

**THE ISLA VISTA FOOD COOPERATIVE Board of Directors Meeting  
Minutes**

**August 17, 2022**

Held via video conference

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Directors Present: Lisa Oglesby (LO), Jillian Tempesta (JT), Raphael Chinchilla (RC), Cody Nunn (CN), Julia Barbosa (JB, entered 6:42 p.m.)

Directors Absent: None

Staff Present: Hernan Cornejo (GM)

Owners/Community Present: Owner Matt Richards (MR), Kent McClard (KM), Bill Palmisano, Philly

*Via Phone: 1 (669) 900-6833; Meeting ID: 377 715 3488, Passcode: 672404*

*Meeting ID: 377 715 3488, Passcode: IVFC*

6:33 p.m. – Meeting begins

1) Approval of Agenda for July 20, 2022 (6:30pm, 5 min.)

***Motion: To approve the agenda as presented in the packet. RC/JT 4-0-0***

2) Owner Input & Announcements (6:35pm, 5 min.)

MR shared that he had a pleasant and productive chat with the Board President at the last Meet the Board event. He also shared that he noticed the water machine has been delivered, which he is excited about. He is concerned about egg waste, as he noticed a case of eggs in the breezeway, each dozen had just one or two broken eggs. He asked whether we can salvage the unbroken eggs. The GM replies that due to food safety regulations, we cannot sell a carton of eggs if even one egg is broken. If we write to the vendor that we receive X amount of egg cartons that contain broken eggs, we will get full credit. Employees can and do the unbroken eggs home. MR also expressed concern about the state of the IVFC banner on the patio (mold, cracks, etc.). Recent meeting minutes are also not posted on the website (the most recent is from March 2022). MR expressed concern over the lack of a GM schedule and inquired whether one would be posted. GM response is that he builds his schedule as he sees fit to complete his duties as GM. He tries to be at the coop on a regular basis, and he is, but he doesn't have a fixed schedule. Sometimes it is noon to evening, sometimes morning to evening, sometimes a quick visit over the weekend. He has a flexible schedule that he plans according to his judgment to fulfill his duties.

3) Approval of June 14, 2022 Board meeting minutes (6:40pm, 5 min.)

***Motion: To approve the minutes as presented. LO/JT, 5-0-0***

4) Board Calendar & Reporting (6:50pm, 30 min.)

#### 4a) Finance Committee/Treasurer's Report

RC reported that the Finance Committee has met to establish a budget for fiscal year 2023. The main point is that the IVFC is expected to grow at slightly above inflation next year. The GM has set goals that are optimistic and attainable. RC also highlighted two accounting irregularities that the GM explained. At first, we thought the \$40,000 loss in July was shrinkage. A small percentage (1-1.5%) could be explained by freezer failure in June. The best estimate we have is that we purchased goods in excess of sales in order to prepare for the students' return. However, since those goods have not yet been sold, we have not yet lost that expenditure. We are not sure whether or not this is an accounting problem. An audit is in process to confirm. The coop is sensitive to drops in the margin.

RC also reported that the IVFC received the Employee Retention Credit, a tax return from the U.S. government. The Finance Committee has begun discussing how this money could be used. When we have a proposal, we will go back to the full board for discussion and approval. We currently believe that we should keep most of it in a rainy day fund and reinvest the rest in equipment and store rehab. JT: When does the Board approve the new budget? LO: No later than September.

#### 4b) Owner Engagement Committee Report

JT reported that on Wednesday, July 27, the OEC had a joint meeting with the GM Evaluation Committee. The OEC discussed locations for the Annual Owner Meeting; consensus was that the indoor/outdoor space at the IVSCD Community Center would be a good option for this return to in-person meeting. The committee proposed a date (11/6) and start time (5 p.m.). On Monday, August 8, the Board President and the OEC Chair had a productive meeting with the GM, the Marketing Manager, and the Marketing Coordinator to discuss Co-op Month in October. We discussed findings from a PR workshop that the Marketing Manager attended and how we could apply that to coop month promotion. We also discussed Owner Meeting ideas, including a street festival and a month of smaller events. Due to logistics, a street festival has been ruled out, but we are moving forward with other events.

LO noted that we need to schedule the next Meet the Board event for September, and RC suggested move-in weekend. JT will email Sadie about Saturday, August 17, at 5 p.m.

#### 4c) IVFC Bylaws Committee Report

LO reported that bylaws work has been progressing. The Board will receive everything all at once for review. MR: When can the owners review? LO: After the draft has been reviewed by the cooperative attorney. There will be extensive weeks of tabling about it. The previous bylaws, the new bylaws, and a list of the changes will be presented together for context.

#### 5) Twin Pines Foundation Cooperative Community Fund (7:20pm, 20 mins)

LO summarized that the IVFC Board joined this agreement in 2000. In the early 2000s, it was a highly popular program to support other coops. This is a donation to a foundation that earns equity. We get the equity back and can re-donate it. Our donation supports the Cooperative Development Fund and other cooperative organizations. It is somewhat of a circular organization. We have neither put money in nor taken money out in some time. We have about \$5,700 in donate-able funds that we can pass to the community. KM: Does the money they hold count as an asset? LO responded no—it is their asset. JT: To confirm, the decision items are 1) what we do with the \$5,700 in their fund currently to be donated and 2) whether we will continue to participate? LO responded that neither has to be decided tonight.

HC shared that this could be an opportunistic organization that does help cooperatives but does so in terms that may not necessarily be the best way to help other cooperatives. He finds the lifetime (of the coop) contract that they require unconscionable, as no current GM or director will be present that far in the future to make financial decisions. If you analyze the financial statements of Twin Pines during COVID, they had high operational expenses (business as normal) yet contributions were almost none. HC shared an instance of Twin Pines suing a coop that wanted to dissolve.

KM: When we give money to Twin Pines, do we get a tax break? I don't think we lose the tax break. HC: Yes, we lose the money.

The Board discussed the pros and cons of breaking the contract, consequences of ending our partnership, and whether it is worth taking action vs. continuing with minimal contributions, as we have been doing. The GM thinks we may be able to convince the NCG to be the middleman to let us break the contract. RC worries that they will not let us leave because they don't want to set a precedent.

Ultimately, the Board decided to let Twin Pines know that the agreement is not working and see how they would like to proceed.

## 6) GM Reporting (7:50pm, 60 min.)

### General Overview

The GM reported that COVID staff absences forced early closures during our peak hours, which contributed to losses in July. However, we are in a liquid position with cumulative revenues of \$460,940.

The NCG performance report for June 2022 is out. We dropped from third to 13th place with a growth rate of 50%. Even though June is one of our worst months of the year, we're still competitive. Only 31 cooperatives made it to that list.

Longtime IV residents have noted that this summer is especially empty in town. The IVFC has also noted lower basket sizes.

### HR / Staffing

The GM corrected the GM report, noting that the IVFC lost some employees in produce and deli, and cashiers, who have taken a longer summer break. As of now, we have 31 employees, not 36.

### Department Highlights

The GM gave an update on departmental project progress and provided an example. One such project is a partnership with the UCSB Food Bank, which has approached the IVFC about supplying 85 meals a day. The GM is working with external sources to see if we can supply that. We do not have the equipment, space, or the people to fulfill this in-house.

### Marketing and Outreach

The GM shared that this month, the IVFC started a buy-one, get-one program (BOGO). It has not yet been evaluated, but at first glance, there has not been the expected sales increase. The GM noted that the products the NCG chose are not top sellers, so that could be a contributing factor. The NCG's choices are opaque. RC: Does the BOGO program cost us anything? HC: No. They use our financing in that we buy both items in each sale, but we are reimbursed for the second item. JT noted that none of the items were staples, and HC agreed that the financial climate contributed to shoppers not being willing to take a chance on these items.

The GM reported that a flier will hit 2,900 mailboxes on Friday to encourage more IVFC shoppers. We chose for it to drop on Friday so that it arrived before weekend grocery shopping but does not get swept up in the usual junk mail that arrives on Tuesdays and Wednesdays. Family Student Housing and Faculty Housing were targets, as well as housing near Smart & Final and by the ocean. We are working on stocking a produce mix that will attract local Hispanic households, and will then send a bilingual communication. MR asked if the flier ever had been sent to West Goleta, and the chair responded that no, this was a new program. MR also noted the generic look and LO responded that they are from the NCG and are not IVFC-specific.

### Maintenance and Repairs

The GM reported that the new security system has been installed and we have not had any maintenance issues. We are waiting for a spare part for the dumpster doors.

### Membership

The GM reported that there are over 1,700 active owners. No significant updates.

### 2022-2023 Budget

The GM presented the new budget, which projects \$4.1M in sales over the next year. It is small growth compared to the previous year in part because the atmosphere is pointing to a recession. Grocery stores are resilient to recession, but in our case, we will have to be creative (most of our top sellers are snacks). We projected a 36.4% margin as the minimum. Manager goals are higher (38-39% margin). Prices are not updated daily, so

there is a lag to price adjustments. Industry standard for marketing budget is 3%, but we budgeted .6% because our market is so distinct.

### Financial Updates

The GM shared that the IVFC is going to reach \$160,000 in profits (discounting ECR), and so employee bonuses will proceed. The smallest chunk will go to the managers. LO: The full board will need to approve the bonus program because of the size of the expense. Our personnel expenses reflect our desire to invest in our workforce.

This week is looking bumpy but OK.

### 7) Upcoming Meetings (8:50pm, 5 min.)

- a) GM Evaluation Committee: 8/24 at 6:30pm
- b) Bylaws Committee meeting: 8/23 at 6:30pm
- c) Finance Committee meeting 8/26 at 4pm
- c) Owner Engagement Committee meeting: 9/7 at 6:30pm
- d) September Board of Directors meeting: 9/21 at 6:30pm

### 8. Closed Session

GM and Board enter Closed Session.

*8:47 p.m. – Meeting ended.*

*Minutes taken by Jillian Tempesta, Corporate Secretary.*

*Minutes approved by Board of Directors, September 19,2022.*