

Oneota Community Co-op
Minutes for Regular Board Meeting

February 27, 2018 5:00 PM

Kitchen Classroom, 308 W. Water St.

Board Members Present: Brita Nelson, Scott Hawthorn, Bryan Stuart, Alicia Trout, Maren Beard, Flannery Cerbin-Bohach, Emily Neal at 5:52 p.m.

Board Members Absent: Emily Neal, until 5:52 p.m.

GM Present: David Lester

Co-op Staff : Nate Furler, Larry Neuzil

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

*Also: Brent Berns w/Hacker Nelson came in at 5:57 p.m.

1. Call to Order

Nelson called the meeting to order at 5:06 p.m.

2. Board Learning - Member Survey Results

Member survey had 43 total questions each for members and non-members. We received great data. We usually do a member survey every two years, but this time it was three years.

The survey was promoted through Facebook, The Scoop, Com-post, with a Survey Monkey link and publicly in the store, including MAD Sale papers given to people going through the checkout. There were 1-2 people who wanted to take the survey without going online. We wanted to accommodate, but sadly were never able to connect with them. Since we took to the electronic format in 2012, participation has been a lot higher and plenty of people access internet in places other than their homes, such as the public library. It seems a vast majority are comfortable with the online survey.

490 people took the survey. The average survey respondent was female living in a Decorah household with 2 adults ages 50-64, no kids. This is likely true of average shopper, although it also reflects who had and took the time to complete the survey. Results aligned with our previously compiled market study that said 90% of our shoppers are from Winneshiek County. These may also be our most passionate members that took time to take survey. Respondents were largely well-educated and make decent money with household income evenly represented from \$25,000-100,000. On average, people self-estimate their Co-op grocery shopping to be \$50-\$125 per week.

35% of those taking survey eat at restaurants 1/week, 23% 2-3/week. This means over 50% *at least* 1/wk. This information goes along with trends we're reading from market studies.

We wanted to see if we should still be putting time and effort towards special orders. 61% said yes, they would like to make special orders, so yes, we should put time and effort there.

We were shocked that people aren't interested in grocery delivery and don't care about "single shops." We know this survey is only a snapshot and it could be argued that those taking the survey are "core" co-op shoppers and not *going* to want delivery, single shops and online orders, but a majority also stated they are not interested in online ordering. The question asked about where people are spending money matched up with the indication that people aren't shopping for food online anywhere else either. This is all great, because it parallels where we

wanted to go - starting with special orders and then we were thinking of looking into single shop. We also have experienced a hiccup with online orders - we've had a terrible time with our POS system connecting. Our POS provider doesn't want to make enhancements for online ordering at this point, so we're moving ahead without them, working with Tonic 5, who is making a website for us. We just got backend access to a copy site, so we can see the back end and front end of what it is going to look like. Likely, we will be able to move forward - but we're only at 30-40% now, especially if we want pictures, full ingredients list, etc. Depending on how much of this we want, this will take a while to get to 100%.

Board asked for clarification on the fact that survey indicated "space for eating" was listed as the lowest priority in an expansion or reset. Lester and Furler explained that this means it was least in comparison to the other options listed (participants were to rank least to greatest importance among suggestions), and all options were ranked pretty closely. The things that ended up ranked as more important included selling local and organic, increasing purchasing power, reduce overcrowding, living wage jobs, more people join, sustainable building practices, creating gathering place, more visible in community, community economic development. More eating space wasn't as important as these mission-driven items on the list. It is interesting, though, because the aisles being bigger and more eating space came up as comments a lot in previous surveys.

People are not happy with bulk and dried fruit. We need to think about how we are merchandising that. We're looking at it to see what we can change.

People want cheaper food and better wages. We've done a lot to increase wages. Talk of \$15 minimum wage all over country makes people think it is living wage here, which it may not be. We need to do more messaging our entry wage is higher than rest of county.

In regards to an expansion, 45% strongly favor, 31% favor, 16% neutral and only 8% say no. This speaks highly that people want us to do something. It is time to refresh and do something and our customers wouldn't mind spending money on it.

Responses about our competition came back how every prior survey has come back, although farmer's market went up. It also aligns with insights from the market study, although the market study said Walmart is our #1 competitor and here it is placing Walmart after Fareway and Co-op. Barely anyone said they purchased food online. So based on this, we may not put effort into online purchases. One of the biggest reasons not to pursue online purchasing is the amount of packaging it would take.

Board discussed potential to be more interactive. Someone from the board could write an article for each publication. However, board interaction may not be high on the list of things people are worried about. It may feel sad people aren't interacting, but that may indicate that they are happy with how things are going. When times are good and stable, people are just walking in to shop. People elect a board to represent them, then trust those on the board to do so. However, there are things for the board to say. If we deem it important, we can put bios on social media to get board faces out more.

3. Member Comments - none

4. Disposition of Member Comments - No member comments

5. Agenda Review

Motion: Trout moved and Hawthorn seconded to **Approve Agenda**. Agenda **passed** by a vote of 6 aye, 0 nay.

6. Approve Minutes

6.1 January 2018 Main Meeting Minutes

Motion: Trout moved and Cerbin-Bohach seconded to **Approve January 2018 Main Meeting Minutes**. Motion **passed** with a vote of 6 aye, 0 nay.

7. Consent Agenda

- Job Description (Nelson)
- L9: GM Succession (GM)

Motion: Trout moved and Stuart seconded to **Approve Consent Agenda**. Motion **passed** with a vote of 6 aye, 0 nay.

8. Reports

8.1 GM Report

Financial Snapshot:

We were positive \$11,427 which is up 3%. January started off good. Adjusted for inventory, we're close to budget. February is continuing that trend. We lost sales due to compromised weather. Last year, we had 60-70 degree days, so in comparison, 2018 didn't do as well because of the weather. We don't get that money back when ice storms etc. come. We're positive for Feb, but under budget by 1%. Starting the year positively is a good sign. We'll start reporting member numbers in March, after the big member drive, to get a good comparison. We're right on budget with labor, although compared to last year, labor is higher. We need to get labor down to last year's numbers. We're getting to a point where we can't keep budgeting more and more labor each year. We need to focus on sales now.

Our assets are listed as lower by 30% because we paid off \$42,000 in member loans and a \$20,000 line of credit.

Community/Outreach/Other Store Happenings:

Local sales are slightly under last year's numbers. Toppling Goliath is back in mix, but wine and beer sales are down compared to last year. There is more competition for wine sales and more people going to the breweries to buy beer now, and Walmart and Caseys have Toppling Goliath now as well.

****5:52** Neal came in

Compared to NCG central corridor, we're doing well.

Physical Store Update:

Our bulk merchandiser went down. We replaced it with a more efficient cooler.

Marketing/Special Projects:

Larry Neuzil will be retiring and we will be hiring new finance manager soon

Board congratulates Neuzil and lets him know we're sad to see him go. Neuzil grins.

Auditors always say good things about Neuzil's work. We've had good applicants thus far.

Lester will be auditing another store that is having negative income the past two years, after many years of doing well. He'll be doing the audit along with two other GMs, to give the store advice. This will be good to reflect on when coming back to this store.

8.2 D: Global Governance - Management Connection

Motion: Trout moved and Cerbin-Bohach seconded to approve **D: Global Governance - Management Connection**. Motion **passed** with a vote of 7 aye, 0 nay.

8.3 L5: Financial Conditions

Motion: Trout moved and Stuart seconded to approve **L5: Financial Conditions**. Motion **passed** with a vote of 7 aye, 0 nay.

Brent Berns of Hacker Nelson has done pretty much all of our audits; this is third full one. He'll go over it, then Board will ask questions.

Lester:

Can see it was not the best year of sales, but we're +.5%. Theme throughout is that we're barely positive.

On L5.2, net income budget for quarter was -2% net income and we outperformed this with not as much of a loss in 4th quarter as we expected.

Getting into our ratios: Quick and Current flirts with benchmarks, but not quite there.

We're most proud of debt to equity; this continues to go down. That looks pretty good to a lender in the future if we want lending for store expansion.

5.5 is exciting - the lines of debt keep shrinking. It used to be a big portion of that page with 6-7 lines of debt, now we're down to only Decorah Bank mortgage and the Cutting building. Member loans are gone. Line of credit is at 0. Mostly just building our cash.

Balance sheet: We paid over \$100,000 in debt last year. That is a lot. It is part of the reason we're cash short, but we paid debt when we said we would.

Board Q: Comparing 2016 to 2017 total liabilities and equity on Dec 31, it went down \$106,000. Why, since we're being profitable?

A: Part of it is paying off your debt. Liabilities go down \$100,000 and assets go down \$100,000 because you don't have cash. Look at member equity - if that looks good, we're doing good.

We're at \$21,000 which is good. It isn't that you are comparing all numbers year to year - it is equity numbers you need to compare.

Board Q: We changed Quick Loan amount a couple of months ago (live credit) - is that reflected in L5?

A: Yes, on page 7 - compare the original amount to now \$100,000; current loan amount is now \$0 and used to be \$60,000

Board Q: Regarding liabilities between this year and last - both went down significantly - what accounts for the difference?

Board Q: If liabilities went down and equity went up, what is difference in net equity?

A: Equity is net worth, not your bottom line. It takes into account your liabilities as well.

Board Q: Marketing budget was lower and Newsletter was new item - could you explain?

A: We had budgeted zero for newsletter - were planning on not doing the Scoop. Then we decided bulk project didn't go so well and we didn't want to pull the Scoop the same year. We adjusted marketing so \$16,000 under budget to offset Scoop costs.

Maintenance and Repairs: We're not proud of that line. Hoping we've made some repairs that couldn't be capitalized but hopefully will last a long time. When we have coolers like the one just went down, it is a capital expense and won't show up in the line this year. We replace that aging equipment when we can.

Board Q: Staff training was significantly down from last year. Because of less turnover?

A: Part of it yes, and part trying to train in-store first. We tend to not send staff to trainings until we know they want to be here for a few years before we invest in that training. We have fresh new staff - hopefully we can spend that budget this year. We spent a lot of effort just trying to work and train in-store.

Our big message is after the second quarter when we realized we lost a lot of margin - we slowly clawed our way back to slightly positive. We hope to not make the same mistakes. Turnover is not helpful.

Brent Berns:

Highlights: we did full audit this year which involves physical inspection, third party confirmations, inquiry, more in-depth internal control vs. reviewing in other years with analytical review. We were pulling inventories, doing price testing to compare to what is in POS to compare to cost. It all came out close to what is in the system - there were no problems.

Board Q: What was the biggest change from normal reviews vs. full audit?

A: A few things. With audit, when do New Years inventory count, auditors were physically here. We take the items we selected from inventory observations, ask Deb to pull inventory for most purchased items, pull from POS to make sure balance sheet value is reasonable, and send out confirmations to bank and third parties to confirm large accounts payable balances, inquiries on how payrolls is done, etc. We do this every 3 years. Other years are reviews with account relation review and audit.

Board Q: Prior to 2010 what have we done?

A: Did one in 2008 or 2009 - someone came in and looked over- this keeps things on board.

Board Q: Is this what Hacker and Nelson recommends - full audit every 3 years - is it adequate?

A: There is no outside requirement, so up to the board. County or School District is required to have a yearly audit because they get federal money.

Board Q: With current change in Larry's position, would it be prudent for us to look at this again next year?

A: Lester says financial review is good first year. It is quite a bit of work for Larry's position to get everything in order for auditors and the cost difference is significant. Off-years are mid-level. The compilation is lowest level and plop numbers in. With Larry, everything is adjusted out pretty much already. With review still doing analytical review and inquiries - just not physically here doing inventory count or sending out for third party confirmations. We've done midrange service.

Board Q: if you were on the board - and possibly \$500,000 expansion - need an audit earlier?

A: In and of itself, not necessarily, but look at depreciation schedule in review more closely - pull invoice and make sure capitalizing more itself. Don't need to raise to an audit level; good with the review.

With new person coming into Larry's role, Board should keep eyes on this info and make sure there are appropriate separations, as recommended. Hacker & Nelson didn't see any red flags.

Board thanks Brent for his time and thanks to Larry for everything he's done for Co-op.

9. Action Items

9.1 2018 Staff Survey (Standard of Full, in-person)

GM proposed question to Board: In September, there is a report on staff treatment, wages, and benefits. Every other year, we hire CVS for this staff survey. It is electronic and no names are attached. They compile the info and if any area is below the benchmark, they go into that area further by blindly picking a few people to ask questions over the phone. The only time we've had things below benchmark was two years ago with wages. We used this information and corrected a lot of that last year by increasing wages.

This survey costs us \$3,000-\$4,000. CVS also offers a survey for \$5,000-6,000 that includes them coming on site and doing mandatory interviews with staff. We've never done this because it is expensive and we've never had major staff complaints or grievances.

GM says if there were major grievances, he'd recommend it, but there are not. Still, he'd like the board's opinion: should we stick with the data report, or go to the next level?

Board says given there are no red flags and there is increased happiness now, then no. If a changeover with a new GM happens, that may be a time to go to next level. Board recommends move forward with the regular staff survey.

10. New Business

10.1 Board Election Update

-Meet and Greet Date

-Election Communication

-Paper Ballots

March 12 will be a Board Candidate Meet and Greet in the cafe area, from 5:30-6:30. Nate is making cake.

There were emails sent out with ballot information. Anyone who needs to update their address can do so by emailing Nate at customerservice@oneotacoop.com. If people live within the 52101 zip code, they'll also receive the Scoop with ballot information.

People can also come in and use a ballot if they don't want to do it electronically. If both paper and electronic are used, electronic vote overrides. When we open a paper ballot, we check against online vote and if it exists, we disregard paper.

Furler will include an "I am this person" check box to dissuade people from using their spouses or anyone else's name. This security wasn't included last year, but always was on the paper ones.

According to policy, Board should have verified number of members in good standing and reviews the list in consultation with OCC staff at the January meeting, but it wasn't done. Board did it now. Purpose is to compare it to number of voters to number of members in good standing, although we would know number of electors they charge us for is correct number, the only discrepancy is if we have no email or snail mail for them. In this case, the member could exist without contact or could no longer be living and not updated.

We have 2,731 members in good standing as of the file we sent to Simply Voting on 2/16/2018. (There are another 2,000 members with equity but not in good standing. When we talk about our membership number, we use the bigger number. Includes people that have moved away, or don't care, or forgot. Probably not those that are coming in and shopping.) New members who join or pay after March 1 will increase that number.

Last year we changed so POS reminds people March 1 to update member payment, so we always remind people on that date instead of their co-op anniversary. We'll inform people at the register this year - if they need to pay, we'll prompt for those contact fields as well.

We will also get a poster up in the store with candidates.

10.2 Ad Hoc Committee

Motion: Neal moved and Stuart seconded to **Approve Creation of an Ad Hoc Committee for Financial Statements of the Renovation.** Motion **passed** with a vote of 7 aye, 0 nay.

An ad hoc committee will be created to give structure for the exploration of the expansion and remodel in financial terms. The current board doesn't have a lot of financial knowledge, so the ad hoc committee will be formed with a combination of three board members and three co-op member owners for a total of six people. Member owners will be chosen to be part of the

committee based on their expertise in financial matters. The committee will likely meet three times; an introduction, working meeting, and follow-up. The committee would discuss financial implications of an expansion or remodel, issue a report to the board, and the board would vote before committing to any project that includes a large financial decision. This vote would need to happen prior to approving a big loan. The committee would also converse with the GM.

Board has approached a few candidates that may be interested. Ideally, people on the committee will have a vested interest in the co-op and know financials.

Initial meeting for this committee would be this summer. The committee will have a hard number for the project, our cash situation, debt, etc., and will be able to weigh in knowing these numbers, then give a recommendation to the board.

Board will send a candidate list to Nelson.

11. Next Monitoring & Other

11.1 [G9: Treasurer's Role - Trout]

11.2 [G10: Secretary's Role - Beard]

11.3 [G7: Board President's Role - Nelson]

11.4 [G8: Vice President's Role - Hawthorn]

11.5 [E1: Ends]

11.6 [Annual meeting agenda - All]

12. Next Meeting - Tuesday, March 27, 2018 @ 5:30PM

14. Self-Evaluations - done via internet

15. Executive Session - none

16. Adjourn

Motion: Hawthorn moved and Beard seconded to **Adjourn Meeting**. Motion **passed** with a vote of 7 aye, 0 nay. Meeting adjourned.