

Silver City Food Co-op — Board Meeting Minutes
Monday June 25, 2018— 4:30 p.m. to 7:00 p.m. —
NEW LOCATION: The Volunteer Center - 501 East 13th Street.

Present: General Manager Joe Zwiebach, Board President Jennifer Johnston, Treasurer Laurie Anderson, Vice President Jean-Robert Beffort, Secretary Dan Herbison by video conference, board members Shanti Ceane, Julianna Albershardt. Co-op Members: Betty Mishuk, Dean Jarosh. Susan Van Auken, John Song, Sharon Bookwalter, Bill Landenau, Veronique de Jaegher

A. Meet called to order 4:35.

1. Agenda approved by consensus.
2. Member Comments

Bill Lindenau spoke a second time urging caution in commitment of resources, and to consider a bad economy or membership lag regarding expanding the store. He shared that La Montanita worked with CDS, NCGA, and UNFI to expand into new location where they lost revenue. According to Bill, a Take Back the Co-op movement within La Montanita rose and severed ties with consultants, removed management, and turned loss into profit. Susan Van Auken says she has worked with CDS before, and found them shortly unable to offer meaningful guidance. She also urges caution, and doesn't think it's a good idea to take on large debt. Dean Jarosh likes current location and doesn't want to mess with a good thing.

3. Betty offers appreciation of the Board's difficult job.
4. No Directors Announcements.

B. Video conference meeting with Bill Gessner of CDS Consulting

1. Bill has been doing consulting with food coops for 30 years, worked on 250-300 projects including expansion. His primary work is helping Co-ops in planning and implementation. His services would help assess feasibility from different viewpoints: market, financial, internal readiness/capacity, design. He can do a financial pro forma working primarily with the general manager, which would support putting together a business plan he could also help with. He would make assumptions depending on the goals of expansion, including envisioned changes of merchandise, and create a budget for the project, and project forward a 10-year P&L, cash flow, balance sheet, and key ratios. He says the current balance sheet is strong and he is glad to see the co-op looking at relocation. Jennifer asked why? He says he wonders if we can continue to serve our growing market in current location. The co-op's ratio of \$3.5 million with 2200 square feet represents well above industry average. Jean wanted to know if we could base analysis on more than 3 years of financial history. Bill said 3 years is the industry norm but he is open to lengthening it. He can either use an average of past performance or factor in trends going forward. Jennifer asked how many of Bill's 250 expansions were in small towns or rural areas? Bill could think of a dozen or so in towns of 10,000 or less. Laurie wanted to know, other than Bill's fee, is there any contractual agreement to purchase other services or accept recommendations? Bill said emphatically not. Laurie asked Bill to talk about a failure and what he learned. Jennifer specified La Montanita, since that was brought up in member comments. Bill has not had direct experience with La Montanita for 20 years. He was not aware of CDS providing services related to expansion. He remarked on another project that failed, a small co-op in Buffalo, MN where the co-op had to vacate when the city purchased their building They were forced into the back of a drugstore. He says CDS did not choose that direction, and that he tried to make it work, but they didn't even have their own identity. He thinks it couldn't have gone another way.

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2. Old Business

3. May minutes don't reflect choosing a chair for BME, Julianna volunteered. Pending this correction, the May minutes are approved by consensus.
4. The Board discussed the proposal for Every Other Month Board Business Meetings and Revised Calendar, tabled from previous month. After discussion, it is decided to adopt the proposal by consensus, with one stand aside, but with additional executive sessions on in-between Wednesdays, since many decisions are necessary with the Pope Street project. Those executive sessions could be canceled if they turn out not to be necessary.
5. The Board approved the strategic plan by consensus.

C. Monitoring Report

1. The Board Acknowledged B1 (Staff Treatment) Monitoring Report. Laurie was pleased to see addendum about the incident report. Jennifer is concerned that this revision has not been completed in one year's time, and requests a timeline. Joe points out that the co-op does have a policy in place, and although management would like to improve it to involve less case-by-case decision-making, it has been justifiably back-burnered over the past year as more pressing concerns have arisen. The Co-op is also creating a staff webpage with all of the policies. Jennifer proposes deeper monitoring as opposed to hard deadlines. The board agrees to check on the progress of a draft policy in September of policies B1.2 and 1.5.
2. Board acknowledged by consensus B6 (Communication and Counsel to the Board) Next year coolers could become a major project, costing \$150-200k. Finding a refrigeration contractor is a hurdle to projecting the cost because only a contractor would know what has to be done to meet codes. Fridge could be down for 1-3 weeks.

D. Committee Decisions and Announcements

1. Member Connect (MC) Meeting notes: Dan will write an article for the Garbanzo Gazette on expansion updates due in 1 week, and will get it reviewed by another board member by July 1st or 2nd. The Board approves by consensus Scott Zager and Betty Mishuk be added to the Member Connect Committee. Jennifer suggests the charter be amended so that committee chairs can add members without a full board vote.
2. The Recruitment, Orientation and Development (ROD) did not meet.
3. The Board and Manager Evaluation (BME) did not meet.
4. The Finance Committee (FN) did not meet.
5. The Bylaws Review Committee (BR) did not meet.

E. Pope Street Expansion project

1. Board reviews business plan rough draft. Board member will submit personal bios of 2-3 sentences. It contains reasoning behind move as well as cost estimates, including estimates of 650k for equipment and 750k for construction. The differential in the floor from front to back makes it difficult to estimate. CDS could help decide which contractor recommendations are sales pitches. Talking with ABQ installers about refrigeration equipment. Determining what debt the co-op can take on will determine what kind of refrigeration should be purchased. Joe thinks we could take on 10k/month easily, Betty thinks 5k. Joe says his estimate is based on research, making conservative department-by-department guesses. The contingency plan accounts for no growth at new place, and includes cutting payroll and going back down to 2 registers. Ability to ramp up growth at

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new location in phases is constrained by the fact we need 3200 square feet just for current inventory, and once refrigeration is in it can't be moved so must be installed with long-term plan in mind. 10% revenue increase would finance what Joe described as a basic move. Possibility is examined of a market study from CSD costing \$5500, which Jennifer finds reasonable. Joe thinks it's suspiciously cheap, and Jennifer says it is because the original cost included many analyses that don't apply to us, which she had them remove from the estimate. She thinks revenue could increase by 25%. Joe points out that demolition, electrical, plumbing, refrigeration are known unknowns, and different staging options can't be priced without contractor estimates. He says we might have to move forward without knowing everything, having accomplished an amazing amount already by any standard. He thinks the co-op could do a "bare bones" expansion at \$800,000 financed at 5k/month.

2. Board discusses Jean's proposal to form task force to look into options for manager-board liaison/project manager. Their task is to determine the scope of the job and come up with a few options for candidates. Jean and Julianna want to be on the task force. Dan also thinks we need professional project manager, agrees that committee could be best way to explore, would be happy to be involved. Joe points out that we don't need to decide now. Jean volunteers to convene the committee. Board approves by consensus the formation of a committee to research the project manager position, and appoints Jean, Dan, and Julianna to that committee.
3. Discussion of bids for Board-GM relationship support is moved to executive session.
4. Discussion of member loan campaign is tabled.

F. Board Meeting Called to close 7:47

Executive Session convenes on real estate matter