

THE ISLA VISTA FOOD COOPERATIVE
Board of Directors Meeting Minutes
Wednesday, September 16, 2020
Held by videoconference, 6:30 p.m.

Directors Present: Lisa Oglesby (LO), Kent McClard (KM), Janet Stich (JS), Jeremy Roark (JR), Jillian Tempesta (JT), Nancy Morales (NM), Lauren Coiro (LC)

Directors Absent: None

Staff Present: Melissa Cohen (MC)

Owners Present: None

Meeting start time: 6:35 p.m.

1. Approval of Board of Directors Meeting Agenda for September 16, 2020:

Motion to approve the September 16, 2020, Board of Directors meeting agenda as presented: LO Second: JT Passed: 6-0-0

2. Owner Input and Announcements: LC: Will be away for one month, however should be able to join IVFC Board meetings with wifi. GM: "Kiss the Ground", an inspiring movie about regenerative agriculture work will be showing at the drive-in theater on 9/21/20. A flyer is up at the store.

3. Approval of August 19, 2020, Board of Directors meeting minutes:

Corrections from GM: In GM Report, in *Operationally speaking: COVID updates:* Please add "from vacation" to clarify where the HR manager is returning from. The other correction was a spelling error, corrected.

Motion to approve the August 19, 2020, Board of Directors meeting minutes as amended: LO Second: KM Passed: 6-0-0

4. General Manager's Report

a) September Monitoring Report:

Please refer to the written GM Report in the Board packet.

GM Goals Reporting: LO: To clarify, what percent of sales is the year-to-date income? GM: Will check and report back. LO: Is there any motion on Catapult so members can purchase equity online? GM: POS/IT Manager is tracking all upgrades coming through. Catapult will build add ons based on requests. We have a list that can be voted on to help them prioritize what is wanted.

HR/Staffing Updates: The HR manager has resigned her position. She has been a significant, precious resource for the co-op. Please refer to the GM packet for transition strategy. JT: What is the "legal exposure" you refer to with HR structure? GM: Following the strict State of California HR laws. We are trying to fill the gap without hiring an HR manager and are engaging with consultants to determine the level of third party support. A brief Board discussion was held on this. JT: Is the Hr Manager documenting her job? Are we keeping the institutional knowledge when she leaves? GM: Yes, including job descriptions, California legal considerations, etc. The OM has a good background that will help us. Budget decisions are being worked on. LO: What about the extra work load for the OM and GM? GM: Optimistic because of level of support being given by OM. It makes sense that GM and OM would do HR with outside consulting help.

Operations: The recent Health Inspection was one of our best. COVID issues regarding the nut butter machine and water machine have been resolved.

Physical Plant: LO: How soon is the new produce cooler needed? GM: Not on budget for this year. We're aiming for December to avert any more problems. LO: Everything working now with the pipe (leak)? GM: We may need to cut an additional area and may throw a camera down to assess water damage. The pipe has been capped. We were lucky to find the problem when we did.

National Co+Op Grocers: LO would like to receive a copy of the NCG report. GM will mail this to LO. LO: Usually the GM attends NCG meeting in September. How is NCG doing this year? GM: They are only doing Board meetings, which I can jump into. The program is not as robust. There is a lot of peer support happening through this time of the pandemic.

JR Joins meeting: 7:09 p.m.

Owner Services: LO: I've been enjoying the Board profiles GM: Yes. Thanks to everybody and to our Marketing Coordinator.

GM: We are looking at an Owner Appreciation Month rather than the annual Ownership Drive. This may include birthday emails, welcome e-mails, etc. The goal is to grow visibility around Owner Appreciation month and see if this drives a desire for Ownership. We will also contact those whose Ownership has lapsed with encouragement to rejoin. LO: Agree to ways of adding Ownership without taking up cashier's time. GM: This would be a good synergy with the OEC. JT: These are great ideas. Did we meet our goal last year? What about this year? GM: Met all goals last year. Now focusing that energy in re-investment as a goal point and then raising visibility. LC: Great. What about a referral bonus? GM: This is a good type of strategy. Also, add more punch cards.

Financials: LO: Have we filed the PPP forgiveness papers yet? GM: PPP loan forgiveness portal isn't open yet. JS: What is causing the cash loss? GM: Labor. Sales are up and labor is up. We're doing a good job keeping this under control. Our margin is solid. GM: The week trends are looking good. Now about 7% over projection and 3.5% over last year.

KM: In the new weekly sales report, the budget assumes a loss in sales from previous year. What are your indicators for this? GM: The budget was based on what happened 1Q last year. I don't really have the answers. We had good growth last year 1Q and 2Q which declined in 3Q. I had to take numbers from 3Q to project next year 1Q and 2Q because I didn't think we would perform as well. KM: Haven't seen data that shows a slip in sales. GM: 4Q sales didn't drop this year as in the past. The shopper number hasn't changed in the 4Q. Basket size has increased from \$15 to \$30. We should be having shopper numbers jump up, however, I don't think this will happen. The hard numbers are based on trends and historic information.

b) FY21 Budget Strategic Planning Discussion: GM: In the past decade we've had a relatively clear idea of what to expect for foot traffic and sales. Less idea for this year. Outreach requires in-person events, which we now can't do. The budget was written based on the above. Feel we can keep a margin of 38 to 39.. Our operating budget will be 7 to 8% of sales due to changes we've made (credit card). Can cut marketing budget. The labor budget is the most difficult to figure out in a way to continue to support our workers. This leads us down to a small net income. Could actually still lose a little bit. Discussed with Management Team. Considering the cash position, we felt a level of comfort with continuing hazard pay, and increasing managerial pay. Went down a cautious route, knowing we have the opportunity to make changes.

LO: First question with budget: How many quarters of the year do you project we'll be out of loan compliance? GM: Every quarter, based on level of loss. Might be able to carry one quarter. Wouldn't drop out with one quarter of loss but would with second. NCB not concerned because we have a plan and have good cash in bank.

The Board discussed the percentage of indicators getting us to \$2000 net profit for FY21. GM explained that stopping hazard pay would shift approximately \$20,000 out of labor costs for FY21, leading to a higher net profit. LO: Uncomfortable with expensing extra \$7000 for the Board when we are in triage situation, possibly being out of loan compliance and we want to support our workers. KM: How will minimum wage increase affect the margins? GM: We will adjust margins if we have to. Strategic conversations are ongoing. Further discussion ensued about the budget planning with questions answered. GM: Could propose a budget that runs through 1Q and then adjust as we see what the customer count is. We can then make more informed decisions.

LO: I don't expect we move away from hazard pay before 3Q21, if at all. It is the correct thing to do. If we hollow out labor costs, we hollow out the quality of the store. If Board is requesting a budget that requires belt-tightening, then we have to tighten our own belts first and not spend \$7,000 on a consultant. Am very concerned about cash to equity transfer, maintaining loan compliance. We need to assess what it means to have a year where the best laid plans are a \$2000 net profit. We could survive this for one year but need to have long-term discussions identifying what the goals are.

JR: What is the \$7000 for Board to be used for? GM: Board budget includes insurance, meeting budgets, Board discounts, etc The \$7000 increase is for outside consultants, which could be a beneficial, long-term investment LO: This money likely wouldn't be spent until 2Q. KM: I don't support using PPP money for consultant. There needs to be belt tightening.

KM: We need to be in compliance to get a future loan if necessary. Don't know when pandemic will end. Would like to see a comparison budget, a budget with belt-tightening. What would be the repercussions if we had a budget that came closer to a net profit being 1% of sales? Suggest saving PPP money, not spending it too early. GM: Would like to get into 1Q to get clear idea of trends. The Board discussed the above ideas.

KM: Realistically, we're not getting to the budget until October or November, so the budget should be submitted so we can start the procedure. Hazard pay an issue but is actually a premonition of what will happen with minimum wage. GM: Operational changes made in 2019 made huge profits in beginning of 2020, however, now can barely pay enough to retain our managers. Need to be sure we're valuing what is set out by Owners and Board. KM: Not enough profit has been made since we've bought the building and would request documents to assess. We have to do long-term planning. Budget outcomes play into our managing our loans. GM: Do not disagree. Budget in COVID difficult to write. Let's focus on our trends first prior to long-term planning. LO: Helpful way to move forward is for the Board to receive the 1Q budget and then GM will work on fiscal year budget after seeing trends. Then, with actionable data from 1Q, run a budget with \$2000 profit and one with 1% profit. The Board continued budget discussion. LO: Will send GM email outlining the documents the Board is requesting.

8:45: NM left meeting.

8:45 to 8:50: Break

GM in the Community: The GM will be part of the IVCN roundtable meeting regarding the future cannabis dispensary in Isla Vista. Surveys about the dispensary are available for the community to give the County feedback. Emails regarding the meeting are being sent to the community.

5. Board Calendar:

a) Strategic Discussion Meeting: LO: With larger budget decisions in October, feels better to move this meeting to a later time when we can provide more focus. GM: Just question content. Need more shared meetings about strategic purpose. LO: GM and I can discuss and bring it back.

b) Finance Committee/Treasurer's Report: See above FY21 strategic budget discussion.

c) Owner Engagement Committee: JT: GM and OEC will discuss potential dates for the Owner Meeting. Looking at early November and what the program would look like. GM shared information about the way other co-ops have done remote Owner meetings. LO: Will be interesting. I may pre-record the Board report. Could have break-out sessions so Owners can chat. GM: Interested in hearing content ideas. One co-op is doing Owner highlights (eg. farmers/co-op fans), having them record their own 30 second video. This could be a fun section where we celebrate the Owners. We could also celebrate the workers. Optimistic about Owners joining the meeting. Further discussion ensued. GM: Can discuss in OEC. JT: Could run completely within the OEC. JT: Email content ideas to JT.

d) GM Evaluation Committee: JS/LO co-chairs. Still in process.

LO: Taking a moment to really appreciate everyone at the table. This year is hard and getting harder. Each person's wellness important to me. Our group is high-functioning and moving forward to make good changes. If anyone has something they would like to incorporate into the meetings to make them better, more fun, etc. please let me know. Very much appreciate the volunteers on the Board and appreciate deeply and respect the operational team. We are moving into fall which has everyone concerned for good reason. Wish everybody well. GM: The last 6 months have been a real doozy and it's been incredible to be a part of this team that is working through this. It is remarkable that our OM is the best possible person to show up. This is the best Management Team we've had. All have my complete respect. Thank you to the Board.

6) Meeting Scheduling

a) October Board of Directors Meeting: Wednesday, October 21, 2020 at 6:30 p.m.

b) September Executive Session: tab

Meeting adjourned: 9:12 p.m.

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