

**Oneota Community Co-op
Minutes for Regular Board Meeting**

April 25, 2017 5:30 PM

Kitchen Classroom, 308 W. Water St.

Board Members Present: Brita Nelson, Scott Hawthorn, Bryan Stuart, Flannery Cerbin-Bohach, Maren Beard, Carl Peterson, Emily Neal (incoming)

Board Members Absent: Alicia Trout (outgoing)

GM Present: No - David Lester at NCG Meeting

Co-op Staff : Larry Neuzil, Nate Furler

Member/Owners Present: None

1. Call to Order

Brita Nelson called the meeting to order at 5:32pm

2. Board Learning - Financial Statements

Carl Peterson provided board learning training on reading financial statements. The Co-op only receives a full audit every three years. The only reason we might want to do more frequent audits is if we were going to the bank for a loan or if an employee was fired for malfeasance. Peterson noted the quality of the monthly financial reports and analysis that the Board receives from David and Larry, which aids the board in more fully understanding coop operations.

Balance sheets essentially tell us what we own and what we owe. Current assets consist of anything that is ours or could be turned into cash within 12 months. Current liabilities consist of anything that we owe in the next 12 months. Statement of income provides a high level summary of where income comes from. Cost of Goods Sold (COGS) is the actual cost of the product. Cost of Sales is equal to COGS + operating expenses (minus administration). Cash flow statements show everything that affects cash either positively or negatively. The Co-op has made use of a line of credit to cover operating expenses but typically is able to draw from savings rather than borrowing against a line of credit.

Inventory control is really important. Inventory ties up a lot of cash so it's not good to have lots of unnecessary inventory, nor is it good to be out of inventory. Inventories are tracked at cost. Inventory x 2 (approximately) = 1 month of sales. Overall we have about a month's worth of inventory on hand. Changes in inventory should be in line with sales increases/decreases.

Peterson introduced the phrase "The trend is your friend." It is difficult to get a trend out of two years of data, which is usually what the Board sees, but bulk is an example of a trend that drove management to make a change. With trends it is important to remember to play to your strengths and ask questions of what's selling and doing well and, conversely, what's not doing well?

Managing salaries and wages relative to sales is the key to our profitability but is extremely difficult to do. It is important to look at inventory, labor and sales trends. A business can still be profitable if sales are decreasing but it takes careful management.

Preferred shares - no interest unless we declare a dividend. Is this something we should think about as part of funding the expansion. No tax advantage for the coop in doing dividends for preferred shares.

Member loans - interest \$30,500 + interest so \$43,000 total. End of year cash will not be good this year.

Board thanked Carl for putting these financial resources/training together.

3. Member Comments

None

4. Disposition of Member Comments

None

5. Agenda Review

Motion: Carl moved and Flannery seconded to **Approve Agenda.**

Agenda **passed** by a vote of 6 aye, 0 nay.

6. Approve Minutes

6.1 Approve main meeting minutes - March 2017 (approval by current board)

Motion: Carl moved and Scott seconded to **Approve Minutes.** Minutes **passed** by a vote of 6 aye, 0 nay.

6.2 Certify election results (approval by current board)

Motion: Maren moved and Bryan seconded to **certify election results.** Certification of election results **passed** by a vote of 6 aye, 0 nay.

Election Results:

Emily Neal - 294

Scott Hawthorn - 289

Lilly Jensen - 249

Bridgette Hensley - 122

Randall Duvall - 110

558 unique ballots (39 paper, 519 electronic) / 3 invalidated

Welcome to Emily Neal and welcome back to Scott. Board and Coop Staff did introductions.

7. New Board Seated: Election of Officers and Composition of Standing Committees

7.1 Election of President - Scott moved to elect for Brita Nelson as Board President. Flannery seconded. 7 aye. 0 nay. Motion carries.

7.2 Election of Vice President - Bryan moved to elect Scott Hawthorn as Vice President. Carl seconded. 7 aye. 0 nay. Motion carries.

7.3 Election of Secretary - Emily Neal moved to elect Maren Beard as Secretary. Bryan seconded. 7 aye. 0 nay. Motion carries.

7.4 Election of Treasurer - Maren Beard moved to elect Carl Peterson as Treasurer. Flannery Cerbin-Bohach seconded. 7 aye. 0 nay. Motion carries.

7.5 Composition of standing committees

Member Linkage - Throughout the year and is a committee focused on engaging members. This will be an important year for that committee's work given what we are hoping to do with the Expansion. Coordinating member feedback.

Committee Membership: Bryan (Chair), Emily, Carl

Board Development - Election related - seeking board candidates, meeting in the Fall and working through the election. Vice President chairs this committee.

Committee Membership: Scott (Chair), Maren, Flannery

The Board thanked Nate and David for inviting them to assist with the Earth Day Celebration. The event was incredibly well organized and had good attendance. The Board enjoyed the opportunity to help out and expressed a willingness to help out again in the future. Furler shared that the event brought in \$1600 in 2017.

8. Reports

8.1 GM Report

March sales were down compared to last year, partially because of Easter being in March last year. YTD we are down \$60,000 in sales according to budget. The first quarter is always slow and the hope is that sales pick up in the second quarter, which has historically been our best quarter. Bulk sales are still down. We are under budget for labor while is good considering we are fully staffed. Bonuses come at the beginning of next quarter rather than at the end of the quarter which saved some money in the first quarter. Bonuses were modestly cut by one-sixth for the quarter but this was communicated clearly with staff. The Co-op used to have an HRA plan which was used for medical expenses but with the Affordable Care Act this was no longer in compliance. The Co-op is not required to have a health care plan because we have less than 50 FTE but that may change next year. Staff are encouraged to think of bonuses as bonuses and not income that they should budget for and plan to receive. Maintenance and repairs were high this quarter and we paid Hacker Nelson in March rather than in April, as was budgeted. Furler indicated that David trying to create more

open book management to create an environment in which every staff is aware of sales in their department and how it impacts the store. Currently bonuses are not performance based but there are conversations about how we might be better able to integrate performance with bonuses.

We are seeing fewer weekly customer transactions than the same period last year. Discussion of sales growth comparison with other corridors, a new graph that David has begun including in the GM report. The central corridor is seeing a decline in sales growth that compares to what the east and west corridors experienced a few years back but sales declines are even more dramatic in the central corridor than they were on the coasts. This could be partially due to the fact that there has been more competition in the central corridor from natural food grocers.

Bulk pantry will be up and running soon.

8.2 Global Governance

Carl **moved** to approve global governance monitoring report. Scott **seconded**. 7 aye. 0 nay. Motion carries.

8.3 L5 Financial Conditions

Maren moved to approve L5 financial conditions. Carl seconded. 7 aye. 0 nay. Motion carries.

We were budgeting for a 3.22% increase in sales this year. In the first quarter we saw -1.73% sales which is equivalent to a \$22,000 loss over the previous year. The second quarter has always been best quarter for sales so we hope to get back on track.

We sent a list of our top 1,000 shoppers to the firm doing our market study. They will plot them all out and look at the population to be able to give us information about how much sales we can expect to do within our target market area. We expect to hear back from them sometime in May or June with some initial results. This information will be part of our proforma.

Net income was \$17,138 for the first quarter (\$40,000 budgeted). Maintenance/repairs were high, accrued PTO was high (not much vacation was taken in first quarter), Hacker Nelson paid in March instead of April (\$5100). We were in compliance because we were above the 0.5% profit.

Current and quick ratio - supposed to be at 1.25 benchmark. We are at 1.19 and are climbing. Next quarter or third quarter we should be in compliance.

L5.1 says we will not allow sales to decline or be stagnant. David is interpreting that we are still within compliance. The Board acknowledges that we agree with David's logic and interpretation of this policy.

9. Action Items

None

10. New Business

10.1 Code of Ethics Review and Signing

Board signed code of ethics papers and disclosed conflicts of interest verbally:

Brita - none

Scott - none

Flannery - none

Bryan - none

Maren - Luna Valley Farm sells meat to the Co-op and she works a lot with the
Coop educator to arrange cooking classes for Luther CSA Program

Carl - none

Emily - none

10.2 Electronic Balloting

Scott, Alicia, Nate, Brita to serve on ad hoc committee to review/debrief electronic voting and provide summary recommendations for next year.

10.3 Board Member Training - April 29, 2017

Board training will take place this Saturday, April 29th from 9am-Noon at the Peace and Justice Center in Decorah. Bill Pardee and Steve McCargar will lead the training.

10.4 New Board Member Training - Select Dates

Emily and Brita to find a time.

10.5 Plant Gift for Employees

We have taken money out of board budget to give employees certificates for two plants in previous years as a spring appreciation gift. This equals \$6/person but not everybody ends up taking plants. Carl Peterson moved that we offer 2 plants per employee. Bryan seconded. 7 aye. 0 nay. Motion carries. Nate to make coupons

11. Next Monitoring and Other

11.1 G4: Board Code of Conduct

Flannery Cerbin-Bohach

11.2 L10: Board Logistical Support

David

12. Next Meeting: May 23, 2017 @ 6:00pm, Co-op Kitchen Classroom

13. Executive Session

14. Board Meeting Self Evaluation - Online

15. Adjourn

Bryan moved and Carl seconded to adjourn. Motion carried 7 aye to 0 nay. Meeting

adjourned at 7:20pm

Recorded by: Maren Beard (Jeanine absent)