

**Oneota Community Food Co-op
2016 Annual Meeting
Thursday, April 20, 2017**

Board Members Present:

Brita Nelson, Alicia Trout, Carl Peterson, Maren Beard, Flannery Cerbin-Bohach,
Scott Hawthorn, Bryan Stewart

Staff Present:

David Lester, Nate Furler, Deb Reiling, Andrea Springmeier

Member Owners Present: 19 (excluding staff and board)

Agenda

1. Call to Order

Board President Brita Nelson called the meeting to order at 7:05pm and thanked everyone for coming.

2. Approval of Last Year's Annual Meeting Minutes

Lyle Luzum moved to approve minutes. Joanne Hagen seconded. A comment was made that we should make a point of including first and last names in minutes. Comment that we should make a point of including first and last names in minutes. Motion carries unanimously.

3. Board of Director's Report (Brita Nelson, Board President)

President Brita Nelson introduced herself and the other board members. Nelson highlighted the following in her remarks:

- Electronic voting was introduced in 2017 and we had a higher voter turnout than ever. Efforts were made to communicate this change to the membership and paper ballots were still available for those preferring to vote that way. We see this as a positive change because of increased member/owner engagement and decreased staff/volunteer time to run the election.
- Expansion conversations are happening but no decisions have been made. The Board and Co-op leadership are invested in exploring options. The Board is excited to seek feedback from the membership.
- Nelson expressed gratitude for David and the Co-op staff for managing the store so well in the face of stiff competition from local stores and web-based vendors. The successes this past year are a testament to the hard work that our staff puts into product selection, managing labor and innovation within the store.

4. GM Report

Lester expressed appreciation to Brita and the Board, which is young, energetic and full of ideas. Last year the Co-op saw a 1.5% increase in sales over the previous year

despite facing challenges from competition in our marketplace and online. Even convenience stores have become competitors because they are sourcing organic. The Blue Apron model is gaining in the marketplace and other stores like HyVee are doing online sales and delivery. Percentage of people buying food online is growing rapidly. Roughly 3 in 5 shoppers right now are looking for sales or coupons on their mobile devices. Traditional grocery stores need to somehow adapt to this new normal or face failure. Oneota Coop is not isolated from these challenges.

It has been over a decade since our last market study and this year a market research firm will put together a new market study for us. That will help give us information about a feasibility study, which will result in a couple different scenarios for improving our store and boosting sales. We plan to start meeting with consultants at the end of May to begin the process. We will get a set of design plans, equipment list and a Proforma, which helps us with setting labor.

Over the past year we have been focused on member deals, coop deals, weekly deals and customer traffic has increased by 200 customers/week. The typical customer is changing and grocery baskets are changing in terms of what customers are buying and in what quantities. Bulk is an example of changes made in the store to address struggling department sales and to address member and shopper trends. After nine months of involving members in survey, we knew we had to do something different. Bulk has had the most real estate in the store but had dropped to #5 in sales. In situations like this it becomes difficult to balance mission, needs of long-term members, needs of new members and also fiscal responsibility to the store. We had to do something so we developed and implemented a plan to create some changes within that department. We realize now that we could have approached this differently. Over the last two weeks the management team got together to address pricing issues, bring back more popular items and provide more workspace for customers. We hope these changes make it easier for customers to shop. David encourages shoppers to take a look and let staff know what they think. The overall margin in bulk will be lower with 11-12 bulk pantry items (2 items in each bulk category) and they will be cheaper than any packaged item on the shelf. Marketing will send out a coupon to all membership to encourage shopping bulk. Staff thinks this will help generate some more sales/conversation.

Beer Tourism is something to pay attention to and we are excited to talk to consultants about attracting more beer tourists to our store.

Difficult and competitive market but we are working through it thanks to a good staff and board. Lots of other coops closed their doors (East Lansing, Dubuque). We have been in top quartile of coops in our corridor but we also aren't in as tough of markets as some stores that have closed. Lots of other coops have seen staff leave. Natural food stores are stealing talent. It is an increasingly tough environment. Oneota Co-op has only lost 2 staff people this year so far. Kristin Evenrud is the new Front End Manager and we are excited to have her on. She will be doing more work with staff training.

We continue to build our cash reserves and ended 2016 with a positive net income of \$38,684. We already have 86 new members in 2017. We are finding local to be our niche and will continue to focus on local sales and products this year. Local is still our thing and what we do best.

5. Financial Report

Question: Lyle Luzum asked question about threshold for when we pay taxes verses issue patronage dividend.

David Response: In the past if we were below 1% profit goal we didn't do dividends. If we surpass 1% profit, we have the option to do so. Did not issue a patronage dividend

Question: Bill Carlisle asked how many members continue to pay membership installments and how many don't?

David Response: In general more people opt for the \$140 full payment rather than the \$20 installments. Members need to be in good standing to vote.

Question: Duane Teschler raised a question about how many people leave and keep equity in the coop.

David Response: Members who have equity with us are on our membership list whether they still shop at the coop or not. Only members in good standing are allowed to vote in elections

Question: Steve McCargar commented that one thing that has distinguished us from other coops is the high percentage of sales to members. Looks like we are still 76% of sales are going to members, which we have always felt is a good thing and drives urgency to get new members. We know when we capture them as members they are likely to come in and shop at the store. Are there currents out there in the thought with respect to this number that say yes this is a really good thing and keep on doing it or are we an anomaly where other stores are looking to create a situation that might more reflect people's experience in lacrosse where it's 50/50.

David Response: This has something to do with size of community that we are in. We have lost some of the more occasional shoppers because they have options. Our membership sales number is now closer to 78%. Approaching 80% tells David that we might not be reaching the general public as much as we could. We are looking for ways to reach the general public more. For some reason we did a better job with our membership drive. Political climate has something to do with it too. When things get hard and tough on many levels people turn to community events. Membership rate is very high. We are seeing membership numbers rise every month. We are a business that puts more into the local economy - \$0.47 of every dollar is going back to the community. No other big box store or grocery chain can say that.

Question: Cathy Baldner commented that as a cashier she noticed that the general public would often shop and then decide on their own to become members so some of our membership does represent the general public.

David Response: It is important that we continue to invest in staff training so we make everyone feel welcome. We try to make deals available to everyone whether they are members or coming off the street for the first time.

Question: Lyle Luzum asked about ratios.

David Response: \$367,000 was the balance that became current in 2014. That was a lot of debt that went off of our books. In 2010 Larry Neuzil and David Lester came up with a plan to save money and to put money away from each daily sales, which secured us to pay off the debt in the timely manner that we did. Debt to equity is at 0.7:1 so we are below the 1:1 ratio on debt:equity. This ratio would look good to lenders in town if we start looking to borrow money. Quick and current ratios are also better – both are above 1. Approaching 1.25 benchmark. Going in the right direction with all the ratios.

Question: Lyle Luzum asked if the online trend is ailing all retailers all over the place. How much loss are we suffering from people choosing to shop with Blue Apron and other online retailers?

David Response: We started to see a change in the first quarter of 2015. We were used to an 8-10% sales growth almost every year and we were budgeting for a 4-5% sales increase so those were really good times and profitable times. Our departments that have seen the biggest hit are packaged grocery, some meat, frozen. Departments that have fared the best are wine/beer, café/deli (best organic, local deli in town).

Question: Lyle Luzum asked about the status of our POS systems and whether NCG is developing something that Coops can use so we don't have to fight this on our own?

David Response: David provided an explanation of what NCG stands for – cooperative of cooperatives. Through NCG we get discounts on product. Have pushed NCG to try and get a system wide POS system but it is not an easy task. Coops are very loyal to the systems that they have and they don't want to change. Lots of member involvement – lots of ideas being exchanged and making quick decisions can be a hard time. POS = Point of Sale (Registers and Data). We don't have active inventory system through our POS. Have a great IT coordinator. Our POS company is called Copas. Teresa, IT coordinator has pushed Copas to make changes. We are probably one of their biggest customers. Our system is good for small coops up to coops of our size. We are pushing them to become more vibrant. We have been talking about switching for a few years but Copas keeps meeting our needs. It would be an investment to replace the system (\$80,000). It is a yearlong process to change POS systems – lots of back of the house things need to happen to make sure it is an easy transition. Train cashiers so it is seamless. Viroqua has abandoned Copas.

Question: Steve McCargar – What feedback are we getting from Jan at Viroqua about the transition?

David Response - It wasn't smooth. They aren't happy and they are frustrated. Half of Viroqua's issues were with the speed of the service in Viroqua in general. They went live with a great system and it didn't work and they couldn't get reports for a year. Fast Fiber in Decorah would make the decision to change POS systems easier.

Profit and Loss

No Questions

Balance Sheet

Question from Steve McCargar: What is the number of member loans due this year? \$30,500.

David Response: All member loans will be paid off this year. Another \$30,500 off our debt load. We continue to pay off debt. Only \$500,000 remaining on Decorah Bank and Trust Loan

6. Election Results

Alicia Trout gave update on the election. Alicia Trout and Scott Hawthorn's seats were open. Scott was filling the last year of Deneb Woods' term and Alicia had completed her full term.

This year we asked 10-12 people to run. Board nominating committee was Alicia Trout, Maren Beard, Flannery Cerbin-Bohach and Georgia Klevar were on the board nominating committee. We had 5 amazingly qualified candidates.

Emily Neal will be joining the Board and Scott Hawthorn got re-elected.

Electronic voting was an exciting thing to introduce into this year's election. Carl Peterson asked whether there is a more sustainable way to do the election. Carl did a lot of background work on it and then Bryan Stewart, Brita Nelson and Scott Hawthorn became the committee that looked into it. Our hope was to increase membership participation in voting while being more ecologically mindful.

Last year was an uncontested election and we had 240 ballots. This year we had 558 ballots, which is far more than last year and more than previous uncontested elections. Of the votes cast, 40 were paper and 518 were online. We learned from this process and view it as a success but want to hear from membership. Board is interested in learning about membership experience.

Question: Bill Pardee asked whether electronic voting saved money?

Brita Nelson response: We paid Simply Voting to do more with the election than we may normally do because of David's sabbatical. Going to ask whether it would be preferable to go a different route next year. The cost between this year's electronic election and the way we used to do it was comparable but we saved

volunteer and staff time. Nate Furler carried most of the weight of the change and wasn't afraid to take it on. Big thanks to Nate.

People's Coop in LaCrosse sends out a postcard with member voting information. People's anticipates not mailing anything eventually. We used a folded letter this year that came from the online voting company but are open to considering other options in the future as ways to save paper and money.

Question: Duane Teschler – Will we be eliminating paper ballots in future elections?

Alicia Trout Response: I anticipate that we will always make paper ballots available.

Question: Duane Teschler – As a newer member, question about whether we are able to make suggestions online and could we seek feedback via an online platform?

David Response – We have the regular paper suggestion box on the customer service desk, via website you can ask a question (Nate to create a link to ask questions), Facebook page likely gets most questions.

Question: Duane Teschler – Does a person have to be a member of Facebook to go to the Facebook page?

David Response – You can look at our Facebook page without having a Facebook account.

7. Old Business

- a. None

8. New Business

Question: Duane Teschler noticed when he lived in LaCrosse and was part of that Coop he went into Viroqua and noticed that Viroqua is partnering with Driftless Educational entity and had classes about how to make shitake logs and other things. Are we involved with other local farmers or crafts people that would be able to enhance our constituent's viability of being earth-centered members?

David/Andrea/Brita Response – lots of classes offered through the Kitchen including classes focused on fruit tree running, cooking, health/wellness, making your own cleaning products and home care stuff.

Question: Bill Carlisle asked whether an expansion will affect classes?

David Response: We don't know for sure that the deli will expand into the new space. We have a lot to learn about our options from our proforma. Cutting through a wall is expensive, especially a two foot wall of stone. When we do expand it may have one expansion through café seating area or we may end up with two separate areas. Andrea has done a great job with that space. It generated \$8,000 last year but that space has the potential to generate more revenue through retail. Education is important but we need to realize what that space is worth in terms of square footage. Ideas include

doing classes in the retail store space or having a branch off of the café to have samples and classes.

Question: Gabrielle White – Who is doing the expansion study?

David Response – Dakota Worldwide is doing the study. They do a lot of work with Coops and much larger grocery chains than us and other retail stores. We will get a really good market study back. “Grocerant” – new term that we should think about. Hyvees all have wine bars and restaurants right next to new stores.

9. GM Sabbatical Presentation

David was away in January and February on sabbatical. Nate took on GM duties while David was away. Grateful to previous board for suggesting this after David had been here 6-7 years. David gave a 15 minute presentation to show what David did during his sabbatical. Ideas coming out of his sabbatical included:

- Roundup at the register - Could we do this more often and use the dollars to support weekly music in Water Street Park?
- David wants to lead Yucatecan cooking classes in the Kitchen Classroom
- More collaborative classes with downtown businesses and organizations. Combined language and cooking programs.
- Beer tasting with a brewery – a progressive class where you taste at the brewery, shop at the farmer’s market and cook/eat
- Blue Apron – discount if you bring in the Blue Apron recipe card and buy ingredients at the Coop.
- Food delivery business - Coop to help fund a start-up that delivers food to people downtown. Food delivery downtown
- Premade meals in the deli
- Community – bike taxis
- Tours around historic buildings and downtown / buildings around Decorah
- Farmer’s Market expansions – Thursday nights? David happy to help think more about expanding night markets. Prepared food, music, people of all ages
- Citywide composting program.

Duane Teschler presented the ideas of members working for a discount and a green bikes program for Decorah. David shared that members can volunteer in the store and get 8% off in exchange for 4 hours of volunteering.

Adjourn

Duane Teschler motioned to adjourn. Arlis Adelman seconded. Motion carries unanimously. Meeting adjourned at 8:35pm