



DNF Board Meeting  
November 15th, 2023 5:30-7:45pm  
Rocky Mt Retreat Center

Attendance:

Board Members: Ryan Lazo, Hadley Bevill, Sheryl McGourty, Kate Randall, Cody Reinheimer, Wes Medlock; General Manager: Joe Zwieback; Employees: Madison Root; Member Owners: None.

Time	Subject	Facilitator
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**5:30 I. Call to Order**

- |                            |        |
|----------------------------|--------|
| A. Check-In Question       | Sheryl |
| B. Board Mission Statement | Board  |

The Durango Natural Foods Co-op Board democratically and cooperatively serves as the voice of our member-owners, working together in accordance with the Bylaws and Policy Governance to ensure the present health of the Co-op, while honoring its past and envisioning its future as a food and community hub.

**5:40 II. Membership Comments or Questions**

Board

- **Issues Raised:**
  - Joe: Nice review online from Margaret Schmidt (Nextdoor app).
  - Cody: (from himself) There is a lot of inconsistency on our parking signs. Maybe we can get consistent posts and re-center the handicap sign.
- **Action Taken: None**
- **Action Required: None**

**III. Minutes Approval from last meeting**

Hadley

- Hadley made a motion to approve the October minutes, Wes seconded, motion carried.
- **Issues Raised: None**
- **Action Taken: None**
- **Action Required: None**

**IV. Agenda Approval**

Wes

- Wes made a motion to approve the agenda, Cody seconded, motion carried.
- **Issues Raised: None**
- **Action Taken: None**
- **Action Required: None**

**5:50 V. Old Business**

- |   |        |
|---|--------|
| A. Hadley to send out a doodle poll for the next Special Events Committee   | Hadley |
| <ul style="list-style-type: none"> <li>● <b>Issues Raised: Hadley still needs to send out a doodle poll. Have not met.</b></li> <li>● <b>Action Taken: None</b></li> <li>● <b>Action Required: Hadley to send out a doodle poll.</b></li> </ul> |        |
| B. Hadley to add email motions carried to the previous month's minutes  | Hadley |
| <ul style="list-style-type: none"> <li>● <b>Issues Raised: Done</b></li> <li>● <b>Action Taken: None</b></li> </ul>   |        |

- **Action Required: None**
- C. Add how *Policy A* will get on to the calendar, who's responsible, look at and review at the BOD retreat. Board
- **Issues Raised: Not done.**
    - Wes: My recollection on that is the Co-op's compliance on the Ends Statement. If we don't have equitable food distribution then we are out of compliance.
    - Sheryl: We have never put that into a meeting, and then you (Wes) did once, and that is where all of the confusion started.
    - Joe: I do remember that there is one month where there is no B Policy. I could always give input during that month.
    - Cody: I think for future BODs we state it as up for GM & BOD review
  - **Action Taken: None**
  - **Action Required: Hadley to update the calendar and the Policy A as: under review by the BOD & GM.**
- D. Ryan L. to come up with language to add under section 5 (GM self-evaluation and BOD evaluation) and send via email to BOD for email motion. Ryan L.
- **Issues Raised:**
    - Ryan L: I need a little help finding where that language was to review.
    - Sheryl: You had mentioned that it would be good to be more specific around the GM evaluation. It is found under D4, #5 in the Policy Governance folder & document.
  - **Action Taken: None**
  - **Action Required: Ryan L to come up with language to add under section 5 under D4 in our Policy Governance.**
- E. Joe to talk to Brian from Mackey Reed about the reserve fund and how this is done in New Mexico Joe
- **Issues Raised:**
    - Joe: We've been missing each other. He was supposed to call me this week. Hopefully he calls me tomorrow. I don't even know if he will take us up on working with us. We need to get a deeper conversation about how we do this with having a reserve (taxable) and how we account for that. It is still on the bottom line. If we make, say \$100,000 on the bottom line, then we need to let the members know what we do with that money (80:20%).
    - Kate: Is this something members have to vote on? Making a reserve account.
    - Wes: No.
    - Sheryl: I feel like we've been putting our reserve stock in Mackey, if that's not the right person, should we find someone else and how involved do we need to be? Should we also be vetting people? I know we are not a part of Columinate, but Ben could be a good resource or at least steer us in a direction.
    - Ryan L: What's Columinate?
    - Cody: Columinate offers professional consultation, offers classes for BOD development, is Co-op BOD specific, etc.
    - Joe: They used to be Co-op specific, they do have a lot, but when talking with INFRA, they had also mentioned that they work with Columinate. So they are expanding beyond Co-ops.
    - Sheryl: I'd be willing to see if Ben has contacts.
    - Joe: I talked to our tax person and he had no idea. No idea about a 501-C-12. I am trying to make the connection with Mackey because he does La Montanita so he knows.
    - Sheryl: What is the benefit of the Reserve Fund vs opening up or putting more money into savings?
    - Joe: Our taxes are not being done right as a 501-C-12, we are not in compliance. You have a year if you are out of compliance to get back, but I don't know how to get back if we do go out. I tried to talk to the state office and they had no info. So we've known about this and our tax guy just puts 100%. It is not by the book. I am kind of at a loss trying to figure this out. I also talked to Tim Wheeler b/c they are a Co-op 501-C-12.

- Joe: Although we have to pay taxes, it is a lot less work for us. How do you get the money to... Are we creating checks? How are you distributing this money?
  - Cody: We have done it before. We would write a check at the annual meeting in person or via mail. To address Sheryl's question, the advantage of having a Reserve's Fund is to have cash on hand in an emergency. Ex: Snow, patronage dividend, etc.
  - Sheryl: Are all other Co-ops in CO a 501-C-12.
  - Wes: Food Co-ops, yes.
  - Joe: 501-C-12's are written for credit unions, electric companies, etc. and you get patronage dividends.
  - Wes: Let's table all of this to new business.
  - **Action Taken: None**
  - **Action Required: Table to New Business.**
- F. Cody to send out a doodle poll to the entire BOD about organizing a feasibility committee to discuss the USDA grant discussion Cody
- **Issues Raised:**
    - Responses from Joe, Mads, Ryan E, Kate. The times and dates were not working out until after Thanksgiving.
  - **Action Taken: Done**
  - **Action Required: Cody to re-send doodle poll for a later date to entire BOD.**
- G. Ryan E. to send the BOD message to Ryan W. by October 24th. Hadley to touch base with Ryan W. about new date for BOD message (possibly change BOD calendar) Hadley & Ryan
- **Issues Raised: Done**
  - **Action Taken: None**
  - **Action Required: None**
- H. Joe to send Sheryl the amount that we have paid to Rocky Mountain Retreat. Joe to write a check to TLR in that amount as a donation Joe
- **Issues Raised:**
    - Joe: Do we want to include next year?
    - Sheryl: Yes, we should do it all at once. It is \$7.50/ hour.
  - **Action Taken: Done**
  - **Action Required: Sheryl will get check from Katrina & then Joe will decide how much to include to give back to Katrina.**
- I. Ryan L. is going to attend a La Plata Food Equity Coalition meeting Ryan L.
- **Issues Raised:**
    - Ryan L: It is this Friday and I am signed up to go. I will update you all after.
  - **Action Taken: None**
  - **Action Required: None**

## 6:10 VI. Committee Updates

- A. Governance Wes
- **Issues Raised: None**
    - Wes: We need to schedule another meeting. We have about three more sections. We are about to hit the meaty bylaws (patronage dividends). I think two more meetings and we should be done.
    - Cody: Can we take a few minutes now to hear about the Patronage Dividends section that we wanted to cover at the retreat?
    - Joe: The Reserve Fund is already in bylaws.
    - Kate: I am in support of our creating a Reserve Fund.
    - Ryan L: I as well
    - Sheryl: I appreciate reading what you've already struck. It read much better. It feels like this is clearly stated about Patronage Dividends, but also it can be

reduced by reasonable reserves. So that's good. Or that the Patronage Dividend can be waived.

- Joe: The legality, b/c of CO statutes, but I think that by our member sales, that is kind of like a Patronage Dividend. And I don't know what the legalities are? If we're giving back this money before we even make it, there's your patronage. So how does that all figure in. B/c we give a lot back to the members through things like M.A.D. discounts and sales. We are taxed differently on it.
- Sheryl: It's not like you're cutting a check, there's no option.
- Cody: It's in the bylaws. In our original discussion, the fact that the CO-op is there is quite a Patronage Dividend, and the event. If there are other ways to give back in a measured way that helps the business. It sounds like there is a lot of support for establishing a Reserve's Fund and getting clear on what a Patronage Dividend looks like?
- Wes: I am wondering if members can vote on whether they get a patronage dividend or not?
- Joe: But then that would be a donation back to the Co-op, so it becomes taxable.
- Wes: How much do we have in the Board Budget for consultants on this?
- Kate: \$1,500.
- Joe: The deadline to get it resolved is before we pay our tax next year, by September (we always get an extension).
- Kate: But before that [in order to] give our accountant time.
- Sheryl: B/c we haven't done this, I'm wondering what offering Patronage Dividends looks like. Logistically, how do you divide that money up and then write checks, send them out via mail, etc.
- Kate: Our bylaws do address this when they say that "net earnings of such a nominal amount as to not justify the expenses of distribution (can) be excluded from distribution.
- Wes: We need to move on.

- **Action Taken: None**

- **Action Required: Wes to schedule Doodle Poll for next meeting.**

#### B. Executive

Sheryl

- **Issues Raised:**

- Sheryl: We need to do the GM review. WE have had some discussion about Mads, Joe, Sheryl, Wes getting together to talk about succession (not to push anyone out) just to be on the same page.

- **Action Taken: None**

- **Action Required: Sheryl to schedule a meeting for Mads, Joe, Wes, and herself re: succession.**

#### C. Finance

Kate

- **Issues Raised:**

- Kate: Joe presented a fantastic finance report. Things look really rosey. We only had one MO come and he was impressed how everything looked. We have a little caveat, credit card sales. In the end, Joe is hoping net income will be at \$100,000. We are a 2,652% increase from last year! The margin is the secret as Joe talks about, which is about the staff keeping their eye on prices. The margin is at 39.77%, if it's over 37% (on all products) that means we are making a profit! (Which it hasn't been for a while!)
- Joe: This is the finance meeting, but there's also the B1 report where we can talk more about it.
- Wes: I did not see an invite to the doodle to join the meeting.
- Kate: I did not get many doodle poll responses so it took me a while to round that up.
- Mads: I got an announcement about the day the day before, but I can not save all of those dates, so I was unable to go with one day's notice.
- Kate: I will try to do the doodle poll earlier and set the date with more time in between.
- Thank you, Kate! :)

- **Action Taken: None**

- **Action Required: None**
- D. Feasibility Cody
- **Issues Raised: None**
  - **Action Taken: None**
  - **Action Required: Cody to send doodle poll to schedule USDA grant meeting**
- E. Special Events Committee Hadley
- **Issues Raised: None**
  - **Action Taken: None**
  - **Action Required: Hadley to send out Doodle Poll to schedule debrief of Harvest Fest 2023 after Thanksgiving Holidays.**

## 6:25 VII. General Manager Update and Questions

- **Issues Raised:**
  - Sheryl: I have a few questions about future capital expenses: There are about six things. Do you have a sense of what priority order those would be in?
  - Cody: I would also like to add in the HVAC system idea.
  - Joe: I think: 1- camera system & portable register is priority before other systems
  - Mads: I think: 1 - portable register, security cameras are most feasible. There are definitely more things that we need to start scheming about and researching who to do these things, how much, when?
  - Wes: In the B1 exec. session we had about the parking lot, we noted that we want these types of things listed out in a priority ordered list and with a why.
  - Joe: Yes, and I agree with Mads. I wrote it in priority order (sort of). We have quotes on a third register. Without rearranging the front registers due to costs. The portable register is something we could put on a cart as we need it. I do not know how it would operate. I talked with managers on what procedures would look like, etc. There are no scales on it, but we do have an extra scale that is certified. There's no cash box, but I could see a way to do it. The idea to rearrange, we can't play, the wires to the registers are very tight. Maybe we get electricians to come in and a design person would be really good.
  - Cody: Maybe enclosing the entrance area could give you more square footage to include a third register in future thoughts.
  - Kate: Is enclosing the front entrance an energy thing?
  - Joe: Yes. Even before HVAC we would have to do that. If we can push out and extend it down the entire building, then we have other options, and refrigeration to deal with. That's why the awning is on there. In the winter, that entire area is basically shut down b/c the ice comes off the awning and is very dangerous. We could redo it with gutters and make it accessible. I have reached out to four awning companies with pictures. I'm hoping we can work with Tom, our general contractor, or maybe he knows someone. I also don't know city regulations.
  - Cody: In regards to the future capital expenses - this could be a great focus for a 2024 retreat. What to do with cash flow, in regards to completing the balloon payments? etc. I know this is operational to a certain degree, but I think it is also important for the BOD to be involved.
  - Hadley: Talking to INFRA, is this something that could happen if we don't like where NCG is going, what are our alternatives?
  - Joe: Yes, if they were to go in a direction that we are not in compliance with.
  - Cody: The sidewalk comment looks great. Tim Wheeler said in the finance meeting there is possibly some costs sharing.
  - Joe: Possibly. Maybe \$2,000-\$3,000.
  - Cody: We should save the email and follow up with the city.
  - Joe: Residential is a 50:50 split, but I have yet to find anything on non-residential.
  - Ryan L: I have his email is needed.
  - Joe: One more thing I wanted to add: We have money coming in right now, but if we have any wage increases, our bottom line drops down. So when we say

reserves and this and all these other things...we need to take care of our staff also. Especially with min wage going to \$14.65 on Jan 1. That's why \$17 starting wage is much better than \$16, but I am very reluctant to make that \$2 move right now.

- Kate: I agree that we should pay as much as we can, but that is scary to raise it to \$66,000 next year. It's an interesting question about the pressure with min wage.
  - Mads: It could happen in 2025 where it doesn't go up \$1 or \$2...it's a defensive move towards the future as prices do go up in CO. I don't think we need to be \$2 ahead right now, to be competitive, I don't think that being at \$17 will solve turnover, but it does help. The dollar itself doesn't change, but moving towards a place that takes care of their employees does help.
  - Cody: The dial on pricing to increase wages can also help. There are ways.
  - Mads: I would like 50 cents to \$1 above minimum for everyone, while taking care of our higher up staff.
  - Cody: I wonder why we don't have a pay scale as you work so much time.
  - Joe: We do agree that we want longevity raises, in a couple of cases we have, but there's not too many people who have been there for two years or more. We are not steady where our pay range is, it's kind of been kicked down the road. Once we get a little more stable we want to put those in. Right now you have to be here for a year to get vacation. (Still get CO sick pay).
  - Kate: One other comment about capital expense: Enclosing the front entrance seems like it could be a grant (Environmental) & the HVACS.
  - Ryan L: not having people around for more than 2 years does not seem unique to the Co-op. Do we know what natural grocers start at?
  - Mads: I believe 8 months ago when I checked it was \$16. Nature's starts at min.
  - Joe: And we also have a very good discount for people to save.
  - Mads: People are starting to understand the tiers and benefits, especially accruing vacation.
  - Sheryl: It's totally operations, but I have spent lots of time refining my employee manual. It is important for clarity.
  - Mads: How often do you get your employees to read the employee/ policy manual?
  - Sheryl: Once a year we look it over, update it, and sign/re-sign it.
- **Action Taken: None**
  - **Action Required: None**

## 6:50 VIII. Policy Governance Review

### A. Policies: B1 (Financial Condition and Activities)

Joe

- **Issues Raised:**
  - Kate: Great to hear DUFEB has money again.
  - Cody: Noticing that the equity drive may not be as successful as hoping. I want to point out that you started this on your own and planned it out on your own, just saying it could have been more successful with more input from the BOD and member perspective. I appreciate it, but noticing that and being transparent.
  - Joe: It was with the executive committee that this was what we planned to do with the agreement that it would be great with \$15,000. It has been successful, but I wanted \$25,000-\$30,000.
  - Cody: I never heard a word about the drive from staff, front-end about this.
  - Joe: Big issue for us. Even if you write it down, they don't do it. Part of it is the large turnover we have. We are still playing with it.
  - Cody: I want to be involved. I will make the personal challenge for fellow BOD members to bring it up to members and others.
  - Cody: The joint liability fund: I am recalling this as our economy of scale discount with NCG, but I am not familiar with it.
  - Joe: WE do not pay UNFI or Kehe, NCG does and we pay NCG. Because they got caught owing lots of money to Co-op going under, they decided they were not comfortable changing the percentages. They had no justification as to why.

- **Action Taken:** Wes made a motion to accept the B1 report, Cody seconded, motion carried.
- **Wes made a motion to amend the motion to reflect non-compliance of B1-13, Hadley seconded motion, motion carried.**
- **Action Required: None**

B. Review Policy: C4 (Directors' Code of Conduct) Board

- **Issues Raised:**
  - Sheryl: It took a while for the Code of Conduct to come back from the new BOD members. No big deal, just wanted to mention it.
- **Action Taken:** Cody made a motion that we are in compliance, except for section 2b., Wes seconded, motion carried.
- **Action Required: None**

## 7:10 IX. New Business

A. 2024 Board Budget Board

- **Issues Raised:**
  - Kate: I sent it out. Do we want it to be the same as last year? Anything you want to add?
  - Joe: The BOD budget only actually has 4 lines, so these are all things going into those lines. We could add more lines. The more detailed that we know what you're spending the money on the better.
  - Cody: I think we should add Zoom to the BOD budget.
- **Action Taken:** Cody made a motion to approve the 2024 BOD budget with the addition of the Zoom cost, Kate seconded motion, motion carried.
- **Action Required: Hadley will locate the BOD budget in the Google Drive.**

B. 2024 Operational Budget Board/Joe

- **Issues Raised:**
  - Joe: It has never been taking off the calendar and it is scheduled for November. I think we set that the final budget comes in in January, but we need to have something operating for Jan/ Feb. The first quarter is total guessing. First quarter we typically have been dropping. I think we did this in 2020 or 2019 that we moved it to December, but it never got reflected anywhere. I think we did it, but I haven't found any updates.
  - Wes: Is there a way to correct this schedule?
  - Joe: You can do it if you want to change the calendar year, but it still puts us in the same situation.
  - Wes: Is it too much to push for Jan. 30th?
  - Joe: Yes, because we do the inventory on the 31st. We should have out numbers by the 25th but we have been late every time. By the February BOD meeting. There should be a preliminary one next month.
- **Action Taken: None**
- **Action Required: Joe to have the full budget by February 21st BOD meeting.**

**Wes made a motion to adjourn the BOD meeting, Hadley seconded, motion carried.**

C. Reserve Fund Board/GM

- **Issues Raised: None**
- **Action Taken: None**
- **Action Required: None**

D. USDA Grant Board

- **Issues Raised: None**
- **Action Taken: None**
- **Action Required: None**

E. Board Message Kate

- **Issues Raised: None**
- **Action Taken: None**
- **Action Required: None**

**7:45 XI. Adjourn**

- **\_\_ made a motion to adjourn the meeting, \_\_ seconded, motion carried.**

Policy Type: Executive Limitations  
 Policy Title: B1 – Financial Condition and Activities  
 Last revised: July 19, 2023

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*With respect to the actual, ongoing financial conditions and activities, the General Manager must not cause or allow the Cooperative to be unprepared for future opportunities, the development of fiscal jeopardy, or key operational indicators to be below average for our industry.*

The GM must not:

1. Allow sales growth to be inadequate.
2. Allow operations to generate an inadequate net income.
3. Allow liquidity (the ability to meet cash needs in a timely and efficient fashion) to be insufficient.
4. Allow solvency (the relationship of debt to equity) to be insufficient.
5. Allow growth in ownership and owner paid-in equity to be insufficient.
6. Default on any terms that are part of the Cooperative’s loans.
7. Allow late payment of contracts, payroll, loans or other financial obligations.
8. Incur debt other than trade payables or other reasonable and customary liabilities incurred in the ordinary course of doing business.
9. Acquire, encumber or dispose of real estate without Board approval.
10. Allow tax payments or other government-ordered payments or filings to be overdue or inaccurately filed.
11. Use restricted funds for any purpose other than that required by the restriction.
12. Allow financial record keeping systems to be inadequate or out of conformity with Generally Accepted Accounting Principles (GAAP).
13. Transact capital expenditures greater than \$10,000.00 per month without approval of the Board and fail to disclose said capital expenditures.
14. Fall out of good NCG membership standing nor fall out of line with any applicable national NCG purchasing contract requirements.

Policy Type: Board Process  
 Policy Title: C4 – Directors’ Code of Conduct  
 Last Revised: October 17, 2018

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We each commit ourselves to ethical, professional and lawful conduct.

1. Every director is responsible at all times for acting in good faith, in a manner which she/he reasonably believes to be in the best interests of the Cooperative, and with such care as an ordinarily prudent person in a like position would use under similar circumstances.



2. Directors must demonstrate unconflicted loyalty to the interests of the Cooperative's owners. This accountability supersedes any conflicting loyalty such as that to advocacy or interest groups, membership on other Boards or staffs, and the personal interest of any director acting as an individual consumer or member.
  - a. There will be no self-dealing or any conduct of private business or personal services between any director and the Cooperative except as procedurally controlled to assure openness, competitive opportunity and equal access to "inside" information.
  - b. At a new director's first board meeting, he/she will complete the "Conflict of Interest Disclosure" form, and will verbally report to the whole board the potential conflicts. Any subsequent potential conflicts will be reported to the whole board immediately.
  - c. When the Board is to decide on an issue about which a director has an unavoidable conflict of interest, that director shall abstain from the conversation and the vote.
  - d. A director who applies for employment must first resign from the Board.
3. Directors may not attempt to exercise individual authority over the organization.
  - a. When interacting with the GM or employees, directors must carefully and openly recognize their lack of authority.
  - b. When interacting with the public, the press, or other entities, directors must recognize the same limitation and the inability of any director to speak for the Board except to repeat explicitly stated Board decisions.
4. Directors will respect the confidentiality appropriate to issues of a sensitive nature and must continue to honor confidentiality after leaving Board service.
5. Directors will prepare for attend, and participate fully in all Board meetings and trainings.
6. Directors will support the legitimacy and authority of the Board's decision on any matter, irrespective of the director's personal position on the issue.
7. Any director who does not follow the code of conduct policy can be removed from the Board by a 2/3 majority vote of the remaining Board.