



Finance Committee Meeting Minutes
August 23 2016
Ten Pin Building Mezzanine

Committee Members: Mary Ella Anderson, Chris Copple, Dave Feral, Colin Fiske, Peggy Leviton, Ed Smith, Leah Stamper* and Cheri Strong

Staff: Ken Baca, Melanie Bettenhausen, Deborah Brunton, Ellie Christensen, Alanna Cooke, Wendy Davis, Steven Dugger, Jessica Galaviz, Alisha Hammer, Jolie Harvey, Kristina Harris, Rebecca Lusa, Carrie Newman, Ron Sharp, Duncan Thomas, Amanda Tripp, and Bella Waters

Members: Tim LaBelle and John Lucas

*arrived during deli discussion

Meeting started at 5:32pm by Peggy Leviton at the Ten Pin Building Mezzanine. Introductions were made.

Agenda Review. Addition of appointing at-large member added after deli remodel discussion.

MOTION: Move to approve the revised agenda.

Feral/Smith

MOTION PASSES

7/0/0

FY16 Audit Report. Peggy stated that the audit report is still pending. Kris noted that the final bill has been received and know there are some recommendations but no huge oversights. Audit discussion could occur before or during a future board meeting.

FY17 First Quarter Presentation. Kris Harris presented the first quarter, unadjusted financials. Discussion included:

- Income statement. Sales have exceeded budget by \$395k, Arcata sales up 5.5% and Eureka 3.4%, COG margin 36.58%, slightly up from budget. Net income \$132k. Kris will look into variance of payroll taxes, actual provision for taxes is \$0 as the auditors haven't provided the quarterly estimated tax amount. Kris can drill down sales into departments to see what the trends may be and provide that by October board meeting. Alanna noted that the deli is consistently up and have high grocery sales week after week in Eureka.
- Balance Sheet. Cash on hand remains strong at \$1,347k. Total assets decline, which can mostly be attributed to credit card transfers and store charges. Inventory is consistent, though 3rd party has some variances in their processes, which is being discussed. There may be an adjustment to inventory at end of the quarter, though not sure what the impact will be to turns benchmark. Kris is working with auditors on escheatment process and will report back to Colin. Kris has asked for that process to be outlined in auditor recommendations. Preferred shares are both B and C shares.
- Occupancy and General/Admin Expense Comparison. Rent increases are based on lease agreements. Insurance has increased, though earthquake insurance had decrease of \$6k. Earthquake insurance covers product and lost wages for staff, not building. Kris will look into why there are no Q1FY17 contract labor expenses. Repair & Maintenance Q1FY17 expense due to equipment replacement and refrigeration failure, which a claim has been submitted to insurance company. Committee members can email Kris if they have questions about particular line items.

FY17 3rd Quarter C share dividend rate recommendation. Committee discussed 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 December 24, 2016.

Feral/Anderson

MOTION PASSES

7/0/0

Deli Remodel Consideration. Melanie reviewed the deli remodel and store reset presentation handout. Unfortunately Lauren Fawcett, Prepared Foods Manager, was unable to attend, but a number of employees who have worked on the plan were present at the meeting. Discussion included:

- Other departments are going to shrink (frozen) or change. Meat will change cases out, cheese will be a new island with prep and customer service, new seating options.
- Margin going up due to deli’s ability to make their own products, thus making full margin on those rather than paying retail for items from Arcata.
- Will create 22 new positions
- Financing options have been researched (local bank and NCG). Would like to work with local financing.
- Concerns about increased packaging and grab n’ go. Staff is looking into alternatives and feel packaging will decrease due to increased self-serve options where people can bring in their own containers. How the co-op is affecting the waste stream is on the radar and there was an hour long discussion on reducing packaging and plastics during the Arcata employee forum. With this model there are opportunities to not increase packaging. Reusable containers will be with each service case, shoppers pay a deposit and will be sanitized in kitchen when returned.
- Lease is estimated to have 11 years left. Will look at payback when anticipated costs are more specific.
- Not anticipating any loss of staff due to downsizing of departments. Consultants have found that every department sees sales increases due to better category management, product selection and increased shoppers that are excited with remodel.
- Conversations need to be had regarding structural concerns with Arcata. If deli plan goes forward, hope would be that Eureka can carry its own and support Arcata during whatever projects need to happen for that store.
- Eureka City has plans for resetting the downtown/old town area.
- Concerns with current staffing challenges. Current kitchen is disconcerting and remodel will make it more appealing for serious candidates to apply and improve the working conditions.
- Finance Committee requested breakdown of phase one costs prior to approval continuation of project. Topic will be added to September board agenda for 10 minutes. Peggy will work with CFO and GM on specifics. If information is available prior to board meeting, board could approve by email vote.

At Large Member: Chris Copple’s term on committee expires September 2016. He is interested in staying on. At large members are referred to in charter and an announcement in Co-op News will be made next year regarding the opportunity.

MOTION: Recommend that the Board appoint Chris Copple to the Finance Committee for one year term. Feral/Strong	MOTION PASSES	8/0/0
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Member Input on Reports: Discussion included

- 2016 Patronage Refund status. Waiting for audit report and final numbers. Intention of board to issue a patronage refund, but need specifics. CFO and Treasurer can make recommendation to board at October meeting.
- Retained patronage refunds on balance sheet. Kris working on with auditors and will share information with John Lucas.

Next Meeting: Tuesday, Nov 29 5:30-7:00pm in the Ten Pin Building Mezzanine. Meeting adjourned at 7:06pm

Minutes submitted by Bella Waters

Recommendation for Board:

1. 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 December 24, 2016.
2. Recommend that the Board appoint Chris Copple to the Finance Committee for one year term.