

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

April 24, 2018 5:30 PM

Kitchen Classroom, 308 W. Water St.

Board Members Present: Brita Nelson, Emily Neal, Flannery Cerbin-Bohach, Scott Hawthorn, Dennis Pottratz, Scott Timm, Alicia Trout until 5.1 Certify Election, Maren Beard until 5.1 Certify Election, Aimee Viniard-Weideman arrived at 5:50 p.m.

Board Members Absent: Bryan Stuart, Aimee Viniard-Weideman arrived at 5:50 p.m.

GM Present: David Lester

Co-op Staff :

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

1. Call to Order

Nelson called the meeting to order at 5:34 p.m.

2. Member Comments - none

3. Disposition of Member Comments - No member comments

4. Agenda Review

Motion: Trout moved and Hawthorn seconded to **Approve Agenda**. Agenda **passed** by a vote of 8 aye, 0 nay.

5. Approve Minutes for March 2018

Motion: Trout moved and Hawthorn seconded to **Approve March 2018 Main Meeting Minutes**. Motion **passed** with a vote of 6 aye, 0 nay. Timm and Pottratz abstained; they were not yet board members.

5.1 Certify Election (old board)

Board Election numbers:

311 Aimee Viniard-Weideman

260 Scott Timm

220 Dennis Pottratz

128 Wes Anderson

519 total valid ballots

7 paper were invalidated (5 had no signature, one was not a member, one not in an envelope)

Motion: Trout moved and Neal seconded to **Certify 2018 Board Election**. Motion **passed** with a vote of 6 aye, 0 nay. Timm and Pottratz abstained; they were not yet board members.

Board gave Furler permission to destroy old ballots. This protocol comes from when ballots were all paper, there are now not many paper ballots to destroy. Simply Voting has the ability to tell you how you voted last year. If we allow that, we're not following our current rules. Within the next month, need to look at Board Policy and potentially modify the procedures. We could lock it down until election time, and then open it until end of election. The letter indicated certificated results are included in online documents for meeting, so we don't need to keep paper file.

Board thanks leaving members, Beard and Trout.

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

Generally new people aren't asked to serve on committees. However, because this year we're looking at the financial questions of a potential remodel or expansion, we'll have an additional ad-hoc committee and we want people with significant financial expertise. We felt the expertise of our prior board wasn't the strongest in that area. The Board Treasurer will be president of that committee.

(Aimee arrived now, at 5:50 p.m.)

6.1 Election of Board President

Motion: Neal moved and Hawthorn seconded to **Approve Nelson as Board President**. Motion **passed** with a vote of 7 aye, 0 nay.

Board thanks Nelson for continued service.

6.2 Election of Vice President

Motion: Pottratz moved and Cerbin-Bohach seconded to **Approve Hawthorn for Vice President**. Motion **passed** with a vote of 6 aye, 0 nay.

Vice President is Chair of Board Development Committee. Their role is helping to search for upcoming board members for the next election cycle and tracking

compliance in monitoring reports. Every month, Board reviews 1-2 Board Procedures and asks ourselves if we've done what we said we would do. Board VP gives that info to the GM.

6.3 Election of Secretary

Motion: Neal moved and Hawthorn seconded to **Approve Cerbin-Bohach for Secretary.** Motion **passed** with a vote of 6 aye, 0 nay.

6.4 Election of Treasurer

Motion: Cerbin-Bohach moved and Hawthorn seconded to **Approve Neal for Treasurer.** Motion **passed** with a vote of 6 aye, 0 nay.

Treasurer helps coordinate and facilitate the financial ad-hoc committee consisting of 3 board members, 3 member owners, and GM. Group will come back with written report/recommendations. It will be a series of meetings, depending on timeline.

6.5 Election of Standing Committees

There are two permanent standing committees: Member-Linkage Committees and Board Development Committee. There are 3 members on each committee. (Can't have 4 because that would be quorum.)

VP Hawthorn leads the Board Development Committee. Neal and Cerbin-Bohach join him

Board Development is usually from October through election. The committee's main responsibilities include finding people to run for election and planning board training.

Member Linkage Committee is Pottratz, Timm, and Viniard-Weideman.

Past Member Linkage Committees have had so many great ideas, but haven't gotten off the ground with them. There is a lot we can be doing and it will be important this year with potential expansion or remodeling.

There will also be a temporary financial ad-hoc committee to look at financial questions. This and any other ad-hoc committees will be put together later.

7. Board Learning

7.1 New Board Introductions

7.2 Basic Overview

Co-op Board operates under Policy Governance. We regularly assess ourselves and our compliance of these rules. This framework was put into place as a means of protecting the co-op at large because of a time of significant conflict, where there were some perceptions of board overreaching into operational functions of the co-op. 2008 was a tumultuous time and there were member owners that didn't come back into the co-op for a long time after that. So, the board put together these structured expectations. Now we can measure ourselves and ask ourselves: Are we overreaching into store operations? It is really good because gives us good set of guidelines.

It is important to keep in mind as a board member that we aren't only member-owners. Because of the parameters of policy governance, there is less latitude to express our personal opinions to co-op staff. If a board member has an opinion as a member-owner, it is best conveyed through the comment box so no individual employee feels the board is exerting influence over the staff.

There will be times that we'll report non-compliance on certain reports. For example, maybe we didn't do everything we expected to. That isn't necessarily a negative or bad thing. Depending on the level of non-compliance, we might say, for example, "in two more meetings, we want to attain to compliance on this." There are store compliance reports, board compliance reports, and GM compliance reports.

Meeting minutes are public, but the word-for-word detailed notes are not; minutes aren't intended to be a play-by-play.

At times we hold Executive Session. We will usually have it on the agenda and now in advance. During Executive Session, anyone who is not on the board leaves, including Board Administrative Assistant. Executive Session minutes are confidential and Board Secretary takes them. Reasons to go into Executive Session may include personnel issues, compensation, etc.

Aside from Executive Session, our meetings are open to the public. People don't come often, but that is generally a sign that people are fine with how things are going. In 2008, there were 150 people showing up to board meetings. However, we do want to remind people of the opportunity to attend meetings. The Member Linkage Committee could put a message on FB to remind people.

There is a Board Development budget. Typically, the board hasn't used that money, but there are co-op board member workshops and classes you can attend and can

connect with other co-ops. Hawthorn is completing a list of regional possibilities for training. Trainings would be very useful if you are going through grocery metrics and you aren't used to it them. There are also more advanced classes. We haven't utilized the money in the past, but we could. We are also working on the possibility of someone coming in for a more thorough training - perhaps a past board member. In the past, we did 3 hour morning sessions from two different past board members, Bill Pardee and Steve McCargar. The two had different ways of looking at things and it was nice to hear from the two different perspectives. It is possible we could get them to come in, and it is also possible we could get someone from CVS come in.

New Board Member Question: Is there a strategic plan?

A: Yes, a loose one. Three years ago we did a strategic plan. There are pieces of it reported every month within the GM report. It may be the ideal time for us to look at that again, especially given the magnitude of that potential expansion or renovation project. Without a strategic plan, how do we know what to decide?

Board notes that there are pieces of the past strategic plan that have yet to be achieved.

We have discussed raising money for small farmers transitioning to organic and programs to help folks who can't afford co-op food shopping. Board could really put this together and possibly create a foundation. This is all part of strategic planning.

Timm notes that strategic planning is 1/2 of the work he does through ISU and he is happy to help with planning and finding resources, while recognizing that he doesn't want to create a conflict of interest as a board member by hiring people he works with. He says UNI Institute of Decision Making is great too.

Viniard-Weideman says she also has access to top people in IA and MN and would be happy to work on that as well. Those conversations could help inform and direct in a significant way and also notes that all strategic planning programs are not the same.

Previous strategic plans were drafted with the help of University of Iowa Community Foundation's Jeff Schott.

Board will have another orientation for new members in order to go through pieces of Policy, Ends, etc. Current board members are also welcome to attend. .

Board members signed Conflict of Interest form for 2018.

One important point to support the ongoing health of the organization is having the board speaking with one voice. We want to be able to have candid conversations and disagree with one another during a meeting, but once a decision has been made, to speak publicly with one voice.

A confidential financial report from Hacker Nelson is in everyone's Board Binder. We do a full audit every three years. It has a narrative and financial piece.

8. Consent Agenda - None

9. Reports

This section of the meeting is for information only; there is no need to motion to approve and there is nothing confidential. We don't share the literal documents provided for the meeting, but highlights and pieces of the reports go into the minutes. During Reports, we wouldn't discuss any personnel issues. We're pretty open about where we are financially. We want everyone, including staff and member-owners, to know if we made money last month or quarter. We post on boards near staff break room to see where each department is. That way if have to make a hard decision, people know why.

9.1 GM Report

Financial Snapshot:

March was really great month. It is skewed because Easter was in March this year. As we get into the financial report, you'll see we had a great first quarter, like we haven't had since 2015. Great in sales and net income. We had three negative departments out of 12 including wine and beer, and deli. We're fixing deli.

Cash savings is lower than last year because of spending over \$40,000 to pay off member loans. We paid off the last of them from the 2008 project. We started with over \$360,000 member loans and paid them off on time, with interest. Our \$200,000 line of credit also got paid off.

Current assets include cash, checking, savings. Inventory is separate.

Board Question: Has wine and beer ever been down before?

A: It hasn't been in a while. There was a Toppling release. Our wine and beer buyer left, but we still have a capable purchaser. It seems people coming to Decorah for TG and Pulpit are now buying at the breweries. We're selling less local beer than when the beer was first really big.

Board Question: Is the new downtown liquor store affecting us?

A: A little bit for wine, but not for beer

We now have 5,000 members. 177 new members last year still is a good sign; we're bringing in new membership.

Sales are up 3.4%, better than last year. Big winner in sales growth is packaged grocery at 7.6%. It has been a year of difficult sales growth and we're trying to adjust to our "new normal." Frozen hasn't seen a lot of attention because of staff turnover. Now we have two people working on those cases and we're seeing growth. Bulk has positive sales growth, which is great - the last two years have been negative. Bulk is up 4.1% for the quarter.

New Board Member Question: When is our fiscal year?

A: Calendar year

Cost of Goods (which we don't know until we do inventory) and Labor are our two biggest costs. Labor unloaded includes wages, but doesn't include benefits and bonuses, etc. Labor unloaded always starts the year off high. We encourage vacations at the beginning of the year and layoffs happen in some departments. We've never had quite enough - our first 2 months are the slowest months. We've been managing well and are under budget.

Total Labor includes payroll, unemployment, employee discounts, Medicare payable, accrued wages, PTO, sales tax, retirement and benefits, etc. Fully loaded labor is -3.7% of budget, which is really good. It's always our goal for first quarter to be under budget because things can change quickly when we get to the end of year.

Local sales are tracked - we're maintaining where we were last year at about 23-25% of total sales. Local sales account for \$1.6million out of \$5.3 million. We define local as a 100 mile radius from Decorah. Generally it includes produce, frozen, beer, eggs, meat. It also includes coffee because it is roasted within 100 miles of us - that is how all stores do it. We have a tight definition of local compared to a majority of the upper

Midwest. Lots of stores have a three-state region or a whole-state region. We're proud of our 100 mile radius and our high percentage of local sales.

We have the same store sales growth as the rest of the NCG Central corridor - there is a system wide store growth of 1.1%. Our UNFI purchasing contract helps us lower our cost. They also offer workshops, trainings, and help to member stores, track data, and give us reports. It is nice to know that our sales growth is better than 50% of Central Corridor. Central Corridor is Canada to Texas and Dakotas to Indiana - it is the largest corridor.

Community/Outreach/Other Store Happenings:

Lester will be going to Madison to meet our development director, Michelle Schry. We also hired the development cooperative arm of the NCG, which helps stores plan for expansions, build remodels, second stores, etc. It is a group of financial advisors, there is an architect on staff, etc. They are able to help with the process of what we're doing. We do have a preliminary plan. However, Michelle is separate from them and Lester reached out to her. Timing is critical and we're not in a hurry to get this done. She used to be the GM of People's in La Crosse and Rochester. She's been on many projects expanding stores and building new stores. She's helping Lester think about it and prioritize. We need a new POS, for example.

Physical Store Update: Gas usage was high compared to last year. Grocery stores use a lot of electricity for coolers and freezers. We're up 32% compared to the same period last year because of the weather. However, we have reduced consumption. We are the highest rated grocery store on the Energy Star site in state of Iowa.

Energy refers to gas and electric mainly. We could add water, but that doesn't affect it. March was sunny but cold, which is good for solar. We have 85 solar panels on our roof, capturing solar energy and helping to reduce our electrical usage. We keep replacing coolers. We don't want produce coolers we have to open up; they aren't efficient. We have been replacing those with a number of Energy Star rated coolers, which is helping us drop energy usage. We also have shades for night time.

We are still trying to find a new finance manager. Neuzil came on in 2010 and helped get the co-op on track. He's now retiring. He's been critical in the co-op's success. It's a full time position with a 4-day work week. It is a really good job that pays well. We do not currently offer insurance, but we have a bonus program. Applicants need to know Quickbooks; we have a part-time bookkeeper that enters stuff into that program.

We're excited about our latest hire who will serve as Lead Chef. She was the Hackberry's Manager, which is a restaurant above People's Co-op in La Crosse. They were about to close the restaurant 3 years ago because they were really struggling, but then they hired her and she turned it around. She saw a 300% sales growth. She has kids and always wanted to live in a small town. She likes projects like this. So when she saw the turnaround part of our issue, she got excited to solve it. We'll have dinner and catering again. This is a national trend in prepared foods: it is hard to find good, qualified help that will stay with you long enough. We had to give up some things to keep it the deli running for the past while. One was not doing hot bar after 3 p.m. We are going to be turning that back around.

We've always had a cafe manager. Now we'll have a counter manager and a lead chef, both reporting to the GM. Lead Chef will be the manager of food preparation, menu, food quality, ingredients, and ordering.

It has been a long time coming. Our current cafe manager was hired from Kwik Star and got thrown in to managing whole thing. Now she'll be out front managing where she is supposed to be.

We will begin reporting on our strategic focus areas next month.

Marketing/Special Projects:

Classes coming up include Homemade Cheese and Green Iowa Kids.

Empty Bowls is coming up on May 6 at Hotel Winneshiek. For \$20, you get a bowl, lots of soup, and bread. Furler is coordinating volunteers

Board thanks Lester for the detailed report.

9.2 Global Governance Commitment

Tabled

9.3 TL5: Financial Condition

Motion: Cerbin-Bohach moved and Neal seconded to **Approve L5 Financial Condition**. Agenda **passed** by a vote of 7 aye, 0 nay.

This report happens four times a year.

Reporting full compliance except for 5.3 Quick and Current Ratios, due to paying off member loans.

“GM will not allow sales to decline or be stagnant.” We are happy to report above budget and the NCG benchmark of 3%. This is great and something we haven’t seen in a while. Sales growth can really make feel people good and get our team energized and excited.

5.2 Net Income: NCG’ standard benchmark is 3% by end of year. Stores that just opened or are going through remodel will experience a loss of sales. This benchmark is for normal, healthy stores with a positive net income. This report shows our plan/budget compared to what actually happened, compared to budget year-to-date and actual year-to-date. In first quarter, we knew we’d have a bad quarter due to salary accruals. A lot of two-week pay period accrued in April for a big chunk of payroll money. Quarter 1 net income was negative, but better than planned. We are also doing well annually compared to our plan. Next quarter we are expecting to see positive. Winter is slow. 3rd quarter is typically the best because of tourism.

Financial Ratios: Lending institutions want to know our liquidity. Current ratio is higher because it includes inventory. Quick ratio does not. When our \$360,000 member loans became current, that is when our ratio dropped off. When we see a trend mark going up, we’re getting close to the benchmark. We don’t want to start a big project until we reach the benchmark.

We have 42 cents in assets to cover \$1 of liability. Inventory is high and we have an extra \$30,000 tied up in inventory. We have plans in place to make sure that gets better. Cash to liabilities is higher.

“Current liabilities” are anything due within next 12 months. Since member loans became current, we started paying off our debt. This is a great ratio. We don’t have a lot of debt right now. Banks think this is great. We have 78 cents of debt compared to \$1 of equity. NCG says \$3 of debt compared to \$1 of equity is a good benchmark. Co-ops that let debt to equity get too low aren’t reinvesting enough in their store. That’s kind of where we’re at; we need to refresh our store and look. We’re almost there. It has been 5-6 years since we’ve really done this.

Board Question: Are we thinking of doing member loans again or bank loans?

A: That will be one of Lester's questions for Michelle. Member loans take up a lot more time to set up and do, but may be worth it. Now that we've paid our past member-loans off, there are many who want to invest again. There is more flexibility with a member loan; you can put terms out further, rates can be better. Although Decorah Bank is our main lender in the past, we'll get quotes from multiple lenders. However, we know if we needed \$600,000 for a project, Decorah Bank would be happy to do it. We're in good shape.

Section 5.5 is a quick check on how an outside auditor says we're doing with indebtedness, etc. There were no issues with it. This section used to have five lines of debt, now we're down to two.

Board Question: How much of our building do we own?

A: Both whole buildings - the Co-op and kitchen.

Latest addition to the L5 Report is from the 2012 Board and says we may not begin a fundamentally new enterprise without board approval. A project can't total more than \$40,000, provide service supported by our Ends, or put significant resources towards a new business venture without a Board-approved business plan.

This came up when the Co-op was contemplating purchasing Waiving Grains or starting a second store.

PNL: This includes profit-to-loss budget-to-actual and actual-to-previous year

10. Action Items

11. New Business

12. Next Monitoring & Other

12.1 [L10 Board Logistical Support - GM]

12.2 [L Global Executive Constraint - GM]

12.3 [G4 Board Code of Conduct - Nelson]

12.4 [Global Governance Commitment - Neal]

12. Next Meeting - Tuesday, May 15, 2018 @ 6:00PM

This is a week earlier than usual.

14. Self-Evaluations - done via internet

15. Executive Session - none

16. Adjourn

Motion: Neal moved and Cerbin-Bohach seconded to **Adjourn Meeting**. Motion **passed** with a vote of 7 aye, 0 nay. Meeting adjourned at 7:30 p.m.