

**Minutes of the
Marquette Food Co-op Board of Directors
January 17, 2017 Meeting**

Start time: Meeting was called to order by president Phil Britton at 6:02 p.m.

Roll call: Phil Britton, C. Noordyk, E. Wright, B. Cromell, M. Augustyn, B. Jackson, R. Kochis, M. Potts, G. Sarka.

Absent: None.

Staff: GM Matt Gougeon, Kelly Cantway, Kat Eaton, Clayton Lesatz, Sarah Monte, Evan Zimmerman

Public: None.

II. Preliminaries:

(a) Approval of Agenda & Additions: B. Cromell (formerly B. Krause) noted that her name has changed. The GM noted that the Ends Report will be postponed to February.

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

Action: *Motion passed unanimously.*

III. Consent Agenda:

(a) Approval of December Minutes

(b) Electronic Communications

(c) G7 – President’s Role (R. Kochis)

(d) D3 – Delegation to GM (P. Britton)

B. Cromell requested that her name be changed from B. Krause to B. Cromell in the December minutes.

Motion: To approve consent agenda with noted correction to B. Cromell’s name in December minutes (*motion by* E. Wright, *second* C. Noordyk).

Action: *Motion passed unanimously.*

IV. Public Comment Period: None.

V. GM Monitoring

(a) Store Report (M. Gougeon): At the December meeting it was reported that sales were not strong in early December, however the GM reported the month finished strong. December ended with about 3.5% growth over December 2016, and December 23 was a day of record sales. Sales for 2016 were in excess of 6% over 2015 sales. The GM reported that the store has met or exceeded all projections from the 2011 market study. The Operational Strategic Plan calls for 10% growth, which the GM believes is within reach. The GM reported that the MFC is losing its price break from UNFI due to decreased volume, however it is anticipated that the store will return to the same volume discount tier in the second quarter. Victoria Jungwirth is retiring after 27 years with the MFC. Kelly Cantway will be taking on some of her responsibilities. The GM discussed the WIC program and challenges related to the possibility of participating. The store is filling out the vendor application but will not take action until it has all the necessary information. The Board discussed opportunities for educating consumers concerning the program. RGIS and

Paul Nardi conducted an inventory count, which came in under budget. They helped the MFC identify some bad habits that the store can work to correct. The report from Paul Nardi has not yet been received, but there is now an accurate inventory as of the end of the year, which has given confidence in point of sales reporting. The MFC has been busy with end of year reporting.

(b) L6 – Budgeting & Financial Planning (M. Gougeon): The GM discussed the budget. He reported that when the store opened it saw a \$545,000 loss the first year, the following year had a \$330,000 loss, and this year showed a \$114,000 loss. He noted that in the last six months of the last year, there was a profit close to \$30,000, which is an indication that things are actively moving in the right direction. According to projections, this is the year the store becomes profitable through 7% growth. If growth is averaged over the past five years, the MFC has grown at 10%. Last year saw significant gains toward paying down accounts payable and improving productivity. If the store grows by 7% it will see \$9 million in sales, which would allow the MFC to implement a livable wage, show profit, and build positive cash. The GM explained that there has been a trend of decreased labor dollars as the store has become more productive and demonstrated how this savings would allow the MFC to implement a livable wage as a non-dollar event. The MFC will not need to increase prices to afford the livable wage for its employees. Anticipated community perceptions and changes to the wage schedule were discussed. The Board inquired about benefits to employees that have been at the MFC for a long time. Evan Zimmerman commented that as an employee of seven years, vacation accrual is a positive benefit to long-term employees. The GM shared examples of other co-ops that have implemented a livable wage and noted benefits of greater engagement, productivity, and better customer service. The MFC has not yet met its goal of 85% employee retention. The Board discussed that this fits with the Board's global end of establishing the MFC as a model workplace. The GM stressed that the MFC must be progressive to move forward and continue to grow. The livable wage is intended to be implemented in the 3rd quarter of 2017.

The Board received the report prior to the meeting and came prepared to act.

Interpretation Reasonable: Yes.

Adequate Data: Yes.

The report was accepted as in compliance.

VI. Outreach Reports

(a, b) Outreach Report/UP Food Exchange Report (S. Monte): S. Monte provided ownership stats. She reported that there is an educational class offered at the MFC about how to shop on a budget. The Michigan Farm to Institution Network has asked Monte to serve on an advisory board, which Monte noted will be a great way to get the Farm to School program to the next level. The United Way campaign is at 85% of its goal. The MFC has received its funding from the Specialty Crop Block Grant. Monte reported that other entities are interested in working with the MFC to help with grant writing. A survey was sent out to all seven ISDs to assess their inventory for Farm to Schools, however no one has responded yet. Monte had an initial phone call with Cherry Capital to start conversation about a Meet the Buyer event. Classes have had a lot of media attention. The first In Defense of Food class was held in connection with the Peter White Public Library. The Fresh Feed newsletter rolled out, and there has been positive feedback. The recycling program debuted. Monte reported that the Co-op Values in-store discounts have opened up more sales to consumers. The Policy Committee has been meeting with area groups working on agriculture topics. The Annual Meeting will be Friday March 31. Planning is

underway. Monte reported that there will be a cookbook and garden book swap, as well as activities for children this year. Monte inquired about Board candidates. The Board has contacted all candidates and is waiting for responses.

VII. Second Public Comment Period: Evan Zimmerman commented about the living wage and how important the culture of the co-op is. For success, the MFC needs people that are invested. He commented that if the MFC continues on the course set forth in the Board's Global Ends the MFC will be on track for a successful future.

VIII. Board Monitoring & Discussion

(a) Committee Reports:

(i) GM Evaluation (P. Britton, C. Noordyk, R. Kochis): Did not meet.

(ii) Finance Committee (B. Cromell, P. Britton, G. Sarka, R. Kochis): Met prior to the Board meeting. The year-end balance sheet, December financials, last quarter financials, and entire year financials were reviewed. There may be some adjustments but the numbers should be close. The Committee discussed the inventory count. It was noted that the MFC has checking accounts at Range Bank and M Bank. Gift card liability was discussed. The current ratio prediction is down, however since things have stabilized somewhat, it is expected that projections will improve. Accounts payable was discussed. The GM reported that past due accounts are dramatically decreased and are within a thirty day window, which is a much better position than last year.

(iii) Communications Committee (C. Noordyk, M. Augustyn, E. Wright, B. Jackson): Met to plan Board Retreat. Discussed planning opportunities to interact with owners in the coming year. Committee will meet to refine plans and will present ideas to Board at next month's meeting. Newsletter will include election information and candidate bios.

(iv) Elections & Nominations (C. Noordyk, M. Potts, G. Sarka, E. Wright): Met to recruit B. Cromell and R. Kochis to the Committee so that there will not be any conflicts of interest from Board members running for reelection. There are five applicants for five positions. Board discussed that they would like the candidates to attend a Board meeting. Board discussed that it would be a good idea for Board members to attend some of the "Getting to Know Your Co-op" classes to meet new co-op owners.

1. Newsletter Bios for Board Candidates Due.

(v) Board Education & Orientation (B. Jackson, M. Potts, M. Augustyn): The Education Committee would like to have the help of the consultant in Board education efforts and will coordinate with P. Britton and the GM.

(b) Retreat Debrief: The Retreat was held on Saturday, January 14 at the Roam Inn. The Board thanked the MFC for the facility and food, with special thanks for accommodating special needs. The Board discussed having more defined roles for committees and developing a monthly schedule for committee activities. The Board expects to receive a report from the consultant and will discuss the report and actions moving forward at next month's meeting.

IX. Third Public Comment: None.

X. Closings

(a) February Assignments:

- i. Store Report (M. Gougeon)
- ii. Outreach Reports (S. Monte)
- iii. Auditor Presents Annual Report to the BOD
- iv. Set Annual Patronage
- v. Ends Report
- vi. Retreat Debrief
- vii. Consent Agenda:
 1. Approval of January Minutes
 2. G8 – Vice President’s Role (M. Potts)
 3. L5 – Financial Condition 4th Quarter (M. Gougeon)

X. Motion to adjourn at 7:52 p.m. (*motion by B. Cromell, second C. Noordyk*).

Action: Motion passed unanimously.

Next Board Meeting: February 21, 2017 at 6:00 p.m.

Emily Weddle
Board Recorder

Monitoring Report

Policy Type: Executive Limitations

Policy Title: L6 – Budgeting/Financial Planning

Reporting Period: December 20, 2016

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 within the plan is 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 FY2017. Operations budget assumes continued recovery post expansion and that we are ready to grow the store through 2017. The Financial Plan clearly shows investment and return expectations. It is assumed that a Capital Budget for 2017 is yet not necessary, nor feasible, 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 known 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, additional known board expenditures, 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 \$67,000.00 dollars. The GM will act according to the will of the Board relative to this policy and needs.

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.