



## Finance Committee Meeting Minutes

March 20, 2025

Zoom

### Present at meeting

**Finance Committee:** Mike Connors (Treasurer), Brenda Harper, James Kloor (Member at Large), Chris Copple (Member at Large), George WinterSun, Layla Richardson, Elizabeth Gahm

**Staff:** Emily Walter, Sean Nolan, Barney Doyle

**Members:** Kathleen Pelley

### 1. Welcome

The meeting started at 6:02pm.

### 2. FY25 Q3 Finance Review – reported by Barney

It was a good quarter. Sales are staying strong. There has been over \$150,000 in C Share repurchases over the year, causing cash on hand to go down. I believe at the end of the year that healthcare will end up being \$200k over budget. Healthcare costs continue to be unpredictable. We have been meeting our payroll budget, which is great. The balance sheet is strong. With the cost of a 2022 lawsuit payout our cash on hand will go down to about 20 days cash on hand.

- Sean – I want to point out that this Q3 is one week shorter compared to last year. PG&E costs have really gone up, increasing occupancy costs.
    - o Mike – Can we add a line in the Benchmarks under Net Sales that is Daily Net Sales? This would allow us to more easily notice if there is one less week in the quarter.
  - Mike – Year to Date on the balance sheet. The G&A is high so far, including janitorial expenses. Are these temporary increases, or are they ongoing?
    - o Sean – With increases sales we see increase credit card processing costs. We are beating our margin target. We saw that some of our packaging was coded incorrectly to COGS and it should have been cost to G&A. An example is that the costs of containers in the deli/bakery need to be expensed to G&A. The janitorial is another coding change. Instead of being charged to store operations they're now expensed to G&A. So, the expense hasn't really changed, it's just changed lines.
  - Mike – Other accrued expenses. This line seems to bounce all over. Can you explain that?
- ACTION: Barney will look into this.

<b>Recommendation to the Board:</b> Accept the FY25 Q3 financials.
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Motion by James, 2 <sup>nd</sup> from George, motion passes (7/0/0).
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### 3. FY25 Audit Update – reported by Barney

The auditors will be meeting with store managers during the end of the year inventory, to review the process. I don't know yet when the audit will start.

- Sean – I want to say that we've really dialed in our internal inventory process. Our staff do a great job and we feel confident about the numbers we get.

#### 4. **FY26 Draft Budget Proposal** – reported by Barney

Like inventory, we've really been able to dial in our annual budgeting process. There are no income taxes included. I don't believe we'll need to pay taxes for another couple of years. Income & Expenses are down about a \$50k difference from the previous year, as we can't expect an NCG patronage dividend. Interest earned is going down as well, anticipating interest earned going down with less cash days on hand.

- Chris – NCG has paid a dividend every year. I think we can include something. Consistent management is getting us consistent results. I think the Board needs to look for positive changes that can be made. The board by the middle of the year should have clear options of the cost and what it would mean to have some more reliability on health insurance exposure. I would like to see a clear health care alternative be presented by the end of the year. I also think employee discounts should be taken out of discounts and put into payroll/benefits.
  - o Barney – We are seeking alternatives to our current healthcare plan. I hope there are other options, as the only other option is to lower the benefits within what is currently being offered. Employee, member, senior, wellness Wednesday, alternative transportation and all the other special store discounts.
  - o Sean – This budget includes an increase of \$230k for the healthcare compared to this year, which actually comes close to the actual cost of this year. Healthplan expenses are the most volatile. We've budgeted about \$1.5M for healthcare costs. The most we could possibly have to pay is \$2M
- James – Revenue is much higher than last year.
  - o Sean – It is a big increase over the previous budget but it's only about 3.5% increase of this year's sales.
- Chris – How hard would it be to change the fiscal year back to the calendar year?
  - o Barney – My understanding is that we benefit with the current fiscal year as we aren't competing with everyone else trying to get their taxes in on April 15. And if we ever did change it, it would make it difficult to compare financials year over year.
- Mike – Have you considered increasing solar to offset PG&E costs?
  - o Sean – The challenge is the cost of installation. At this time we aren't ready for such an investment.
  - o James – The solar array could keep you from going into the tier 2 level, which is where you really get charged high fees. It could be worth it if it kept you in the lower rates of tier 1.
- Sean – When testing our Eureka generator, we disabled the battery for a few weeks. We were able to see that the Tesla battery is helping us reduce peak demands costs and it is saving us money slowly over time.
- Mike – Are there any capital expenditures in the FY26 budget?
  - o Barney – Those are capital expenses and are not budgeted. You are basically using an asset for an asset, so it's not an expense in the budget. We are always looking at infrastructure upgrades and repairs that are needed.
  - o Sean – Capital Expenses include software upgrades. We plan to get estimates for repairing the roof for the following fiscal year. We do need to do refrigerant upgrades in Eureka, but we don't yet have an estimate for that.
- Mike – It's a 3.5% increase over the current fiscal year. It makes this budget 1.5% over actual. This doesn't keep us up with inflation, which is 2.8%. I'm disappointed that the net revenue is not increased any further. Is there anything that can be done about that?
  - o Sean – We are trying to be realistic. We have lots of plans in place to continue to increase sales and hope to do so more than we are projecting. I want to be prudent with our revenue projections. I think we can beat these numbers, but I don't feel comfortable budgeting for that.

- Chris – It's a solid budget but I don't want to approve a budget without creating something more dynamic.

**Recommendation to the Board:** Accept the FY26 budget as presented to the Finance Committee at this meeting. (ATTACHMENT A)

Motion by James, 2<sup>nd</sup> from George, motion passes (5/0/1). Layla was absent from this vote.

**5. Healthcare Costs** – reported by Sean

We have been working with our healthcare brokers to research alternative models for the self-insured model we've been using for many years. The last time we looked into this it was more difficult to find comparisons. We are exploring fully funded plans and a hybrid plan that is fully funded that incorporates a stop loss. We'll be meeting next week with our brokers to look at the costs of these alternatives. We can also look at our current plan and revise it through Union negotiations. We would like to cut down on our current vulnerability to the volatility of our current healthcare costs.

- James – I would like to see our plan compared to other silver, gold and bronze plans. It would be great to see a spreadsheet comparing plans.

**6. FY25 first Quarter C Share Dividend Rate**

- James – Why are people repurchasing their C Shares?
  - o Sean – Lately it's been people relocating and some estates. There is no clear pattern. No one has said the redemption is due to the current dividend rates.

AGREEMENT: No change to the dividend rate.

**7. Member Comments**

None.

**8. Set Future FC Meeting Date and Agenda Items**

Next Finance Committee Meeting – Thursday, May 29 at 6pm

Future Agenda Items:

- Dividend Review
- FY25 Audit Update
- FY25 Q4 Finance Review
- Committee Members at Large

**9. Meeting Adjourns**

Consensus reached to adjourn the March 20, 2025, meeting at 7:38pm.

*Minutes submitted by Emily Walter*

# ATTACHMENT A

## North Coast Co-op Budget - Fiscal Year 2025-2026

	FY 26 Total 3/30/25-3/28/26	% of Total Revenue
Revenue (Gross Sales):	37,809,291.69	102.40%
Less Discounts:	(886,155.27)	-2.40%
Net Revenue:	36,923,136.42	100.00%
Cost of Goods Sold:	22,637,588.85	61.31%
Gross Profit:	14,285,547.57	
Gross Profit Margin:	38.69%	
<b>Expenses</b>		
Payroll & Benefits:	10,006,146.93	27.10%
General & Administrative:	2,146,744.69	5.81%
Occupancy:	1,776,159.12	4.81%
Total Operating Expenses:	13,929,050.73	
Net Income From Operations:	356,496.84	
Margin (From Operations):	0.97%	
Other Income & Expenses:	(33,000.00)	-0.09%
Net Expenses (Pre-Tax):	13,896,050.73	37.64%
Net Expenses + COGS (Pre-Tax):	36,533,639.58	98.95%
Profit/Loss (Pre-Tax):	389,496.84	
Profit/Loss Margin (Pre-Tax):	1.05%	
Income Taxes:	-	0.00%
Net Expenses (Post-Tax):	13,896,050.73	37.64%
Net Expenses + COGS (Post-Tax):	36,533,639.58	98.95%
Total Profit/Loss:	389,496.84	
Total Profit/Loss Margin:	1.05%	

Labor %	Taxes & Benefits %
19.36%	7.74%