

First Alternative Natural Foods Co-op Board of Directors Meeting
Tuesday, September 24, 2024
South Store Meeting Room

Common Acronyms

<i>BREC: Board Recruitment & Elections Committee</i>	<i>EC: Executive Committee</i>
<i>ORC: Owner Relations Committee</i>	<i>NCG: National Coop Grocers</i>
<i>PG: Policy Governance Working Group</i>	<i>FA: First Alternative Co-op</i>

Present: *Jasmin Woodside, Kestrel Bailey, Kate Woods, Rob May, Dana Monroe, Wynston Estis, Frank Hall, Mark Tarasawa, Kathryn Duvall, Lauren Burns*

Absent: *Patrick Monroe, Jeremy Northway,*

Facilitator: *Jasmin Woodside*

Scribe: *Kate Coenen*

Staff: *Donna Tarasawa*

Owners:

Guests:

Scoop Article due October 20 assigned to Jasmin Woodside. Reviewers are Rob May and Kate Woods.

1. Inter-Cultural Competence Discussion

The Board members have started to read the books LaDonna recommended as part of the Board's inter-cultural competence training. Wynston has created a spreadsheet for Board members to request the books that they need, and whether they want them as an e-book, an audiobook, or in print. Board members may keep the books, or they can return the books to the Co-op to be part of the Co-op's library. All Board members except for Jasmin and Jeremy have filled out the spreadsheet.

Everyone should have received the link to take the IDI Assessment, and LaDonna will be reaching out to schedule the one-on-one debrief sessions.

In addition to the books assigned for the training, Frank also recommended the book *Braiding Sweetgrass* by Robin Wall Kimmerer.

2. General Manager's Reports

Wynston is attending the NCG Fall Meeting in Minnesota. The meeting includes discussion on NCG's Next Level Initiative to create a common chart of accounts so all co-ops can line up more consistently and make benchmark comparisons more clearly. This initiative is scheduled to be completed in mid-2025. NCG is also working on creating a more consistent protocol for co-ops to record data for product management, so co-ops can learn from each other's data about what products are successful or not successful.

Wynston gave an update on the repairs to the South Store meeting room. The Co-op intends to replace the roof on the meeting room, but this repair is more complicated than most roof repairs because of the electric wiring running through the roof. The repairs will include a new roof, new wiring, and new heating and air conditioning. The Co-op has completed with bids, and is 10% under budget for the repair. Repairs are planned to begin in late October/early November. Additional repairs need to be made to the meeting room before it can be made available for public use, including mold remediation and relocating items currently stored in the meeting room. Wynston will follow up about the repairs in the November report.

The Co-op is trending in the right direction with sales growth and net profit. August put the Co-op over budget for gross sales by \$170k, and the Co-op is closing the gap on budgeted net income.

Mark and Wynston are continuing to work on benefits negotiation with insurers.

The Marketing team has created new signs for the stores to remind shoppers to use baskets and carts and not put items directly into their bags, to reduce theft. Wynston is asking the Board to lead by example when shopping.

Wynston has asked Sarah Dahl at Columinate for a proposal for help recruiting an HR Manager.

Wynston will review the HR Audit with the Board in an executive session after the October Board meeting.

The First Brew Coffee Kiosk is not meeting sales goals. The kiosk is bringing in about \$1,500 in weekly sales, below the \$4,200 weekly sales needed to be profitable. When the kiosk opened in the summer, Wynston and the Board said that they wanted to see the

kiosk reach at least 50% of sales needed to break even and be trending in the right direction. Wynston also cited the impact on the South Store deli manager and assistant manager to have them manage the kiosk in addition to their regular duties. The kiosk has experienced high turnover, as three baristas gave notice in the past month. The deli manager and assistant manager have been covering shifts at the kiosk, and that is not an efficient use of their time. Wynston, Mark, and the management team will continue to monitor the Kiosk's performance and keep the Board informed of the management team's decisions concerning continuing to offer the service or not in the coming months.

The Board took a break to take photos for the First Alternative website.

The Co-op will be offering four kinds of pies during the holiday season.

3. Equity Rebate Approval

Eight Owners have requested a rebate of their Owner share equity this month, because they are moving out of the area. The total share amount to be returned is about \$300.

Wynston has asked the Board to make a standing item on the agenda to approve Owner equity rebate requests. Wynston will submit a written report of the requests each month for the Board to review and approve at the meeting.

This is part of the Board's fiduciary control, and establishing a process to approve equity rebate requests is important in case there is ever a run on equity that would make it hard for the Co-op to rebate all the requested Owner shares.

The Co-op will update the language on the Owner membership forms to clarify the timeline for share equity to be refunded to departing Owners. (The forms say that refund requests can take up to two weeks, but now it will take up to 30 days to process the refunds.) The Owner FAQ page on the First Alternative website will also need to be consistent.

Rob has asked that Mark, Wynston, and Donna create a proposal for the equity rebate process, to be discussed at the October Board meeting.

Motion by Frank, seconded by Kathryn, to approve the requested Owner share equity rebates from the past month.

Motion passed: 8-0-0.

4. L8 Report - Owner Relations

The Co-op currently has 13,519 Owners, of which 8,160 are active shoppers, meaning that they have shopped at the Co-op within the past twelve months. The Ownership base is growing.

Voting participation in the Co-op Board elections has declined over the past few years, from 1,246 voters (10%) in 2020 to 836 (6.2%) in 2024. Wynston proposed that the Board discuss how to increase voter participation at the next Board retreat, and suggested that the bylaws update could drive an increase in voter participation. Wynston also noted that while voter participation has been in decline, it is still a good percentage of voter participation.

Wynston said that she would like to see increased visibility in how the Co-op advertises Owner events (such as the election and Owner Rendezvous) within the stores. For the election, this could include more visible signage, a tablet Owners can use to submit ballots, or a Board member table.

Frank asked about volunteer opportunities for Owners to support the Co-op. Wynston said that Owners can volunteer by serving on the Board or on a committee. Kate W said that having the Co-op's booth at the Sage concert series could also be an opportunity for Owners to represent the Co-op as event volunteers. Frank suggested that ORC could consider how Owners can engage with the community as volunteers. Kate W said that ORC has seen increased Owner participation in the tours that ORC organizes, and that could build momentum for more Owner involvement elsewhere.

Wynston said that she and Mark would include in their budget discussion with Emily D a discussion about how the Co-op can find opportunities to increase Owner participation.

Motion from Rob, seconded by Kestrel, to accept L8 as in compliance.

Motion passed: 8-0-0.

Lauren Burns left the meeting.

5. L11 Report - Customer Relations

Wynston reported on the Co-op's efforts to maintain a safe and pleasant shopping experience for customers.

The store managers have developed a store readiness evaluation tool to focus on the store condition for the customer. It will need some adjustment to balance the attention to detail and the time spent on store readiness. Currently, the store managers are doing a thorough job but it takes them more time.

The Safety Committee addresses safety issues for customers as well as staff and vendors. The designated Person In Charge (PIC) is a resource for customers and staff on any safety issues that arise while the store is in operation. Staff can also fill out a red card to inform management of safety issues.

Frank asked how homelessness affects customers' feelings of safety. Wynston said that she has heard about customers who have avoided shopping at the South Store due to incidents with homeless people there. Wynston, Mark, and Amy (the South Store manager) are meeting with representatives of the men's shelter and the drop-in shelter. At the NCG meeting, Wynston is learning from other co-ops that have implemented programs to improve relationships with the unhoused community and improve the safety of the shopping and work experience—including collaborations with agencies and members of the houseless community.

Motion from Dana, seconded by Kate W, to accept L11 as in compliance.

Motion passed: 7-0-0.

Break.

6. Preliminary Budget Assumptions

These budget assumptions will form the basis of the budget for 2025, and they have been reviewed by the Finance Committee. Next month, the Board will review the draft of the 2025 budget, and will vote on the budget in the November meeting.

Gross Sales Growth Percentage

Year-to-date through August, the gross sales growth percentage is 6.11%, and the Co-op anticipates 7% sales growth for 2024, which is better than the budgeted sales growth of 4.83%. The gross sales growth percentage for the 2025 draft budget is 4.75%.

The draft budget figure is based on 3.25% sales volume growth and an anticipated 1.50% food inflation. This figure also takes into account a projected two-week closure of the North Store deli for a remodel in the summer, and then a boost in deli sales afterward.

Discounts

The 2024 projected discount percentage is -2.29%, and was budgeted at -2.28%. The 2025 draft budget figure is -2.30%.

Gross Margin Percentage

The 2024 projected gross margin percentage is 37.40%, and was budgeted at 37.40%. The 2025 draft budget figure is 37.50%. Rob noted that First Alternative's margin is quite good compared to other NCG co-ops.

The margin is expected to increase as deli sales increase, and the merchandising manager has also been good at identifying deals.

Personnel Percentage of Sales

The 2024 projected personnel percentage of sales is 25.60%, and the 2025 draft budget is 26.25%. The 2025 figure is higher because the Co-op will have a regular GM and a new HR manager.

Other Operating Expenses

Other operating expenses for 2024 is projected to be 10.85%, and the 2025 draft budget is 10.05%. The 2025 figure is lower than 2024 because interim GM costs are included under other operating expenses.

Non Operating Income & Expenses

The 2024 projected, 2024 budgeted, and 2025 draft budget figures for non operating income and expenses are all 0.20%. The Board's governance budget falls under this category.

Net Income as a % of Net Sales

Net income for 2024 is projected to be 0.75%, less than the budgeted 1.25%. The 2025 draft budget for net income is 1.00%.

The Board asked why the budgeted net income is 1.00% rather than 1.25%. Wynston said that the Co-op's personnel percentage of sales is the main place where expenses are predicted to be higher than ideal for 2025, and that includes hiring two management

positions (the GM and HR manager) and merit increases. Rob pointed out that labor costs are increasing, even with fewer labor hours than last year, and Rob urged Co-op management to find a way to reduce the personnel percentage of sales.

Capital Expenditures

In the past, the Co-op has budgeted \$250,000 for capital expenditures. The capital expenditure budget is increasing to \$350,000 to account for rising costs for labor and materials.

The Board will review the capital expenditures budget in more detail during the October meeting.

Special Project Expenditures

No funds are being requested for special projects in 2025. The projects will instead be included in the capital expenditures budget.

Rob suggested that the Finance Committee look into ways to revise the format of the budget documents to make the information easier to read and understand for the Board.

Columinate provides a Finance 101 training, and Board members are encouraged to take the training.

7. Review Guiding Principles

The Policy Governance work group has decided to review and update the Guiding Principles as a wrap-up once they have completed the policy revamp, and is not suggesting any changes at this time.

Kate W said that once the policy revamp is complete, the Guiding Principles should include defined core values.

8. Review G5, G6, G7

Board feedback for the policies under review will be used by the Policy Governance Work Group to inform how they update the policies for the policy revamp.

Jasmin also requested that policy revamp discussions be placed earlier in the agenda to ensure that Board members have more energy to engage.

G5 - Board Structure

For the policy revamp, the Policy Governance work group is paring down the language to make the policies more high level. The current policy is much more detailed than the Columinate template policy.

Jasmin also asked how the description of the secretary role should take into account the presence of the Board admin assistant/scribe, and how the Board should define the duties of the secretary in relation to the admin assistant. Kate W said that the secretary's role can be to hold the admin assistant accountable, but the logistics for that is not clear because the secretary is not the admin's supervisor.

The Board also discussed the relationship between the bylaws and the policies. PG is looking at the bylaws to ensure consistency between the bylaws and the policies.

G6 - Board Committee Principles

PG plans to pare down the language for G6 as well.

The Board commented that this policy should include differentiation between committees and work groups.

G7 - Director's Code of Conduct

The Board had no comments on G7 at this time.

9. Board Self-Evaluation

Four Board members completed the Board self-evaluation by the time the data was added to the September Board packet.

One point brought up by the feedback was the importance of reading and responding to emails.

10. Consent Agenda

Motion by Kate W, seconded by Frank, to approve the consent agenda.

Motion passed: 7-0-0.

11. Committee Updates

ORC is hosting a tour of Gathering Together Farm on Saturday, October 5. Thirty-four people have signed up for the tour, and 20 people will stay for lunch at the farm.

12. Announcements

Rob will send the draft of his Scoop article to the Board for feedback before submitting the article to Adam on the 27th.

The Board adjourned the meeting and entered an executive session.