

First Alternative Natural Foods Co-op Board of Directors Meeting
Wednesday, November 6, 2024
The Foundry

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

Absent:

Facilitator: Jasmin Woodside

Scribe: Kate Coenen

Staff: Donna Tarasawa

Owners:

Guests:

1. Inter-Cultural Competence Discussion

The Board has scheduled the group debrief meeting with LaDonna for Sunday, November 17 at 10:15am. Kate C will reach out to LaDonna to confirm the meeting date and time.

The Board also discussed their progress on the assigned readings for the training: The Half Has Never Been Told by Edward Baptist and My Grandmother's Hands by Ressa Menaken. Patrick listened to My Grandmother's Hands on audiobook and shared about some of the book's reflection exercises. Wynston shared about reading The Half Has Never Been Told. Kate W expressed gratitude that the Board is taking on this training, and discussed the emotional impact of the training. The Board is encouraged to read the material at their own pace.

2. Co-op as Hero

Rob shared that he was at the South Store for Applepalooza and praised the staff for putting together a fun and successful event. He spoke about how the store was packed and full of positive energy, and about how the Co-op feels like it's getting back to a normal and healthy point after the past few post-pandemic years. Rob also praised the Board for steering the Co-op to this point.

3. General Manager's Reports

Sales at the Co-op continue to grow, and the Co-op is \$248k over budgeted sales year-to-date. Wynston praised staff's hard work, including promotions like Apple Palooza that create buzz for customers. Patrick noted that the pie display keeps going empty as customers buy up pies, and he has spoken to the deli about expanding the pie display in the lead-up to Thanksgiving.

The management team has been holding all-staff meetings with the North Store, South Store, and Commissary. At these meetings, the management team has shared the Co-op's current financials with staff. Wynston praised the staff for their engagement, asking questions and leading conversations about the Co-op's decisions.

Kate W asked which Board members have signed up to bag groceries over Thanksgiving, and encouraged Board members to sign up if they haven't yet. Kate W volunteered for three shifts last year and staff told her that they appreciated having Board member support over Thanksgiving.

The Co-op is running a promotion on Field Day products throughout November. Five cents for every Field Day product sold in November will be donated to NATFIS, an Indigenous-led non-profit that works to strengthen Native foodways nationally. Kate W said she will forward information about the Northwest Native Chamber of Commerce to Wynston so the Co-op can promote through the chamber.

The Co-op has hired a new HR Manager, Natasha Anderson. Natasha is working with Mark and Wynston to update personnel policies, and Wynston will report on that update at next month's Board meeting.

The Co-op has hired a new IT Manager, and is in the screening process for hiring the Finance Manager. Kate W suggested that the Co-op advertise job openings to the Chamber job posting board.

Wynston will present the HR Audit to the Board after reviewing the HR Audit with the new HR Manager.

Wynston met with the leadership team about the First Brew coffee kiosk. The Co-op has decided to keep First Brew open for a full year, to give the kiosk support and time to stabilize operations and become known to the community. After a year, the Co-op will make a decision about continuing to operate the kiosk. Kate W suggested holding a Chamber of Commerce ribbon cutting event at the kiosk, and Kate W will send Wynston contact information for the Chamber.

4. Equity Rebate Approval

Seven Owners requested equity rebates this month, for a total of \$440. Six of these (\$420) are equity rebates directly to the Owner, while one rebate (\$20) was a transfer of equity from one Owner to another.

The Co-op gained \$5,805 in equity in October from new Owner shares sold during the October Owner Drive.

Motion by Kate W, seconded by Kestrel, to approve the requested Owner share equity rebates from the past month.

Motion passed: 10-0-0.

5. ORC - Board Engagement with Owner Events

Frank led a discussion with the Board about how ORC and BREC can collaborate on Board recruitment by planning an event to facilitate Board outreach to Owners. ORC is seeking feedback from Board members about the kinds of events that they would get excited about and commit to attend.

Kate W commented that, aside from a special Board outreach event, Board members need to show up to existing events, such as Owner Rendezvous and the tours. Kate W mentioned that she has often been the only Board member present at these events.

Wynston suggested a reception in January to introduce Mark as the new GM, and also introduce the Board to the Owners.

The Board brainstormed event ideas that could be held on a quarterly, biannual, or annual basis. Jasmin said that it was difficult to engage with customers while tabling at the store, and she suggested holding an event in the parking lot with a tent and music. Patrick suggested selling tickets for dinner at a local farm, and said that some co-ops have organized events like that. Patrick also mentioned the Sac Food Co-op's "Run for the Board" forum as an example.

Donna asked the Board to consider who has the time to commit to organizing the event. Wynston also said that it is important to understand the objective of the event, e.g., visibility of the Board, visibility of the Co-op, and growing the Owner base. Wynston and Mark emphasized the need for collaboration between ORC and Marketing.

The Board decided that ORC would brainstorm an event idea to propose to the Board.

6. L5 Report

The L5 report for the Third Quarter of 2024 is in compliance. In Q3, sales growth was strong and over the budgeted amount. Current loan covenant ratios are all in compliance.

Unplanned expenses in the past month included \$4k for a dough sheeter for the Commissary, to increase pie production during the holiday season and reduce the risk of repetitive motion injury from rolling out dough.

Rob praised Co-op management and staff for all their hard work to bring the Co-op to a good financial condition. Jasmin also thanked Mark for his leadership.

Motion from Dana, seconded by Kate W, to accept L5 as in compliance.

Motion Passed: 10-0-0.

7. Budget Assumptions

Rob gave a brief overview of the budget approval process for the new Board members. The final budget will be submitted to the Board for approval at the November meeting.

Mark presented the updated Budget Assumptions. Changes made to the 2025 Budget Assumptions between the September draft and the October draft included:

- Increasing the Gross Sales Growth Percentage from 4.75% to 5.00%. This increase is based on conversations with department managers.
- Increasing the Gross Margin Percentage from 37.50% to 37.74%. This increase is based on stronger than expected numbers from the third quarter inventory, as well as increased deli sales.
- Increasing the Personnel Percentage from 26.25% to 26.92%. This increase factors in new hires (GM, HR Manager, HR Assistant, 2nd South Store PIC), increased health benefit costs, and a reconfiguration of Admin team wage levels.
- Decreasing Other Operating Expenses from 10.05% to 9.52%. The decrease is based on a number of factors, including savings on credit card fees, fewer legal costs, and not having interim GM expenses.

Net Income is budgeted at 1.03%.

The Board Governance Budget is \$101k, and the Capital Expenditures Budget is \$350k.

Mark said that he would revise the Budget Assumptions table to make it easier for Board members to read and understand what is subtracted from the Net Sales to get to the Net Income amount.

Kathryn asked about industry standard ranges for figures such as margin and personnel percentage. The quarterly financial statements include a comparison range of data from Co-ops in the Western Corridor, provided by NCG.

8. Preliminary Full Budget

Mark presented the Full Budget for 2025. The budget compares the projected totals for 2024 and the budgeted amounts for 2025, with explanatory notes for any figures with large differences between 2024 and 2025. The budget also highlights the operating expenses that are expected to increase or decrease in significant amounts in 2025.

In 2025, the Co-op will start paying off the Owner loans for building the Annex.

The Capital Impact loan will be coming due on December 1, 2025. The Co-op can extend the loan covenant with Capital Impact, but Capital Impact has also advised the Co-op that it can get a better rate elsewhere. Capital Impact recommended National Cooperative Bank, and the HR Manager recommended Central Willamette. The Co-op

will begin looking into options soon. The pro forma includes a placeholder assuming that the Co-op will be able to refinance the \$1 million loan for ten years at 5.75% interest instead of 5.2% interest, which would increase the monthly payments by \$100 or \$200 but would allow the Co-op to pay off the loan in ten years.

Jasmin asked Mark how the pro forma can be used to guide the Board when evaluating a major project. Mark said that when the Co-op is looking to borrow money to fund an expansion, the pro forma can inform the Co-op about how much sales would need to increase to cover the loan costs, as well as how long the Co-op would expect to be in the red. Rob suggested that the new Finance Manager be tasked with creating an improved, more realistic pro forma.

9. Proposed Capital Budget

The Co-op plans to improve the North Store back offices and meeting room in Q1, and then remodel the North Store deli in Q3. For the South Store, the Co-op plans to upgrade the exterior lighting and install security cameras to fix current blind spots. The Co-op also plans on improving exterior signage at both stores.

The focus is on the North Store to increase the store's capacity to do business so it can handle an increase of customers when expansion work on the South Store is taking place.

Mark asked the Board members to send any additional feedback on the budget to him and Wynston.

Dana expressed her appreciation for the Finance Committee's hard work and contributions.

10. Bylaw Update Discussion

The Board discussed plans for updating the Co-op's bylaws. The Board's goal for the bylaw update is to more explicitly allow for ranked-choice voting in Board elections, as well as to address the suggested bylaw updates that have accumulated over the years (for example, to make the language of the bylaws more inclusive).

The Board decided to form a committee of Board members and Owners to undertake the bylaw update process.

11. Review G8 & G9

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.

G8 - Ensuring Excellent Governance

The Board discussed the Code of Conduct for Board Advisors, which is mentioned in G8, contained in the Board Advisor Position Description, and distinct from the Code of Conduct for Board members (G7).

The policy template that the Policy Governance Work Group is adapting for the policy revamp does not currently mention a Code of Conduct for Board Advisors. One suggested option for the revamped policy is to borrow the current language from G8, and refer to the Code of Conduct for Board Advisors included in their position description. Another option suggested was to state that advisors must adhere to the same Code of Conduct as directors.

G9 - Relationship to Owners

The Board had no comments on G9 at this time.

12. Approve Consent Agenda

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

Motion passed: 10-0-0.

13. Committee Updates

The Policy Governance Work Group is resuming regular meetings.

14. Announcements

Oregon State University students in the Institute for Transportation Engineers will be conducting a traffic study on November 7, 8, and 10 at the South Store parking lot.

The EV fast chargers at the South Store were commissioned on November 6.

15. Adjournment