



Board of Directors Monthly Meeting

Monday, July 20, 2015; 5:30 pm - 8:00 pm

232 South Main Street, Goshen

Goshen, IN 46526

In attendance: Eric Amt, Ava Breniser, Robin Ebright-Zehr, Tim Martin, Vicki Mast, Phyllis Miller, Amanda Qualls, Brian Wiebe

Absent: David Gerber

Others Attending: Brad Weirich and David Shenk

5:00 pm: Board shared dinner and team building. Many thanks to the Maple City Market deli staff for providing the meal.

5:30 pm: Declaration of quorum

- Preliminaries:
 - Check-In: “Are we prepared to act on everything before us?”
 - Commitment to stay on task
 - Ends reflection: Because of MCM: Owner-members and customers in the Michiana region will be healthier; there will be a local, sustainable food system in Michiana; the local environment & resources will be responsibly shared, protected and restored; there will be a locally-owned cooperative business; there will be a thriving model that inspires other businesses in the Great Lakes region.

5:40 pm: Approve or amend agenda

- **Motion:** To accept agenda as it stands
Eric Amt moves and Ava Breniser seconds
No discussion
Motion passes: 8 in favor; 0 oppose; 0 abstain

5:42 pm: Consent agenda

- **Motion:** To accept June minutes
Phyllis Miller moves and Brian Wiebe seconds
No discussion
Motion passes: 6 in favor; 0 oppose; 2 abstain

5:45 pm: Board decisions

- Acknowledge email vote approving initial \$5,000 to Bill Gessner for pro forma on June 26, 2015
7 in favor; 0 oppose; 0 abstain
- Acknowledgment of Special Executive session occurring on July 9, 2015. In this session:
 - **Motion:** The board approves the \$12,000 necessary to complete a market study [\$5,000 for the pro forma has already been approved] and commits to raising \$25,000 to support this and other studies necessary to facilitate expansion.
Brian Wiebe moves and Phyllis Miller seconds
9 in favor; 0 oppose; 0 abstain
- Reviewing the Board member Roles and Responsibilities; some changes made to the treasurer position.
- Board officer elections
 - **Chair**
Ava Breniser nominates Phyllis Miller as Chair
Robin Ebright-Zehr seconds
Discussion: Phyllis would be happy to serve for another year; she views the position as an opportunity to serve the board.
8 in favor; 0 oppose; 0 abstain
 - **Vice-chair**
Phyllis Miller nominates Brian Wiebe as Vice-Chair
Tim Martin seconds
Discussion: The vice-chair position can really groom someone for the chair position; Brian doesn't see himself moving into the chair position. As long as we can groom succession for the chair spot, then Brian would be comfortable to serve.
8 in favor; 0 oppose; 0 abstain
 - **Treasurer**
Brian Wiebe nominates Ava Breniser
Vicki Mast seconds
Discussion: Ava used to be the treasurer of the market some years ago.
8 in favor; 0 oppose; 0 abstain
 - **Secretary**
Brian Wiebe nominates Amanda Qualls
Tim Martin seconds
Discussion: No discussion
8 in favor; 0 oppose; 0 abstain
- Committee assignments
 - CAFE
 - Vicki Mast is Chair
 - Board recruitment
 - Brian Wiebe is Chair
 - Annual meeting
 - Amanda Qualls is Chair

- Evaluation and compensation
 - Phyllis Miller is Chair
- New committee: a fundraising committee that will start as ad-hoc and may become standing. Chair to draft a short charter, which will be reevaluated after some time.
 - Fundraising
 - Eric Amt is Chair

6:08 pm: Discussion

- GM Reports and Monitoring for compliance
 - State of the Market and Finance Report: Explanation of the financial state of the market. Discussion of cash flow versus inventory and the required reporting for the reduction of inventory. Inventory and staffing should be stabilized by the final quarter of this year. At this point, we should be able to move toward profitability. We're up on sales; we're getting good feedback from customers. Now that some of the other areas of the market are more normalized (staffing, inventory, etc.), we can begin to focus on sales. The market study will be helpful even if we do not change locations.

Is there enough cash to make it through the harder times? Assuming there are no huge, unknown expenses, then we should be able to maintain or increase cash through the times that we aren't making large amounts or are in the red.

We are waiting on a quote from a competing cooler repair company for a second opinion on the freezer. The roof is in decent shape; there are no other facilities things coming up that we can reasonably foresee. The heat pump and AC unit may need some work to function properly; it has not been used that way for some time (we just discovered it this year).

6:30 pm: Conversation with with Bill Gessner

- Introductions
 - [Bill Gessner](#) has been working with co-ops for 28 years. He works with CDS consulting. Focuses on expansion projects; often works most closely with the general manager, but also often works with the board.
 - Board members and MCM employees: Phyllis Miller, five years (Chair); Brian Wiebe, five years (Vice chair); Robin Ebright-Zehr, 2009-2011 and 2014 to current; Eric Amt, new to the board; Brad Weirich, General manager; Tim Martin, new to the board; Amanda Qualls, new to the board (Secretary); David Shenk, Operations manager; Ava Breniser, entering second year (Treasurer); Vick Mast, entering second year
 - Not present: David Gerber, two years
 - Discussion by Bill: You can't get too committed to a direction, because you don't have enough information. It is difficult to do things in a systematic manner, but it

is important to do so. We will discuss how to adhere to the this systematic expansion.

- Questions
 - Is the 'sources and uses' document different than the pro forma? 'Sources and uses' is the cover page of the financial pro forma.
 - The first draft of the pro forma has just come in; can you comment on that?
 - Don't place too much stock in the first draft of the pro forma. It will look pretty rough, but it is a starting point. The first draft is a bit of a test: are there any major errors? do we want to look at this differently?
 - Can you make any summary comments on the first draft?
 - The sales at our current site (sales per square foot) are much lower than where other food co-ops are normally at when they're planning to expand. \$621 per retail square foot; we generally like to see \$800 or more (up to \$1,600). There are differences between rural and urban stores. There are a lot of other factors to consider, but if your sales are lower, it will be more difficult to make expansion financially feasible. Sales are relatively low, and there hasn't been a lot of sales growth in recent years.
 - Can you tell us about what happens when things go well; when things don't?
 - When things go well: Planning process of two to three years; really good look at internal readiness (what will need to be strengthened to move to a new, larger location). You're pretty exhausted when you get to that final place of the store opening, but you have built the staff and board capacity to still have the energy to get you through that first year and into your third year.
 - When things don't go well: Food co-ops are amazingly resilient. When things go wrong, people generally persevere. However, he has seen co-ops underestimate what is involved (time, energy, capital, etc.); the board and manager relationship can deteriorate. Generally, the people who wind up on this path have unclear or unrealistic expectations.
 - You are currently in the feasibility stage. This can last anywhere from three months to 3+ years (some co-ops can take up to 6 years). This stage will end once you get a site or building with contingencies.

Main objective: Is this thing that we're pursuing feasible? Is that a gut reaction?

Three things in this stage (you will do these things almost concurrently):

 - commitment and planning
 - strengthening and positioning
 - site search and securing

- Assessing feasibility
 - Stage one: Four areas to consider

There is no one you can hire to do the four areas above. GM will work on a lot of that and provide to the board. You will learn a lot through the market study, and it will also help you get financing. A lot of co-ops choose to skip this because of the cost.

 - Market feasibility work
 - are you ready internally?
 - financial feasibility
 - design feasibility
 - schematic design
 - preliminary design
 - final design
 - Stage two: Construction
 - Design continues
 - Financing (internal and external)
 - At the end of stage two comes the most important decision point. Once you move forward on these items, there is no turning back.
 - All projects resist this template (they think, “We’re special and unique.”). As a board, it’s your job to force the project into this mold. It may be feasible to buy the building, but is the full project feasible? You may start to look at it as two projects that are intertwined together; that may be acceptable, but you can’t lose sight of what’s in store for the whole project.
 - Where does the cash come from for actually moving into the building? Member loans, bank loans, something else?
 - A mix of internal and external. Member loans and bank money. You’d like to see at least 30% from member contributions; 25% from external capital that is not your primary debt; the rest (up to 55%) from a bank.
 - What is ‘external capital that is not your primary debt’? Where have other projects found that money? Grants, community development funds, regional co-op loan funds
 - When to lease and when to purchase?

Within the grocery industry, many lease, but many co-ops have found it better to purchase. Bill Gessner doesn’t know any co-ops that have purchased and have regretted it. It puts you in a better collateral position. If you own the building, you must ask what the finished project will appraise at, and how much can we borrow against it.
 - Will the market study show us what we can and can’t control?

The market study will assess competition, not only stores that are currently open, but stores that are known to be opening in the next 3 or fewer years.
- Evaluation and next steps
 - Requests for additional comments and questions

7:40 pm: Return to 'Discussion' section

- Fundraising opportunities: The new ad-hoc fundraising committee will tackle this question
- Updates
 - CDS reports
 - Annual Meeting 2015 expenses: David Shenk will finalize and send to Amanda Qualls
 - CAFE: the 26th of August is the next meeting
 - Calendar changes? none
 - Board orientation: there will be a meeting at the store for new board members on Thursday, July 23rd. This is the final orientation meeting.
 - Website bios and photos: If existing members would like to change anything, send to Phyllis Miller (new photos or information). New board members send bios and photos to Phyllis.
- Upcoming events:
 - First Friday August 7
 - Additional showing of *Food for Change*? This is still under consideration; no updates.
 - Activity with Purple Porch Board? Phyllis is in continuous contact with Purple Porch, and she is always considering events.
- Other items:
 - Continue to consider expansion. Assess feasibility with the tool from Bill Gessner's expansion toolkit; this will be an assignment for August board meeting.
 - Amanda Qualls to remove the MCM Board Binder from the market to perform maintenance in the next month. A sign will be made that says it has been removed and give contact information for Amanda in case owners have questions.

7:49 pm: New business or comments from the community

- None

7:50 pm: Executive session begins

8:02 pm: Executive session ends

8:03 pm: Movement to adjourn