

THE ISLA VISTA FOOD COOPERATIVE
Board of Directors Meeting Minutes
March 16, 2022

Held via 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: Hernan Cornejo (GM)

Owners/Community Present: Jeff Walsh (JW), Matt Richards (MR), Emi Guzman (EG)

Meeting start time: 6:36 p.m.

1. Approval of Agenda for March 16, 2022:

LO: I would like to add item 4G, a discussion of Amy's Foods. MR: In the previous meeting, we said we would discuss the status of the spiral program now called the OEC. I don't see it on tonight's agenda. Is it part of a particular committee? LO: It must be a misunderstanding as it was never to be on the agenda and at this time there is no ongoing discussion of the spiral program. There is no spiral program now or being planned. Right now, you are working with the GM in a pilot volunteer program. If this grows, we'll take a look at what it might evolve into, perhaps something new and different. MR: Thank you for your explanation.

***Motion to approve the Board of Directors meeting agenda for March 16, 2022 as amended: LO
Second: RC Passed: 6-0-0***

2. Owner Input and Announcements: JW: I haven't been able to successfully vote in the Board election. RC: We'll figure out what is happening. JW: I would also appreciate advance notice of the anniversary party. I've been in touch with people who helped initiate the co-op, living outside of Santa Barbara, who are interested in coming. LO: The party is scheduled for April 30th, the same week-end as alumni week-end. Invitations may be going out next week. It's an outside event. The IVRPD is hosting a Spring-to-Summer concert series. We will be working with them and with the IVCS.

3. Approval of the February 16, 2022 Board of Directors Meeting Minutes:

LO: In section 5D, the cooperative principle referred to was the second cooperative principle, "Democratic Member Control". In the GM report, under *Departmental Highlights*, the food vendor is Elubia, not Alluvia.

***Motion to approve the February 16, 2022 Board of Directors meeting minutes as amended: JT
Second: KM Passed: 6-0-0***

6:52 pm: GM joined meeting

4. Board Calendar and Reporting:

a) Board Transition Planning: Officer Trainings: LO: The start of the new Board term is the next meeting. In line with Board protocol, we'll confirm the officers at that meeting. RC and JT have voiced interested in being Treasurer and Secretary. Please connect with the currently-seated officers to prepare. With the Treasurer change, we will need to update the bank documents.

b) 2022 Board Agreement: LO: I sent the Board a copy of the 2022 Board Agreement. Please review and send any edits. I will get a draft out.

c) Finance Committee/Treasurer's Report: KM: Financial "snapshots" are included in the Board packet. Everything is looking pretty good. We need to build up a nice nest egg so when we get to summer, we will have enough cash to get us through when we will be burning through cash. Other than that, there is nothing to discuss until the budget presentation by the GM.

d) Owner Engagement Committee Report: JT: JT read her OEC report which is included in the Board packet. In summary, the OEC believes there is benefit in Board members attending community meetings on behalf of the IVFC in order to raise the co-op's profile and to meet our strategic priorities. The OEC recommends doing this as a short-term pilot initiative of the OEC. What ideas does the Board have regarding what we could attend? LO: There is the IVCSA, IVCN and campus organizations. JS: How about the UCSB Food Security Task Force or related groups? LO: I checked in with them and at this time there isn't a place for us to join in. I'll check back with them in the future. JT: (In response to community questions) As an individual Board member, you would be at the meeting to create relationships, not necessarily to have strategic conversations. It would be a natural relationship-building process. A full Board consensus is necessary to verbalize any stance the IVFC may take on an issue that may be brought up. JW: The co-op should be careful about taking positions about issues. We want everyone to shop at the co-op despite their political viewpoint. LO: Part of the concept of ambassadorship is to increase participation in the co-op and to tell our story. We don't jump into one box or the other, but hope that we are known and that our goals in the community might overlap with theirs. It's the principle of "Cooperation among Co-ops". If we find ourselves in a more political situation, we'll get a consensus of the Board. We want to be relevant and supportive of the community.

e) IVFC Bylaws Committee Report: JS: LO and I have continued to meet every week and are making good progress. I would like to continue working on this committee after my Board term ends next month. We still need to finish the revision, format the revisions, have our cooperative lawyer check the revised bylaws, bring the revised bylaws to the Board for edits and then take the bylaws to the Ownership for their edits and vote of approval. I would like to stay at least through the lawyer phase. I'm not sure if I need Board approval to stay on the committee. RC: The bylaws say that the chair of a Board committee needs to be a Board Director. LO: If Janet stays, I would be chair. Owners can join committees. RC: We could appoint LO as chair and JS to continue to serve on the committee.

Motion to appoint Lisa Oglesby as chair of the bylaws committee and to appoint Janet Stich as a member for as long as is deemed necessary by both: RC Second: JT Passed: 5-0-0 Abstain: JS due to conflict of interest.

f) 2022 Board of Directors Election Committee: RC: I figured out the problem with voting and corrected it. I hope it didn't affect too many voters.

RC: The election started on Saturday. In addition to LO, candidate Julia Barbosa was present at the "Meet the Candidates" event. The second candidate was unable to come and informed me of same. I sent them both an email regarding tonight's meeting and spoke to them both about it.

I have sent a tabling schedule document to Board to fill out for tabling for the Board election. The days we sign up two people, we go, the days we don't, we don't. LO is happy to table by herself. The people who should table the most are candidates. LO: The people who should table the most are the Board. We have to be careful when we're tabling that we are not promoting one person. What is important is increasing member participation in the cooperative. KM: It's not our routine for a candidate to table. CN: I agree with KM and LO. RC: I was a candidate last year and tabled. I tabled twice with Lisa. As it was uncontested it was a good introduction to tabling. LO: I would prefer that

the candidates would have attended this meeting. KM: There was a time when we asked candidates to attend meetings. This is not a bad idea because they can become acclimated to the experience. It's not unreasonable to have this as a requirement as well as attending the "Meet the Candidates" event. LO: We will generate an updated election protocol and will keep this in mind.

g) Amy's Discussion: LO: The Board has been informed over email of an alleged issue with Amy's workplace. One co-op is boycotting Amy's. The Board discussed over email what our proper course of action should be when we are presented with a situation such as this. Any decision to take a stance on something political would be taken by the Board as representatives of the Ownership. I have been watching to see if the boycott campaign has gotten traction with other co-ops and haven't seen anything yet. This is something that our Owners and shoppers might want to be made aware of. One idea is to place a notice on the outside bulletin board to make Owners aware this is an ongoing situation so they can make their own decisions. At this point I don't think we should direct our staff to pull the product from our shelves. This could impact food security in our community. It will take time to replace these products. Everyone on the Board believes in a fair and equitable workplace. We want to help others get there as well. GM: This issue was reported to me by two FMs. We discussed it in the last manager's meeting. One manager was strongly in favor of a boycott. After participating in a managerial conversation about this, other managers withdrew their support of and/or did not initially support a boycott. Personally, I am more than opposed. I feel there are no merits for a boycott. Amy's is a very important core vendor with whom we have had an excellent relationship for a long time. We have a duty to be loyal to vendors, employees, and the community. Based on my research, I don't see the merits of a boycott. Obviously, the Owners make the decisions. If the Board/Owners want to boycott, we will. KM: Systems within OSHA are in place for these complaints. It's too early to jump to a boycott until those systems play themselves out. The formal complaints will run through due process. LO: Can the GM give us your sense of whether or not managers felt it was too early to boycott or other thoughts they had? GM: Three managers felt it was too soon, one felt we should boycott, two were opposed to boycotting from the get-go. RC: Good to hear there is near consensus. If CalOSHA is investigating, I do trust them. GM: CalOSHA records of past Amy's investigations show Amy's is "below average" in terms of risk. The IVFC has had one incident of an employee complaint and we are now in the "above average" risk category. When you have a company of thousands of employees and you have five OSHA recommendations for improvement, that is not much. This issue was brought to a reporter through the union. It was the union that blew the whistle. I was reading that it was an attempt to unionize. The employees voted not to unionize. That is the context. It's not shown that Amy's retaliated against their employees. JT: We don't have enough information and we should not proceed with a boycott. If we get to the point where there is a strike, picket lines, etc. we can revisit. We are glad to let the Owners know that we are following this, that it is in the minutes. The Board must be conscious of food access and fiscal health. JW: I don't have a position. A complaint was filed with Cal/OSHA on 1/20/22. The Santa Rosa plant had seven serious violations with fines. Amy's says this plant has a record that is twice as good as the industry's average. Given such a large portion of the store inventory is Amy's, it might be good to do preliminary investigations into options for products. CN: It's not the role of the Board nor store management to be assessing the validity of any claims. We are not the authority on this. I support waiting for the result of the investigation. I am in favor of taking action if egregious issues are found. I agree with a posting about Amy's on the public board outside. Perhaps include in email? LO: I agree. The Owners expect us to be watching on their behalf. JS: I support a sign if the cashiers are being questioned about this by the Owners. They could then refer the Owners to the sign from the Board on the bulletin board.

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

General Overview: February was a good month for the co-op, both with customers and with sales. I'm glad to report we made \$55,669 as of last week. During March, though, we have seen a decline. This is not extreme, but a decline as far as customer numbers and basket size. We're trying to figure this out. It could be exams, etc. The supply chain issues improved during February and are good in March. The store is well-stocked. Only a few of the items we would like to have are missing. Purchasing managers are doing a great job in stocking and finding replacements for the items we've been having issues with. One thing we are doing relating to ticket value is the fact that inflation is driving up our costs. We are not being that fast in keeping the margins. We were not, in real time, passing the changes in cost to the customers. We have absorbed some of the cost increases which may not be so bad. When I first joined and saw the pricing, we were actually a fairly expensive market. Now we are fairly competitive. We have to be sure we don't go below where we are now. I am working with IT and the Grocery Manager to implement a system of coding items. For the rest of the items, we will have an algorithm that sees our invoices/purchases, adjusts prices, prints labels and updates pricing based on our costs. This is so we don't keep going below in terms of our budget.

HR/Staffing/Departmental Highlights: Unfortunately we have suffered some losses. One produce clerk had to leave the area. We have two new Floor Managers. We are active on this and are keeping good staffing. There is ongoing training. The Grocery Lead is taking over two departments with full responsibility. She will lead those departments with purchases going forward. Other managers are going forward with additional training.

KM: Are there short-term inflation impacts due to fuel costs? GM: We are seeing a few surcharges in the invoices. I'm working to be sure our margins don't keep falling and that they remain healthy. On the other side, the fact that we are reducing margins, we still must have competitive pricing.

The GM and Board briefly discussed the various departments and who is leading these now.

GM: The new employees in the Deli have finished training. We will be having a meeting regarding consistency in working hours. Lack of hours slows production in the deli. We are uneven in terms of stocking and "out of stocks". We are setting up new metrics so every employee will record what their production is. With these metrics we can demonstrate and give an understanding of the effect their work has in the IVFC's final numbers. This will allow them to see where they are breaking even, etc. LO: I appreciate this. We're also offering help with what they may need. GM: We are re-evaluating bulk because we have about 75 SKUs out of 150 SKUs that are producing less than \$5/month in sales. This is bad. We will try to find at least 25 more items that could be best sellers. With some low performers, we see they are too low on the shelves and shoppers are missing them. We will evaluate this. The bottom line is that we're going to keep the Department and will try to make it a hallmark of the store. GM: We are also going to call the manufacturers/vendors and get them involved in doing our bulk reset. RC: We have to have a consistent experience with bulk, particularly spices.

Marketing and Outreach: The Marketing Manager has announced her resignation. We are interviewing candidates for the position and are working on new concepts for the department. One interviewee is very interested in engaging in and organizing events. That is a very important part of the job. Shoppers have said that, in good times, the co-op was famous for the all the events they held. This has become more distant, especially with COVID. With one person devoted just to the goal of having one event per week, this can make a huge difference. We're considering outsourcing our social media to a small local agency. They can do a good job and we'd have no need to hire into this. With that we would be fairly well covered. You never know, though. If we find that an awesome person applies for this and we won't need to outsource.

POS will be outsourced to printing providers that can support us with professional design services. We can choose or alter their designs. LO: We can still make whatever signs we want ourselves.

GM: The IVFC anniversary party is being planned. We're joining with UCSB and other community members to celebrate in Anisq'Oyo park.

LO: The EVPLA office wants to buy 500 IVFC gift cards to give out over Deltopia weekend.

GM: A mailer has gone out to 2,000 households located around the IVFC. The mailer includes a coupon for \$10 off of a \$40 purchase, which is sponsored by the NCG. We worked with the NCG on the map for the mailers and selected the areas where people live year round and there is more family housing. This will catch a customer base we haven't reached before. If we receive a decent amount of replies to the mailer (a redemption of 3-4%), it will be a great response.

Maintenance and Repairs: We are still updating our computers. This is not a big deal in terms of money as we replaced the memories and the CPUs, not the bodies. In terms of repairs, most are finalized and are lower than budgeted. In electrical issues, I have spent \$1800 and probably will spend \$1800 more, running to about \$3600. Other small things were covered by the previous contractor after we presented a formal complaint. The contractor came and fixed what they didn't finish. Now we mainly need the water heater (\$10,000) plus installation. We currently have no hot water which is very bad because can't run the kitchen. Our current unit is one that is for the home, rather than an industrial model, which is what we need. There is also a gas leak in the current heater and the gas company shut it down. That unit which is only 6 years old is no longer serviced by the seller. Now have to go with aftermarket. It would cost \$5000 for noncompliant compared with \$10,000 for compliant.

We have lights that need to be replaced. Soon, in May or June, California will outlaw fluorescent lights. By that time, all retailers should have moved from fluorescents to LED. We are changing to LED. So far we have spent about \$2,000 in materials. On the other hand, once we switch we can claim a rebate with the State of California. LO: Have you gotten an actual quote for a replacement water heater? GM: I will send it to you.

GM: I have gotten a quote for a new ventilation system. The equipment and installation on the most cost-effective alternative is about \$10,000. I don't think this is something we want to pursue as there is no return on our investment. We would have better ventilation but we actually don't have problems now. It's the Board's decision. Most markets our size do not have a ventilation system. LO: Have you looked into the upper windows being changed so they can open and have screens. With our mild climate, we don't have to worry too much about it being too warm or too cold. The louvered windows could be improved. These could be changed to improve cross ventilation. GM: If you're going to change the windows, this is more expensive than anything else. On one side a lot of labor, on the other there is a lot of disruption. We don't have bad smells. If we had bad ventilation, we would have bad smells. I have been looking for mold and we don't have it. We are almost mold free. This is another indication that our ventilation is adequate. If someone is concerned about the ventilation, I would rather have a courtesy, self-contained respirator system for that person. KM: The co-op gets quite cold. If we're serious about ventilation, it can't be more windows. When we were open until 10 pm, it was cold in the co-op.

GM: There is one small plumbing issue. In attempting to save money for the co-op, I tried to install an ice maker. We made one to two pounds of ice before flooding the store. A contractor came and found the problem, which was a gasket. The "free" gasket was free for a reason because it's a horrible feature. This will be resolved for a few hundred dollars and we will have an ice machine. For \$800 we'll run a drain line from the ice maker to the outside. It will be filtered water that will drain from ice maker. If there is a loss of power and the ice melts, it is pure water and you can run it straight to the gutter.

Capital Expenditures and Budget: I finished the draft of the budget for the rest of the fiscal year. All in all we are under budget in things that are of most concern. We are over budget in things that are favorable for us. We are performing far better than what was projected in the budget we have. That said, we are still working to improve the budget. We want to anticipate things in a better way and have a budget that will cover the next fiscal year. LO: The budget is a road map. "Budget vs. actual" shows how good our road map is. Are there drastic changes you think we should make to this budget or should we go month to month with "budget vs actual"? Then we could focus on budget 2023. GM: So far the budget is fairly accurate. We are performing better than the budget (5% less in cost and 5% more in sales). We have a pretty accurate working budget. I would move for approval of that budget. Most of the capital expenditures we have considered are in there. I did not include the ventilation system. I placed the number equal to the ventilation system toward the end of the year so we might be able to do it then. I'm happy with the budget as it is. It represents fairly well what the behavior should be. KM: I looked over the whole budget and think it's good. I did see some of the capital expenditures you put in. It would be good to see a list of these so the Board knows what is there. Did you generate this form in Quickbooks? GM: Yes. It allows us to have a daily view of how the budget is going. KM: Then it's no problem to update the Board on a monthly basis? GM: In two clicks I can update the Board. KM: In the past, we would get quarterly updates. If we get them monthly, it will be a better tool to be able to make adjustments. There is a lot of value in this. It was interesting that you maintained labor throughout the summer although I feel that labor will flex. We don't know what will happen although labor does reduce during the summer. GM: Managers overall are happy with how things have been moving. We have a very intensive training program, including cross training, that will preclude us from problems during the summer. My goal is that the IVFC will keep doing as well if tomorrow I never show up. This is the same with the managers, etc. LO: It's important for the Board to see "budget vs actual". The Board should go ahead and approve 2022 P&L Budget with the understanding that the GM will report back to the Board monthly. KM: I would also like a list of capital expenditures.

Motion to approve the Fiscal Year 2022 P&L budget as presented: LO Second: KM Passed: 6-0-0

GM: There have been a lot of issues with SCE. They are saying we belong with Community Coastal Electric. Then we're told we should call the city of Goleta. They say our problem is infrastructure and that those issues are for SCE. So there is no way to complain. It's been six months and I still don't have a quote for the installation of what we need for the baler. First it was 8,000 yds away. I told them the IV Market which is 80 yds, offered the use of their electricity. The bailer lease agreement triggered March 1. I can cancel the baler and pay \$1500 to reroute the baler. Or, I can postpone the lease so it will start in April. LO: We want the baler. Seems we will need to postpone until April. Then we'll need a place to put it.

LO: The Board has the details about the water machine. It is a \$15,000 estimate. Do we want to go ahead and approve? GM: We have a good connection area for the water. It is filtered water. The drained water does not need a trap. We can reroute and use it. The manufacturer said that actually when you have water coming from the drain, it will just be a few drops/day, like a glass of water per day. The waste water is recirculated.

Motion to expense \$15,000 for the purchase of a water machine from Aquavida by the GM: RC Second: JT Passed: 6-0-0

LO: The loan fees are still on the balance sheet. GM: We're not going to move them because in California there is a ruling from the Treasury that allows for (if it's the first purchase of property) certain expenses to be incorporated into the value of the property. LO: This is the refinance of the secondary loan. GM: The accountant's recommendation is to leave it as it is. KM: It would be an advantage to us to move it. We essentially got no credit for that expense and paid extra taxes. It's an expense we never got credit for. GM: It's because we added that expense as a fixed asset. KM: One third we have removed already. It's not the original amount that was there in the beginning. GM: The accountant's thought was that it was a general accounting procedure. For tax purposes it is allowed in California in part to boost the value of properties, maybe. I will talk with the accountant again tomorrow with the current information that it's not the initial purchase. KM: I will send you the email chain for why this originally happened.

GM: Tomorrow, at 12:30 p.m., there is an event for our staff with free empanadas.

6. Upcoming Meetings:

- a) Election Committee meeting: tbd
- b) Bylaws Committee meeting: 3/22/22, 6:30 p.m.
- c) Owner Engagement Committee meeting: tbd
- d) April Board of Directors meeting: 4/20/22, 6:30 p.m.

Meeting adjourned: 9:05 p.m.

All guests leave the meeting. The Board and GM remain for the Closed Session.

7. Closed Session

Closed session adjourned: 9:26 p.m.

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