

THE ISLA VISTA FOOD COOPERATIVE
Board of Directors Meeting Minutes
Wednesday, May 19, 2021 6:30 p.m.
Held via Zoom videoconference

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

Directors Absent: None

Staff Present: Mark Mulcahy, Interim GM (IGM)

Owners/Community Present: Linda Saldivar (LS), Jeff Walsh (JW), Maia, Nicole White, Matt Richards (MR), Matthew Strezpek (MS)

Meeting Start Time: 6:37 p.m.

1. Approval of Board of Directors Meeting Agenda for May 19, 2021:

JS: Change “May” to “June” under Meeting Scheduling for next Board Meeting.

***Motion to approve the Board of Directors Meeting Agenda for May 19, 2021 as amended: JT
Second: KM Passed: 4-0-0***

2. Owner Input and Announcements: JW: Love the co-op and thrilled to see people taking an active part. Asked IGM about how he arrived as the IGM. LO: Longtime cooperator, Philli Slydek, contacted LO about her concerns with ventilation at the co-op during the pandemic. What is the path forward? IGM and LO will get together and will get back to her. She provided documentation to the Board. IGM has reached out and the dialogue has begun.

3. Approval of April 21, 2021 Board Meeting minutes:

***Motion to approve the April 21, 2021 Board of Directors Meeting minutes as presented: JT
Second: LO Passed: 4-0-0***

4. Interim General Manager’s Report: Tonight won’t be a standard board report. I am working with Brittany Baird (BB), of Columinate, to develop a template for the Board which will track expenses and sales. Tonight will be a basic overview of where we are, comparing April to March. An exercise for the Board to calculate in-store financial numbers will be done at the end of the meeting, as guests are present. We’ll work on this process together.

Power Point Board Presentation, May 2021: “In the process of being broken open, worn down, and reshaped, an uncommon tranquility can follow. Our undoing is also our becoming.” (Quote from Erosion, by Terry Tempest Williams) IGM: The co-op has been through COVID and a lot of transition over the last month and a half. We are here, becoming a new co-op with the same soul and a better business acumen. The IGM shared his background and experience, both with Columinate and his previous IGM work. Happy to answer any questions about this.

The following slide discussed the short term goals: These are listed in BB’s report to the Board and staff. They include, in brief, to increase sales, reduce unnecessary expenses, restructure debt, grow Owner capital, overhaul organizational structure to improve management presence on the sales floor, increase the MML, create a better work environment and move to full accrual basis accounting. The long-term goal: Hire a GM with experience and with strong financial and strategic business planning that ensures consistent growth and operational profit. We are in that process.

The next slide showed “Where We Were At End Of Last Quarter” income statement summary. IGM: This was my roadmap. I used this to head toward a viable business with good operating systems. We are making progress. The IGM thanked the POS/IT Coordinator for all her help.

The next slide showed the “March and April Income Statement”: It showed the context of where we’ve come from, where we’re going and where we are. We have increased our sales. We started active sales growth programs in the middle of April. Cost of goods is high but that could have been because we got product at the end of the month. Gross profit was down in April. We’re not making enough money. Personnel expenses: Personnel expenses are down which is a positive. We dropped salaries just through attrition. The MML at the end of last quarter was 7%. Needed to get to 15-18%. (The MML is what we bring in to pay for bills and labor in order to keep the store running.) Now it is 15.4%. We’re not out of the woods, but better. Occupancy and Operating expenses improved, with a 46% turnaround. We went from -\$48,000 to -\$20,000. There are many positive signs, particularly with the MML. The strategy is to grow sales, have stronger operations and efficiency in systems. Starting to pay off and we haven’t implemented everything. In my June report I expect even better numbers, even with the gray, gloomy first two weeks of May. Last month I didn’t know we could see these numbers this quickly. We’re moving forward with a lot of work still to do.

Questions? RC: What is “Cash at end of period”? IGM: The cash on April 30th that we had in the bank. We are trying to build up cash reserves. In the past we have been precariously low on cash reserves. RC: Where are we with PPP loan? LO: We got full forgiveness on the PPP loan. By February those funds were accounted for on our P&L. Those funds are part of what we are looking at here. JW: In the old days, summer was a drought (less shopping). Is this still the case? LO: Typically UCSB is going full tilt through summer, however, we do experience less sales in December and in the 4th quarter. The goal has been to plan for the fact that these times will be a drought and then we staff and expense appropriately. IGM: Since the pandemic, there has been a half-normal customer count. There have been declining sales since 2016, so it’s not just the pandemic. Previously we were focusing on margin % to make sure we were making enough money. Now we are focused on margin dollars. We are not going to count on more customers. We have to be a sound business with the circumstances we have. We’re changing the dialogue and looking at reports and trends differently. We can’t afford to say “We’re slow at this time”. We can grow our way out of this. We can’t wait through the summer. LS: What is your margin target? What is the percentage you’re shooting for? Is the P&L different from the Income Statement? IGM: Our margins have traditionally been higher than industry standards which has contributed to perceptions that the IVFC is higher in price even though we’ve taken advantage of NCG deals. We haven’t tackled this yet, but this strategy hasn’t worked. We’ll soon put into place standard industry margins so we can grow sales. LS: What percentage are you aiming for? IGM: Average store margin, simply, is to be around 65% COG for store with about 35% margin. We are currently at 39%. Different departments are higher. The team did awesome with this, however, and now with more information we’ll create better merchandizing, a more engaged staff in store finances and create a whole different perspective that we are a place where you can afford to shop all the time. MS: Has the IVFC utilized video or film that can go into emails to talk about the changes and reinforce that the IVFC is a place one can shop in all year round? IGM: I’m not sure, but we are shouting out more about what we are up to.

The IGM’s next slide showed “What We Have Accomplished” in the last month and “What’s Ahead”: The waters have been calmed, I’ve listened to staff with regular one-on-ones, we’ve kept the doors open, no one has been laid off, we’ve rebuilt trust in leadership, made work fun, engaged team in a system of sales growth, reduced labor and expenses, evaluated efficiency, improved merchandizing and the shopping experience, completed investigations, and opened a dialogue with the Board on Fridays. We’re not waiting for a full month to keep the Board informed.

What's Ahead? I will be leaving on 6/12, going into another job in Salem. I'll continue to work with the team, to further build what we've been working on. We're building a team to take care of numerous responsibilities in my absence. We came up with three new sales programs in the Management meeting. We will increase hours to 9 pm. We are training Managers to be on call and be "Managers on Duty". (This will save labor as well as get management involved in floor operations). We will evaluate all expenses on a daily basis. This is what is ahead and where we are going.

The next slide showed the organizational structure. IGM: We are simplifying it. We'll also be moving most of grocery stocking to the early morning, starting at 6 a.m. Workers are excited about this. We're changing how we do the front end and will have a front end manager. Web-cart will be moved to morning and the cashiers can do it. Empowering staff to be best co-op grocers they can be. We're creating a leaner and more efficient operation with better systems while still maintaining the fun.

IGM: To anyone in this meeting, I will sit in front of the co-op and talk with you. We are creating a place of transparency. MR: Once you leave, the management staff will be more involved in the daily running of the co-op. Will they be getting pay increases to make up for the extra time? IGM: Great question. The first goal was keeping everyone employed which we have accomplished. The second goal is to compensate within a budget that we can afford. It's on my mind to do this, but only if the store can afford it.

5. Recording of email motion: The following email motion of the Board, dated, 5/11/21, is hereby recorded in the minutes:

I move to authorize the Board Finance Committee and Mark Mulcahy to apply for, and be the authorized signatories on any and all documents regarding the Small Business Assistance grant from the Santa Barb are Foundation on behalf of the Isla Vista Food Cooperative: LO Second: JS Passed: 4-0-0

LO: The IGM and KM will be emailed regarding the various documents we need to fill out to move forward. Santa Barbara Foundation (SBF) has number of grants that are COVID 19 related. One is for a business with 6 to 50 employees (called "micro"). We can apply for this grant which could be funded up to \$25,000 so long as it is rooted in keeping people employed for a certain amount of time. It can be used for mortgage, payroll, etc. It emphasizes creating or retaining jobs. SBF funding is on a first-come, first-serve basis. We'll need to provide a high-level of documentation to prove we are using the grant monies appropriately. LS: How many programs are we currently trying to get for COVID relief. LO: Just this one. We did get a PPP loan. We don't qualify for the second PPP loan. If anyone knows of any other grants that could be a good fit for the IVFC, please send an email to the Board with the information. JT: A link to the SBF grant is in the chat.

6. Board Calendar:

a) 2021 Election Committee Report: Please see the written Election Committee Report, a supplement to the Board packet. The Board election was held from May 1 to May 16. Two candidates ran for three open seats. The election was COVID safe by moving to online and to voice mailbox for phone-in voting. The election was promoted heavily through co-op outreach, paper handouts, board tabling, curbside flyer, email, Facebook and Instagram. All ballots were cast online through Survey Monkey. The final report was shared with Board. No vote was cast in the voice-mail option. For a binding vote, the number of Owners voting needs to meet quorum (5% of membership) which would be 76 people. The number of ballots cast did not meet quorum. 51 ballots were cast, 7 of which were invalid. So, there was a total of 44 valid ballots. The two candidates received a high percentage of votes, 90% and 75%. The Election Committee suggests the Board use this show of support from the Ownership to appoint the two candidates to the Board.

***Motion to accept the results of the Election Committee and to appoint Raphael Chinchilla and Cody Nunn to the IVFC Board of Directors for the term ending 2023: JT Second: RC
Passed: 4-0-0***

b) Appointment into Board Vacancies: LO: Last year, three new Directors were elected. These three have all resigned due to pandemic issues, moving out of town, or work issues. In order to maintain the stability of the Board, I suggest appointing the three experienced Directors whose terms have just ended this evening into the remaining 1 year of the three terms.

***In accordance with the IVFC bylaws, I move to appoint Jillian Tempesta, Janet Stich and Kent McClard to be appointed into the vacancies of the term-ending in 2022: LO Second: CN
Passed: 3-0-0***

c) Start of Term Protocols: See page 12 of the packet. With the "Start of Term Protocol", there are certain things we need to accomplish at the beginning of the term, e.g. election of officers. LO is currently the President, KM the Treasurer, and JS the Secretary.

Motion to retain all Board officers in their current positions: CN Second: LO Passed: 6-0-0

LO: There is a Board Agreement to be signed. I will send this out via e-mail with a docu-sign. Any questions about the Board Agreement? RC: When was it established? LO: This agreement and a number of the Board policies were in 2016. Any new policies are added to the Board agreement each year. We can amend the Board Agreement at any time. This is an ongoing document that gets an annual update. The final piece of the protocol is "Board Training". At the end of tonight's agenda, the three of us will schedule a training.

d) Finance Committee/Treasurer's Report: KM: Please see my written report in the packet. I want to point out that we are in the process of buying our building. Every year we have to pay the bank money that goes toward the principle on the loan. Currently this amount is \$62,000/yr. This goes up about \$3,000 a year. If we don't make \$62k, we still have to pay the bank. This comes from our operating cash. We would like to refinance, but we have been out of compliance for a number of quarters for multiple years, which could complicate the process. The IGM and KM met with representatives from the NCB. RC: Why do our payments go up every year? KM: At the start of a loan a higher percentage of the monthly payment is interest and over time this slowly transitions to a higher percentage of the payment being principle. This is basically to ensure the lender gets a good return on their loan. The part that is interest is business expense and the part that is principle is not a business expense. IGM: Simply put, the bank is going to get its money. We have to convince them we have a plan and that it is a good idea to refinance. Check BB's report for numbers on refinancing etc. We plan to grow sales and reduce expenses.

More questions? LS: It's good to refinance because? KM: The idea is that we would refinance another 30-year term which could bring payments down by about \$4,000 per month.. We would benefit from paying less monthly and we would go back to paying mostly interest which we could write off. If we can refinance both loans into one, payments would also be reduced. There will be loan origination fees which may be around \$10,000 to \$12,000, so it's not free. MS: Can a credit union offer a better rate? IGM: We are looking into this. KM: We may need to explore other options. We also need to develop a relationship with the NCB. CN: Given where we imagine ourselves coming out of the pandemic, when in the future do we imagine actual ownership of the building? KM: In thirty to forty years. LO: We knew it would be a long-term investment. Had we not purchased, the rent would have been higher than our mortgage or there could have been a new owner that would not have rented to us. It's great that we bought our building, but the economics need to be well-managed. CN: With refinancing, is prolonging a period of legitimate ownership good? KM: It's not to our fiscal advantage to do this. Our problem is that we have to keep our building. We have to look at short term as well as long term. Commercial loans automatically get refinanced every ten years.

They will be restructured at that time. In a few years we will be refinancing anyway. A few further questions regarding property value were answered by the Treasurer.

MS: What does re-opening the co-op look like? IGM: We are following the SB Health Department guidelines. We have heard that TJ's decided not to have staff monitor masks. SB still requires masks to be worn. Following the Health Department, the staff doesn't have to worry. Masks are potentially not required after June 15th. If this happens and it is a state mandate, we'll discuss it. About the patio opening, there are also ongoing discussions. We are still at limited capacity in order to maintain good social distancing. Now we are going to stay open until 9 pm. I call the County twice a week. We may be opening bulk bins in two weeks, but we'll see what happens. Happy to keep doing updates on this, but really we are taking it one day at a time. MS: Thank you. I have had conversations with long-term members on the patio (e.g. Michal Bean). Consensus is that majority would like to have the co-op return to place where everyone has access to clean food and water, where conversations can take place on the patio. I have spoken with Supervisors and the Public Health MD, Sheriff Brown, and DA Dudley. It may be good to plan ahead for future lock downs or future restrictions, say if another strain is prominent. That is, what can we do to anticipate and plan for this? If the Board is interested, I'll be happy to write a few paragraphs and put together a preparedness plan. I stand in solidarity with you. IGM: We are looking out for customers and staff. As far as a Disaster Preparedness plan, when we are a solvent business, this will help us move forward. MS: Curbside and home delivery appreciated by me and others as a way forward through the pandemic.

e) GM Search Committee: LO: There is a written update in packet. The job is posted on websites, Facebook and Instagram. We are getting traction, responses, and applications which I am going through and doing phone screening as appropriate. I will share the phone screening and the resumes with the Board soon. Please share with your networks. We are looking for a great candidate. Feel free to reach out to the Board with any questions or updates. MR: Regarding our diligent staff members, what is the chance of internal promotion? Do the bylaws require a search across the country when there is a possibility to hire within? Any interest from the staff? LO: It is best practice to have open applications. Anyone on the staff that is interested is free to apply. All applicants will be assessed by the same metrics. The Board is open to all applications. MR: Looking back over IVFC history, what has the history been on advancement of staff up to GM or has it always been someone from outside? LO: The natural progression historically has been that some staff has progressed to GM as well as others being hired from the outside. It is varied. There is no real pattern. If you have my contact information, please feel free to contact me.

IGM: It would be good to talk about your meeting with Carolee Coulter (Columinate consultant) regarding the GM search. LO: I had a one hour meeting with Carolee. We talked big and small pictures about interviewing candidates, best practices, etc. I will give a full report to the Board via email soon.

f) Board Committees Update: As the Board focuses its work on the GM hire, the active work of other Board committees is on hold.

The IGM presented the financial worksheet for the Board to work on and complete. IGM: I'll also be working with each Manager on this. Each Manager will be given a budget and the I will help them understand the numbers relevant to their department. This will put context to the numbers they see. If we all understand where the numbers come from, we can create a good partnership. This worksheet doesn't cover the whole store. I'll walk you through as if you were a grocery manager. This will put context into COG, MML, etc. Also, we are going to quantify how the non-profit-producing IVFC jobs contribute to the bottom line (e.g. Outreach Coordinator). KM: Criteria?

IGM: For instance, assessing how many events are held and how many customers they may have brought in. Or, how many new Owners the drive brought in. We're trying to think of every metric that the Coordinator controls.

The Board then started work on completing the financial worksheet which was the last item prior to scheduling upcoming meetings.

7. Meeting Scheduling

- a) June Board of Directors Meeting: June 16, 2021, 6:30 p.m.
- b) New Director Training Meeting: tbd

Meeting adjourned: 8:58 p.m.

8. Closed Session

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