

ONEOTA COMMUNITY CO-OP ANNUAL MEETING
Decorah Senior Center
April 1, 2010

President Lyle Luzum called the meeting to order at 7:03 p.m. Six board members were present: Lyle Luzum, Steve Peterson, Joan Leuenberger, Onita Mohr, Georgie Klevar and Toni Smith. Robert Fitton was absent. Member/owners were counted at the beginning of the meeting. Fifty-two were present. A small number of member/owners joined the meeting in progress.

Approval of Minutes. Pat Brockett moved to approve last year's minutes. Bill Pardee seconded. Motion carried unanimously.

Board Report. Lyle Luzum thanked retiring board members Georgie Klevar, Toni Smith and Onita Mohr for their years of service. He thanked Michelle Campe for her leadership and the staff for their hard work during the interim period. He thanked all those on staff who identified "members in good standing" and explained membership and voting procedures to members. Special thanks to Johanna Bergan and Nate Furler for those tasks. Finally, thanks to the election counters, Barb and Jim Dale, Lor Miller, Paul Bauhs, Alison Dwyer, Carl Peterson, Ed Epperly, Dick Guilgot.

The election process was revised based on recommendations from a committee of board members and member-owners after the 2009 election cycle to improve confidentiality and to make sure only members in good standing were able to vote.

The board examined the issue of Board – Member/Owner communication over the past year. The problems identified were, 1) how to know what a diverse membership wants and 2) how to respond to the instant communication expectations that have been created by the Internet. The board established a Board-Member Linkage Committee to review, evaluate and improve the communication cycle. There will be two board – member/owner conversation times scheduled into the board's calendar, in addition to the annual meeting.

The board worked on a variety of governing policies and procedures over the year. It worked to systematize the monitoring of the governance policies and amended the Policy Register where adjustments appeared to be needed. It created a Board Procedures Manual to document board practices and processes. It did a complete review of the OCC corporate bylaws, passing seven minor amendments through board action and submitting eight other amendments of a more substantive nature to the membership for approval. The board also adopted Ends Policies, whose purpose will be to set out the benefits the OCC is to produce, for which people, and at what cost. Ends Policies guide the store's operational direction. The board appreciated the member/owner input that was provided.

Finally, the board hired a new general manager, David Lester, who started work last week.

Financial Report. Steve Peterson reported on the financial condition of the OCC. Income from sales for 2009 was \$3,204,201, up 5.33% over 2008. The National Cooperative Grocers Association (NCGA) benchmark was 3% sales growth. Total net income for 2009 was a loss, (\$2038), which represented a net income gain of \$110,681 over the (\$112,719) loss reported in 2008.

The increase in net income was a result of revenue increases and expense controls. "Total income"

increased because sales and margin increased. The increase in margin was a result of pricing and improved inventory management. Margin increased from 36.6% in 2008 to 38.4% in 2009. Margin was consistent with the industry average. Because of the margin improvement, OCC kept \$53,000 more in sales dollars than it did in 2008 for the same sales volume, and because of increased sales in 2009 it generated \$62,000 in additional profit. "Other revenue" decreased compared to 2008, but that was because the proceeds of the sale of the former OCC building were included in that year.

Inventory turns increased from 9.6 in 2008 to 11.3 in 2009. The NCGA benchmark is a range of from 12 to 15 turns. Increased turns means higher sales without tying up a lot of cash in inventory. The OCC figure indicates operational improvement in a key area but also that there is more work to do.

Inventory is OCC's largest expense. The average amount of inventory held by OCC in 2009 was less than the lowest amount held in 2008, so that was an improvement.

Labor is the second-largest expense. Labor (wages and benefits) as a percent of sales decreased from 30% in 2008 to 25% in 2009. The industry average for a co-op OCC's size was 23.7%. Total payroll expense for 2009 was down about \$114,000 compared to 2008.

A measure of labor efficiency is sales per labor hour. OCC showed incremental improvement in this area in 2009 and, in the 4th quarter, it reached the NCGA target.

The balance sheet showed gradual improvements in the measures for liquidity and solvency in 2009. Cash was up by more than \$59,000. Total debt declined. Total equity increased. About 289 new members joined. The quick, current and debt-to-equity ratios have shown slow, steady progress this year, but they are not yet meeting NCGA benchmarks.

There is still work to do to increase sales, grow cash, and better manage inventory and expenses, but OCC is headed in the right direction.

Member/owners had questions on the financial report. A member asked what the loan service was right now and how it will be covered when OCC needs to start paying on the \$350,000 in member loans in a few years. The debt service is \$10,000 per month. Short-term loans to secondary lenders should be paid down in time to start servicing the loans to members. A member asked about whether inventory losses were due to shrinkage (spoilage) or theft. The board said the new general manager would have to assess that situation. A member asked about stale checks and discounts. Stale checks were discovered in the audit review that was done last year. They were checks OCC had written that had not been presented to the bank to be cashed in over a year. Discounts were member discounts and senior discounts. Working member discounts were accounted for in "labor."

GM Report. General Manager David Lester thanked Michelle Campe and whole staff at OCC for the amazing job they did during the interim period.

First Quarter 2010 was off to a good start. Sales were up approximately 8% compared to same period last year. Cash on hand was up 58.2%. Payroll costs were down 6%. David will look for additional improvement in inventory turns. He created a budget calling for a 2010 net income of 1.4% of sales (approximately \$50,000).

Current projects that David is involved in include the Decorah Downtown Betterment Association (DDBA) board, the Norm Smith Plaza project next door to OCC, the “Central Park” development, the makeover and re-branding of the deli, plus new signage and window lettering. He will be attending co-op general manager training and a national meeting of the Kellogg Food and Fitness Initiative. David would like OCC to get more involved in this discussion, since it promotes good food, local farmers, and healthy alternatives for schools and low income families, all of which are exciting, positive opportunities. He would also like to do some cooperative marketing projects with Seed Savers Exchange and other enterprises that share OCC's values.

Board Election Results. Lyle Luzum reported the election results. Ballot measures needed 75% approval to pass. All were approved. The board of director election results were:

465 people cast 577 votes for Jon Jensen.
326 people cast 377 votes for Joan Lubke
451 people cast 794 votes for Steve McCargar
454 people cast 515 votes for Bill Pardee
232 people cast 266 votes for Dennis Pottraz

Jon Jensen, Steve McCargar and Bill Pardee were elected. Lyle noted that the weighted voting did not affect the outcome.

The process of validating ballots was separated from counting votes, with separate work crews for each function. Ballot validation was a check to see that the voter was a member in good standing. Vote counting was done on a spreadsheet, so it is fully auditable if a recount were needed. The total votes for the separate amendment items were different because some people did not vote for every item. There were 865 ballots cast and 855 ballots counted. This was the largest ever turnout for OCC. There are approximately 1800 members in good standing and 2400 “members” in POS system. The Board Development Committee will review this election process to see if improvements are needed.

Unfinished Business. None indicated in the 2009 minutes.

New Business. None.

Bill Pardee moved to adjourn the meeting. Laura Kemmer seconded. Approved unanimously. Meeting adjourned at 8:35 p.m.

Respectfully submitted,

Onita Mohr, Secretary

Rachel Breitenbach-Dirks, Scribe