

ONEOTA CO-OP BOARD MEETING
Spectrum
March 18, 2008

Present: Georgie, Lyle, Onita, Steve P., Keith, Joan, and Christopher. Toni was absent.

Board President Georgie K. called meeting to order at 5:05 p.m.

Review Agenda – No changes.

Approval of Minutes from February 26, 2008 meeting – Joan moved to approve the regular and executive session minutes as written. Lyle seconded. Approved.

Report on Member-owner Concerns – Tom and Jeanette Hansen attended the February board meeting to request better promotion of the meat department. Christopher reported that the co-op is seeking to hire a meat buyer. They are looking for someone knowledgeable about meat who would be able to work with local producers, lockers, and other organizations interested in meat production. Candidates are being sought internally and externally. The conflict of interest policy will not be changed at this time. The meat buyer will not be able to be a producer who sells meat to the co-op. Christopher is considering whether the meat department should be taken out of the grocery department. It is actually more like the produce department, in that it requires coordination with local vendors. Various producers have different standards for how long fresh meat can be on the shelf, depending on how the locker handled it, ambient store temperature, and other factors. Christopher reported that the meat margin is low right now and is in line with other co-ops. The new meat buyer may be better able to work with the meat cutters to create affordable cuts.

Manager's Report – Sales growth for February was 61.3%. Sales growth in the new location from opening day on January 15 to March 1, 2008 was 67.53%. However, since the new store opened in mid-January rather than at the first of the year, the co-op is behind on its projections for year-to-date sales. Christopher estimated that the average daily sales must increase by \$1500 to meet the year-end target. There are a number of initiatives underway that will help boost sales. The co-op will start purchasing from UNFI under the United Supply Contract in April. This will allow the co-op to take advantage of sales and promotions to which it previously did not have access. The grand opening is scheduled for April 4 and 5, and that should boost the co-op's visibility and word-of-mouth promotion. Sales floor promotions are being stepped up. There has been some discussion with KDEC about hosting a morning radio talk show in the deli. Christopher will provide a more detailed remediation plan in a revised draft of the Marketing Plan next month.

Labor as a percent of sales continues to be above target. It was gradually coming down, as training needs decreased, but overtime has also become an issue. Christopher has discussed with department heads some strategies to avoid overtime. He is reviewing staffing needs based on sales per labor hour, and labor as a percent of sales compared to other co-ops. The goal will be to have targets for all departments.

New member equity for the year so far is \$11,815, as membership share payments. The goal for the year is \$20,000, so it is ahead of schedule.

Christopher provided the board with a cash flow statement, which is probably the most complicated of the business accounting statements. Cash flow statements will be useful in the future to determine the cash needs of the co-op. The manager and the board can look at what cash is being generated from operations and what is needed to finance debt or dividends. The co-op in 2007 was low on profitability, but it had adequate cash flow to meet its needs.

Expansion project budget report – Christopher provided an updated Sources and Uses budget. The “uses” side of the budget is within \$5000 of being final, as there are only a few final bills to be received. On the “sources” side, fund raising continues. Christopher will be attending two NCGA events in the near future and hopes to gather commitments for preferred share purchases from other co-ops. Several Oneota members have also expressed interest in preferred shares. After consulting with Stephen Wolfe, Christopher adjusted the Cash Reserve figure to the amount of cash on hand at the time the budget was finalized. The \$9579 cost overrun in the expansion project was deducted from first year working capital, which means working capital may be a bit tight. The working capital is in the budget because the pro forma predicts that there will be operating losses for the first few years. The first year loss is predicted to be \$189,000. It will be important to run an efficient business, and meet the targets for sales, margins and labor, so that the co-op does not run into cash flow problems. Christopher will revise the pro forma in terms of the loan schedule. The co-op may want to look into re-financing when it appears cost-effective to do so.

Year-End Financial Report – Christopher reported that the final figures were not substantially different from the preliminary report he gave last month. The co-op came close on most of the performance metrics. Total sales were \$1,743,976.79, about \$6000 short of the budget projection. There was a profit of \$1332.86, or .08%. Sales growth for the year was 13.41% (target 14%). Inventory turnover was slightly higher than expected. Margin and margin minus labor were below target. Labor as a percent of sales was about .5% over budget. The last reporting period for the year was best in terms of net income and labor as a percent of sales.

Discussion of Preferred Share and Patronage Dividends – The board discussed the possibility of declaring dividends for 2007. It agreed that, given the working capital shortfall in the Sources and Uses budget and the projected first year loss in the new store, as provided in the business plan pro forma, it would be imprudent to use cash to issue dividends. Lyle moved that no dividends be declared. Joan seconded. Approved unanimously.

Nomination Committee Report – Georgie provided an oral report. The board wants to make sure in future that there are more candidates than openings for the elections. On the board's new calendar, there should be a notation for the 9-15 Scoop deadline for announcing upcoming board elections and asking for candidates. The January calendar item for “meet the candidates” will be deleted, and “publicize board election and candidates” will be substituted.

General Manager Evaluation Committee Report – The committee is working on determining what the evaluation process will be for this year. Under the proposed policy governance system, which will soon be adopted, the manager's monthly reports form the basis for the annual review. This fiscal year will be a transition year for the board moving to a new governance system. Since that system will not be in place for the whole of 2008, the evaluation committee recommended a process would be

somewhat of a hybrid of the existing process and the new process. It also recommended some form of survey of the management staff. Christopher asked that the board consult Carolee Coulter or Bentley Lein about how to structure the survey, so that the results would have statistical reliability. The board's purpose in doing a survey would be to understand how the interface is working between the manager and staff. The board wants to be able to take into account the human element of how staff are feeling. The general manager may want to do a separate survey to assess staff needs and whether those needs are being met. Christopher would like to talk to Cooperative Development Services (CDS) about doing a survey for management purposes. He would like to have a survey done before the board's evaluation process would be starting. Christopher may disclose the information he obtains when he reports to the board on staff treatment, but he would not be required to do so. His staff surveys will be for management purposes.

Board Monitoring Calendar – The board reviewed the revised Board Calendar. The general manager evaluation should be put back in October, November, and December. The calendar should have a notation for “new board member orientation” in April, under “important dates.” The November “board” entry regarding the general manager should be “executive session – update and revise GM *employment agreement*.” That item should be deleted from April's “other board business.” For the board election cycle, the following revisions were made: January's “important dates” will delete “meet the candidates night” and substitute “publicize elections and candidates;” September's “Scoop Deadline/Topics” should include “announce upcoming board elections and ask for candidates;” October's “other board business” should include “candidate recruitment;” and December's “other board business” should include “present candidates board wants to nominate.” December's “other board business” should also include “calendar planning” with the item “plan agenda for next year.” The board agreed to leave the January “other board business” items as they were. Lyle moved to approve the board calendar as revised. Joan seconded. Approved unanimously. Steve P. indicated he had noted the revisions and would update the calendar.

Annual Meeting and Grand Opening – The board agreed that each family unit should have a full set of all reporting documents at the annual meeting. After the meeting, co-op staff will facilitate discussion groups seeking member input on how the co-op should implement its mission through its product mix. The grand opening will be April 4 and 5. Board members signed up for times to be present for greeting, bagging groceries and showing movies.

Cooperative Board Leadership Development Project – There will be an April 2 web-based seminar on acting on GM monitoring reports, and the board will have a workshop with Bentley Lein on April 6 concerning ends policies.

Review Policies L, G, D, committee charters and board monitoring calendar – The board continued its review of the new template for policy governance. The revised draft sections L, G, D, and the committee charters were reviewed. Policy L2.1 should be updated in accordance with the February 26, 2008 minutes. On Policy L3.4, the portion after “year” should be deleted and “year” should be changed to “12 months.” On Policy L7.6, regarding conflicts of interest, add “or the appearance of conflicts of interest.” Policy L8.5 is satisfactory as is. Policy G4.2.3 states that a board member who applies for employment with the co-op must first resign from the board. This policy governs board conduct only.

Written confirmation of action taken outside of meeting – Board members signed a confirmation of the approval of the February 26, 2008 minutes of the motion approving the business plan and sources and uses budget.

Steve moved adjournment. Joan seconded. Motion approved. Meeting adjourned at 7:45 p.m.

Next meeting is Tuesday, April 29, 2008, at 5:00 p.m., Spectrum conference room.

Respectfully submitted:

Onita Mohr, secretary

Documents Reviewed:

Agenda

Minutes, February 26, 2008, regular and executive session

General Manager's Report, including revised sources and uses documents

Profit and Loss Statement, September through December 2007

Profit and Loss Statement, March through December 2007

Balance Sheet as of December 31, 2007

Statement of Cash Flows, March through December 2007

Sales Recap February 2007 and 2008

Sales Recap January 1 through March 1, 2007 and 2008

Sales Recap January 15 through March 1, 2007 and 2008

Sales Recap January 1 through January 31, 2007 and 2008

Model policy governance policies, committee charters, board monitoring calendar