

Oneota Community Co-op
Minutes for Regular Board Meeting

October 23, 2018 5:30 PM

Kitchen Classroom, 308 W. Water St.

Board Members Present: Brita Nelson, Flannery Cerbin-Bohach, Scott Hawthorn, Dennis Pottratz, Scott Time, Viniard Weideman arrived at 5:35 p.m., Emily Neal left 6:30 p.m.

Board Members Absent: Emily Neal left 6:30 p.m.

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 5:30 p.m.

2. Board Learning -

Lester and Furler presented the latest revised layout of the remodel proposal and talked through the revisions.

Possible revisions include:

- A front end with a telescoped door with the biggest possible opening for more room.
- Seating area could change depending on contractor. Seating will increase slightly, but not a lot.
- The layout is a better use of equipment and labor. For example, there will be a faucet in the dish return area so staff doesn't have to take time to fill and refill the water crock.
- There will be four u-shaped checkout belts, including an express lane.
- Sight lines will be low so customers can see straight to the deli.
- There will be a hot bar and salad bar and an island with hot sop wells, utensils, containers, etc. The island will be most expensive piece of equipment.
- We're placing equipment where we already have equipment now so we don't have to chisel into the floor.
- We've removed our espresso machine for now and will replace it with a full-service, customer-driven espresso machine. Customers will put beans in the hopper, grind the beans, and pick their option of espresso or latte. There will be a water line going into it. It will be quick.
- Sandwich prep is currently behind deli now, making it so that employees backs are to the customer. We'll flip this so they are facing the customer. This will help the area run efficiently and we'll be able to run it with one person instead of 2-3.
- We'll do panini, we have a Turbo Chef Oven which gives us the option of doing fillet of salmon, vegetables, and pizza. Next to that is an open cooler. The top will

have meal solutions like lasagna, rotisserie chicken, a pan of apple crisp. Cold stuff like salads will be below.

- Deli will have a 5-deck deli case for grab'n go sandwiches and dips. There will be a beverage case. Wine and beer will be moved near deli.
- We'll get different shelving with wood accents for wine so it will look nice.
- Wellness area doesn't change much - Wellness loses a little square footage w/ a 2 door refrigerated wellness cooler. Will have a wellness desk - mostly the same.
- Freezer bank stays similar to now. Hoping for more chill space for dairy, eggs, etc. Shifting three doors out of frozen, so meat will move out of frozen and be in a new meat-only freezer, next to a meat-only cooler, in a meat section offering fresh and frozen meat. Then instead of where meat is now, we'll add more dairy/eggs into that cooler. We'll have a two-door frozen end-cap with frozen meals and entrees. Meat section will be in back, growing from 5ft to 12ft. We'll be able to bring in bulk ground beef, saving over \$2/lbs. for the customer. (It will come to us in a 50lbs. box instead of already packaged into 1lbs. Have backup refrigeration capacity downstairs.)
- Bread and bakery will be in back.
- Cheese prep was originally in deli area, but think will be better in back area, close to cheese case. Also will have a sampling cart and will have electrical capacity for demos etc.
- Cheese prep and bulk storage, as well as meat repack will happen in back of store. Got new heat wrap sealer. Produce prep stays same and produce cooler will stay the same.
- Towards front of store is bulk - this department gets better real estate than now, right after produce. Bulk shelving will be more compact, designed for the space - will look sharp. New bulk fixture will shrink bulk space without reducing product. There will be a built in space for shoppers to set things down in bulk area. Aisles will be wider. We expect these things to make bulk more visible and increase bulk sales.
- Current fruit cooler will be in front - still working on this part with the contractor because we want front area to be all produce. Produce will have different tables - a wood look.
- Will have 50" LCD screens for signage - a more digital presence. It takes us a lot of time creating and printing signs currently - that has to stop. This will all be much faster for us. If we change that menu quarterly, design on computer, it saves us hours on a chalkboard. The current amount of money spent on ink is very large. The screens will be beautiful and not garish, Lester and Furler promise the Board after concerns raised to this effect.
- Remodel gains will be in cafe, fresh meat, deli, and produce to some degree. We'll have a great produce display - same area as now, but more efficient - with displays that are designed to manipulate and hold things better. Will be easier for staff to stock.

- Will have new look - telling more of our story. Instead of ceiling fluorescents, will have drop down LED and track lighting in produce - everything will look a lot better.
- Will have different color palette with a "market" feel, design package with wood accents, metal, and colors that go with that well. Warmth of wood, but metal accents. We'll sharpen the look up. Low profile in front and push everything back 5 ft. so we can see deli, etc.
- There will not be a Customer Service Desk; cashiers will serve that purpose. The front offices will be gone. Everything front office is needed for now will be done at registers or in basement admin offices. There will be more cafe and hot bar, less grocer space.

Board thanks Lester and Furler for the work they've done. Board appreciates that they are talking about the experience people will have when they walk-in, and it sounds like few are responding from what customers have said they want based on our surveys. Lester agrees and reminds Board that we are due.

3. Member Comments - none

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: Table 10.2 Board Budget Draft and Executive Session Notes until November.

Note: Reordered agenda to accommodate to hear the report from the Financial Ad Hoc Committee, please see 9.2 below.

6. Approve Minutes for September 2018

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

7. Consent Agenda - none

8. Reports

8.1 GM Report

Financial Snapshot:

Schry says we need to look at month to month cash flow. September cash is up from August by \$2000. This should be reassuring, despite sales loss the store is being managed well, in addition to managing labor. New member share equity is up 3.6%. If we were not in a good place, we would see this equity going down.

Majority of departments have positive sales growth. We are comparing deli sales to last year and should see a huge sales increase now, given that we didn't have the hot bar.

Labor has been managed well. We've reduced labor. We're seeing sales loss. We've had bad expense due to maintenance and repair of the tunnel. We want to get that project done before the cooling season with the tunnel.

Community/Outreach/Other Store Happenings:

Local sales have been flat - it was a bad month of local crops.

Physical Store Update:

It has been a good utility month - we spent 4% less in electricity and less in gas.

We've been health inspection compliant. The health inspector visited last week and it was the best inspection to record. We usually have 1-2 critical items we have to fix within a week's time, but nothing this year.

Marketing/Special Projects:

8.2 G6: Governance Investment

Motion: Hawthorn moved and Pottratz seconded to **Approve G6: Governance Investment**
Motion **passed** with a vote of 6 aye, 0 nay.

8.3 L5: Financial Conditions (Quarterly Report)

Motion: Cerbin-Bohach moved and Hawthorn seconded to **Approve L5: Financial Conditions (Quarterly Report)**. Motion **passed** with a vote of 6 aye, 0 nay.

This report should be fuel to get reset project done and take care of sales growth and our net income problems that are due to failing equipment. We need to reinvest in our store.

We had our second negative sales growth in a row at -2.2% this quarter. We're at -0.78% for the year. We're hopeful for the fourth quarter. We think we'll have growth in Deli, get more people in our store, and hopefully they'll pick up more when they are here.

Biggest sales growth was in Nutritional Supplements, then Meat and Fish, then Packaged Grocery. Sanness and Lester are looking at numbers today and believe getting to zero is definitely doable and is the goal for the year.

We would be close to flat now without these two budget lines: maintenance and repairs and over coupon discount line.

We're holding cash steady despite less growth.

Quick and current ratio is not as good as we had hoped because of all of this. We have a low debt-to-equity ratio, which seems positive at first, but it means we're not reinvesting in ourselves.

We have a lot of available cash from Decorah Bank & Trust to fund a portion of the project if we want to use it. Mortgage rates are going up fast. Our original loan was 5.06% interest. We're looking at around 5.5-5.95% interest now. We want a member loan campaign where we can do interest 3.5-3.75%. CD rates have also gone up. Current is 3.2% for CD and we want to be higher than that, so people are earning from the investment.

They would hold the rate they quoted for us if we agree to a loan. If we got a bank loan for part of it and a member loan for part of it, that allows us flexibility.

We've had one negative net income year since Lester has been here. He says he's on it, aware, and staff knows what they have to do.

9. Action Items

9.1 Review Consultant Options

Want to have a committee to research and make a recommendation to larger Board regarding member loan campaign and timeline facilitation, including talk about hiring a facilitator.

Lester talked to other GMs last week and learned that a majority of member loan campaign comes from phone calls and meeting of members.

Timm, Nelson, and Neal will be on committee.

9.2 Financial Ad Hoc Committee Update

Ad Hoc Committee met, Lester presented history of project and talked a little about what store would look like, and group talked about financials. There were no red flags raised.

Recommendation from the Committee:

- Necessary to look at how much growth is needed to service debt. Coop needs 2% growth to service this debt. Projections are about 7-8% after first year, then it progressively goes down. Additionally, the quote is conservative - it doesn't build in energy efficiencies and projected energy reduction at 20% with new tunnel system. This should pay itself back in 4 years.
- This remodel will have a better design, more efficient equipment, will have savings.
- Financial Ad Hoc Committee says it is financially prudent to move forward.
- Committee also said if it is necessary, we can reduce amount of member loan campaign to \$200,000 instead of \$350,000 and have funding from a bank loan.

- Financial Ad Hoc Committee feels this reset is necessary and we shouldn't be put off any longer. If we don't do it now, it will be more expensive next year, and year after that, etc. and there is fear of becoming stagnant, if there aren't changes.

Board says we can vote to move forward with the project now, without deciding how we are financing it.

Motion: Neal moved and Timm seconded to **Move forward with reset project.** Motion **passed** with a vote of 7 aye, 0 nay.

Motion: Neal moved and Cerbin-Bohach seconded to **Move to form ad-hoc board committee to determine how to move forward with member campaign, bringing a proposal to next board meeting.** Motion **passed** with a vote of 6 aye, 0 nay. 1 abstain - Pottratz abstained.

10. New Business

10.1 Nominations Progress Report

Discussed criterion for board candidates, rough draft of names. If anyone has additional names, send to Hawthorn. Hawthorn and Nelson will write an article for Scoop.

10.2 Treasurer Presents Draft Board Budget - discuss and vote to approve

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

11. Next Monitoring & Other

11.1 [D4: Monitoring GM Performance - Nelson]

11.2 [L7: Asset Protection - GM]

12. Next Meetings -

Tuesday, November 20, 2018 @ 5:30PM

December 18, 2018 @ 5:30PM

13. Executive Session - Approve notes from last month, GM self-evaluation due, GM Contract Update

Motion: Hawthorn moved and Cerbin-Bohach seconded to **Adjourn to Executive Session.** Motion **passed** with a vote of 6 aye, 0 nay. Meeting adjourned to Executive Session at 7:08 p.m.

14. Executive Session

15. Self-Evaluations - done via internet

16. Adjourn

Motion: Viniard Weideman motioned to end the meeting, Pottraz seconded to **Adjourn Meeting**. Motion **passed** with a vote of 6 aye, 0 nay. Meeting adjourned at 7:30 p.m.