

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

September 4, 2018 5:30 PM

Kitchen Classroom, 308 W. Water St.

**Board Members Present:** Brita Nelson, Scott Timm, Aimee Viniard-Weideman, Dennis Pottratz, Flannery Cerbin-Bohach, Scott Hawthorn, and Emily Neal

**Board Members Absent:**

**GM Present:** David Lester

**Co-op Staff :** Nate Furler (Marketing Manager)

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

**NCG Staff Present:** Michelle Schry

***1. Call to Order***

Nelson called the meeting to order at 5:32 p.m.

***2. Board Learning -***

**2.1 Michelle Schry NCG Participation Report**

Michelle Schry from NCG spoke to Board about the NCG Participation Report. The report was created when NCG noticed co-ops were asking what NCG is and why they'd want to be a part of it. The report shows how well co-ops take advantage of NCG resources.

Michelle was a co-op GM for 22 years, the last 14 before working for NCG was working in La Crosse and Rochester. She has also worked on the west coast and has worked with stores from "super small" million-dollar stores to People's at \$25 million. She says:

In 1999, John Mackey, founder of Whole Foods, was a conference keynote. He had five stores at the time, but during his speech, he told us (co-op managers) we were too slow and antiquated to keep up with him. A group of us (those co-op managers) got together afterwards, worried he was right, and wondering what we could do. We decided to accelerate our own improvement. The big complaint we got from all of our shoppers was that we were too expensive. In order to bring our costs down, we need to needed to be able to negotiate prices together.

NCG is an organization built by GMs, people committed to the next generation being able to benefit the way we have from co-ops. As the market evolved, we evolved as an organization. We get dues from coops— a small percentage of annual sales. Those dues almost entirely support work that happens at the Corridor level- audits, retreats, etc. The majority of this budget goes to purchasing contracts and building new programs, based on what GMs are asking for. This includes training and development, purchasing, inventory services, linens, credit card processing, etc. It also includes programs in marketing and development, and advocacy that we do on national level.

It is a great thing that the NCG work has become so seamless people aren't even aware of it all, but that also means that there isn't an understanding or appreciation of what is available, or knowledge of the value of what you are getting. This Participation Report fills that need.

There is a generation change that is happening in the leadership of co-ops. We're experiencing turnover like we've never had - part of the reason for that is that managing a co-op is difficult and we're up against a really tough job market. Co-op managers have to do it all - it is more work and less pay than being a chain manager.

This Report gives a financial snapshot of Oneota Co-op's key metrics in last five years, compared to yourselves and compared to other co-ops. It is a difficult time for co-ops. 2013 saw a major influx of competition in the Central Corridor. As a sector, we are performing below our historical average. If a specific co-op is performing below average of our sector, they should be worrying. The same pressures are happening many places - increasing health and wellness, a push for \$15 minimum wage, etc. We owe it to our staff to do these things, but we have a difficult time balancing those things with our income statement. Oneota Co-op has struggle with this for a decade - you have a very high cost of labor and the co-op hasn't generated a ton of income over the past few years. That has to change; the current trajectory isn't sustainable.

## **2.2 Michelle Schry Remodel Conversation, Project Analysis and Recommendations**

Michelle Schry:

You are still fighting problems within the store that need to be fixed. For example, the refrigeration system creates humidity that makes it so customers can't see items in the freezers. In May, I (Michelle) heard you were working with a development co-op about a potential remodel and was concerned that was too big of a project for you at this time. However, I do believe you need to do something.

I met with Lester to talk about current issues, set some goals, and shift the focus. If you able to do a reset instead of a remodel, NCG all support it. NCG will not take ownership of it, but we will provide tools for you to do it more cheaply and with less investment than the larger project you were contemplating. Cash is tight. If you look at 2018, you have less than 10 days of cash on hand, which is where we start worrying about a co-op. You don't have the cash flow to service debt through a traditional bank loan. However, I go into a lot of co-ops saying, "you can't afford to spend money" and others where I say, "you can't afford to not spend this money." I think you are in the latter category. Now that you have the deli department squared away, NCG will help you create a plan that will be

- 1.) cost effective,
- 2.) deal with long term facility issues, and
- 3.) give your community something to be excited about - something new and fresh.

NCG will be putting pressure on Lester to put a comprehensive plan together, with goals quarterly until end of year, and going forward until 2019. We're willing to throw in some skill, energy, and expense, but you also have to hold up your end of the bargain. I think your co-op is great, and also there is a lot of room to improve on the health of the organization. Don't wait for too long.

Board asked Michelle clarifying questions:

The Board will need to vote "yes/no" in order to move forward with the project, but Board hasn't yet seen the full proposal or the budget for the proposal. Although Board understands need to move quickly, Board feels strongly they don't want to be hasty. Board asked Michelle when they'll have numbers and what the timeline for the reset would be.

Michelle says she'd like to see the project, including refrigeration, resetting, painting, and decor, completed by April 1. This is the best time for the project to be finished because it is before the start of tourist season. She says in order to do this, the Board will have to move quickly with assembling materials and creating a member loan campaign. She feels we can raise all \$400,000 through a member loan campaign. If the money isn't raised in time, we wouldn't start the project.

Currently, Schry is waiting on Lester for the revised pro forma and estimates from construction people, but believes she can get solid numbers by Oct 15. She recommends that if Board has the sense this is the right path, now is the time to do the legwork for the member loan campaign so that once the project is approved, they can immediately launch the execution. We don't want the member loan campaign launch to get tangled up in the holidays.

The Ad-Hoc Committee will gather and create a short report, then bring to the Board for a vote. Before that time, Board will prepare a member loan plan. We will need an equipment list and budget. Board also needs disclosure document, marketing campaign, phone call scripts, offering description, forms for offering, potentially beneficiary donation forms, and more.

Entire Board will likely be involved in the member-loan committee. We have a good track record with member loans— we've paid them all back with interest. It is typical for a second member loan campaign to raise more than the first.

Under Board's governance policy, the Board is fundraising, but Furler is marketing and will be working symbiotically with Board.

### **3. Member Comments - none**

### **4. Disposition of Member Comments - No member comments**

### **5. Agenda Review**

**Motion:** Hawthorn moved and Neal seconded to **Approve Agenda. Amended Agenda passed** by a vote of 7 aye, 0 nay.

Amendment: Add 9.2 Reset discussion

## **6. Approve Minutes for June 2018**

**Motion:** Hawthorn moved and Timm seconded to **Approve June 2018 Main Meeting Minutes.** Motion **passed** with a vote of 7 aye, 0 nay.

## **Approve Minutes for July 2018**

**Motion:** Potratz moved and Hawthorn seconded to **Approve July 2018 Main Meeting Minutes.** Motion **passed** with a vote of 7 aye, 0 nay.

## **7. Consent Agenda**

## **8. Reports**

### **8.1 GM Report**

#### **Financial Snapshot:**

Sales in July have been down. The street closed for two weeks, which lost us \$14,000. The street closure was unexpected. If it hadn't happened, we would have been slightly above.

Our 3rd Quarter is slightly above. We are starting to see good things from the deli - last week we started the hot bar in the evening again. July the menu changed. We are rebuilding systems, getting the team to move forward. The first week of evening hot bar saw \$1,000 more in sales.

Weekly sales are flat to slightly negative.

Historically we've had high labor. End of 2017, we saw 29% labor. Ideally, we'd be at 25%. The discrepancy is due to how much we are paying people. We also have bigger marketing and admin than most coops our size - which is our decision - we've invested in them in the past couple of years.

First quarter is down to 28%. second 27%, now at 26%. Our goal is to get to 25% by the end of year. We're heading in that direction. If we get any bump in deli, that number looks better.

We still have kitchen position available. We approved 1.5% raise for employees -felt it was important to have a raise and control total labor with bonuses.

Next month we will see results of staff survey - it will be the full survey done with a third party that comes in every other year. It asks staff 40 questions from how they feel as employee of the

co-op. It includes treatment, wages, benefits, fairness, how feel about their relationship with managers, etc. It is a detailed report.

### **Community/Outreach/Other Store Happenings:**

Waving Grains' baker is no longer with them. Buyers met with new head baker last week. Waving Grains makes a large percentage (75%) of our bread. They are just focusing on bread, bars, and pizza dough now.

Local sales are close to last year. Weather events effect our local providers.

### **Physical Store Update:**

#### **Marketing/Special Projects:**

Our big event is Sept 29: Live on Water Street - board will help out.

### **8.2 G5: Board Committee Principles**

**Motion:** Hawthorn moved and Timm seconded to **Approve G5: Board Committee Principles.**

**Motion passed** with a vote of 7 aye, 0 nay.

## **9. Action Items**

### **9.1 Financial Ad Hoc Committee Update**

Board discussed potential members of Financial Ad-Hoc Committee. Currently, committee includes board members Neal, Timm, Pottratz, and member-owners Carl Peterson and Jim Ulring.

### **9.2 Reset discussion**

Fixing the tunnel is largest and most immediate need. Board discussed potential of breaking project into two stages, starting with the tunnel. The tunnel has no easy fix, but one piece of equipment will solve a lot of the problems. We believe the tunnel will be a part of the total \$400,000 of the reset. Board requests two quotes for the tunnel before making a decision. Lester will have both estimates and the overall financial costs ready to share with Board before next meeting. In next meeting, Board and Lester will discuss where the money is coming from and how to get it started.

Board discussed investing in a consultant to help with marketing the reset member loan campaign. Lester and Furler will work with the consultant and the board can look over the plan. Board President will reach out to obtain proposal/cost for consultant for review by full board.

## **10. New Business**

### **10.1 Membership Committee Update**

Board discussed potential Staff Appreciation Dinner, hosted by Board. Board feels strongly about showing appreciation for staff and creating an event that fosters connection between Board and staff, but are concerned about overspending now that have decided to hire a consultant to help with member-loan campaign. After a lengthy discussion, Board decided to

discuss the possibility of merging Staff Appreciation and the kickoff of the member-loan campaign for maximum combined impact. The Member Linkage Committee will discuss this idea further.

## **11. Next Monitoring & Other**

### **11.1 [L2: Staff Treatment - GM]**

### **11.2 [L3: Compensation and Benefits - GM]**

## **12. Next Meeting - Tuesday, September 25, 2018 @ 5:30PM**

## **13. Executive Session - none**

## **14. Self-Evaluations - done via internet**

## **15. Adjourn**

**Motion:** Pottratz moved and Hawthorn seconded to **Adjourn Meeting**. Motion **passed** with a vote of 7 aye, 0 nay. Meeting adjourned at 8:26 p.m.