

Plainfield Food Co-op

Board Minutes - Draft

January 3, 2018 (Rescheduled Regular December Meeting)

Board Members: Bob Fancher, Jean Hamilton, Giordano Checchi, Alicia White, Chris Jackson, Sarah Phillips

Link: Karen

Guest: Buzz

Consent agenda (Meeting minute approval) was postponed as Sarah made edits and the link in the Board packet to the Special Meeting minutes was incorrect.

C2 and D3 Monitoring were tabled.

Management Consultant

Jean asked that the Board decide on the Management Consultant scope of work and proposed contract at tonight's meeting. Jean circulated the scope of work with comments from MC and Buzz. Buzz reiterated his concerns that an action plan after 2 weeks seems unrealistic and would take more time to develop. There was conversation about what timeframe seems appropriate for providing an action plan. Karen presented that members of the MC agree that they are all feeling stretched, and that the MC feels they should be able to help the management consultant identify and develop an action plan.

Buzz wants to get to know what individual roles are, how work happens, and what is not working well. Jean reiterated that Buzz's role, from the Board perspective, is to help facilitate decision-making.

There was a discussion about whether the primary purpose of the management consultant is to inform the management review/planning process. There was agreement from the Board that this is not the primary purpose, but an ancillary benefit of having a management consultant at this time.

Giordano identified that Board and MC expectations for the consultant may be different, and the conversation continued to identify what differences exist.

(Jay joined the meeting at 6:42pm as a guest (potential board candidate).)

Bob discussed stress that exists currently is both because of staff/management turnover, and also stress related to the management collective struggle to operate effectively as an MC.

Karen added that she has some clarity that the management consultant is not another "manager" on the MC, in that Buzz would not be like an additional manager for the MC. Sarah added that the Board has discussed that the management consultant will take on some of the facilitative role that an MC coordinator might have, and that the Buzz will hopefully be seen as a member of the team in this way. The management consultant is bolstering the MC, not replacing it. Sarah mentioned the need to identify the way that the links and the management consultant will complement each other, and avoid having the consultant replace the role of the links. Buzz reiterated that he will need support in learning how the organization functions. Jean and Bob have volunteered to meet with Buzz to support his learning and act as Board liaisons.

The question of workspace was raised, and Buzz agreed that he could work this out. Bob will budget for the full contract.

Decision: The scope of work was amended to include the action plan as a deliverable by the end of January. The Board agreed to the scope of work with three phases and payment provisions tied to the three phases. Jean will finalize the written contract.

Link Report

Bob, Laura, and Karen are developing the budget, with some support from Jeanine. The MC was surprised to see the financial statements turn to a deficit.

The inventory was completed on January 1 and was sent to the bookkeeper. There is a lot of new staff being trained.

There is a new buyer for bakery and deli. Chloe is now buying grocery. Jezebel is the new buyer for coffee and spices. Stephanie is the new office coordinator. All of the shifts have now been hired for.

Jean mentioned the MC minutes/discussion about the marketing consultant. Some MC members may be questioning the effectiveness of the marketing methods (collecting street address), the timing of a study (first quarter), and the potential labor burden of the marketing study. Jean clarified that the methodology for the market study per this consultant is not negotiable. There was agreement that the Expansion Finance Committee could ask the consultant about the questions raised by the MC, including whether it takes into account if first quarter and second quarter shoppers are the same/different people.

There was concern about the timing and whether the management has the capacity to support the market study during the first quarter, given other challenges. There was some desire expressed to conduct the marketing study before the membership meeting. Decision: Conduct the market study in late February/early March.

Action: The Expansion Finance Committee will reconnect with the market study consultant and support the market study process. Karen will work with the MC to find a time in late February/early March for the market study.

Potential Board Candidate: Jay asked the Board to provide more information about time commitment and expectations. Jay wants to see the Co-op meet the challenges of the changing time and to see the Co-op expand and grow. Jay works at Vermont Compost. Jean will schedule a meeting with Jay to discuss.

Financial Report:

Bob presented a review of the financial statements for the end of November.

Spoilage due to the cooler shut down – the total insurance payment should be approximately \$2,500; only \$900 has been paid thus far.

Bob reviewed his notes that were sent in the Board packet and included below:

At the end of September, net ordinary income (profit before "other income/expense") was +\$16.8K. At the end of November it was -\$9.5K. The major problems that contributed to this are:

- \$1,494 October sales were below budget

- \$7,464 October adjusted COGS was above budget. This may include loss from power outage which has not been fully reimbursed.
- \$5,849 October wages above budget. Jeannine thinks this may be in error and has contacted Naomi
- \$8,524 November sales below budget
- \$2,047 November equipment cost over budget due to COPOS

TOTAL \$25,396 which would explain the profit decrease

The cost of goods increased significantly compared to budget. October wages were above budget – some of this may be related to the storm and eligible for the insurance claim.

It would be good to look at which departments were driving the increase in the cost of goods. It seems that cheese, refrigerated and produce were some of the departments. The Board asked about the increase in inventory adjustments compared to previous reports. The finance committee is planning to meet and review all of these issues soon.

B1 Review – Q1-Q3

B1.2 Gross Margin/Net Income: Bob reports that the gross margin had decreased below the threshold, which is of concern. We are in compliance with B1.3, liquidity, but given the trouble in making vendor payments, the operational definition or method for calculating current assets and current liabilities should be reviewed.

3. The MC shall not allow liquidity or the ability to meet cash needs in a timely and efficient fashion, to be insufficient.

Operational Definition / Interpretation:

The MC will operate the co-op in such a way as to be able to pay its accounts. The “Current Ratio” (Current Assets [unrestricted] divided by Current Liabilities) will be no lower than 1.3.

B1.8 – The MC shall not allow late payment of contracts, payroll, loans, or other financial obligations. The operational definition may need adjustment, as looking at accounts payable dollars past ‘current’ or past 15 days current. There are a number of credits with vendors that is offsetting payables (making it look more favorable than reality). Some of these credits may be due to the double check run. The finance committee should review and consider an adjustment on how B1.8 is reported. There is \$37.9k in accounts payable that is not current. The line of credit has been paid down.

There was discussion about whether extending the line of credit is appropriate. It was recognized that this was a short-term fix, and the big fix continues to be the need to increase sales/revenue. It was agreed that marketing is a key factor in increasing sales. Action: Giordano agreed to join the Marketing Committee, it was agreed that the marketing committee is a key group to focus on increasing sales. Jean will send forward the committee charter and meeting notes. The Marketing Committee is an MC committee with board members participating.

Decision: The Board agreed to extend the line of credit up to \$4,000 to bring payables current.

Actions: If the MC or financial coordinator agree that further extension is needed, a detailed plan should be presented with a request. The Board requires a report at the next meeting on how the

line of credit was used. The Board also asks the MC to look into... Are there interest charges being assessed? Are there payment terms that can be renegotiated?

B1.10 – Bob will present the management response to the financial review as part of the Q1 B1 report, given other financial pressures. The B1 continues to reflect lack of compliance.

Bob also reports that planned raises for management members based on the increase in the minimum wage is postponed until later in the year. The MC was in agreement.

Decision: The Board accepts the report, and provides the action items for the MC as recorded above, including the plans for compliance.

MRG – SWOT Analysis

Board members are invited to participate in the next MRG meeting at 2pm on Sunday at the Co-op to discuss the SWOT survey and/or provide comments before Sunday's meeting. Sarah distributed the survey summary for Board members to review (also emailed).

Board recruitment strategy and policy governance calendar are postponed to the next regular meeting.

The meeting adjourned at 8:35pm.