

**Minutes of the
Marquette Food Co-op Board of Directors
November 21, 2017 Meeting**

Start time: Meeting was called to order by president Phil Britton at 6:03 p.m.

Roll call: P. Britton, H. Bush, R. Kochis, C. Morgan, G. Sarka, C. Thompson.

Absent: M. Augustyn (excused), B. Cromell (excused), C. Noordyk (excused).

Staff: GM Matt Gougeon, Evan Zimmerman, Clayton Lesatz.

Public: None.

II. Preliminaries:

(a) Approval of Agenda & Additions: Velodrome is unable to present for tonight's Board education. Closed session was added after the last Public Comment Period. Discussion about filling B. Cromell's seat on the Board will take place during committee reports.

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

Action: Motion passed unanimously.

III. Consent Agenda: D1 removed from Consent Agenda.

(a) Approval of October Minutes without changes

(b) Electronic Communications

(c) G5 – Committee Principles (C. Noordyk)

(d) L5 – Financial Condition 3rd Quarter (M. Gougeon)

(e) L9 – GM Succession (M. Gougeon)

Motion: To approve consent agenda with changes (*motion by G. Sarka, second C. Morgan*).

Action: Motion passed unanimously.

D1 – Unity of Control (H. Bush): H. Bush reported that she reviewed similar policies of other co-ops and recommended that the current policy is sufficient as currently written but there may be opportunities for clarification in the future with further research.

IV. Public Comment Period: None.

V. GM Monitoring

(a) Store Report (M. Gougeon): GM reported that sales continue to be strong and are up over last November. Year to date is pushing 9%. New equity dollars from new memberships is up 19% year to date. Shrink is being tracked weekly and is seeing steady improvement. Numbers are now down and within a more normal range. First pay period after implementing livable wage came in higher than anticipated. The second and third pay periods have come down to an increase more in line with expectations. There has been zero turnover since implementation. Sales per labor hour is in the range of high 60s to low 70s. Thanksgiving sales are going well. The financial review is forthcoming. It will be comprehensive and will include recommendations for bylaw revisions. There will also be changes to the balance sheet. GM discussed new terms for remaining note with Northern Initiatives, which will require Board signature. The GM discussed changes to NCG's risk management system and joint liability fund. GM provided the Board with a document in September detailing the changes. The changes have resulted in the MFC being reassessed for increased joint liability fund contributions. GM reported that all the necessary

adjustments have been made in response to these changes. Board discussed position of MFC's contributions and it was noted that they show up as an asset on MFC balance sheets. GM explained that these changes have made cash situation more difficult, but it is being managed moving forward. Board commented on improvement in metrics and noted that the GM and management team are doing a good job.

VI. Outreach Reports

(a, b) Outreach Report/UP Food Exchange Report (S. Monte): S. Monte is absent due to illness. GM provided updated member numbers. There were 44 new members in October. There have been 42 new owner referrals so far this year.

Evan Zimmerman reported on IT at the Co-op and companies that offer software that would increase opportunities for online sales and collaboration. Zimmerman reported on Odoo, which is a free open-source software that IT is currently testing. He is also exploring options for ecommerce software and custom mobile app options. Board discussed automatic text updates for daily menus and expressed excitement about online ordering.

VIII. Second Public Comment Period: Clay Lesatz commented that the daily text updates about deli menus ended when he was working as the prepared foods manager early on when department was new and menus were fluctuating. Board member commented about customers leaving cars running in the parking lot, and discussion was held about whether it would be appropriate to encourage more environmentally friendly behaviors. It was noted that it might be a relevant topic for a *Fresh Feed* article.

IX. Board Monitoring & Discussion

(a) Committee Reports:

(i) GM Evaluation (P. Britton, R. Kochis, C. Noordyk, C. Thompson): Committee met and will meet again tonight to conclude the process.

(ii) Finance Committee (B. Cromell, P. Britton, R. Kochis, H. Bush, G. Sarka, C. Thompson): Did not meet. B. Cromell has moved and is leaving the Board.

(iii) Communications Committee (C. Noordyk, C. Morgan, M. Augustyn, H. Bush): Did not meet.

(iv) Elections & Nominations (B. Cromell, M. Augustyn, H. Bush): H. Bush has been communicating with potential candidates. There are two seats to fill. The need to fill B. Cromell's position was discussed. H. Bush will contact potential candidates to assess their level of interest and invite them to attend the December Board meeting. The Board discussed whether there is any conflict with appointing a candidate who has submitted an application to fulfill the duration of B. Cromell's term until June 2018. It was noted that the appointed Board member would have the opportunity to run again for another term.

1. Nomination Committee to Meet with Potential Candidates

(v) Board Education & Orientation (C. Morgan, G. Sarka, M. Augustyn, P. Britton): Committee met. Velodrome has been postponed to January for Board Education.

(b) **Board Budget Finalized (Finance Committee):** Finance Committee did not meet. Board budget and expenses related to conference attendance were discussed. CDS Co-op 101, CCMA, and CDS Co-op Café, other co-op board of directors meetings (Great Lakes region), were raised as opportunities for Board education that would require travel expenses. CBLD renewal was discussed. CDS Power of Participation was also raised as an opportunity for consideration. It was noted that the Board retreat is coming up in January and an ad-hoc committee will need to be formed.

X. Third Public Comment: None.

Motion: To accept the updated terms for Northern Initiatives note (*motion by R. Kochis, second C. Thompson*).

Action: *Motion passed unanimously.*

Motion: To enter into Closed Session at 7:43 p.m. (*motion by R. Kochis, second H. Bush*).

Action. *Motion passed unanimously.*

The Board came out of Closed Session at 7:58 p.m.

XI. Closings

(a) December Assignments:

- i. Store Report (M. Gougeon)
- ii. Outreach Reports (S. Monte)
- iii. Board Candidate Nomination Period Ends
- iv. Sign Contract with GM
- v. Consent Agenda:
 1. Approval of November Minutes
 2. Electronic Communications
 3. G6 – Governance Investment (R. Kochis)
 4. L6 – Budgeting and Financial Planning (M. Gougeon)

XII. Motion to adjourn at 8:00 p.m. (*motion by C. Morgan, second C. Thompson*)

Action: *Motion passed unanimously.*

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

Emily Weddle
Board Recorder

POLICY TYPE: EXECUTIVE LIMITATIONS

POLICY TITLE: L5 – FINANCIAL CONDITIONS AND ACTIVITIES

Reporting Period: July 1, 2017- September 30, 2017

I report compliance with all parts of this policy **except L5.6**. 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: November 21, 2017

Unless otherwise indicated, all data is taken from the 3rd 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.

Data: The Statement of Cash Flows as of September 30, 2017 shows an increase of cash of **\$66,388.00**. This increase in cash is representative of proceeds from our operations, sales of equity shares and interest payments on construction loans. No new debt was incurred in the 3rd quarter of 2017. Daily payables and liabilities remained customary to regular operational requirements. ***See Statement of Cash Flows. Note: EBITDA, which is an alternative method of viewing operational cash flow (cash minus depreciation and interest), for the period was a healthy 5%, or \$132,556.00.***

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 3rd quarter long term liabilities were reduced by \$42,178.00. Long term liabilities as of the end of the 3rd quarter are: \$2,679,267.00. This represents a reduction of \$119,732.00 from the same period last year. There have been no large capital expenditures in the 3rd quarter of 2017.

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

Interpretation/Operational Definition: There are currently no longer any 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, NCDF, and NI and payroll. Principal and interest payments to Range Bank, Shared Capital Cooperative (NCDF) and NI have been made on time. The 3rd 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. Our Michigan Business Tax return has also been filed. (see EFTPS deposit report) (See attached filing schedule from Thompson & Thompson, P.C. and copies of all returns and check stubs for the 3rd 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 have no 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 September 30, 2017: \$562,387.00/\$528,123.00 or 1.6:1 B: As of September 30, 2017 sales have increased at a rate of 13% over the same period last year and 8.3% YTD. The 3rd quarter posted a 1.76% net profit which has helped us post a .002% net profit YTD as of the 3rd quarter.

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 provided by Finance Manager, Kat Eaton, before preparing all financial reports. Makela, Toutant, Hill, and Nardi, PC are currently preparing a Financial Review of the year 2016. We anticipate its results and completion soon.

POLICY TYPE: EXECUTIVE LIMITATIONS
POLICY TITLE: L9 – General Manager Succession

Reporting Period: November 21, 2017

I report compliance with this policy.

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

Signed: _____, General Manager

Date: _____

In order to protect the Board from sudden loss of GM services, the General Manager will have no fewer than two other managers sufficiently familiar with the Board and GM issues and processes to enable either to take over with reasonable proficiency as an interim successor.

Interpretation/Operational Definition: In the event of his sudden departure, the General Manager will name and train two managers to effectively execute the essential functions of the GM job. Further, the General Manager will regularly report to the chosen managers' summary communications with the board.

Data: GM Successors: Kelly Cantway, Kat Eaton, and Mary Moe
Additional Administrative Team Members: Evan Zimmermann, Kim Sheridan, Sarah Monte

Note: Kelly Cantway is our HR Director, however she has the most experience of senior staff. She has served in three staff positions before working in management in the store as Outreach Director, Front End manager, and her current role. Additionally she has been counsel to me, reports regularly and directly to the board at board meetings, and has been instrumental in re-shaping our organization post expansion. She could solidly serve as interim GM in the event of my sudden departure. Kat Eaton is our Finance Manager and has grown in her role in the last three years to more than adequately serve as finance counsel to the board and management of the store. Mary Moe, our Operations Manager can competently direct the activities of the floor of the store to prevent any disruption to serving member and customer need. This team of Managers would act in concert to operate the store. Store and personnel policy is currently strong enough to be a framework upon which daily operations may continue uninterrupted. Additionally, the entire administrative staff, meets at regular bi-weekly intervals. This group in its entirety ensures the full functioning of the store and includes the above mentioned managers as well as Outreach Director, Sarah Monte, IT Director, Evan Zimmermann, and POS Coordinator, Kim Sheridan.

Note: Within the next reporting period a more detailed succession plan will be completed by the GM based on a template developed by the Center For Non Profit Advancement. See the attached template.