

Blue Hill Co-op Board Meeting
February 25, 2021, via Google Meet

Board Members Attending: Jo Barrett, Diane Bianco, Cheryl Boulet, Aaron Dority, Deborah Evans, Martha Shepherd (Staff Position), Susan Snider, Jennifer Traub, Tim Tunney.

Absent Board Member(s): Jerome Lawther

Others Attending: Julia Klein (Minute Taker), Kevin Gadsby (General Manager), Gregory Paulmier (Owner).

Julia Klein, minute taker

Diane Bianco, meeting facilitator, timekeeper

New Director: The board welcomed Jo Barrett and thanked her for serving! **Susan moved to appoint Jo Barrett to the Blue Hill Co-op's board of directors. Jen seconded the motion. The motion unanimously carries.**

Open Owner Time: Gregory Paulmier inquired regarding outstanding debt. Kevin responded with numbers. Greg suggested opening an owner investment offering to help pay down debt. Kevin responded that this is a possibility, but the Co-op is awaiting the completion of 2020 taxes in order to evaluate the full financial picture. Refinancing debt is being considered. Greg inquired whether owners could receive dividends on their investments. Tim responded that dividends will be paid to owners on their investments, but the senior lenders carry a debt service coverage covenant restricting payment of dividends until criteria are met. Additional member investments are being considered but restructuring debt at competitive interest rates and longer amortization is priority in order to meet the covenant and pay dividends. Kevin inquired how long Greg has been an owner and noted that the Co-op has already offered owner investments raising \$1.9 million. Greg was unfamiliar with this history. Kevin invited him to email with any questions regarding the current financial condition. The board thanked Greg for attending the meeting.

Approval of Minutes: **Susan moved to approve the January 19, 2021 board meeting minutes with suggested edits. Deborah seconded the motion. The motion unanimously carries.**

GM Monitoring:

GM Monitoring Report –

B – Global Executive Constraints – Kevin presented his report. Susan praised Kevin's report and formatting noting that suggestions from the recent financial training webinar are reflected. Kevin stated that he wrote a general overview of policy governance, but there was little data to report as he is unaware of any fines, lawsuits, or illegal activity within the Co-op. Aaron inquired how the number of owners compares to Kevin's expectations. Kevin responded that current data indicates numbers of new owners and owner equity exceeds expectations. Kevin will forward numbers to the board. Jen commented that new owners may be interested in investing in the Co-op. No avenues are open for investing at this time and the Co-op is currently not allowed by the lenders

to take on new debt. **Tim moved to accept Kevin's report. Susan seconded the motion. The motion unanimously carries.** Kevin commented that writing this report gave him a unique opportunity to dive into Co-op principles and their daily application

B2 Planning and Budgeting – Kevin noted that the 2021 budget has already been approved and that this agenda item would be better addressed around November when the budget proposal is presented. He is considering a recommendation from the webinar to create a multi-year business plan. The pro forma generally fills this role but could be distilled into a long-term business plan. Kevin suggested that moving B2 to October would allow time to create the plan. Discussion ensued.

Kevin shared a suggestion from the webinar to review financials quarterly in the current financial climate. He went on to propose a rewritten 2021 budget adjusting the 15% growth projection to 32%, more closely reflecting 60% growth in January and February. He felt that this would allow for a more realistic analysis of budget versus actual financials. Tim questioned whether expenses have risen in light of growth. Kevin responded that they have not, and that while labor is a little high at 28% due to a February bookkeeping error, labor rates have dropped significantly from previous years. Discussion ensued. It was noted that adjusting the budget could benefit the RFP process. Kevin will be attending a GM seminar on budgeting in late March.

Kevin took questions on January financials. Susan noted that cash burn was discussed in the seminar and asked about the Co-op's condition. Discussion followed regarding strategies to reduce cash burn in the first quarter. Kevin noted that the Co-op is burning cash at a lower rate this quarter than in previous years. Refinancing will improve the situation. Based on a comment from the webinar, Susan asked whether during relocation the board set a cap on the amount of funds Kevin may spend without seeking board approval. Discussion ensued. Tim noted that a limit could be helpful to support Kevin in large spending decisions. Susan and Kevin will review records and minutes for spending limit decisions. Cheryl inquired whether the Co-op has a financial policies and procedures manual and suggested that limits be included here.

Kevin mentioned that the Co-op is holding around \$17,000 in grant funds for EV charging stations and that another organization has offered to grant \$5,000 for additional chargers. Funding may be available for up to 6 stations. He noted that these funds are not shown in current cash. Cheryl asked about reviewing and approving financial statements from Wegner CPAs. Kevin acknowledged that while he already approved and finalized the documents, he should have sought board review and approval before proceeding. He noted that the documents related to 2018 and 2019 and he submitted tax amendments for both years. Cheryl will review the documents in the Finance Committee drive.

Finance Committee – Tim opened echoing Kevin's report that January's cash burn rate was substantially lower than prior years. He noted that the committee is reviewing monthly trailing debt service coverage ratios (DSCR) as well as including a DSCR category in monthly reporting to the board.

Board Monitoring

Board Development – Deborah presented her research into director terms and the board thanked her for her bar chart. Deborah explained the chart showing 12 board seats filled by 10 directors. With an election coming in the fall, she asked the board to consider the total number of chairs desired and to establish a quorum. She reviewed board decisions establishing current seats and noted that to date there are 2 vacancies and 3 board chairs expiring, Susan, Aaron, and Martha. She stated that if these directors do not decide to go for reelection several new directors will fill the seats at once. Deborah suggested allowing the vacancies to expire due to the difficulty of online meetings and the proximity to the election. Lengthy discussion ensued. Jen highlighted provisions in the bylaws to ensure no more than 1/3 of seats expire each year. She asked whether Susan and Aaron running for reelection would create a competitive election as there are interested candidates. Jo noted the value of having an uneven number when voting by simple majority. The board clarified that quorum is based on the number of seats filled at a given meeting and requires that a majority of these directors are present.

Jen questioned whether director appointments should proceed. Susan responded that the process was tabled until more candidates are identified. Jen noted that the board should follow up with Jenny Brillhart who was asked to submit an application. Deborah asked Jen to notify Jenny that board structure is under review and the board has not yet examined her application. Jo noted that the open seat provides a strategic opportunity to choose specific skills.

Kevin asked why the annual meeting is scheduled in November as this is late to report on the prior year's finances. Susan responded that this timing accommodates summer schedules and busyness in the store.

C1 Governing Style – Deborah presented her report and noted her assessment that the board is in compliance. **Susan moved that the board is in compliance with C1. Tim seconded the motion. The motion unanimously carries.**

Patronage Dividends – Kevin reported that due to a net operating loss and debt service coverage limitations the Co-op will not be able to pay Patronage Dividends this year.

Agenda:

GM Report

Board Development - Appointments for Two Board Seats

C2 The Board's Job - Jerome

Meeting Evaluation: Welcome, Jo! Tim commented that it's good to see everyone's faces and thanked the board for adjusting the meeting so he can attend.

Due Date for the Board Packet: Items for the Board Packet will be due on Monday, March 15, 2021.

Next Board Meeting: Thursday, March 25, 2021, 6:30-8:30PM, via Google Meet.

Minutes respectfully submitted by Julia Klein