

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

April 30, 2019 5:30 PM

Kitchen Classroom, 308 W. Water St.

Board Members Present: Brita Nelson until 8.1, Flannery Cerbin-Bohach until 8.1, Dennis Pottratz until 8.1, Scott Hawthorn, Scott Timm, Aimee Viniard-Weideman, Emily Neal, Michelle Barnes, Andy Sassman, Bill Iverson

Board Members Absent:

GM Present: David Lester

Co-op Staff : Nate Furler (Marketing Manager), Niki Sanness (Finance Manager)

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

1. Call to Order

Nelson called the meeting to order at 5:31 p.m.

2. Board Learning -

Lester gave board a tour of the remodeled store. Since the remodel, the store has seen an increase in sales in all departments except for bulk. Produce has seen 18-20% growth; meat has increased in size, in response to member surveys and comments requesting it. Although packaged grocery has been reduced in size, it has also seen a growth.

3. Member Comments - none

4. Disposition of Member Comments - No member comments

5. Agenda Review

Motion: Hawthorn moved and Vineyard-Weideman seconded to **Approve Agenda**. Agenda **passed** by a vote of 10 aye, 0 nay.

6. Approve Minutes for March 2019

Motion: Neal moved and Hawthorn seconded to **Approve March 2019 Main Meeting Minutes**. Motion **passed** with a vote of 7 aye, 0 nay. (New members abstained)

Actions for Current (Old) Board

7.1 Certify Election Results

Motion: Neal moved and Viniard-Weideman seconded to **Certify Election Results**. Motion **passed** with a vote of 7 aye, 0 nay. (New members abstained)

There were 13 hand-opened ballots: 14 paper envelopes - one not valid because they also voted online.

7.2 Member Loan Cap/Goal Discussion/Action

Motion: Timm moved and Pottratz seconded to **Raise the total member loan amount to \$626,500**. Motion **passed** with a vote of 7 aye, 0 nay. (new members abstained)

Original we proposed to raise \$250,000 through a member-loan campaign. Once we hired Ben as a consultant, we quickly raised the goal to \$525,000 so we could do the project 100% from

member loans. We planned for 6-8 week campaign but it was complete in 4 weeks. The project was heading towards 10-15% overage due to refrigeration system being over budget. (It is difficult to budget for a project this size.) At that point, board voted to move to a \$600,000 cap. We did our best to message members that the campaign was done at that point - letting members know we reached goal of \$600,000. However, we knew we'd get some trickling in. We had 3 come in after the announcement and it now the total received for the member-loan campaign comes to \$626,500. We don't want to send it back. We'll accept it in case we need it. We have the option of paying the loans off early. We'll keep it one year and then pay off the full principal with interest.

We will pay off the member loans by setting aside money from each day's sales. \$200 from each day's sales is set aside now and we'll up it to \$350. It will go into our member loan repayment account. We know what we have to save in order to pay back principle and interest.

We feel the campaign was so successful because there was great messaging by Furler and crew. Letters went out right away. Phone calls raised \$60-70,000. People were really interested in supporting the project; they wanted to see the renovation. Perhaps the timing of HyVee's announcing got people thinking about it, too. We have twice the membership we had 10 years ago also, so there is a bigger pool to receive from. And people were happy with how it went last time + there is good return on it. Investing in community is really big right now in this area, so it is good timing.

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

Board thanks Cerbin-Bohach and Pottratz for their time serving on the board. A special thanks went to Nelson for her phenomenal job leading the board as president through a time of many decisions and much discussion.

8.1 Election of Board President

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

Board recognizes hard work Timm put in leading the member-loan campaign and feels he will make an excellent board president.

8.2 Election of Vice President

Motion: Viniard-Weideman moved and Sassman seconded to **Elect Hawthorn as Board Vice President**. Motion **passed** with a vote of 7 aye, 0 nay.

Hawthorn will continue his role as VP.

8.3 Election of Secretary

Motion: Hawthorn moved and Viniard-Weideman seconded to **Elect Iverson as Secretary.** Motion **passed** with a vote of 7 aye, 0 nay.

Iverson will need support through July due to his schedule. Hawthorn will help and Neal will type notes for Executive Session meetings through July.

8.4 Election of Treasurer

Motion: Iverson moved and Hawthorn seconded to **Elect Neal as Treasurer.** Motion **passed** with a vote of 7 aye, 0 nay.

Neal will continue her role as Treasurer.

8.5 Composition of Standing Committees

- Member Linkage Committee: Sassman, Viniard-Weideman, Timm

This committee was originally designed to show board presence and discuss ways to communicate and interact with members, but it shifted to being the member-loan committee recently.

- Nominations/Board Development Committee: Barness, Iverson, Hawthorn, Neal

This committee reaches out to potential new candidates for each year's election, creates election criteria, and oversees the election.

9. Consent Agenda

No consent agenda

10. Reports

10.1 GM Report

Financial Snapshot:

March sales were down 17% compared to 2018 - we were fully closed for 3 days and deli was closed for 3 weeks all due to remodel.

Sales through march budgeted +2%. Back in December we had to put the budget together based on info we had at that time going into remodel project. However, closer to Feb-March, the project shifted; deli closed a slightly different time than we expected, but we're still up about 1% for YTD budget. It was also the most disruptive winter we've seen. Co-ops in Twin Cities have never seen so many closed days before.

Overall wages through March are down (and sales are up). Partly because understaffed, but also because we've done a better job - we budgeted for high labor thinking staff would be helping with remodel more. We've managed according to labor.

Community/Outreach/Other Store Happenings:

We will report on new memberships starting next month - have been focusing elsewhere. Second week in June will likely be grand reopening. Might be good time to push new memberships. They have gone down the last three years, but we have over 5,500 members and are still bringing in 180 new a year, which is decent for size of town.

Local sales were down - as were overall sales. We expect that to bounce back. Three full days of being closed really affects budget quite a bit.

Will update when know when scheduling grand re-opening

Physical Store Update:

Will update when know when see updates on energy usage, etc. moving forward

Marketing/Special Projects:

Evenrud is now dual front end and HR - she has a lot of great skills in training and will play great role in training programs for co-op - excited about it.

Delis across country are struggling to get staff. Co-op announced today a \$1000 sign on bonus if stay a full year and pass year evaluation. We need people. Whole town is having a hard time getting food service employees.

\$10.25 is starting wage. Living wage is \$10.16. We review that every year and want our entry wage to be above that. Decorah is expensive place to live. Hard to find entry level positions because most have to drive in. Lester will be speaking to HS students at a career fair. NICC tried to start a culinary program and will try again this fall.

Finholt's original bid was 165k, then we got into details and it went up to \$225. They ended up doing painting, counters changed, etc. Scope of work changed. Second bid was 480,000 - from Weezer brothers of MN. They've done a lot of co-ops. They are good, but when we compared to Finholt - they knew our store, it originally was a furniture store, the converted it to grocery store. They busted their butts to get it done in the three days we were closed.

The only things left to do are the entryway and one small cabinet that will go in Wellness. Close to paying our final bill.

Lester's office now above kitchen - was an apartment. If produce keeps on path, we won't have enough cold storage, so would need to turn one of the offices in basement to cold storage.

Great thing with new refrigeration system: room to expand. Old one had no more space to expand. We can just add and hook it up to rack system. New rack system helps if we add another compressor, etc.

10.2 L5: Financial Condition

Motion: Sassman moved and Hawthorn seconded to **Approve L5: Financial Condition.**
Motion **passed** with a vote of 7 aye, 0 nay.

L5 is perhaps the most important report. It lets board know financial condition of co-op. There are nine policies throughout year GM reports on. This one is quarterly. Board has been elected by membership to manage GM. GM manages store and management team, and makes decisions in the store. GM reports these decisions to board through these policies and reports. Through this report, board learns of co-op's financial conditions: How are sales doing, compare to sales benchmarks, net income, quick, current, and debt-to-equity, status and amounts of loans. Policy was put together in 2009 when the board said they needs to know these things. If board doesn't approve a report, they can tell GM they want more reporting on it the next month, or to keep an eye on it. The policies are checks and controls.

5.1 states that GM will not allow sales to decline or be stagnant. The important part this year is how are we doing compared to budget - we can't compare to last year because of the remodel project. Labor will be high and sales low, but we budgeted for this. We're slightly above budget for first quarter. Good place to be.

5.2 states that GM will allow operations to generate adequate income. We have support documents - this one is profit/loss budget to actual. If have questions such as why repairs and maintenance so high, for example, GM can answer. Only behind first quarter by \$2700. We'll get to positive net income by end of year.

We prepared ourselves for loss first year, but we are thinking now it will be positive.

5.3 is about ratios and co-op metrics . A group of folks work with NCG and banking institutions - a data warehouse - gets data from co-op metrics. It shows how we're doing compared to other stores our size. We use this data to make decisions. They set benchmarks for us. Benchmark for current ratio is about 1.2. We've been below that for a while. We now have \$1.49 in assets to cover each \$1. Expect this to decrease slightly to 135%. We're pretty happy we're finally above benchmark.

Quick ratio takes inventory out - we have \$1.06 in assets to cover each \$1 in liability. By end of Q2, we've paid off most of our remodel expenses, so most cash will go away to repay this and it will go back to .5 to .6, but won't be as bad as 2018.

In 2010, Q2, Larry took over and implemented savings for debt. Lester came in soon thereafter and solidified a payment plan. Debt to equity got low - down to .7 or .65. We don't want get too low; we need to reinvest in the business. Go up to 110%. Not at the scary benchmark of 3:1. Right now we have \$1.01 debt compared to \$1 of equity. Good investment.

5.5 shows breakdown of debt. In 2010, total debt was 1.5 million. This project will bring us close to 1 million.

Policies don't change often, but board has authority to do that. Three readings need to happen before can change or add new policy subcategory. Latest one added was 5.11 in 2012. Prior to this, Lester had a lot of free reign, but board wanted to cap it. Board now rules on any expenditure above \$40,000.

Lester or Sanness could meet with board, or conduct board learning sessions to help explain these reports and statistics, including how margins affect the co-op and decisions made.

10.3 Global Governance Commitment

Motion: Neal moved and Viniard-Weideman seconded to **Table Global Governance Commitment to next meeting.** Motion **passed** with a vote of 7 aye, 0 nay.

11. Action Items

11.1 Remodel Group Updates

-Communications & Marketing

Timm led the member-loan planning process going into the remodel project - there were board members and staff in each group - communications and marketing was with Furler. It all went really well because of great conversations with donors and printed pieces that went out looking like they meant business. People really responded to them. The phone part was minimum. We hired a consultant for \$7000 and it was well worth the money.

Lester was just at a GM conference in San Diego - people were blown away that we're funding completely with member loans; usually co-ops also need bank loans and grant funding. We're really special.

-Member Loan Campaign

Timm didn't even log 40 hours - it went really fast and was lot less work than we thought it would be. Putting time in on the front end to organize paid off.

-Project Ops

Kittleson was the lead staff working with Lester on the remodel. She is about to retire, but agreed to stay on through June. She shifted her grocery duties to be remodel project manager and did an amazing job. Lester learned a lot he'd never done a project of this scope before - ordering equipment, keeping contractors and subcontractors to what they said they'd do, etc.

Board says nice working with Sanness and Furler. We have a very talented management team.

We will pay back the loans in 6 years at \$350/day (\$125,000/year).

This board has been talking about this project for 2 years, staff & management for 4 years. NCG gave a lot of support. We originally said expansion, but Michelle (NCG) said, "No, focus on your current footprint instead." That was a big move.

Board Recommendation for future learning - discussing NCG and its role for coop - we talk about them all the time. What are their expectations - what are we beholden to them - what are our expectations and theirs.

Also in past: CDS Consultants Cooperative Development Service - hire new Gm to understanding governance- can hire for one project or for full year. Help new members learn about being a board member.

We're done - this can be the last remodel report; we don't need it on agenda again.

Will pay back in 6 years. 350/day - 125,000

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Recommendation for future learning - discussing NCG and its role for coop - we talk about them all the time. What are their expectations - what are we beholden to them - what are our expectations and theirs.

Also in past: CDS Consultants Cooperative Development Service - hire new Gm to understanding governance- can hire for one project or for full year. Help new members learn about being a board member.

Motion: Sassman moved and Neal seconded to **Approve expenditure for Nelson's gift.**
Motion **passed** with a vote of 7 aye, 0 nay.

12. New Business

13. Next Monitoring & Other

11.1 [E1: Ends (GM suggests May for this report) - GM]

11.2 [Global Governance - Neal]

11.3 [L10 Board Logistical Support - GM]

11.4 [L Global Executive Constraint - GM]

11.5 [G4: Board Code of Conduct - Timm]

Motion: Viniard-Weideman moved and Hawthorn seconded to **Add L10 Board Logistical Support, L Global Executive Constraint, Global Governance, and G4: Board Code of Conduct to Next Monitoring.** Motion **passed** with a vote of 7 aye, 0 nay.

12. Next Meetings - May 28, 2019 @ 5:30PM

13. Executive Session - none

14. Self-Evaluations - done via internet

15. Adjourn

Motion: Hawthorn moved and Viniard-Weideman seconded to **Adjourn Meeting**. Motion **passed** with a vote of 7 aye, 0 nay. Meeting adjourned at 7:25 p.m.