



**Rutland Area Food Co-op Board Meeting
April 27, 2017**

Present:

Board: Chris Littler, Rhonda Bates, Laura Daubenspeck, Hannah Abrams, Matt Poli, Diana Hayes, Dave Tibbs, Irene Gold, Seth Carvill

Missing: Matt Karczmarczyk

Staff: Zach Stevens, Jamee Sherwin, Julie Zaloudek

Guests: Victoria

Meeting brought to order: 6:35 PM

Approval of Minutes: minor adjustments. Minutes accepted.

Committee Reports:

- **Finance Report – Chris L**
 - March
 - ◇ March sales were up about \$8,000 (4.4%)
 - ◇ Profits for the month were \$14,600 (127%)
 - ◇ All end of year adjustments for FY 2015 were added in March last year, which is why profits were so low last year
 - ◇ There are still more adjustments to come, so the profits will go down
 - ◇ Janitorial expenses were up due to plowing bills
 - ◇ Payroll was also up due to the NFCA meeting (all staff attended) and inventory
 - ◇ However, costs of good were down due to inventory adjustments
 - ◇ Lost & Waste was up due to cooler breakdowns and rodent issues
 - ◇ Quarter Review
 1. Sales and profits were up for the quarter
 2. Inventory team said that the inventory at the end of Q4 was within \$2,000 of Q3 inventory it has never been that close
 - a. Not seeing big inventory swings anymore. Want to keep it consistent.
 - Year End
 - ◇ Sales for the FY 2016 were \$2,154,917.05 up \$37,637.97 (1.8%) from last year
 - ◇ Profits were \$46,774.13 (up from **-\$73942.81** in 2015 or 163.3%)
 - ◇ Board has heard many stories of customer re-vitalization and returning members!!
 - ◇ While sales were up, costs of goods were down .2%
 - ◇ Payroll was down \$55,000 for the year
 - ◇ Still retain 15 or 16 employees who were present during Zach's onboarding. Great GM inspired education and training which has resulted in employee retention and energized invested staff!

- ◇ CPA already has all our paperwork, so we could have finalized numbers by the annual meeting
- ◇ However, numbers may change once the accountant is done (they went down over \$20,000 last year, but numbers did not include depreciation.)
- ◇ Current assets for the year are up, and current liabilities are down for the year
- Looking to the future
 - ◇ Board spending is up this month (Michael Healy and we are getting nametags!)
 - ◇ This month, spent nearly as much as we spent for all last year – however we didn't spend money last year.
 - ◇ Sales are dead even with last year, but Easter was in April last year (march this year).
 - ◇ Inventory expense will fall in April
 - ◇ We are expecting to send about \$2,250 to \$2,500 for annual meeting
 - ◇ We will have Co-op canvas bags in April
 - ◇ Still waiting to hear back from NCG
 - ◇ Wild Apricot (membership database system) costs \$2,600 and doesn't do much, so we are going to stop using it
 - ◇ For the time being, keeping data in spreadsheets while we look for a comparable system
 - ◇ Annual meeting expenses are higher this year due to an expected higher attendee count
 - ◇ Will have goodie bags
- **Lease Committee Update – Dave T**
 - Sent Mark measurements for the warehouse. Mark came in last Thursday to meet with Zach personally and walk through the warehouse.
 - The space we requested, Mark believes, will work.
 - He cautioned that he may need some space where a large freezer currently sits. He informed us that if he does need that space he will pay to move the freezer.
 - Generally impressed with the look of the space we use.
 - Asked for a sketch of the space we requested; Zach provided.
 - Mark seemed pleased and willing to work with us on our requests and future needs.
 - General feeling is that Mark is set on keeping us around for a while, truly as an Anchor store.
 - We expect to receive a letter back from Mark within the next couple of weeks.
 - We are the largest viable store downtown (outside of Walmart).
 - Hoping to have everything set by the end of June, ideally before the annual meeting.
- **Annual Meeting Committee – Hannah**
 - Accomplishments – tents, music, and outdoor space
 - Would really like to push raffle items
 - ◇ Asking board members to obtain \$25 items to put in gift baskets (will also accept cash which committee will use to stock baskets).
 - ◇ Will accept more than \$25
 - Will be having a sign up for BOD members who can arrive early, stay late so to help with tasks at the beginning and end of the event

- Asking BOD to park away from the building so to reserve spots for members
- Anyone have a connection to get a larger give-away? Asking for everyone to look around at who they know and who might be interested to donate something
- Looking to send a letter to high-profile business from the Board to come attend out meeting and get to know our members and out business
 - ◊ Steve Peters is crafting letter for us to customize
- Board application packet has been updated. It is now shorter and easier to fill out. There is an online like on the website where it can be downloaded, filled out, and emailed to GM.
 - ◊ Information will be uploaded to website for members to review
 - ◊ Will decide cut-off date for applications
- Need vases for flowers
- Board members must RSVP for meeting
 - ◊ Facebook RSVP will be launched next week
- Members
 - ◊ Zach has a comprehensive list of members separated by town.
 - ◊ Asking Board to look through and reach out to members they know regarding the annual meeting – Zach will send desired listing to individual emails
- Goal: 110 attendees
- **Strategic Planning Meeting**
 - Late in starting Q4 plan
 - 2017 goals
 - ◊ Revenue \$480,000
 - ◊ Net Profit \$10,000
 - ◊ Net Income more than \$0.00
 - ◊ G.P. Between 33-36%
 - ◊ Membership growth 90+
 - ◊ Addition Goals

1st Quarter, 2017					
Company Wide Rocks & Accountability					
<u>Q1 Financial Goals</u>			<u>Q1 KPIs (Key Performance Indicator)</u>		
Gross Sales: \$556,200			1. Sales Growth (The target is 3% or greater)		
Net income: \$4,000 (or greater)			2. Average Transaction Total		
GMP: 33-36%			3. Membership Growth: 90 new members		
	WHAT	WHO	WHEN	STATUS	DATE COMPLETE
1.	Company-wide Handbook is 100% complete and ready for delivery and implementation	Zach	5/31/2017		
2.	The Capital Campaign for the new floors is fully planned and outlined	Board of Directors	5/31/2017		
3.	Painting of our retail space is complete	Zach & Board of Directors	5/15/2017		

4.	The insulation for the warehouse is completed	Zach/Julie	04/30/2017		
5.	The Our Annual Celebration/Meeting is planned, completed & we have at least 110 attendees	Hannah, Zach, Steve Peters and Board of Directors	06/08/2017		
##	Extras: 1. Blueprint for a successful Public Relations Campaign is completed	Hannah/Zach/Steve Peters	5/15/2017		

PG Reports

- C3 – Agenda Planning – Irene Gold
 - Motion to move C3 to next month. Hannah Seconds
- **B4- Membership Rights and Responsibilities - Zach**
 - The General Manager will not allow the members to be uninformed or misinformed of their rights and responsibilities.
 - The GM will not create or implement a member equity system without the following qualities.
 1. The required member equity, or fair share, is determined by the Board.
 2. Members are informed that equity investments are a risk. While they are generally refundable, the Board retains the right to withhold refunds when necessary to protect the Cooperative’s financial viability.
 3. Equity will not be refunded if such a refund would lead to a net decrease in total member paid-in equity, or would risk, cause or exacerbate non-compliance with any Financial Condition policy.
 - Interpretation
 - Management will provide accessibility and transparency for its members regarding the policy and conditions of being a stock holder. The Board of Directors will determine the values of shares and Management will provide the information to the members.
 - Data:
 - Monthly Board meetings dates and times are posted on the front bulletin board and are on the website. We post the minutes from the Board meetings once finalized on the website and have them available for members in-house, if requested. We welcome all members to attend our meetings and stay informed of their rights and responsibilities. We believe our members are informed that their membership makes them an owner of the Co-op and that this ownership comes with certain rights, responsibilities and a certain level of risk.
 - The GM has not, or will not, implement or change the member equity system without board approval. If it is decided by the BOD that the system needs to change the GM will follow the guidelines outlined above. Membership equity will not be refunded to a member without board approval and it must be

deemed that this will not put the co-op or any of the financial conditions into jeopardy.

- Conclusion: In-compliance
- Move to accept – Laura. Hannah Seconds.
- **Report B5- Treatment of Consumers - Zach**
 - The General Manager will not be unresponsive to customer needs.
 - The GM will not:
 - Operate without a system for soliciting and considering customer opinion regarding preferences, product requests, complaints, and suggestions.
 - Allow an unsafe shopping experience for our customers.
 - Operate without product selection guidelines that are consistent with and supportive of the Mission (Ends).
 - Data:
 1. We have a customer suggestion form and box at the front of the store available to all customer's member or non-member. The staff is aware they can contact me or provide my Co-op contact information to anyone, at any time, for any reason. I also make myself available for any customer or member for any reason or need that may arise. We encourage feed-back and suggestions and look for every opportunity to bring in new and exciting items. We appreciate both the positive and the negative feedback as we continue our efforts to grow and change. Our monthly e-newsletter helps to keep our members informed and invested in happenings at the Co-op. We make our best effort to post changes and updates so members feel kept in the loop with any store changes.
 2. We have safety measures in place including clearly labeled and lit emergency exits, up-to-date fire extinguishers, wet floor signs, and basic first aid. We utilize proper food handling and food safety guidelines. We strive to make the Co-op a safe and inviting shopping experience for everyone.
 3. We continue to utilize the product selection guideline (see appendix) in-compliance with our mission. All new-hires and staff are made aware of these guidelines and follow them when sourcing products.
 - Conclusion: In-Compliance
 - Move to accept – Laura. Matt Seconds.

GM Report

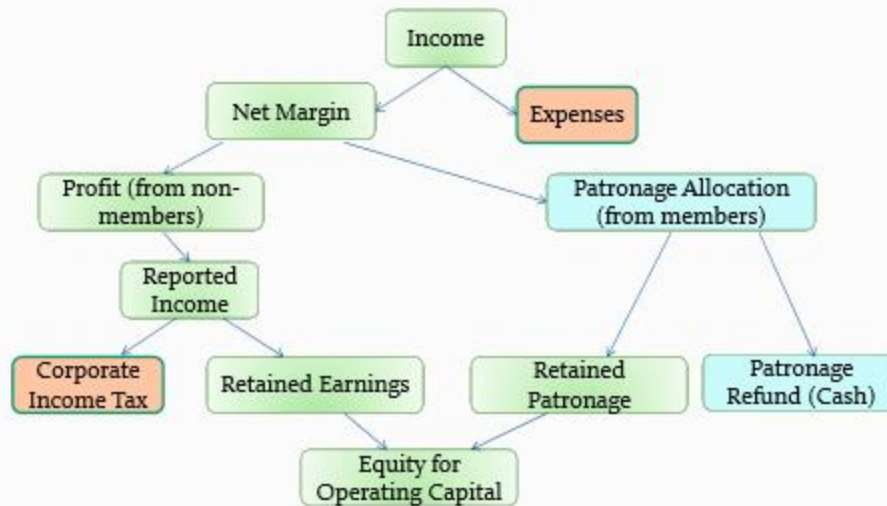
- **Last Month**
 - March had many odd weather extremes – 70 degrees to a blizzard in what seemed like days
 - Sales and profits were up
 - We hired a new Cashier, Miari, who at first was only going to work two days a week yet now has decided to move to four days
- **This Month**
 - Preliminary budget has been submitted to the Finance Committee for review

- A Herb and Tea manager was hired. Helena is an actual herbalist and has started this week! Will also be the health and beauty assistant which will free up Julie to take on more responsibilities.
- Please make sure to introduce yourself to any new staff you see; we want to continue the great relationship that's been building between the Board and the staff
- As of yesterday, sales are around 2k – even with losing Easter sales (we were closed)
- The Finance team and executive team have approved a staff wide increase of 2.5%. Zach has meet with all but two staff members to inform them of the increase and to educate them as to the why we can afford to do this company-wide. The increase is due to take effect Monday 5/1
 - First time in Co-op history for an increase that was not tied to promotion or cost of living increase.
- Received bill and sent payment to Michael Healy for board orientation packet.
- **Future**
 - Abi, our produce assistant, is taking the summer off before she goes to college. We most likely will fill this position in-house. She is planning on returning to us in the fall while she attends a local college.
 - Plant starts have arrived and the second rack should be stocked next week.
 - Seeing around \$80 in sales a week from the one rack alone.
 - We have staff meeting this Sunday morning from 8am-10am.
 - Matt Poli scheduled an energy audit for us. Thank you Matt for taking it off Zach's list! It will happen on Friday May 12th at 8am.
 - We haven't heard anything yet from NCG, but will inform Board as soon as we do.
 - We've already made some great strides so if we are denied, we are much more prepared when we reapply.
 - Are not foreseeing any big issues or changes coming back from C.P.A but until it is back we are cautious.
 - We will be closed May 29th for Memorial Day.
 - Will show as closed on Facebook, google hours, and signs will be posted in store a week prior.

New Business

- **Move GM review**
 - Looking to move General Manager review to align with C.P.A. review in August.
 - Looking to move General Manager contract review from November to August (will do 6month contract this coming November).
 - Hannah makes a motion, Laura seconds. All approve. GM approves
- **Patronage System**
 - Looking at moving to a patronage system. (slides found from GreenStar Co-op. Reference information below)

How Patronage Works



What is a patronage system?

It's distributing the profits back to the owners of the coop in proportion to what they spent.

In profitable years, the portion of the net margin (profit) from sales to members can be returned to members as refunds.

The coop is required to refund a minimum of 20% of the patronage allocation (income from members).

GreenStar Cooperative Market / Patronage Refunds

What is a patronage system?

When homeowners maintain or fix up their house, they are putting equity into their home.

Likewise, when members of a coop shop at the business they own, they are also putting equity into that business.

This equity is separate from taxable income, which comes from non-members.

GreenStar Cooperative Market / Patronage Refunds

What does it do for the owner?

They get a noticeable reward proportional to what they spent during the year. It frequently ends up covering a regular shopping trip.

The dividend is based on all purchases. This includes Coop Deals, Basics, case discounts, etc.

The owner is reminded of being an owner. They get a brief report showing how much they contributed to the coop over the year.

GreenStar Cooperative Market / Patronage Refunds

What does it do for the coop?

The coop gets a tax break on sales to members. Since 75% of GreenStar's sales are to members, this could be a very significant tax savings in profitable years.

The coop builds equity over time. This translates into more cash when needed. It also improves our ability to borrow at a competitive rate when necessary.

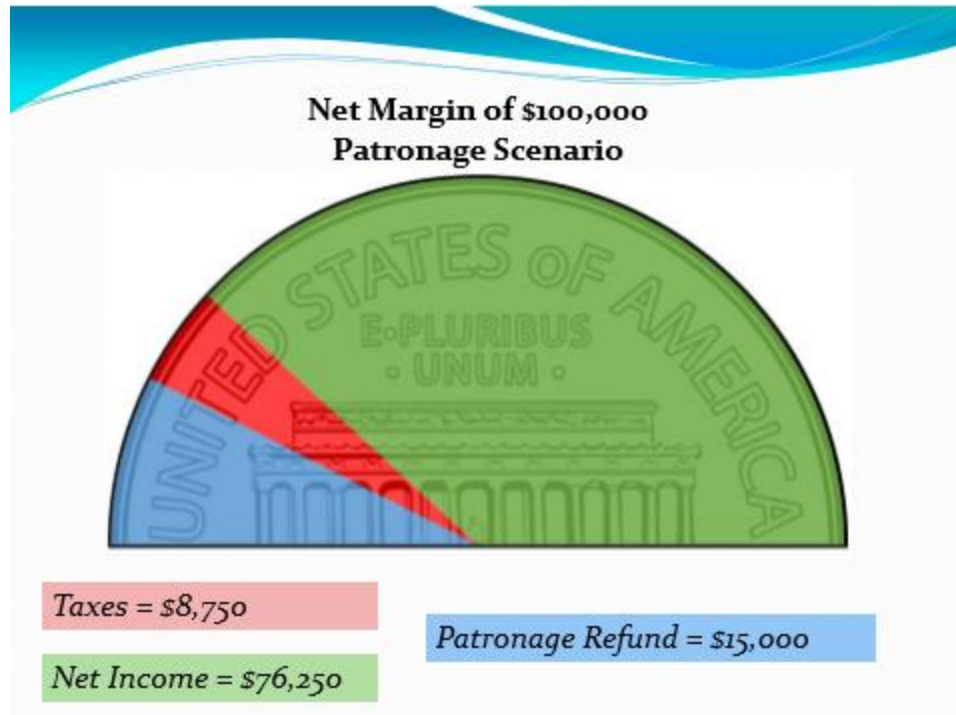
GreenStar Cooperative Market / Patronage Refunds

Net Margin of \$100,000 Current Scenario



Taxes = \$35,000

Net Income = \$65,000



- - Reference
 - GreenStar Natural Foods Market. (2016, 10 14). *Patronage Refund Information*. Retrieved 04 27, 2017, from GreenSart Coop: <https://greenstar.coop/patronage/>
- Can post a host a special meeting to vote on moving to a patronage.
 - Would need to heavily advertise meeting to all members
- We already have the system necessary to track patronage.
- 3 items of concern/special attention from Dave
 - Would like a dry run with numbers to show members prior to special meeting.
 - Seth proposes that Zach pull the Boards spend patterns and provide the Board's numbers translated into the patronage system.
 - NCG is an essential for patronage; need to ensure we have the low prices available to members.
 - Believe that patronage will make us more attractive to NCG, propose pushing forward regardless of this year's NCG outcome.
 - Educate of members should be over at least 90 days (although bi-laws state days) prior to special meeting, include signage, website, Facebook, conversations, pamphlets.
 - Want to ensure members are educated and confident prior to attending the meeting.
- Dave suggests that we begin educating and posting signs in the busy season, October/November/December, hosting the member forum in January (6 months prior to annual meeting), continue to educate until next annual meeting in 2018 where members vote.

- Propose that January meeting be used to gauge the general feeling and knowledge members have regarding the patronage system.
 - Hannah states that typically Co-ops use only 5 to 6 months to educate members prior to the vote.
 - Ideal timeline based on other Co-ops
 - Education starts after annual meeting
 - Ensure Special Meeting (voting meeting) is not held during holidays
 - Should take about 6 months from start of education to voting
 - Possibly start July
 - Special Meeting (voting meeting) in February or March
 - Looking to implement new system start of fiscal year (April 1st)
 - Board unanimously believe patronage is the right direction.
 - Important that the education comes from the Board, not the GM, not the Staff.
 - Possible Board road trip/outreach to Springfield Co-op who is currently undergoing a patronage conversion
 - Laura asks that everyone look at the CDS website
 - Zach to email GreenStar Co-op website to Board
 - If questions are posed to Zach or Staff, they will need the ability to give the contact information of a Board Member to continue the patronage conversation.
 - Look into how to allow members to give patronage back to co-op.
 - We want to ensure we take our time and cover everything. See no reason that we can't start the new system by April of next year.
- New Board Member Packet
 - Edits and updates have not been completed as of yet.
 - Welcome letter
 - Edit
 - Add RAFC lingo
- Annual Meeting
 - Board meets for few minutes to give new members orientation packets with quick board forum

Review of Meeting & Agenda Setting

- A look at what was accomplished
- Who has responsibilities for next month
- A request for any new Agenda items
 - Next Month, form a Fundraising committee / Capital Drive

Next Month

- Lease Committee Meeting: May 3rd at 6pm
- Finance Committee: May at 6pm
- Board Meeting: May 25th at 6:30pm (cut off for raffle items and money)
- Strategic Planning Meeting: May at 12:30-2:30pm
- Annual Meeting Planning Committee: May at 10am to 11am

- B1 – Financial Conditions - Zach
- B2 – Planning and Budgeting - Zach
- C3 – Agenda Planning – Irene Gordld
- C4 – Meetings – Laura D.

Executive Session: 8:52 pm

APPENDIX

Rutland Area Food Co-op

Product Selection Guidelines

Buyers shall follow these considerations for purchasing product for the Co-op.

For any product category offered by the Co-op, preferences shall be given to products and vendors that best satisfy the following;

The product is grown or produced locally.

The product is wholesome, natural, and minimally processed.

The product is grown and processed organically or sustainably.

The product is minimally or sustainably packaged.

The product is affordable

The producer:

Demonstrates a commitment to these considerations.

Demonstrates a commitment to social and environmental responsibility.

Must be a Co-operative business or demonstrates a commitment to Co-op values.

Buyers are expected to apply judgement to determine the best-suited products, using these considerations as guidelines rather than strict rules. For example, a product grown or produced in Rutland would certainly be local, but if it is produced using pesticides, GMO's, excessive packaging, or unfair labor practices, we would not give it as high a preference.

Buyers should keep in mind the Purpose (mission) of the Co-op in making product decisions.

Provide affordable access to natural, whole, and minimally processed and packaged food items and other products that form the basis for healthy and ecological lifestyles.

Provide a market for local, regional, and other cooperative producers of food and other household and personal products.

Provide a community building and educational center where owners and other patrons can work, shop, and learn together and empower each other.

Provide a support for the cooperation with other individuals and organizations whose purposes are similar to those of the Co-op.