

Keweenaw Co-op 47th Annual Meeting

Approved Minutes

held virtually via Zoom
April 22, 2021

Owners Present: Elizabeth Beny, Kristine Bradof, Susan Burack, Cathy Campbell-Olszewski, Mark Campbell-Olszewski, Jane Church, Joe Daavettila, Todd Gast, Richard Gee, Ruth Gill, Kim Green, Denise Hansen, Cynthia Hodges, Lawrence Jose, Stephen Jukuri, Denise McDowell, Sharon Levine, Natalie Nold, Matthew & Julia Petersen, Shana Porteen, Jeff Ratcliffe, Lisa Reitz, Susann Remington, Joan Schumaker Chadde, John Slivon, Keren Tischler, Todd Van Valkenburg, Wendy Van Valkenburg, Curt Webb, Roger Woods

Note: *This list includes all owners who filled out the digital Annual Meeting sign-in form and others who were observed to be in attendance.*

On record, there were 25 member households in attendance, enough to meet elections quorum of the 346 online votes cast.

Call to order & Welcome

Board President Lisa Reitz called the virtual annual meeting to order at 6:00 pm.

Lisa thanked everyone for attending and announced that in lieu of our typical in-person annual meeting & community meal, this year the board of directors will show gratitude and appreciation to owners by sponsoring a virtual viewing (from April 29 - May 5) and follow-up facilitated discussion (May 7 from 7-8pm) of the film *Food For Change*. Food for Change documents the American evolution of cooperatives that led to the sudden emergence of stores like ours in the 1960's and 1970's. The film shows how some co-ops, like ours, have endured with visions of a different food economy. The follow-up discussion will be facilitated by Rachael Pressley, Regional Planner with the Western UP Planning & Development Region (WUPPDR) and will be attended by our General Manager, Curt Webb as well as board members.

To register to view the film and join the facilitated discussion, look for an email from the board tomorrow.

Note: The 2020 Annual Meeting was canceled due to Covid 19, so there are no minutes to approve at this meeting. The 2019 Annual Meeting minutes were approved in 2020 as part of the online voting process.

Election Results - Board Secretary Stephen Jukuri (6:05-6:10pm)

All voting again took place online in 2020, and voting was open from April 5 - April 19, 2021. There was a record level of participation this year, with 346 ballots cast, up from 192 last year.

Owners voted for two Bring-a-Bag Campaign fund recipients (of five applicants) and three Board Directors (of six applicants).

Bring-a-Bag Campaign

For every bag customers bring to the Co-op to fill with groceries, the Co-op deposits \$0.05 into the Bring-a-Bag Fund. Each recipient organization receives these funds for six months. In a typical year, this amounts to \$400-\$600 for each organization. In the process, we save an average of 20,000 bags each year.

Applicants:

1. Dial Help
2. Kaleidoscope Alternative Education Organization
3. SKY (Simple Kindness for Youth)
4. Great Lakes Recovery Centers
5. Keweenaw Family Resource Center

Chosen Recipients:

For the periods: Jul 1, 2021 - Dec 31, 2021 & Jan 1, 2022 - Jun 30, 2022

1. Dial Help (180 votes, 26.5%)
2. Simple Kindness for Youth (159 votes, 23.4%)

Board of Directors

There were six excellent candidates on the ballot to fill three board seats, each with a term of three years. Each owner was able to cast three votes for three different candidates, totaling 1,036 votes among 346 voters. Directorships are given to the top three vote recipients.

Stephen invited candidates who were not elected, as well as all owners to participate in important upcoming board committee work.

Candidates:

1. Matt Petersen
2. Cynthia Hodges
3. Natalie Nold
4. Richard Gee (incumbent)
5. John Slivon (incumbent)
6. Roger Woods (former board member)

Elected Board Members:

1. Cynthia Hodges (267 votes, 27.1%)
2. Roger Woods (242 votes, 24.5%)
3. Matt Petersen (204 votes, 20.7%)

Stephen thanked all candidates for their interest and willingness to apply, he congratulated the elected board members, and especially thanked Richard Gee and John Slivon for their years of service on the board.

Financial Recap & 2020 Highlights - General Manager Curt Webb (6:10-6:20pm)

2020 Financial Recap

- 2020 ended up being a very strong year for the Co-op. Sales increased 12.1% (to \$4,525,365), while Cost of Goods Sold and Operating Expenses both improved (10%

& 6.3%, respectively) over last year's performance. We ended the year with a net operating profit (\$103,195).

- On the Balance Sheet, our profitable year is reflected as increased assets and increased equity. Liabilities also increased, but this is purely a function of the timing of payables and not the assumption of debt. Curt invited all to read the newest issue of the *Circumspice* newsletter, for a deeper dive into equity.
- Patronage Refunds are based on our net profit. In 2020, Owner Patronage represented just over 60% of the Co-op's sales (\$2,698,450), resulting in a Patronage Refund Allocation of \$60,789. The board annually decides the portion of the Patronage Refund that is paid out to Owners and the portion that is retained in an Owner Equity account in each owner's name. This year, the board has decided to pay 20% (\$12,158) of the 2020 Patronage Refund Allocation to Owners as cash and retain 80% (\$48,631) as Owner Equity. Since 2010, cumulative Patronage Refund cash payments to Owners totals \$53,360 (24% of the total allocated).
- Curt highlighted key financial Ratios for 2020 that benchmark the Co-op's work to position ourselves for a future project. In summary, we have been building cash and minimizing debt. The low debt:equity ratio (0.18; benchmark: <2.0) shows that our business is financed through equity and not debt. The Current Ratio (5.27; benchmark: >1) compares current assets to current debt, showing our ability to pay what we owe.
- In general, our Balance Sheet is solid, our Ratios are solid, and our Profit & Loss Statement all show that 2020 was a year of solid performance. We were happy to see that after posting a slight loss in 2019, our planning and work to turn that around in 2020 did play out as expected.

2020 Highlights

- 2020 began strong - January was solid and February saw some of the largest growth the Co-op has seen in Curt's 16 or 17 years at the store. In March we saw a pandemic, and by April we were in a period of constant change, with guidance and protocols for the pandemic changing daily. But our staff kept showing up, willing and determined to serve. Our plans for the year were set aside, and we oriented toward providing an essential service in the form of good food for our community, safely and consistently. Even as sales outpaced supply and delivery trucks were full to capacity, the Co-op team continued to find alternative sources to keep the shelves stocked throughout the pandemic-induced supply chain disruptions.
- We added Curbside shopping to provide a safe as possible shopping experience. We responded to broader community needs by shifting Round Up donations at the register to the Western UP Food Bank, converting donations to healthy food bought on deal and delivered monthly (valuing > \$40,000 to date). While the summer was far from normal, things became routine, allowing us to return to plans and projects that remained priorities.
- Strong performance in the 2nd and 3rd quarters of the year helped us reach labor goals, triggering another wage scale increase in the 4th quarter of 2020.
- Late in 2020, we implemented a new Point of Sale system, a large and much-needed technology improvement, setting the stage for growth of business and services supported by the new system.

- The Co-op was accepted into the Double-up Food Bucks Program, which incentivizes the purchases of fresh fruits and vegetables for food assistance patrons. This program has supported over \$7,000 in free produce for participants over the last eight months.

Reflection

- By the end of 2020, we reflected on what we'd been through and how the capacity of our current space challenged and limited what we could provide to our community. We are seriously exploring specific sites and funding opportunities. While we are not yet at the point of public announcement, be assured that you, as an owner, will be the first to learn when a viable option has been secured.
- In the coming months, we'll launch an owner and shopper survey to gather feedback on how we're doing and what we can expand and improve upon at our current store or in a new and expanded location.
- Curt invited owners to read the Co-op's annual report, now posted on our website and soon available in print at the store.

Curt acknowledged that the Co-op wouldn't be here doing what we're doing, let alone able to give such a positive report for the year without the efforts of so many. He thanked the Co-op staff, the board of directors, the Owners and all of our community partners.

Open Discussion facilitated by board member Joan Schumaker Chadde (6:20-6:30)

Joan encouraged attendees to type questions or comments in the chat box.

Susan Burack: I can't imagine living here without the Co-op. Great response to the pandemic. I want more basics and fewer organic junk foods.

Susan Burack: How much is the Co-op paying in credit card fees? Can we encourage more people to load a gift card paid for with a check?

Curt Webb: I knew I should have had that number in front of me - I will look that up during the meeting. We can do this, and with our new point of sale system, we will soon have an option of a debit account for owners that money can be added to. The credit card fee question is a perpetual one. While I look at this as a cost of doing business, I also think that if we can offer easy and less costly alternatives, all the better. **Todd Gast** posted the 2020 credit card fees: \$61,767.

Joan Schumaker Chadde: Is my debit card from the local credit union also resulting in a fee to the Co-op?

Curt Webb: Yes, and it's a complicated system. Typically a rewards card costs us more - at least part of that consumer savings gets charged to the merchant. Fees vary by many factors, such as the type of card, whether it was swiped, and if there is a pin number. There are many ways that it can become cheaper, but there is no easy way to decipher how to do that.

Joan Schumaker Chadde: It's better to use a personal check, a gift card or cash.

Curt Webb: Yes. Some gift cards are loaded using a credit card, but often in larger chunks, so we don't get charged a fee for each individual sale that the gift card is used to pay.

Joan Schumaker Chadde: Which products are the most popular? Which result in the most sales?

Curt Webb: As for the highest sales, organic bananas and avocados are both popular. Bunched together, bulk coffee is a big mover. Margins vary by department, so dairy sales don't bring as much profit for the Co-op as items in the center of the store. It's a mix and it varies over time. We try to focus on meeting that demand in our product selection.

Susan Burack: Why do we continue to put the sales flier in the Daily Mining Gazette when we don't have all the items in it?

Curt Webb: The flier allows us to get great pricing and pass that along to customers. It's a national program, so carrying all of those products can be a challenge: at times there are direct suppliers that we don't have. Other times, products in the flier are not ordered as they haven't been popular in the past. I can return this comment to the buying team to discuss how to better fulfill what's in the flier. As for putting the flier in the paper, we feel this is a good way to get it in front of the public; it's also available on our website and in the store. I think it's the best looking flier in the paper anyway.

Kristine Bradof likes the flier for planning her shopping, especially during Covid.

Natalie Nold: Has the Co-op ever considered offering a weekly box of local produce, like a CSA program?

Curt Webb: We have not done that. That could be an option, but I'd need to have conversations with our produce team.

We have begun exploring the feasibility of meal kits. The question is whether we can do it at a cost that will be appealing to customers.

Joan Schumaker Chadde: People may like to know how our membership is growing.

Curt Webb: Our team has excelled in talking about ownership. Since the first couple of years after reincorporation, we've averaged around 120 new owners each year (10/month). Lately monthly new owner numbers have nearly doubled. We currently have approximately 1750 total owners and 1200+ active owners.

Ruth Gill: Thank you for providing a much-needed, safe space to buy groceries during the pandemic. I appreciate your efforts to ensure that all customers mask up and sanitize their hands. It is great to be able to shop without feeling stressed, as is often the case at other local stores.

Closing & Action

Lisa reminded attendees to watch their email for the link to the *Food For Change* film and facilitated discussion and she thanked everyone for attending the meeting.

Adjourn Meeting

MOTION: A motion to adjourn the meeting was made by Stephen Jukuri and seconded by Joan Schumaker Chadde.

The meeting was adjourned at 6:36 pm.

Minutes submitted by Keren Tischler, Board Administrative Assistant