

**Blue Hill Co-op Board Meeting**  
October 20, 2020, Zoom Meeting

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

Absent Board Member(s): No absent board members.

Others Attending: Julia Klein (Minute Taker), Kevin Gadsby (General Manager)

Julia Klein, minute taker

Diane Bianco, meeting facilitator, timekeeper

Open Owner Time: No owners were present. The board welcomed Cheryl Boulet and thanked her for serving. Cheryl introduced herself and shared her history as a Co-op member since 2002 and the importance of the Co-op to her family.

Approval of Minutes: **Susan moved to approve the August 18, 2020 board meeting minutes with minor edits. Jen seconded the motion. The motion carries. Cheryl abstained from voting. Susan moved to approve the September 15, 2020 board meeting minutes. Jen seconded the motion. The motion carries. Cheryl abstained from voting.**

Google Suite: Kevin suggested appointing a board representative to manage and be the point person for Google Suite. Jim volunteered. Aaron inquired about scanning old documents for the archive. Kevin responded that archiving will be possible.

Election Committee: Edie shared that an Election Committee has been created to count ballots on November 12, 2020. Serving on the committee are Edie, staff members Jennifer Coolidge and Martha Shepherd, and owner Jenny Brillhart. Tally sheets are being located.

GM Monitoring: Kevin opened by discussing presentation of his report with the board in order to update Cheryl. It was noted that B4 will provide a full policy register for the board when complete.

B1 Financial Conditions and Activities: Kevin presented his report explaining each item and demonstrating compliance or a plan for compliance. He detailed the following highlights:

A - Sales Growth – the Co-op has demonstrated excellent growth despite the pandemic. Even the Café has grown at a rate of 34% in October instead of the historic 40% monthly drop through this season. Bread is up 20%. Kevin reported that development of the Café continues with outdoor heated tent seating under consideration. Wine and beer on tap are ready to launch.

B - Negative Income – Kevin explained that the Co-op is knowingly out of compliance with this policy as predicted for years 1-3 in the pro forma. He noted that he has begun monthly recording of depreciation effecting net income. A comparison of net operating cost from September 2019 to September 2020 is more accurate. Examination of the operational performance from year to year indicates that the store is doing well. Tim noted that considerable grant income was received in 2019 but not in 2020. Cheryl noted that interest expense is not typically included in operating income. Kevin explained that interest is included as per best financial practices detailed by NCG. He noted that the Co-op submits financials quarterly into NCG's CoMetrics for comparison with other Co-ops. Jerome noted that financial goals set forth in the pro forma are being reached and exceeded in spite of the net loss. The Co-op has realized 40% growth this year and is on track to exceed this by the end of the year, with around \$5.5 million in sales.

C - Liquidity – Kevin noted that the Co-op shows a ratio of 3.5 in the 3<sup>rd</sup> quarter with the recommended ratio being 3. This ratio was attained assuming PPP loan forgiveness though this is still unknown. Tim responded that the SBA is beginning to forgive similar loans. Kevin highlighted current liabilities on the balance sheet. Jen questioned where loan forgiveness is accounted for. Discussion ensued. Kevin mentioned that days of cash on hand currently exceed 25 days due to the PPP loan as well as the weekly surplus of cash generated through the summer.

D - Solvency – Kevin explained that the NCG recommended debt-to-equity ratio should be less than 2; however, the Co-op is currently at 2.14. He is crunching numbers to find debts to pay down to attain this goal but found that this requires more debt reduction than expected. Jen suggested that the ratio would drop significantly if depreciation is removed. Kevin determined that the Co-op is knowingly out of compliance with D and suggested a plan to improve the debt ratio by reducing operational expenses. He is meeting with department managers to assess expenses and reduce purchases of new equipment, etc. He showed that cost of goods at 38%, payroll costs at 25% (23% YTD), and labor at 13%, are all on target. Increased sales have improved the ratio, but Kevin will be watching closely through the 1<sup>st</sup> quarter. He expects to cut hours here and there, and to take advantage of NCG Co-op Deals and new product programs.

Kevin explained he is also assessing the overall discount program. Discounts include sales, staff, and the board. This year's discounts cost \$126,000, compared with last year at \$88,000. He is concerned about long-term profitability in light of this level of discount. He is considering moving the full moon sale from monthly to quarterly, on the solstice and equinox, and noted that most co-ops offer 10% off only 1 day per year. Jen asked about the working owner discount and Kevin responded that the program has been on hold due to COVID. Kevin explained that reducing discounts makes profit available to give back to owners through equity and community giving. Jen suggested that board discounts be considered separately. Kevin proposed discussion of board discounts at a separate meeting.

E - Owner Equity – The Co-op is exceeding growth goals in ownership and member equity!

F - Loan Default – Kevin noted that his understanding of the covenant restriction is that we are not necessarily out of compliance with the loan covenant restriction in a given year unless we are asking for a waiver for the purpose of making a distribution to members. Tim commented that this policy seems more generous than usual. Kevin and Tim will discuss mortgage payments.

J -Tax Payments - Taxes were paid on time. 2019 financial statements are under review with Wegner CPA.

K – Restricted Funds – Kevin stated that \$65,000 are reserved for projects at the store including landscaping. He affirmed that all PPP loan funds were allocated to payroll as per recommendation from SBA.

Kevin reported that a letter stating that the Co-op is not legally able to redeem investments this year is being compiled for member investors. The letter also addresses dividends. Dividends totaled \$52,407 this year. Kevin has received only 1 call from a member wishing to redeem and 3 requesting their investment to be converted to a donation. Jen's notes from finance committee meetings may be found in Google Suite.

B6 - Staff Treatment and Compensation – Kevin feels that the reports demonstrate compliance with B6 and is waiting for staff surveys to be returned. Kevin took questions from the board. Susan asked about the produce loss. Kevin responded that the loss is in the expected range and reflects waste, spoilage, and evaporation. He is encouraging the produce department to funnel produce to the café before spoiling. Deborah asked about the Co-op's relationship with the farming community. Kevin responded that spoiled produce and pig buckets from the café are given to local farmers. Jim noted that some board discounts amount to enough to be considered payment and require a 1099. Cheryl asked for a comparative balance sheet from the prior period in addition to the September balance sheet.

Board Budget - Tim presented the 2021 board budget of \$34,000 noting that he reduced the training budget, as it has not been used, and increased the insurance and legal expense budget. He reduced the budget for board discounts. Jen mentioned her hope that the board would take advantage of financial training. Susan has been in contact with Jade about training options for the board. Aaron affirmed Jen's recommendation to build continuing education into each year's budget. **Approval of the budget was tabled for the November meeting.**

#### Board Monitoring:

Finance Committee Update - Tim updated the board on the finance committee highlighting the letter-in-progress to owners regarding redemptions, and that the committee has decided to circulate an RFP to financial institutions. He referenced the draft RFP showing a 12-month period and noted that Co-ops commonly show a 2-year period. The document is otherwise set up according to recommendations.

GM Compensation Committee - Aaron explained the matrix for contingent pay and sought approval for the language. Kevin was asked to respond and submit a proposal. **Tim moved to approve the matrix for contingent pay. Jim seconded the motion. The motion unanimously carries.** A committee is needed to address GM compensation in light of information from Kevin. The committee will also conduct the formal review in March. **The topic was tabled for the November meeting.**

On other board related business, Susan shared the timeline for submitting various documents, including the GM Compensation Request for Proposal (RFP), the GM Annual Monitoring Table, and the yearly board calendar.

B4 – Susan requested board approval of edits to policy B4. **Jen moved to approved B4 edits. Aaron seconded the motion. The motion unanimously carries.**

Ends – Jerome presented his proposed ends statement and explained that it is structured around 5 ends pulled from the mission statement. He included ideas for developing other metrics and suggested that, upon approval of the ends, a committee should formulate measurements for Kevin to assess the Co-op's performance. Discussion ensued regarding whether to adjust wording or expand ends to include financial strength, or being a leader in environmental, GMO, or social justice issues. The board decided that the ends should remain simple and that other goals may be included in the metrics. Jerome suggested that the ends could be reviewed yearly and adjusted if necessary. **Jerome moved to accept the ends statement. Susan seconded the motion. The motion unanimously carries.** Susan will enter ends review into the board calendar for October. Kevin asked whether the GM is responsible to demonstrate that the Co-op is in compliance with the ends. Jerome will discuss metrics with Kevin for board approval at the November meeting.

Committees - Susan urged all directors to consider committee work. A development committee is needed to rework the board handbook for new directors. A candidate list for new board members should be compiled. This can be an ad hoc committee and owners may participate.

Bulletin Board - Board information is being posted on the store bulletin board. Jen Coolidge is collecting short bios and photos from board members. Kip posted the BLM movement statement. Photos and bios should be emailed to Jen Coolidge.

Policy Governance:

C8 Governance Investments – Jim presented policy C8 and asked about letter F regarding administrative work. Discussion ensued identifying board administrative tasks. Jim noted that the board should compile and update materials for new directors. Jim assessed that the board is largely in compliance with C8 but needs to address introductory materials. **Susan moved to accept the report. Jerome seconded the motion. The motion unanimously carries.** Susan asked Cheryl if she received all the materials she needs.

Susan will forward the policy register and information about policy governance to Cheryl. The board handbook needs to be updated.

D, D1 Unity of Control – Jen explained that policy D states that the board’s sole official interaction with the Co-op should be through the GM. She assessed that the board is in compliance and gave examples.

Jen explained D1 that affirms that the only official motions of the board are binding on the GM. Individual board members cannot make directives. GM has the right to refuse onerous requests. Jen requested Kevin’s input regarding whether he feels that the board overuses staff resources. Jim noted that Kevin has been good about protecting the staff from over-work on behalf of the board. **The board determined compliance with D and D1 and Tim moved to approve the reports. Deborah seconded the motion. The motion unanimously carries.** Aaron will update the policy register and email it to the board.

Discount Discussion Meeting: A Zoom meeting will be held next Tuesday the 27th at 7:00 PM to discuss Co-op discounts. The board will also set the agenda for the annual meeting. Kevin will email the Zoom link.

Annual Meeting: The annual meeting will be held over Zoom on November 10<sup>th</sup> from 6:00- 6:30 with the monthly board meeting to follow. Owners are invited to attend. The board will create an agenda and produce a report. Jim noted that historically the board’s report has consisted of a cover letter recapping the year presented with Kevin’s financials. Susan will send last year’s report to Diane.

Agenda:

Annual Meeting

GM Report

Ends Metrics

Board Budget Approval

GM Compensation Committee

D2A – Tim

Meeting Evaluation: It was great! Welcome Cheryl!

Due Date for the Board Packet: Items for the Board Packet will be due on Saturday, October 31, 2020.

Annual Meeting and Next Board Meeting: Tuesday, November 10, 2020. The annual meeting will begin at 6:00 PM, with the board meeting following from 6:30-9:00 PM, Zoom meeting.

Minutes respectfully submitted by Julia Klein

