

**Oneota Community Co-op  
Monthly Board Meeting Minutes**

April 28, 2020

5:30 PM

Online

**Board Members Present:** Scott Hawthorn, Scott Timm, Detra Dettmann, Andy Sassman, Hannah Breckbill, Michelle Barness, Bill Iverson, Emily Neal until 5:47

**Board Members Absent:**

**GM Present:** David Lester

**Co-op Staff :** Niki Sanness

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

**1. Call to Order**

Meeting called to order by President Timm at 5:38 p.m.

**2. Board Learning** - none

**3. Member Comments** - none

**4. Disposition of Member Comments** - none

**5. Agenda Review**

**Motion:** Motion by Hawthorn to **Approve amended agenda**. Second by Sassman. Motion **passed**; 7 aye, 0 nay.

Amendments:

- Place the following under “Consent Agenda”
  - February and March 2020 Minutes
  - Executive Session Minutes
  - Board Roles
- Add information about 4 week plan and statement under “New Business”
- Add Conflict of Interest and Ethics Form under “New Business”

**6. Consent Agenda**

- February and March 2020 Minutes
- Executive Session Minutes
- Board Role Reports

**Motion** by Hawthorn to **Pass consent agenda**. Second by Dettmann. Motion carried; 7 aye, 0 nay.

## **7. Action for Current (Old) Board**

### **7.1 Certify Election Results**

19.5% of members voted. Highest votes were for Hawthorn (401 votes) and Breckbill (296 votes). Hawthorn and Breckbill will sit on board.

**Motion** by Barness **to Certify Election Results**. Second by Neal. Motion carried; 7 aye, 0 nay.

### **7.2 Thank you to Emily Neal**

Neal reported no spending lately since there have been no in-person meetings or other board expenses. Neal will forward the latest spreadsheet to Hawthorn and will get board binder to Breckbill. Neal will also work with the new treasurer to help with transition.

Board thanked Neal for her service.

Lester shared an acrostic poem he'd written as a thank you:

Energy - which you bring to every meeting

Makes things happen - the kind of person you are

Insistent questioner - want to know "ins and outs"

Laugh a lot - makes meetings fun

Yell at appropriate times - (maybe not at the board meetings, but as a friend)

We'll miss you - it's been fun working with you.

Neal thanked the board and especially Lester and Sanness for the tremendous job done in the past year with the remodel, finance and budgets, and now a model of COVID leadership. Neal asks Lester to pass along her thanks to the Co-op store leadership team.

Neal left the meeting at 5:47 pm.

## **8. New Board Seated: Election of Officers and Composition of Standing Committees**

### **8.1 Election of Board President**

Timm willing to serve another year.

### **8.2 Election of Vice President**

Hawthorn willing to continue serving as Vice President.

### **8.3 Election of Secretary**

Dettmann willing to serve as Secretary.

### **8.4 Election of Treasurer**

Barness willing to serve as treasurer.

**Motion** by Breckbill **to Approve the following slate of candidates as officers: President: Timm, Vice President: Hawthorn, Secretary: Dettmann, Treasurer: Barness**. Second by Dettmann. Motion carried; 6 aye, 0 nay.

## **8.5 Composition of Standing Committees**

### **Member Linkage**

Focus of this committee is communications with membership. This committee was working on a strategic listening session, but had when pandemic started. In near future, this will include connecting members to the GM search. It will also be good to get feedback from membership on Ends. **Committee:** Timm, Barness, Dettmann, Sassman

### **Nominations/Board Development**

This committee will look for candidates for the next election. A secondary duty is to meet with the president to facilitate board education. It would be good to have new people on this committee, to widen the connections to possible future candidates. **Committee:** Hawthorn, Iverson, Breckbill

### **Hiring Committee/GM Search**

Committee: Hawthorn, Dettmann, Breckbill, Sassman

**Motion** by Barness to **Approve Standing Committees.** Second by Sassman. Motion carried; 6 aye, 0 nay.

## **9. Reports**

### **9.1 GM Report**

We applied, qualified, and received the Payroll Protection Program (PPP) loan right away. Thank you to Sanness for working with the bank. The bank was really helpful. Until Covid-19 hit Winneshiek County, we were 5.1% above budgeted sales, for the first time in 2-3 years. Nationwide, co-ops were seeing unprecedented sales. Then we went into two weeks of a very different sales environment and you can see what that drastic change can do to a budget. This Saturday, we're adding Saturday openings and will just be closed on Sundays. All staff are still getting 2 days off, but we're staggering it throughout the week. On May 11, we'll reopen the deli and will have options there.

March sales were -11.3% compared to budget. March 14 were 5% above. It was a big drop in 2 weeks.

Board notes that it could have been so much worse than 11%. Lester and team did a great job handling the situation.

A lot of co-ops that kept their doors open are seeing a 30% loss. We're running at 20-30% loss. Normally we'd see \$100,000/week and we're at about \$60,000 now.

Memberships are at a standstill right now. We're not getting new members since cashiers aren't getting direct contact to ask. We do have 47 new members through March, which is pretty good, but we're not expecting much more moving forward.

Weekly sales were doing pretty well until the pandemic hit. We expect to get back to \$80,000 when we add Saturday - we budgeted originally for \$100,000, so we're not too far off.

Total labor was budgeted for 25% fully loaded. In the last two weeks, including a \$5/hour raise, the labor percentage is elevated more than it normally should be. For the Payroll Protection money that came in, 75% needs to be spent on employees. We'll do that and make sure they are well compensated for putting themselves on the front line. Ultimately, once we get into June/July, we want to get back to that 25% labor, in order to manage cash.

A bright spot is local sales. We are so thankful for local producers right now. A lot of grocery stores have supply chain issues, especially the meat industry, and vegetables in California are being tilled under. Last year we were in a remodel situation, but now our percentage of local sales is even higher than expected. We're in a good position for this to increase in the coming weeks with local produce, starter plants, and local meats.

Board members noted appreciation for being able to sort by local producers in the online ordering system. People know they want to support local growers, and appreciate that the online ordering system gives people that chance.

Moving forward, the co-op plans to continue using the online platform in some way even after doors are reopened. There will still be customers who don't want to be out and about in public and we want to continue this service for them as we are able.

Most co-ops in the country are seeing a 30-40% loss right now. We're seeing a 20-30% loss. We were only 1 of 11 co-ops in the country that closed doors to the public and offered online orders only. It is uncharted territory.

**Board Question:** What are the biggest struggles with the online ordering system? **Answer:** It is not coordinated with actual inventory. Luckily customers are very forgiving and can put notes in the "notes" section if they want substitutes, etc. It is clunky, but not too bad.

**Board Question:** COVID19 might be with us for a while. Will we be continuing to streamline this system for improvements? Is there a way to make it update immediately with inventory?

**Answer:** Yes, but we would need someone in charge of managing it. As the product comes in, someone would need to check it in right away. We would need to shift or create that labor to get there. This will push us in that direction.

National Cooperative Grocers (NCG) works with 150 cooperative groceries across the country. They've been restructuring their services to include more resources to help with crisis management. Instead of one representative for each corridor (eastern, central, and western corridors), there will now be 2-3 representatives per corridor, each representing a different size of co-ops. We are a medium-sized co-op in the central corridor, so we'll only have to share with 20 other medium-sized co-ops in our corridor. They will be focused on helping co-ops developing new deli systems. A lot of co-ops are heavily invested in their delis, like us. We had a

huge deli and salad bar with tongs and ladles in the food... we're not going to be doing that for a while. We'll be doing a lot more take-home meal solutions instead.

Bulk has been a changing department in the past few years. Now people aren't going to want to keep shopping bulk because it can be touched by multiple people. We'll need to rethink this department to be safer.

Our big exciting news is that we have a new deli manager - Chelsea - she is awesome. She used to work in the Viroqua co-op deli. She got them through their big remodel. Their store is quite impressive. She has a lot of culinary arts background and is a 100% co-op person - she's passionate about local. We're going to see fun, exciting things coming out of our deli. We're thrilled to have her.

## **9.2 L5 Financial Condition**

**Motion** by Hawthorn to **Approve L5 Financial Condition**. Second by Dettmann. Motion carried; 6 aye, 0 nay.

Board sees this quarterly.

5.1 says GM will not allow sales to decline or be stagnant. Lester is reporting noncompliance because we didn't meet financial goals. Noncompliance doesn't necessarily mean a bad thing, it just shows we didn't meet goals. Lester and team will continue to do everything they can to get close to budget and manage expenses from here on out.

Sales for quarter: March showed significant loss with the COVID-19 pandemic happening after March 14, but because we were doing so well before that, we're only down 3.1% for quarter. Pretty amazing.

Net income: Because of the pandemic, we did not have our scheduled inventory. Not having this inventory affected the reported net income. A more realistic estimate will be available once we've had our next inventory. Hacker & Nelson okayed this situation under these circumstances.

Our report is off about \$44,000 from budget, but the reason for that is split between not meeting margin goals and missing the inventory count. The net loss on Profit and Loss is likely much less than it appears here, but it is hard to estimate because so many things were changing at that time - we were fighting with supply issues and customers were buying large quantities of product. To project what our inventory number is and should be is really difficult. Net loss could be \$20,000-\$44,000 different than this report shows.

**Board Question:** When will next inventory happen? **Answer:** End of June. We missed Quarter 1 and will do next inventory at Quarter 2. We'll have a better handle on the situation at that point.

**Board Question:** Does online ordering affect this? **Answer:** Online and POS aren't linked, so there is no effect there.

**Board Question:** What were the reasons we didn't do the scheduled inventory?

**Answer:** there wasn't a way to set safety precautions in place for it, and we were struggling just to keep going

**Board comment:** It was a wise decision not to do it now, but we'll need to do it later. Hopefully things will work in June to do inventory as scheduled

**Response:** We already have a better handle on things. We expect to be able to do inventory in June.

**Board Question:** How many staff are employed now? **Answer:** 22-23 right now, which is enough to accomplish June inventory. We usually hire out 1st and 3rd inventory. We do our own 2nd and 4th because we want to ensure accuracy. We need about 20 people in the store counting.

Ratios: the current ratio includes inventory. Not doing the inventory adjustment affects our current assets and net loss/profit.

We went up in our quick ratio, which doesn't count inventory. That is a good sign.

Debt to equity: Before the remodel, we had an extremely low debt-to-equity ratio. NCG considers getting to 300% range (3:1) a critical point. We're still well below that. Our large loss for the 1st quarter affected this ratio. Otherwise we would have stayed the same as before.

SBA loan will come up in April, as well as the \$25,000 line of credit with Decorah Bank.

We're not using our line of credit, which has a higher interest rate. We received a new \$25,000 loan from Decorah Bank with a 0% interest. This was a "local only" option Decorah Bank is giving. They are great partners. We have that loan plus the SBA on top of that. The SBA PPP loan is \$202,360. It came at a really good time. Our cash flow was at its lowest point at \$30,000 cash in the bank. We're keeping a close eye on this, but we now project our cash flow through July with funds we have now with PPP loan and expected sales, known expenses, and anticipated labor, to end with \$160,000 in our account through the end of July. It could dip down as low as \$120,000 and up to \$210,000 through the range of paying monthly bills, etc.

We want to get our doors open to the public and see what that looks like before we pay any other loans. It is in our best interest to keep a hold of the money we have now. The interest rate on our member loans is at 5.4%. We don't want to be paying interest, but it isn't too bad. We're still in an experimental phase of selling groceries the way we are doing it. Key is if we can get labor back down to 25% for total loaded labor, then things would look pretty good for us.

**Board Question:** Is it too soon to see how this has affected our member loan payments - will repayment be bumped back significantly? **Answer:** The money we had originally set aside to

pay those loans off early was dipped into before we received the PPP loan, in order to do payroll and accounts payable.

Not having accurate inventory makes reporting our margins a stab in the dark. But they are much better than the report shows. We struggled the first two quarters after the remodel; we had new store managers purchasing things, lost a lot of meat, and the meat margin was too low. We put in time figuring out our ordering systems. Lester was excited to show this report, but then all hell broke loose (with pandemic).

Chelsea, our new deli manager, has a lot of experience managing margins. She was a manager at Panera and comes highly recommended from Viroqua. We expect we'll get into good years of managing deli margin with her.

Member equity: This shows member shares. Members pay \$140 to be a member. We're at \$543,000 in our member share equity. This went up \$17,000 compared to last year, which is a good sign. Struggling co-ops have cash declines and their member equity line goes down. This shows our membership is active and involved.

Profit and Loss: this is an important supporting document that shows budget vs actual sales and income, and how much of our cost is in cost of goods sold.

Maintenance is under budget for the quarter.

Supply line is over. This is COVID-19 related. We had to order headsets to receive calls and one-time-use bags now to send things out of the store.

We can't afford to do sales and deals like we normally do right now.

We are incentivized to spend PPP - we need to spend 75% of it on payroll - this will also skew how the budget is portrayed in the coming month. We have until June 30, or 8 weeks from the time of loan, to get employees back in order to have the loan forgiven.

**Board Question:** What if pandemic gets worse and you wouldn't be comfortable fully opening back up? Would you have to repay the loan, and if so, what would that do to the co-op financially? **Answer:** We'll update you as we go. We have weekly meetings with the emergency response team, and this is part of conversation. We need to get really efficient with what we're doing now in case that happens. Right now, we're a mini grocery factory; someone shops the produce, then moves the cart to the next person filling beer/wine/meat, the snakes its way through the store until it gets to the cashier. We get more efficient as we go. We're now streamlining the process. It is a labor-heavy way of doing business, but we're finding new efficiencies every week.

We don't expect to have to repay the PPP loan. We'll do everything in our power to meet the criteria to turn it into a grant. If we need to bump labor up from budget, we will do that because it is more cost effective than having to repay the loan. It would not be ideal if we

cannot bring employees back because the pandemic gets worse, but we can work with that situation if it comes to it. There would be so many other things that would be off-track too, if that happens. And we'll still have money in the bank. We would be eligible for 60-80% forgiveness even now, with our current situation. And we're adding a Saturday shift, so even if we didn't have everyone back, it would be a small part of the PPP that would turn into an unforgiven loan.

### **9.3 GM Succession**

**Motion** by Sassman **to Table GM Succession**. Second by and Barness. Motion carried; 6 aye, 0 nay.

## **10.New Business**

### **10.1 Code of Conduct**

Each year the board reviews the Code of Conduct document. Board members disclose and discuss any potential conflicts of interest. In cases where there is potential conflict of interest, conflicted board member is required to abstain from any related voting. All board members need to sign and return the document.

Noted conflicts of interest:

Breckbill sells vegetables - not often to co-op, but occasionally. If/when the board has discussions related to local food sourcing, she'll abstain from voting.

Timm does strategic planning. He'll help facilitate the board's strategic planning instead of using NCG, but he will not charge for it.

### **10.2 Four Week Plan**

Governor of Iowa announced a decision to partially reopen businesses, restaurants, gyms, and places of worship on May 1. A majority of downtown Decorah businesses don't think this is a good idea. Co-op doesn't either and plans to keep the current model at least until May 30. This gives us time to think about the situation and give people the next date we're working towards. We make changes every day as an emergency response team. Lester has authority to make this decision, but prefers to have the board's okay for making a public statement that our staff, customer, and community's safety is top priority. Unanimous support from the board will help.

Board agrees with and fully supports this decision.

GM will send something to the board for feedback tomorrow. Board can respond with any concerns.

### **10.3 Board to-do list**

- Revise online Google docs w/any policy changes (election edit, e-meetings, etc) (Hawthorn, Dettmann, Breckbill)
- Update contact info (everyone by Friday)



- Sign and return COI/Ethics forms (everyone by Friday)
- meeting follow-up/make sure we are keeping track of tabled items (Timm, Hawthorn, Dettmann)
- David's request: everyone (will send by Friday)
- Board policy governance training for Hannah: we usually sit down one on one and talk through board binder - need to find wait to do this online. (Timm and Hawthorn)
- Board role trainings?
- Webinar Thursday: how to support coop as board member during this time.

### **13. Next Monitoring & Other**

- Ends - GM
- L10: Board Logistical Support - GM
- L Global Executive Constraint - GM
- 10.3 Global Governance - Dettmann
- G4: Board Code of Conduct - Timm

### **14. Next Meeting - Tuesday, May 26th at 5:30 p.m.**

### **15. Executive Session - none**

### **16. Meeting Evaluations - done via internet**

### **17. Adjourn**

Timm thanks Breckbill for joining the board, and thanks Dettmann and Barness for joining new committees. Board does introductions.

**Motion** by Iverson to **Adjourn meeting**. Second by Sassman. Motion carried; 6 aye, 0 nay.

Meeting adjourned at 7:34 p.m.