

Oneota Community Co-op
Minutes for Regular Board Meeting

May 14, 2018 6:00 PM

Kitchen Classroom, 308 W. Water St.

Board Members Present: Brita Nelson, Emily Neal, Flannery Cerbin-Bohach, Scott Hawthorn, Scott Timm, Aimee Viniard-Weideman arrived 6:15

Board Members Absent: Dennis Pottratz, Aimee Viniard-Weideman arrived 6:15

GM Present: David Lester

Co-op Staff : Nate Furler

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

1. Call to Order

Nelson called the meeting to order at 6:09 p.m.

2. Board Learning - Debrief of Lester's Madison Trip

Lester went to Madison to meet Michelle Schry. Michelle used to be GM of People's in La Crosse. In 2008, when we opened our new location, she came in and helped us stabilize things. She put in systems that needed to be in place to stabilize the Co-op financially and get it ready for the next GM. At that point, she was GM of two different stores (our's and La Crosse). She has always had a special place in her heart for our store. She's now NCG Central Corridor Development Manager. If a store needs a reset, she calls the team in to do that. She deals with stores who are struggling financially, or if there is a bad Board-GM relationship, for example. Lester met her at a Spring meeting, and she told him she wanted to talk to him about our project. She said she loves our store, thinks our marketing and signage are great, and we're really good grocers, but it would be great for Lester to come to Madison and spend 2 days with her to figure out how to reduce labor and talk about our project.

Our feasibility study came in at \$600,000 with expansion of seating and keeping the kitchen classroom as is. She feels those results are not accurate and wouldn't result in enough sales growth to cover the costs of the project. She feels strongly that if we do an expansion, it should be 100% retail space. With the proposal that came through, we had 0% retail

floor space expanding, only extra seating, deli, and office space, none of which would bring in any money. So Lester and Schry spent a day going over financials and at the end of the day, decided to keep the building as is and focus on refreshing and remodeling the current store. This would include lowering sight lines to see the deli, enhancing branding and signage to be more up-to-date, increasing products in produce, café, deli, and meat department. These are things our customers and members have told us they want in our surveys. The comments we've heard are that we want more fresh and we want more meat options. We lose customers to Fareway for fresh meat options and Fareway keeps increasing their organic and local, so if people go there to buy meat, they often decide to pick up some other grocery items when they are there. That accounts for the 200-300 customers we've lost.

Michelle says time is of the essence. If we wait too long, competitors will do a refresh and the co-op does one a few months later, then the sales bump won't be close to what is otherwise expected.

Board Question - We assume the people we hired who came up with the \$600,000 proposal are as good and smart as Michelle. Why do you feel what she is saying is more true and better? And aren't they from the same organization?

A: The NCG Development Cooperative is an arm of the NCG but has its own staff and board of directors. The team consists of one finance person, one architect, and two liaison business people. They are looking to get jobs to help co-ops expand their businesses. They do expansions and second stores. They present an affordable way to get services to help co-ops expand businesses. There has been a bit of a turnover - architect is new, and some have retired. We've interacted with him a couple of times and had him redraw because his proposals weren't what we had conveyed.

Michelle comes from an operator's perspective. She was a GM, understands that we can't take on a project we can't afford, and is more connected with a GM's perspective on this.

There have been a couple of instances - Viroqua, for example, is up to \$8 million on what was supposed to be \$3 million project. We are worried that

we could go over budget, we don't have cash the flow for \$100,000 project. Michelle knows we have a loyal, dedicated membership. We raised \$300,000 in 2008 from members; \$50,000 from one family. She thinks at \$300,000, we can easily fund a project from a member loan campaign. It involves our membership, they become invested, and they want to see it succeed so they get their money back. We pay everything back on time, sometimes early with those loans. We wouldn't have to pay it back for 4-5 years - we have a few years to start saving to start repay those back. Pay back time has ranged from 4-8 years.

Board Question: Where do we get the space for additional meat, etc. - are we giving some things up?

A: Data tells us where we need to expand and shrink. Our center store with packaged grocery needs to shrink a bit, wellness will lose some space. Other departments are growing and that is the trend - more towards fresh product. That is what we've been expanding. Also, we have really wide aisles. 4.5 feet are pretty common. Ours are 5.5 feet. we have plenty of room in the current store to grow. Our sales per square footage is low now.

Board Question: As we add the online shopping option, Wellness can now be ordered online as opposed to in the store, even if they are the only person who purchases something once a year, correct?

A: On those items that one person buys once a year - if you are a member, you'll get a special discount if you special order - and the manager/buyer gets a reminder that it is time to reorder, and then calls people who get these things regularly.

We will also have a Customer Service Desk - the registers will push back into the store more, giving them room. We're moving forward with online pickups. Nate and Theresa are working hard on getting the right platform for that. If you've been into Macey's or Panera bread, you've seen you can order from your home phone or office and there is a rack with your name on a bag of groceries when you walk into the store to pick them up. These would mostly be single orders. We've talked about special orders, but this also pulls in the individual orders. This wasn't what our direct feedback from the survey, but we feel we need to do both somehow.

On Michelle's side of NCG, there are 3 people in grocery that can help us reset things and 2-3 in deli used to create new programs and systems. There are many talented individuals there. It will be a good and inexpensive way to get a refresh and meet our customers' needs. \$300,000 is presumed for a refresh instead of an expansion.

There is a new Cooperative Grocer publication Lester recommended the board read. This month is on remodels and expansions, a great article on navigating the remodel process including discussions on the questions: what is the role of GM, Board of Directors, who who are the industry professionals involved, how do we use marketing to succeed and make cooperative development real? There are a lot of steps to make it happen. As one of first steps, Furler and Lester will go to NCG office to meet with the person who puts plans together. Michelle would be there, we would revamp the plan and come up with something with a solid number.

Board Question: Are you not interested in increasing retail space?

A: Michelle says if you don't go big, don't do it. We want to do this now and increase sales by 8-10% with a refresh. Then we could pursue the yoga studio building. That way, we would have those two buildings which would double the space that we have.

We currently have a rental that almost offsets our mortgage. This is a really fiscally responsible plan that meets our strategic plan, ends, and mission.

We could acquire another space in the future, blow the walls out, and expand. That would be the big remodel and would happen down the road.

Board Question: Is the yoga building big enough to make a difference?

A: Our building is 1500 square feet and that one is 1500 square feet as well.

Board Question: So you'll see them in June - will you have something to Board by June board meeting?

A: - David and Nate are travelling to St. Paul to meet with the NCG development staff to develop a plan for a remodel. The NCG development staff will be taking over our project from the Development Cooperative and this project will be much less in scale. We hope to have a new floorplan for this project by the end of June, have a deli equipment list solidified by July 4 and begin a member loan campaign by Sept. 1.

Board can help with this - especially the membership committee - to bring to membership along. It will happen soon, but will not be too much.

This is part of our current strategic plan, which is not fully achieved yet. It is a big component and is pretty exciting. We were a smaller co-op 10 years ago - we've grown considerably - and it is always a fight to not be the one catching up. That was Furler's biggest concern personally and professionally - that if we wait until we're ready for a \$600,000 expansion, we'll miss out because Fareway and Walmart will adapt first and they have deep pockets.

We ask ourselves, "What if we have a negative sales growth 3%? Or, what if Hy-vee moves to town and we have -15% sales growth? We look at these worst-case scenarios. We want to stay ahead of the game. We're tired of others saying they are local and support the local community. We do "local" the best and we want to continue to do it best.

Board Question: Is there an indication of how many years before we are viable for a larger expansion, after a refresh?

A: Probably 6-8 years. Michelle recommends at that point we own the whole block - we want to really blow walls out and open it up.

The other thing is, we're at point where we have a great opportunity to have an advantage and if we don't do it now, we will have a huge disadvantage. If it was going to cost a million dollars, that would be different, but we can raise \$300,000. That way, if a Hy-Vee came to town or Walmart or Fareway expanded, we'd already be ahead.

Plus, we're getting our deli up and running and our new deli manager is amazing, so watch out.

We want to be able to create ready-to-take-home meals so people can call in a half-baked lasagna and bread, and come and pick it up, and go. We could be doing some of that now, but it needs to be planned out well.

The article in Cooperative Grocer says the board of directors' role in a typical remodel is limited, but important: to give the green light for a project and concept, to get update, cheerlead, and help out with a member campaign.

Lester and Furler will be going up the first week of June and bringing back real numbers. Michelle had good suggestions on labor and inventory that could free up cash as well. We're looking to free up \$25,000 in inventory.

Board Question: Could you explain the chances of a store like Hy-Vee coming into Decorah? And what if it does and Menards does as well, and then were looking at -25% before we've had a chance to get ahead?

A: There have been rumors in the past, but we think the possibility is slim. We always watch to see how Quillins is doing. That is where HyVee would move in. HyVee's growth plan isn't in small towns. It is in towns the size of Ankeny and bigger metro areas, like downtown Des Moines. And they are amazing; building 20-40,000 square foot stores.

Board Question: What if Decorah increases in size as a medical tourism destination because of Mayo?

A: We've planned for all of that. If we have to decrease staff 25%...

Board Question: How many years are we looking at before the big jump - 3, 6, 9?

A: I really trust Michelle and her knowledge. I will ask her. Our store location is key. It is really strategic. If HyVee moved in, we may drop to \$6 million instead of \$9, but we're still downtown Decorah and beer tourism isn't going away. It wouldn't be fun, but...

If we switched and weren't doing the seating area but actual usable retail space, would jump from \$6 to \$800,000.

NCG is piloting the Coralville store as its “store of the future.” The store is tanking and NCG is going to make it very “techy.” When we’re ready to do something like that, we can use some of those models.

The HyVee in Fairfield also had a health food store with similar supply lines as Whole Foods. HyVee dumped their old store and built a new one - a giant facility, making lots of money and health food also saw increase. So with more health food stores, there is more competition, but also more awareness to organic and local.

We lose customers to Fareway because we don’t have what Fareway has. The old model was to have what others didn’t have. Our Wellness Department has done well - we’re beating a lot of stores. I think it is our knowledgeable staff - Gretchen and Carrie really know their stuff. It is easy to order that stuff online, but people come in to ask questions, etc.

We have knowledgeable staff, focus on local and organic. That is what we do best.

Board says it sounds like sound advice from Michelle. Lester will email updates to the board.

3. Member Comments - none

4. Disposition of Member Comments - No member comments

5. Agenda Review

Motion: Neal moved and Hawthorn seconded to **Approve Amended Agenda**. Agenda **passed** by a vote of 6 aye, 0 nay.
Amendment: table 8.2 Global Governance

6. Approve Minutes for April 2018

Motion: Neal moved and Hawthorn seconded to **Approve April 2018 Main Meeting Minutes**. Motion **passed** with a vote of 6 aye, 0 nay.

7. Consent Agenda

7.1 L10 Board Logistical Support

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

8. Reports

8.1 GM Report

Financial Snapshot:

Sales in March were up because Easter was in March as opposed to April. So we knew April would be down because of that, but we also had 3 bad, compromising storms in April. So April and March offset each other.

We're up to 72 new members for the year, which is a little behind schedule, but not too bad.

Almost all departments are seeing sales growth except Wine & Beer and Cafe. Cafe is getting fixed and will come up dramatically when new menus get launched around July 1. She's working on systems - each position has a duties list, such as making sure grab-and-go gets full at certain time and stays full. We know it has dragged the whole team down. Our biggest department is seeing 7.6%, but that one department (deli) has been bringing it all down. It is great now that someone talented will be leading it. Wine and beer is more difficult - beer sales really shifted to breweries - people come to Decorah for Toppling and Pulpit - Pulpit more recently - it has been getting a lot of good reviews. They are buying the beer there. Maybe our mix deal needs to be more wine-heavy. Our high end wines are also taking a hit from new liquor store. We've reduced them - you won't see very many bottles over \$25 now; mostly in the \$10-16 range now. We're chilling more wines to-go, which is good. We weren't doing that much before. We're trying to find that magic mix between wine and beer.

We're reducing labor, not quite enough, but we're almost there. We reduced actual labor hours from last year, but jobs are worth more than before because we invested in wages. We're working on reducing and getting more efficient.

Community/Outreach/Other Store Happenings:

The big news at NCG is CEO Robin Schroeder, who has been there since mid-90s, left suddenly. It is probably time for new leadership. Interim CEO is really good. He's been their Development Director for years. It is a big

position - he lobbies in Washington with big name organic food companies - he is working on lobbying and working on laws to favor more organics. It be interesting to see who we get as the new CEO.

Our Co-op Explorers program for kids has started. We have a space with a display of fruit, a co-op kids passport, wne activity books. Family members with kids up to age 6 or 7 can walk around the store and mark things off as they see them. It has fun suggestions on how to eat more fruit and veggies. Kids also get a free piece of fruit each time come in store - we can write that off.

Our new Finance Manager starts Monday - we're excited about that hire. She is commuting from Spring Grove. She's been at Stanley, which is the old Camcar. She's pretty talented. We're excited have her join us.

Strategic Focus: we did it a little differently than our first Strategic Plan where we had 3-5 things to do and we completed it too fast. That was either a bad strategic plan or we're really awesome. It was a lot of energy to get it done and we did. The latest one is big, with many points to it. This report gives an update on each point.

Physical Store Update:

Expanding to a new building (or refreshing our space) is going to happen this year. This was part of our strategic focus.

The staff have been really good at implementing things. We talk about our strategic plan often.

Marketing/Special Projects:

Retail and marketing the first focus of our strategic focus. We're $\frac{2}{3}$ of the way there.

Employee relationship was second.

Membership was also on the list.

8.2 Global Governance Commitment

Tabled

8.3 L Global Executive Constraint

Motion: Neal moved and Cerbin-Bohach seconded to **Approve L Global Executive Constraint**. Motion **passed** with a vote of 6 aye, 0 nay.

These are typically in Consent Agenda. It is basically listing what has happened in past year in all policies GM reports on, stating if reported compliance, and if not, what has been done to follow up. The good news is GM reports mostly compliant. It reports on things like: Has the health inspector been here? Are we doing things legally? Are we compliant in accounting? etc. We have good policies that were put together in 2007-8. They are pretty thorough.

8.4 G4 Board Code of Conduct

Motion: Neal moved and Hawthorn seconded to **Approve Board Code of Conduct**. Motion **passed** with a vote of 6 aye, 0 nay.

9. Action Items

9.1 Purchase of plants for staff? (\$6 each in past)

Motion: Neal moved and Cerbin-Bohach seconded to **Approve purchase of plants for Co-op staff**. Motion **passed** with a vote of 6 aye, 0 nay.

Every year in this time period, Board has approved a card saying each staff person can have 2 plants from the co-op plant sale. We've talked about it in April typically, but forgot. If we want to still do it, it comes out of the board budget, which we've never exhausted. It is a nice way to say we appreciate the staff. Typically, Nate has cards and it ends up being about \$300.

10. New Business

10.1 Election Policy Revision - Handling of historical electronic voting records

Motion: Hawthorn moved and Cerbin-Bohach seconded to **Approve Revision to Board Election Procedure**. Motion **passed** with a vote of 6 aye, 0 nay.

Hawthorn and Nelson inserted language specific to online election. Instead of online election will be deleted, language says it will be archived, then turned back on this next time the next year. Language was added about how we access the information, indicating that the only way that info

would be accessed would be approved by board. We want to prevent board members or others viewing what way individuals voted.

10.2 CDS Board Contract Potential

Before Nelson started on board in 2013, the board had a contract with Cooperative Development Services. They have a team of 25-30 consultants throughout country. We hired them for 2010-12 and used them as consultants. At the time we had the full package, meaning 2-3 insight consultants and a monthly check-in with Board President and GM. At that point, we were struggling with board members grasping what Policy Governance is and how it is structured, including how it defines our roles and how to use it to our advantage. One thing that was nice was they did training for new board members at the beginning of each year. Most of them were talented individuals. We got to the point where board president said it is costing us \$6-7000 a year and we want to spend that money on a Strategic Plan instead. It was fine and seemed like the right thing to do at the time. There is a range of services if board wants someone to come in once and talk about a specific topic, or could do trainings by phone... there is a range of things they offer. Lester thinks it is a good idea with a board that turns over often. We're pretty organized, but if board can grasp policy governance quickly, that is good. We need to be judicious and good stewards of money, but given the turnover of Board and how it relates to the institutional knowledge of Ends and Policy Governance, it might be a good time to rebuild that expertise within the board.

Board asked for a cost benefit analysis. Says yes, it would be awesome, but how much is it and is it worth it?

There are options for board members to travel to workshops or for board to bring someone here for training. Bringing someone here would be "more bang for the buck" but would lose the dynamic of conversations with other people. It would, however, provide a good foundation for learning policy governance and metrics; how to understand financial pieces.

Board Question: How much did new Strategic Plan leadership cost?

A: \$3000

Board says as we're looking at an expansion/reset/transition we want to balance that and hiring someone for outside consulting.

Nelson will get more information including a menu of options and will email board with more specific numbers.

It would be good to further discuss idea of a community foundation and discuss where our skills will make the most impact.

11. Next Monitoring & Other

11.1 [D1: Unity of Control - Nelson]

11.2 [G1: Governing Style - Cerbin-Bohach]

11.3 [L1: Customer Treatment - GM]

11.4 [L4: Membership - GM]

11.5 [Global Governance Commitment - Neal]

12. Next Meeting - Tuesday, June 26, 2018 @ 5:30PM

13. Self-Evaluations - done via internet

14. Executive Session - none

15. Adjourn

Motion: Neal moved and Timm seconded to **Adjourn Meeting**. Motion **passed** with a vote of 6 aye, 0 nay. Meeting adjourned at 7:31 p.m.