

THE ISLA VISTA FOOD COOPERATIVE
Board of Directors Meeting Minutes
Wednesday, September 15, 2021 at 6:30 p.m.
Held via Zoom videoconference

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

Directors Absent: None

Staff Present: Hernan Cornejo (GM)

Owners/Community Present: Jay Flowers (JF), Bill Palmisano (BP), Maia (M), Jeffrey Walsh (JW)

Meeting start time: 6:34 p.m.

1. Approval of Agenda for September 15, 2021:

***Motion to approve the September 15, 2021, Board of Directors Meeting Agenda as presented:
JT Second: RC Passed: 6-0-0***

2. Owner Input and Announcements: M: I am concerned, in light of the many changes, about the possible direction the co-op may be taking. I do not want to see us lose sight of the service aspect of being a co-op and get too focused on making a profit. It is important to continue meaningfully. I want to ask about the losses over the past summer as compared to our other usually very low summers. I don't have the comparison. LO: I will try to answer both. Regarding the changes at the co-op in response to financial difficulties, through a lengthy process of gathering community, Owner, and employee input, the Board created the IVFC Strategic Priorities. Last summer we added to them the depth needed for our goals during the pandemic. Any change at the co-op that might come into operational context will be judged as to whether or not they align with our Strategic Priorities. One priority is "Economic Resilience". This is making sure we make enough to sustain our business into the future. Another is "Healthy Food For All", making sure we are providing what is not only healthy but also diverse, ethnically appropriate, and affordable. "Environmental Stewardship" guides how we make choices to protect our precious environment. All the Strategic Priorities are in the mix. When we adapt the store, we look at what is working/what is not working. We also want to grow and be sure we are serving the community with the products they want. Our new GM has looked at every product and has given the Managers information on what is being purchased by the community. We want to have products that people want. We can expand our influence into the greater community without changing who we are. M: One of my examples is the discussion about carrying more alcohol and letting go certain other things. This kind of choice can be workable to get more students in, yet, certain other things that we decide not to carry have a very different connection with some of the principles you just mentioned. It is tricky and subtle. LO: Yes, it is a fine balance. It is good to have someone helping us look at how we are doing things and to be able to discern what is best for our co-op.

BP (in chat): I am also a charter member and I also don't want to see the healthy and organic food selections of the store changed. LO: This is not part of the co-op that is going away. We do have the perception in the community of being expensive. We have some conventional produce alongside the organic so the public has a choice. There are many special things about the co-op. There are new students coming in and we have work to do acquainting them with the IVFC. KM: This summer has been unusual because of COVID-19. This summer we've lost over \$150,000. Our financial difficulties are, however, beyond the pandemic. Since we bought the building, we haven't generated enough income to pay for it. We wouldn't have our building without the \$110,000 in donations from Owners and the greater community. We are still open because of the PPP loan. This is the difficult truth. We have had steady losses for a long time. Another factor is the increasing minimum wage. The key to

recovery is to increase our shoppers. LO: We can generate a P&L for you for the past couple of years if you like.

M: I wanted to look at the whole trajectory. I loved buying the building and getting through each summer. I don't have a clear picture of the steady losses as it seemed as though we were doing really well. This is my impression from the membership meetings. KM: There are really two realities, one before and one after we owned the building. After, we have had to generate \$1.6 million. Previously we just had to make enough to pay our bills. We are making money, but we have to put it in our building. It was great to buy the building and this kept the IVFC in place. This is how we can be making money and slowly going out of business. LO: This year our sales are down 20-25% because of low foot traffic. This has created a challenging year. M: I appreciate this information. I was under the impression we were doing better than we were. JW: Only difference between now as owners and when renting is that we have to service the loan debt which we didn't have to before. This is a big chunk of money. I assumed the co-op bank wouldn't have backed us if they didn't think it was a reasonable investment. I believe the co-op can sustain itself financially and do the business necessary to succeed and thrive. It's up to the Board and GM to make that happen. I want to point out the tension, forever, at the co-op between the original Four Principles that the co-op was founded on. There has always been a tension between economy and food. The expense of food at IVFC was discussed. We need to reach the new people coming into IV. It must be a positive experience for them. It can't be so expensive that they don't want to come back. LO: You are correct about the bank not giving us a loan unless we could do it. We've had to run our co-op well and some years we didn't. Now we have a team in place that understands what it will take to be the store that everyone wants and also know what the store needs. We're sure we can bring everyone along with us. JF: Projections were during low foot traffic. Now UCSB will open up and 20,000 students will be back in IV. Foot traffic will pick up. Main thing will be convenience and knowing it exists. I have lived in IV for three months and, as it is tucked away, I didn't see it for a while. Yes, economy and nutrition will always battle, but economy will always win. Optimistic that we can make positive changes in the coming year. LO: Agree. We've been holding tight through the summer, looking forward to the influx. We have to make sure people learn about us. We will advertise, link with UCSB, etc. This is all part of the plan.

GM joins meeting: 6:58 p.m.

JT introduces the GM to the community and Owners present.

3. Approval of the August 18, 2021 Board Meeting Minutes:

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

4. Board Calendar and Reporting

a) Board President Report to Owners: Please refer to the "Board President Report to Owners" in the Board packet. LO: I have a short report for this month. LO read the report which included that the IVFC is planning for the return of the student population to Isla Vista and that the renewed student population should help the IVFC rebuild its financial stability after last year's historically low sales. The Board will be tabling on the patio in the coming weeks to do outreach to the incoming students. We will have the Owner Drive in October, which is also co-op month. The 2021 annual Owner Meeting will be in November. Next year the co-op turns 50!

b) Finance Committee/Treasurer's Report: Please refer to the Finance Committee/Treasurer's Report in the Board packet. KM: I had intended to present a financial document to the Board, however, it wouldn't have been up to date as we don't get financials until about the 18th of the month. The interim report would not have been entirely accurate. Also, we are looking into the EIDL loan and are in the process of refinancing. We have been out of compliance with the bank due to not reaching the goals the bank has set for us, namely the amount of income they require. This

occurred both pre and post COVID-19. They are working with us. More information will be forthcoming this month.

LO: Earlier today I received a resolution form for the EIDL. I would like the Board to authorize the signatories to be LO and KM, President and Treasurer. We will have all the pieces in place when the loan papers are sent in. We will be sending in a brand new application. JS: Will there be collateral for this loan? LO: I believe if over \$500,000. KM: The bank is supporting the EIDL loan. We will need and use the \$100,000. LO: The Board will see the details of the loan before it is finalized.

Motion to authorize Lisa Oglesby, Board President and Kent McClard, Board Treasurer to sign the resolution document necessary to the EIDL on behalf of the IVFC: JT Second: RC Passed: 6-0-0

c) Ownership Reporting: LO: The Ownership Report is included in the Board packet. We have 1675 owners, an increase over last month of about 28 active Owners. This is great. The grand total sum of equity for active and inactive Owners is \$536,000.

The Owner Points Balance report is in the Board Packet. LO: There were about \$93 in expired points. Owners accrued about \$1,020. This is a very popular program. I am beginning talks with the POS/IT Manager about getting a more detailed Ownership report, including share value, new or recurring Owners, etc. Eventually the IVFC Reporting Policy will look a little different as well.

d) Owner Engagement Committee: JT: The OEC Report is in the Board packet. It looks like the Owners' meeting will be online this year.

The Board then confirmed the upcoming tabling participants and times as well as agreeing to purchasing and distributing IVFC tote bags during tabling. JT: We will get 100 bags and I will get the tabling material ready for Saturday and Sunday. LO: JT, please notify the Marketing Manager of the time change.

The Board then discussed the date for the Owner's Meeting, deciding on November 6, 2021. The Marketing Manager will be notified. Information on the meeting will be provided to the Owners per our protocol (at least 15 working days in advance of the meeting).

e) IVFC Bylaws Committee: JS, RC, and LO are on the committee and will resume work on the revision of the bylaws.

5. GM Report: The GM presented the Board with a powerpoint presentation. GM: We are about to turn 50! We are thinking... How do we project our greatness? We will keep doing great things, bringing good to our community, and getting back to our roots. We need to honor the principles on which we were founded.

The GM discussed balancing plans with our Strategic Priorities, which he summarized. GM: We belong to our community. We are working with all to develop community outreach through social media. We will do a trial outreach to 800 households around our community, choosing households with ages 35 and over. We will reach the students by different methods. Our project aligns with today's most urgent needs and mainstream trends such as sustainability, ecologic responsibility, being local, and being healthy. We need to project our values and show the community what we represent. Today, my perception is that we can be perceived as being a small, affluent subset which isn't affordable. We need to let the community know that we are an affordable, accessible community store. We will have staples that are affordable. Today, the IVFC gets its sales almost exclusively from UCSB. We can't afford this. If we want to avoid seasonality and the associated risk of failure, we need to reach beyond the students and reach our permanent residents.

We are going to have our 50th birthday! 600 months! 18,262 days! 438,290 hours! 26,297,438 minutes! 1,577,846,299 seconds! Of Being Awesome!

Questions or comments?

RC: We have organic and non-organic avocados. If we start carrying non-organic produce, it would be good to be sure that it is very clearly labeled and placed. Shoppers will know what they are buying. GM: We are going to do that. We are doing a series of signs to help consumers find the items they're looking for. This will be for staples and the bins. The produce cooler is being planned to be organic. Non-organic will be outside of that.

The GM shared with the Board the P&L (July to September, 2021) that he sent to the NCG. GM: The most important change is net income. Losses are substantial. -\$88,000 in 2020 to -\$8000 in the fourth quarter. With average from last week, we will end with \$635,000. LO: Sales are down about 20%. GM: Maybe 23-24%. Net operating income for the quarter is -\$67,700. KM: This quarter isn't over so the comparisons are not complete. GM: Because we were able to lower our costs and operating expenses substantially, you are seeing a trend in a positive direction. We will see if NCG is happy with the results. Cash flow: \$66,454.25. LO: The EIDL loan will beef this up.

GM: I'm working with the CPA and by next week should have the application for ERC credit. Unfortunately, previous managers simplified the work because our salaries were enough to justify use of the loan. Most of the loan was charged to labor. ERC has a caveat that the total of payroll less what's declared for PPP (which was forgivable) and the difference is what you can go for. LO: The ERC is something we could have applied for last year. Our new CPA is helping us understand what expenses we have left that the credit could apply for. GM: When we send in the application we can take action, which is we stop making employment tax payments. If the amount is rejected, as early as next month we would be able to get that money back soon, just by retaining our employment taxes against that ERC. If this comes through, we can reserve the EIDL money. This will avoid our being placed in the risk pool by the NCG. If we are put in the risk pool, the amount the NCG asks us to withdraw for their fund will grow substantially. The better the income we show, the better chance we avoid being placed into the risk pool.

GM: The Board will start receiving a dashboard document showing how each department is doing in terms of their contribution to sales (percentage). The happy face shows where they should be. Also you will see Labor Hour Metrics. There are some complicated formulas which use the space the department uses, the amount of labor and sales in the calculations. We can see each department compared with industry standards. If productivity and sales are increased then the number will increase.

There is a graph for weekly customer counts and basket size for the week. Targets are included for these. Also data on the breakdown of discounts. We'll see Owner equity YTD and per week, also with targets. Finally, you will get a picture of each department with their sales for current and past weeks. The Board will receive all this information on a weekly basis and it will be received before the Tuesday Managers meeting.

The Board had a brief discussion/question-answer on the presentation.

GM: Tomorrow, you will see Buena Onda empanadas in the store. We are bringing in a small amount to start, two flavors, and please spread the word. I started with their two best sellers, one with beef and one vegetarian. I wanted to bring in vegan, but the staff would like to start slowly which I respect. We will see how we do in two weeks. Other than Old Town Coffee, we will be the only one with the most famous empanadas in SB County. The Board gave their opinions on which empanadas they would like to see in the store. (Important for the customers to make comparisons.) GM: One problem is that we will have to sell them cold. They will be on a compostable tray. They will have to be cooked and eaten at home. We need to offer the possibility of heating them. There is a high-speed convection oven available that heats 6 amp in 20 seconds which is \$1950 dollars. More suggestions heard regarding selling at room temperature vs from refrigerator.

6. Meeting Scheduling

- a) October Board of Directors Meeting: October 20, 2021 at 6:30 p.m.
- b) Annual Owner Meeting: November 6, 2021

Meeting Adjourned: 8:18 p.m.

7. Closed Session

Closed Session adjourned: 9:45 p.m.

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