THE ISLA VISTA FOOD COOPERATIVE
Board of Directors Meeting Minutes
Wednesday October 16, 2024 at 6:30pm
Held online via Zoom

Meeting begins 6:36pm

Attendees

- **Board Members**: Lisa Oglesby (LO), Marcelino Sepulveda (MS), Megan Ashley (MA), Tyler Marton (TM), Eric Schug (ES), Neal Singh (NS), Bill Palmisano (BP)
- **Staff:** Hernan Cuevas Cornejo (General Manager),
- **Guests:** Diego Villela Kroeff (DVK), Matt Richards (MR)

1. Approval of Agenda

Motion to approve October 16, 2024, Meeting Agenda as presented.
Motion: TM / **Second**: ES | **Vote**: 7-0-0 (Approved)

2. Announcements & Owner Input

- **DVK** introduced himself and expressed interest in learning more about Co-op governance.

3. Approval of Previous Minutes

Motion to approve September 18, 2024, Board Meeting Minutes as presented.
Motion: ES / **Second**: BP | **Vote**: 7-0-0 (Approved)

4. Reports & Discussions

a) Finance Committee Report

- **Loan Disbursement**: The SBA loan has been disbursed, improving cash flow temporarily. The board emphasized careful management as underlying financial challenges remain.
- **Sales Performance Concerns**:
    - **Basket Sizes** are below target, indicating weak average sales per transaction.
    - **Isla Vista store**: Sales growth is slower than anticipated. If trends persist, this could affect our financial viability, especially with an expected seasonal sales dip in December.
- **Budget Review**:
    - The GM provided year-end budget projections. The Finance Committee will review and aim to finalize the budget in November, given the current uncertainties.

    - In more predictable years, we aim to finalize the budget by September. Given the current uncertainties, we will need to assess October's financial performance to determine our alignment with the projected budget.
    - Plan to present a final budget for board approval in November, allowing sufficient time for analysis and adjustments. If budget-to-actual figures are significantly off-target, we may need to consider alternative strategies.
- **Support for GM**: Discussion on providing additional resources and support to the GM and staff during this challenging financial period.

b) Owner Engagement Committee Report

- **Owner Drive**: We have added 198 new owners this period, with continued outreach planned to increase engagement and participation.
- **Annual Meeting & Bylaws Vote**:
    - The Annual Meeting will be hybrid (in-person and virtual). Food will be provided, with dietary preferences collected via RSVP.
    - The bylaws vote is scheduled from November 16, 2024, to January 31, 2025. The Record Date for quorum will be based on membership numbers as of November 1.
    - The Ambassador Program has been activated and recently brought together a small, dynamic group of individuals with a variety of ideas and diverse backgrounds. This group has the potential to effectively engage a wide range of owners and help promote the bylaws vote.

Motion to set voting window for bylaws update from November 16, 2024, to January 31, 2025.
Motion: LO / **Second**: NS | **Vote**: 7-0-0 (Approved)

Motion to set Record Date for quorum to be November 1, 2024.
Motion: LO / **Second**: NS | **Vote**: 7-0-0 (Approved)

Motion to approve the 2024 Annual Meeting Agenda as presented.
Motion: MA / **Second**: ES | **Vote**: 7-0-0 (Approved)

c) GM Evaluation Committee

- **GM Evaluation Survey**:
  The board has received the annual survey for evaluating the General Manager (GM). All board members are requested to complete the survey by the end of this week to ensure a timely and thorough assessment. The feedback from this survey will be compiled and used as the basis for discussion during the upcoming in-person evaluation meeting.
- **In-Person Evaluation Meeting**:
  The in-person meeting to review the GM's performance with the board and relevant staff is scheduled for Wednesday, October 23rd, at 2:00 PM. This meeting will be held at the SBSH Merton Library, providing a space for a comprehensive and confidential discussion.
- **Next Steps**:
    - Board members to complete the GM evaluation survey by the end of this week.

    - The GM Evaluation Committee will review the survey responses and prepare a summary for the in-person meeting.

7:13pm MR leaves the meeting

5. General Manager Reporting

September 2024 Financial Performance:

- **Increased Costs:**
    - **Personnel:** Some significant increases include: Payroll taxes increased 127.62% and 401k contributions increased by 60.31%.
    - **Utilities:** A 202.48% surge in utility costs, driven by higher summer rates.
    - **Janitorial Services:** A $742.80 increase in janitorial expenses, reflecting the added cleaning needs of operating a deli.
    - **Lease Expenses:** Increased significantly this year, contrasting with the absence of rent payments last year.
- **Operational Adjustments & Cost Controls:**
    - **Deli Profit Margins:** Improved margins show effective cost management in the deli department.
    - **Salaries:** A 18.54%reduction in salaries compared to last year, optimizing staff efficiency while minimizing losses.
    - **Overall Operating Expenses:** Operating expenses have risen , driven in part by an increase in discounts.
    - **Non-Salary Personnel Expenses:** Increased by 4%, mainly due to an uptick in staff discounts.
- **4th Quarter 2024 Financial Overview:**
    - **Losses:** Losses increased in Q1, Q2, and Q3, but decreased in Q4, resulting in a total annual loss of $326,005—slightly better than last year.
    - **Cash Flow:** Cash flow was notably impacted by a $300,000 loss, exceeding the budgeted loss of $200,000.
    - **Break-Even Goal:** The Co-op is close to a balanced bottom line, requiring only a 1-1.5 point improvement to break even.
    - **2024-25 Budget:** The revised budget focuses on sustainability, with minimal flexibility for further budget deviations.

Sales Analysis:

- **Downtown Store:** While performing relatively well, the store still needs higher sales to cover projected shortfalls in the next six months.
- **Isla Vista Store:** Sales are currently 40% below target, requiring an additional $1,800/day in sales to meet projections (equivalent to 83 more customers per day).

- **New Memberships:** 64 new members joined since last month bringing the total to 198 new members for the period. The student equity promotion has been well-received.

Capital Expenditures & Store Improvements:

- *Motion to authorize the GM to expense $21,000 on operational coolers.*
    - **Motion**: LO / **Second**: ES | **Vote**: 7-0-0 (Approved)
- **Deli Restocking:** Restocking the deli cases is expected to boost sales by $300-$1,000/day.
- **Frozen Department:** Ice cream sales in the Isla Vista store have seen a significant drop due to the loss of the ice cream freezer. With the new freezer in place, ice cream is expected to drive revenue once again. Previously, ice cream contributed 40-50% of frozen sales.

In-Room Dining & Seasonal Trends:

- **Prepared Cases:** Downtown's prepared cases are consistently filled by 3:30 PM daily.
- **In-Room Dining Program:** Targeting hotel employees, the program has been impacted by reduced work schedules (from six to three days a week). A sales boost is expected before Thanksgiving.

Store Layout & Merchandising Strategy:

- **Isla Vista Store Layout:** The layout is under review for optimization. The Health and Beauty (HABA) section will be reduced by 30-40%, with wine relocated closer to beer coolers and a new beer display planned.
- **Product Mix:** The focus is on introducing products with broader appeal to attract more customers without alienating core members.

B2B Program & Community Engagement:

- **B2B Program:** The Business-to-Business program isopening up new revenue streams.
- **Co-op Dinner Orders:** The Co-op is preparing for the holiday season with 45 classic turkey and tempeh dinner options available for order.

Next Steps & Key Concerns:

- **October Performance:** Close monitoring of October sales is critical to determine if additional capital expenditures in Isla Vista are justified.
- **Promotion & Engagement:** The board emphasized the importance of robust promotion and community engagement to boost sales, particularly at the Isla Vista store.

Questions & Feedback:

- **TM:** Inquired about the number of new student members and the success of the student equity promotion.
- **NS:** Requested data on sales improvements in Isla Vista following the introduction of new frozen displays and enhanced in-room dining options.

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6. Committee Meeting Schedule

- **Finance Committee**: October 25, 12:15 PM (Zoom) - Budget finalization
- **Owner Engagement**: October 24, 12:15 PM (Zoom) - Outreach planning
- **GM Evaluation**: October 23, 2:00 PM (SBSH Merton Library) - GM Performance Review
- **Annual Owner Meeting**: November 16, 5:00 PM (970 Room, Isla Vista) - Hybrid event
- **Next Board Meeting**: November 20, 6:30 PM (Zoom)

8:07pm DVK leave the meeting

8:08pm The board and GM enter CLosed Session.

7. Closed Session

Meeting Adjourned at 8:26 PM

Minutes taken by Marcelino Sepulveda, Board Secretary
Minutes approved by Board motion, November 20, 2024.