

**Meeting of the Neighborhood Co-op Board of Directors
Tuesday, October 23, 2018 at the Neighborhood Co-op Community Room
1815 W. Main Street, Carbondale, IL 62901**

On October 23, 2018, the Board of Directors of this corporation met in the community room of the Neighborhood Co-op. The business portion of this corporation began at 6:00 pm.

1. Board members present: Mary Avery, Margaret Anderson, Kristy Bender, Richard Thomas, Lauren Bonner, Susan Barry, Barbara James, and Leslie Duram
2. Board members absent: Jak Tichenor
3. Officers present: Richard Thomas (Chair), Susan Barry (Treasurer), Kristy Bender (Vice-Chair), Francis Murphy (General Manager) and Wendell Pohlman (Secretary)
4. Officers absent: None
5. Guests: none
6. Since a majority of the Board members were present, a quorum was met.

A. Introduction Facilitator – Trish Wright

1. Mission Statement - Margaret
2. Assign Roles
 - a. Scribe - Susan
 - b. Time keeper - Trish
3. Review Agenda
 - a. E. 1. Removed until Jane Cogie can attend again
 - b. Jane Cogie presentation will be replaced with *Parking Lot* item #2 Continued discussion of the NCG 2017 report
 - c. C.1. GM Report pulled from Consent Agenda and moved to E.1. New Business because Richard has a question
4. Previous Meeting Minutes - **Approved**
5. Owner Comment Section - none
6. Distribution of Board Compensation

B. Committee Reports

Standing Committee

1. Policy Development & Finance Committee – *Susan*
 - a. They have met twice since the last Board meeting and are reviewing and updating the procedures.
 - b. Between now and the next Board meeting the committee will have the Procedures ready for Board review with the intent to approve them.
 - c. Their meeting notes are on Basecamp
2. Boardlink Committee – *Margaret*
 - a. They have been in conversation with Board Development Committee about the Owner Appreciation Weekend, Nov 11-12
 - b. A Survey and a Raffle will happen

- c. The next guest speaker about Mushrooms with Mike Hatfield on Monday, November 5th
 - d. Jill Rendleman will be the speaker after that
 - e. NOTE: Richard needs to have access to the Board Link email address after going through the Procedures
 - i. Francis is receiving the emails
Boardlink@neighborhood.coop
 - ii. This is where the public can reach out to the Board.
 - iii. Boarddevelopment@Neighborhood.coop is listed in the Morsel and Boardlink@Neighborhood.coop is listed on the website
 - iv. TASK- Richard will need access the email address.
3. Board Development Committee – *Kristy*
- a. Margaret, from the Boardlink Committee, and Kristy have been talking about the OAW November 11-12, 2018
 - b. Are Turkey's being sold?
 - i. Yes, and can Board members help?
 - ii. Please wear your Board shirts
 - iii. The following Board members will help: Susan and Richard = 10 -12, Mary bagging, Barbara bagging, Kristy the whole day, Richard
 - c. The first Board member application is in.
 - d. At December meeting, (if the date of the meeting is approved later in this meeting) we will discuss the candidates during Executive Session

C. Consent Agenda - **Approved**

- 1. B7 Treatment of Customers
- 2. D3 Board Meetings
- 3. Board Self Assessment

E. New Business

- 1. GM Report
 - a. Richard has a question about the GM Report
 - i. Great to hear the Link match was doing well, but it won't be getting renewed, why? It is just that there aren't moneys available
 - 1. The Coop might get more money in the Spring of 2019 which is the next cycle
 - 2. FINI (Food Insecurity Nutrition Incentive is a grant program through the USDA
<https://nifa.usda.gov/program/food-insecurity-nutrition-incentive-fini-grant-program>
 - 3. Funding partners in Chicago are trying to get the USDA grants matched by the state of Illinois

4. Francis thinks the chances are good we will get Link match grant again
 - ii. The Neighborhood Coop and Green Top Grocery in Bloomington, IL were the pilot stores for IL
 - iii. Farmers Market got the \$14,000 and the Coop received \$20,000
 - b. How much did the Empty Bowl fundraiser make? It was over \$3000.00; it has been more in the past.
2. Discussion: Continued discussion of the NCG 2017 report (pulled from the “Parking Lot” section in the minutes) – *Richard*
- a. The following were questions to help spur discussion:

Overview questions:

- a. What stands out to you?
- b. Does this information match what you’ve learned from other sources?
- c. What are your reactions to what you read here? Is there anything here that surprises you? Concerns you? Pleases you?
- d. What does the report seem to indicate about our co-op’s relationship with and membership in NCG? Based on what we know from this report and any other sources, how might you describe our co-op’s relationship with NCG?
- e. Based on what we learn from this report, does the board want to do anything in the way of follow-up (further education, communication, etc.), or is it okay to just set this aside for now?
 - b. What is a benefit of being a member of NCG?
 - i. Our dues are roughly \$6,000 per year and cover Francis’s travel and lodging to two meetings per year plus two other staff people’s travel and lodging to an annual meeting.
 - ii. Through NCG we are party to a cost-plus contract with UNFI, our primary distributor, and with our sales volume this saves us approximately \$145,000 per year.
 - iii. Because of this contract we also received a \$20,000 performance penalty payment earlier this year because UNFI’s “out-of-stock” levels were excessive for the past 2 years.
 - iv. Were there a lot of comments from customers about the out of stock items? Yes.
 - c. MARY – As the debt to equity ratio has improved, should we reinvest in the Co-op?
 - i. Remodeling the store? Conventional wisdom is that grocery stores should do a major remodel every 7 years.

- ii. Francis has been hesitant to take on more debt because of the financial conditions in Carbondale and the State.
 - iii. We pay \$20,000 in interest annually on our \$400,000 in owner loans and Francis would like to start making repayments after the senior debt is repaid next year.
 - iv. The total of the Owner Loans has been very consistent over the past dozen years, staying between \$350,000 – \$400,000.
- d. Personnel costs: we are above the NCG average and why? Isn't that a good thing?
 - i. We are taking care of our employees. In 2017 our labor as a percentage of sales was 24.5% compared to the NCG average of 24.1%. This year our labor as percentage of sales is lower than last year. We are also doing well with another measure of productivity as we are currently achieving \$73.00 sales per labor hour.
 - ii. It has been a remarkable achievement with a staff that are working well together
- e. Days cash on hand? – The fourth quarter of 2017 was our lowest point in many years and now we are well above that.
 - i. We are not on the NCG watch list.
 - ii. For NCG solvency is more important than profitability. “Cash is King” We have built our cash back up. 1/3 of all the Co-ops have been on the watch-list
 - iii. In 2008 we had negative cash; it was a tough year. Francis was closely watching the checking account and negotiating longer terms with our vendors.
 - iv. Rule of thumb: pay Government, landlord and employees first.
- f. In Bloomington – Bloomingfoods had \$25 million in sales and a unionization effort happened. Over night they lost 20% in sales when *Lucky's Market* moved in. *Lucky's* does a great job marketing itself as a family business started in Colorado. Kroger now has a major equity stake in it.
 - i. Bloomingfoods had to close stores, going from 4 stores to 2 and \$25 million to \$11 million in sales.
 - ii. They have stabilized now and are cash positive
 - iii. They are still unionized
 - iv. Lessons learned – the GM's strategy was smaller neighborhood stores versus a major store and it proved not to be a successful strategy when a major competitor entered the market. Also, the employee culture wasn't strong as the staff acted like artists who had to work retail and were unhappy about it.
- g. Richard, asked is there anything we can learn from Bloomingfoods situation?

- i. The GM and the Board need to critically exam their assumptions around strategic plans. Also, sometimes things just don't work out and there were other things that happened that culminated in the situation.
 - ii. In 2013 our Co-op looked like we would continue to have double digit sales increases until we achieved sales of \$6 million per year. However, in that same year Kroger made a strategic decision to go after Whole Foods and launched their *Simple Truth* brand. The success of this brand, along with the \$6.6 million remodel of the Carbondale store in 2017, has really dampened Co-op sales.
 - h. Our current strategic plan covers the years 2017-2019. This plan contains a 2025 vision that consists of three different potential scenarios with worst, middle, and best cases.
 - i. Francis would judge that we are currently operating in circumstances that fall somewhere between the worst and middle cases.
 - ii. We will be working on a new strategic plan in 14 months
 - iii. TASK- Review our 2025 vision
 - iv. Strategic Plan – the Board states the “Ends” and the GM is responsible to achieve those “Ends” through a strategic plan.
- 3. Discussion: Form GM evaluation committee – *Richard*
 - a. Richard, Kristy, Susan, and Mary will form the committee
- 4. Discussion: Board members whose terms are coming to an end, please turn in you applications if you are running again – *Kristy*
 - a. First application from Richard is in
 - i. New form is much easier Richard says
 - b. Current Board members need to decide if they are going to apply so the Board can decide how heavily they need to recruit
- 5. Discussion and Proposal: Change next Board Meeting date – *Richard*
 - a. Nov and Dec are usually combined meetings because of the holiday season
 - b. Proposal: Change next meeting to December 4th - **Approved**

F. Announcements

- 1. Next Meeting: Tuesday, December 4, 2018
- 2. Holiday Party potential – Trish in December
- 2. Monitoring Report:
 - a. GM Report
 - b. Treasurer Oversight Report
 - c. B3 Financial Conditions
 - d. D5 Officer's Roles
 - e. B1 Staff Treatment and Compensation
 - f. D4 Director's Code of Conduct

3. Facilitator: Trish Wright

4. Items that did not fit earlier

Mary – asked what exactly did Jane Cogie of Carbondale Community Solar Working Group want the Coop do? Simply, that eventually this group will ask if the Coop wants to be apart of the solar array.

H. Closing

1. Review Decisions

a. Approved the new meeting date of Dec 4th 2018

2. Review Tasks

a. Task- Richard will need access to Boardlink@Neighborhood.coop.

b. Task - GM evaluation committee will met

c. Task – Read the new Procedures before the next Board Meeting

d. Task - Richard will post Leslie Watson’s Board retreat report on Basecamp when it is complete

3. Evaluation of Meeting

a. Work on formalizing the “Evaluations of Meeting” process

4. Evaluation of Board activities between meetings

a. Susan, Policy Development and Finance committee is doing a great job with the Procedures for the manual

5. Adjourn 7:20pm

F. Parking Lot

1. Further exploration of what to do with the information from Leslie Watson regarding 3 recommended co-ops where the economic driver is something other than education level.

2. Review the 2025 vision

3. Strategic Plan – the Board states the “Ends” and the GM is responsible to achieve those “Ends” through a strategic plan

EXECUTIVE SESSION was not held