

# Sitka Food Co-op – Meeting Minutes - Annual Membership Meeting

## February 21, 2015, 5:30pm, Sprucecot Cottage

### Attendees

**Board of Directors:** Keith Nyitray\* (Chair), Kallie McCutcheon\* (Vice Chair), Pat Hanson\* (Treasurer), Jen Mac Donald\* (Secretary) [Robert Baines could not attend]

**Members/Observers Present:** Angie Bartolaba\*, Hilloah Courtney\*, Jim Hanson, Deb LeVeck, Tamara Nedens\*, Amber Parker\*, Arthur Parker, Karen Parker\*, Maricruz Vega\*, Irbert Vega

**\*Total Members Present:** 10

### I. Reception/Potluck.

### II. 5:45pm Call to Order.

### III. Adoption of Agenda (approved 10-0)

### IV. Reports of Directors

#### a. Chair

- i. **Annual Report Overview - Actions and accomplishments:** The five-member volunteer Board of Directors contributed 1,325 hours in 2014 to support co-op development and operations. The following accomplishments were highlighted: developed board of directors working agreement; developed employee ethics & conduct policy; established formal performance expectations and evaluation procedures for General Manager position; hired/trained a General Manager; hired bookkeeper; established committees; added suppliers, equipment, and local producers; established in-person tutorials; worked with and/or supported Sitka Local Foods Network, Sitka Food Hub, and Sitka Kitch; applied for and awarded grants; attended Consumer Cooperative Management Association Conference; participated in Alaska Food Policy Council Conference; continued communications with Food Cooperative Initiative; (Complete annual report is posted on our website: sitkafoodcoop.org)

#### b. Treasurer (2014 Calendar Year *as per Bylaws, section 9.2*)

- i. **Budget:** Has been prepared and approved by the Board and can be viewed on our website (sitkafoodcoop.org). Some adjustments may occur throughout the year, but this is our best forecast for the coming year.
- ii. **Income Statement:** Net income for 2014 is \$1,886. More details can be found in the annual report posted on sitkafoodcoop.org.
- iii. **Statement of Retained Earnings:** See figure on right.
- iv. **Balance Sheet:** See figure on right.
- v. **Statement of Changes in Financial Position:** 53% net income decrease from 2013 (\$3,985) to 2014 (\$1,886).

#### c. Secretary

- i. **Membership levels:** 140 total members in 2014 (21% increase). Our goal is 200 members in 2015. Currently, we are at 89 paid members compared to 69 paid in February 2014.
- ii. **Recognition of 2014 Volunteers:** We had 32 members give over 1,830 hours of their time in 2014 (229 8-hour person days!) 21 households volunteered at delivery days totaling 507 hours. Our top four volunteers were: Deb LeVeck (66

<b>Balance Sheet</b>	
<b>As of December 31, 2014</b>	
	<u>Dec 31, 14</u>
<b>ASSETS</b>	
Current Assets	
Checking/Savings	
Co-op Checking	16,087.18
Co-op Savings	2,273.57
Total Checking/Savings	<u>18,360.75</u>
Total Current Assets	18,360.75
Fixed Assets	
Furniture and Equipment	1,450.44
Total Fixed Assets	<u>1,450.44</u>
<b>TOTAL ASSETS</b>	<b><u>19,811.19</u></b>
<b>LIABILITIES &amp; EQUITY</b>	
Liabilities	
Current Liabilities	
Credit Cards	
Sitka Food Co-op AK Air Visa	8,515.40
Total Credit Cards	8,515.40
Other Current Liabilities	
Payroll Liabilities	
AK Unemployment Tax	12.06
Federal Taxes (941/944)	91.80
Federal Unemployment (940)	19.44
Total Payroll Liabilities	<u>123.30</u>
Sales Tax Payable	1,132.02
Total Other Current Liabilities	<u>1,255.32</u>
Total Current Liabilities	<u>9,770.72</u>
Total Liabilities	9,770.72
Equity	
Retained Earnings	8,154.96
Net Income	1,885.51
Total Equity	<u>10,040.47</u>
<b>TOTAL LIABILITIES &amp; EQUITY</b>	<b><u>19,811.19</u></b>

hours), Hilloah Courtney (38.5 hours), Pat Hanson (30 hours, before becoming board member), Betsy Decker (26.5 hours). A special “thank you” gift will be presented to each of our top volunteers in recognition of their contributions to the Co-op – Thank you!!

iii. **Survey Results:** We conducted an end of year survey from 1/3/15 to 2/16/15. A summary of results was presented:

1. 27 respondents
2. For each of our suppliers, overall ratings of “Well” to “Very Well” were given in terms of product selection/variety, quality/freshness of product, prices, and availability of products. When rating “website ordering useability,” members gave positive ratings for all suppliers except United Natural Foods.
3. For the Sitka Food Co-op Overall, we were rated “Well” to “Very Well” for product selection/variety, quality/freshness of product, prices, availability of products, location of pickup, and hours of pickup; website ordering was marked “Somewhat Well” due to the lower rating for United Natural Foods ordering site.
4. Local Products – several suggestions were provided as possible local vendors to pursue to add to the Co-op. If we get member participation on our Supply Committee, we can pursue adding more local suppliers. Keep in mind that we can only support those local producers that meet State of Alaska requirements for licensing.

5. General comments received (**a-g** are paraphrased, **h** are direct quotes):

a. **Order Checkout:**

- i. Working Well: checkout runs smooth
- ii. Needs Improvement: 1) streamline the process some more and reduce “bottle necks”; 2) accept debit card payments; 3) look into earlier pickups if possible; 4) additional training for staff/volunteers at the checkout register

iii. **CO-OP RESPONSE:**

1. The Co-op has purchased a 3<sup>rd</sup> iPad for the register. One of our board members has been using a personal iPad when available; this purchase will ensure we always have three checkout stations (assuming volunteer slots are filled). We have also spread out the checkout stations to allow members more room for their goods when at the register. We will continue to evaluate the layout of the checkout stations to provide a better experience for our members.
2. At this time, we cannot accept debit cards for payment. The laws that regulate credit card payments do not allow us to recoup debit card processing fees from customers. If we accepted debit cards, those costs would have to be subsidized by the rest of the membership through increased pricing or fees. In the interest of keeping costs down, we are not willing to do that at this time.
3. We will look into the possibility of earlier pickup times.
4. We are always seeking new volunteers to learn the register in order to provide a larger pool of knowledgeable and trained people to cover that important task.

b. **Fees/Pricing:**

- i. Working Well: keep providing volunteer discounts; prices are reasonable, especially for organic items
- ii. Needs Improvement: 1) consider a lower markup; 2) consider flat pricing rather than separate fees for shipping, etc.; 3) need better publicizing of 3% credit card fee; 4) concern about competition with other local businesses and negative advertising

iii. CO-OP RESPONSE:

1. When compared to other food co-ops around the country, the Sitka Food Co-op is at the lowest end of the scale for our markup rate, yet we live in a place that has some of the highest operational costs in the country. We strive to keep costs as low as possible, but we still have a cost of doing business (see Annual Report for more details). The Co-op has also benefitted from several board members working behind the scenes to cover General Manager duties that we cannot yet afford to pay the General Manager to take on. In the interest of not “burning out” our board members, we must re-evaluate our markup and volunteer discounts to better align these with our true cost of doing business.
2. Where we could, we have changed our pricing structure to be all inclusive of shipping and fees. This was a great suggestion by our members and we’re receiving positive feedback on this change!
3. We have always included the 3% credit card fee message in our reminder emails, invoices, website, and signage at the register. We will continue to do so and will work on ways to make this message more obvious to avoid any “surprises” at the checkout.
4. We are a local owned and operated business. We generate sales tax revenue for the City of Sitka. We are a licensed cooperative corporation within the State of Alaska based locally in Sitka providing one paid job and working on developing more. Our goal is to grow into a retail outlet with more paid jobs in Sitka. As a cooperative, we believe in the principles of equity, fairness, democracy, and social responsibility. One of the ways we can help fulfill these principles is by providing more competition in the local marketplace for healthy food and quality products. With that said, we will address member concerns about negative advertising by staying positive and focusing on the benefits of the Sitka Food Co-op rather than “talking poorly” of our competitors. We appreciate member concerns about the image of the Co-op and will always strive to maintain a positive image by staying true to our values and founding principles.

c. **Facility & Access:**

- i. Working Well: location is easy for people to get to; really like the church as a pickup site; monthly pickups are great
- ii. Needs Improvement: 1) not enough parking; hard to enter/exit parking lot; 2) need a better/more permanent location; 3) location hard to get to without a car
- iii. CO-OP RESPONSE:
  1. We recognize the limitations of parking at our current distribution location. We have talked with the church about removing the vegetation island to increase parking and maneuverability. They are supportive, but we would need to cover the costs. We will keep this on our list of options to pursue, but would need member involvement to make it happen.

2. We have an active facility committee working towards a longer-term solution for a retail outlet.
3. We have established the need for a delivery service committee, but we need member participation to make this happen.

**d. Ordering Process:**

- i. Working Well: REALLY like the “extras table”, it provides a fun/informative way to learn about products; keep providing bulk ordering
- ii. Needs Improvement: 1) would like to order everything from one site; 2) foodclub.org UNFI search engine does not work well
- iii. CO-OP RESPONSE:
  1. Foodclub.org provides the flexibility to add additional suppliers to our ordering site. We could look into adding Azure Standard and Blue Valley Meats to foodclub, but members may lose some of the features currently enjoyed by ordering directly from these suppliers’ websites. Moving these to foodclub would also increase the volunteer labor needed to sort orders. Nevertheless, this is something we will consider and would seek feedback from members before making any such changes.
  2. We recognize the challenges of ordering UNFI products through foodclub.org. Some of the problems may be attributed to the search algorithms used by foodclub.org, but most of the issue is with the quality of data that we receive from UNFI. Their electronic catalog does not categorize items correctly and does not provide detailed or informative product descriptions. We will be communicating with UNFI to find out if there is a way to improve their data; we will also continue to work with Foodclub.org to make improvements to the ordering site. Foodclub.org has been a free service since for many years and has been developed and operated by volunteers dedicated to providing a service to community buying clubs. Starting in January 2015, foodclub is now charging a fee. With this fee comes certain expectations of better service and we will continue to work with foodclub to make improvements. We have also be offering in-person tutorials for new and existing members for anyone interested in learning some tips and tricks to make their ordering experience easier.

**e. Education:**

- i. Suggestions: provide education to members about country of origin; provide a forum for members to comment on products and share information
- ii. CO-OP RESPONSE:
  1. We have developed an easy, online form for members to share and submit their favorite products. We will post a link to this form on our website and will periodically compile responses and share via email/web.

**f. Membership:**

- i. Working Well: keep offering volunteer opportunities

- ii. Needs Improvement: 1) publicize the co-op to increase membership
- iii. CO-OP RESPONSE:
  - 1. We have budgeted for increased outreach and advertising in 2015 with the goal of increasing membership.

**g. Communications:**

- i. Working Well: Great, fast response to emails and questions; informational emails work great
- ii. Needs Improvement: 1) better communication about what does not get ordered
- iii. CO-OP RESPONSE:
  - 1. Once invoices are processed, members can view their invoices online to see what was actually ordered and what was “out of stock” before order delivery day. We will do a better job of making members aware of this capability of foodclub.org.

**h. General Comments (direct quotes from survey responses):**

- i. *Concern about the impact to the community if many switch to buying their groceries through the co-op rather than supporting availability and diversity within the community, not to mention the economic impact.*
  - 1. CO-OP RESPONSE: We are a local business also. In addition, we are also locally owned. We generate sales tax revenue for the City of Sitka. We are a licensed cooperative corporation within the State of Alaska based locally in Sitka providing one paid job and working on developing more. Our goal is to grow into a retail outlet with more paid jobs in Sitka. As a “member-owned” cooperative, our “profits” are passed onto our “member-owners” as lower prices. These personal savings are then available for other purchases in town and which can have a positive impact on the local economy. We are helping to create more availability and diversity of products and we emphasize local and regional products. We are striving to provide an outlet beyond the summer farmers markets for our local producers. We formed for and exist to benefit the community. From our bylaws - the purposes for which the Sitka Food Co-op formed are to:
    - a. Create a community-based, member-owned buying service;
    - b. Make available wholesome natural and organic foods and products as inexpensively as possible;
    - c. **Support and encourage local growing of fresh organic foods;**
    - d. Purchase and purvey, whenever feasible, the goods or services of **local and regional growers and producers;**
    - e. Serve as a center for activities and services which otherwise **enrich the life of the community.**
- ii. *Continue the philosophy of providing good food at reasonable prices vs profit.*
- iii. *Good stuff, good prices.*

- iv. *I don't have any suggestions for improvement. I like what the coop is doing right now.*
- v. *I like the product options/availability.*
- vi. *I like what you are doing and say keep on keeping on.*
- vii. *I love that you are trying to get produce twice a month! That is so helpful.*
- viii. *I love the coop!*
- ix. *It is just nice to stop in there and see and feel all the good energy.*
- x. *Keep expanding!*
- xi. *Overall, I believe you are to be commended.*
- xii. *Overall the co-op is bringing a great service to Sitka.*
- xiii. *Overall we think the Co-op is a great option to have and we appreciate the work that is put into it.*
- xiv. *Overall you are doing great keep it up.*
- xv. *Thank you for all the co-op does to bring healthy food to Sitka.*
- xvi. *Thank you so much for all you do for Sitka. My family appreciates your services!*
- xvii. *The continuous improvement attitude - keep that up.*
- xviii. *You all are great - thank you for all your hard work.*

## **V. Reports of Committees**

- a. Facility Committee: We have established a lease with the church that provides us with a consistent distribution location for the near term. Long-term goals include pursuing a more permanent retail outlet. The committee has taken the first step by initiating a Financial Pro Forma. This assessment of our financial situation is necessary in order to secure banks loans and to take advantage of other potential capital resources.
- b. No other reports of committees: Note that committees were established in 2014, but due to lack of member participation, have not made any progress on the priorities identified in our strategic plan. We will attempt to reinvigorate our membership and seek participation to accomplish priorities in 2015.

## **VI. New Business**

- a. Staffing Change:
  - i. Mariah Leeseberg completed her six-month trial period as General Manager on 2/10/2015. After review and discussion about the needs of the organization for the General Manager position, the board decided not to continue Mariah in the position. The Co-op greatly appreciates the hard work that Mariah put into the organization; she kept us operational and was a pleasure to work with. Please thank Mariah for her time and contributions to the effort the next time you see her at order deliveries - Thank you, Mariah!!
  - ii. With the position vacancy, the board evaluated options and decided to offer the part-time General Manager position to Keith Nyitray (abstained from the board discussion) upon agreement that he would need to step down from the board. Keith accepted the position.
- b. Special Recognition of Keith Nyitray and all of his contributions to the Sitka Food Co-op: Keith has been with us since the very beginning in the summer of 2010 when we were sitting on the floor of Balanced Practice dreaming of a vision for a Sitka Food Co-op. He has been instrumental in getting us to where we are today and we greatly appreciate all of his efforts. He will be missed on the board of directors, but we are excited to work with him in his new role as General Manager. Congratulations, Keith!
- c. Election of Directors – seats A, B, C (2 year terms), seat D (remainder of Kallie's term)
  - i. Four names were nominated for Board seats: Pat Hanson, Jen Mac Donald, Tamara Nedens, and Maricruz Vega. Members voted and approved the follow new Board members (10-0):
    - 1. Seat A, two year term ends 5<sup>th</sup> Annual Meeting = Pat Hanson
    - 2. Seat B, two year term ends 5<sup>th</sup> Annual Meeting = Jen Mac Donald

3. Seat C, two year term ends 5<sup>th</sup> Annual Meeting = Tamara Nedens
  4. Seat D, remainder of term ends 4<sup>th</sup> Annual Meeting = Maricruz Vega
- ii. Robert Baines will continue through the end of his term (4<sup>th</sup> Annual Meeting).

## **VII. Membership Input**

- a. Seeking member feedback on markup and volunteer discount rates.
  - i. Discussion: The Co-op is not currently meeting the needs for operational expenses for the General Manager position. Board members are subsidizing the Co-op by volunteering to cover General Manager duties until the Co-op can generate enough revenue to cover the full cost of operations. This is not sustainable and risks “burnout” of our board members. We need to look at a number of ways to address this gap, one of which is to adjust our markup and discount structure. Ideas discussed:
    1. Increase the markup by 5% and continue to provide a 10% discount to volunteers. This would result in volunteers contributing revenue to the cost of operations, whereas our current system provides volunteers their goods at cost.
    2. Put a dollar amount cap on volunteer discounts.
    3. Reduce the discount % for volunteers.
    4. When compared to other co-ops across the country, we are on the lowest end of the scale for markups and the highest end of the scale for volunteer discounts = unsustainable system. Keep in mind that we set this up initially to meet the goal of providing good food at the lowest cost possible to Sitkans. We need to maintain this goal, but we also need to be able to meet our operational costs.
  - ii. The board will be considering this issue at the next board meeting.
- b. Seeking member feedback on conversion from member fee system to member equity system.
  - i. Background: There are financial and other potential benefits to switching to a member equity system. Most cooperatives operate under a member equity system. We have received a grant to provide board training on this issue and will be tackling this later this year. Once we have a better understanding about member equity systems, we will seek member feedback. We anticipate switching to this system by 2016.
- c. Other Member Comments:
  - i. Look into getting rid of the \$50 minimum order amount stipulated by Azure Standard.
  - ii. Blue Valley Meats
    1. Make members aware that Blue Valley will package meats in any size they desire, simply contact them and tell them what you want.
    2. Look into setting up a split order for whole cows or pigs from Blue Valley Meats to allow members cost savings on smaller quantities.
  - iii. Fresh Produce – order smaller sized items (i.e., higher count per case)
  - iv. Member tip – use Vitacost.com to search for product ingredients.
  - v. Question – what determines the selection of produce items available for each order?
    1. RESPONSE: The available produce list changes every four days and prices fluctuate regularly. It is a balancing act to determine what to post on the Fresh Produce site and at what price, keeping in mind that orders are placed several weeks after initial prices and products are updated to foodclub. It is a learning curve and we are definitely learning!

## **VIII. Announcements**

- a. The March meeting of the Board of Directors will be determined by the new Board and will be announced to all members once set.
- b. Meeting with Sitka Kitch, 2pm 2/24 at the Backdoor Café
- c. Late Summer/Fall workshop on Finances - TBD

Thank you to all who attended (the potluck dishes were delicious) and a special THANK YOU to Judy Johnstone, one of our members, for providing Sprucecot Cottage for the meeting space!

**Meeting Adjourned: 7:25pm**