

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

February 26, 2019 5:30 PM

Kitchen Classroom, 308 W. Water St.

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

Board Members Absent:

GM Present: David Lester

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

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

1. Call to Order

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

2. Board Learning -

Board will be using an online project management tool called Basecamp for the member loan campaign project. Within Basecamp, there are different boards for different committees. Each board has smaller groupings and can include tracking tasks, creating to-do lists, schedule events, assigning tasks and deadlines, sending messages and linking to Google Docs documents and files. It will give all involved access and help track the project. It's a great way to organize a project and receive updates according to the team you are on.

Those on the call team will also have binders with FAQs.

GM will keep board updated through Basecamp, transferring most info on Google Doc to basecamp, but will still keep basic important files on original Google Doc.

3. Member Comments - none

Board notes there have been no member comments throughout the process of deciding about and planning a remodel. Board feels this means we're doing a good job communicating with people.

4. Disposition of Member Comments - No member comments

5. Agenda Review

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

Amendment: Add Action Item to 9.1 Talk about Board & Staff Member Loans

6. Approve Minutes for January 2019

Motion: Hawthorn moved and Timm seconded to **Approve January 2019 Main Meeting Minutes.** Motion **passed** with a vote of 5 aye, 0 nay. Pottratz and Neal abstained due to January absence

7. Consent Agenda -

D: Global Governance - Management Connection

Motion: Cerbin-Bohach moved and Hawthorn seconded to **Approve Consent Agenda.** Motion **passed** with a vote of 7 aye, 0 nay.

8. Reports

8.1 GM Report

Financial Snapshot:

We had a sales loss in January. Largely, it was due to bad weather. We rarely close store - maybe 1-2 times in last nine years. However, we've closed early twice. We never make that money back. Bad weather is bad for business. Sales are down 4.24% for January. We tried to adjust labor, but still have trucks coming in and still have to staff the store.

At the end of 2019, we were at 29% fully loaded labor. We wanted it to be 24.4%.

Community/Outreach/Other Store Happenings:

We had a good staff meeting talking about the project timeline and how it will affect work schedules, including actual days we'll be closed. We will be closed 2nd, 3rd, and 4th of April. This will be communicated to everyone. That is when new doors will get put on. We'll move in large equipment and put new doors on - it will be a major disruption of the store.

We used to send out weekly financials just to key players. Now all staff get it with project updates and lots of information. Staff really appreciate seeing all of that information.

Physical Store Update:

Wellness, books, and gift department is really shrinking - we will still have basics that sell really well - but not clothing, bracelets, etc. like we've had before. We may do a pop-up holiday store in the kitchen area.

We had to hire Wadsworth crew to shovel roof in preparation for coming Saturday's wet snow. The solar panels are weighed with cinder blocks on roof - we have to keep snow down or weight of it would be catastrophic.

Marketing/Special Projects:

Our budget was last \$520,000 and it is now \$580,000. It is now a hard number. Equipment is at \$368,451, which includes a new refrigeration system and all other equipment. When trying to get bids, we used the best information we had and consulted with NCG because they've been involved in so many similar projects, but the projections weren't always completely accurate.

One big cost change is lighting. After consulting with those who have done this project, they say lighting is pretty poor in our store. If we're putting a lot of equipment in there and things still look bad on the shelf, what is the point? We decided to get track lighting instead. Dropping the light would only put it in the center with one aisle, which would give bad shadows. We did a lot of work researching light temperature and lumens - we want different bulbs for different product - we don't want meat to have blue light, for example. We can swap out bulbs for the correct temperatures.

We will file rebates for lighting. We just submitted a custom rebate for refrigeration. That will send someone to our store - we should come back with some money.

Rack installation is now scheduled for mid-late March. It will happen at same time as Finholt is working in the Deli. We budgeted for the Deli to be closed two weeks and the entire store closed two days.

8.2 L5: Financial Conditions (Q4 2018 and Financial Review results)

Motion: Neal moved and Hawthorn seconded to **Approve L5 Financial Conditions**. Agenda **passed** by a vote of 7 aye, 0 nay.

2018 sales started off well at +3.45 Q1, then 0% Q2, -.78% Q3, -.64% Q4. We sold a lot of nutritional supplements, driven by CBD oil, giving us an 11.3% increase.

We have reports that use data from all grocery stores to show us trends in the market - what is being purchased across grocery stores - our buyers pay attention to this and it helps.

8 of our 13 sub-departments showed positive growth.

It was a very challenging year, especially in maintenance and repairs. Without maintenance and repairs, we would have hit our net income goal. We did what we had to do in order to create positive income, including delaying bonus payments from end of year and adding them to 2019. We'll see how this quarter goes. Moving forward, payment time will now be after the quarter ends. We felt it was important to do something - we communicated to the staff time so they could prepare for it. We used to have HSAs, but then with ACA we couldn't do that, so we do bonuses. Bonuses have gone down since 3-4 years ago because store performance has gone down. Salaries have gone up and will likely need to go up more if there is competition in market. A majority of our staff have a health plan elsewhere. We asked staff the question: do you want us to offer a bad health care plan that would cost a lot of money, or do you want to keep the bonus program? They say keep the bonus program. We built it into the budget and budget was approved.

Ratios are going up because we had a profitable quarter. It is unknown what it will look like after second quarter because there are unknowns in the project. Once the project is done, we will go up to benchmark.

Debt to equity is really low right now, but it won't be next month. - will see it at about 1.25 after we take on the debt. It won't go up considerably and still way under. We have a good debt load and are in a good position to take on more.

We had a financial review at the end of the year. We received a compiled a report stating there is nothing alarming or substantial that needs to be changed. As they do every year, it was noted to have more separation of duties, but we are a small Co-op and there is no way for us to do that financially. The reviewers know that. Based on their review, there are no material modification that need to be made according to accepted accounting principles.

We may do a full review this year because of the remodel, but normally that wouldn't be scheduled for another year.

8.3 L9: GM Succession

Motion: Hawthorn moved and Neal seconded to **Approve L9 GM Succession.**
Agenda **passed** by a vote of 7 aye, 0 nay.

This report is intended to give board piece of mind that GM is doing his job to make sure other people can do his job if he's not here. We have a primary and secondary person in line. Both successors have great managerial experience and have been involved in meetings. They also do a survey of 23 questions asking important questions like can they find things that the GM does and do they know where everything is? There were two questions that were 3 of 5 points, but we reported full compliance because those questions were easy to remedy - they were both related to backup on GMs computer and they were taken care of.

9. Action Items

9.1 Remodel Group Updates

-Communications & Marketing

Letters went out last week to about 40-50 prior lenders.

General letters were stuffed and addressed on Sunday - we will finish stuffing and stamping now and will go out at the end of the day - there are about 500 of them.

We're working on website pages to have them up and running by March 1. One page is a FAQ, one about the general remodel, one about member loans. Anything in store will just be an update. We can only talk to members in good standing about member loan campaign. There will be e-newsletters only for members in good standing. Same group will get emails once a week or more - over communication is the big thing in a campaign like this. The emails will be set up and ready to go

There will be call nights.

Disclosure document is finished and uploaded to Google Docs and Basecamp. Letters are on there as well.

-Member Loan Campaign

State of Iowa approved our member loan campaign a week ago. Now we have the documents and can solicit. Anyone interested in making member loan will get one of these. They can pick it up in the store - it describes the offer and has information about the project. Back page is the member loan document itself. Member will fill it out and include check, and we will keep a copy and electronic record of it.

We're off to a great start. The big question people are asking is, "Are you concerned about competition coming in?" Yes, we are. It will change our pro forma, but we've been planning on this for 6 years. We've had a Hy-Vee situation contingency plan for years and we'll adjust so we can still maintain the net income our pro forma told us to have. People are excited to support the Co-op. We'll still be the second biggest retailer downtown. People who are really supporting the Co-op may feel even more drawn to support the Co-op.

All loans are a 6-year term. Co-op has a right to pay early. In first member loan campaign, we paid them off early - we saw great sales growth and decided to do that so we didn't continued interest. Otherwise, we'll accumulate payoff from day one. \$200/day is what we're doing now - it will bump up to \$450/day once project is done.

We're anticipating sales growth - 1% first year then 5.6%, then 3% after that. Hy-Vee might bring a 15-20% loss in the first year, but we're a strong Co-op. We know we have to adjust expenses due to competition.

-Project Ops

We are going to begin caller training on Friday. We'll have an online meeting with the CDS consultant on Friday and Monday. GM will call those who have loaned large amounts in the last campaign and others he feels will benefit from a personal contact. Board will call others and others will receive a letter. All materials are organized and ready to go.

-Board Member Commitments: Before we start the member campaign process, we need a dollar amount inclusive of Board and staff. A good talking point for callers is to say, "We've already got \$XXX from current and past Board and staff" - it is a really important to be able to say this. In order to be a part of it, each person has to give the \$1,000 minimum. Board and staff are all invited to be a part of it. A current Board member will loan \$10,000, if the Board and staff together will match it with pre-commitments. Interest payments start from the day the pre-commitment is turned in.

9.2 Articles

After some research, we learned that don't need to change articles yet. Our articles say we can only sell 7,500 shares. We have about 5,200 now, so we are still 2,000 memberships away, which gives us some time. With everything else going on, we'll hold off coordinating a vote to change articles. The Board President will compile something for next year's Board to look at.

10. New Business

10.1 Nomination/Election progress report

Candidate Meet and Greet is set for March 7, 5:30-6:30pm. Simply Voting is on track.

11. Next Monitoring & Other

Annual Business Meeting

11.1 [G9: Treasurer's Role - Neal]

11.2 [G10: Secretary's Role - Cerbin-Bohach]

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

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

11.5 [E1: Ends - GM may table]

12. Next Meetings - March 26, 2019 @ 5:30PM

13. Executive Session -

Motion: Viniard-Weideman moved and Pottratz seconded to **Enter to Executive Session**. Motion **passed** with a vote of 7 aye, 0 nay.

14. Self-Evaluations - done via internet

15. Adjourn

Motion: Viniard-Weideman moved and Hawthorn seconded to **Adjourn Regular Meeting**. Motion **passed** with a vote of 7 aye, 0 nay. Meeting adjourned at 8:04 p.m.