

**Minutes of the
Marquette Food Co-op Board of Directors
December 15, 2015 Meeting**

Start time: Meeting was called to order by president Tom McKenzie at 6:05 p.m.

Roll call: Brian Brady, Phil Britton, Brad Jackson, Barbara Krause, Janna Lies, Tom McKenzie, Mike Potts, Emily Wright.

Absent: Cori Noordyk (excused).

Staff: GM Matt Gougeon, Mary Moe, Natasha Lantz.

Public: Jamie Acox.

II. Preliminaries:

Approval of Agenda & Additions: The agenda was reviewed. GM added NCG Agreements and Resolution of the Board for Range Bank to Board Monitoring. D3 was changed to D4 – Monitoring GM Performance.

Motion: To approve agenda with changes (*motion by B. Krause, second E. Wright*).

Action: Motion passed unanimously.

Review of November Minutes: The minutes were reviewed and no changes were made.

Motion: To approve the November minutes without changes (*motion by P. Britton, second B. Jackson*).

Action: Motion passed unanimously.

Electronic Communications: None.

III. First Public Comment: Jamie Acox commented that she was interested in attending a Board meeting in the MFC's new building.

IV. GM Monitoring

(a) Store Report (M. Gougeon): The GM provided a written report and explained that sales are somewhat flat. October sales were about the same as last October. November and December have seen 4% growth. The two days before Thanksgiving had 20% growth. The GM reported that there are several positions open at the MFC. Abbey Palmer is leaving the MFC to work as a farm educator at MSU extension. There have been no applications for the Meat Manager position. After the recent audit of the meat department, changes have been made and there has been a 7% increase in sales in that department. The Media and Events Coordinator is a new position driven by the strategic plan. The store is undergoing hand inventory counts. The POS Coordinator has identified where issues are and hand counts are finding the variance between the POS system and actual merchandise. The MFC plans to do quarterly counts and could gain back \$30-\$40,000 with inventory management. The wage schedule revision has been given to staff. GM and HR have attended all department meetings to explain changes and answer questions.

(b) L6 – Budgeting & Financial Planning (M. Gougeon): The Board received the report prior to the meeting and came prepared to act. The Board did not have any questions and determined that the report demonstrated compliance except as noted on the report.

Interpretation Reasonable: Yes.

Adequate Data: Yes.

The report was accepted as in compliance except for L6.1.

The GM reported that L6.1. is not in compliance because the MFC is not meeting benchmarks for current ratios due to expansion. L6.3, which addresses governance investment, was discussed. The report had the incorrect amount for governance investment, which is .005% instead of .0075%. The GM explained that in its biggest year, Board spending was about \$19,000, and policy currently allows for \$41,500. The G6 policy was reviewed and it was determined that because the policy says “up to .005%” L6.3 is in compliance. The GM also reviewed the three-year Financial Plan and reported that the MFC’s cash situation is improving now that it is caught up with payments to CPW supplier. The store had been paying \$30,000/month since stocking the new store for its opening. The GM reported that payroll has pretty much evened out week to week. He is monitoring the debt to equity ratio as the MFC continues to lose money on the income statement, primarily due to depreciation. The MFC lost money to retained earnings last year and is continuing to lose this year. The GM reported that the store is ahead of schedule on recovery and the current ratio is starting to climb back up. He is continuing to monitor debt coverage and thinks the budget will be close to breaking even. The MFC will be focusing on cash generation, 2016 margin management, and messaging and pricing strategies. He has budgeted for 5% growth and explained that gaining new members will also be important. The GM reported that the MFC might reach \$8 million this year. There is currently \$80,000 in escrow from preferred shares. The debt to equity ratio projections and current ratio of assets to liabilities were reviewed.

(c) G6 – Governance Investment (T. McKenzie): The Board discussed maintaining an investment of up to .005% to allow for board training and conferences. Any funds not utilized will go back to the general fund. No changes to the policy were recommended.

(d) G4 – Board Code of Conduct (B. Brady): G4.3.3 was discussed. If D4 is revised it would conflict with D4. G4 was left as is, but will need to be revised if D4 is changed.

(e) D4 – Monitoring GM Performance (B. Brady): The Board has been conducting GM performance evaluations as they have been conducted by past boards. Traditionally, the evaluation has included interviewing managers. However, it was discussed that these methods are not actually required by policy as it is currently written. The Board discussed that it needs to decide whether the policy needs to be updated to require manager interviews. B. Brady proposed that the Board consider a major revision of D4 because the current methods add value to the evaluation process. The Board will discuss revising D4 in January.

V. Second Public Comment Period: Jamie Acox inquired about the national average for yearly growth for co-ops. The GM explained that growth is generally lower, around 4-5%, down from 12% because of large natural foods chains.

VI. Range Resolution: GM explained that NCG is requiring a board resolution and signature page for the Board President to approve agreements. If co-ops fall out of compliance, boards will be notified. The resolution was read aloud.

Motion: To approve signature of the President and Secretary on the document.
(*motion by B. Brady, second B. Jackson*).
Action: Motion passed unanimously.

VII. Break. The Board was given time to read the NCG agreement documents.

VIII. Outreach Reports

(a) Outreach Report (N. Lantz): Lantz reported that elections are coming up. There are two applications so far. The deadline for the next newsletter is February 1. The Annual Meeting will be on March 18. Voting will take place February 29 – March 11. Applications for the Board are due December 31. J. Lies and B. Brady are not running for reelection. The Annual Report will be presented at the Annual Meeting. The Board President needs to provide a message for the report by mid-January. Lantz provided background about the Five-Two Plan for memberships. The MFC is surveying new members that signed up through the plan and will likely roll it out again as an option during a larger membership drive. The Board inquired about whether there is a deadline for default with this plan, and Lantz explained that is an aspect of this plan they are still figuring out, which is partially why the plan was initially offered for only the month of October. The Growth and Promotional Teams are wrapping up the audit phase this week. Reports will be compiled and will become part of the marketing plan. Lantz visited several other stores to look at merchandizing and marketing. The round up at the register fundraising campaign for the United Way is currently at 42% of its \$3,000 goal. Private classes are quite successful. There is community interest in partnering with the MFC, which Lantz will provide more information about in the future.

(b). UP Food Exchange Report (N. Lantz): A trial run of UPFE distribution has taken place with product being picked up in Chatham, brought to the MFC, and returning with product to deliver to purchasers from the online marketplace. Lantz reported that UPFE rents cooler space to Wintergreen Farm and provides storage for product for school fundraisers, which benefit school systems and local farmers. Efforts to connect distribution networks are underway. Lantz reported that the *Mining Journal* wrote a nice piece on the Group GAP program. P. Britton and N. Lantz are continuing to work with the state and Cherry Capital Foods. Group GAP is rolling out nationwide. P. Britton and N. Lantz are looking at logistics on the state level. Lantz reported on the Farm to School program. Fifth graders will be coming to the MFC to learn to prepare healthy snacks. Lantz invited the Board to sit in on classes.

Lantz also commented that it may have been 2011 when the Board began asking managers to participate in GM evaluation.

Board Monitoring & Discussion

(a) Committee Reports:

(i) GM Evaluation (J. Lies, B. Brady, and T. McKenzie.): Committee met twice in the last week. Discussion will be held during closed session later in the meeting.

(ii) Finance Committee (B. Krause, J. Lies, and B. Brady): Will be holding meetings regularly on the second Tuesday of each month at 6pm. Committee met last week. Talked about ratios and discussed that the store hit bottom at the end of September and should go

up. October income was positive. The Committee discussed debt renewals. The GM is working with all possible lenders. The Committee reported that it discussed Pace financing, which would allow the MFC to refinance items that are energy efficiency improvements. The Committee reported that rates are somewhat high, but it would not be presented as debt on the balance sheet.

(iii) Communications Committee (P. Britton, E. Wright, B. Jackson, and C. Noordyk): Did not meet but reported on November meeting. The Committee discussed the Harvest Potluck, which is a lot of work without a big return. The Committee discussed other options and ideas and commented on the success of the Ice Cream Social.

(iv) Elections/Nominations/Orientation: Two applications have been received. There are three vacancies that need to be filled. B. Krause challenged the Board to bring forth applicants. Potential applicants can visit the MFC website for information. After the December 31st deadline, the Committee will meet and candidates will be presented at the next meeting.

(v) Board Education (B. Jackson, C. Noordyk, P. Britton, B. Krause): Did not meet. Committee members were assigned.

(b) Ends Survey and Blog Review:

(i) Ends Survey & Blog Review: The next blog post will be in January. T. McKenzie will write the January blog post about Ends 1 and send it to the Board for review.

(c) 12/31 BOD Candidate Nomination Period Ends

(d) NCG Agreements:

Motion: To have Board President T. McKenzie sign the NCG Member Co-op Resolution.

(motion by B. Krause, second B. Brady).

Action: Motion passed unanimously.

IX. Third Public Comment: Emily Weddle, Board Recorder, thanked the Board and MFC for their gifts.

X. Closed Session for GM Evaluation

The Public and Board Recorder were excused. Board Secretary P. Britton agreed to record minutes for the Closings after closed session.

Motion: To go into closed session at 8:39 p.m. (*motion by B. Brady, second J. Lies*).

Action: Motion passed unanimously.

XI. Closings

(a) January Assignments:

- i. Store Report (M. Gougeon)
- ii. Outreach Reports (N. Lantz)
- iii. Ends 2 Blog (C. Noordyk)
- iv. Ends 1 Survey
- v. Annual Ends Report (M. Gougeon)

- vi. G7 – President’s Role (E. Wright)
- vii. G4 – Board Code of Conduct (B. Brady)
- viii. D4 – Monitoring GM Performance (B. Brady)
- ix. Newsletter Bios for Board Candidates Due
- x. Reconsider Outside Audit

XI. Motion to adjourn at 9:35 p.m. (*motion by B. Brady, second E. Wright*).
Action: Motion passed unanimously.

Next Board Meeting: January 19, 2016 at 6:00 p.m.

Emily Weddle
Board Recorder

Monitoring Report

Policy Type: Executive Limitations

Policy Title: L6 – Budgeting/Financial Planning

Reporting Period: December 15, 2015

I report compliance with this policy except for L6.3 & L6.1. Updates to this report are highlighted in yellow.

Global: Financial planning for any fiscal year or the remaining part of any fiscal year will not deviate materially from the Board's Ends priorities, risk financial jeopardy, or fail to be derived from a multi-year plan.

Interpretation - Any financial plan for the co-op shall be born of the priorities of the board as set forth in their prescribed ends policies and be adapted to meet any and all changes in those ends policies. Said plans shall not potentially or actually jeopardize the MFC 's financial standing and shall encompass two or more years of business projection.

The GM will not allow plans that:

L6.1: *Risk incurring those situations or conditions described as unacceptable in the board policy "Financial Condition and Activities"*

Interpretation - Any financial plan will keep integral the conditions and benchmarks stated in L5 "Financial Condition and Activity" of the MFC policy register as assurance of continued financial health.

Data: See financial plan. Unacceptable conditions are avoided within the plan. Objectives of maintaining sufficient liquidity through a current ratio of not less than 2:1 and maintaining sales and net income at levels sufficient to support operations and annual goals are met. **The plan directly references sales growth, Debt to Equity, and sufficient liquidity. Current ratio is currently below board proscribed benchmark, as is Debt to Equity. The Financial plan discusses the trajectory of each of these ratios and their recovery toward board proscribed benchmarks.**

L6.2 *Omit credible projection of revenues and expenses, owner investment and return, separation of capital and operational items, cash flow, and disclosure of planning assumptions.*

Interpretation – Any budget or financial plan shall provide clearly stated substantive assumptions of revenue and expense generation and expectations of owner investment and

return. The plan shall delineate between the capital and operational sides of implementation and express projected cash flow.

Data: See the budget for FY2015. Operations budget assumes continued recovery post expansion and that we are ready to grow the store through 2016. The Financial Plan clearly shows investment and return expectations. It is assumed that a Capital Budget for 2016 is not necessary beyond what is contained within the general budget categories of small equipment and repair and maintenance needs.

L6.2.1 *Contain insufficient details to support assumptions.*

Interpretation - All budget or financial plan assumptions shall be supported by data.

Data: See budget, statements of cash flows, and financial plan. Assumptions and projections are based on actual MFC data and documented industry trends.

L6.3 *Provide less for board prerogatives during the year than is set forth in the Governance Investment Policy.*

Interpretation - Any budget or financial plan will include funding for board prerogatives and governance as set forth in G6 "Governance Investment" of the MFC policy register.

Data: See budget. Governance expense as projected in the budget is based on historical figures and not policy. If Governance Expense is budgeted in accordance with Policy G6 at .0075% of projected revenue, Governance Expense will be in excess of \$62,000.00 dollars. The GM recommends the board discuss the G6 policy as revenue has significantly grown since the adoption of the policy. The GM will act according to the will of the Board.

L6.4 Are not updated annually

Interpretation - Any budget or financial plan will be revisited, updated, and adapted annually.

Data: The budget and plan are revisited in June each year and updated and adapted in December of each year as per the Board monitoring calendar.