

Minutes

Bicycle Collective Board of Directors

November 29, 2018, 6:00 p.m.

Meldrum Science Center Room 170

Present: Lulu Avila, Andrew Butterfield, Will Deutschman, Heidi Goedhart, Thayne Harbaugh, Josh Jones, Dannielle Larkin, Jack Moran, Sean Murphy, Jim O'Callaghan, Todd Reeder, Shelley Reynolds, Tim Shea, Shawn Teigen

Staff: Mollie Bourdos, Kai Cox, Judith Rognli, Danielle Stiff, Austin Taylor, Sam Warrick

Guests: Sam Allen, David Macaulay

(1) **Approval of minutes.** Mr. Murphy called the meeting to order. The minutes of November 7, 2018 executive session were approved as prepared.

(2) **Public comment.** Mr. Murphy invited any member of the public to speak. Mr. Taylor said that Clint Watson had done a great job and he was sorry to see him go. Mr. Allen described a simulation model of the Bicycle Collective that he is working on and asked permission to interview employees and volunteers. The consensus was that that would be OK.

(3) **Chair's report.**

Cash flow. Mr. Murphy said expenses are far exceeding income, and some hard decisions need to be made. He and Mr. Shea are meeting with the shop directors next Friday, and he asked the Board's permission to work with them to make major spending cuts through the Winter season. Mr. O'Callaghan asked whether there had been any research into why the Collective is strapped for cash. Ms. Goedhart said this is not abnormal. The Board agreed that working with shop directors to cut spending is needed.

Grants. Mr. Murphy said we sometimes have the opportunity on short notice to apply for grants, and he asked for Board directors to volunteer to be available to write those grants. Mr. Butterfield and Mr. Teigen volunteered. Mr. Taylor said he has templates and other resources that can be used.

Executive Director Search Committee. Mr. Murphy nominated Dannielle Larkin to chair the executive director search committee with Danielle Stiff, Shelley Reynolds and Andrew Butterfield to serve as members. He suggested that the committee develop a plan that would include executive director qualifications and selection process. Mr. O'Callaghan moved to approve the appointments, and the motion passed unanimously. Mr. Shea said that he had already provided to Ms. Larkin his thoughts on the knowledge, skills and abilities needed in an executive director, and he encourage

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Board directors and shop directors to do the same. Ms. Larkin said she would appreciate hearing from everyone.

Nomination and appointment of Todd Reeder to the Board. Mr. Murphy introduced Todd Reeder, whom he had proposed at an earlier meeting as a Board director. Mr. Reeder has been a real estate developer in private and public practice. He was the capital asset manager for Salt Lake City, and was responsible for strategic development of larger pieces of property to benefit the community. Mr. Murphy said that is also the ethos of our capital project. Mr. Reeder said he has been aware of the project from an earlier stage. He believes the site is a great location, and that developing the property is right within his skill set. Mr. Reeder left the room.

Mr. Murphy said this is an incredible opportunity. Mr. Reeder has worked with others who will be working on this project, and he has experience with New Market Tax Credits. Mr. Murphy said there are four positions on the Board that can be appointed by the Board itself, and he nominated Mr. Reeder to the first of these positions. The Board approved the appointment unanimously. Mr. Reeder rejoined the meeting.

Capital Campaign Committee co-chairs and membership. Mr. Murphy said the Board had previously appointed Bob Simonton to the Capital Campaign Committee. He proposed Mr. Reeder and Mr. Simonton as co-chairs of that committee. Mr. O'Callaghan said that Mr. Simonton is responsible for all of the buildings on the University of Utah campus. The Board approved the appointments unanimously.

Mr. Murphy said the Executive Committee has been serving as the Capital Campaign Committee, but that is no longer tenable. He said the Capital Campaign Committee will need to meet every other week with Kim Paulding. Ms. Paulding wants to restart the meetings immediately. Any director is welcome to attend, but we need directors to volunteer as members. Mr. O'Callaghan volunteered. Mr. Murphy moved to appoint Mr. O'Callaghan to the committee, and the motion passed unanimously.

Mr. Murphy said Mr. Simonton is drafting a proposal describing what discretion the Capital Campaign Committee might have and what decisions require Board approval.

Mr. Shea asked whether the Capital Campaign Committee would serve as the Building Committee or are these two groups. Mr. Murphy said one committee should serve both roles. Mr. Jones asked whether the committee's responsibility would include Ogden's storage and other needs. Ms. Larkin asked whether the committee's responsibility would include the St. George shop. Mr. Murphy said the committee's immediate function would be the new Salt Lake City building, but over time would include the needs of the other locations.

Events Committee. Mr. Murphy said the Board has always been involved with planning Bike Prom in Salt Lake City, but staff and volunteers from the other shops had

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to do it themselves. He suggested a new Events Committee to plan all fundraising events. He proposed Ms. Reynolds to chair the committee, and Ms. Reynolds agreed to serve. The Board approved the appointment unanimously. Mr. Murphy asked Ms. Reynolds to propose to the Board in January committee membership and responsibilities. Mr. Shea said the committee should have representatives from all of the shops. Ms. Larkin suggested that the Board directors elected by the shops could fill that role. Ms. Avila said it would be great to see more Board directors at the other events.

Retreat. Mr. Murphy proposed another retreat like the one in St. George a year ago. He believes this would be a good opportunity to include the shop directors and build action plans around our strategic goals. He suggested scheduling a retreat about a month after selecting the new executive director. He asked Ms. Reynolds to include planning a retreat as part of the Events Committee's responsibilities.

Officer elections. Mr. Murphy said the Board needs to elect officers for 2019 in January. He encourage directors to think about taking leadership roles.

Karma Bikes. Mr. Murphy said Karma Bikes in Magna is closing. Their mission is similar to our own, and Mr. Murphy believes we have an opportunity to partner with Salt Lake County to better serve people on the West side of the valley.

(4) **Treasurer's report.** Ms. Goedhart said she no longer has time to serve in this interim capacity. Mr. Murphy said he has been pursuing inquiries, and encouraged any Board directors or shop directors to let him know if they have any suggestions. Mr. O'Callaghan said he is willing to help out.

(5) **Executive Session Discussions.** Ms. Larkin said she has never participated in an executive session of a Board, so she researched what might be disclosed. She said the St. George staff are asking why Clint Watson had been dismissed. She said her research showed that documents distributed for an executive session should be marked "confidential" and not shared beyond the Board directors. The privacy of an executive session is meant to encourage candid conversation. The discussions and decisions should not be disclosed except as needed to make the employees aware of the decision and to understand it. She said she would like to disclose as much as is appropriate and would like the Board to discuss how extensive that should be. After discussion the matter was deferred to an executive session at the end of the meeting.

(6) **Unrelated business income and sales tax liability.** Mr. Shea directed the Board to his memo. He emphasized that he is not offering legal advice or opinions, but only relaying information from government publications and those he has talked with. The memo also shares his personal conclusions.

Mr. Shea said attorney Bruce Olson makes the case that the sale of new bike parts and accessories is not unrelated business income, and since only sales generating

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unrelated business income is taxed, we should not have been collecting sales tax. But we have been collecting sales tax, and we need to remit it to the Tax Commission. Mr. Shea recommended formally engaging Mr. Olson to represent the Collective to negotiate a settlement with the Tax Commission. He said the best outcome we could hope for would be to pay the tax liability with some, most or all of the interest and penalties forgiven.

After discussion, Mr. Teigen moved to authorize the Executive Committee to engage Mr. Olson, and the motion passed unanimously. Mr. Shea with try to get an estimate of Mr. Olson's fee and to find out what information might help Mr. Olson present our case.

Mr. Shea said he is no longer recommending that we engage Mr. Olson to petition the Tax Commission for a ruling, although that remains an option. Mr. Olson told him this afternoon that another option is to discontinue collecting sales tax, which should never have started, because our annual 990 reports to the IRS report the income but treat it as related to our exempt purposes. Some Board directors expressed the opinion that of those options we should discontinue collecting sales tax. Mr. Shea said Mr. Olson advises not to discontinue collecting the tax immediately.

(7) **RDA contract.** Mr. Murphy said we have received input on the contract from Mr. Reeder, Mr. Simonton, Ms. Pauling, Scott Sabey, Amy Rowland and Jesse Hulse. He said the technical deadlines are reasonable, but the financing and fundraising deadlines need to be moved back at least 90 days.

Mr. Murphy said we also need to rework the Pro Forma. We will not end the year with a \$34,500 surplus as projected in June. Mr. Murphy will explore projections with the shop directors next Friday. Mr. Reeder said the Pro Forma did not correctly account for the \$285,000 fair market value of the property, which the RDA is selling for \$10.

Mr. Shea shared and explained his file and said he believes that the Pro Forma's projected annual operating surplus, which is critical to the capital campaign, is unrealistic. He described his assumptions in trying to estimate a more reasonable operating surplus, which leads quickly to large deficits in the capital campaign. The Capital Campaign Committee will meet with Ms. Paulding to explore more realistic assumptions and projections for the Pro Forma.

(8) **Capital campaign consulting contract.** Mr. Deutschman said that, in keeping with the Board's decision, the Executive Committee drafted a proposal for Mr. Watson to serve as a consultant on the capital campaign. He and Ms. Goedhart have been negotiating with Mr. Watson, and only a few terms remain to be settled.

Mr. O'Callaghan said he is reluctant to enter into a contract with Mr. Watson. He believes that donors will want to know why he was dismissed and then rehired. He asked what would the new executive director think. Mr. Butterfield said he also opposes

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a contract for Mr. Watson's capital campaign services. Mr. Murphy reminded everyone that this was the decision of the Board at the last meeting.

Ms. Avila encouraged Ms. Bourdos to speak. Ms. Bourdos said she opposes bringing back someone who was fired for cause. She believes this will look bad to staff and to outsiders. Mr. Murphy said he is sensitive to these comments. He said contracting with Mr. Watson was not a quick or easy decision, but privacy requirements, while frustrating, serve an important purpose to protect all involved. Mr. Butterfield asked whether Ms. Paulding would be able to do this work. Mr. Murphy believes that Ms. Paulding does not have time to do more than she already is.

Mr. Harbaugh said that others may feel similarly to Ms. Bourdos. He hopes that people will see that the Board is a sober group that had to make a difficult decision. Mr. Harbaugh said experienced business people recognize that organizations sometimes have to make difficult decisions. He believes removing Mr. Watson as executive director and contracting with him for the capital campaign will not harm our fundraising.

Mr. O'Callaghan said we need to take a hard look at what needs are not being filled and what is the best way to fill that void. Several Board directors said the contract should be presented to the Board for approval. Mr. Deutschman circulated the draft contract. He and Mr. Murphy said that votes should be by email and submitted quickly.

(9) **Other business.** Ms. Reynolds said Mr. Allen has said he is willing to serve as Treasurer. After discussion the matter was deferred since it was not on the agenda.

(10) **Update on audit.** Mr. Shea said he has been working with Mr. Warrick on records of receipts and disbursements in the Salt Lake City shop. He needs to work with Ms. Stiff and Mr. Taylor on records from Ogden and Provo. He recommends that our CPA conduct a "deep dive" into our financial, accounting, and record keeping practices.

(11) **Update on budget.** The meeting next Friday with the shop directors will focus on cutting spending, but Mr. Shea still hopes to meet with them in time to prepare a proposed 2019 budget for the January Board meeting.

(12) **Executive session.** Mr. Murphy moved to go into executive session to discuss a personnel matter, and the motion passed unanimously.

(13) **Adjourn.** The meeting adjourned at 9:30. The next meeting is January 23, 2019.