

**DRAFT - UKIAH NATURAL FOODS
(A.K.A THE HOMESTEAD EXCHANGE)
MINUTES OF THE BOARD OF DIRECTORS**

The regular meeting of the Ukiah Natural Foods Board of Directors was convened on Monday, November 15, 2021, at 5:30 PM via Teleconference through Zoom.

BOARD DIRECTORS PRESENT: MaryLou Leonard (President), Leo Buc (Vice President), Larry Mayfield, Steve Oliveria, Angie McChesney (Secretary), John Bailey (Treasurer), Tim Dolan, and Beth Salomone

BOARD DIRECTORS ABSENT: None

STAFF PRESENT: Lori Rosenberg (General Manager), Anne Wright (Accounting Manager), Susan Winter (HR Manager), Yvonne Boyd (Marketing Manager)

GUESTS: Charlene Light (Member-Owner)

President Leonard called the meeting to order at 5:30 P.M.

1. **Introductions and Check-Ins:**
2. **Brief Announcements; Confirm Agenda:**

GM Rosenberg stated that she received a call from Craig Schlatter from the Planning Department, he stated that they are still trying to contact the owners of the Norge Dry Cleaners property about the clean-up of the fire damages. If things don't happen then it falls on the City of Ukiah for the clean-up and there are certain regulations and protocol that they must follow if it goes to that level.

Board Member Mayfield **MOVED to approve the agenda.** Seconded by Board Member Bailey
MOTION PASSED.

Yes:	Board Members; Oliveria, Mayfield, Buc, Salomone, Bailey, Leonard, Dolan, and McChesney
Absent:	Board Members; None

President Leonard Welcomed Charlene to the meeting.

3. **Consent Agenda:**

President Leonard inquired if there are any items that needed to be pulled from the agenda or any corrections. Board Member Salomone stated that Finance Committee minutes, and the board meeting minutes. Board Member Bailey stated that the Finance Committee minutes need to be pulled off the agenda in terms of approving them as there is some extensive conversation

that wasn't recorded, and he needs a chance to review them. Board Member Salomone asked VP Buc that in last month's meeting if the board discount item motion was reported correctly? I thought that it we tied it to just the discount and dropped the percentage. VP Buc stated that was correct. This motion will need to be changed. VP Buc stated that the consent calendar has the year end estimate and proposal to the board and that should not be on there.

Vice President Buc **MOVED to approve the agenda with the following, Finance minutes pulled, motion change in BOD draft minutes (drop the percent and state "same as employee discount") and remove YE Proposal from consent agenda.** Seconded by Board Member Salomone. **MOTION PASSED.**

Yes: Board Members;
Oliveria, Mayfield, Buc, McChesney, Salomone, Bailey, Leonard, Dolan, and
McChesney

Absent: Board Members;
None

President Leonard asked Member-Owner Light if he has any member comment that need to be presented before we continued. Member-Owner Light stated not at this time and that her issues have been resolved.

4. YE Estimate & Proposal to Board

President Leonard inquired if everyone received the updated report from Accounting Manager Wright that was sent out to everyone a few hours ago? Board Members stated that they received it.

Board Member Salomone inquired if anyone on the board could give her a summary of the YE Estimate & Proposal. Board Member Bailey stated that basically they increased the year end from the budget that we viewed in the Finance Committee. They increased year end spending of marketing and governance by about \$14k and then because of profit sharing and grants amounts are linked as a percentage of profit, it decreases the amount. They are proposing decreasing the profit sharing, grant amounts, and staff bonuses to reflect the revised year end profit.

Accounting Manager Wright stated that this is our estimated year end of 2021 or how we think the year is going to end up. This differs from what was presented to the Finance Committee. I met with Marketing Manager Boyd, and we were able to go through the items one by one and got really close to what she's going to spend as opposed to how it was averaged in the first proposal and then in the governance that also increased because we are going to add 10 more hours with Scott Ormond. The expenses increased by \$14,518, since the profit share and the community grant amounts are tied to the net profit, both of those reduced because the net profit reduced. Profit sharing of \$11,600 and it's based on 5% of the earnings before income tax and then the community grants donation dropped to \$4,600 because that's based on 2% of the earnings before tax and then the other spending proposal is staff bonuses in the amount of \$30k which is reduced from our original request because of the net profit being lower based on the additional

spending. VP Buc inquired about the bonuses and stated that the previous version of this document had a description of the bonus allocation and its being allocated by hours worked. That description is gone in this document. Accounting Manager Wright stated that yes, it's done, it is by hours worked. VP Buc stated that presumably if it's allocated per hour and its 60% of the previous allocation it would be 60% of the previous number, it was .62 cents and the new amount per hour is 37.2 cents per employee, except GM Rosenberg. GM Rosenberg is not part of the employee bonus program. Board Member Salomone inquired as to why GM Rosenberg does not receive the staff bonus. That's the boards, decision on allocating to and she does receive the profit sharing.

Board Member Bailey stated that there are two items on the agenda, one is board feedback and recommendations on the 2022 budget development and the other is the discussion on donation levels. They are linked but I want to try a parse them out and what we are talking about here is the discussion on profit sharing, bonuses, and donation levels. We will circle back to board feedback and recommendations on the 2022 budget development which will include board training and any other items. The numbers that we are looking at are \$4,600 for donations, is the proposal, \$11,600 in profit sharing, and \$30k in staff bonuses.

VP Buc stated that we have added \$14,500 in expenses and drop bonuses by \$20k which is \$5k more allocated to profits. Accounting Manager Wright stated that we did that because the net profit was getting low and if you look at the potential patronage dividends with the three items that are proposed our average patronage dividends would be \$29.49 for 2021. We were starting to get uncomfortable with reducing that number.

Board Member Bailey stated that at the Finance committee had a full agenda, with reviewing the third quarter, year-end, and trying to come up with recommendation on profit sharing and bonuses. There was a part that was not reflected and that was a vigorous conversation around the comment that was made of the Coop not being an employer of choice anymore. There were comments about the Coop increasing the wages and that we don't have many large profits this year, sales are going up, expenses are going up and we need to earn more income from operations. Profit sharing and bonuses are the second lowest in five years, less than half of what they were in 2017, 2018, grant donations are \$4,600 which is half of last year. Which are ~~in~~ aligned with our polices and good fiscal management, but in our strategic plan we are calling out things out like viability, stewardship, support for the community, then recruit, retain and nurture staff as a socially responsible employer of choice and there is tension between this as we just completed the expansion. Our sales are increasing and yet we're having less profits, not a-s percentage that we are sharing less with our employees then we have. We have 66.8% turnover and a big portion of what we're taking about our strategic plan is cementing our place as a supporter within the community. We are cutting our grant donations down in half, and this is what I wanted to bring to the full board as a discussion.

Board Member Dolan stated operating costs, and labor cost are increasing. There is difficulty in filling jobs as we have open positions. Health care costs are going. We have cash coming out the ears, we have a degraded bottom line, so the question is, is it time to decide strategically since we have positive cash flow of roughly \$96k maybe now is the time to take some of our large reservoir of cash and put the \$20k or some number back into the bonus.

HR Manager Winter stated we are an employer of choice in Mendocino County, and that's through my connections with other HR professionals within the county. Turnover rate and finding employees are an international problem it's even more so nationally and in our area to everybody's having trouble because there's always going to be another employer that will offer something different. Retail grocery is not a career choice for a lot of people, so we have a young group that come in just to work for a year or two and then move on to college or their career of choice. The average longevity of staff is 3.8 years so they do stick around, but we have a chunk of employees that have been here over 10 years. We have had more employee referrals this year than I've ever seen. This last month we've had four new employees come in that previously worked for another retail grocery they didn't like, so they came to us. I would tend to hesitate saying that UNF is not an employer of choice, that's not what I see, and our turnover is well within the realm of retail grocery in general.

GM Rosenberg stated that our turnover rate is below industry standards, we are not having a hard time hiring people.

Board Member Salomone stated if we were an employer of choice or not either way increasing the bonuses is a way of valuing our employees. We're all in agreement that we have great employees we want to retain them longer and want to attract more of the same type of employees. There was a misunderstanding perhaps at the Finance Committee I was feeling like \$50,000 is not an adequate amount of bonus for our employees. On another note, the average longevity that for me as a board member is not as helpful as a number when I hear and know that some staff have been there for many years. I don't know if that's something other board members would like to see is if there is maybe a way that HR Manager Winter could think of a way to divide those two groups up so we're not lumping the teenagers who just have this as there summer job. I want to remind the board that our values as a board and as an entity are represented in our budgets and in our financial decisions.

VP Buc stated we are cash positive for the year; we are profitable for the year and a sizable cash bonus is something that we can afford for employees. We can do right by the people who power the organization which are the staff. I certainly think that we can afford a larger cash bonus than what is in the new proposal, I was excited to see a sizable cash bonus to staff in the initial proposal. The rising tension of being a preferred employer of choice or not is that we have lower starting wages than many similar service industry jobs. Chipotle's entry level wages are higher than ours. When I saw this cash bonus, I saw it as an opportunity to make it payment on a commitment to better wages for staff.

Accounting Manager Wright stated that one of the reasons for the smaller everything this year is it's based off the year-end earnings before income tax. This year estimated to date is \$132k. In comparison in 2020 it was \$754k in 2019 it was \$446k and in 2018 it was \$450k a year. When the profits are smaller, generally so is our year end spending. Our expenses need to stay under our sales all the time as far as I'm concerned. Even if we bonus our employees, we still need to be within the money that we earned for the year. We were cash profitable in the third quarter not in the first and not in the second and the year-end number for that is not run yet. In 2020 the reason we have such a nice profitability was the \$660k we received in the PPP loan we did not

have that kind of profitability from store operations. Grocers don't have huge profit margins and they do tend to underpay their employees in comparison with some other some other venues. Chipotle is backed up by a large chain corporation so that Chipotle may not be making a net profit but since they're backed up by a full corporation, they've got access to money. The store needs to make more money than it spends every year consistently.

Board Member Salomone stated that she wants to recognize Accounting Manager Wright, you are doing an excellent job at your job which is to give us the information and to provide us the bottom line and your recommendations. I also want to say to the board is as board members we have a job we need to listen to what Accounting Manager Wright says and we need to think about our values and our strategic plan. It's important to hear from everybody and make sure we have robust discussion, and if we make a decision that is not in alignment with staff recommendation, we take on that responsibility so that Accounting Manager Wright isn't left feeling like she misled us and not a feeling of liability on staff.

VP Buc stated that I wanted to note that in these year-end estimates there's \$184,000 a projected profit.

Board Member Mayfield stated that labor situation in the Country is like they've never seen. People are quitting jobs in record numbers, despite the fact of all the jobs that are open, and retail does have a long history of having high turnovers.

Board Member Oliveria stated that I don't have a lot of financial knowledge. I respect what you guys are doing and what Accounting Manager Wright is doing. The basis of the coop and in our purpose in the community is to help support the employees as much as we can. If there is money there to do it, then we should and if the money is not there then we don't.

President Leonard stated that I understand HR Manager Winter and that the term an employer of choice is a term of art that means something to those of you in the HR field. I acknowledge that and we may be using a term that we don't have that background information. But also wanting to make sure that the staff at the Co-op feel valued by this board of directors. If there is any way that we can make those bonuses higher I would certainly rather have the staff have a higher bonus then I feel a need for a patronage dividend.

Board Member McChesney stated that she hears staff and the needs to spend within our means and I think that that's good practice and important. I do resonate that it's been a challenging couple of years and our employees are important assets and I was also very excited to see the \$50k in bonuses and then to see it drop down to \$30k and that's concerning. I'm also fine with seeing less of a patronage dividend if we can put it to good use in our employees.

Board Member Bailey we are really trying to balance out our financial imperative to be viable with you know honoring our employees, and our values, and making sure that we are reflecting those in our yearend decisions. The current proposal for \$30k for bonuses, \$11,600 for profit sharing, and \$4,600.

Board Member Dolan stated that the company's equity has increased by \$460k, the bottom line of the company has a \$50k insurance/other income item which is not going to be a reoccurring thing. I'm just thinking \$20k additional expense to the benefit of the employees is not tremendous amount of money and might go a long way in intangible benefits to the company.

Board Member Salomone **made the motion allocate \$11,600 to profit sharing, \$55k for staff bonuses and \$4,600 for grants.** Seconded by Board Member Bailey **MOTION PASSED with one abstention.**

Yes: Board Members;
Oliveria, Buc, Salomone, Bailey, Leonard, Dolan, and McChesney

Abstain: Mayfield

Absent: Board Members;
None

Board Member Dolan inquired on how Board Member Salomone got to \$55k? Board Member Salomone stated that \$50k seemed low and in looking at 2018 it was \$55k.

GM Rosenberg stated that as you all know we are a member-based organization, and I would rather look at what we give to our members as we wouldn't be here without them. I'm more concerned about our membership than the money that we donate out in the community. Is it a feel-good thing? Who are we taking care of? I'm saying this in an honest open way. I think that if we're going to talk about training for the board in the future, I would really suggest that we hire somebody to do financial training with the board. This would be a very positive thing for all the board members. I want the board to understand that I care about our staff to the degree of their welfare, health, their jobs, and everything that we have for all of our staff. Staff is always the priority and I feel that we have done a fantastic job in keeping the finances of this organization to where they are currently. We work hard to provide all the information and facts for all of you as a board to be able to make you know your decision.

5. Board Feedback & Recommendation on 2022 Budget Development:

Board Member Bailey stated that we didn't have any board requests that were officially brought to the management team. We had a brief discussion that really belongs in a future meeting as we roll out the strategic plan around whether the timeline for the budget development. It's been the current practice where in the board Finance Committee calendar that we get a draft budget earlier in the year, but the feedback in the meeting was we don't get a lot of numbers until the year end. If we tried to develop a budget earlier, it wouldn't be accurate. I would like to ask for any recommendations for the budget in terms of their training expenses that we're foreseeing for next year. VP Buc stated that it's a challenging moment to put together board input on budget as we're on the verge of rolling out the strategic plan in which is likely to have budgetary implications. There could be potential additional costs around attract and retain members, costs around developing implement the new marketing plan, costs on identify evaluate, implement sustainable practices that are environmentally responsible, and a potential of additional income

explore funding sources available for cap-and-trade fund. If a budget is constructed in absence of consideration of the strategic plan for 2022 to 2024 then it's a budget that likely needs addendums. GM Rosenberg stated that she wanted to remind the board the new strategic plan is a three-year plan and that we are forecasting for 2022 to 2024. Board Member Salomone inquired on the timeline on the Strategic Plan? VP Buc stated that it's the plan to have all the tactics fully flushed out and approved at the December Board Meeting, but target years have not been discussed. Board Member Bailey stated that we will have draft budget as we may have to add the tactics from the Strategic Plan. We might be looking at a budget in January once we know what the financial impact would look like. This would be a preliminary budget at the January meeting and then we would have budget presented in February. Accounting Manager stated that the sooner the better and that we need certain parts of the budget in place, at least we get a labor budget approved. Having a draft approved budget presented in January would be the best.

6. Discussion on Profit Sharing/Donations Level/Board Training:

Profit sharing and donations levels where previously discussed.

7. Adopt Strategic Plan Goals:

VP Buc stated that you have seen the goals. There has been one change that has been made to priority 1, goal 3 identify target reserves and strategize for future investments and unknown impasse. This has been moved to tactics and was broken into two separate things and this has been replaced with is evaluate our financial goal.

Board Member Mayfield **MOVED to approve the Strategic Plan Goals as presented.** Seconded by Board Member Salomone **MOTION PASSED.**

Yes: Board Members;
Oliveria, Buc, Mayfield, Salomone, Bailey, Leonard, Dolan, and McChesney

Absent: Board Members;
None

8. GM Report:

GM Rosenberg stated that in the report there is information on the \$300 drop from the deli dept. We are experiencing shortages with certain food items such as fresh chickens and pizza shells that contributed to the decline of \$300 in deli sales that month. We are seeing price increases in many products due to vendors having labor, production, transportation, and increases in costs.

Board Member Salomone stated that it would be nice to have the Deli Manager come to a meeting and hear about the department. It would be nice to have the board application and committee application on the website. GM Rosenberg stated that the board application is on the website.

VP Buc inquired about the turnover rate. HR Manager Winter stated that its strictly up and down of the population. Turnover is not as extreme as it normally is, but we are still staying with the norm. There was discussion over the tenure of each dept and what that looked like in terms of years of staff with the Coop.

Board Member Bailey stated that the HR data in the report was nice it to see and help put things into the full picture. GM Rosenberg stated that we get those reports from the payroll software, and we will have to see if we can pull for the actual positions.

9. BOD Holiday Social:

There will be no BOD holiday social.

10. Committee Reports:

President Leonard stated that for GMEC an email was sent out and we need all board members to respond as we need to set up a meeting.

VP Buc stated that the sub tactics committee has a meeting tomorrow morning.

11. Little Questions:

None

12. Topics for Next Month:

- BDC - Board Elections
- BDC – Self Evaluation
- Finance Meeting Minutes – Nov
- Strategic Plan Tactics

13. Closing and Evaluation:

President Leonard adjourned the meeting at 7:30 P.M.

Next Meeting **December 20th, 2021**, via Zoom

Submitted by Erica Ramirez, Board Administrator