

Los Alamos Co-op Board Meeting Wednesday, 18 December 2019

Agenda item 1. Welcome and Introductions Call to order

Board members in attendance: Joshua Faulconer (President), David Hampton (Vice-president), Robi Mulford (Secretary), Steve Snapp (Treasurer), Jeff Jansen, Marshall Jansen, Laila Badran, and Miles Majure Barkely (Staff Board Liaison)
Also present: Jim Fischer, Michelle Stallings

This meeting includes the Special Member Investor meeting, and is attended by about 26 Members.

Agenda items 2. And 3 are deferred in the interest of the Investors Meeting

Agenda item 4. Member Investor meeting

Steve Snapp presents the requirements of the Quick Ratio. The Coop needs 200K\$ in the bank, and is at 89K\$, and so cannot repay loans, under our covenant with our lenders. We could refinance and free the store of the covenant, but the lack of substantial savings suggests that the store is still not healthy enough to be repaying loans.

Steven and Jim take questions

Bob Gibson asks why the savings number of 100K cited in the letter to investors is now down to 89K. Jim says there are remaining accounting inconsistencies from the handover between accountants, and that the store continues to address improvement of reporting and completion of accurate records. Steve gives some detail about the failure last fall to update pricing, how Tim caught the error, the 20-40K deficit in profits, the inclusion of gross margin in board oversight, and how replacing the Point of Sale system will assist in maintaining a clear view of the ebb and flow of the store's finances.

An Investor raises the point that a new competitor is coming to town.

Steve speaks as a board member, saying that we have some real concerns. If we compare this event with the opening of the new Smiths, it will have an impact, but not a permanent one. It is critical that we move forward with our efforts to address the increase in competition.

Jim discusses the store's proactive efforts to address the arrival of Natural Grocers. Natural Grocers does not carry local items, has no deli, carries limited produce, and carries no meat. The Coop has a strong advantage in these areas. Jim doubled grocery sales in 3 years, and is now aggressively improving the other areas; upgrading produce with help from NCG, expanding Deli activities with concerts and catering, upgrading Sunday breakfasts, and keeping meat fully stocked. Fixing whatever aspect of the store may be flagging will keep the store competitive.

Other hopeful indicators include customer loyalty—90% of our income is from members. The 150 person increase at Pebble Labs' new site will provide a new market. Holiday Inn has a new owner who will be wanting more catering from the Coop. Catering has fairly high margins, so catering is a good place to focus on expansion. The new Point of Sale system will increase efficiency. We will have expenses, such as roof repairs, and must keep an eye on our flow of money.

Steve speaks, saying our margins in the Grocery department climbed throughout Jim's tenure, due to Jim's talent at negotiating and his focus on high-margin products. With regard to competition from Natural Grocers, let us not be afraid, but rather rely on our marketing methods, our establishment of community, and the spirit of buy local.

Cecile asks whether membership is expanding.

Steve described the social marketing strategy, which connects the Coop with our ideal customer, be they members or not. Yes, the Front End does ask people to join. Member shopping per week is fairly constant. We historically have 1800 members, but the list is not updated on a regular basis, nor is it conveniently available. The new Point of Sale system will help keep us apprised of renewal and currency of memberships. We should all be promoting the Coop.

There is a nation-wide effort by NCG called "Future-Proof the Coop."

An Investor asks about turnover in personnel. To what extent is attrition a cost to the Coop, and what effort is being made to reduce attrition?

Jim takes personal care in hiring people, but Coop jobs are fairly low-paying jobs, and accordingly the Coop has a young workforce, in the demographic that returns to school. Coops in general have about 50% turnover. Jim tires to establish an attractive work environment, and to address the needs of each employee. The employee manual has been updated to improve employment at the Coop.

The Coop turns about 1M\$ per quarter, has excellent cash flow, and is current on payments.

The Coop is now on track to meet 4M\$/ year, a threshold for Coop success. Refinancing may improve our interest rate, which is currently 5%.

An Investor asks what the "Builder Loan" is.

The builder holds a loan, left over from when the building was built. We meet the interest on this loan, and are making some principal payments. However, before paying off this loan we must meet Washington Federal's requirement that we have 100K in the bank.

An Investor asks two general operations questions. What departments are doing well (ie have a large gross margin) and how well is our Coop doing relative to other Coops?

Grocery is running about 49% of sales, where 43% is normal, which may make the other departments look weaker than they are. Produce has increased sales by 10%, and meat has increased also. Wellness is the only department that is flat. Deli is a high-margin department. IF we look at margins, produce, which is also high-margin is the best department, having both sales gains and a high margin. Both the topline (sales) and the bottom line (profit) are rising. We are strengthening our customer base but not our membership. Let us make membership a metric, and promote membership.

An Investor suggests increasing membership so that we do not have to rely on mere customer loyalty. Jim describes some innovations to increase the variety and diversity of customers, ad would like labor hours to dedicate to increasing customer outreach, without increasing labor expenses. Can the board members fill this role? Or Coop members?

An investor points out what a strength the Deli is for the Coop, and wonders if we can leverage the success of the Deli to raise the rest of the Coop.

Jim points out that one factor that contributes heavily to the success of the Deli is customer service, and maintaining that key strength throughout the store is important in addressing competition.

An investor comments how much more pleasant the Coop is than Smiths, and how attractive the activities are.

A further advantage:

Vitamins and supplements will accept a list and make sure the items on the list are available. The Coop itself will address requests. Since Natural Grocers stores are strongly scripted, they cannot address requests.

To summarize, the Coop should be solid in
Memberships
Departments
Overall growth

An investor comments that the Coop should make an effort to attract newer younger families. Perhaps a focused ad, along the lines of “if you are new in town, stop by the Coop, where everyone is welcome.”

Another idea: put a notice on the cash register, inviting all customers to
- join our facebook page
- be a member

We invite member-investors to e-mail us.

Michelle reports November saw 10 new members and 57 renewals

Agenda item 2. Agenda Review

Agenda approved as presented 7:0

Agenda item 3. Review of November Meeting Minutes

There was no quorum for the amended October minutes. We vote to accept them 7:0.
November minutes approved 6:0

Agenda item 5. GM Reporting

Jim is seeking efficiencies.
Internet service should be improved. We pay \$00/month for non-fiber internet.
Infrastructure for IT needs to be improved before Catapult POS system can be considered.
Current POS is \$150/ month, while Catapult is \$500/month.
Building maintenance need consideration. At present there is no agreement for building maintenance such as plowing.

Agenda item 7. Staff Auxilliary Reporting

Miles the Staff Auxilliary is not present.

Agenda item 8. Monthly Financial Update

Agenda item 9. Employment Manual

Jim has arranged for HR consultant sat \$75 / month +\$2.50 per employee. They are reviewing our employment manual. They recommend that the employees sign job descriptions. This has been conveyed to the managers.

Board agrees to finalize the Employee Manual in February, so that we have time to address the changes. We agree to defer finalization for 4 to 6 weeks, to accommodate the HR consultants' input.

Agenda item 10. Competitive Immunity: Video / Website

Filming the short videos is now billed to administrative time, per the GM, and the manager of a department will be consulted before filming in that department, to reduce confusion.

Agenda item 11. X-6 Council to the board

X-6 is received.
X-6 Approved 7:0.

Agenda item 12. Determine Board Budget for following year

The Board of Directors budget of about 5K covers stipends, the cost of the Board's annual retreat, and some costs of the annual meeting, such as rental of the venue. It is not always used up.

Board budget of 5K approved 7:0.

Agenda item 13. Other Business

The pinter has been replaced with a new printer from a new company at half the price of the old one, even though two years remained on the lease for the old one.

The next board meeting is January 22, 2020.

No monthly GM/ Board member meeting is scheduled for January.

Adjourn 8:10 PM Approved 7:0

Agenda item 14. No executive session is held