



**Rutland Area Food Co-op Board Meeting
November 30, 2017**

Present:

Board: Chris Littler, Hannah Abrams, Laura Daubenspeck, Molly Nitka, Steve Peters, Tyler Richardson, Kate Thomas, Mckenna Hayes, Irene Gold, Matt Poli

Missing: Dave Tibbs, Julian Fenn,

Staff: Zach Stevens, Jamee Sherwin, Julie Zaloudek

Guests: Ben Leber, Kris Hamelink

Meeting brought to order: 6:31 p.m.

Approval of Minutes: Minor adjustments. Hannah moves to approve. Irene seconds. Minutes are approved.

Committee Reports:

• **Finance Report – Chris L**

- ✧ October sales were down **\$2,300** and there was a loss of \$186 on the month.
- ✧ \$2,000 of loss was due to inventory adjustments.
- ✧ In October 2016, inventory adjustments added \$15,000 to profits, so it can go either way.
- ✧ Repairs and Maintenance were up due to cooler repairs.
- ✧ Janitorial expenses were up due to the dumpster for the warehouse clean up.
- ✧ We currently have \$70,000 in the bank, compared to on \$5,000 last year. That includes \$45,000 in the savings account, compared to \$973 last year.
- ✧ Year to Date sales are up \$16,600 or 1.3%
- ✧ Profits for the year are at \$46,000, up \$36,000 from last year.
- ✧ We made \$23.03 in interest, which is now beer and hotdogs, but no buns yet (or, if you're fiscally responsible like Zach, we can almost pay a monthly bill with the interest...).

• **Looking to the Future**

- ✧ Sales for November were down **\$1,000** as of our meeting, but the month started very slow.
- ✧ There was no fee to fix the laptop, and we did not have to purchase a new protection plan!
- ✧ The Freezer went down, but there were no products lost. There is an issue with the freezer that cannot be repaired. Zach has a maintenance plan in place which should slow down any issues, but it will need to be replaced.
- ✧ November has 5 pay weeks, so payroll will be up.
- ✧ Zach has completed the paperwork to increase our Line of Credit with the Co-op Fund of New England. Now we just need to see what happens.
- ✧ There was a very large Wine and Beer order in November, but it was to get a discount.
- ✧ The Co-op was closed on Thanksgiving and Black Friday.

◆ **Lease Committee Update – Laura**

◇ Lease Committee Charter:

Rutland Area Food Co-op

Lease Committee

The Lease Committee will consist of the Facilitator or Second Facilitator, Treasurer, at least one other board member, and optionally, one or two member-owners. The committee will meet quarterly until at least 2 years prior to the expiration of the lease, when it will meet monthly. The Lease Committee will strive to have the new lease renegotiated & signed 1 year before the expiration date of the current lease.

The committee will conduct quarterly meetings to:

- I. Review the current lease for compliance on the part of both the Co-op and the landlord and bring any out of compliance items to the board's or landlord's attention as appropriate.
- II. Record any items from point I to take into consideration at the next lease renewal.

Leading up to the renewal of the lease, the committee will conduct monthly meetings to:

- III. Review the current lease with the landlord and identify items and repairs that need to be added to the next lease.
- IV. Negotiate with landlord for a lease with a fair rent that fits within the Co-op's means.
- V. Submit the lease to the board for final approval

The Lease Committee will also take on other duties related to the lease as assigned by the board.

- ◆ Proposed next meeting January 11th.
- ◆ Looking to create a comprehensive and dynamic log for all lease/building items which includes dates, issue/item, action step, follow, resolution, etc....
- ◆ Any word on keeping a lawyer on retainer for lease and transaction/contract items? It would be beneficial to engage a transactional attorney and develop a true client-attorney relationship. Considering the expansion of the Co-op, having an attorney involved in the lease negotiation would help streamline the process.
- ◆ Many attorneys will lower their rate for non-profits. The Vermont Bar Association has a free referral program which will help in finding someone outside of the community.
- ◆ The lease committee will consider an attorney options for future negotiation.
- ◆ There are more revisions to the charter before we can vote to approve it.

∞ **Patronage Committee Update - Steve**

- Held meeting on November 13, 2017. Attended: Steve Peters (committee chair), Laura Daubenspeck, Irene Gold.

Timeline:

- January – June 2018: begin outreach & education
- June 2018: vote at the annual meeting
- June 2018 – April 2019: research tax needs, update bylaws, prep for tracking
- April 2019: patronage model is implemented
- April 2020, or sometime after: send first round of patronage refund checks year is profitable

Plan:

- Write an explanation of the patronage system as an article for posting on the co-op website.
 - This will also go out in the January newsletter.
 - Patronage committee will write this article using resources and other co-op language.
- Create a ½ page handout that visually explains the patronage model.
- Begin outreach in mid-late January by tabling in the Co-op during a busier day of the week.
- Continue to table once/month from January to June, switching up the days in order to cover as many people as possible.
- Hold 1-2 evening info sessions in the conference room for people to come in for a brief presentation.
- Review status after vote at the annual meeting and create next steps.

Budget:

- \$200 for printing handouts
- \$200 for snacks/other incentives while giving out info
- Total: \$400

Other needs:

- Widespread board support – possibly to assist with outreach days
- Collaborate with Abi and other staff for website, newsletter, etc.
- If possible, coincide with outreach from the capital campaign committee

Current to do list:

- Steve will review the patronage information we have on file
- Steve will work on drafting the handout for early January
- Steve will reach out to Springfield Co-op to see if they have anything helpful to share
- Schedule a December committee meeting

▪ **Store Expansion Update - Zach and Hannah**

- Have been talking to a lot of experts in their various fields. Looking to line up experts to advise before making any costly steps toward our future – want to ensure we are stepping in the correct direction for our members and our future.
- We hired Bill Gessner from CDS Consulting to create the Pro-Forma which will let us know our viability of the business for the next 10 years.

- We should expect a rough draft of the pro-forma, and a conference call to discuss it, by December 13th at 11am. Conference call number will be sent to interested and available Board members who might be interested in listening to the conversation.
 - At the end of the conference, we will have a real figure on what it will cost to do the expansion in a way that benefits us.
- We contacted Jeffery Glassberg – a real estate development services professional. Jeffery is a building and development specialist. Middlebury Co-op used his services for their recent expansion and highly recommended him.
 - Jeffery would be the project manager and would work with us, Mark, and the contractors to make sure everything is at code and that work is being implemented according to plans and with limited operation interruptions.
 - Jeffery advised that there are many issues with our current plan, many of which we are aware of.
 - We have received a proposed contract for what Jeffrey is calling Phase 1 (he has 3 phases).
 - His projected costs are between \$15,000 - \$35,000
 - Will be sharing his proposed contract with the board, and come prepared to vote at next meeting.
- Ben Sandel – Capital Campaign Specialist – CDS Consulting
 - Ben would help coordinate and train campaign team and would assist with marketing and messaging materials for campaign. We have had an initial conference with Ben and are awaiting a proposal for review. His projected costs would be \$7,000 - \$10,000.
- Nicole Klimek – Store Design specialist – CDS Consulting
 - Nicole would help coordinate and plan the layout and functionality of the retail space. We are sending Nicole pictures and a floor plan and will re-conference with her next Thursday. She is very excited at the prospect of working with us and our unique building. Her costs would be between \$7,000 and \$10,000.
- David Swanson – Attorney with Dorsey 7 Whitney
 - David is a highly recommended attorney for local Co-ops. He specializes in cooperative business models and has a vast knowledge of Vermont Laws and federal filings regarding campaigns. He recently worked with Middlebury Co-op. David would create our offering documents for members and would assist with marketing materials and review all items to be filed with the State of Vermont or Federal Government.
 - David would cost approximately \$10,000
- John – Husband of Middlebury board member
 - John is a capital campaign leader from Middlebury. He would help coordinate, plan, and lead the campaign for our fund drive.
 - He is recommended by Middlebury, we have yet to reach out to him.
- Market Study – Approx. cost \$15,000 + travel for CDS consultant and any fees associated with gathering information.
 - Would tell us more information about our future potential, our customer/member wants and needs, and strategical data from the area
 - We are not considering undertaking this expense currently.

- Would like to wait to review the pro-forma before hiring the next consultant (Jeff). Jeff will be on the conference call to review the pro-forma.

PG Reports

Reminder: The Sunday before the Board Meeting, please email PG Reports to the whole Board and Zach as well as place it in the Drop Box.

B1 – Financial Condition and Activities– Zach

This report has been generated using reports from the last two years to show trends. The actual report status is based solely on the current complete data of the three previous quarters ending 9/30/17 and additional data ending 10/31/2017. Unless otherwise stated with an exception, all data in this report is accurate as of 10/31/2017.

I certify that the information contained in this report and its attachments are true.

Signed, Zach Stevens, General Manager

B1- With respect to the actual, ongoing financial conditions and activities of the RAFC, the GM shall not cause or allow the development of fiscal jeopardy or material deviation of actual expenditures from Board priorities established in Ends policies.

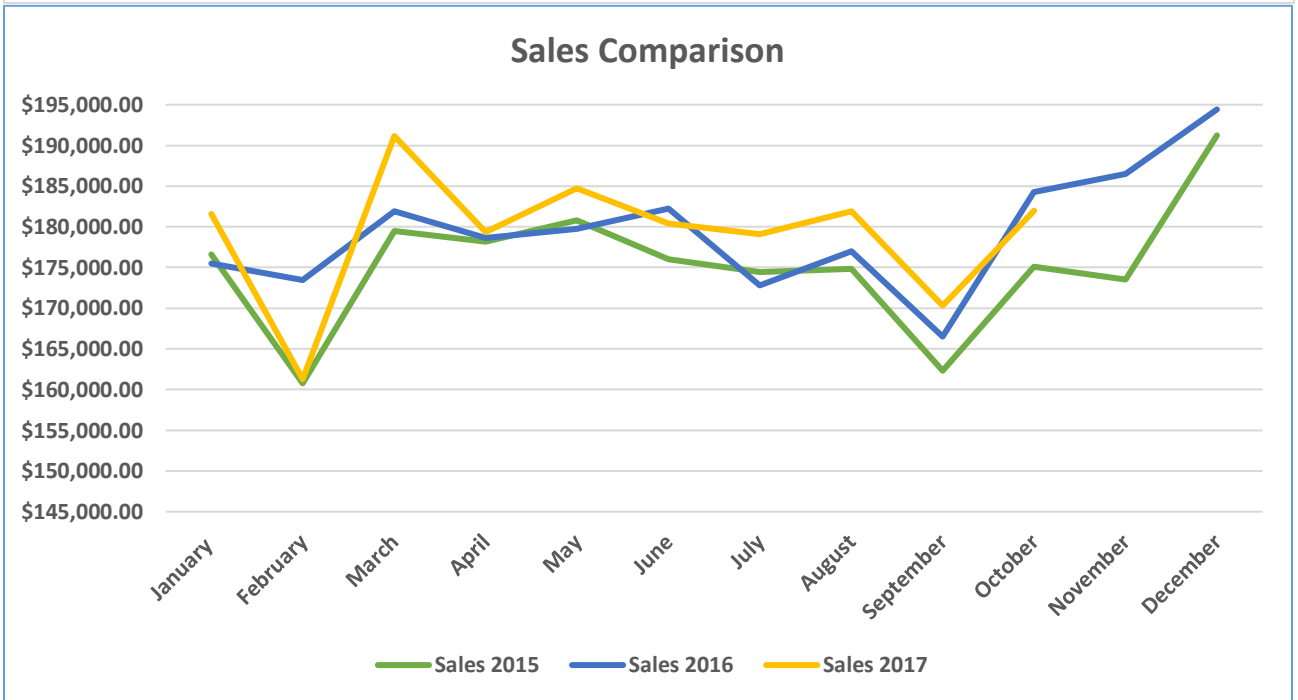
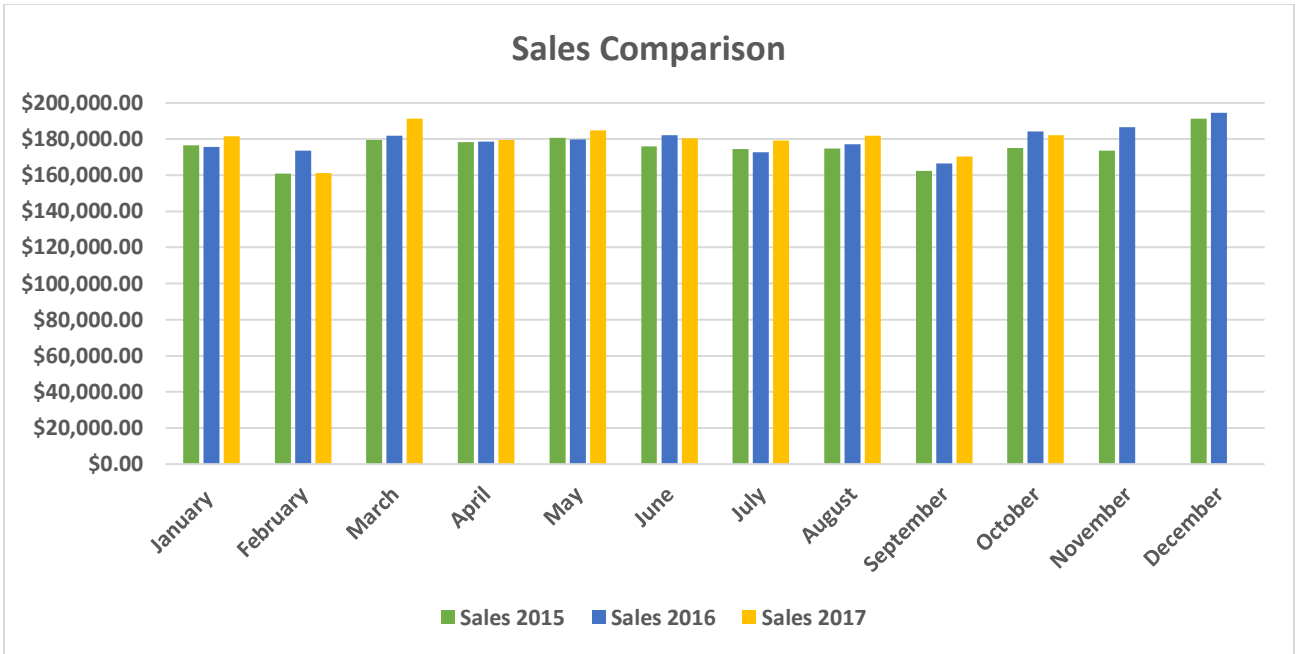
Interpretation: The policy states the criteria that we base our financial practice and assessment on which is outlined below. We use the following to measure our financial performance and look at trends to make informed decisions. If we fall out of compliance in any areas, it is the GM's responsibility to report on what may be a factor and our working plan towards compliance.

Data: The data collected is presented under each sub-policy below.

Conclusion: We are still out of compliance in sales growth. We are continuously focused on growing membership and add-on value/basket size to help increase sales. We anticipate that our growth will continue. Please see the data, strategic plans, and timelines for each section below as well as attached financial reports.

1.) Allow sales to decline or be stagnant.

Interpretation: Management strives for growth in sales in order to keep up with market inflation, operational increases and allow the business to expand its offerings. Sales growth should be above 3% to be in compliance.



Data: Sales for Qtr. 2 were up **\$15,021.76** or **2.9%** over last year. Sales Y.T.D. 4.1.17-10.31.17 are up **\$16,610.48** or **1.3%**. Sales have increased 7 out of the last 10 months.

Conclusion: It is this manager's conclusion that we are out of compliance. Sales have increased this year but remain short of the 3% requirement.

Plan: We believe we are still moving in the right direction. Sales have not stagnated, and we can account for the small drops in June and October (Freezer issues). With the help of the

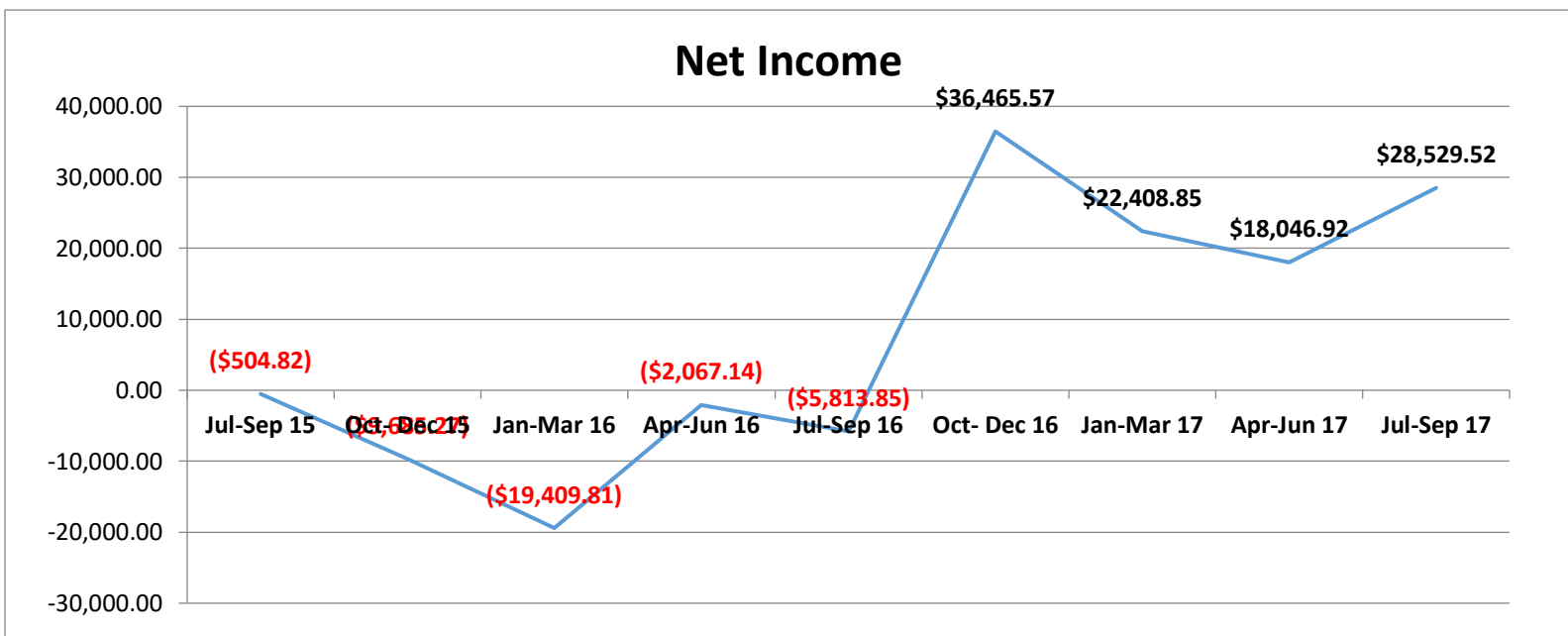
new marketing manager we are again hosting and promoting many events as well as are communicating more frequently with our members, thus driving more sales. The department managers are receiving monthly sales and spending updates allowing them to better focus on increasing their sales while keeping their spending down. Our goal continues to be to work toward the 3% by the end of the next quarter 2017.2018.

2.) Allow operations to generate an inadequate net income.

Interpretation: Management strives for a positive net number and uses operational strategies, planning and organization to meet this goal, Net income should be greater than 0 (Zero) to be in compliance.

Data:

Net income was **\$28,529.52** for the second quarter of 2017.2018 compared to **-\$7,383.22** Qtr. 2 last year. Net Income Y.T.D. 4.1.17-10.31.17 is **\$46,389.73** compared to **\$10,116.69** this time last year.

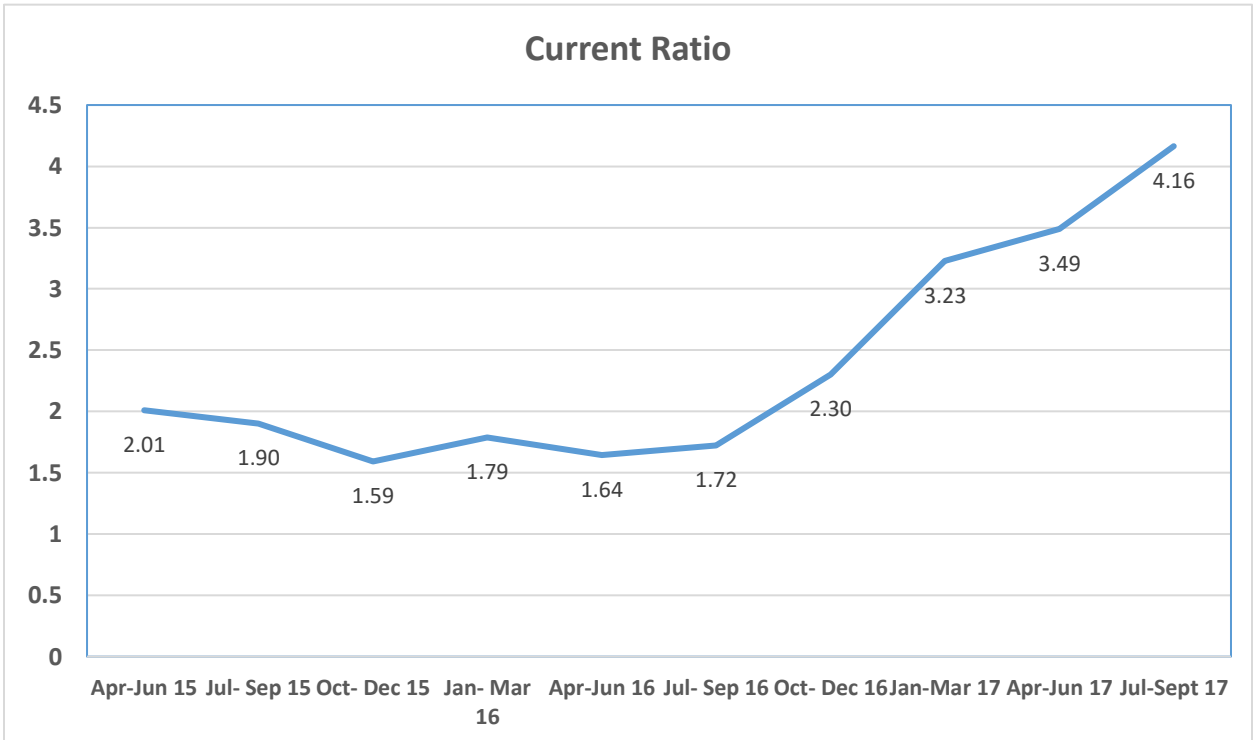


(Net Income) Conclusion: In compliance.

3.) Allow liquidity, or the ability to meet cash needs in a timely and efficient fashion to be insufficient.

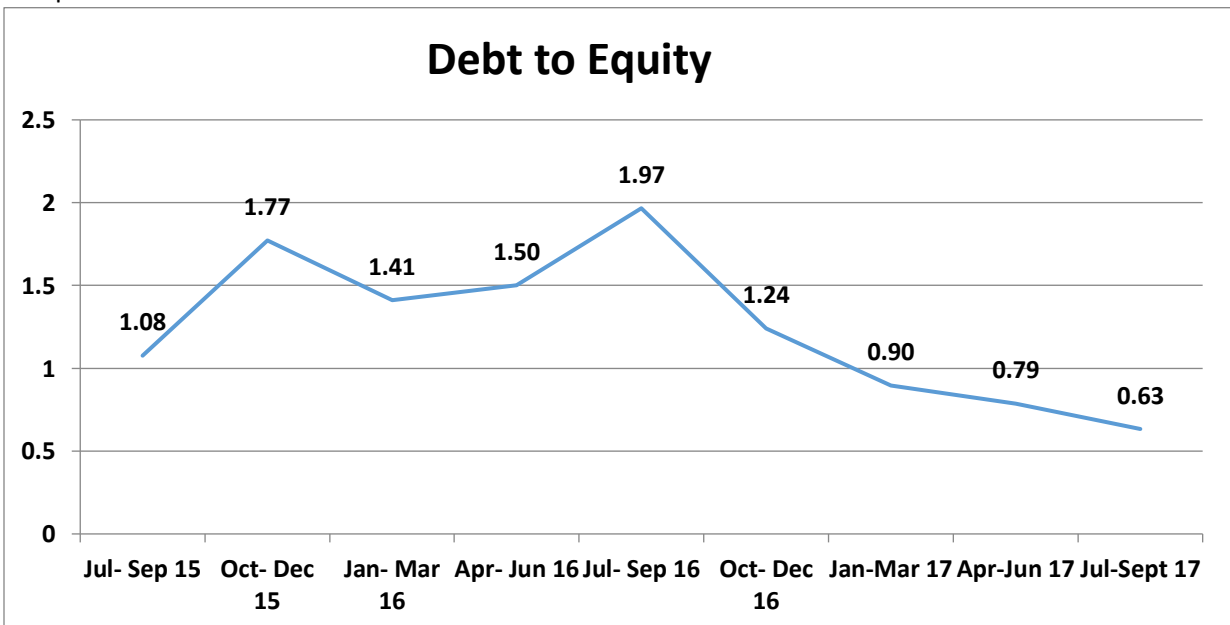
Interpretation: The current ratio, Current Assets divided by Current Liabilities, is a common measure of liquidity. The Current Ratio should be above 2 to be in compliance.

Data: At the end of September 2017 our current ratio is 4.16. Conclusion: In compliance.



4.) Allow solvency, or the relationship of debt to member/owners' equity, to be insufficient.

Interpretation: The debt to Equity ratio, Total Liabilities divided by Total equity is commonly used measure of solvency. Our Debt to Equity ratio must be below 2.0 to demonstrate compliance.



Data: solvency = .63

Conclusion: In Compliance

5.) Incur debt other than trade payables or other reasonable and customary liabilities incurred in the ordinary course of doing business.

Interpretation: Management may not incur new indebtedness except as trade payables, ordinary credit lines, and leases for equipment necessary in ordinary course of business.

Data:

Co-op fund of New England \$100,000 Revolving Line of Credit, Annual Interest Rate = 6.00%, Terms=5 years. Granted July 19, 2013. Loan has been readjusted for another 3 years as of March 2017. We have recently applied to increase our credit line to \$150,000 or \$200,000 as we prepare for the upcoming projects. We should hear back from CFNE by the end of December.

No drawdowns since January 2016.

Current total of loan without interest is \$51,959.84 as of 10/31/17.

Conclusion: In Compliance

6.) Acquire, encumber, or dispose of real estate

Interpretation: This policy limits the GM from purchasing or committing to purchase and real estate; only the Board has the authority to make any kind of real estate (land or buildings) deal.

Data: No commitments or purchases have been made.

Conclusion: In Compliance

7.) Allow tax payments or other government-ordered payments or filings to be overdue or inaccurately filed.

Interpretation: Management will ensure that our payments of filings are timely and current.

Data: All payments and filings are current, timely and up to date.

Conclusion: In Compliance

8.) Allow late payments of contracts, payroll, loans, or other financial obligations.

Interpretation: Management will ensure that all accounts and financial obligations are current and in good standing.

Data: All contracts and accounts are current and in good standing.

Conclusion: In Compliance

9.) Use restricted funds for any purpose other than that required by the restriction

Interpretation: Management will use funds appropriately and only from accounts that are intended for the expenditures. If an exception occurs and Board approval is necessary, Management will present the information so the Board is aware and agrees with the proposed methodology.

Data: All funds are used appropriately from the intended accounts. All payments have documentation attached and are entered in QuickBooks and filed accordingly.

Conclusion: In Compliance

10.) Allow financial record keeping systems to be inadequate or out of conformity with GAAP.

Interpretation: Management will keep accurate records, controls and financial practices in place that in the best interest of RAFC. Annual assessment of these practices will keep them current and appropriate.

Data: Records, controls, and financial practices are in place. A financial review has been completed by McCormack, Guyette and Associates for year end 3/31/17 and is available at the Co-op or in Drop-box.

Conclusion: In Compliance

• **D2 – Accountability for the GM – Kate Thomas and Laura Daubenspeck**

Board meetings are for the task of getting the Board’s job done.

1. **The Board will view GM performance as identical to organizational performance so that the Cooperative’s accomplishment of Board-stated ends and avoidance of Board-proscribed means will be viewed as successful GM performance.**
2. **The Board will not instruct or evaluate any employee other than the GM.**

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1. Is this policy clear: (Yes/ No/Comments)
Yes, mostly. Part 1 could be more clearly worded. It contains a lot of passive voice, which is confusing to read and understand the first time one reads it.
 2. How have we been IN compliance?
We have been reminded not to give any employees direct feedback/instruction while shopping at the Co-op. We just reviewed the GM’s role, and this is clear to us. We make sure that we do not “micromanage” our GM at board meetings, rather, we listen to the GM’s report and respond accordingly. We evaluated our GM based on the store’s performance after a year where we achieved or came close to achieving many of the benchmarks of financial health we set (sales, savings, and progress towards expansion). As the Co-op achieves its goals, we give credit where credit is due: our GM.
 3. How have we been OUT of compliance?
We are not aware of any instances of noncompliance.
 4. Overall, have we been in compliance?
Yes.
 5. Is this the policy we want? (Yes/No)

Yes, mostly.

Recommended changes:
None

Suggested revision for clarity:

“The Board will view GM performance as identical to organizational performance. If the Cooperative accomplishes Board-stated ends and avoids Board-proscribed means, the Board will attribute these to successful GM performance.”

Submitted by:
Kate Thomas and Laura Daubenspeck

- ◆ How does the board feel about the suggested change?
 - Board unanimously votes to change the wording. The change is noted on the white board on the wall.

GM Report

- **Last Month**
 - October as Chris mentioned was a rough month. Our sales were down **-\$2,310.47** and we had inventory adjustments to compete against. We did end with a small loss of **-\$186.71.**
- **This Month**
 - We had heat issues again on the 31st, 1st, and 2nd, The new system is now working however they are in the process of installing a second unit that will be needed to maintain appropriate temperatures.
 - We attended the REDC annual meeting at Castleton on the 5th and were recognized for receiving the grant of \$20,000. All other grant recipients were Co-op members. Big thanks to Tyler for everything he did!
 - We ended up processing 113 turkeys (2 more than last year).
 - RAFFL- May need truck and strong help, Zach will coordinate more regarding that.
 - The three-door freezer (the newest model that holds the frozen vegetables went down the night before Thanksgiving, the staff caught it early so product loss was minimal. It had a gas leak, Julie came in and worked black Friday with Tech to get it back up and running before Saturday's events, Thank you Julie.
 - We needed \$6400 today to hit last year's sales (this is without the 3% increase) we will do around \$4,500, so sales will be under by around \$2,000, still hoping to post a small profit.
 - We have promoted Caitlyn Little to cooler/freezer manager and MOD she will start this role in two weeks. Tim has decided to stay with us part-time and will be the cooler/freezer asst. manager.
 - We are still looking to hire a part-time night cashier.
 - Small business Saturday was better attended than last year. We had a sales increase of \$725.00.

- As part of the new maintenance schedule on the big freezer, we had the staff empty it last night and Julie and I used heat guns and blow dryers and defrosted it all this morning and got it going again.
- **Future**
 - We will again be closing early at 4pm on Christmas eve and will be closed Christmas day, the 25th and Boxing day, the 26th (same as previous years).
 - We will be offering holiday turkeys for Christmas. This is not a large draw; we usually sell under 10.
 - I am waiting to hear back from CFNE about the loan increase. I apologize but I neglected to have the board specially vote to approve the increase to our line of credit. If we could get an approval or a notation in the minutes.
 - Will add to application that the board approved by consensus in last meeting.
 - We have stocked our gift department heavily and have brought in good paper Christmas cards and Way Out wax candles as new holiday items.
 - We have a great selection of diffusers and blenders from the NOW company that are on sale for the holidays.
 - We have plenty of baskets, scarves, craft beer, and great priced wines for all of your holiday shopping needs.
- Zach emailed NCG recently:
 - NCG is no longer accepting applications at this time. They are moving forward in focusing on co-ops already in their system.
 - It was fortunate that NCG replied so promptly so that Zach did not have to gather all the necessary documents, and pay the expenses for them, to apply.
 - NCG participants (other co-ops) are having a difficult time due to competition. We have noticed we are receiving NCG pricing from some vendors and believe they may be pulling their partnership/contracts with NCG.

New Business

- Reminder that documents for board meetings should be submitted the Sunday prior to the next board meeting.
- Networking Events
 - MK Properties - 77 Grove Street
 - RYP – RRMCMC December 13th at 6pm
- Possibly look at a way to streamline communication prior to board meeting. Go back to using Dropbox?
 - Possible train on dropbox so to cutout this email?
 - Have everyone upload document into dropbox, when Hannah sends out her agenda she'll include a link to the month's dropbox folder where all committee notes, and reports will be loaded.

Review of Meeting & Agenda Setting

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Next Month

- Finance Committee Meeting: Tuesday December 14th at 6 pm
- Board Meeting: Thursday December 21st at 6:30 pm
- Capital Campaign Committee: Monday December 16th at 6 pm
- Patronage Committee Meeting: TBD

- B7 – Board Communication- Zach
- B8 – Board Support - Zach
- D3 – Delegation to GM - McKenna and Dave
- D4 – Monitoring GM – Kate (and possibly Laura)

Executive Session: No.

Meeting closed: Kate motions to adjourn meeting, Laura seconds. 8:29 pm.