

**Minutes of the
Marquette Food Co-op Board of Directors
August 15, 2017 Meeting**

Start time: Meeting was called to order by president Phil Britton at 6:06 p.m.

Roll call: P. Britton, M. Augustyn, H. Bush, R. Kochis, C. Morgan, C. Noordyk,
C. Thompson.

Absent: B. Cromell, G. Sarka.

Staff: GM Matt Gougeon, Clay Lesatz, Kelly Cantway, Kat Eaton, Sarah Monte.

Public: None.

II. Preliminaries:

(a) Approval of Agenda & Additions: Closed session added after meeting adjourns.

Motion: To approve agenda with changes (*motion by* R. Kochis, *second* C. Noordyk).

Action: *Motion passed unanimously.*

III. Consent Agenda: G2 moved to September agenda.

(a) Approval of July Minutes without changes

(b) Electronic Communications

(c) G2 – Board Job Description (B. Cromell)

Motion: To approve consent agenda with changes (*motion by* R. Kochis, *second* C. Noordyk).

Action: *Motion passed unanimously.*

IV. Public Comment Period: GM reported that Beer Fest is approaching and the MFC will be hosting its annual welcome party. The Board is invited to attend. Board members are welcome to volunteer to help collect garbage and recyclables. The GM reported that MFC staff clean up the park after the festival and sort recyclables.

V. Slack Training: C. Morgan shared information about Slack, a group communication app and website the Board will be using to communicate and share documents. Morgan discussed features of Slack and how it can be used. Information security was also discussed.

VI. GM Monitoring

(a) L5 – Financial Condition 2nd Quarter (M. Gougeon): The Board received the report in advance and came prepared to act.

Interpretation Reasonable: yes

Adequate Data: yes

The report was accepted as in compliance.

The GM noted that 2nd Quarter financials were covered at last month's meeting. Things are going well. Cash is building slowly. There was a profitable 2nd quarter. GM invited questions from the Board. There were no questions.

(b) Store Report (M. Gougeon): GM reported that sales are robust. July sales are up 13%. August to date is up 11%. Year to date is up 8%. The GM anticipates a decline in sales in September, which is typical. Sales per labor hour crested \$80 in the last pay period. Hours per pay period are

relatively consistent. MFC is continually looking for ways to save costs and improve productivity. Kelly Cantway and GM are meeting individually with every employee. The MFC has been working toward implementing a livable wage. It is possible the MFC might be able to increase pay in October. The MFC will be moving toward a merit based pay structure. The Board commented on attitudes and challenges associated with merit based pay, and GM noted that the MFC will give it a try. Discussion was held about advantages and disadvantages. GM reported that comments from staff have been overwhelmingly in favor of the merit based pay system.

VII. Outreach Reports

(a) Outreach Report (S. Monte): The marketing campaign has launched with TV commercials and a digital marketing campaign. Sarah Monte reported on metrics and discussed targeted marketing efforts. Monte reported that the returns on advertising are higher than industry standard. Monte commented that Kelsey is doing great in her role managing social media. Monte reported on upcoming advertising plans. Co-op month is in October and events, sales, samples, etc. will be focused during the week of October 8-21. Opportunities for Board involvement were discussed. Board members are encouraged to participate in bagging groceries and volunteering during product sampling. Communications committee will share further details with the Board.

(b) UP Food Exchange Report (S. Monte): No report.

VIII. Second Public Comment Period: Clay commented about the merit based pay system and noted that he has had merit based pay in prior positions with other employers. He commented on the positive experiences with the employee review process at the MFC.

IX. Board Monitoring & Discussion

(a) Committee Reports:

(i) GM Evaluation (P. Britton, R. Kochis, C. Noordyk, C. Thompson): Did not meet but will begin in September.

(ii) Finance Committee (B. Cromell, P. Britton, R. Kochis, H. Bush, G. Sarka, C. Thompson): Committee met and discussed July financials.

(iii) Communications Committee (C. Noordyk, C. Morgan, M. Augustyn, H. Bush): Met to discuss opportunities for Co-op Month. Working on member communication and member engagement through events. To promote community wellness, the MFC is planning a free Board sponsored weekly yoga class at the MFC (tentatively planning on Sundays around noon). Committee is considering surveying members about engagement. Also discussed working with existing events in the community.

(iv) Elections & Nominations (B. Cromell, M. Augustyn, H. Bush): Did not meet.

1. Nomination Committee Work Begins

(v) Board Education & Orientation (C. Morgan, G. Sarka, M. Augustyn, P. Britton): Committee has been working on utilizing Slack for communication and sharing documents with the Board.

(b) Review and Approve Committee Charters and Procedures: Discussed developing committee goals and calendars to plan committee responsibilities. It was discussed that Slack can support a group calendar.

X. Third Public Comment: None.

XI. Closings

(a) September Assignments:

- i. Store Report (M. Gougeon)
- ii. Outreach Reports (S. Monte)
- iii. BOD Budget Review
- iv. Begin GM Evaluation Process
- v. Ad Hoc Bylaws Committee Report
- vi. Consent Agenda:
 1. Approval of August Minutes
 2. Electronic Communications
 3. G2 – Board Job Description (B. Cromell)
 4. G3 – Agenda Planning (M. Augustyn)
 5. D4 – Monitoring GM (C. Thompson)
 6. L2 – Staff Treatment (M. Gougeon)
 7. L3 – Compensation & Benefits (M. Gougeon)

XII. Motion to adjourn at 7:35 p.m. (*motion by R. Kochis, second C. Noordyk*)

Action: Motion passed unanimously.

XIII. Closed Session: Board moved into closed session at 7:45 p.m. Board returned from closed session at 9:15 p.m.

Next Board Meeting: September 19, 2017 at 6:00 p.m.

Emily Weddle
Board Recorder

POLICY TYPE: EXECUTIVE LIMITATIONS

POLICY TITLE: L5 – FINANCIAL CONDITIONS AND ACTIVITIES

Reporting Period: April 1, 2017- June 30, 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: August 15, 2017

Unless otherwise indicated, all data is taken from the 2nd quarter of 2017.

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 June 30, 2017 shows an increase of cash of \$19,192.29. 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 2nd 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 2nd quarter long term liabilities were reduced by \$41,127.00. Long term liabilities as of the end of the 2nd quarter are: \$2,721,445.00 There have been no large capital expenditures in the 2nd 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 2nd 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 2016 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 2nd 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 June 30, 2017: \$523,668.00/\$547,280.94 or **.96:1** B: As of June 30, 2017 sales have increased at a rate of **6%** over the same period last year and there is a **-.006%** net profit.

Note: EBITDA is \$91,470.00 or **4%** as of end of 2nd 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.