



Board Meeting Minutes

7.16.2020

Attendance : Fred Medlicott, Joanne McCaughan, Cristina Rodriguez, Peter Brown, Jace Denton, Linda Myers, Jim Hutcheon, Mel Bilodeau, Ben Witten, Grace Cox (*Staff Representative*), Fern Moore (*Board Coordinator*)

Agenda

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Commitments Review
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Social Media Account Interactions
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Commitments
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Executive Session

Announcements

- There are 3 seats up for the Board Election this year: Joanne, Peter, and Ben. The Elections Task force will be meeting to plan and prep this years election.
- We need to be thinking about prepping the Board Budget request for 2021. Peter and Linda will meet to discuss. Grace reminds that the Board budget like every other budget needs to consider what we need to spend in that request. It needs to be very conservative.
 - *Fern will send out the Board budget process to all*
 - *Peter and Linda will meet to prep the Board budget request*
- Grace is on the beeper and may have to take a call. Fern is also
- Reminder that this meeting is being hosted on Jims account and he will get a log of all the comments and messages.
- Linda had surgery yesterday and is feeling good just a little loopy

Commitments Review

- *Joanne will contact Monica to write up an article about the Hummingbird Project*

In process

- *Fern will look up Jamies hiring process proposal*

‘April 2019 Jaime proposed that we change the hiring process to allow for hiring up to the budgeted Staff level streamlining the hiring process. Grace supports this idea and would like to see a proposal from the Standing Hiring Committee with this change.’

- *Fern will email Hiring Committee with the request*

- *Fern will send Proposal wording to Erin and Mark to share with the hiring team*

Complete

- ***Grace will solicit Staff support for the Eco Planning Committee***
In process email sent , Robyn is attending meetings.
- ***Grace will check in with Staff on Member Relations Committee about scheduling a meeting for Annual Meeting planning***
Linda sent an email and Mo scheduled a small meeting. There is another meeting scheduled. The Annual Meeting will be held on November 7th.
- ***Jim will checkin with Personnel about sending exit interviews to the Board***
Complete
- ***Jim will initiate an email to move forward on a statement from the Board***
Complete
- ***Grace will contact the proposal writer that the Board did not reach consent***
Complete
- ***Jim will email the Elections Task Force to setup a meeting***
Complete

Staff Report

Beer and Wine is now being sold at both Co-op stores. We intended to do East first but because the Eastside license request was delayed so long that we decided to apply for West as well. By the time we were ready to go East the Westside got its license within two days. We are currently showing half of what we hoped it to be at in terms of Sales. It will be good for the finances as we projected it to be. We have had zero issues with the fact that we card everybody no matter how old they look. Its felt natural so far. The set looks good and is much smaller at the Westside. We carved out the space East without discontinuing anything and were able to move the free standing displays up front to appease social distancing guidelines. Its not a permanent set at all. We took the eating bar out because we can't have seating right now anyway. We will put it back in when we can open the salad bar. We have had many customers come through the line and say it only took 40 years

We have been receiving frequent reports from Finance. They are meeting weekly and constantly updating the projections based on the weeks numbers and tightening up areas that we are reporting and the next phase guesses on revenue. We are encouraging Staff in looking at the ways we work and it will be an interesting budget process. In 2013 we crashed because of an extreme medical situation, we did what we called self selected essential work. Work had to be focused on revenue generation people were able to do it and we did a good job at that time. Some people like working with ambiguity and some do not. We are coming into a tight fragile cash situation, not today but down the road. We can see it coming this time. We have better forecasting methods. A small group of one from Finance and one from Labor will draft language on how to define essential work. We talked about revenue generation and this is generating cash this includes development work that reduces expenses which can also be revenue generating.

We have paused internal training. What happened is the Staff that were hired in the last year ended up in limbo. An example of this, is the newest hires only got front end training and can only work in the front end. We have gone back to new Staff training in their destination Departments and the two prior new hires got the trainings needed for Collective membership. This will allow Departments to get more support in the Covid staffing crisis. We are feeling more capable to do organizational work. The Hiring team has offered jobs to the next group of hirees. They will be starting in early August

Jim - How many people were hired ?

- Fern will have Erin send a Hiring update to the Board

The door report. We have added door people and a fair number of those shifts are covered by Staff. This is a big hit to the Labor budget to have this position added. Jim and Fred have helped out as well as many other Working Members. We are hoping to turn it into more of a Working Member position. Yesterday we had two near altercations. Staff are being super supportive in backing up the door people and making a stand but not escalating, just making a stand. Earlier in the day we had a large incident with a long time member. We have equipped the door people out front with walkie talkies that connect to the Front End and Warehouse workers. It feels like having to physically barricade people from coming inside. Mind you this is two people out of hundreds of shoppers. We are making sure the job is safe for our Volunteers and Staff.

Joanne- Have there been any complaints about Staff not wearing masks?

No incidents around that as of yet. We are required too. We have not received any complaints thru the customer service email. Grace is only aware of one Staff who does not wear one and it is going thru process.

Linda- Staff that are not able to work, how many bodies are we short?

We get a report from those on leave but not work that people are doing at home.

Fred- Have we looked into the shared work program with the ESB state?

We have not pursued that yet but we are going to start looking at those programs.

Next week will be having our first Collective meetings since this all broke. The first one will be via Zoom and the other two will be socially distanced outdoors.

Fred would like to show appreciation to the Staff and wonders how we could do this.

Grace will be happy to think about it. Everyone agrees.

Mel likes the idea of personalized cards. Linda was thinking the same thing. Jim would support that. He has cards and likes doing that. Jim and Fred will sort out the details out of meeting.

- Jim will organize cards for staff via email

Committee Reports

Advocacy – has not met

Co-Sound – no report

Expansion – no report

Eco Planning – met for the first time since March. We talked about what we were working on before which will go on hold because of budgeting. We got Staff support from Robyn and hope to focus on Outreach through the website and other things that don't cost money.

Finance – scheduling a meeting for early August

Local - will meet tomorrow

Member Relations – had a a small meeting and set date for the Annual Meeting on November 7th. It will be virtual and we will need help coordinating how to do that. We also talked about getting together with Elections Task Force. We are almost done working on the Charter. We are looking for Members at Large for the Committee. We will be reviewing a marketing plan from Outreach at an upcoming meeting. The Committee also discussed the unwanted behavior document and made a proposal to leave the appeals to the Board.

Personnel – met last week and have a new Staff member on the Committee. We talked about the ways pandemic operations are effecting Personnel. We discussed a few situations that don't need Board attention yet. We also discussed hand book updates.

Standing Hiring- no report

Community Sustaining Fund (CSF) Liaison – no report

Elections Task Force- The task force is comprised of Jim, Linda, Mel, and Fred. Jim will organize a meeting.

Board Pages Task Force- The task force is comprised of Fred, Jim, Grace and Mel.

Capital Campaign - The task force is comprised of Jim, Peter, Fred, and Ben.

Accountability Subcommittee- This group is comprised of Linda, Joanne and Mel. They met four times and once with an investigator about their cultural assessment process. Joanne is drafting a description for a potential outside personnel position. We are going thru exit interviews and have a meeting scheduled with John Mcnamara on his take of our structure. We are also talking to Staff. They are hoping to draft a charter to make it a formal Committee of the Board.

- Fern will send Archived Board notes about the old Organizational Subcommittee to the Accountability Subcommittee

Shared Expectations around Consensus Process

Fred in part of his frustration at the last meeting wanted to share his expectations of consensus as perhaps we don't have shared expectations. Could we share what our expectations are? When do we block and stand aside?

Linda- Stand aside on personal feelings that don't affect the Organization. Blocks are for when it is harmful to the Organization.

Mel - Agrees

Peter- The need to make a decision so quickly is not part of the consensus process. We need to be able to have a prolonged discussion as needed.

Jim - We are given lead time to read proposals if there are questions that on the individual. A block is employed very rarely, it can be a roadblock to the whole group. It should be regarded as a serious thing, often a stand aside is a better alternative. Block is like a veto and Stand aside is like abstain.

Fred- When there is a block there is a clear explanation on why and a commitment to work towards a path forward. People can be firm that they need more time to come to a decision.

Joanne- Block is very rare. We should only use if the decision would harm or create division that would harm us as an Organization. We should always try and work towards consensus.

Grace- The determination of intrinsic harm needs to be in some sort of container and it won't always be the same container. This is one of the hardest things about consensus. Voting is a great chance to just work on your opinion, you can vote no and lose and that's just fine but that doesn't work in consensus. The need to hang in there and address blocking concerns is essential. A block is a majority no vote. One person has the ability that it won't move forward. When you are blocking, the more specific you can be about the nature of your block can provide the rest of the group some direction in resolving the block.

Transparency is really important to consensus even though we respect that people are being true to working through the process, we need to trust our decisions so we can be transparent to the Staff and Membership.

Fred is hoping to work on Board Pages in the next month. Reviewing past shared expectations from previous Boards could be part of that work.

- Fern will send shared expectations from prior notes

Change to Policy for Handling Unwanted Behaviors in Customer Interactions

The Member Relations Committee submitted this proposal to the Board. The proposed changes are to the Appeals process section, specifically leaving the appeals to the Board. If a party wants to appeal a decision from the Resolution Team it would come to the Board not the Member Relations Committee.

Linda supported the Appeals coming to the Board. She has concerns about the description made in an email with the Resolution Team written by a Staff member that says how the Board would be making that decision.

Mel interpreted that email as how the board would determine an appeal as an example of how we could make a decision.

Grace mentioned that Robyn has sent a document to the Process Support Coordinator for Staff Consent. She is concerned that they are the same document.

- Fern will email process support coordinator for copy of the document sent in

Joanne does not think this is the time to send it back the Board. We need our Committees to do the work that they are assigned to do. We spent time last year discussing appeals and that was helpful work. We need to discuss this further.

Fred states this proposal does not include what would and would not be appealable. Perhaps MRC is not sure what they are proposing. He would not support an Appeals process that comes to the Board that does not have any guidance how that would be adjudicated. There needs to be clarity on that process.

Linda comes back to MRC had a very contentious year. It got very messy and sticky and from that some of the Committee felt that working members should not be involved with dealing with problems, that it wasn't appropriate 'because of breaches to security for member information'. She does not agree with this statement.

Peter hasn't worked on this in a year but this is not what he remembers he worked on. He is not in agreement with it and he finds it weird. He is tired of fighting with the Staff on this committee he feels like this has been pushed through.

Jim is hearing disagreement on this proposal from members of MRC and this should have been stopped in the Member Relations meeting and not brought to the Board without consensus.

Mel agrees we should drop it and send it back to the Committee. She hears that some are tired fighting but she does not see a lot of fighting rather opinions that need to be voiced clearly.

Grace if the rationale is taking the Committee out of the process because the Committee has Working members that doesn't work. The Board are Working Members. We don't have separate statuses. Were Mo, Alejandro and Tamara at the meeting?

Linda replied Robyn and Mo were there. Peter was not invited by an oversight.

Fred heard there was a breach last year from MRC to a person who had filed a complaint. The Board is different in legality. It might not be a bad idea.

Joanne shared that appeals take a lot of time and she would like the Committee to have a process that is fair and expeditious. We need more Working Members on that Committee and perhaps that will balance the power.

Jace agrees that we should send it back.

Next Steps:

The Board sends this proposal back to MRC with the clarification that this does not include working members and vendors.

Social Media Interactions

Tabled - discuss next month for ten minutes

Finance CAT Proposal

SEE ATTACHED DOCUMENT #1

This is part of the work we have been doing for the last two months trying to project cash. We have seen an 18 month downturn in sales growth year over year; the Westside was down 11-12 % East was down a few percent. Things have improved since this report and we aren't down as much as we were, but if we don't make significant changes in labor, expenses, or revenue if that continued into 2021 we are showing negative cash by December and less than 10 days of cash on hand by July. This was written to bring everyone up to date on the situation. This small EIDL loan is different from the PPP that comes with forgiveness if you do it right. This loan does not get forgiven but we don't need to take it out if we don't need it. It can be paid back in full at no penalty no payments for the first year and the interest rate is lower than our current interest rate. It is 39 year pay out. We need to act quickly to get the application in.

We want to stress that we are looking at a number of options to increase revenue and decrease expenses. We are spending double on supplies right now with ppe and sanitizing supplies. We are putting proposals in about price increases and margin. We are also trying to control labor and starting budgeting early so Staff are prepared to tighten our belts next year.

Feedback:

Linda wants us to apply and hopes we get approved even if we may not need it.

We would take the loan if approved, not sure if there is interest that first year.

Joanne felt trepidatious when she first read the email from Finance. She understands Staff are looking for stability. Have there been talks about Staff reductions?

People are on leave right now. They can use accrued benefits, sick and vacation or use our emergency leave fund up to a certain amount when they run out. There are paid leaves. We don't know where the State is at in putting the States family leave plan funded. Fred replied that it is live and funded.

Ben thinks this sounds logical. He did a quick calculation and came up with a more favorable payment. He is always happy to talk math with folks.

Linda- Once Staff have used all the possible benefits? Is there temporary layoff or unemployment?

Layoffs are a possibility but that would be our last resort. Before we got the PPP loan it was offered out to Staff as an option, only one staff person responded favorably to it. We didn't have a good response about this option.

Fred asked was this amount picked because that was the offer? We should borrow as much as we can.

They determined the amount after reviewing our statements

Jim we could encourage to borrow as much as possible or review another proposal.

Grace wants the Board to set a parameter on debt to equity ratio and our debt service ratio.

Proposal:

That the Board authorize the Staff to procure a \$150,000 loan from the Small Business Administration Emergency Injury Disaster Loan program.

Consent

Commitments

- Joanne will contact Monica to write up an article about the Hummingbird Project

In process

- Fern will send out the board budget process to all

- Peter and Linda will meet to prep the Board budget request

- Fern will email Hiring Committee about Jamies proposal from 2018

- Fern will have Erin send a Hiring update to the Board

- *Fern will send Board notes about the old organizational subcommittee*
- *Fern will send shared expectations from prior notes*
- *Fern will email process support coordinator for copy of the document from MRC*
- *Jim will organize cards for staff via email*

Meeting Eval

- Thumbs up!
- Thank you for the commitments and note taking
- Joanne brought up the Board retreat and knows is difficult in these times but wants to have those discussions for the new Board members

Next Meeting

Social Media Account Interactions

Facilitators

Joanne and Grace

Executive Session

No session needed

Decisions out of Meeting

1. Approval of June Meeting Minutes - decision made via email

Consent

Attached Documents

1. Finance Committee Proposal

Hi Finance Committee and the Board:

Below is a report that was sent to staff a couple of weeks ago. I should have passed it on sooner to you all and apologize for getting it to you a day before the next Board meeting. We are constantly reviewing and updating our baseline scenario. For instance, when I wrote this report, sales were tanking. And then just last week, the ES had a small percentage(1/2 %) in growth and the WS "only" was -2.5% instead of the -11 to -12% it had been for a number of weeks.

We are developing and implementing plans for increasing margin and cutting labor expense. The worst case scenario that is attached is not what we think it will be. We developed it based on averages of the previous few months. We know that we can't lose gobs of money for months on end. We are using the attached spread sheet as a tool for addressing the problem.

We have been scrambling for months to fill shifts, address state regs on Covid, and update operating procedures to meet the needs. We will try to organize a Finance Comm Zoom meeting within the next 2-4 weeks.

In the meantime, we have a proposal for the Board regarding a loan. We did qualify for a \$150,000 Economic Injury Disaster Loan from the SBA. We are recommending to the Board that we take this loan for the following reasons:

- 1) It is low interest at 3.75%. There are no payments for the first year. Then it's a 30 year loan with low payments of \$731/month. There is no penalty for pre-payment.
- 2) With things so wildly unpredictable, it is a cheap source of money to prop up cash if it takes a big hit. Yet, if don't bleed cash in the next 12 months, we could repay the loan with little no harm.

3) We have two current loans: About 90K left on the loan to buy the ES property. It's at 5.5% and is paid off in 2026; About \$215 K just borrowed to cover the ES remodel. This loan is at 3.95%. We checked our Debt to Equity ratio for our balance sheet if we added this third loan. It would grow from .67% to .91%. The rule of thumb is to be less than 3%. So even if we add this third loan, our Debt to Equity ratio is excellent and would not negatively impact our balance sheet.

Proposal: That the Board authorize the Staff to procure a \$150,000 loan from the Small Business Administration Emergency Injury Disaster Loan program.

The Board members on the Finance Comm will get a chance to review this at the meeting on Thur July 16. The Staff members on the Committee fully support the proposal as does the entire Finance CAT. If Lisa or Bill have any feedback, please send it to the Board or to Grace by Thursday.

And now, if you like....the full report. Grace can show you the cash flow and some of the other features of the spread sheet.

To: The Finance Comm and the Board

From: Harry for the Finance CAT and Payroll

Re: Finance Report

7/13/20

Summary

We have been brainstorming, evaluating, and creating projections for the next 18 months through the end of 2021. We have never had to project sales, margin, and expenses in a pandemic before. But we have created what we are currently calling our baseline projections.

In short, this projection has us losing between \$75,000 and \$135,000 per month in cash during the next 12 months. This projection has us running out of cash by June of 2021 (-\$14,600). By December 2021, we could have -\$58,600 in cash. That's right...it's negative cash which means we'd would not have enough money to cover our expenses. We will detail the scenario below if you want to digest the assumptions we made to get to this picture. Based on the scenario, here is a summary and some recommendations we have for the immediate and short term future:

- 1) We need to return to performing essential work. The general barometer for determining essential work is work that is focused on revenue or maintaining essential operating systems. We need to focus on minimizing labor expense.
- 2) Without knowing where and how the Covid proceeds, we don't think that it's business as usual and how we've done it in the past. For instance, we believe we should change the budget process for 2021 and will be coming soon with more info on that. We think it may mean examining how we have been doing things and really make some adjustments for the future. We are going to develop a number of benchmarks and specific reactions

we will have as we monitor sales and expenses. We will be bringing these to the Collective so we all know what we are facing and how we will face it based on the data.

3) We think we may need to consider margin increases. Our cost of doing business has increased based on Covid. Specifically, our supplies budget has doubled. Our labor hours has increased as we've added door workers, pickers, covid task force, etc. We do believe that we need to look at all aspects of our operations including revenue and margin projections, inventory turns, discounts, admin hours, splh, and lowering whatever expenses we can. The big ticket items that affect our bottom line are sales, margin, discounts, and labor costs.

4) We don't think we can continue to afford hazard pay without making some compensating big changes in revenue or expenses. Our consented upon proposal has us spending about \$24,000 on hazard pay per month through Aug 2020. If we continued that for the following 8 months, we could be down to negative cash in April 2021.

5) We believe our values guide us to take care of wages for Collective members. Yet, we have never faced a situation like this. We have had some financial difficulties in the past but nothing that approaches these projected losses.

We budgeted 120 hrs of sick leave per week to be paid in our 2020 budget. In April and May, we have averaged almost 260 hrs per week. And we are working the same amount or more hours than we were working before Covid..A couple of Staff have maxed out paid leave benefits (sick and vac including ELF). Some staff are starting to approach it. And we still have no idea what severity of Covid will exist this summer, next fall, etc, etc. We think that we need to prepare to care for staff and the co-op finances. We will work to clarify the options staff have and the steps to take when their benefits run out. This will include clarifying what is available through our Short Term Disability Insurance Policy, and all the state run programs including Wa Paid Family Leave, L & I, and Unemployment. This thought turns our collective stomachs....however....we think it makes sense to all know what realities we face and what our options are for dealing with it. We will be developing materials to clearly address these issues.

We will facilitate the Collective in examining all the options for impacting sales, margin, and expenses so that we can make sure this scenario does not play out. And our projections may be way off which means we want to develop the ability to adapt and quickly respond based on the data.

Read on below if you'd like to see the assumptions that lead to this loss in cash:

Scenario Details

Creating a scenario is just like creating a budget. You have to make assumptions, aka, guesses, at what your sales, margin, and expenses will be. Normally, we have a track record of what we've done and can make guesses based on our history.

Since we have no history with Covid times, we have very little to base it on. We do have our sales growth and key expenses through April and May. Will the trends continue until some day when all returns to "normal"?

Basically, these assumptions are that are Sales and labor expenses (including sick leave and OT) remain Covid affected for the next 12 months (July 2020 thru June 2021).

Then, we are projecting (and hoping) that Covid is no longer a factor and sales and labor expense returns to pre-covid levels for the rest of 2021.

Here are the assumptions for our scenario:

PPP Forgiveness: These projections are based on getting approximately 900,000 of the 918,000 forgiven on our PPP loan.

Sales:

We guessed that some degree of Covid struggle will continue at least through June 2021. Thus, we are basing our projected sales as the same rate of average sales experienced in April and May of 2020.

Sales decrease by of 3% at the ES through June 2021

Sales decrease by 11.75% at the WS through June 2021

From July 2021 thru Dec 2021, we are projecting that things return to “normal” and project sales as the same we had originally budgeted for those months in 2020.

Other sales assumptions:

Beer/Wine Sales assume we start selling at ES in July and WS in Aug 2020: We are guessing it will produce about 1.5% increase in sales.

Deli Sales: We don't know when we can open the Salad Bar and that is the biggest part of Deli sales. This scenario projects continuing the 2020 April/May Deli sales average thru June 2021. And then it returns to pre-Covid levels.

Margin: The baseline scenario we are looking at has no projected increase in margin.

Expenses:

We projected similarly for labor and supplies through June 2021. In other words, we based the projections for those 12 months based on April/May 2020 averages .

For labor, we used the higher hours worked and sick leave numbers we've been experiencing. And also, less vacation hours projected used. We also projected a 10% increase for health insurance in 2021. It is just a rough estimate..

For supplies, we did the same. The only other affected expense is credit/debit fees and that is based as a percentage of total sales.

Cap Plans

This budget assumes not spending 22,000 budgeted for 2020. And planning zero for the 2021 Budget. We will still have money for repairs based on M & R budget.

Wrap Up

Again, this is just one scenario. We understand that we will have to be constantly evaluating data and adjusting as we go. If you think any of the assumptions are off, please let us know your thoughts.

We would love to hear any feedback, thoughts, or questions you have about this. We are trying to thoughtfully approach financial management during a pandemic. It's hard to project when a pandemic will end and what follows it.