


Board Meeting Minutes
Tuesday, April 27, 2021; 5:30-8:30 pm

Facilitation: JennyL **Minutes:** Gayle **Vibes/Celebration:** Sarabell **Clean-up:** n/a **Scribe:** n/a

Attended by:

Board Members: Naoki, Will, Josue, Eleanor, Sarabell, Claire

CM/Staff: Amina, Goto, Rachel, Amina, Brita

Member-Owners: Chris

Guests:

COMMITMENTS:

	COMMIT MADE	DIRECTOR(S)	DUE DATE	COMMITMENT
1	10/27/20	Brion, Brita	5/21	Brion will send Brita the communication statement and other things to add to the website.
2	10/27/20	Brion	5/21	Brion, as Secretary, will update 4.5.7 and appendices G and H to the policy register.
3	6/23/20	Secretary	5/21	Secretary will ensure that we put on the ballot the proposal to update Bylaws Section 4.9: Vacancies. Whenever the number of patron directors shall fall below eight for any reason, the board shall appoint one or more directors necessary to bring the number of patron directors to eight. (See Minutes of January 2020.) [Note: Printed materials need to be produced at least 4 weeks in advance.]
4	3/23/21	Sarabell	5/21	Sarabell will take leadership on next steps for white-passing affinity group's conversation about micro-aggressions.
5	9/22/20	Brion, Padrice, Eleanor	5/21	Brion and Padrice will bring a proposal for policy changes to 2.7 and bring back to board work session in early November. [Update 1/21: Eleanor will put it on the work session in February.] [Update 3/23: Not yet done in work session.]
6	4/27/21	Naoki	5/21	Naoki will reach out to Jade about how she has seen boards monitor the Ends before the Agenda planning meeting.
7	4/27/21	Gayle	5/21	Gayle will add Josue, Brion, Claire to engagement chart for 2Q21: Office hours. Eleanor & Naoki: Board interview.

8	1/26/21	Sarabell	7/21	Sarabell will reach out to Alberta Co-op Board on how they handle self-monitoring.
9	7/28/20	Claire, Rachel	7/21	Claire and Rachel will work on the Spending Retained Earnings proposal and bring it back later.
10	11/24/20	Claire	7/21	Claire will review the language in 2.5 as a whole and consider changes.
11	4/27/21	Amina, Rachel, Naoki, Josue	7/21	Amina, Rachel, Naoki, and Josue will review 2.4 by July and consider simplification..
12	1/26/21	Eleanor	9/21	Eleanor will take the consent agenda idea on and develop it to bring back. Jenny is willing to help.

POLICY NOTES

Policy	Date	Note
2.7	9/22/20	Include tenure average in next report.
2.0 Global	10/27/20	Tabled to November. Next time mention that owners may invest more than \$180.
2.3	10/27/20	Change operational definition of 2.3.6 to reflect a response to the policy requiring the timeliness of payments

DECISIONS:

DECISION: March meeting minutes accepted as written.

DECISION: Board accepts IMR 2.4 as in full compliance.

DECISION: Patronage dividends will be allocated!

DECISION: We will allocate 100% of the amount.

DECISION: We will pay out 100% to our Member-Owners!

NEW COMMITMENTS:

Amina, Rachel, Naoki, and Josue will review 2.4 by July and consider simplification..

Gayle will add Josue, Brion, Claire to engagement chart for 2Q21: Office hours. Eleanor &

Naoki: Board interview.

Naoki will reach out to Jade about how she has seen boards monitor the Ends before the

Agenda planning meeting.

MINUTES APPROVAL:

- No edits, comments, questions, or concerns. Abstaining: Sarabell, Naoki.

DECISION: March meeting minutes accepted as written.

0) Meeting Agreements

- Read by Sarabell

AGENDA REVIEW:

- Brion has withdrawn his proposal to rescind a prior decision, so that is not on the agenda anymore. Patronage conversation will take longer than originally planned. Data management item is deferred since Brion is not here tonight. Might talk about board priorities list from retreat if time.

Member Owner Forum:

- N/A

1) IMR 2.4 Business Planning & Financial Budgeting - Monitoring

Sponsor: CM Link

Purpose: discuss

- Amina: We are in compliance with each part of this big report. The board has flagged it a

few times, but in 2.4.1 (which is about making sure that we are not violating parts of 2.3 in our budgeting process), we are interpreting “adequate” a negative number in 2021, which is unusual--first time we’ve done that. We’ll talk about this more in the next 2.3. There is also interesting info in 3-4 year projection, Appendix D, where we compare budget vs actuals. We have a new nifty tool for casting projections.

- Rachel: In 2.4, we budgeted for negative 9.75% sales growth for 2021, and we divided that up: in the first quarter, we budgeted -31%, and flat (0%) for rest of the year, so our 32% for first quarter is actually on target. We also hit the top CoMetrics score in the first quarter of 2020, and only one other co-op did that!
- Eleanor: Has the CM put together co-op priorities in past years, or is that a new development?
 - Amina: Folks who have been on CM longer than I have may have more information. I got here in 2018-2019, and we may have just been starting to do that.
- Naoki: In 2.4.5, I don’t remember that there used to be an operational definition of what a significant development looks like.
 - Amina: This operational definition is not new. My hunch is that if we were to increase staff by a third, that would probably also mean we’re increasing square footage somehow, or something significant would have to happen. If you have thoughts about changing that, we could talk about it in Policy Reflection. Maybe just retail square footage is enough.
- Eleanor: In the section talking about labor, addendum A, you talked about reducing departmental hours. Is departmental hours same as store operating hours?
 - Rachel: No, department hours are the breakdown of which department uses how much of the total labor hours. Total labor hours are related to open hours but are greater.
- Will: Typo in 2.4 somewhere.
- Naoki: Question about the 3-year projection: How does it defer from the business plan? I think I read that 2020 was on track with the business plan. How does this change the plan that you had?
 - Amina: Business plan included some benchmarks for sales and labor. For 2020, briefly, we obviously did not meet our projected sales growth. We did well on margin, and labor was a bit higher than what we were trying to work on, given the pandemic. We were able to keep some assumptions in the projections that we will hit the benchmarks we set for 2021. I input what we budgeted, because we did budget for a negative income and sales group, .which does diverge from the business plan. For future years, I put assumptions that we will meet the goals that we set for ourselves.
 - Naoki: Does that have any impact strategy for the next year?
 - Rachel: I think sales growth is something that we need to have to get to if we embark on the development projects that are in the long-term plan. As long as we can keep hitting the other benchmarks as well as possible during the pandemic...I don’t know how many years our sales growth has to be to fit the description of someone who gets to have a loan. As long as our EBIDAP is okay--sales growth

during the pandemic just cannot be really big, but if we keep focused on the other things--we'll be in a good position when we come out of it.

- Naoki: What I'm thinking is that when I'm looking at the 3-year plan, part of the plan is to open a second store, and I'm wondering if you're going to be able to open a second store...seems like a repeat of what we went through a few years ago.
 - Rachel: The net loss there in the projections will not necessarily be there when we budget. The projections are not the budget. We sort of ran into the past; we do not try to make all these projections...we kind of tinker with our budget until we hit our net income goal, and that will be positive when we're not in a pandemic.
 - Naoki: Are these 3-year projections the end goal? No? So how will they be used?
 - Rachel: I don't come back to them often, but I feel like if we do them and it's really negative, it makes us think about what we need to change so we don't have a net loss. Business plan has targets, and when we're doing annual plan, we think about how we get to those targets.
 - Amina: I think the farther out the projection, the less useful. But projection helps us see that in the year we add warehouse, how does that change our liability; that year, our net income will be really negative, because we'd be taking on a lease or something. Projections help to see that in a timeline kind of way.
 - Eleanor: Are we still planning on warehouse?
 - Amina: Less urgent at this moment. With pandemic, we changed how we use our space that relieves some of the initial drive for the warehouse. And we also need to have more sales before we add a warehouse.
- Jenny: Did anyone come unprepared to act? No. Not read packet? No. Any interpretations or definitions unreasonable? No. Inadequate data? No.
 - Naoki: Why do we have this policy? It's in place to make sure that the co-op is thinking ahead, and based on what we know today, where are we heading? If 3-4 year projections are not used, do we really need what this policy is asking for?
 - Jenny: What I'm hearing: Are you in compliance if you're doing the projections but not using them? Or is it a policy reflection, not asking for the data you want?
 - Amina: When I was doing this, I noticed that we interpret the data to create 3-year projections, but 2.4.7 just requires looking at last year's projection and actual outlines, and we've just been adding a couple extra years. I would like to defend still doing it.
 - Eleanor: Was is 2.4.7 you were talking about, Naoki? And Amina, will you please share your thinking on still doing the 3-year projection?
 - Amina: There's a difference between what a business plan is (as we're going through it, we're pausing and looking at each year and asking how did last year actually go) versus trying to map that onto what the business plan actually has. Projections are a middle step between these two things. Need a word for how we make a budget related to this. Maybe Rachel has the word.
 - Rachel: I also think it's useful to do 3-year projections. Useful in the time they're happening, even if we don't go back to them and work on them, it's a good visual of the big-picture future of what we're thinking as we make plans.

- Naoki: Just to be clear, I didn't mean that doing 3-year projections is not useful. Just struggling about understanding the difference between them and business plan. I am fine with the data.
- Proposal: Accept 2.4 as in full compliance. Unanimous consensus.

DECISION: Board accepts IMR 2.4 as in full compliance.

2) IMR 2.4 Business Planning & Financial Budgeting - Policy Reflection

Sponsor: all

Purpose: discuss

- Jenny: Back to the discussion we were just having on how 3-year projections are used. But before that: In the agenda planning meeting, we were talking about some other things we might want to discuss if there's time.
 - Rachel: I remember what it was. It was about if labor was going to go up by 30%. I think there's a rationale for leaving it in, which is that if in 2020, we know that in 2023 we're going to do a thing, we might not increase our retail square footage in the year that we're budgeting the increase of labor. By increasing our labor by 30%, we're doing some kind of development, even if it doesn't hit some of the other parts. The projection shows what it is we're working towards with the decisions we're making now.
 - Amina: At the agenda planning meeting, I think we were thinking about something that didn't make the agenda, which was 2.3. We just flagged that for you all in the discussion we had, that it will come up when we do 2.3.
- Jenny: So back to policy reflection, which is about thinking about if the policy is written in a way that you're getting the information that you want. Does the way the policy was written need to change? Does anyone have anything else about the policy besides this larger question that Naoki brought up: How are we using this?
- Naoki: What I think might be useful to talk about is: Why do we have this policy? What are we trying to find out with it? As a Board, why do we have a Planning & Financial Budget policy? What do we get out of that? I think we are clear why we have a report on the financial conditions of the co-op--we don't want the co-op to be in a certain financial situation at any point--so why do we have this one?
 - Eleanor: Naoki, are you thinking or asserting that it doesn't bring us value? That we do more of a point-in-time monitoring of where the co-op's at and we should step back on more of the oversight of where we're headed? Is your point of view that it's not adding value, that 2.3 is what we should be focused on, a point in time?
 - Naoki: I'm not saying it doesn't have value. I think it's a good conversation to be having, to think about what we are trying to get out of this policy. Would we be missing anything, with our monitoring hats on?
 - Rachel: I do know that one of the issues in the past with this report is that for many years, the CM didn't have a more than a couple-years' planning, and that was

actually something that the Board said, “No, you can’t continue to function in a year-to-year state,” and it was actually this report being out of compliance. The Board said, “CM, you actually have to develop long-term plans, plans for the future, to say this is how the co-op is going to survive and thrive. I think this report could be simplified, but I wouldn’t want to get rid of it. It is valuable for Board to know CM is planning for the future, not just planning each year as it comes.

- Eleanor: Zooming out strategic question: When you look at the long-term plan, how much of a factor do you think membership growth (recruiting new members) would be? Is that a factor the Board could collaborate on?
 - Amina: We feel strongly about equity. We want to work on sales growth. We can work on getting new members and getting people back into the store, but that’s not the most important thing.
 - Brita: Having more people use People’s as their main store for shopping rather than just once a month is our focus, given our infrastructure limitations.
 - Amina: We have some people who are really loyal, but we haven’t diversified that.
 - Eleanor: I think the Board could help by speaking out to MOs about making People’s their “Grocery Home.”
- Sarabell: Appreciate that question, Eleanor, thinking of our priorities from retreat, wanting to expand our member base.
 - Eleanor: And what role does the board have in getting a broader customer base and getting people to make this their main store?
 - Amina: I think the valuable part of this report is that it gives the Board a chance to ask if various things were taken into consideration: “Did you consider what’s happening in the industry? Did you consider patronage dividends for the members?” Other parts might be less useful, like reporting on personnel and project managers. The purpose is to make sure CM is working to a long-term plan while also working that into the budget. I think it could be simplified. And I also think that projections is a confusing topic every year. I don’t think that’s a policy fix; it’s just us figuring out how to talk about projections and what is the utility of projections. That’s something we didn’t do really great on today.
 - Jenny: Potential action item: A board member could work through the policy with the links. And the question of how you’re using it could be put into the policy. And/or think about how you want long-term planning to be used in the functioning of the co-op.
 - Will: I understand the difference between projections and budgets. I think it’s being used exactly correctly. I have no issue with either the CM doing it or the notion that it’s critical to do. I’m fine with it the way it is. It’s a sign that the CM has their act together. It’s part of how you go about doing good management, including long-term aspects you need to consider when you’re getting current stuff right.
 - Naoki: At retreat, we talked about redoing the entire policy report, I am looking at the simplified template. Maybe this could be part of this bigger conversation.
- Jenny: Proposal: Do Naoki and links want to put your heads together and consider how

2.4 could be simplified?

- Amina: I'm down to work on that. Also, I think a part of this report, what is useful to the board is, separating things which are cool for board to know versus the business end, like planning assumptions, connection between the projection and the plan, and we're getting into the content.
- Josue: I'll help.
- Jenny: Great job going in-depth on really thinking about the policies!

Amina, Rachel, Naoki, and Josue will review 2.4 by July and consider simplification..

ANNOUNCEMENTS:

- Brita: Board nominations end this Wednesday, so encourage people to apply before then! We have one or two so far.

3) Patronage Decision

Sponsor: all

Purpose: decide

- Jenny: This is a great moment to be reflect on the intersection of being a business that creates and being in partnership with the member-owners and sharing that, and what it means to be accountable to both the business and the MOs.
- Rachel: We have a larger amount of money to distribute than what we originally thought! Our book income is based on our EBIDAPT (Earnings Before Interest Depreciation Amortization and Patronage and Taxes.) The extra money came from an overestimated monthly depreciation. Depreciation is when we buy a fixed asset, and we don't have to spend that all at once, can divide it into quarterly or monthly amounts. Doesn't change our book income--we didn't make more money on sales, we just didn't move as much from pools of balance sheet money. Also, when we allocate patronage dividends, we send them out, and a percentage never get cashed out. After a certain number of years, we assume it will not ever get cashed out and roll them over into equity. They become taxable because they were written off the year they were meant to be paid. There were dividends from 2012 and 2013 that we rolled over, so that increased our taxable income.
- Rachel, continuing on: In thinking about allocating patronage, there are a couple decision points: Do we want to allocate any, and if so, what amount of what's available do we want to allocate? Could be anything from 0-100%. From a business perspective, I don't understand why you might not do 100%. I am committed to learning more about that. If we allocate something, it is no longer taxable income. If board decides to allocate any amount, we are legally bound to pay out at least 20% of what was allocated.
- Will: Great clear and thorough explanation!
- Eleanor: Is the allocation amount what MOs shopped, or is it a subset of that?
 - Rachel: Our book income for the year is what was left over after all of our

shoppers shopped. Of our sales for the whole year, 71% was to MOs. It's a percentage of the income that is the percentage of shopping by MOs.

- Rachel: We have the proposal to allocate 100% and pay out 75%. Why might Board choose to retain some? Membership has elected Board to manage in best interest of MOs, which might be to keep it invested in the co-op for extra equity.
- Claire: We had asked if it was possible to hold some of these funds and distribute a larger amount next year. Can we do that?
 - Rachel: I don't think we can legally do that. We need to pay out in the year we decide. When you look at the retained patronage, all of that still legally belongs to the MOs at the time. We are allowed to pay out retained patronage, but we have to start with the furthest back year. The further back in time it gets, the harder it is to find people.
 - Claire: We know the expense of preparing and sending the dividends is quite high, so that's why I asked if there was another way. Sounds like that isn't possible in a clean way.
 - Amina: Not in a convenient way. Regarding the expense: CM wants to look at integrating into the POS, but this seems like it makes sense. I think the expense matters less when we have a bigger bucket to use.
- Will: What can we do with the amount retained?
 - Rachel: It's kind of like our capital. It's part of our investment from our MOs. It's what allows the co-op to be in a good position; we have good cash reserves. We can buy a \$20K refrigerator if we need it. It's our cushion and our financial health other than our operational health. It could allow us to xxx. It's not money that we could just buy a whole lot of things with and then never pay ourselves back. It allows us to buy things we need and pay them back through depreciation.
- Jenny: First question is: Do you want to allocate money to MOs?
- Naoki: In a way, we can either distribute part or all of the \$57K to our members or we could keep it to invest in something the co-op needs. But since we have a good cash position and no particular long-term plans to do anything, so I'm in favor of distributing it. It's part of the story of why we are different. Can you think of any reason this money would be useful to invest in something specific?
 - No, our proposal is to allocate all of it. If we do allocate any, it has to pay out at least 20%.
- Jenny: Next proposal: Shall we allocate 100%?
- Next: Shall we pay out 75% as recommended by CM?
- Eleanor: I propose we send out 100%. It's part of the story of how we are different from a regular grocery store, why we should be your place to shop.
 - Sarabell: Would love to hear from CM about this.
 - Amina: At first I thought we should just pay it all out. In talking with Rachel, we did lose a few thousand dollars in each quarter over the last few quarters, and we're still in the pandemic, so retaining 25% would let us still add a little to what we can use and reinvest. So 75% feels like a good reconciliation.
 - Eleanor: I appreciate that reasoning. I think about the size of the vouchers last time;

it was about an average of \$6.40. Any chance to increase that appeals to me. And then I think about retaining that 25%, it is some cash that we could have on hand. It's a relatively small amount, considering the negative impact of taking that small amount off the top of the million that we have in the bank. So I propose that our cash reserves provide that weatherproofing, and the relative value of being able to write a bigger dividend back to our members outweighs it. And we can afford to pay out 100%.

- Eleanor after unanimous consensus in favor: This is a tribute to the great job the CM have done this year!

DECISION: Patronage dividends will be allocated!

DECISION: We will allocate 100% of the amount.

DECISION: We will pay out 100% to our Member-Owners!

Brainstorming for May meeting:

- Jenny: Things to think about for May: We have 2.3 and Ends report next month. We always ask if we want to monitor the Ends report a different way. Other things we have in the pond: How does Board get feedback from MOs; how to follow up on strategic visioning and planning, looking at priorities and how to work on them; following up on microaggressions conversations; internal monitoring of Board. Any other ideas for future meetings?
- Eleanor: We had a great conversation at our last work session in followup to our retreat that I would like to see us continue. We started a list of priorities, and we started putting names to them and listing tasks for them and who would be accountable for each task, in the spirit of each of us being accountable for a different area. I also love the idea of setting one or two or three of the priorities; I was inspired by how the CM did that, creating a backdrop of tasks for the year.
- Jenny: (about Ends) Big visionary thing with so many details. It was like 57 pages a couple years ago, and it was a lot shorter last year. Any thoughts on how you would like to see that and how it relates to the visioning for the Board?
 - Naoki: Could we ask Jade how she has seen boards use the Ends report monitoring, a way to make that more exciting? I will reach out to Jade.
 - Amina: With the Ends, it's really easy to deep dive into the ones we already have. It's harder to see what might be missing, what directions we might want to go. Focusing on data, it can be hard to think about if Board would want to change the Ends, make it more strategic. That's something I would want to think about.
- Jenny: There's also Brion's proposal about tech pain points: How much do board members want to dive into this in a board meeting? Curious about energy level around this.
 - Claire: We should give Brion the chance to frame this before we do a temp check about it without him.
 - Jenny: Just wanted to get a sense of how much energy is around it.

Naoki will reach out to Jade about how she has seen boards monitor the Ends before the Agenda planning meeting.

Meeting ended at 8:28 pm.