

THE ISLA VISTA FOOD COOPERATIVE
Board of Directors Meeting Minutes
Wednesday, August 18, 2021
Held via Zoom videoconference

Directors Present: Lisa Oglesby (LO), Jillian Tempesta (JT), Cody Nunn (CN), Kent McClard (KM), Raphael Chinchilla (RC), Janet Stich (JS)

Directors Absent: None

Staff Present: Hernan Cornejo (GM)

Owners/Community Present: Maia Maia (MM), Bill Palmisano (BP)

Meeting Start Time: 6:36 p.m.

1. Approval of Agenda for August 18, 2021:

Motion to approve the August 18, 2021 Board of Directors Meeting Agenda as presented: JT
Second: RC Passed: 6-0-0

2. Owner Input and Announcements: None presented.

3. Approval of the July 21, 2021 Board Meeting Minutes:

Edits - RC: Please transfer the names listed under "Staff Present" to "Owners/Community Members Present" and correct the spelling of Chinchilla under "Directors Present". LO: Under Item 2, paragraph 4, change to the following: "These are great questions. The IVFC will comply with all state and local government mandates, health orders and ordinances. We support public health and public safety." The last edit given was a minor typographic error.

Motion to approve the July 21, 2021 Board of Directors meeting minutes as amended: JT
Second: RC Passed: 6-0-0

4. Board Calendar and Reporting

a) Board President report to Owners: A written "Board President Report To IVFC Owners" is included in the Board packet. LO: We have used this reporting format for the past few months. After the Interim GM's term ended, we wanted to be sure that some reporting was done. The content of this report is included in the IVFC E-news. I am happy to send the report out to anyone interested. LO read the report out loud for those attending the meeting that might not have a packet and took questions. RC: I noticed for the first time, on Monday, there was a huge line in the store and no parking spots. It could be a coincidence, but people may be coming back to IV. LO: There is an increased customer count, but not a huge increase. We're looking into options for more co-op parking in the fall. This has always been a challenge.

b) Finance Committee/Treasurer's Report: KM: Please refer to my "IVFC Treasurer Report" in the Board packet. I don't know what it's going to mean with the NCB regarding the fact that we may receive a default notice. The NCB has said if we are out of compliance again, there will be some further repercussions. We are still pursuing trying to refinance with the NCB or elsewhere. JT: I thought default means not making our payments. KM: Yes, we haven't defaulted, but we are out of compliance. JT: Would the Owners present like an update on this? KM: The IVFC lost a lot of money in the summer. Hopefully, in September, this will turn around. Cash flow was once again helped when UCSB deposited money to the IVFC for the Food Security Program. Regarding compliance, we have a compliance agreement with the bank where we have to make a certain amount of money every quarter. RC: Has UCSB communicated with LO or KM prior to making the deposits? KM: No. There is a program where there are charges from items taken from co-op which then they pay off.

They have also paid toward future purchases. This is different from the gift card program. In June, UCSB bought \$30,000 worth of gift cards which will be used at some future point. There is now about \$86,000 in unredeemed gift cards. In theory, recipients will start using them, however, we don't actually know if they will be redeemed. JS: What is the average amount per gift card? How old are some of the \$86,000 worth of gift cards? LO: The average amount is \$50. We can find gift card numbers and dates of issue. Most are about 4 years old. With lots of students studying remotely last year, many may not have had a chance to redeem them.

Motion to update the IVFC account at Mechanics Bank with the following changes: To remove Dana Hurt and Jess Lizardo as approved check signers, and to add Hernan Cornejo and Alyssa Freiberg as approved check signers for the IVFC account at Mechanics Bank: LO Second: RC Passed: 6-0-0

c) Ownership Reporting: The "Owner Points Balance Report" shows the trend we've been seeing that this Owners reward program is popular. Some Owners do not redeem their points every month and sometimes they expire. (Points expire after one year.) In July, we expired 11,778 points (\$117.78). There was a high redemption rate, however. This is a great benefit. Other co-ops are interested in adopting a program similar to ours. LO will reach out to the NCG and provide information.

LO: For the Owner tracking report, I am looking toward developing a better format/version which will give us more context for Owner status. I would like to see information about how many Owners have paid \$30 versus, say, \$150. If you look at July, 2021, our active Owner count went up 62 Owners. We did see some equity redemptions. It's encouraging to see the count near 1650. This is as high as it's been since pre-pandemic. In the pandemic we dipped to the mid to low 1500s. We could have a refreshed Owner Reporting Policy coming to the Board in the future. JT: Congratulations to the staff for a great job. LO: We had one cashier that really crushed it. JT: Can we give her a thank-you of some type? LO: Already done.

d) Board Committees Update:

1) Owner Engagement Committee: JT: In the past, the OEC has planned events and tabled in the store a couple of times per month. Our tabling outside for the Owner drive was somewhat successful. We can consider restarting this. The annual Owner meeting is coming up in October. We aren't sure whether this will be on Zoom or held outdoors. LO: It's tough to predict. We might have to plan for both and then pivot. RC: Or we could do a hybrid. Could have a system where you have another projector that will zoom the meeting. We could get a camera or cell phone and film the room. JS: It could be difficult to have clear audio with masks. KM: Difficult to imagine in October that we could do it inside. I don't know if there is a space in the community that we can use. LO: The 970 community room and IV Community Center will likely not be open by the end of the year. We have held the meeting on the front patio, but it can be cold. The Owner Meeting is most successful when we have food, a community element or a speaker. We could do a hybrid on the patio but if it rains or is cold, we're in trouble. We would need a microphone and a tech run through. It's also difficult to predict as some Owners may not want to congregate. Zoom worked very well last year. Every Owner that attended last year got a free sandwich. We will discuss in OEC committee meeting. JT: Perhaps the OEC could meet Wednesday, September 1st. LO: BP and MM, you are welcome to take part in our committees. Typically new Directors go right into OEC.

2) Bylaws Committee: JS and LO will resume this committee work.

3) Owner Records and Filing Project and Policy: No updates. There has been a lot of back-end work on this.

7:13 p.m.: GM jointed meeting

5. GM Report: I have completed one week of work and had a nice presentation for you, however now I'm without power for at least another 2 hours and it will be difficult to share my report.

Initially, I have concentrated work in two areas: 1) The IT Department, looking at sets of tools to tell us how we are doing, help us connect with P&Ls and sales targets from now until the end of the year. The Managers are being coached on the use of the tools so they can make adjustments if the sales are below the day-to-day target value in any department. We will develop tactical strategies to boost sales. 2) Review of numbers. It is clear there is a problem with labor costs. Right now our total dollars for a labor hour is about \$89. The industry standard is \$165. I hope to go to \$125 in the first month and by the end of the year, \$140. Then, by the third quarter to be at \$150-\$155. I have been reviewing our costs and have identified seven areas of opportunity to reduce costs. One example is that we are paying \$1350/month for refuse services. One trash bin that we're barely using costs more than \$600. MarBorg will take the bin for a fee and will reduce our bill by \$400. Another trash bin is costing us about \$900/month. Basically, we pay MarBorg to take our cardboard that they will then sell. We are contacting the UCSB Department of Recycling to see if their program will provide us a place to drop off recycling. Another example is our bulk water. We receive \$1400/month in sales for the bulk water but pay \$1470 in bills for the water, so we're losing money on this. We will be working to develop a better system for the water machine sales.

JT: Thank you, Hernan. We have some Owners who have joined our meeting. Would you like to introduce yourself to them? GM: Yes (does so). I'm super excited to help grow the IVFC and to be a good community partner. LO: A big "thank-you" to Hernan for onboarding into the GM job rather well this week, which is not easy as there are many co-op specific things to learn. His skill set enabled him to land on day one with great questions and ideas about how we can do things better. He has attended numerous meetings, has worked one-on-one with the Management Team and has met a majority of the staff members. We have learned a lot together over this past week. It's been wonderful to see the promise of what the IVFC can become and how we can become a better community grocery store. We're excited about what we will be offering the students when they return in the fall. It will be a refreshed space with lots of new, fun things that make us our co-op.

GM: This is important. We have to refresh people about our mission, about our history, about what we mean as an organization. The IVFC is nearly 50 years old! We need to re-engage people that were too young or not even born when the co-op started. It's also important to re-engage the community outside IV so we don't have the seasonal dips. We'll have a "call to action" which means to believe in the things that we represent and then show it.

Questions/comments ensued on the changes in recycling: RC: We are paying \$900/month for? GM: The blue dumpster. At Tresieras stores in Ventura, they pay about \$200/month. BP: Before MarBorg had recycling, there was a family in IV that collected cardboard from all the businesses in IV. They came once a week and would take it. MarBorg got a deal with the County for exclusive rights to all recycling in IV and put that family out of business. I don't know if MarBorg still has the ability to be exclusive. GM: They can't force us to give them our cardboard if it is on the co-op property. I am willing to give them the cardboard, but not at that price. All supermarkets don't pay for the cardboard to be taken. The IVFC said they had someone that had been collecting for free but this became unreliable. Perhaps the Ventura company will come to SB to pick up cardboard.

The GM reviewed the "Sales Scorecard" for the past week. This shows the target performance for each department. GM: I knew we would initially miss the targets for the first three weeks and will then do assessments. These numbers reflect the history of the past three years. They are based on those benchmarks and where we would like to go. These numbers reflect the history of the past 3 years. Last week targeted was \$62,000 and we hit \$51,000. The issue is with sales and with the number of customers. As we have too few customers, we will have to increase the basket size. We

have to raise the customer count. If we can get to 500 customers per day, we will begin hitting our target. It is so important to reach out and get more customers. The Outreach Coordinator is developing a marketing plan for the rest of the year. There are three neighboring areas that concentrate a bulk of people between 35-55 years old. The other leg is to have more affordable-priced food. I believe the lower income people are not coming in yet because we don't have the products for them. We'll concentrate our current outreach to households over \$75,000. We plan to send out mailers in September to launch a 30-day rally called "The Good Neighbor Month". If any neighbors gives us their address and phone number, for that month they will get a 5% discount. We will increase sales with a huge push with an Isla Vista personal shopper-type of program, promoted with a flyer. ("Why hassle going to the store to shop? We can do that for you! Send in your order online and we'll have it ready for you in 24 hours!") Why? Web purchases are, on average, over \$100. We have had a few at \$65. That is a big difference. We want to promote sales. When you have ten sales online, it could be equivalent to 50 customers coming into the store. Customer count is so important. With the scorecard tool, we can see each day how we are doing in each department. It's possible turn this around. In those departments where we've met the target, we've exceeded it substantially. When we missed the target, it was certain days and certain times that we were very low and those days are what we have to see. With this scorecard we will be able to generate dashboards which graphically show the situation in a way that will appeal to a CPA as well as to normal people. LO: The managers are receiving lots of new information. Is there a learning curve on this? GM: Yes, but not more than a couple of weeks. We have super smart and really good people working at the co-op.

The GM shared the Middle of the Month Evaluation. GM: We have May through July 15th numbers for each department. We see the targets for August and September. Anything close to "50" is good, anything in the red is not good. (Wellness, Deli, Houseware, Health and Beauty are in red. Frozen a little behind, Grocery is almost on mark and Chill is above target) Some staff that were out sick in Deli are now back and the coolers are now filling up nicely. We will add more grab-and-go. We'll bring Produce sales up. The alcohol section will be revamped to raise sales to industry standard. Please also see the "dollars per labor hour" at \$86.97. Our target is \$150.

Questions/comments: JT: Thank you for sharing this with us. RC: Do you have the ability to check how efficient the changes you are making are? GM: Yes. Because those changes will be measured on a daily basis, we will know if they are working or not. We can learn the best sellers from UNFI. We will talk to our vendors who know what is doing well. We will benchmark products that don't sell after 30 days. For our small format store, the key is a really good velocity of turn over.

6. Meeting Scheduling:

- a) September Board of Directors Meeting: 9/15/21, 6:30 p.m.
- b) New Director Training Meeting: tbd, 8/28/21

Meeting Adjourned:8:14 p.m.

7. Closed Session

Closed Session Adjourned: 8:57 p.m.

Minutes taken by Janet Stich, Board Secretary
Minutes approved by the Board of Directors