

**Middlebury Natural Foods Cooperative
Board of Directors Meeting
December 14, 2016**

Board Members Present: R.J. Adler, Ilaria Brancoli Busdraghi, Ross Conrad, Kate Gridley, Ann LaFiandra, Jay Leshinsky, Tam Stewart, Louise Vojtisek, Amanda Warren.

Board Members Absent: Nadine Barnicle, Lynn Dunton.

Others present: Victoria DeWind (staff liaison), Jeff Glassberg (consultant), Glenn Lower (GM), Greg Prescott (staff).

Board Monitor: Louise

Call to Order: The meeting was called to order at 6:18 pm.

Member-owner Business: Kate reported a conversation with an elderly woman who shops regularly at the Co-op in spite of a limited income. She said the store is beautiful, staff is friendly and it makes her happy to come to the store.

Louise recommended Global Village Cuisine, gluten free frozen entrées.

Approval of Minutes: On a motion by R.J., seconded by Kate, the minutes of November 30, 2016 were approved with all in favor.

Glenn responded to a question about helping Stonewood Farm. He said that he had a conversation with them about Co-op assistance and had suggested the pre-buy idea. They said most important was for MNFC to continue paying invoices as usual and they would think about other possibilities.

Expansion Financials: Glenn introduced Jeff Glassberg who serves as the owner representative in expansion planning. He helped MNFC with the prior expansion and now gives important support in the weekly meetings with the team.

Jeff summarized three aspects of this expansion work. He feels the Co-op is well served by CDS consultants and Bill Gessner in developing the operational plans for the project. Jeff's role has been to focus on the capital and cost breakdowns for estimating. He will be working closely with Bill to create the final construction budget. Lastly, Jeff has most recently focused on outreach to commercial lenders for a primary loan holder. Proposals were sent to People's United, Northfield Savings, National Bank of Middlebury, VT Federal Credit Union, VT Community Loan Fund and the National Co-operative Bank (NCB). As the Co-op has good credit in the banking world due to its full payment of previous loans, there were five positive, very competitive offers from all but the NCB with better than requested terms. This was especially true for the Credit Union.

Jeff's work now will be to develop a matrix to compare the offers. The recent rise in short term interest rates is an important consideration in choosing a lender and minimizing financial impacts. The goal is to close on a business loan now rather than a construction loan later to avoid the costs of bank oversight and possible delays during construction. Lender experience in holding loans as well as a "cultural" match with the Co-op will also be part of Jeff's consideration.

Jeff talked about the planning process in which early design choices were made to keep within budget rather than having the cost later of making changes to permits and creating delays.

One major decision up front was to not include a second story though the building will be designed to allow one in the future.

Ross pointed out that Vermont Integrated Architecture had not had previous start to finish experience and they have proved to be an excellent fit for the Co-op. He suggested this could be true of the Credit Union as well.

Amanda asked about risks. Jeff said that any shovel in the ground makes for risks. The important thing is to anticipate them and have strategies with which to respond. An example was the surprise second buried fuel tank found with the removal of the first tank. A good environmental consultant working with the VT Agency of Natural Resources will reduce costs. Weather and timing delays have to be planned for to reduce impacts on current operations.

R.J. asked about return value of investment in the new building. Jeff responded it will be reflected in real estate appraisal values. Lender's interest is in operations.

A March closing is planned and could need a Board resolution. Glenn assumed that would be for acquiring a loan not determining which lender it comes from.

Jeff further described upcoming work. Construction documents will be done by the end of December and will be packaged by trade – site work, electrical, mechanical, painting, etc. Bids will be expected back by third week of January. This then all goes into a proposed maximum guaranteed price, including contingencies and alternate/addition options for later in construction.

R.J. asked about a second member-owner loan drive to reduce the bank loan. Glenn responded it would likely take too much time and money to restart the effort for a possible smaller return.

Tam asked what Jeff's role will be for the rest of the project. His time will be reduced to 15 hours/month after the first months of construction, possibly less if things are going smoothly. At least monthly he will review cost updates with Lynn and revise any forecasts for completion. (Jeff left the meeting at 7:12).

GM Report: The expansion discussion continued. Glenn said detailed blue prints with mechanicals were in process.

R.J. asked about marketing opportunities with lending banks and offered to help pitch them.

Ilaria asked about challenges in the process. Glenn said the biggest one was getting the team together on early decisions and estimates, especially refrigeration. Having to go through UNFI, (which uses chain store standards) for pricing when the architects wanted it from the engineers was difficult and inefficient.

Introduction for Greg: Glenn introduced Greg in his role as Store Operations Manager. Greg talked briefly about his past experience working at Harvest Natural Foods in Cambridge, MA, taking a break from food with time in film school in Prague and work in the film industry and then non-profits. He comes now to MNFC after ten years at Whole Foods working in many capacities leading most recently to managing specialty food departments. As he and his wife Leanne wanted to live in Vermont, the opportunity at MNFC seemed perfect. He is very happy to be here, has spent time in all departments to learn how they work and get to know everyone. He said he has never seen more invested, caring employees than here. Over time Glenn will include him in the emergency succession plan for the Co-op.

EL 4 – Financial Condition: Glenn suggested that the higher than usual store margin was helped by the elimination of the 2% discount. Margin will likely go down at the end of the fiscal

year with the patronage dividend payout as will net profit. While there is high current ratio, Glenn said post expansion it will be lower and possibly out of compliance. There will be a plan for correction. There was discussion if Michael Healy should be consulted if there should be a temporary adjustment to the trigger point during expansion or to rewrite the policy for future changes as well.

The Board agreed that the report was on time with reasonable interpretation of sufficient data and was in compliance.

EL 12 – Informational Technology and Digital Communications: Karin Mott provided this report for Glenn. The Board was glad to get a better understanding of the work that had been on-going with Brandthropology on the monthly e-newsletter and a paper in-store quarterly. R.J. asked about the status of e-voting. Tam said that Hunger Mountain Co-op’s e-voting had not been successful with lower voter participation. Combining paper and electronic ballots would be difficult. Glenn will look into this more when he has time.

There was brief discussion on Ross’s thought that the EL report does not include internal communication. Tam did not think that was part of the EL and asked would that be an improvement. Glenn will consider how he might report on that.

The Board agreed that the report was on time with reasonable interpretation of sufficient data and was in compliance.

GP 7 – Policy Creation and Revision: Ross said the pdf on Basecamp was not updated. The consensus was that the Board was otherwise following it as written.

Retreat: Bill Gessner is available on March 19 but Michael Healy may not be. The topic should be determined so that the appropriate facilitator can be chosen. Ilaria will see if the same location as last year is available. R.J. offered his house. Tam will set up a “2017 Retreat” page for topic discussion on Basecamp in January.

Executive Session: The Board went into Executive Session for GM evaluation at 8:07pm on a motion by Ilaria, seconded by R.J. with all in favor. The Board came out of Executive Session at 8:30pm with all in favor of the motion by R.J., seconded by Kate.

Next Meeting: January 25, 2017

Adjournment: At 8:40 the meeting was adjourned with all voting in favor of a motion by Jay, seconded by Louise.

Respectfully submitted by Victoria DeWind