

Silver City Food Co-op Board Meeting Agenda
Wednesday July 17, 2019— 5:30 P.M. to 7:30 P.M.
LOCATION: 907 Pope St.

Present: Board Members Kristin Lundgren, Gwen Lacy, Julianna Albershart, Laurie Anderson, Scott Zager, Shanti Ceane (by phone); Interim GM Mike Madigan; Members Betty Mishuk, Susan VanAuken, Naava Koenigsburg; Employee Kate Stamsberger; Scribe Jo Lutz

I. Welcome / Membership-board discussion (5:30-6:10 40 minutes)

A. Board approves the agenda by consensus

B. Directors' Announcements. Jennifer is out of country,

C. Members' comments

Betty Mishuk asks that more handouts be available at meetings, for instance amendment proposals and B-Policy reports. Susan wants to know if committee notes will be discussed. Laurie says that they are.

D. Discussion of NCG / Silver City Compliance Report. The CAG reviewer last year did a comparison with specialty grocery stores. Mike has report from NCG with better comparison. The co-op gets participation report every year about how we complied with NCG expectations. System-wide, same-store growth averaged almost 2% in 2018. A question was asked in response to B-Report: is there a goal for the margin? NCG suggests that a small increase would be good. Mike agrees a small increase would be good, but it means an increase in prices, about which he is hesitant. Currently we have reduced accessibility to our store, and already widespread perception of high prices. The gross margin has decreased over the last couple of years. This is due to the Market Café closing. NCG does not set a benchmark for good reason, because of the number of intangibles. Gross margin is reset each quarter, so we don't know what it is until the end of quarters. Scott says corrections may be as high as 1% of revenue. Laurie explains difference between gross margin and profit. Gross margin is only percentage of sales to cost of sales, does not include other costs. The co-op is doing very good job of eeking out sales from the current space. Gwen asks about membership drives. Mike says had decided to focus on in-reach for the last few years, but it never really got off the ground. The co-op is in compliance with all of NCG attendance except for one missed meeting. The UNFI supply contract is important, it saved the co-op \$74,311 last year. The change in equity was plus 7.04%. Betty says that memberships and donations for the new building grew our equity. Donations will cease in the future, but membership fee will increase. NCG reports a 1.03% average debt to equity ratio for their membership, our co-op's was .78%. The recommended upper threshold is 2%. Cash on hand increased over 2018 to 16.58 days of cash. Mike reached out to other co-ops to ask about boundaries for cash on hand. 10 day/month seemed to be a common goal, with some dipping down as low as 6. Laurie says our cash on hand is still acceptable even when the restricted-use donations are not considered. Many natural food retailers are experiencing slowed growth, in 2018 it was 4% for NCG members from a goal of 5%. For the month of May our growth was 3.5%. The total for last

year was 1.45%, following a decrease the previous year. The trend seems to be going up, but requires a wider assessment. Co-op staff is looking into possibility of selling alcohol, which would help with margins. Our average margin for 2018 was 36.1%, almost at the 37% NCG average. For the month of May our personnel cost is 26.47%. The goal is 25%. There are increases during months when inventory or an all-staff meeting occurs. This is the lowest annual personnel expense in 5 years, which is also related to the Market Café closure. Mike is taking a seminar on key indicators to assess operational profitability. Some are net income as a percentage of sales, and EBITDAP, which is all of net income adding back in things that can't change as part of operations (taxes, depreciation, etc). The seminar's goal EBITDAP is 4%. Our current is 2.74%. The NCG goal is 6%, but their average is 2%. The risk matrix score includes capital, asset quality, earnings, and liquidity among other indicators. The NCG average is 58.11%. Ours is 50%. The change in senior management can impact this score.

D. Discussion of NCG / Silver City Compliance Report

We are in compliance with all of NCG reporting requirements. Our equity in NCG is \$3,754, and we paid \$4,678 in dues. The next NCG meeting of designated co-op representatives is in September, which Mike will attend.

I. Old Business (6:10-6:25, 15 minutes)

A. The Board approves June minutes by consensus.

B. Approve new B Policies: The Board approves new B-Policies by consensus. Susan asks if these are new or old B-Policies. Julianna says the formats were changed in conjunction with a lawyer at the Board retreat, and fastidious records were kept of changes. Guidelines for GM will be forthcoming, including sample reports. Laurie says the Board is returning to a more policy-governance model that says what management cannot do rather than describing what they should do. Susan gives blessings to all involved in revising B-Reports. Scott thanks Julianna for putting together the revisions.

II. New Business (6:25-7:00pm, 25 minutes)

A. Proposal for change meeting times & structure: Alternating times and formats is confusing and onerous, this proposal changes meeting time to 5:30, discontinues the alternating format, with the possibility to call a special meeting if large numbers of member need to voice concerns. Laurie assures Susan there will always be opportunity for members to speak. Shanti wants to consider what information to provide along with the agenda. Susan cautions about putting additional files on web. Naava cautions against posting committee

minutes. Mike thinks it is not appropriate to put B-6 report in website. The Board approves the proposal by consensus.

B. Proposed Amendments to Bylaws. Termination of Membership would be possible with 5% or 100 members voting as long as the terminated member has had opportunity to respond in writing; the Board should have minimum of 5, not a maximum of 7 members. Terms for Directors: allows for the extension of board terms to cover resignation, as long as total term does not exceed 4 years. Another proposed bylaw would define "substantial portion" as 75% of appraised value of fixed assets. This would allow either building to be sold without a 2/3 member approval. A voting ballot with the proposed bylaws will be published in August GG for voting my mail, in store, or at the August meeting. An email blast will notify members of the vote 3 weeks in advance. Betty volunteers to help with in-store voting and ballot counting. Policy can change more easily than bylaws, so that a maximum number of board members can be set in policy and changed as needed without amending bylaws. But it may be better to put it in the bylaws to avoid the appearance of politics. Gwen wants a bigger board. Various limits were suggested, the Board decided on 9. Board approves by consensus putting the proposed bylaws changes to members with typos corrected and the addition of a 9-board-member maximum.

C. Approved PSPC charter: The Board approves PSPC charter by consensus. The new charter changes meeting schedule to monthly meetings with more as needed, rather than mandatory bi-monthly meetings.

D. Needed change to meeting announcement on GG page

III. **Committee Decisions and Announcements (7:00-7:10 pm, 10 minutes)**

Member Connect (MC) No meeting

Recruitment, Orientation and Development (ROD) No Meeting Board and Management Evaluation (BME) Combined with BR Finance Committee (FN) notes (no meeting);

Pope Street Project Committee (PSPC) notes: Shanti has the personal info and resume of a gentleman from Columinate. Betty has been working on mini member loans, and will meet with SBDC to talk about how to determine something for the pro forma. Mike is meeting with staff and Shanti and Steven Shelendich to workshop floor plans. Email from Fowler Brothers about a verbal quote for half price of the El Paso offer. There is \$15,000 left in the donation account. Mike brings up the environmental concern related to 907. Mario from SBDC said he would not as a banker approve the sale of a property with a recognized environmental concern. Shanti says the concern was regarding a dry cleaner from 1950s within a certain distance from the parking lot. The Phase 1 assessors did not recommend a Phase 2, but Shanti will research and find location of original dry cleaner.

Bylaws Review Committee (BR) notes: (see above proposal)

General Manager Search Committee (GMSC) notes: Scott posted the position on Indeed, local and regional newspapers, NCG, and Cooperative Grocers. A subcommittee will be formed to evaluate candidates, consisting of 2 board members, 2 elected staff members, and 2 general members. The subcommittee will interview and inquire after references. The end results will be a ranked list of candidates that would then be submitted to Board

IV. Monitoring Reports (7:10 -7:20 pm, 10 minutes)

Acknowledge B6 (Manager's Report) : The Board acknowledges B6 (Manager's Report) by consensus. Customer count is down, but sales up, a staff member is seeking workers comp, a new staff member is training as part of office staff, the Farmers Market is going to move to 907 parking lot first week of August. This has been cleared with our insurance provider.

VI. Board Meeting Closure (7:20 – 7:30 pm, 10 minutes) Review task list, tabled items, if any, and calendar.