



Finance Committee Meeting Minutes  
February 25, 2016  
Ten Pin Conference Room

**Committee Members:** Chris Copple, Jeremy Cotton, Dave Feral, Colin Fiske, Leah Stamper, and Cheri Strong  
**Staff:** Melanie Bettenhausen, Kelli Costa, Lauren Fawcett, Toby Massey, Abby Quenzer, Ron Sharp, Nick Tyner, Kevin Waters, Bella Waters and Austin Wright  
**Members:** Mary Ella Anderson, Bo Boyanov, John Davis, Peggy Leviton and Amanda Lightfoot-Wright

Meeting started at 5:30pm by Jeremy Cotton at the Ten Pin Conference Room. Introductions were made.

**Agenda Review.** No discussion.

**2015-2016 Third Quarter Presentation.** Kelli C. announced this was her last Finance Committee as she's leaving the Co-op in March. Kelli C. provided a brief reminder that though the Co-op lost \$20k in the prior year, the prior year sales were nearly 1 million better than FY 14 and the expenses for the self-insured health plan had extenuating circumstances. The focus should be that the Co-op was able to pay those claims with the additional sales growth. The year was exceptional for sales and the ability for the Co-op to afford the claims was great. Discussion of third quarter financials included:

- Income statement: Sales are better than budget, margin and COGS on track, payroll is 24.12% of sales. Variances in General and Admin include in-house janitorial department was instituted a month later than budgeted, earthquake insurance in place that wasn't budgeted for, higher legal and merchant card processing fees that budgeted. Occupancy variance paying extra month of outside cleaning service and security in both stores that wasn't budgeted. Received tax return from a previous year and originally had it in Other Income, but moved to Provision for Taxes. Gained \$100k from prior year Q3 largely due to sales but staying close with expenses.
- Balance sheet: Current portion of Long Term debt was last payment Umpqua. Co-op is debt free at this point. Additional paid-in capital are the retained C share dividends, which is paid out after end of fiscal year. Escheated shares are from previously purged members and changes occasionally.
- Income sheet trend. Q4 always take a hit for taxes and end of year audit changes. Sales growth could be contributed to a multitude of factors: more students at HSU, better service, effective marketing, lower prices (warehouse, Wellness Wednesday, Co-op Basics).
- Balance sheet trend. Q4 took large hit with expenses, but Co-op managed, recovered and is back to cash equivalent of \$1.299k
- Co-op uses software for large companies; benchmarks are Co-op specific.

**FY17 Draft Budget.** Kelli C. reviewed the draft FY17 budget. Discussion included:

- Collaborative budgeting process discussed.
- Many factors were considered when budgeting Arcata store decrease due to Eureka Natural Foods opening in McKinleyville such as lunch business not being affected, but grocery will be. Have some historical information with Wildberries and Murphys on Alliance opening. Reviewed shopper zip codes. Have heard opening date of May/June. Kevin W. feels that Wildberries may be hit harder than Co-op. Co-op continues to do price checks to stay competitive.
- Budget is never amended as there's always a reason for the variance.

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- Payroll benefits lower due to decrease in workman comp policy, some retirements, more people in health insurance pool, natural attrition in departments. Anticipating decrease in sales and decreased the budget for some employee events.
- Kelli C will insert an additional line in benchmark portion of balance sheet to show total payroll expense percentage and that benchmark range.
- Eleven years left on Eureka store lease and city working hard to improve the downtown area, including additional housing. Kelli C not sure if there's negotiation room in the lease to change occupancy costs. Landlord continues to help with maintenance and painted the store. Store improvement project projections are solid. Ron will have proformas to the Board as soon as he receives them.
- Budget for legal services has been increased, and an addition line item added for Board legal to cover bylaw work.
- Payroll – Management includes all Management Team with the exception of the store managers. Staff includes marketing, accounting, pricing, and maintenance, though maintenance is a bargaining unit.
- Dues and subscriptions includes NCG, Chambers, CGN, Farm Bureau and other little membership organizations. Other membership expenses includes membership database consulting, new member giveaways, purge, handbook printing. Insurance policies are sprinkled throughout the budget but includes earthquake, stores, auto, EPL, Board, and umbrella policies. Board employment line added to cover expenses associated with the General Manager hiring process.
- Capital expenditures. Continuing with scale upgrade project, PCI compliance, ability to track customer comments electronically and more compatible reservation system. Eureka store project will include right sizing the departments and budget may be higher than actual costs if current staff expertise is used. Eureka lighting may be rolled into the store project. Dairy door depreciation should be 120 months, not 240. Additional \$40k could be allocated to another project or used to cushion projects that run over budget. Discussed adding solar hot water systems, potential cost of that type of system and if it's movable in the event things change for the Arcata store.

**Consensus reached to recommend that the Board approve the Fiscal Year 2017 budget.**

**FY17 1st Quarter C share dividend rate recommendation.** Committee discussed maintaining the current rate.

**MOTION:** Move to recommend to the Board for approval of the C share dividend rate (whole shares) to continue current interest rate of 2.00% APR for quarter ending June 25, 2016.

Feral/Copple

**MOTION PASSES**

6/0/0

**Member Input on Reports:** Kelli Costa was thanked for all her work over the last four years and for providing a collaborative budgeting process.

**Next Meeting:** Tuesday, May 24 5:30-7:00pm in the 10 Pin Conference Room.

**MOTION:** Move to adjourn the meeting at 7:08pm.

Cotton/Feral

**MOTION PASSES**

6/0/0

Minutes submitted by Bella Waters

**Recommendations for Board:**

- 1) Recommend that the Board approve the Fiscal Year 2017 budget.
- 2) Recommend to the Board for approval of the C share dividend rate (whole shares) to continue current interest rate of 2.00% APR for quarter ending June 25, 2016.