plan/budget for the coming year... we'd normally get a written business plan. Would be nice to have a narrative to the budget. We're budgeting x dollars for marketing, but what's the plan for that money? Some kind of "looking ahead" narrative. Why are the numbers what they are? There's nothing in the policy that mandates the GM must provide the board with a business plan. Department by department? What you're going for...

Nancy: I don't have access to anything previously presented to the board. Would love to see what's worked for you in the past. Would like l'talia's voice to come through and be a part of the quarterly B2.

Celeste: learning our co-op is spending a lot less on marketing than other co-ops. What are you planning to do with the extra money?

Nancy: this is what l'talia is already doing.

Ally: beyond what are we planning to do in individual departments, what are we planning and why, and how does that meet the needs of the moment? Budget will be written toward the ends goal... something we can verbally address right now. Yes, you didn't interpret this to mean you need to submit a business plan... the board can provide you with what past plans looked like.

Nancy: written business plan and plan for the business—different things. I wasn't aware there was a business plan previously.

Ally: basic assumptions, be agile. No need to put resources toward writing a huge business plan.

Nancy: just a narrative like you already can riff on extemporaneously. (thumbs up from Rebecca)

Celeste: especially if we're no longer doing a yearly budget. Little bit of a SWOt analysis last time... we know target's coming, here's what we're doing...

Nancy: format of the operations report, which is very conversational.

Peter: wants to see trends for sales, what are you thinking about margins, what forecasts are you making. That business plan should not be more than a page.

Ally: B2. I dissonance with reporting this in compliance, given BI is out of compliance.

Monitoring is looking back into the past. Projections aren't going to us in this situation again, but that still means there's a dissonance between compliance/non-compliance.

Nancy: projecting dollars, vs. internal controls. How many dollars are going to come in and whether or not they'll support the business. Will we have enough working capital, be able to reinvest, meet the key performance indicators to be able to make the BI non-compliances become compliances. (Totally satisfied Ally's question)

Nancy: Here are some questions you should be asking:

Are you planning for a net-positive budget? We're almost always going to have a loss, and it's really important you're looking at depreciation, amortization, and interest expense. Budgeting on a quarterly basis is not about this. Instead, it is about looking at operative budgets. Rent equipment, buy it on loan, cash out and purchase... these are decisions that affect the acquiring of assets and the getting of more loans. But they make the financials look worse. This budget is intended to be positive (in the black) from an operational standpoint. EBITA. We're gonna be negative for a really long time and that's ok. It's really important that we look at operational income. NCG budgets for this in a way that is different from most. Not making a profit is NOT an issue. Operational income is positive and that's what matters.

l'talia: when the co-op moved this location, it was made clear we would not be in the positive for a very long time.

Ally will pass along questions through email to l'talia and Nancy.

Peter: thanks for this work.

l'talia: it was lots of fun!

Peter: motion to approve

Don: seconds the motion.

No concerns/abstentions. Approved.

7:35 ~~Monitoring: C4, Board Meetings~~

- *Interpretation / data / conclusion*

Celeste proposes to not talk about C4 during this meeting.

Peter seconds it. Approved the removal of C4 monitoring from the agenda with the following concerns:

Celeste: the policies that are in here don't cover the things I want to talk about. How do we talk about those things?

Rebecca: need an entire reassessment of C4 in light of our move to virtual meetings.

Ally: Good suggestion. Policy committee will review/overhaul C4, in light of socially distant needs.

7:36 ~~Monitoring: C8, Governance Investment~~

- *Interpretation / data / conclusion*

Overall: invest in board capacity.

Rebecca: propose roundtable where each board member reflects? We don't have time to go through each sub policy.

YES, says Ally.

Rebecca: my biggest flag is that our minutes are not consistent. Need to hire a professional board assistant.

Nancy: That's in the budget.

Celeste: we didn't do a whole lot of educational stuff. Burnout after the GM search. Nonstop crazy with COVID stuff... excited about digital stuff, it's a way for folks to do more and schedule more stuff. There are a few trainings coming up that would be great to get folks to commit to attending. CBL 101s, intros to everything co-op and policy governance, and a financial training four sessions in August. We've already paid for these with our Columinate membership. Every meeting, we used to try to have some educational component built in... spend some of our time on education to make us better board members. Makes it a lot more fun to engage with the material.

Mike: pitch skills inventory via email. What skills lie where? Strategy for how people can think through what skills they could bone up on. Time for reflection on whatever education board members have recently received. CBL 101 was tremendously valuable. Lift up what's been stated so far.

Victoria: my intention to attend as many trainings as I can. Stood out to me in these policies: 2.c, outreach mechanisms to insure our ability to listen to owners. The owner comment period is limited, the suggestions through the website have their limits, the bulletin board is not up because of COVID. It's easier to represent the owners interests if we know what they're interested in.

Peter: we need to invest a lot more in new member (director) onboarding. We are going to be bringing on a lot of new board members. Maybe change the date for this policy... before the BI budget is due?

Don: board orientation piece: we could have these trainings we do, every class has to go through x, y, z. Administration 101, This is what we do, this is how we budget, etc. Usually a non-profit board offers 3 months of trainings. Everyone on the board after the first quarter got

a knowledge base, and everything else happened in committee. I've been waiting to see that "packet of stuff" and it's interesting to see that it's a smorgasbord. I need to understand the grocery business. I feel unsure. A lot.

Ally: plus one on owner outreach mechanisms, and third party support for our monitoring processes.

Rebecca: path to compliance. need for board staff is getting relatively soon. Board trainings on the regular... quarterly?

- + Need Board Staffer
- + Need regular board trainings at meetings
- + Need more board input avenues
- + Need more investment on on-boarding
- + Need set of board trainings for on boarding
- + need input on _____ (Lis lost the chat at this point)

I'tala: you don't have to start from scratch. Reach out to other co-ops for their board training documents and systems.

Celeste: it's easier to do trainings, now that things are on Zoom.

Ally: VP role typically spearheads this effort. Leave it in the minutes that we talked about this policy, here's some items for action that we can assign later.

Rebecca: would like to suggest a training revamp if Victoria will help. As VP, I will develop a training maintenance schedule and an onboarding packet.

I'talia will provide a couple board member connections from other co-ops.

Mike is also volunteering to help.

Owner linkage training: august 25 (two staffers attended last weekend's version)

Rebecca's proposal to revamp board training is seconded by Celeste. Approved.

Approve Peter's board budget

Motion from Peter, seconded by Don. Approved with this question from Ally: how does it compare to other co-op's board budgets?

7:52 Board Perpetuation (Celeste recommended to put in emergency meeting around open seats on the board)

Note director intentions, plans for seat vacancies

Don: intends to serve out his term.

Rebecca: open to running again. my term ends this fall, and depending on how many board members stay on for how long, I'll run again. If we need more historic knowledge.

Mike: I love continuity. Will hold to my three years. Intention for the coming year is to think through the assets that I have and the connections that could be in service to this co-op. Inject

those opportunities into the conversation and offer strong disruptive observations when they show up.

Ally: I am able to serve out this board cycle, my term has one year after that and I think it'd be smart to flip that seat. Don: aw.

Victoria: If I understand correctly, I'm pretty sure my seat ends next fall (2021). My intention is to serve that long. Ally: that seems correct.

Celeste: This concludes my three years on the board, and I do not plan on running again. October 2020 will be my last board meeting.

Peter: I'm scared. I joined this board and the people were part of it. We have a crisis and we need a special meeting to address this. I'm serving through 2022 and probably running again. I don't want to be the longest serving board member.

I'talia: I saw Rosie at the farmer's market and she's ready to run this year. I'm gonna keep bugging her until it's time for her to submit an application.

Rebecca: fill Tatum's seat now? Paul was great, and we need all the help we can get. I'd like to motion adding Paul Williams to the board.

Celeste: Peter's suggestion to have an emergency meeting. We could discuss perpetuation and Tatum's seat. Makes sense for us to get ahead of this. Let's say we're accepting applications. Maybe there are staff members interested in the seat. It'd be great if we could seat someone before the next meeting.

Mike: I will launch the thread to schedule an emergency meeting. Recent resignations will be debriefed, perpetuation will be discussed.

Sometime in the next week.

Rebecca: training/ownership engagement group: does it seem fine that our annual meeting will be absolutely online and digital?

Don: needs to be digital

I'talia: needs to be digital

Proposal to have a totally digital annual meeting

Peter moves to conduct the annual meeting online, Don seconds.

Concerns to record? None. All in favor.

Rebecca: wants to make some adjustments to the questions asked in the board application process. Owner linkage? Also, expressed frustration that the board chose not to immediately install Paul Williams as a new board member. Would like to get some momentum going before October.

8:08 Closing

Board calendar: (Ally proposed to move online, approved by board) Note next month's topics, any adjustments to monitoring schedule

Round-robin feedback.

Adjourned at 8:10 by Celeste.

Minutes taken by Lis Harvey.