

Blue Hill Co-op Board Meeting
January 19, 2021, via Google Meet

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

Absent Board Member(s): Tim Tunney

Others Attending: Julia Klein (Minute Taker), Kevin Gadsby (General Manager), Jenny Brillhart, Robin Snyder-Drummond (Owners, prospective board candidates)

Julia Klein, minute taker

Diane Bianco, meeting facilitator, timekeeper

Jerome Lawther, tasks and decisions

Google Suite: Jerome gave a brief demonstration of screen sharing and accessing the Tasks and Decisions archive. He requested signed Conflict of Interest forms from directors who have not yet submitted them. He showed the Current Meeting folder and described its functions. Lastly, he demonstrated how to forward email from directors @bluehill.coop email to their regularly used email addresses to expedite checking mail. He noted that replies will still appear from @bluehill.coop.

Open Owner Time: Diane welcomed Jenny Brillhart and Robin Snyder-Drummond to the meeting. Susan invited them to share their backgrounds and interest in board service. Jenny expressed her love of the Co-op, of good food, and of being involved in the community. She stated her desire to see the Co-op succeed and to assist however she can.

Robin expressed her feeling that the Blue Hill Co-op is well run, and she would love to see it thrive as her contribution to a healthy community. She's lived in Ellsworth since July 2019 and shared her background with Maine and with volunteer service. Diane will resend her bio and application to the board for review.

Diane gave a brief overview of board responsibility and noted the 20% discount. She added that trainings occur each year and new directors are assigned a mentor from the board. Aaron noted that the Co-op board is more structured than typical non-profit boards due to the use of policy governance, and is a for-profit organization. Robin inquired about guiding documents for board service. The board responded that the bylaws and policy governance are available with an updated Board of Director handbook in the works by the Development Committee. Jerome mentioned that the board does not control operations of the Co-op but exists solely to hire and support the GM.

Approval of Minutes: **Susan moved to approve the December 15, 2020 board meeting minutes with edits. Jerome seconded the motion. The motion unanimously carries.**

GM Monitoring:

B1 - Kevin opened his report noting that he sent out financial documents a week prior to the meeting but needed to scramble after the Finance Committee met to revise discrepancies. The committee proposed moving board meetings to allow Kevin time to address identified issues. Kevin went on to report compliance with all items except B, which remains knowingly out of compliance due to the Co-op not generating a positive net income after depreciation and taxes. Kevin pointed out the reduction of cash between November and December 2020. He explained that December 2020 contained 5 pay periods with \$25,000 paid out per week. He also gave larger bonuses totaling \$17,000 with payroll tax associated. In addition, one lender took payment twice in December, rather than waiting until January 1, totaling \$14,000. He went on to show that Quarter 4 showed the highest growth since opening with 82% growth for December and 58-59% growth for the entire year. 40% growth was projected, and benchmarks were attained for the year. December 31 held the first physical inventory of the year due to COVID restrictions. Gross profit came in on target at 38% and the inventory was exceptionally streamlined and accurate. Wages are on target at 25.5% even with COVID-related bonuses. Kevin noted that bonuses were well deserved and much appreciated by staff. 2020 was the first full fiscal year in the new store and financials now compare new store to new store. The budget growth margin is set conservatively at 15%. The first 2 weeks of January showed 60% growth with the full moon sale event yet to occur.

Kevin took questions. Jen pointed out that the Co-op is also knowingly out of compliance in debt-to-equity ratio which has gone up since depreciation is happening faster than paying down debt which was not projected in the pro forma. She shared Cheryl's suggestion that the accountant may have ideas for improving depreciation after reviewing the finances. Susan highlighted outstanding growth trends in meat and produce despite lower customer count. The average basket size has nearly doubled. Aaron congratulated Kevin on the success of WebCart. Deborah commented that it will be interesting to watch numbers change as the COVID cloud lifts and restaurants open. Kevin noted that out of 14 departments, five showed over 100% growth this year comparing new store to new store. Café grew almost 24%, the largest since COVID began, and is growing 15% in January despite limited service. The board appreciated Kevin's balance sheet including prior month and prior period from the year before.

Jerome introduced the GM Monitoring table in Google Drive for monthly GM evaluation as stated in Kevin's new contract. Monthly observations will be used for evaluating Kevin yearly. Discussion ensued regarding filling out the table. Susan noted that similar tools are used by many Co-op boards and are filled out by the board secretary. It was decided that Jerome will fill out the tool with notes during the presentation. The board will review his notes at the February meeting and adjust as needed. Discussion ensued regarding being knowingly out of compliance. **Aaron moved that Kevin is in compliance with B1 with item B in compliance based on a reasonable interpretation of the pro forma. Jerome seconded the motion. The motion unanimously carries.**

Finance Committee – Jen opened the Finance Committee discussion in Tim's absence. She presented the committee's proposal to move monthly board meetings from the third Tuesday to the fourth Tuesday of each month to allow Kevin time to adjust financial statements before the meeting. Discussion ensued. Aaron stated that due to a work conflict he would be late at least

four times per year. The board will check with Tim. **Deborah moved to adjust the monthly board meeting to the fourth Tuesday of each month barring further conflicts. Susan seconded the motion. The motion unanimously carries.** Kevin notified the committee that financial reviews were completed by Wegmans. They are under the accountant's review before being submitted to the board. Kevin made improvements to the balance sheet and is finalizing a monthly cash flow statement.

Susan brought to the board's attention that in the finance committee's minutes it is noted that Jen asked about considering another long-term investment offering to reduce loan debt and avoid debt service coverage ratio (DSCR) limitations to paying out dividends. Susan stated her discomfort with taking on more liability and investors and with approaching owners with the request. Aaron noted that investments do not show up as debt and would not be included in the monthly debt service should DSCR continue to limit payment of dividends. Jen commented this is a creative calculation which could perhaps be accomplished by one or two accredited investors, but 2021 DSCR projections need to come in first. Aaron suggested pursuing member loans rather than investments, in addition to approaching foundations with the idea. Diane expressed reservation about approaching owners in light of Kevin's recent letter reporting the Co-op's inability to pay out dividends. Kevin noted that out of 137 investors who received letters, three contacted Kevin with questions and only one was disgruntled. He went on to express that while it may be premature, these are important options to explore. Careful communication to owners could explain that restructuring debt may expedite dividend payment. Susan commented that this hinges on finding the magic number which would allow for dividends and patronage dividends to be distributed. Tim and Kevin are working on projections. Cheryl suggested revisiting the distribution of depreciation.

Board Monitoring:

Diane received Edie Dunham's resignation from the board. Edie will forward Board Development Committee information to Diane.

D4 - GM Performance Monitoring Report – Cheryl presented her assessment that the board is in compliance with the first four policy points. Regarding the 5th point she deferred to the board's evaluation as it refers to monitoring reports throughout the year. She noted that having joined the board in September, and since monitoring had been suspended for much of the year due to COVID 19, she felt unqualified to assess. Susan noted that the board had agreed to dispense with monitoring due to COVID 19. Jen and Susan clarified the process of being knowingly out of compliance. **Jen moved to accept the D4 monitoring report as in compliance except for item 5 as knowingly out of compliance with a plan to be in compliance in 2021. Jerome seconded the motion. The motion unanimously carries.**

Financial Training – Susan reminded the board of the upcoming Columinate financial trainings occurring online on the four Monday evenings in February. Directors may sign up and pay online with costs reimbursed by the Co-op. Susan, Diane, Aaron and Jen are interested. Diane will check availability and email the board.

Agenda:

GM Report

GM Monitoring Table – Jerome

C1 Governing Style - Deborah

Meeting Evaluation: Informative!

Executive Session: Board candidates.

Due Date for the Board Packet: Items for the Board Packet will be due on Saturday, February 13, 2021.

Next Board Meeting: Tuesday, February 23, 2021, 6:30-8:30PM, via Google Meet.

Minutes respectfully submitted by Julia Klein