

**Oneota Community Co-op
Minutes for Regular Board Meeting
January 26, 2016 5:30 PM
Kitchen Classroom, 308 W. Water St.**

Board Members Present: Brita Nelson, Mike Bollinger, Alicia Trout, Maren Beard, Carl Peterson, Steve McCargar, Deneb Woods via phone

Board Members Absent:

GM Present: David Lester

Co-op Staff : Larry Neuzil for Board Learning (until 5:59 p.m.)

Member/Owners Present: Jeanine Scheffert (Bd Admin Asst)

1. Call to Order

Brita Nelson called the meeting to order at 5:33 p.m.

2. Board Learning - Patronage Dividend Discussion

GM and Larry Neuzil, Co-op's Finance Manager, presented the idea of issuing a patronage dividend this year.

Patronage dividends are one of the main benefits of being a member of the co-op. In the last 16-17 years, Co-op has issued patronage dividends three times; two before 2006 and once in 2013.

Patronage dividends cannot happen without a profit. If the Co-op has a substantial enough profit, it's an option. Sometimes there is a profit, but not enough for a patronage dividend to make sense. There is a processing fee that makes dividends a bit expensive to get out. However, in cases like this year, it would actually cost the co-op less to pay out the patronage dividends than it would cost not to. This is because profits attributable to member sales are not taxed when (and only when) patronage dividend checks are issued.

Lester and Neuzil budgeted for a typical 1% net income in sales for 2015 but we've just learned our 2015 net income is higher than we expected and this puts us in a higher tax bracket. Our 2015 net income is in the sweet spot where there is enough profit, no immediate need to devote the profit to something else, a substantial tax savings occurs when it is issued, and the cost of processing is not so onerous as to not consider it.

The cost of processing does not come out of the dividend, but does lower the net income and therefore the tax. Checks less than \$4 would not be issued.

Non-member sales (23% of net income) are fully taxed, regardless of patronage dividend, as are member sales that do not have a corresponding patronage dividend issued. Members who would receive less than \$4 do not receive a patronage dividend, therefore, sales from these members are also fully taxed. In addition, if a member receives a dividend check but does not cash it, the dividend check is considered un-issued and the full year's sales from that member are also fully

taxed. With our 2013 patronage dividend check, \$400 worth of dividend checks were not cashed and Co-op had to report not only that \$400, but the entire \$2000 of member sales it represented that we weren't otherwise claiming because we gave the dividend.

If a member is not paid-up on their membership, they are still eligible for a dividend check. However, the money must first go towards paying off their balance owed to the co-op.

Board discussed issuing the patronage dividend. Members have been aware that sales have been down and in addition to saving the co-op money on taxes; this would be a good way to say the co-op is still doing well and is profitable.

Board agreed it is a good idea to issue patronage dividends. Nelson will write a letter formally requesting the financials to move this forward. There will be a formal vote at the Feb. board meeting.

Board discussed alternatives to cashing the dividend check. Knowing it is important that the check officially be "cashed," board discussed ideas of creating boxes at the co-op labeled with different charities and organizations, such as food pantries, so people can sign the back of their checks and effectively cash & donate their patronage dividend. Lester and Nelson will meet and bring options to the board.

Board may continue discussing alternatives for future dividend check donations including setting up a small grant program. If this happens, it will be in years to come.

Nelson, McCargar and Trout will look through bylaws and articles and make sure that Board's policy and practices are in alignment with regards to issuing dividends.

3. Member Comments - None

4. Disposition of Member Comments - no member comments

5. Agenda Review

Motion: Trout moved and Peterson seconded to **Approve Agenda**. Motion **passed** by a vote of 7 aye, 0 nay.

6. Approve Main Meeting Minutes from December, 2015

Motion: Trout moved and Beard seconded to **Approve Main Meeting Minutes from December**. Motion **passed** by a vote of 6 aye, 0 nay, 1 abstention. Mike Bollinger abstained because he was not present at the Dec. meeting.

7. Consent Agenda (G2: Board Job Description)

Motion: McCargar moved and Beard seconded to **Approve Consent Agenda**. Motion **passed** by a vote of 7 aye, 0 nay.

Consent agenda means no discussion is necessary.

8. Reports

8.1 GM Report

Financial Snapshot: Year ended higher than expected. We'll have exact numbers after the financial review is complete. We were 2.6% below budget in sales, but were also down 4.3% in labor, so the gap gave us additional profit and margins were better than expected. NCG sales growth in the Central Corridor is still low.

Community/Outreach/Other Store Happenings: 2015 was a good year for new members. We had 260 this year, compared to 270 last year. Community Appreciation Day was a great sales day. Kitchen Classroom is underutilized so far. It is a fairly high priority in our strategic plan. We went to NICC and presented a Wellness Class to staff before school started in January. We had good feedback and want to do more. Local sales were 22%, the same percent as last year but total dollars of local sales was higher. Our goal for this year is 24%. It's a big push. We are partnering with the Food Hub to create an informational meeting for growers and potential growers. There will be a Q&A and hopefully we'll attract more growers and help them find their market. It will be in the Kitchen Classroom February 2nd at 6:00 p.m. There will also be a CSA meeting. We are hitting strategic focus areas with both of these meetings, so we are off and running with our strategic plan.

We are looking to see if we are calculating staff turnover and retention correctly. Different stores use different numbers to calculate this and we want to make sure we are measuring ourselves correctly. When a staff member decides to leave, they are always invited to say why. When a staff member is having difficulty with his or her job, we are very clear about expectations and we work with the staff member for weeks or months to help them. Surveys indicate that staff understand these processes. It is always difficult to loose staff.

Physical Store Update: Energy usage was down 6.2% compared to 2014. Emissions were down 1.2% and cost was down as well. Our Energy Star points actually went down one point, but this is because their standards went up. We are still the highest rated grocery store in Iowa at 94 points.

Marketing/Special Projects: We are focusing on "sales gainers" in each department for the whole year; identifying products that are identical to competitors' products and selling them at lower rates. This is especially great when the products are also local. We look at sales data in our weekly meetings: sales of product the week before the sale, the week of the sale, and the week after the sale. We see up to 450% increase in product sales the week of the sale. Some products drop significantly after the sale week, but some stay high even two weeks after the sale.

8.2 L8: Communication and Counsel to the Board

Motion: Trout moved and Peterson seconded to **Approve L8: Communication and Counsel to the Board.** Motion **passed** by a vote of 7 aye, 0 nay.

8.3 L6: 2016 Budgeting/Financial Planning

Motion: McCargar moved and Bollinger seconded to **Approve L6: 2016 Budgeting/Financial Planning.**

Motion **passed** by a vote of 7 aye, 0 nay.

The 2016 Annual Plan/Budget was discussed last month, but approval was tabled until this month so Board had time to read through it.

9. Action Items

9.1 Nominations Committee Update and Presentation of Candidates

Motion: Trout moved and McCargar seconded to **Approve Board Nominated Candidates Haas Zbornik, Flannery Cerbin-Bohach, C. Bryan Stuart, and Brita Nelson for three-year terms, and Scott Hawthorn for a one-year term.**

Motion **does not carry**. Vote is 3 aye, 3 nay, 1 abstention. Nelson abstained because she is a candidate. McCargar, Trout, and Woods voted "aye." Bollinger, Beard, and Peterson voted "nay."

Motion: Bollinger moved and Peterson seconded to **Approve Board Nominated Candidates Flannery Cerbin-Bohach, C. Bryan Stuart, and Brita Nelson for three-year terms, and Scott Hawthorn for a one-year term.**

Motion **passed** by a vote of 4 aye, 2 nay. Nelson abstained because she is a nominated candidate. Peterson, Bollinger, Beard, and Woods voted "aye." McCargar and Trout voted "nay."

Trout has met with all nominees. They know the process. Self-nominated applications are due February 10, with 25 member signatures.

10. New Business

10.1 GM Sabbatical

Motion: Trout motioned and Peterson seconded to **Amend GM Contract Sabbatical Dates to Fiscal Year 2017.** Motion **passed** by a vote of 7 aye, 0 nay.

Next Jan/Feb is a good time for what GM wants to do, which is a potential Cuba visit to see established cooperative movement, from produce growers to hair salons. He may travel around the upper Yucatan as well. The current contract states the GM is eligible in 2016. With this amendment, the sabbatical can happen in 2017 instead.

10.2 Hacker Nelson Representative at February Meeting?

Board discussed question of asking a Hacker Nelson representative to the next board meeting. Representative would be available to answer any financial questions, free of charge. This would

be a recommended course of action if there were questions about the financial report. Board does not have any questions, but will invite a representative if questions come up.

10.3 Patronage Straw Poll

As noted in Board Learning, Board conducted a straw poll and decided issuing a patronage dividend is a good idea.

11. Next Monitoring & Other

11.1 [D: Global Governance - Beard]

11.2 [L9: GM Succession -GM]

11.3 [L5: Financial Conditions -Quarterly Report, End of Year Financials]

11.4 [Plan for year to board - Board-member linkage Committee]

11.5 [Patronage Dividend/Preferred Share decision-Board]

11.6 [Year-end Board treasurer report-Bollinger]

12. Next meeting: Tuesday, February 23 5:30 p.m.

13. Executive Session - Minutes Review

Motion: Bollinger moved and Beard seconded to **Move into Executive Session.** Motion **passed** with a vote of 7 aye, 0 nay.

14. Self-Evaluations - done via internet

15. Adjourn

Motion: Beard moved and Trout seconded to **Adjourn Meeting.** Motion **passed** with a vote of 7 aye, 0 nay.

Meeting adjourned at 7:15 p.m.