

La Montañita Food Cooperative
Board of Directors Meeting Minutes
February 16, 2016 – 5:30 pm

Board Present: Ariana Marchello, Tracy Sprouls, Marshall Kovitz, Lisa Banwarth-Kuhn, Greg Gould, James Esqueda, Jessica Rowland, Tammy Parker

Board Absent: Courtney White

Also Present: Dennis Hanley (GM), John Heckes (CFO), Deborah Good (admin assistant), David Hurley (facilitator), Jeffrey Hertz (research assistant), Michelle Franklin (staff), Sharret Rose (staff), Mark Lane (staff), Kyle Johnson (staff), Benjamin Bartley (staff), Joe Phy (staff), Jason Trant (staff), Karolyn Cannata-Winge (staff), Robin Seydel (staff), David Varela (staff), Rafael Gallegos (member), Yolanda Homaan (member), Stephanie Pfeiffer (member), Toni Purley (staff)

The meeting started at 5:35 p.m. at the Immanuel Presbyterian Church in Albuquerque. David Hurley facilitated and Deborah Good took notes.

1. Welcome

Issues Raised: All present introduce themselves.

Actions Taken: None

Actions Required: None

2. Approve the Agenda

Issues Raised: Tammy moves and Ariana seconds to approve the agenda.

Actions Taken: The agenda is approved unanimously.

Actions Required: None

3. Member Comments

Issues Raised:

- Staff member raises several concerns:
 - Concern about waste – specifically bananas
 - Concern about recent labor reduction not aligning with the co-op's values: Labor reduction is exclusive, not inclusive and cooperative. Staff are grateful and proud to be part of the organization but need to feel included and cared for. Many are unhappy with the recent policy. I think we are perfectly capable of boosting sales in other creative ways besides cutting hours. The loss of hours cuts our pay checks and makes it harder to make ends meet.
- A second staff member also raises concerns about reducing staff:
 - I'm afraid we will lose sales if we are not on the floor to educate and help our customers. It is difficult to run my department with fewer employee hours. I thought the budget had already passed, and now there are unexpected cuts. I am not the only department leader who is concerned.
 - We gave them a raise in January. Cutting their hours feels like a slap in the face.

- Morale is down. We are aware that changes need to be made. I think some of the recent changes have nothing to do with sales but have everything to do with morale. In my years of experience, I have seen some of these kinds of changes tried and they do not work.
- Board member describes the policy governance process. The Board is responsible for the organization in the final analysis. However, we delegate a lot of responsibility to management, so we will also give the GM an opportunity to respond. The Board did make a decision to hire management that has the experience to make some changes, including some changes that will be painful. We do rely on the GM to decide what the changes will be.
- Member comment: Is the co-op trying to compete with Sprouts and Whole Foods? Or are we as a co-op trying to educate people, trying to support local, sustainable practices? Where are we going? I don't know if it is possible to compete. We need a new vision, a different idea. We can't get continuously bigger. That's not what the co-op is.
 - Board member response: We cannot continue the way we have been going. It is literally a question of whether we want to survive—not just how well we compete with the larger stores.
 - Member response: Maybe we need to downsize and specialize further and educate. I think it may be foolish to compete in this market. We need new ideas.
- Board member: This is the most staff members we have had at a Board meeting in my three years on the Board. And member attendance is also usually very low. We held co-op cafes this past fall, inviting members to discuss the future of the co-op. Attendance was low but comments were helpful. The most common theme was education. It is hard to generate participation among members outside of shopping. Starting next month, study hour will start at 5:30pm, making it easier for members to be part of the discussion.
- Board member: Changes are not permanent. Any changes happening now could be reversed depending how the co-op fares. The co-op adapts to its situation. I don't think the co-op is becoming any of the other stores. We are trying to increase variety because we have a wider variety of members. We are also trying to become more adaptable.
- GM response:
 - Thank you for coming today. I will do my best to address every single one of the notes I have taken based on what you have shared here. I share your values. Our plan is to get everyone on board with the values. We are La Montañita. We are nobody else.
 - Change, though, is necessary. Co-ops across the nation are in trouble.
 - I am in, and I'm excited that I have team members who care. We have heart and enthusiasm across the board in the co-op's staff. I believe that the team has to be part of the decisions that are being made.
 - We are planning to have town hall meetings. The agenda for the town hall – I will provide a few points and updates, and then open the floor for questions and comments. We have done this in Santa Fe already. Feedback from the staff who attended was very positive. I plan to win each one of the team members over one at a time. We will have monthly town hall meetings in every store. We have some tough calls to make. We want to get operating income positive so we can

go affect lives in the community. We have to bring the team together to get good ideas. I expect you to talk to me. Go direct.

- We are moving toward lowering the cost of goods. You should see a reduction in waste.
- We have hired a new operations director. Jason Trant started today. Jason's office will be at the Rio Grande store. His focus is on training and development of staff.
- In short, I have been here eight weeks. Please give me a chance. Don't go get another job. Let's talk about it first.
- Our intention is not to be like the competitors, but we do have to understand that there is significant direct competition in the natural and organic food market.
- In response to a member's question, the GM says that he is working on changes at the West Side store. If necessary, we will close the store.
- GM appreciates the staff and member-owners who are at this meeting. He is excited to see more come, and appreciates all input. He is listening.

Actions Taken: None

Actions Required: None

4. Consent Agenda

- a. Board Meeting Minutes (January 19, 2016)
- b. Board Development Committee Minutes (January 13, 2016)

Issues Raised: Tracy moves and Ariana seconds to approve the consent agenda.

Actions Taken: The consent agenda is approved unanimously.

Actions Required: None

5. La Montañita Fund Report and Proposal

Issues Raised:

- Ariana moves and Tammy seconds to approve the proposal.
- Proposal requests approval for the annual letter to investors and distribution of earnings to investors through the La Montañita Fund.
- GM: The La Montañita Fund is a very exciting program, providing loans to small, local businesses. It is very successful and unlike anything he has seen in the country.
- Board question: Is this info on the website? Staff response: Much of it is confidential, but there is a list on the website of the companies receiving loans. Investors do know which company their money is going to.

Actions Taken: The proposal is approved unanimously.

Actions Required: None

6. Management Monitoring Report - X3 Financial Conditions

Issues Raised:

- Marshall moves and James seconds to approve the report.
- General Manager:
 - GM shares December financials and updates on the competitive environment.

- Attended NCG Western Corridor Conference. Sixty-five co-ops nationally are on “financial watch.”
- Our focus is on Ends, but operating income is essential to accomplishing the Ends.
- Appreciates guidance from the Board, and the consultant who he is working with on his executive limitations reporting.
- Succession plan is still pending. GM anticipates it will be ready in 30 days.
- Store Team Leader has been hired for the Nob Hill Store, and will be starting February 23.
- Leadership is very important in retail food. GM is proud of the senior team.
- Discussion:
 - Board member asks GM to define rules-based pricing. GM explains that this is an efficient and effective pricing approach using categories. It is considered a best practice.
 - Board member asks about “PCI.” This stands for Payment Card Industry, and is a consortium of credit card companies. PCI compliance refers to a set of best practices in safeguarding customer data. PCI compliance has been going on since before the new GM and continues. For our size of business, we expect NCG to help us with PCI compliance.
 - Board member asks about the IT audit. This is not a financial audit as much as an assessment of whether different elements of our IT systems are being done in the best way. NCG could help in this area too.
 - Board member asks for more information on Field Day products. Field Day is a product line that is distributed through UNFI. It is a “co-op basics” program (a more affordable line).
 - GM is making a lot of efforts to build relationships with NCG.

Actions Taken: The report is approved unanimously.

Actions Required: None

7. Board Study – Civic vs. Corporate Branding – What is La Montañita’s Purpose?

Issues Raised: See Appendix A

Actions Taken: None

Actions Required: None

8. Board Functioning

Issues Raised:

- a. Board Self-Evaluation of the 1st Half of B Policies – Board Members will receive the link to the survey later this week.
- b. Board Retreat Update
 - Location: Albuquerque Friends Meeting House
 - Date: March 26, 8:30 (breakfast) - 4:30pm
- c. CCMA – Annual food cooperative conference this year in Amherst, MA
 - Board members interested in attending should email Ariana
 - Conference dates: June 9-11, 2016

- GM and one or more members of the leadership team will also attend
- d. Upcoming Committee Meetings:
 - Member Engagement – 2/22, CDC 5:30pm
 - Board Development – 2/24, church, 5:30pm

Actions Taken: None

Actions Required: None

9. Task List

Issues Raised: Tasks will be added to the ongoing to-do list in Basecamp:

- Deborah to write Co-opera article.
- Deborah to prepare the Self-Evaluation Survey for the First Half of B Policies.
- Board members should email Ariana if they want to attend CCMA.
- Tammy will work with Ariana and Marshall to update the Board Calendar. Ariana will send out a message with the date and time, once set, so others can join if they are interested.

Actions Taken: None

Actions Required: None

10. Meeting Evaluation

Issues Raised:

- Awesome meeting; lively discussion.
- Great having management staff here. Thank you very much.

Actions Taken: None

Actions Required: None

11. Next Meeting Agenda Construction

Issues Raised: None

Actions Taken: None

Actions Required: None

12. Adjourn Regular Session

Issues Raised: Ariana moves and Tammy seconds to adjourn.

Actions Taken: Meeting adjourns at 8:27pm, followed by an executive session.

Actions Required: None

ATTACHMENT A: BOARD STUDY

La Montañita Food Co-op
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Civic vs. Corporate Branding – What is La Montañita’s Purpose? **Facilitated by:** Jeff Hertz

Topic: When we talk about purpose, it is easy to jump to the Ends, but it is important to re-consider our purpose regularly. It is also interesting to think about our branding in relation to corporate and civic brands in our local area. What do you think our current branding is like and how do we open it up to be a civic brand?

Readings:

- “Making Sense of Civic Brands” - <http://www.designwithdirection.com/making-sense-of-civic-brands/>
- “The Power of Purpose” - <http://www.placeholderllc.com/the-power-of-purpose/>

Discussion, organized by theme:

How La Montañita Is Perceived

- Civic branding is a compilation of perceptions. How is LM perceived in the community? The co-op is too expensive. The co-op only has the Mercedes version of food. So we are addressing those perceptions – how do we change those negative perceptions? How do we communicate our Ends policies? Those are the counterbalance to many of the other perceptions out there.
- We used to have a very strong civic brand because member-owners were very involved, attracted because of the alternatives provided. Over the years, that brand has tarnished, washed out. We are now seen as exclusive, way too expensive, upper-middle-class, and white. The civic brand has gotten muddied. Over the last couple years, I feel like what we’ve been talking about is trying to rekindle what the co-op used to mean, or could mean to the community,
- Right now, our brand is “I shop here sometimes and shop sometimes at other stores.” The competition has muddied our brand.

What Co-op Management Is Doing

- GM: We believe we have a serious branding issue. We have a different sign at almost every store, for starters.
 - We assessed internally and found that our team members are not shopping in our stores.
 - We have to rebuild the brand. There’s some tactics we can do, but we have to have a strategic plan. Expect more on this soon.
 - In our view, the “civic” element of our brand is the differentiator. Our corporate brand and prices matter too, but our civic brand is what makes us unique among the competition.

- Co-ops today across the country are focused on tightening financials. Member engagement departments and social advocacy programs are being cut. That is not the approach we want to take at La Montañita.
- It's about place. What we do in Santa Fe cannot be the same as what we do in Albuquerque. They are two different cities. Still, the catch phrase we use in both cities to describe who we are can be the same. And it should be a message about our civic identity. This is under development.

Communicating our Brand

- Brand and branding are different. Brand is what makes us unique. Then branding is taking that message out to the community through a variety of channels. Brand umbrella is the same regardless of site. But the marketing differs by place.
- Membership department has had the function of promoting the civic brand.
- Ends reporting happens every year, but that report may not be the tool for communicating.
- The member survey has potential for the practical value of gauging the effect of our civic branding, and how well we are communicating it.
- I like the newsletter. I get a lot of information from that over the years. I'm attending the Organic Farming Conference this weekend. La Montañita has always had a booth there. That presence is important. The Earth Day celebration in Nob Hill is also important. It is to me like a national holiday.
 - But a lot of people think the city puts on the Earth Day celebration, not the co-op. That's part of the whole branding issue.
- We need to be distributing information at point of purchase, not just at conference tables.
- In a co-op in a different city, there were maps in the store that showed where items came from.
- As a landscape architect, I learned that you want to create a place. Make it easy for people to remember a place and identify with it.
- Shoppers should get a sense of what they are doing and why and why it matters.
- We will have t-shirts, hats, chico bags, and pens with the logo on them.
- The Fortieth anniversary presents a great opportunity to reach out to new shoppers and new member-owners.

Alignment with Other Trends and Happenings

- How can we think about La Montanita's alignment with local public health concerns, public transportation issues, the new Albuquerque Rapid Transit (ART)?
- What are some new trends and movements we can latch onto?
- Local is part of our message. That is a trend. Who are those vendors and why are we working with them? We need to get that word out. A decal at restaurants.

La Montaña's Purpose (Possibilities for civic brand messaging)

- The purpose of any co-op is to meet the needs of the members. The co-op is not just a grocery store. You can't have a co-op without members. You can have a store, but it's not a co-op. That is the story we have to communicate. It's not just "La Montañita" that has an impact on the community; it is all of our staff, and all of our members.

- Price Issues:
 - How are we retaining our member-owners? It's not just getting lower-income and families of color into the door. It's retaining them. We do know that our owners tend to buy a lot at the co-op (large basket size).
 - I recently moved to Albuquerque, coming from an organization that had a program similar to the Double Bucks program. We saw significant results in basket size and retention.
 - "Exceptional food to fit your budget" is a message we are working toward.
- We need a place for people to get together. That was something that was common in co-ops in past decades. Some of the themes from the co-op café reflect that yearning for neighborhood, for shared spaces.
 - Dining area at the store in Moscow, ID, was a place that people hung out.
- Millennials, Native Americans, and Hispanics are not shopping at the co-op. Catering to these populations and celebrating the diversity of New Mexico has to be part of the branding. (Need to collect data on our customers/members in order to know whether the composition of our membership changes with changes in brand.)
- Education should not only be about food but about economics. What does it mean to spend money at the co-op vs. national corporation-owned? Presidential candidates on both sides are claiming that the financial system is rigged. This is an opportune time for a message about our alternative economic structure.