

Natural Harvest Food Co-op

Board of Directors Meeting

Monday, August 24, 2015

Board Members Present

Britta, Troy, Samantha, Yvonne

Late arrivals: Gina, Chris

Absent: Sarah, Janet

Staff & Others Present

Anja (GM), Jake Rosandich and Zach Yurcyk (Board candidates), Patty (Marketing & Member Services)

Sam, as the acting Chair, called the meeting to order at 5:33pm.

Member and Guest Comment Period

Introductions of board member candidates to board members and GM.

Approval of Minutes

Troy moved to accept the updated minutes from the June meeting. Yvonne seconded. Motion passed unanimously.

Britta moved to accept the minutes from the July meeting. Troy seconded. Motion passed unanimously.

Treasurer Report

In Sarah's absence Anja reported that the Board is well within their budget for the year. The Board checking account is opened (opening balance \$5000). All checks and account documents will be handed to Sarah. Copies of old board budget have been given to Sarah, so that she can start on the Board budget for 2016.

From now on, Board members will receive \$30 checks per meeting, not store gift cards like before.

Perpetuation Committee

Britta reported that bios of all candidates will be in the newsletter, which will get sent out later that week. 6 people are running: Leah Briski, Debbie Pettinelli, Jake Rosandich, Zach Yurcyk, Troy Caddy and Chris Ismil. 5 spots are open.

Election is open until Oct 1st, Patty and Britta will count the ballots the following week. Applications deadline has passed.

Board bios and pictures will be part of the new website when launched.

Education Committee

Sam reported that the committee is working on a survey to take by Board members. This will be completed and sent to all Board members within the next couple of weeks. Results will get talked about at the September meeting. This survey will ask about satisfaction with Board processes and evaluating how we are doing as a Board.

The committee also started working on the Board Retreat in November. They will contact other Co-ops to see if their Board members would agree to come and speak to us at our retreat. Preferably Board members of Co-ops that just went through an expansion, to learn about hurdles and problems that presented themselves along the way. Another option is for the Board to go to these Co-ops.

GM evaluation committee

Troy reported that the GM contract is still in the process of getting written and looked at by a lawyer.

Articles and By-laws

Chris, Gina and Yvonne have been working on a draft document. This draft is available in the Dropbox, all Board members are encouraged to read it and submit suggestions. They used the CBLD library's Sample By-laws Legal Primer as their reference. The draft will be a major topic at the September Board meeting.

Mesabi Trail Tour update

Patty reported that she is in favor of Natural Harvest sponsoring our own rest-stop for the tour next year. This is a great venue for us to represent healthy snacks and alternatives to sugary energy drinks. The event draws in over 700 riders every year that will get introduced to the Co-op this way. This year we volunteered time and some products to the rest-stop that was sponsored by another entity.

For October a rest-stop for the 5K is planned. Bananas, energy nuggets and water will be provided by Natural Harvest. It is scheduled for Oct 3, the run starts at 9:00, over 100 participants are expected.

A suggestion was made to combine the planned Co-op Fest with the run on the same day. Lunch could be provided, music, games, producers. This could kick-off Co-op month. Other activities planned for Co-op month are: Non GMO month, Fair Trade month and Bulk week in the store.

Will need Board members to volunteer, staff will be busy with Saturday delivery. The event is tentatively set for 11-2 on our lawn and parking lot. Cost of food was discussed, Customer Survey could be part of the Fest too. Board members and Patty will meet Friday at 9:00am to discuss details.

Calendar review

For September meeting:

Board review of C9 (Sarah) and D4 (Gina). The GM will review B7 and B8.

Monitoring Reports

C7 Board Process

Britta reports that the Board is in compliance. Committees have done their work, Board is following the set-fourth procedures.

Sales reports:

Sales in July: \$215,481, Sales growth was down to 3.5% (growth for the year still over 9%)

Anja blames the local economy for the lesser sales growth in the past 4 months. August's sales growth is looking better again. Sales per day were still up in July, just not as many customers came through the store.

The change in sales growth is different for individual departments. Bulk and Supplements are flat, grocery/refr/cheese driving growth. Produce is up 35% over last year, meat department is doing great (first year meat is recorded separately.) Shopping patterns are changing as a nationwide trend, convenience foods are up, people are not cooking from scratch as much anymore. To give the bulk department a boost we will promote it in October again through Bulk week. In the colder months people are baking and cooking more, hopefully bulk growth will come back.

Thawed meats in refrigerator are making shopping for meats more convenient, ads for meats/fish/seafood are bringing in new customers.

NCG Co-ops are seeing only 1 1/2 % sales growth in the central corridor, our sales growth is still better than average.

Cash flow and Balance sheets are reflecting the changes in how money has been invested. \$200,000 for 2 years at NCDF and \$100,000 for 2 years at Northern State Bank.

\$56,000 net income in second quarter (no debt, labor cost as a percentage is low), lower margins are still expected to generate less profit because of competitor's price pressure.

Year-end sales are still expected to hit \$2,45 million with a net profit of \$220,000. There are no major purchases expected.

Store reports:

New roof has been installed

28 new members

Anja was on vacation, everything at the store level was handled well while she was gone.

Rebate checks were sent out (about half have been already cashed)

For next year, the Board would like to discuss a minimum amount for a rebate check. Anja mentioned that she discussed this with the GM of the Duluth Co-op. All amounts of checks were sent out, even the smallest ones with a coupon to use in the store. That way all members were contacted, received their rebate letter and a reminder to shop us again.

Around 25 checks have come back because of wrong addresses. Efforts have been made to contact these members. Reminders in newsletter and on website to update addresses when they are changing.

No new Deli Manager has been hired yet. So far only 1 applicant. Ads are in the newspapers and on facebook. This is a pay level III position, this level starts at \$12.00 per hour.

Britta motioned to accept all 28 new members. Chris seconded. Motion passed unanimously.

Store expansion update & timeline

Anja reported that we are entering the feasibility phase of this expansion. The Board needs to decide how big the new store should be, decide on the site and the initial design criteria.

Right now the total new store is being planned as 8000SF total, of that 5000SF are retail. This ratio is 60%-40%, the preferred ratio for Food Co-ops, the non-retail space includes the classroom.

PJ and Anja visited the site and with the help from Sandy and Ashley (grocery and produce managers), came up with the initial design criteria for the store.

Anja will set up a meeting with the City Administrator to talk about when to come in for a First Right of Refusal for the site. A different developer's First Right of Refusal will expire at the end of September. As soon as the first designs come back from PJ, the Board will review and discuss if the major needs were met.

Right now our store size is 4400 SF total, 3200 SF retail.

Next steps are establishing a committee to work with the DC and Anja and to choose an architect (preferably architects with grocery store experience, to move project along faster). A Board charter is suggested as to who makes decisions, the GM alone or with committee input.

Board members voiced their concerns that this process has taken too long already and every effort should be made to make the decision to move ahead with this project at the September Board meeting, not the October Board meeting as stated in the DC's timeline. The concern is that the site will not be available to us if we don't move this along faster. Financing (including the member loan campaign) and store plans are the next pieces, after that we can bid out for construction and start building in 2016. The Board wants to have the new store open in less than 18 months from now.

Anja was asked how she would like to move forward with this process. She stated that she would like to work with a Board committee for input, but will have to make decisions on her own.

The Board will close this meeting after Anja has left, and decide on how they want to move forward with the decision making process for this project.

A customer survey will have to be put together. (DC does not supply that.) Board will contact Grand Marais and Duluth for their customer/expansion surveys and forward to Anja.

More discussion followed on how employees are informed of the expansion project, Anja stated that employees are informed as to what stages the Board is at and that we are talking of expanding the store.

Old business

Employee wage report

How much more money would the Co-op spend if our minimum wage went up to \$10.00 per hour starting wage?

Anja reported that it would add about 8% to our payroll (that is not including raises that are part of the evaluations this month). Right now we pay \$9.00 as a starting wage (Minimum wage), we have a pay scale that is staggered by job title.

The Board told Anja to proceed with the best practice she sees fit and to report back to the Board what she decided.

New business

Customer Survey

Next agenda

Board survey

Articles and By-laws

GM contract

Other Issues

No other issues were raised.

Chris made the motion to adjourn the meeting at 8:08pm. Britta seconded. All in favor.

