

THE ISLA VISTA FOOD COOPERATIVE
Board of Directors Meeting Minutes
January 19, 2022

Meeting held via video teleconference

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

Directors Absent: None

Staff Present: Hernan Cornejo (GM)

Owners/Community Present: Marian Cohen (MC), Mackenzie Wade (MW), Becky Martin (BM), Matt Richards (MR), Merna Sawouq (MS), Melody Alvarez (MA)

Meeting start time: 6:38 p.m.

1. Approval of Agenda for January 19, 2022:

JT: Suggest the speaker time allotment in the "Owner Input and Announcement" section be increased from 5 minutes to 10 minutes.

***Motion to approve the Board of Directors meeting agenda for January 19, 2022 as amended: JT
Second: RC Passed: 6-0-0***

2. Owner Input and Announcements:

MR: Noted the book and magazine section is in the Health and Wellness section of the store and includes cool books for the kids. Also, a large volume of "Isla Vista: A Citizen's History" books are available. This book includes a large section on the history of IVFC. Suggests that anyone that is interested to pick up a copy. In the Health and Wellness section, noted he would still like to see the return of the blackboard with ideas on it about health and wellness products, etc.

3. Approval of the December 15, 2021 Board meeting minutes:

***Motion to approve the December 15, 2021 Board of Directors meeting minutes as presented: JT
Second: RC Passed: 6-0-0***

4. Recording of email motions:

On December 29, 2021, the following motion was presented to and passed by the Board:

Motion to authorize Lisa Oglesby, Board President, to open a line of credit up to \$100,000 with Mechanics Bank on behalf of the Isla Vista Food Cooperative: LO Second: KM Passed: 6-0-0

5. Board Calendar and Reporting:

a) Finance Committee/Treasurer's Report: Please refer to the Treasurer's Report in the Board Packet.

KM: There are no updated November or December Statements in the packets. I will update and send them out to the Board by email. The main thing we need to talk about is the Finance Committee reporting for the line of credit.

GM: During the two weeks of winter break there was a dramatic drop in sales. Sales were better than in 2020, but not better than 2019. The GM and schedulers did a great job managing personnel levels. We ended with \$7,300 in profit. LO: I concur. The Floor Managers really held the store together with a skeleton crew when so many workers were out. The Marketing Manager sent out a great note encouraging shopping at the co-op. All these things helped us get back on track. GM: Last week was good in sales, with over \$80,000. We are still a little low on customer count at 480, a bit lower than our ideal. The basket size was larger which was a good compensation.

LO: I sent the Board the information from Mechanics about the \$50,000 line of credit. This is essentially a loan in our back pocket which we can use if we need it. We will only pay for it if we use it. The branch manager of the bank needs a phone call that the Board has approved the line of credit.

On our end, we want to ensure a chain of accountability without tying the GMs hands in using it. The IVFC Line of Credit Policy draft is in the Board packet. The Board then discussed the draft particulars including when the level of cash-on-hand would trigger use of the loan. KM: This is designed, from my point of view, simply as a safety net to protect us if in a situation where we did not have enough revenues to cover our expenses. We're not really borrowing the money, just getting a pre-approval in case of need. Hopefully this won't happen. GM: The activation fee is bothering me. We only pay interest on what is used? LO: Yes. GM: There is a 2.5% activation fee. LO: There is no activation fee with a line of credit of \$100,000 to \$200,000, however, with \$50,000, the fee wasn't waived. The branch manager called to apologize about this. GM: Once we activate it, we will deposit into the primary account. LO: The easiest way to make transfers is through online banking. KM: It's good to set up an automatic overdraft as well as a manual one. Might end up at zero at some point when the CPA, the bookkeeper, and the GM aren't aware and we have gone lower than we anticipated. LO: The branch manager said we can do that. GM: I agree that is the preferred way to do it. Again, if we survived last December, hopefully we will be fine without it.

RC: Why not use the money? KM: You could do that, but if you can use our cash-on-hand then you pay no interest. GM: Our cash-on-hand is very good right now at \$104,000. LO: For those at home, the IVFC ended last fiscal year making \$4,000. We knew it would be difficult, then we were hit with many additional challenges. Therefore, we got the line of credit to prepare the co-op to meet any new disaster that might come up. Regarding using the line of credit for store projects, the GM can come to Board to request this. We are working on recovery, and as this recovery will take a long time, this line of credit is good insurance. KM: The policy is to establish that this is a safety net, a potential in case of emergency.

***Motion to approve the Isla Vista Food Cooperative Line of Credit Policy as presented:LO
Second: KM Passed: 6-0-0***

KM: Included in my Treasurer's report is a note about the loan origination fees for the second NCB mortgage fees. These payments to the bank for our loan were depreciated. Mortgage fees don't depreciate. This is on our Balance Sheet with no mechanism to get it off. I've been trying to get this fixed for four to five years. I am documenting this in the Treasurer's Report. LO: Have you discussed this with the CPA? GM: I thought the problem was solved. I will call the CPA tomorrow regarding this. It doesn't have an effect on taxes. We shouldn't have any issues removing it. KM: There was credit for it as an expense as it was on our Balance Sheet. I wanted to get this cleared up before it's lost to history.

b) Owner Engagement Committee: JT: Not a lot to report. Did not meet in January. We will meet again on the first Wednesday of February. I'll send an email reminder. We have been working on supporting the Election Committee and expanding our charter to include community outreach.

c) IVFC Bylaws: JS: A question arose during our bylaws revision subcommittee meeting regarding the section on filling vacancies on the Board. Our current bylaws read that a vacancy “.....may be filled by a majority of Directors then in office, whether or not there is a quorum or by a sole remaining Director”. This implies that the appointment is for the duration of the vacant Director’s term. Other co-operative bylaws are in line with this while other cooperative’s bylaws state that the vacancy “may be filled by a majority of Directors then in office, whether or not less than a quorum, until the next scheduled Board election, at which time Owners shall elect a Director to fill the unexpired term of the vacant Director’s position.” The pros and cons of the two options for our bylaws were discussed, including which was more democratic, which would best enable a good person to be chosen and seated, etc. The Board decided to support appointing a new Director to fill a vacancy until the next Board election, at which time the Ownership would elect.

d) 2022 Board Election Committee: Please refer to the written Board Election Committee report in the packet. Committee chair RC read his report. Important topics are the election timeline and the interest of the Ownership in running for the election. RC: People are interested but are not submitting statements. Covid has also not helped. The Marketing Manager has done a great job with advertising the election on various social media platforms and on flyers. I have spoken with the Marketing Manager and LO about pushing back the dates for applications/submission of candidate statements. We can do this and still have the election be on the same date. LO: We just need to be sure that voting doesn’t land during Spring break. We need time to allow the committee to do more outreach. I support this as it will allow better election outcomes.

Motion that the Election Committee can, with unanimous vote, delay the material submission deadline from February 1st to March 1st. By the same mechanism, the beginning of the election cycle can also be delayed from the first Saturday of March up to the third Saturday of March, with the condition that the beginning of the election cycle is at least two weeks after the material submission deadline: RC Second: JT Passed: 5-0-1 (LO abstained as she is running for a Board position).

MR: Concerning the Election Committee, I spoke to a Board member about using the store’s intercom to provide information during shopping hours. This is a good way to get out the word about the election. Have a script about the upcoming election. This could be used for other updates as well. LO: I agree with Matt, especially if people are tabling about the election. JT: Agree with both these ideas.

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

Tonight is a slide presentation for the end of the year and for making a proper welcome to our 50th anniversary. We are celebrating the 50th anniversary of our co-op! In 1972, the Whole Wheat Buying Club was started which was the precursor of the IVFC. Some of the members felt it was impractical to keep working in parking lots and began the store. I want to highlight and spread within the community that this cooperative was built with everyone. Every member is an important part in the keeping of the co-op. Yes, we have a rotating membership, but each one is important. We want to honor our founders. There are many stories about the beginning of the Co-op. Those times were different and challenging. Politically it was a time that was important in history.

We have now met unprecedented challenges. COVID altered the behavior, habits, and purchasing abilities of the people. We have to adapt. If we don’t adapt, we will fail. So far, we have been able to achieve most of the Co-op’s Strategic Priorities:

Economic Resilience: In terms of financial strength, our sales are down by 10% and the profit margin is down 11%, but we were able to get 600 new Owners. Our cash-on-hand at the end of the year was \$61,000 which was very low compared with the previous year. Now, I'm glad to inform that we are over \$100,000. The ticket value was slightly down (3.2%). Customer count was up 1%. On review of the Balance Sheet (calendar year balance), we have a substantial reduction of liabilities compared with the previous year. This is helping us. We passed through December without going underwater. Our cash was low at the end of the year compared with the previous year. Profit and Loss review shows we made \$11,000. Cash flow is one area where we are vulnerable. Going over this, we can see why the line of credit is a good idea.

We will continue to find a balance between business and social advocacy.

Local Food System Support: Our greatest asset is our vendors. They have been very understanding and extremely reliable. Our shelves are not that out of stock compared with other markets. We are grateful for the loyalty of our vendors. We also have new additions that are sourcing good foods for us.

Buy Local! We want to support our local business and fair trade. This is one of the highlights of cooperatives

We are expanding our product mix to include new ethnic products that will fulfill the needs of our diverse community. We have a lot of international products. We will bring in flavors from around the world.

We want to engage with the community to spread the values of cooperativism. These values are the vision of our founders. We are keeping faithful to the main values of cooperatives and our founders. We will keep cooperating with other cooperatives and show a special concern for our community.

Tell our Story: We are trying to share our history and the heritage behind the IVFC with the younger generations and the broader community, rallying for the principles we share and cherish. We had Carmen Lodise, Jeffrey Walsh and others who contributed to the book "Isla Vista: A Citizen's History" on the patio for a get together to hear and talk about the history of the IVFC and the IVFC in the context of the greater community.

I want to do a lecture. The IVCS said we could do this in the community center. Lisa wants to use the patio. I want to invite one of the founder's, like Carmen or Jeffrey or Larry (the first president of the co-op) to tell the story of how it started. We could also bring in people from National Cooperative Grocers, from a local trade union and someone from UCSB to talk about cooperatives and the values that we have had historically and at this time in particular. I would like to have Board's thoughts on this. I would like to do a lecture setting for this.

Community Engagement: The GM shared pictures of the Halloween celebration on the IVFC patio. GM: Recently, we had more than 120 people come to our chocolate tasting. Our Marketing Manager has been doing an excellent job with tastings. We have had many community events on our calendar for the past months. We want to develop a broader awareness and preference among students. The Marketing Manager is developing a plan to engage with student organizations. We could have a program of junior ambassadors, namely a few student leaders that can help us spread the word.

Community Advocacy: We will continue to engage with community partners and be visible and participating in as many events in the community as possible. We want to expand our customer base to capture a broader demographic. We want to re-establish the connection with the youth. We will try to do things with schools as well. This is a nice way to spread the word.

Environmental Stewardship: We are keeping the bulk dept. We are trying to re-engineer it to attract more people. This will include instruction and practical tips. We can educate as to why bulk is important for the environment, for reducing our carbon footprint. I'm working on a project that will boost our recycling. IVCSA will be helping us with compost, perhaps with an industrial composter. Usually cooperatives are at the vanguard of recycling.

Fair and Equitable Workplace: The most important part of the IVFC is our employees. We are blessed with a very diverse and a very committed group. The IVFC is a family for our staff rather than a place they come to work. Steve Snyder has been with the IVFC for 25 years, almost half the life of the cooperative. I want to express to Steve appreciation on behalf of the IVFC for his work and loyalty for all these years of service. I plan to give him an award for this. We have to do something special.

My message is that it is an honor to lead this outstanding team into the future and to keep expanding footprint of our cooperative.

At the end of the GM presentation, the Board and many of the Owners/community members present stated their appreciation.

MR: Your lecture will be a good way to rekindle the enthusiasm of the community. The staff is family and we are blessed that many people stayed on when they could have left. I hope to see a future where the co-op family is one big family rather than subfamilies. I noticed that the new IV Market is no longer recycling plastic bags. Maybe the co-op can take this up. MarBorg is no longer recycling plastic bags. MC: I would like to add appreciation for the presentation. I am glad that it's back. You were looking into a system for dispensing bulk items in an efficient way. Are you still considering this? GM: It is a bit expensive for us at this time. There are some small fixes we can do for bulk. Maybe we can set up a tablet with pictures/labels on touch screen. You can print a label. Make it easier for the customer. If we can become healthy financially, we will do what they do in Europe. MC: We have been Owners for 35 years and have been impressed with the changes over the past 35 years. Thank you for making it so successful especially in these times. MA: I loved the presentation. I would go to the lecture.

JT: An Owner asked me to bring up the ventilation in the co-op. The Owner recommends we align with OSHA recommendations. Specifically, see the appropriate page on the CDC website with suggestions about leaving doors open, fans, etc. GM: Opening the back door is a liability issue. We cannot do it. The other back door is where I have my workplace. When it is cold and there is a west wind, it gets super-freezing. We do have a couple of options that are feasible. One uses less energy and is three units replacing one of the transom windows. They will give us flow of air and also help with temperature. This could help with the condensation on coolers, etc. Three units for size of the IVFC would be enough. They are not, however, that energy efficient. The second option, to which I'm more inclined, is to place around four exhaust fans. These use way less electricity/energy. With these you can refresh or replace the air about 12 x/day which is more than enough. I will check costs associated with each of them and hopefully can present by next meeting.

LO: I had sent out information about the water machine, i.e. the cost, the return on investment. The cost included purchasing, installation, branding, etc. GM: We need to bring the water to the machine. This is minimal as we have a water outlet about 10 feet from where we would like the machine. It's the same for the drain, e.g. a conduit that will probably go to a grease trap (to meet the regulations) and then will go to the drain. JT: What makes this option better? GM: We were being charged more money for our previous machine than its revenue generated. We were losing money. It was old. There are other companies but they supply potable water with a filter. Other companies end up splitting profits 50/50. This one has a nice filtration system with five stages. Gives pure water with a little alkalinity. Takes credit cards as well as coins. We would own it and would pocket 100% of what we sell. RC: Alkaline versus premium water? GM: This has to do with how the value of water is perceived, the high pH water is very popular. We could go with either. KM: It still says that water recovery rate is 45-50%. GM: It is reverse osmosis because it is a forced system. Only a portion of the water is able to pass through the membranes. Now we are using water from Goleta Sanitary District. We can ask them to give us information with the characteristics of water. Less membranes means less filtration capacity. Since we already have good water, then you don't need that many membranes. LO: People want a water machine. It can be outside the co-op, have mild impact and provide the community what they want. Once we dial in which machine is best for us, then we should move. I don't like the amount of water we're wasting. GM: Before the water goes to the drain, maybe we can place a drip system for irrigation. You were selling 12-14 gallons/day. That is good. MR: Permaculture people advocate swales and berms, maybe underground gravel pit are used where there isn't enough room for swales. The water will return to the aquifer. KM: Not concerned about the waste of water. My concern is that we have adequate drainage. LO: Question: Do we feel comfortable approving the expense or do we want more information about specificity before approval. RC: How about finances? Can we afford the machine right now? GM: If we keep with the our current level of sales, yes, we can afford it. RC: Wait until see if students come back? GM: I'm not in a hurry. We can wait until March and see how things are holding. LO: Let's talk about it at the February meeting.

7) Upcoming Meetings:

- a) Election Committee meeting: tbd
- b) Bylaws Committee meeting: January 18, 2022, 6:30 p.m.
- c) Owner Engagement Committee meeting: tbd
- d) February Board of Directors meeting: February 16, 2022, at 6:30 p.m.

Meeting adjourned: 9:00 p.m.

8. Closed Session

The following motion was made and passed during closed session:

Motion to authorize Lisa Oglesby to sign the Engagement Agreement with O'Hagan Meyer on behalf of the IVFC: LO Second: RC Passed: 6-0-0

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