

**Minutes of the
Marquette Food Co-op Board of Directors
May 16, 2017 Meeting**

Start time: Meeting was called to order by president Phil Britton at 6:07 p.m.

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

Absent: None

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

Public: Hillary Bush (incoming Board Member)

II. Preliminaries:

(a) Approval of Agenda & Additions:

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

Action: *Motion passed unanimously.*

III. Consent Agenda:

(a) Approval of April Minutes without changes

(b) Electronic Communications

(c) GM Evaluation of the Board (M. Gougeon)

Motion: To approve consent agenda without changes (*motion by* B. Cromell, *second* G. Sarka).

Action: *Motion passed unanimously.*

IV. Public Comment Period:

H. Bush noted that she enjoyed a good orientation meeting

V. GM Monitoring

(a) Store Report (M. Gougeon):

Mother's Day was a slower day. We have reached a 22% increase in membership. People are still utilizing the 5/2 plan. Equity shares are leaving vastly due to people moving away from the area and not because of negativity. Currently 5,000 hours are being worked each pay period, expecting SPLH to continue to increase.

Clay Lesatz had short notice on the meat sale, but was able to make it a great success. Just under \$5,000 in meat was sold during the sale, which more than double the normal day's sales in the meat department. Shoppers also made purchases in the other departments as well. Sunday (the day after the sale) had \$2,500 in meat sales, a goal that is normally only seen on Saturdays.

Dave Kalishek went to training in Minneapolis through NCG: our store's efforts are aligning with what NCG is suggesting that Co-Ops need to be doing (building culture of service and accountability).

Mary Moe is currently in Connecticut at the UNFI table show – meeting with UNFI and NCG officials learning about programs, contract information and manufacturer programs.

NCG's biggest event is Convergence – designed for grocery and wellness depts. – Susie Colquitt (Merchandiser), Megan Penny (Grocery Manager) and David Sprouse (Wellness Manager) are going this year.

Sarah Monte, Michelle Augustyn, and Matt Gougeon will be going to CCMA in June.

Matt G. attended the NCG Annual Meeting: Arrived a day early for consolidation meetings (greater south group, WI, MI, were all in attendance): The hope was to move forward with talks, our talks with the other two MI co-ops were about learning what we can do to help one another - such as sharing employee manuals, PLU's for fresh produce, etc. Other MI Co-ops were interested after hearing about our meeting. Keweenaw Co-op is interested in working together as well.

Co-op Impact report is due out in July and is very useful to stores and their members (telling the story of the Co-Op). Spent much of one day creating this report to make it useful and meaningful. Operational workshops:

- Deli promotions (The department where you can get the biggest lift in sales): Great presentation, learned many do's and don't's for creating and implementing effective deli promotions.
- Livable Wage Implementation – heard from several Co-ops that have implemented this already and shared their experiences.

Less doom and gloom this year, as opposed to previous years. 142 GM's have turned over in the last two years (retiring, fired, etc), only 58 GM's have been in their jobs more than 3 years. 3 stores have closed in the last year, two more in the last two weeks – smaller stores struggle with competing.

John Kivela helped the Co-Op in multiple ways and will be greatly missed.

(b) L5 – Financial Condition 1st Quarter (M. Gougeon):

Expected 1st Q to be close to even, ended up being 1.5% net loss, but cash positive. Personnel costs are just over 23%. These costs should continue to reduce. Taxes are current and paid up. Ratio has not improved much. Debt to Equity declined slightly. Debt is getting paid down every month and making good progress. Cash should continue to improve.

R. Kochis asked for termination date of loans. Kat Eaton offered to provide an update to the Finance Committee next month. There were no questions on the financial statement. One typo on the financial metric (MFC Q1 should have shown 29% in member shares instead of 39%) Discussion about Cash & Days of Cash on Hand.

Discussion about Meijer and what other co-ops are doing when faced with direct competition.

R. Kochis asked if we were getting local produce in yet – Matt G. stated that we are.

Discussion about general appearance of the bulk section - new bolder labels have been applied to shelves.

Livable wage model: Finance committee requested a presentation from Matt during their meeting. He presented the same to the board. He has been meeting with staff this week to discuss the livable wage and financial condition and where we are in the trajectory. \$11.56 is considered to be the entry wage for the livable wage model for our store. All other employees will receive \$0.01/month increase depending on their tenure. The current figures show that we need a 13% increase in sales in the 1Q to reach that goal, however taking into account 2Q and 3Q being higher (7%), it is actually possible to reach this goal much sooner than expected. We need to build a culture of service and accountability in order to get to the goal. Matt G. is currently informing the staff of the goal to increase sales, which will help us reach the goal. Productivity and wages is a national problem.

Other co-ops have attempted to implement this livable wage, Willy's Street did a two-step process due to circumstances. Another store attempted as well, but only due to bad publicity, so they are coming back from a bad firestorm of negativity. Our store has been discussing this for over a year now. Educating all the staff should help to eliminate some of the issues that other co-

ops have faced. Discussion was held about hiring/finding good candidates for employment at the MFC.

Sarah Monte: Mary Moe & Sarah are working to educate employees through department meetings (small changes) about products. The employee story board (where employees can share positive happenings inside the store) will be used by Department Managers to pull certain notes from the board and discuss at department meetings in a group setting.

Working on outreach communication within the store (posting these items where the employees will see them easily and not have to search for this information).

Interpretation Reasonable: Yes.

Adequate Data: Yes.

The report was accepted as in compliance.

VI. Outreach Reports

(a) Outreach Report (S. Monte):

Local season is starting, Double Up Food Bucks hasn't given us any more information, but promised it sometime in June. We will be participating again.

Sampling in department meetings has been happening and there will be more in-store sampling. Writing SOP's for sampling and organizing sampling so each department can start offering sampling multiple days per week.

P. Britton noted that it was nice to have a vendor (Riojana) come in during the sampling of their products.

We have plans for vendors to continue to come, they often contact us and we accept.

Bridgett and Sarah Monte are going to Marketing Matters at the end of June.

New store summer hours are beginning June 10th - open until 10pm (ending Labor Day).

Evan Zimmerman noted a new change for Double Up Food Bucks – all produce will be eligible for accumulation and redemption (any produce you buy, you'll get credit for).

M. Augustyn – “do sales increase during sampling with vendors present?” YES, sampling always increases sales, however, it is not clear if a vendor being present makes a difference.

(b) UP Food Exchange Report (S. Monte):

Michelle Walk was here today. Goal of 20% ordering by 2020. Cultivate Michigan sends surveys to track the ordering, but the surveys are not being taken. Sarah offered to do the tracking instead, so we can get a better picture of what is actually happening. This is also an incentive for more people to order through UPFE.

Friday, 6:30 – launch party for the Taste The Local Difference (Bowling, Food, All are welcome).

VII. Second Public Comment Period:

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):

G. Sarka, M. Gougeon, P. Britton, B. Cromell all met:

Store has a positive net income. Most of the meeting was discussing livable wage model plan. Current ratio is not exactly at 1 now, but it was in April.

(iii) Communications Committee (C. Noordyk, M. Augustyn, E. Wright, B. Jackson): Did meet. Discussed Owner Survey. Still following up with Sarah Monte. Planning summer event (joining the truck sale that the store is planning with the block party idea). Activity at the Annual Meeting: wide range of responses in respect to the Global Ends. Many ideas are already being met by the MFC, but the members are unaware (i.e. school involvement, outreach, etc). Perhaps positioning ourselves better in the community will help with messaging.

Everyone wants messaging to come to them in different forms, based on their learning style, etc. (Print, Social Media, In-Person, etc)

Using renewable energy was a member suggestion, we have been discussing Solar and could do further research to be able to report back to the membership with how we are moving forward. Matt will research costs and solicit quotes. PACE (Property Assessed Clean Energy) has options that may help in this area. Discussion was held. It was discussed that the financial statements need to take precedence.

Cooking classes that revolve around bulk section was suggested – Sarah Monte stated that they have already done this. Anything on sale in the bulk section will have a recipe and suggestions available.

Conversation was held regarding a Class C liquor license. The board would like more information on the feasibility of this idea. Matt G will bring information to the next meeting. Discussion was held.

Customer Service can improve by giving messaging to members during check-out, etc.

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

Did not meet

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

Orientation of new board members took place. It lasted 1 hour and there was good discussion. Watched a John Carver video that explained Policy Governance and its history. M. Augustyn will share the video link with the board. Brought the new members up to speed as to the climate of the MFC, discussed the different committees, etc. Requested that Matt Gougeon give a summary at the next meeting of finances, etc. Would like Sarah Monte to give a brief overview of Outreach at the next meeting. Would like to give new members name tag and t-shirt, plus binder at New Member Orientation moving forward. Hoping to do so next year. This year's members will receive a little late, but would still need to receive these items.

M. Gougeon will potentially not be present at the June meeting. P. Britton suggested financial meeting be moved to July, especially for new board members. L-6 should move to July, along with M. Augustyn's recommendations for educating new members.

(vi) Executive Committee (P. Britton, E. Wright, B. Cromell, C. Noordyk):

Committee met. All officers (plus M. Gougeon) met to discuss 3 seats rotating each year, vs. this year's 5 seats. Recommending: for 2018 P. Britton and B. Cromell run for election, 2019: M. Augustyn, R. Kochis, and G. Sarka run for election, 2020: H. Bush, C. Thompson, and C. Morgan run for election, with C. Noordyk extending her term to 2021. This would allow all members to be back to a 3 year rotation.

Motion: To Approve The Recommendation to Extend C. Noordyk’s term to 2021, which will bring us back into compliance with our By-Laws. (*motion by G. Sarka, second M. Augustyn*).

Action: Motion passed unanimously.

- (b) Review of Owner Survey from Annual Meeting: Discussed during Communications Committee (ii)

IX. Third Public Comment:

E. Zimmerman – suggested introducing a drink service that is non-alcoholic to start, then as the members request, we could later introduce alcoholic beverages on-tap (regarding the discussion about a Class C Liquor License).

H. Bush – suggested creative bar-tending such as bitters, kombucha, tinctures, green drinks, etc. Also suggested a text box that members could check if they would like to receive a newsletter or text service, etc. for messaging from the MFC.

B. Cromell inquired as to whether the handouts from each meeting should be made more available to the public who attend the monthly meeting.

G. Sarka mentioned the Co-Op Cleanup went well with the UP Land Conservancy out at the Bayou in Harvey. Beautiful day and lots of trash was removed. Many board members were in attendance.

Outgoing board members were acknowledged and thanked for their service.

Motion: To move L6 to July meeting and move L1 to June meeting. (*motion by G. Sarka, second C. Noordyk*).

Action: Motion passed unanimously.

X. Closings

(a) June Assignments:

- i. Store Report (M. Gougeon)
- ii. Outreach Reports (S. Monte)
- iii. Board Terms Begin and End
- iv. Officer Elections
- v. Form Committees
- vi. Set Board Calendar and Assign Monitoring
- vii. CCMA
- viii. Consent Agenda:
 1. Approval of May Minutes
 2. Electronic Communications
 3. D2 – GM Accountability (G. Sarka)
 4. L6 – Budgeting and Financial Planning (M. Gougeon) – Moved to July
 5. L1 – Added

XII. Motion to adjourn at 8:07p.m. (*motion by B. Cromell, second R. Kochis*).

Action: Motion passed unanimously.

Next Board Meeting: June 20, 2017 at 6:00 p.m.

Emily Wright
Board Secretary

POLICY TYPE: EXECUTIVE LIMITATIONS

POLICY TITLE: L5 – FINANCIAL CONDITIONS AND ACTIVITIES

Reporting Period: January 1, 2017- March 31, 2017

I report compliance with all parts of this policy. Policy interpretations are unchanged since last quarter review. Supporting data and statements have changed in the Global policy and policies L5.2, L5.3, L5.5, L5.6, L5.7, and L5.8. Changes are highlighted in yellow.

I certify that the information contained in this report is true to the best of my knowledge given the information available to me.

Signed: Matthew L. Gougeon _____, General Manager

Date: May 23, 2016

Unless otherwise indicated, all data is taken from the 1st quarter of 2016.

With respect to the actual, ongoing financial condition and activities, the General Manager will not cause or allow the development of fiscal jeopardy or material deviation of actual expenditures from board priorities established in the ends policies.

Interpretation/Operational Definition: The General Manager will ensure appropriate cash flow to pay daily bills, refrain from incurring debt other than trade payables or other reasonable and customary liabilities related to daily operations, and actively work toward the development of a financial contingency plan should one become necessary. All related financial decisions must be guided by the concepts of the Global Ends Policies surrounding open access to local, organic, wholesome, and fairly traded products; support for local suppliers; and education for everyone about food and related issues.

Data: The Statement of Cash Flows as of March 31, 2017 shows an increase of cash of 16,080.81. This increase in cash is representative of proceeds from our operations, sales of equity shares and principal and interest payments on construction loans. No new debt was incurred in the 1st quarter of 2017. Daily payables and liabilities remained customary to regular operational requirements.

The GM Will Not:

L5.1 Incur debt other than trade payables or other reasonable and customary liabilities incurred in the ordinary course of doing business.

Interpretation/Operational Definition: The General Manager will not place the Co-op in fiscal jeopardy through abuse of his power as the cooperative's agent regarding large capital expenditures, unreasonable loans, etc.

Data: Our current customary liabilities fall within normal operating procedures as shown in our quarterly financial statement. The long term liabilities from the previous quarter are reduced and exhibit updated figures to the Notes Payable to Range Bank, Shared Capital Cooperative, and NI. On December 20, 2013, with Board knowledge and consent, we entered into construction and equipment loans with Range Bank, Northern Initiatives, and Shared Capital Cooperative in the amount totaling of \$3,456,800.00. All of these funds were dispersed to the project by Range Bank, Marquette County Title Company, or Shared Capital. Our Commercial Mortgage with Range Bank on our buildings was retired and subsumed by the commercial construction loan closed on December 20th of 2013. After a six month period of interest only payments to our lenders in the last half of 2016, we have returned to full principle and interest payments beginning in January of this year with the exception of NI Note 2 which is slated for full principle payments in July of this year. In the 1st quarter long term liabilities were reduced by \$33,714.00. Long term liabilities as of the end of the 1st quarter are: \$2,762,572.00 There have been no large capital expenditures in the first quarter.

L5.2 Use restricted funds for any purpose other than that required by the restriction.

Interpretation/Operational Definition: There are currently no identified restricted funds until such time as MFC management and Board determine specific restricted funds.

Data: N/A

L5.3 Fail to settle contracts, payroll, loans or other financial obligations in other than a timely manner.

Interpretation/Operational Definition: The General Manager will fulfill all financial obligations in addition to COGS and daily expenses and will not incur late charges.

Data: Financial obligations outside of COGS and operating expenses are the Notes Payable with Range Bank, Shared Capital, and NI and payroll. Principal and interest payments to Range Bank, Shared Capital Cooperative and NI have been made on time. The 1st quarter payroll has been met in a timely manner. (See attached Electronic Federal Tax Payments Systems (EFTPS) reports. The "Settlement Date" on this report corresponds to our pay date.)

L5.4 Allow tax payments and other government-ordered payments or filings to be overdue or inaccurately filed.

Interpretation/Operational Definition: The General Manager will ensure that all tax and government ordered payments are made on time, filed accurately and have resulted in no late notifications or assessment of penalties.

Data: All federal tax payments, federal withholding, social security/medicare (FICA), and federal unemployment (FUTA), are paid electronically through the Electronic Federal Tax Payments System (EFTPS) and followed up with paper quarterly returns prepared by our accountant, signed by the General Manager and filed by their due date. Monthly Michigan Sales, Use, & Withholding returns and State Unemployment Agency quarterly tax reports are completed by our accountant and signed by the GM, paid, and filed by us. Our 2016 Federal Corporate Tax return has been filed as well as our Michigan Business Tax return. (see EFTPS deposit report) (See attached filing schedule from Thompson & Thompson, P.C. and copies of all returns and check stubs for the 1st quarter of 2017)

L5.5 Enter into real property lease agreements without board approval.

Interpretation/Operational Definition: The General Manager will seek board approval before entering into any real property lease agreements. Additionally the GM will apprise of, make recommendation to, and seek counsel of the board prior to the MFC entering any real property leases.

Data: We no longer have any real property leases.

L5.6 Fail to meet the following objectives unless otherwise established by a board-approved document:

- A. Maintain sufficient liquidity to pay bills in a timely manner. Current Ratio should not fall below 2:1.**
- B. Maintain sales and net income at levels sufficient to support store operations and annual objectives.**

Interpretation/Operational Definition: The General Manager shall meet these objectives, unless by otherwise written board directive, to maintain a healthy ratio between ability to pay debt and payables and prevent creditors from exerting undue influence over the membership and this business while maintaining modest profitability.

Data: A: Current ratio as of March 31, 2017: \$514,258.75/\$534,395.13 or .96:1 B: As of March 31, 2017 sales have increased at a rate of 4.1% over the same period last year and there is a -1.5% net profit.

Note: EBITDA is \$53,728.00 or 2.5% as of end of first quarter. This provides an alternative cash picture of our first quarter position.

L5.7 Fail to make recommendations and rationale to the board regarding patronage dividend at the February meeting of the board.

Interpretation/Operational Definition: The General Manager will provide the board of directors with his recommendation and rationale regarding a patronage rebate for owners of our cooperative at the February board meeting each year.

Data: N/A.

L5.8 Allow financial record keeping systems to be unchecked by a certified public accountant, outside audit or other qualified third party.

Interpretation/Operational Definition: The General Manager will ensure that record keeping is adequate to provide the accountant the information that he needs to prepare our monthly and quarterly financial statements.

Data: Pat Thompson, our accountant, reviews financial documentation each quarter provided by Finance Manager, Kat Eaton, before preparing quarterly financial reports. We are in the process of having a financial review completed this year by Paul Nardi. Paul Nardi also observed and gave opinion on our inventory processes, as previously reported to this board.