

Oneota Community Co-op
Minutes for Regular Board Meeting

November 20, 2018 5:30 PM

Kitchen Classroom, 308 W. Water St.

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

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:

1. Call to Order

Nelson called the meeting to order at 5:43 p.m.

2. Board Learning - Executive Summary on Remodel Project

Neal, Hawthorn, Timm, Nelson, Sanness, and Lester met to put a document together that includes potential recommended motions for this meeting, if Board feels so moved. The group presented and discussed the document, summarized below:

- The tunnel portion the project has a quote for \$120,000 and promises to have a 3-4 year payback.
- The refresh portion of the project is quoted at \$370,000 and includes equipment and professional services. This does not include the cost of a consultant.

Board discussed what will need to happen in December 1.) determine a project contractor 2.) hire a member loan consultant, 3.) Board will begin work on the member loan campaign, and 4.) Board will evaluate a member loan coordinator/campaign manager option as well.

Timeline: Determined that Feb. 1 start date for member loan campaign and starting the project that the initial proposed starting date of Jan. 1. The tunnel project can begin in February and the store remodel can begin later in February. April and May will see the project finalized.

Potential financing recommendations: Coop can borrow what we need now from traditional bank loan, use as needed, and offset with member loan campaign. This allows project to start before finalizing member loan campaign. This makes most sense, because the Coop's busiest time of year (summer) would otherwise overlap with the project.

Lester says banks are competing against each other to get best rate. Historically, Decorah Bank & Trust has been really good to us. They gave us a \$60,000 line of credit before and just upped it to \$100,000. They match our fundraising when we raise money for the food bank, etc. We're really happy they were able to give us a lower rate. With the relationship we have with them, a

slightly higher amount is not a big deal. Viking was a mortgage, so it would include appraisal fees, etc., so it isn't actually lower. Viking did not offer the line of credit that we were discussing during process. Decorah Bank & Trust offered a short-term loan. For member loans, if we didn't pay them off until the end of 7 years, member loans would be lowest the rate at 3.4%. In a follow up meeting, Decorah Bank & Trust offered a more competitive interest rate.

Also, Lester will check to see if Alliant lighting rebates will be available in 2019. If they are, we could save 20%.

Committee proposed the Board make the following motions:

Proposed Motion: In order to do this and not run into construction in summer, recommends motion to let give Lester the ability to move forward with securing bank financing up to \$520,000. This amount will be essentially an equity loan. Coop will only use what we need, when we need it.

Proposed Motion: Move that we move forward with a member loan campaign to cover at least 50% of the total project cost (\$250,000).

Proposed Motion: Move that Board hire consultant Ben Sandal, based on proposal submitted, \$7,000, and authorize Lester to sign the contract. Lester would help write, edit communications, will be on the ball with daily interactions with project coordinator and key Coop staff as project moves forward. Sandel would sign on for a campaign - not for a number of hours- any questions we have at any time, he's on it. He said the legal piece takes the most time, as well as the pro forma. We have both of those. He said we need three solid weeks to get the rest ready and done. That means we have more than enough time if we are starting Feb 1 with the member loan campaign.

Lester had legal review for the member loan legal document, to make sure it is something we can use. Also, he asked about member loans outside of state of Iowa because every state has different laws about cooperative business. We should not ask for money from anyone outside of Iowa as there would be fees to figure out how to do this legally. Lawyer suggested adding language that "promissory note is not guaranteed by US Government and may lose value" so people understand this is a higher risk loan... if the Coop fails in the next seven years, they may not get that money back.

If Board makes these motions and approves them, GM would move forward and update board as project moves forward. See **9.1 Remodel Project Financing for approved motions**.

3. Member Comments - none

4. Disposition of Member Comments - No member comments

5. Agenda Review

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

6. Approve Minutes for October 2018

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

7. Consent Agenda - none

8. Reports

8.1 GM Report

Financial Snapshot:

Sales are looking better. We had a pretty good October; it was almost flat. November has been very good. We're at +2/3%. We haven't seen that since the first part of the year. This quarter is looking good. October expenses were also looking better. Maintenance was good until this past Saturday. We're confident the last quarter will be at budget - it is supposed to be a positive quarter for us. Cash has gone up \$8,000 compared to last year.

This has been the fewest members we've brought in since opening this location. However, lately, our goals for each month have been 6-7 new members and we've been bringing in 15-20, so we'll turn the corner next year.

Top five departments still includes: 1.) Nutritional Supplements - CBD oil is huge - it went up 30%! We're number five in central corridor for CBD sales. That popularity is starting to spill over into other nutritional supplements and body care items. 2.) Meat and Fish are up. 3.) Packaged grocery is number 3 at over 6% for the year.

Wine & Beer + Deli are still the lowest areas. We did \$5,000 in sales with a Thanksgiving catering menu.

Total labor compared to budget: we're saving 5.1%. Some of that is due to smaller bonuses. Smaller bonuses happened because we weren't bringing in the sales. Labor got high as a percentage of sales in 2017. We were at 29%. Now we're at 27%. Ideally, we want to be at 24%. We're moving in that direction.

Central corridor had 1.2% growth, which made it the lowest corridor. We're lower than that.

Community/Outreach/Other Store Happenings:

The Iowa Food Hub is seeking potential investors or grant money to continue. Food hub was key to getting local food into schools in the northeast Iowa area. We're trying to brainstorm and help them with next steps. They are considering selling everything. Ideally, they'd like to find a private investor to invest \$40,000 to continue.

Physical Store Update:

We had a perfect storm with freezers including a leak of refrigerant and the alarms not alerting us. At 9am when we checked the temp, we noticed it was at 60 degrees and product unthawed. We lost \$5,000 in produce. We sold the remaining at a discount, which put "frozen" sales up 108%. The repair cost about \$2,000. We've started an insurance claim. We're looking forward to having a new system that won't have an issue if there is a leak because other lines will fill it. The only thing that could cause this kind of loss in a new system is if the power went out for many, many hours.

Marketing/Special Projects:

We had a great staff meeting that included cooperative business training and updating staff on the refresh project, letting them know this meeting was the potential vote.

8.2 D4: Monitoring GM Performance

Motion: Hawthorn moved and Pottratz seconded to **Approve D4: Monitoring GM Performance** Motion **passed** with a vote of 7 aye, 0 nay.

8.3 L7: Asset Protection

Motion: Cerbin-Bohach moved and Timm seconded to **Approve L7: Asset Protection**. Motion **passed** with a vote of 7 aye, 0 nay.

This report is a checklist, showing how the Coop is safeguarding assets. It includes report on worker comp claims, PCI compliance, and insurance amounts. We had to use our spoilage insurance for the first time recently. We are insured for up to \$50,000 in spoilage, \$876,000 for contents, the building is insured for \$750,000-800,000. The insurance will change with the new construction.

Board thanks Lester for report and says it is comforting to know everything is taken care of.

9. Action Items

9.1 Remodel Project Financing

-Bank Loan

-Member Loan Campaign

This vote will be the official vote, letting Lester know if Coop can move forward with the expansion project.

Motion: Neal moved and Timm seconded to **give David ability to move forward with securing bank financing up to \$520,000**. Motion **passed** with a vote of 7 aye, 0 nay.

Lester is very excited for this opportunity to refresh the store, get more efficient equipment, and be even more of a leader in our community that we already are. He noted Quillins going out of

business and is glad we are not in the same situation. He says this is an opportunity to gain more customers.

Motion: Timm moved and Hawthorn seconded to **move forward with a member loan campaign to cover at least 50% of the total project cost.**

Amended motion: Timm motioned to **move forward with member loan campaign to cover costs associated with project.** Hawthorn seconded amendment. Motion **passed** with a vote of 7 aye, 0 nay.

Motion: Cerbin-Bohach moved and Hawthorn seconded to **hire consultant Ben Sandal, based on proposal submitted for \$7,000, and authorize GM to sign the consultant contract.** Motion **passed** with a vote of 7 aye, 0 nay.

Consultant will help write and edit communications, will be on-the-ball, having daily interactions with the project coordinator and key Coop staff as the project moves forward. He signs on for a campaign - not for a number of hours - and can answer any questions we have at any time. He said the legal piece takes the most time, as well as the pro forma. We already have both of those. He said we need three solid weeks to get the rest ready and done. That means we have more than enough time if we are starting a Feb 1 member loan campaign.

9.2 Member Loan Campaign Consultant

Timm will work closely with Consultant to understand details of the project and roles for Board members, as well as a timeline for the project.

10. New Business

10.1 Project Timeline Facilitation Meeting - Confirm Date

10.2 Nominations progress report

Committee met, but has more work to do. There are currently three people considering running for the board.

10.3 Treasurer Draft 2019 Board Budget

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

Treasurer, Neal asked for clarification on Board budget. After paying Board Admin Assistant and holiday staff gifts, there is \$1,600 left in budget for 2018. That can be used as a down payment for a consultant. May need to increase Board budget for 2019 to include full cost of consultant and other costs associated with a member loan campaign. Timm will reach out to the consultant to negotiate the contract and ask about additional expenditures.

Neal will bring these numbers to Board via email and Board will vote for 2019 budget via email.

10.4 Staff Holiday Cards - Chamber Dollar Suggestion

Motion: Neal moved and Hawthorn seconded that **Board will purchase holiday cards and \$25 in chamber dollars per Co-op staff member, for a total of \$1,275.** Motion **passed** with a vote of 7 aye, 0 nay.

Using chamber dollars will avoid tax issues. Board members will hand write notes of appreciation and give to Lester and Furler. Cards will go out with the December 10th payroll, which is the payroll previous to Christmas.

11. Next Monitoring & Other - none

12. Next Meetings -

December 18, 2018 @ 5:30PM

13. Executive Session

- **Approve notes from last month**
- **GM Contract - Review**

Motion: Timm moved and Cerbin-Bohach seconded to **Adjourn to Executive Session.** Motion **passed** with a vote of 7 aye, 0 nay. Meeting adjourned to Executive Session at 7:13 p.m.

14. Self-Evaluations - done via internet

15. Adjourn

Motion: Timm moved and Hawthorn seconded to **Adjourn Meeting.** Motion **passed** with a vote of 6 aye, 0 nay. Meeting adjourned at 8:15 p.m.