



# Board of Directors Special Meeting Minutes November 8, 2018 Ten Pin Building – 793 K Street, Arcata

*Disclaimer: This is not a verbatim transcript of the meeting and is based on the author's understanding of the meeting.*

## **Present at meeting:**

**Board Members:** Colin Fiske (Board President), Robert Donovan (Vice President-via phone), Leah Stamper (Secretary), James Kloor (Treasurer), Cheri Strong, Ed Smith, Mary Ella Anderson

**Absent Board Members:** None

**Co-op Employee-members:** Emily Walter, Melanie Bettenhausen, Laurie Talbert, Jason Davenport, Travis Morgan, Robert Weston, Cheryl Dias, Alanna Labelle, Lauren Fawcett, Lyndsi Reel, Alisha Hammer, Charlie Dawson, Diane Mollring, Rob English, Mark Thompson, Kirsten Lindquist, Kristen Hayen, Bob Brown, Mara Segal, Chris Alford, Damon Berkowitz, Margaret Satura, Joel Bradfield, Sarah Stark, G. Bourke Hartman

**Members:** David Cobb, Diane Sharples, Laura Jones, Lisa Blandford, Vince Graves-Blandford, Roger, Brenda Harper, Phil Santo, Bob Stockwell, Fay Honorof, Mark Debrew, Moonlight Macumber, David Dahlen, Joe, Colleen Alford, Kelly, Lauraine, Gil Friedman, Kat Frances

## **1. Welcome**

Meeting was called to order at 6:03pm by Colin. Colin opened the meeting, laying out the ground rules and explained that the purpose of this meeting is to get updates on the financial situation and come up with solutions to problems. Introductions were made.

## **2. Agenda Review and Approval**

The agenda was approved by consensus.

## **3. Update on Co-op's financial situation and presentation of potential actions – reported by Melanie**

Thank you all for coming tonight. I know there is high stress, fear and anger. I hope by the end of this meeting you'll feel confident in what we're doing going forward. I'm going to share with you how we got here. Grocery stores operate with thin margins and are a challenging business to be in, even for the big guys. We operate with values and place emphasis on quality products and employee wages and benefits, making it even more challenging to turn a profit. But we've managed to be in business for 45 years which is significant. This is due to the loyalty of our membership and the community.

I've been the General Manager since August 2016. Since then:

- Eureka Natural Foods opened in McKinleyville in August 2016
  - Sales dropped initially, then began to flatten out as we lapped the opening of that store, but we never fully recovered the double-digit sales growth we were seeing just prior
- Heavy staff turnover resulted in institutional knowledge draining out of our co-op
  - Several long-term Department Heads left employment or retired in the last two years
  - More than 70% of the management team turned over in the course of the year Eureka Natural Foods opened in McKinleyville, and took six months into the following year to fill all the positions
    - Internal promotions resulted in many months of filling the vacated positions
  - We have spent the last two years with new managers, assistant managers and department heads
- Catastrophic refrigeration failure, recurring equipment failure, deferred maintenance, etc.
  - Resulted in increases to insurance and repair expenses
- Negotiated for wage increases for bargaining unit employees, effective each year for three years, bringing minimum wage to \$12/hour and adjusting so that everyone comes up—most recent was in September
- We were already in the process of expanding the Deli at our Eureka location when we had all of this leadership turnover
  - The Eureka Remodel was intended to triple the size of our Deli to meet our consumers' demand for freshly prepared convenient foods
  - To get the project done and to prepare for the increased Deli production, we added positions

- Due to leadership turnover, the project was delayed
- Due to changes in consultants, the project was delayed
- Due to challenges in obtaining a health dept permit, the project was delayed
- Due to challenges with obtaining financing, the project was delayed
  - The original bank we were working with had leadership turnover which forced us to start over with another bank
  - We pursued a USDA government guarantee, which created its own delays
  - The original appraisal of the Arcata store was adjusted, which changed our financing options
  - Equipment financier backed out at the 11<sup>th</sup> hour
- Equipment failed and had to be replaced before we could get the remodel off the ground
- The combination of cash outlay on the project, internal organizational issues, and declining sales eroded cash to the point where we had to put the project on indefinite hold
- Custom hoods for the kitchen were put into production prematurely and risk of lien on the Arcata store required payment for them
- Health care expenses were high—we are self-insured—with several large claims (one was more than \$200K)
  - Several claims came just under the stop loss insurance amount of \$80K, meaning we were paying out of pocket for several claims that were \$50-\$70K
- Capital expenses – some not budgeted
  - Produce tables, Arcata
  - Condenser, Arcata
  - HVAC unit, Arcata
  - Roof, Arcata
- C share investors withdrawing more than \$100K in the last year
- Labor had been increasing and remained high
  - We increased staff during a period of growth (started as far back as 2011)
    - Added Assistant Managers at both stores
    - Brought on a Prepared Foods Manager to oversee Deli and Bakery at both stores
    - Brought on a Facilities Manager to bring janitorial in-house
    - Added to HR (one HR person for every 100 employees)
    - Added Assistant Managers to the Deli
    - Added Cooks/Bakers/Clerks to Deli
    - Added to Wellness, Grocery and other departments
  - We have not been cutting staff as fast as our sales have been declining and/or as fast as our health care expenses have been increasing
- Marijuana legalization
  - Continuing sales decline—flat, 2%, 4%, 6%
- Lack of clear trends for projections in the last two years
  - Santa Rosa fires, Carr fire, solar eclipse, highways washed out, Grocery Outlet opened in McKinleyville, Wildberries new hot bar, Eureka Natural foods upgrades to Eureka store, HSU reduced enrollment, Economic uncertainty
- Without a Controller since May, prior to that, not getting accurate financial information

#### **This has resulted in...**

- Sustained negative net income for several quarters
- Low cash on hand
- Concern that the Co-op will close

#### **What we've done...**

- End our forward buying program (Ten Pin warehouse)
- Reduced overtime, significantly
- Reduced inventory, significantly
- Reduced general and administrative expenses, below what was budgeted
- Reduced scheduled hours for nearly all staff
- Laid off 6 employees
- Nearly finished the Eureka upgrades, which will generate additional revenue
- Perpetually working on strategies to increase sales

### **What we still need to do...**

The most critical thing to do right now is manage cash. We don't have a rainy-day fund if we have a big health care claim, an earthquake or equipment failure. We are pushing out payments to vendors whenever we can. We've traditionally paid all invoices early or on time, so we are working with vendors to help us through this time. We are reducing inventory but at the same time need to make sure shelves are stocked.

#### 30 days - manage cash

- get a line of credit from the bank to see us through the next couple of months
  - we have greater cash needs and expenses in November and December due to holiday pay, closing the stores for holidays, Solstice bonuses for staff and increased purchases
- push out payments to vendors anywhere we can
- cut all expenses that are not necessary to generating revenue
- control purchases to insure inventory stays low and turns high
- talk to the Union about options
- cut labor

#### 90 days

- increase member investment
  - take out a loan on the Arcata building
  - increase our margin by changing prices on some items
  - make adjustments dependent on economy
- 
- Roger – how much money are you trying to obtain through a loan?
    - Melanie – I think \$500,000 would carry us through.
  - Joel – the front door in Arcata has been closed/out of use for a while now. It sends a bad message to our customers as if we're shutting our doors.
    - Travis – the doors computer is broke, and I can't get a vendor out to fix it. We can't leave the doors open because it takes all the cold air out of the front cold cases and the food would get above safe temperature.
    - Joel – what about the hang down curtains that we used to have?
  - Mary Ella – Can we look at some numbers of what you are talking about? Is the figure of what you think you need just a guess?
    - Melanie – that number is my best guess based on the financials that I've been reviewing.
  - Diane – why haven't you moved out of the Ten Pin building?
    - Melanie – Our lease is through February and with the holidays coming up it would take too much of our time to focus moving our staff. It's worth it for us to stay in the building until the holiday season is over. The main expense of the building is the rent which we have to pay whether we are here or not. I don't see us out of this building any sooner than the end of December.
  - Lisa – what would you use as collateral if you take out a loan?
    - Colin – we are looking at being able to extend the line of credit that we already have which would not require collateral, but if we need a larger loan it would be the Arcata store. The appraisal for the Arcata store is \$4.2 million. The current line of credit is \$149,000 with Redwood Capital Bank and has not been used.

### **4. Actions to take in the next 30 days to address cash shortage**

- Colin – requests that the reporter in the audience not report our ideas for increasing sales and that he wait 24-48 hours to report decisions made so that employees can be notified first.
- Melanie – the most important thing is to manage cash -- extending the line of credit or getting a new line of credit, pushing out payments to vendors, cutting expenses not related to sales, controlling purchases, talking to the Union, determining if and what labor cuts need to be made and when.
- Roger – I think you should consider a fundraiser. If 17,000 members gave \$30 we'd have \$500,000. It could be collateral for a line of credit. I think a lot of members would do this.
  - Kirsten – I've been a member of seven co-ops and this is the lowest fee for any co-op membership that I've been part of. I like Roger's idea.
  - Fay – I think lots of members will help if they know we are in trouble. A fundraiser is a great idea.

- Laura – we have a great way to make money. It starts with investing in the Co-op. B-Shares are \$10/piece. We need a big push to invest in the Co-op via shares.
- Melanie – some people are already investing in small and medium chunks. I don't think it would take much to get more.
- Mara – if you are encouraging members to invest, can it be in shares? Can that money be used?
  - Melanie – yes and yes.
- David C. – I was surprised to find out how bad things are for the Co-op. People of this community, not just members, value the Co-op. Not because it's a store but because it's a fucking Co-op. We are in crisis. We should say so and get the community to rally for the Co-op.
- Charlie – why did we write an article that makes the ship sound like its sinking? We need to make sure the right message goes out. We need to focus on what the Co-op does for the community. We offer a wide variety of things and we give a good employment experience compared to other stores. Remind people that the Co-op is unique. When you shop here you are supporting a company that supports a progressive way of living for the employees and the community. That should be the focus.
- Mary Ella – until we have a plan of what we're going to do to return to a good store, the money is not as important as what we're going to do with it. If we're just going to use the money for frivolous things that aren't part of a plan that allows us to be who we were, it's not going to do us any good. Other stores are adapting to this economic climate and not doing as badly as we are. We need somebody here who knows how to run a grocery store.
  - Melanie – if getting an expert to run the grocery store is a concern, let's put it on the list.
- Gil – how many people at the Co-op have high salaries that aren't needed? Do we need a quarterly newsletter? How many people get \$50,000-\$60,000 a year to shuffle papers? Find out what management makes and does and cut what isn't necessary.
  - Colin – add reduce management costs to the list.
- Laura – we are a community owned grocery store. We can invest in the Co-op. B-Shares are \$10 each. We should be pushing people to invest.
- Lauraine – Get people and our members to shop here exclusively. That would benefit us more than asking people to donate.
- Moonlight – every time a person uses a credit card at the Co-op is there a fee? Can we get the message out to use cash, get people to buy gift cards or charge for using credit cards?
  - Melanie – we pay a fee for each transaction.
  - Diane S. – we need to acknowledge that our population is shifting. The new generation only uses plastic. We will be cutting off generations of shoppers if we stopped using credit cards.
  - Ed – when other stores are not able to accept debit/credit cards, and the Co-op is, we sell \$5,000 of groceries more in an afternoon.
  - Bob – what about giving a 1% discount for using cash?
- Diane S. - I can't imagine a bank that is going to give you money when you can't demonstrate that you can service your debt. I don't think getting a loan should even be a possibility because you can't show that you can make money.
  - James – I've been thinking about this. We've lost about \$500,000 which is what we want to make up before the end of the fiscal year, because nobody is going to give us a loan if we aren't cash positive. We need to generate roughly \$120,000 a month for the remainder of the fiscal year, which is the end of March.
- Kirsten – have we scoured all the current benefits we have besides health insurance? Can we let go of benefits, even if they are in the Union contract?
  - Melanie – we plan to meet with the Union soon to discuss where, if any, cuts can be made.
  - Kirsten – I feel staff would be willing to wave bonuses and other benefits if it meant no more layoffs.
  - Bob – I don't think we need a corporate membership to gyms and such. Those should be eliminated.
- Kirsten - Do we have any big projects in the works like Ultipro? How much did Ultipro cost?
  - Jason – no other big projects in the works.
  - Melanie – the full year is \$70,000 to get it set-up, the data in place and monthly fees based on the number of employees. It allows us to not fill the HR Generalist position. The Ultipro system is designed so that we need less labor dealing with payroll and HR.
- Kirsten - in terms of membership in National Co-op Grocers (NCG) and the dues we pay them. Have we approached them about deferring payments?

- Melanie - NCG is aware of our situation and supporting our efforts in providing tools for staff and letting us know what options we have. We also pay into an NCG rainy-day fund that helps protect any co-op in our situation. We haven't tapped into it yet. I haven't asked to push off NCG dues, but it's part of asking all vendors to let us slide a little bit.
- Vince – is the NCG rainy-day fund we pay into on a sliding scale?
- Melanie - we pay in as a percentage of our UNFI payables. We've paid in about \$85,000 into that fund. The percentage that we pay has not gone up.
- Kirsten – I believe there is a staff position mandated by the board that can't be cut. Is this true?
  - Colin – the board did direct the General Manager to hire a Sustainability Coordinator two years ago that was recently cut to part time. The Sustainability Coordinator oversees our efforts to run an environmentally sustainable operation.
  - Diane S. – I don't hear selling groceries or revenue generation from that position.
  - Kirsten – why is it board directed to have this position? I thought the board doesn't get involved in personnel.
    - Colin – we did not decide who was hired. The idea was that we were moving towards being a triple bottom line organization managing for financial, social and environmental wellbeing. There was no one staff position looking at the environmental side of things and thus this position was created.
  - Kirsten – is this a position that we can get rid of?
    - Colin – everything is on the board right now and will be considered.
  - Diane S. – will the board consider eliminating this position that doesn't generate revenue?
    - James – I believe the board will direct management with a budgetary number of where they need to get us and they will propose the changes, including those to personnel that are needed.
  - Diane – if this position is emphasized by the board then no one is going to come forward to eliminate it when you have pushed for it.
  - Jason – the value in such a position may not be immediately apparent but this position evaluates energy cost and waste reduction which can have a tremendous impact on our bottom line. This position finds energy savings for the Co-op. Even small changes in our energy consumption can justify such a position with the savings generated.
  - Diane S. – if we close in 30 days then it won't matter if we are saving energy. This is a crisis.
  - Roger – we have a Sustainability Coordinator because so many people wanted it. I would like to encourage the board that we can raise money, fix problems and maintain a strong base.
  - Travis – I don't want to oversimplify the Sustainability Coordinator position, but my department has saved tens of thousands of dollars this year because of that position and are becoming a real leader in the community.
  - Kiya – I'm the Sustainability Coordinator that you are all speaking of. Waste inversion is a state mandated program and is not optional for a business our size. I follow through with free options and pay for others because its mandated by the state to divert 10% of our waste. I understand if you feel eliminating my position will save the Co-op but I do a lot of work with rebate finding which saves a lot of money. It's a big impact when buying refrigeration equipment, light bulbs, etc. for stores of our magnitude.
- Gil – there needs to be a note at the registers to ask to people to donate. It will inform people.
  - Fay – If you want to let the members know that we're in a crisis ask people to donate at the register.
- Phil – I've heard the word crisis and critical thrown around a lot. Is it critical? How long will it take to be critical if losses continue at this pace?
  - Colin – it is critical.
  - Melanie – projections show a small profit should happen in the next three periods with the changes that we've made but haven't seen impacts yet. If sales remain down from what we saw last year we'd be in trouble again in the fiscal year. We aren't sure of when the decline started happening due to all the variables I previously spoke of. We have corrected course enough on paper, but cash needs are high, and we don't have enough cash which, is why we're focusing on increasing cash.
  - Phil – is there a detailed plan on how to get through this crisis?
    - Melanie – I, management and the board are looking at cash projections for the next six months. We are being careful and as precise as possible because we don't want to cut labor, causing harm to employees who have worked hard for us, if we don't need to. We are

working to inform the membership and staff to help us produce ideas we might not think of while we ourselves are so entrenched in daily operations. These two things are happening at the same time. I'd like to have detailed plans by the end of next week, if not sooner.

- Phil – with the talk of fundraisers and lines of credits how much does the Co-op need from the community to turn a small profit?
  - Melanie – \$500,000 would make me feel comfortable.
- Gil – I asked how much in C-Shares there are and was told it was between 400-500 people but that they couldn't give me the dollar amount.
  - Melanie – the amount is available and published in our quarterly Co-op News.
  - Vince – Members should know that according to section 802 the books and records, accounting books and records, minutes, proceedings of members, the board of directors and the community shall be open to inspection on written demand by any member.
  - Diane S. – (Reading from the Co-op News online) as of September 2, 2018, B and C-Shares are at \$2.8 million.
- Damien – a couple of customers have asked me would it help if they didn't use their senior discount? I let them know they don't have to take it. Since the Union came in many new jobs were created outside of the Union. We managed recycling before the Sustainability Coordinator. There are many extra people working in the deli and bakery. I feel like we have extra employees that don't make money for the Co-op, at all. Why do we have three managers for deli preparations? We didn't have a Worm Guy before and the compost was taken care of. Why are we paying for the Worm Guy? We should stop paying for this.
  - Melanie – before we only composted waste from production and now we recycle consumer waste which we need the Worm Guy for.
- Kirsten – management pay cuts? It would be hard to lose more staff if management doesn't take pay cuts. I'm not talking about management that are at the minimum pay scale.
- Gil – the Arcata Co-op is the heart of the community. I want it to succeed. It's important for the community. A sign at the register would be great to inform people. Let people know they don't have to take their discount. It could also let people know a donation is appreciated.
- Lauraine – is the Eureka store profitable? Does the Arcata store carry the Eureka store?
  - Melanie – the Eureka store carries itself and helps our buying power as a whole to get better deals. It would be more harmful to close that store. The Eureka store helps the Co-op.
- Lauraine – I've been a member for ten years and never thought of it as a grocery store. We hit the bulk section heavily because we don't like packaging. How committed are we to remaining a grocery store? We buy a 25lb of gluten free flour is way cheaper at the Co-op than purchasing it online which is awesome. How can we change what we can buy at the Co-op? Can we change how people consume?
  - Mary Ella – this is a food consumer co-op. We don't have a strategy for selling more groceries.
  - Colin – that is a good point. It's hard to raise sales enough in the short term to get through our cash crunch but long term that is what we need to do.

## 5 MINUTE BREAK

- Colin – welcome back. I want to say I appreciate the positive conversation that is taking place during a time that is difficult. I'd like to turn it back to the board for discussion at this time.
- James – how do we increase margins in the next 30 days, such as raising prices?
  - Melanie – this is in the works. we are looking at places where we have opportunities, such as products we've underpriced. We aren't looking at raising prices across the board.
- Cheri – how about improving customer service?
- Ed / Leah – like what has already been recorded.
- Cheri - I'd like to say that I'm probably not the only one who does not favor using the Arcata store for collateral.
  - Gil – if you take a loan out, and they take the store for collateral, then everyone with C-Shares loses their money.
  - Diane S. – that isn't true. If the loan is only for \$500,000. If the property was sold the bank wouldn't keep all that money. They could only satisfy the amount of the loan.
  - Melanie – my goal is to avoid a situation of using the Arcata store as collateral. First, it's an expensive and long process that won't help us in the next two months. I had the most amazing experience with someone that used to work at the Sacramento Natural Foods Co-op. He said, "you know when we

- were in trouble that one time, you guys gave us money.” Co-ops come together to help others. I plan on contacting some co-ops and will look at other options as well.
- Colin – from listening to folks and their good ideas – we need to pursue extending the line of credit that we already have that does not require collateral, and at the same time pursue a fundraising campaign for members, as well as cash management strategies that Melanie outlined earlier. I think those are all immediate actions.
  - Mary Ella – we need someone to help us. We need a grocery consultant. We have someone who could help us free of charge. Melanie doesn’t like him. She wouldn’t take his advice. Martin R. is a friend of Susan Ornelas. He has over 30 years’ experience in co-op grocery management. He was going to be Melanie’s mentor, but she didn’t want his help.
    - o Melanie – that is not true. I’ve met with Martin many times and am happy to do so. The only advice I’ve gotten from him is about selling a specific kind of olive and getting into distribution. If he has further advice, I would love to meet with him.
  - Bob – there is a cap on the number of C-Shares a member can purchase. We could get more money if the \$50,000 cap is removed.
    - o Colin – the problem is that people with large C-Shares then withdraw large sums of money which puts the Co-op at risk.
  - Fay – would opening later and closing earlier save money?
    - o Alanna – the sales between 7-9pm are greater than the sales between 6-8am. I would not advise closing earlier. We actually close a lot earlier than most grocery stores.
  - Colin – there are a lot of ideas from tonight that would take time to implement but could save us substantial money. I would like Melanie assessing and responding to these ideas and report back to the board.
  - Vince – there hasn’t been a lot of breakdown of numbers. I want to make a suggestion that is number based. The Co-op has too many days of inventory on hand. We have been as high as 29.2 days of inventory while many of our peers have 18. During a four-week month the Arcata store would spend \$1,050,000. If we impose direct spending limits to Department Heads, they could reduce their purchases by 3%. We would keep \$31,000 in four-week months and even more in 5-week months. For this to work they would need to have weekly and monthly costs of goods purchased reports. And you would want to get them costs of goods sold so you could determine the margin the department is making. I still haven’t seen anything at the Finance Committee meetings that we know the breakdown of our department margins or department costs of goods. You have store level and quarterly level. If you just reduce spending by 3% you will have more cash on hand. These numbers are just for one store. Do this for both stores and you’ll really increase cash. I haven’t heard any real plans of action and want to put something out there that could be implemented.
  - Lauraine – the next weeks have Thanksgiving and Christmas. Have the members commit to shopping at the Co-op.
  - Colleen – you’ve talked about cutting labor costs. Can we get rid of the security guards?
    - o Melanie – we got rid of all but one security shift in Eureka that is four days a week. Today we discussed removing it completely. There are serious concerns for staff around this.
    - o Chris (Eureka employee) – at this point I think it would be okay to get rid of all security.
  - Colin – expanding the existing line of credit, member fundraising drive and schedule a meeting for next week to get specific plan involving some of the bigger items that have potential to move the bottom line to get us to where James identified as where we need to be.
  - James – as far as the cash situation – we are getting daily cash information now and our level of response is quicker than it used to be.
  - Roger – we could have another meeting where people could make fundraising signs ourselves.
    - o Melanie – Roger and I recently discussed the difficulties of communicating with our members. A large mailing costs \$8,000. We don’t have many emails for members. The best way to get the word out to members is grassroots. Members can table at the stores to get the word out. Members helping to get the word out is helpful. Any member here that can share this information is being a huge help.
    - o Lauraine – media is free. Get the word out.
    - o Moonlight – board members can speak at City Council meetings or in Eureka with the Development Director.
    - o Melanie – media sometimes puts out whatever they want to put out. Phil left his number if anybody wants to contact him. We plan on doing more press releases. Letters to local media from members are helpful. We should start doing more press releases. Rick Littlefield just got a letter to the editor

- published regarding Eureka encouraging big box stores to move in. I encourage you all to submit your own letters to the media.
- Melanie - What if we stopped asking members if they've used their member discount? What if we didn't put up signs about senior discount day at the registers? How does that feel?
    - o Fay – I think people would feel bad if they noticed they didn't get their discount.
    - o Diane M. – it needs to be a voluntary thing from them. It will cause a lot of uncomfortableness for the cashier to ask a customer this. Perhaps a sign about volunteering to give up your discount at the register could help. What about a really big banner over the front windows about the Co-op needing your help in a nice way?
    - o Lauraine – would you lose more money if you didn't advertise the senior discount?
      - Melanie – we are trying to figure out those numbers.
    - o Kirsten – I think it would be good to have a sign up and have cashiers say – I don't know if you are aware, but we are in a cash crunch and it could be helpful if you didn't take your 5%.
      - Moonlight – people will react at the registers and the cashiers won't have time for a conversation with customers.
    - o Cheri – rather than meddle with discounts you should try to get people to buy more and purchase more. Removing discounts will piss people off.
    - o Travis – there are 25,000 customers a week. If we could get every customer to purchase \$1 more a basket it would help a lot.
    - o Roger – non-members could be charged a higher rate to encourage them to join the Co-op.
  - Lyndsi – we are talking about pay cuts, labor cuts and layoffs. The last budget that I looked at didn't include two of the management team. I cut half an hour a day from every employee in the store. The Eureka store is working on a skeleton crew. How realistic is this?
    - o Melanie – the budget and projections were corrected and include all management team that are employed at this time.
  - Lisa – what if we asked people if they want to round up and donate to the Co-op?
    - o Laurie – round-up currently goes to the Cooperative Community Fund and starting mid-November it goes to Share the Spirit to raise funds for Food for People.
  - Dave D. – we are in crisis mode – the board should meet weekly. There has been poor communication from management and the board. They need to be ahead of the narrative. This affects the tangibles in the spreadsheet and the intangibles of the moral of the employees which is what makes money. I want to hear numbers. Numbers will help sooth people.

**Motion:** Direct management to immediately pursue expanding existing line of credit as much as possible, pursue a member donation drive and continue with aggressive cash management strategies.

Colin moved, 2<sup>nd</sup> from James, Motion passes (5/1/0). Cheri opposed. Mary Ella went on a walk.

**Motion:** Cancel the Member Action and Earth Action committee meetings on November 14 and hold a Special Board meeting at that time to see a plan from management showing how the Co-op will move to the monthly surpluses that James identified will get us through the fiscal year.

Colin moved, 2<sup>nd</sup> from James, Motion passes (6/0/1). Mary Ella abstained.

**Motion:** Direct staff to respond to everything brought up tonight and report back at the December board meeting, if not sooner.

Colin moved, 2<sup>nd</sup> from Cheri, Motion passes (6/0/1). Mary Ella abstained.

- Diane – for the future – how can we go paperless with the notices we send out in the future?
  - o Laurie – we are taking steps to be able to use email. We only have 3,000 emails in our membership database of 17,000 members.
- Lauraine – whatever can be enacted Monday should take place Monday. Things need to happen quickly.
  - o James – I agree that we want management to take action as soon as possible.



**Motion:** Within Co-op policies - any immediate actions that can be taken by management to address the fiscal crisis should be taken, even without a board meeting

Colin moved, 2<sup>nd</sup> from James, Motion passes (6/0/1). Mary Ella abstained.

**5. New business**

Next board meeting is November 14, 5:30pm at the Ten Pin building.

**6. Regular meeting adjourns**

Consensus reached to adjourn the November 8, 2018 meeting at 8:30pm and go into Executive Session.

*Minutes by Emily Walter*

**North Coast Co-op  
Board of Directors Executive Session Minutes  
November 8, 2018  
Ten Pin Building – 793 K Street, Arcata**

**Present at the meeting:**

**Board Members:** Colin Fiske (Board President), Robert Donovan (Vice President – via phone), Leah Stamper (Secretary), James Kloor (Treasurer), Cheri Strong, Ed Smith, Mary Ella Anderson

**Absent Board Members:** None

**Approved guests:** Melanie Bettenhausen

No reportable action.

Executive session ended at 8:55pm

*Reported by Leah Stamper*

## 11/8 Brainstorming List

- Manage cash
- Get line of credit
- Member donations
  - Umbrella fundraiser
  - Donations to co-op at check out
  - Push for shares
  - Get ahead of narrative and use numbers
  - Create a narrative to generate support
  - Strategies to sell groceries
  - Blow out sale on warehouse items – bone broth
  - Increasing margin (pricing)
  - Look at discounts – cut some?
  - Improve customer service
  - Get members to shop
  - Expand existing line of credit
  - Board meet more often/weekly
  - Vendor terms
  - Focus on what the co-op does for our community
  - Department buying based on reporting caps
  - Get someone to who knows how to run a grocery store
  - Look at upper management and make cuts
  - Management pay cuts
  - Look at removing jobs that don't stock or sell
  - Eliminate sustainability coordinator position
  - Look for benefits/union cuts to be made
  - Union conversation
  - Budget cuts
  - Push for cash as payment option – give incentive
  - Refuse credit cards
  - NCG – wave or delay fees
  - Cut back open hours

### FUTURE

- Raise membership \$
- Rethink co-op model – not just a grocery store
- Increase margins
- Non-members pay higher rate
- Round-up for Co-op
- Paperless communication