

**Minutes of the
Marquette Food Co-op Board of Directors
June 21, 2016 Meeting**

Start time: Meeting was called to order by president Tom McKenzie at 6:00 p.m.

Roll call: Michelle Augustyn, Brian Brady, Phil Britton, Brad Jackson, Rick Kochis, Barbara Krause, Tom McKenzie, Cori Noordyk, Mike Potts.

Absent: Janna Lies (excused), Emily Wright (excused).

Staff: GM Matt Gougeon, Natasha Lantz, Kelly Cantway, Kat Eaton, Evan Zimmerman, Mary Moe.

Public: Kyle Baron, Glenn Sarka.

II. Preliminaries:

(a) Approval of Agenda & Additions: The Board discussed moving “Replacement Board Member Recruitment” discussion to first public comment period and hold closed session for further discussion before the break.

Motion: To approve agenda with changes (*motion by* P. Britton, *second* B. Jackson).

Action: Motion passed unanimously.

(b) Review of May Minutes: Misspelling of Rick Kochis’ name was identified and will be corrected.

Motion: To approve the May minutes with changes (*motion by* B. Brady, *second* B. Krause).

Action: Motion passed unanimously.

(c) Swearing In of New Board Members: New Board members Rick Kochis and Michelle Augustyn were welcomed.

(d) Officer Elections: P. Britton was nominated for President. C. Noordyk was nominated for Vice President. E. Wright was nominated for Secretary. B. Krause was nominated for Treasurer. All candidates were unopposed and elected to respective positions.

(e) Electronic Communications: The Board communicated electronically to schedule a June 2 meeting to review the term letter for loan refinancing.

Motion: To approve the June 2 meeting minutes without changes (*motion by* B. Krause, *second* C. Noordyk).

Action: Motion passed unanimously.

III. First Public Comment: MFC staff in attendance introduced themselves. Two members of the public who were interested in running for the open seat on the board introduced themselves. Glenn shared that he served five years on the MFC Board of Directors in a number of positions including Board President and served on many committees. He currently works as Marquette County Prosecutor. Kyle Baron introduced himself and shared that he is a recent vegetarian interested in co-op and farmer relations and currently works for Delta. The Board explained that the open position continues until the next Board election. The GM commented that there are other potential candidates interested in the open position. The Board decided to discuss filling the open position during closed session before the break.

IV. GM Monitoring

(a) Store Report (M. Gougeon): The GM provided a mid-year update to the Three Year Financial Plan and explained that debt to equity has increased, the current ratio has decreased, and cash is less but is still according to projections. The quarter over quarter losses are eroding the debt to equity ratio. There is a plan in place to reduce accounts payable, and the MFC is about halfway in paying it down. The MFC still has a \$100,000 line of credit available. The GM reviewed the budget and explained that the budget was set up to reflect 6% growth, however the actual growth is closer to 5-5.5%. He noted that sales are starting to pick up in the second quarter. The GM commented that the COGS figure fluctuates, but feels confident in the values from the POS system. Reporting methods will be reviewed in the coming months. The Board inquired if it would be helpful to consider a review of agreed upon procedures at this time. The GM informed the Board that there will be an NCG auditor visiting the store. The GM reported that labor is still high but under budget. The Board inquired if there are any departments that stand out as needing improvement. The GM commented that meat and prepared foods probably break even in sales, but account for 14-15% of store sales. Mary Moe noted that labor was almost at 40% when departments opened and is now down to 30%. The GM added that NCG will be auditing the departments and suggesting improvements.

The GM explained that in April the store began plan to reduce accounts payable. With an uptick in sales and tightening up on labor and expenses, things are improving. The GM detailed a plan focusing on productivity, personnel, pricing, and product. The MFC has attained 75% full time staff and has gone from 94 employees to a current low of 80. The goal is to reduce 120 hours and see an uptick in sales, which will help the SPLH ratio. The GM reported that sales in April, May, and June have been good. Pricing strategy efforts are taking shape. Managers participated in NCG pricing webinars and have been comparison shopping. Every day low price (EDLP) products from the Field Day brand are being stocked, and the store will be bringing in other EDLP brands. The MFC is working on a comprehensive marketing plan. The Merchandiser's efforts will unify product selections and the marketing plan. The MFC's focus on product has been from the back end. The POS Coordinator's variance reports show improved control. Data is helping improve sales through smarter buying. Evan is working on creating a report for managers to better understand product sales, which will help the store more efficiently purchase product. The GM reported that inventory turns are good. The Board inquired about the UNFI warehouse. The GM reported that the warehouse serving the MFC is moving from Racine to Prescott. The new Prescott warehouse serves more co-ops so will carry a better product mix. It will also offer night drops, which will help the MFC reduce labor and increase efficiency.

(b) L6 – Budgeting and Financial Planning (M. Gougeon): The Board received the report. New Board members were given time to review the report during the meeting. The Board determined that the report demonstrated compliance. There were no questions.

Interpretation Reasonable: Yes.

Adequate Data: Yes.

The report was accepted as in compliance.

V. Outreach Reports

(a,b) Outreach and UP Food Exchange Report (N. Lantz): Lantz reported that registration is open for the Together at the Farm event. Lantz attended the NCG Marketing Matters conference with Sam and Chad, which went over pricing and product from a marketing perspective. The 5/2 Plan

has been re-implemented. In the first 19 days of June 60 new members have signed up. The Board discussed the equity share amount. Lantz reported that she gave a presentation to UP Health Plan staff about local food access, including the MFC's future participation in the Double Up Food Bucks program. Farm site visits are underway. Farmers are seeing efficiencies now that safety plans are implemented. Area farms are still pursuing GAP certification. There will be a mock audit and food safety drill for farms. Lantz reported on the composting curbside collection pilot project. Information is available in the store. Planning is already underway for October Co-op Month. The Owner Services position is open and interviews are scheduled for next week. Lantz reported that she and the GM were invited by NCG to participate in Lobby Week in Washington, D.C. and shared highlights from their visit. NCG is part of the National Organic Coalition that makes policy recommendations and advocates for organic practices. Lantz and the GM were briefed by Food and Water Watch on key issues surrounding research, organic integrity/labeling, certification funds, animal welfare, seed diversity, and genetic drift.

VI. Second Public Comment Period: Glenn commented that he completed an application for the Board position. B. Brady commented that prior to expansion, the number one request from the ownership was to have a deli/prepared foods department. He also noted that since all members of the GM Evaluation Committee are leaving the Board he will send information to new Board President P. Britton.

Motion: To enter into closed session at 7:40pm (*motion by* R. Kochis, *second* B. Krause).

Action: *Motion passed unanimously.*

The Board returned to public session at 8:00pm.

Motion: To accept Glenn Sarka's application for the open Board position (*motion by* R. Kochis, *second* C. Noordyk).

Action: *Motion passed unanimously.*

The Board thanked both applicants for their interest and explained that since G. Sarka has prior experience serving on the MFC Board, he will be able to fill the position without requiring additional training, but the Board would like Kyle Baron to consider running for the Board in the next election.

VII. Break

VIII. Board Monitoring & Discussion

(a) Committee Reports:

(i) GM Evaluation (J. Lies, B. Brady, and T. McKenzie.): B. Brady will forward information to P. Britton.

(ii) Finance Committee (B. Krause, J. Lies, and B. Brady): Did not meet.

(iii) Communications Committee (P. Britton, E. Wright, B. Jackson, and C. Noordyk): Did not meet.

(iv) Elections/Nominations/Orientation: Met last week but still needs to meet with new Board members for orientation.

(v) Board Education (B. Jackson, C. Noordyk, P. Britton, B. Krause): Did not meet. Corresponded with board from Keweenaw Co-op and tentatively planning to meet with them in Michigamme on July 31 at 1pm. B. Jackson, B. Krause, G. Sarka, and M. Potts expressed interest in attending.

(b) Ends Survey and Blog Review:

(i) Ends 7 “Environmental Stewardship” Blog Draft (E. Wright): E. Wright was absent so a draft will be sent by email for review.

(ii) Ends Survey Review: Survey results will be discussed at the retreat.

(c) Replacement Board Member Recruitment: Glenn Sarka will fill the empty position.

(d) D2 – GM Accountability (M. Potts): No changes recommended. Board discussed relevancy of policy governance. GM commented that the reports are still relevant. The Board noted that it would be a good topic for discussion at the retreat.

(e) Form Committees: New assignments are as follows:

(i) GM Evaluation: P. Britton, C. Noordyk, R. Kochis

(ii) Finance Committee: B. Krause, P. Britton, G. Sarka, R. Kochis

(iii) Communications Committee: C. Noordyk, M. Augustyn, E. Wright, B. Jackson

(iv) Elections/Nominations/Orientation: C. Noordyk, M. Potts, G. Sarka, E. Wright

(v) Board Education: B. Jackson, M. Potts, M. Augustyn

(f) CCMA: Lantz and the GM shared about the conference. The GM noted that there was helpful information about bringing a livable wage to the co-op and cross-sector collaboration. Lantz attended co-op tours. M. Potts attended and commented that the struggles faced by the MFC are shared by other co-ops.

(g) Set Board Calendar: TBD assignment filled by G. Sarka.

(h) Set Retreat Date: Moved to July agenda.

(i) Assign Monitoring: Assignments are noted on Board Calendar.

(j) Update Directory: New Board members will email Board Recorder Emily Weddle with their current contact information.

X. Third Public Comment: N. Lantz offered to help with the Board Education and Communication Committees. B. Krause invited everyone to attend Finance Committee meetings, which are held the second Tuesday of the month at 6pm.

XI. Closings

(a) July Assignments:

- i. Store Report (M. Gougeon)
- ii. Outreach Reports (N. Lantz)
- iii. Nomination Committee Begins Work

- iv. Ends 8 “Community Leadership” Blog Draft (P. Britton)
- v. Ends Survey Review
- vi. G1 – Governing Style (P. Britton)
- vii. L1 – Customer Treatment (M. Gougeon)
- viii. Set Retreat Date

XII. Motion to adjourn at 8:51p.m. (*motion by M. Potts, second R. Kochis*).
Action: Motion passed unanimously.

Next Board Meeting: July 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 L6.1. 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. **The Governance Investment Policy, G6 states that "Up to ½ of 1% of the annual budget be devoted to governance.**

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.