

Board Meeting Minutes

La Montañita Co-op

July 18, 2017

5:45 pm Indian Pueblo Cultural Center, Room Chaco III

Board Directors Present: E. Wheeler, J. Glover J. Anaya, C. Jones, M. Joe, G. Gould

Directors Absent: A. Satpathi, G. Dennis, M. Hildebrand

Quorum Present? Yes

Others Present: R. Dixon (COSO), W. Prokopiak (CRO) D. Duran (HR Director), A. Powers (Admin Asst.)

Members Present that signed in: D. Duran, A. Whiteley, R. Zaragoza, L. Kahn, J. Phy, C. Baron, B. Bartley, P. Calahan

Members Present Via Videoconference: P. Luciano +1

Proceedings:

E. Wheeler called the meeting to order at 5:54 pm, welcomed everyone, and asked them to sign in.

I. Discussion Forum: Quarterly Financial Update (J.Glover)

J. Glover –Presented a PowerPoint that highlighted the financial reports from Q1 to Q3, including net income by store, sales, and expenses. He explained that the financial information presented will be available for members by request, at the support office and Santa Fe store only. The financial summary will not be posted on the website. He was pleased to report significant progress toward reaching the Co-op’s financial and budgetary goals by year-end 2017.

Quarterly Sales Review/Update

Beginning in Q1, as previously reported in April of 2017, there were financial losses, due to high operational costs, increased expenses, and low financial performance. Then, during Q2 there were financial improvements, with an increase in Co-op sales, and only a marginal increase in expenses. Now, the results from the Q3 financial reports show that sales are up, expenses reduced by more than 20%, and the Co-op is now making a profit. We have come back up, and have continued to show an increase in profits.

Member: What are the budgets compared against? Were the previously set budgets unrealistic?

J. Glover: Each store has its own budget, based on historical data; the financial results presented here are the actual amounts for each store. This is a great question – we are trying to look strategically at the actual data, which helps in setting realistic budgets for the future.

Member: What does “other income” mean?

J. Glover: The majority is membership income (\$15 annual fee) and some loan interest.

Member: What expenses caused the losses? And what types of expenses were there in bringing on a new General Manager?

J. Glover: There were a variety of specific costs and expenses which reduced the gross profit margin; some of the expenses involved in hiring a general manager included headhunting, and relocation fees; in the future, we won’t have these costs.

Member: Were there any additional costs?

J. Glover: There were also legal fees, consulting fees, and IT consulting fees.

Member: What is the legal reason we can’t talk about these costs?

E. Wheeler: The exact amounts and terms cannot be disclosed for legal reasons.

Member: Are we required, by statute, to have a certain amount of cash on hand?

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J. Glover: No, not by statute we are not required to have a certain amount of cash on hand.

Where does your money go?

- Cost of goods
- Wages, benefits,
- Rent, utilities, operating expenses
- General & Administrative
- Loan repayments

Return One Cent

- Membership dividend – reduce or divert member dividends to reinvest in capital expenses
- Capital expenditure – wish list includes: reinvest in stores, purchase coolers, computers
- Cash balance – any remaining profit or loss hits the Co-op's cash bank balance.

2016 Sales By Revenue Center

J. Glover reviewed the sales report and explained how each revenue center reports sales. Discussion ensued regarding how the UNM store sales are reported. He explained that UNM is considered a department of Nob Hill, and UNM sales are not reported separately. Costs, such as general and administrative, are apportioned to all revenue centers.

Store Location Performance (2017)

J. Glover reviewed the performance of each location, and explained how to analyze the chart presented. A discussion ensued regarding each column of the chart, such as negative net income, labor costs, and budget projections. J. Glover stated that labor costs may fluctuate depending on the variable circumstances in each store, at any given time. On some occasions, labor costs may be high, in another store, there may be a shortage of employees, resulting in a negative labor cost.

E. Wheeler – If we look at the labor percentage; it is based off the average for a specific store; these are not actual numbers; it means they are above or below the average to the entire Co-op stores.

Member: How are you using the labor statistic? Is this the ideal? Where's your baseline?

J. Glover: We are trying to highlight, such as the "one cent of every dollar" page on the PowerPoint; these are indicators of where we can improve; Store team leads track these numbers constantly; We are trying to increase efficiency, and increase the financial position of LMC. We have 20 different key financial indicators and are continually working toward improvement.

E. Wheeler: Some stores are going to do better; we're trying to look at the numbers as a whole, and have a balance. What James has done with this financial overview is great!

Key Finance Areas

- Capital Expenditure
- Hire of key staff members
- IT infrastructure
- Store profitability and strategic planning
- Bank Change

Bank Change Update

Wells Fargo – We met today met with NM Bank & Trust and Century Bank. We have several issues to resolve. These include, how to get money and change orders to Gallup and other logistics. We would like to present our bank recommendations to members at the September meeting. Members will have 1 to 2 months for the opportunity to make comments and suggestions. Our goal is to begin with a new bank by the beginning of 2018.

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II. LMC Business Meeting

E. Wheeler opened the meeting at 6:34 pm.

1) Approve the Agenda:

Issues Raised: None.

Actions Taken: G. Gould motioned to approve as written.

J. Anaya seconded the motion. Unanimous approval.

Actions Required: None.

2) Approve Consent Agenda

Issues Raised: None.

Actions Taken: G. Gould motioned to approve as written.

M. Joe seconded the motion. Unanimous approval.

Actions Required: None.

a) Consent Agenda Items:

i. Approve June 20, 2017 Business Meeting Minutes

Issues Raised: None.

ii. Approve 2017/2018 Director Candidate Package

Issues Raised: None.

III. Committee Updates

1) Policy Development Committee: (E. Wheeler) The last meeting was held July 6th. The Committee has worked really hard on updating the Bylaws and has made about 12 recommended changes. The Co-op's attorneys at Sheehan & Sheehan are now reviewing the 2013 Bylaws, and the Committee's recommended changes. The Committee plans to present the recommended revisions to the Bylaws at the next member meeting. The changes must be approved by a Board vote. At that point, the recommended changes will be posted to the website for the membership to begin to review in preparation for the November Ballot vote. Each line item will be an approve/disapprove. The next meeting will be held August 1st from 5:30 to 6:30 pm at the LMC support offices.

2) Membership Engagement Committee: (C. Jones) The last meeting was held on July 11th. We discussed the member survey, and request that those of you here that have not completed yet, please do so. And, also encourage other members to complete their surveys. Our goal is to receive surveys back from 17000 members. Members can complete the survey online until July 31st. Our next meeting will be held August 8th, both at the Santa Fe Store Community Room and the video to the Abq Support Offices.

Our Members want to contribute to the Co-op in a variety of ways. The challenge for us is how to harness that energy. How do we go about doing that? We recently decided to use Basecamp for our future planning and collaboration. Some of our goals are: to improve our customer's in-store experience, apply co-op principles, outreach to prospective members, and make a difference in our community. Our next meeting will be held June 13 at 5:30 pm at the LMC support office.

3) Elections and Nominations Committee: (E. Wheeler) The last meeting was held July 10th. We revamped the Director Candidate Package, which was approved here today. We included more information about board director responsibilities, and a section requesting the candidate describe their strengths. Understanding their strengths will help us to build a better Board team. The Director Candidate Packages will be available starting August 1st. There are 6 positions open: 3 with a 3-year term; 3 with a 1-year term.

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She noted that she is moving out of the area but will complete her term for the remaining year. We need to consider what is needed to continue to grow the Co-op and be that strong community pillar. If anyone has questions, please contact the Board members, or contact the membership department.

4) Finance Committee: (J. Glover) *See Discussion Forum - Quarterly Financial Update*

5) Member Questions on Committees

Member: Can we vote on the location and date for the next Annual Board Meeting?

C. Jones: Do we want to vote now? Discussion ensued about the location and date for the Annual Board Meeting.

Actions Taken: C. Jones motioned to hold the Annual Board Meeting on Saturday, October 21 at the Santa Fe Railyard.

G. Gould seconded the motion. Unanimous approval.

Actions Required: None.

E. Wheeler asked if there were any more questions or comments. There were no further questions or comments.

IV. LMC Business

1) HR Audit Update (R. Dixon) He announced that the HR Audit was completed. He noted that the role of the HR department is to ensure that the organization obtains, and retains, properly motivated, skilled, and purposed "resources". He presented a PowerPoint that summarized the findings of the auditors, recommendations, and required revisions. He discussed the problems, solutions, and estimated timeline for implementation of goals.

- Employee Lifecycle. To provide better support to the HR department, it's very important that multiple people in the organization have a solid understanding of the HR function, employee lifecycle, and the entire hiring and retention processes.
- Audit Findings.
 - Of high importance is to overhaul the recruiting process; include outreach to underserved populations for recruiting opportunities and diversity initiatives
 - Formalize background check processes with 3rd party vendors
 - Increase HR staff to 3, to comply with HR rules; no major restructuring of HR staff
 - Update Employment Manual, job descriptions and correct technical errors
 - Update and maintain a comprehensive records retention program; remove outdated files
 - Restructure the DTL positions; may need to be split into multiple positions
 - Specify pay periods
 - Provide compensation review scores to employees at raise time.
 - Mediation training for HR Director with outside contact for support assistance
 - Employee Engagement study in the Santa Fe location to address turnover issue
- Commendations. The auditor noted that employees were happy with their jobs, and the quarterly review was great, compared to other companies. They have great confidence in HR Director, D. Duran, the training programs, and with the CRO and the COSO oversight process. They were impressed with our system for employee evaluations and the current disciplinary process of using 3 people to make termination decisions – they thought this was very progressive.

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2) Member Questions/ Discussion – HR Audit Update

Member: What kind of background checks do you do now?

D. Duran: We do a criminal background check, and a thorough reference check.

Member: How much does it cost for the Third-Party background checks?

D. Duran: The fees are \$100 or more; will need to increase the budget for this expense.

Member: When do you hope to get the required items completed?

R. Dixon: The goal is to have this in place within 6 months.

G. Gould: Proposed that the HR Audit Update presentation be posted for members

E. Wheeler: The presentation will be available in Santa Fe Office and support office.

C. Jones: Thank you for coordinating this presentation; I suggest that we have a bi-annual HR update as well; The Board would benefit from an update and hearing about the future outcomes.

E. Wheeler: Thank you Donna, you are amazing.

3) Board Meeting Re-location (E. Wheeler)

I have talked with the Board, and IT about moving the Board meetings. Effective next month: meetings held in Albuquerque, will move to the support office; meetings in Santa Fe will be moved to their meeting rooms. These conference rooms have plenty of seating, we will save money on room rental costs, and we may even be able to provide some snacks.

4) Westside Store – New Team Leader

W. Prokopiak: We have hired a new team leader for the Westside store. He introduced Zeke who said he had previously worked for LMC, that he's glad to be back, and excited to see what is going to be on the horizon for the next 40 years.

V. **Member Questions/Answers/Comments**

Member: In February, we had the reorganization, and created new positions, and hired the interim CRO and COSO - What is the status of the hiring for these positions?

E. Wheeler: The job descriptions and the COSO and CRO policies were approved by the Board; The job openings are posted on the Web, and NCG. We may put on Indeed.com, or LinkedIn.com which would be a better location to attract the kind of employees that we need.

Member: What is the status of the union negotiations?

E. Wheeler: Since the Rio Grande union members are non-management, they had a different wage scale, which caps out faster. There are definite differences. We are waiting on the final data. Some information is confidential to the union. We have increased the store discounts to 20% for all staff members. Their goal is that everyone gets promoted, gets raises, and the raises will not be based on performance. There's a lot that the DTLs and management must learn.

D. Duran: Is glad it is over.

J. Phy: Said, "Day 2, so far so good!"

R. Dixon: They went to each store; there was a small bump in pay for some folks; adopted the existing benefits, grievance policies the same; exchanged PTO for paid holidays.

Member: How will the information get out to the membership?

E. Wheeler: Not sure if the contract information will be shared. Not sure if conditions have changed.

C. Jones: It depends on what J. Phy wants to communicate, or we may be able to share some information regarding results.

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R. Dixon: There will be an overview in the August newsletter.

Member – Santa Fe Store – We need to understand, it’s important that we share these things in the newsletter.

Member: There’s been a number of vacancies - IT, HR, CRO, COSO – What effect will filling these new positions have on the financials?

J. Glover: There will be an impact and the costs will be included in the budget for next year, not detrimental. We know there are open positions that need to be filled.

R. Dixon: We will plan our budget, and balance the budget, while maintaining a positive bottom line.

E. Wheeler – The team, as a whole, is very impressive and she’s confident that they will be successful in achieving their financial and staffing goals.

Adjourn Member Session. Motion was made by C. Jones to adjourn; Motion was seconded by G. Gould. The meeting was adjourned at 7:10 pm.

Executive Session – To be held following the Member Session.

ATTEST:

ALLENA SATPATHI, BOARD SECRETARY

_____, **BOARD DIRECTOR**