

**Frederick County Consumer Cooperative
Board of Directors Meeting
July 26, 2018
Page 1 of 4**

Board members present: Lisa Williams, Annie Marshall, Sasha Crum, Sibylle Mangum, Kate Moss, Megan Schneebaum
Absent: John Beutler, Jim Hanna, Elina Myers
Staff members present: Bob Thompson, Erin Zavala (Minutes)

The meeting was called to order at 6:05 pm by Lisa Williams, Board President. A quorum was present.

Consent Agenda

The Consent Agenda, including refund requests from owners 5979, 5509, 7199, 4158, 5533, and 6427, who are all moving yet report satisfaction with the coop, was approved. An additional request for refund from owner 3356 was approved.

Annie moved to approve, Sasha seconded, and all were in favor.

Owner Comment Period

Stephanie and Evan were in attendance to observe. They both have applied to run for the board. Lisa followed-up on Ann's comment from last month's meeting regarding a request from Neighborhood Sun solar power company to partner with the market to promote their services in the store. The Board looked into the company and discussed it with executive committee, ultimately determining that the company does not align well with what we're doing with our other community partners. Neighborhood Sun was offered, however, the option to come for owner fest or get a discounted rate on advertising in Spoonful. The Board wants to ensure they are consistent with their policies surrounding community partners.

Electronic Monitoring

Going forward, we will email the survey results and display them on the projector during meetings. Results will be printed only if there are any reports of less than 100% compliance. Kate stated that there was full compliance reported, except that there was partial non-compliance for the Secretary not getting the policy updates on the site sooner.

GM Monitoring

B2 Financial Planning: Budget for 2019

Bob will work on preparing 10-year scenarios for all expansion options currently being considered. Sales growth for 2019 is projected to 4.8%, putting us at \$22 million in sales. Last year, sales grew by \$1.7 million. Increased advertising, a reinvestment in store equipment, flyers and seasonal promotions will contribute to this anticipated growth. Lisa expressed an interest in budgeting for a 5% sales growth, which seems achievable based on this year's performance. Bob will present a budget factoring this in.

Prices across the entire meat department will be lowered over time, which will lower margins but increase sales overall. Labor for 2019 projected at 23.75% and there is a budgeted wage increase of 3%. The total Sales Per Labor Hour (SPLH) target is 105.

Budgeted capital expenditures will cover redevelopment of our website, new store fixtures, a new server for front end, steamer for café, rotisserie ovens, a new grab n go case, new coolers, new bulk bins, and electrical work. No debt is

expected to be incurred in 2019. We are assuming to make another \$100k in owner equity based on last 10 years of ownership growth.

A special coupon for 10% one purchase was sent to those who have been owners for 5-9 years. Several hundred have been cashed in so far. In August, a special coupon will be sent to those who have been owners for 10-14 years, and in September there will be a coupon sent to those who have been owners for at least 15 years.

The repairs/replacement budget was requested to be increased from \$15,000 to \$25,000 per quarter. This would allow us to ensure this store is in good condition if we move into a second location. Kate moved to accept the adjustment, Sasha seconded; Megan opposed, and all others in attendance were in favor.

The Board will wait to see the budget revision with 5% sales growth before voting on approval of B2 Financial Planning.

B3 Financial Condition

For Year to Date (YTD) and Quarters 3 & 4, we are hitting all our targets and financial indicators.

Our Peer group among the nation's co-ops changed a year ago: we are in a peer group with 18 other high-volume coops, which is the highest bracket among single-location coops. Our current ratio score is far above our peer group; the current ratio over the last 10 years has been growing. Net income over last 12 quarters has risen above peer group. Our sales growth for this past year was 7%, while our peer group averaged around 2%. NCG requires labor expenses to be below 24%; we are meeting this goal while our peer group is not.

Over the past two years our starting wage has increased from \$9 - \$13/hour. Over the last 10 years, the average SPLH was \$75. Bob believes the SPLH target likely wasn't being adjusted to reflect inflation and rising costs of goods – labor needs don't change but food costs do. Going forward, we will focus more on increasing staff productivity and refining store procedures such as stocking and receiving. Making these changes will slow us down initially, but it will speed up growth in the long run.

EBITDAP: we are back on track with historical standards. Inventory turns have declined because we have more inventory than ever before due to increased warehouse space. This is a good thing, though, because we are able to buy larger quantities at lower rates, which increases our margin.

The store is currently being audited, the report of which will be ready for August's Board meeting.

To recap our 4th quarter, sales were up 7.8% over last year. Margin was on budget at 39%. The cafe had a celebration moment with a profit of \$523. To recap YTD results, we are up 8.8% in sales from last year. Sales Per Labor Hour came out to 104, higher than the budgeted SPLH of 98 and last year's SPLH of 95. Income came out at \$629k, far exceeding the budget of \$291k.

Annie moved to accept B3 Financial Condition, Sasha seconded, and all were in favor.

B5 Communications and Counsel to the Board –

All but one Board member responded to the survey. Overall the report shows compliance with policies.

Kate motioned to approve B5 Communication and Council to the Board, Annie seconded, and all were in favor.

UNFI Update:

UNFI recently purchased Superfoods. Bob noted that this could bring about out of stock issues.

Expansion & Harvest Co-op Loan Update

Harvest Co-op has negative cash; -4.3% net income for sales. NCG is going to acquire the co-op, so it's likely that they will not need any loans. Their facility has not been renovated or invested in in years.

Expansion plans are moving forward for one site being considered. If plans proceed with this site, Bob will travel to Minneapolis with Store Manager Jared Pringle, Risk Management Analyst Sarah Lebherz and Marketing Communications Manager Sasha Crum to meet with NCG store designers to get ideas. We would have the opportunity to factor in the latest and greatest trends in food markets and eco-friendly construction.

Two years in review slideshow

Our café used to close at 6:00, but now we are open later and are considered one of the top co-op cafes in the country. Representatives of NCG were recently sent to our facility to see what we're doing to succeed. The meat/seafood/cheese department used to deal with regular outages of popular products and faced losses in sales. Now, the department is much more customer-centric, offering more options for our mid-level customers. The IT department has worked to resolve potential security liabilities and the installation of camera security has greatly helped our store. The installation of LED lights throughout the store has saved us \$30k on our energy bills over the last 9 months. Overall, the market is becoming more employee-centric, switching to weekly paychecks, relaxing the dress code, increasing wages and improving holiday pay policies. Employee-owners have increased from 11 to 30.

Elections update: review candidate applications, schedule meet & greet with candidates

The marketing department has created a draft of the ballot mailer. The ballot will be mailed on August 11. In order for owners to vote, they must be in good standing as of September 17, 2018. Ballots will be counted by Sasha Crum, Annie Marshall, Kate Moss and Lisa Williams on September 18 at 6:00 pm. Board members are asked to proofread the ballot before it is finalized. Candidate responses will be edited for spelling/grammar, not style and content.

A candidate Meet and Greet will be scheduled for Saturday, August 25th from 11am – 12pm on the cafe patio. In the event of rain or extreme heat it will be relocated to the Community Room. Final decisions will be made at the next Board meeting on August 23. A second date may be scheduled if not all candidates are able to attend.

Diversity Committee update – no update this month

Food for Change documentary:

Sasha reached out to a few local venues for potential screening locations for the Food for Change documentary. Rights to screen the documentary will cost \$500. It will be screened in October, which is National Co-op Month. The Weinberg Center in Downtown Frederick is the first choice for screening locations. It could possibly be held as a “pay what you want” event, and could also bring in local beer/wine vendors for concessions. The Board will reach out to Megan

Schneebaum about moving funds around to accommodate this.

Odds & Ends

The MAFCA meeting is July 29 in Newark, DE from 11am – 4pm. The Board’s retreat is planned for 11/17 – 11/18. No location confirmed yet, but Sasha will continue working on that.

Good of the Order

An employee requested a Q&A session the Board and employees as an opportunity for staff to learn more about what the board does specifically for the store and so that board members and staff can familiarize themselves with each other. The Board was in favor of arranging this once elections are over and any new members have been brought on.

At 8:30pm Lisa motioned to adjourn to executive session.

Minutes taken by Erin Zavala.