



## Finance Committee Meeting Minutes

March 23, 2023

Zoom

### Present at meeting

**Finance Committee:** Humnath Panta (Treasurer), Thomas Wehland (Secretary - Employee Director), Kirsten Lindquist (President - Employee Director), Brenda Harper (Vice President), Michael Connors (Director), Roger (Director), James Kloor (Member at Large), Diane Sharples (Member at Large), Chris Copple (Member at Large)

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

**Members:** Kathleen Pelley

### 1. Welcome

Meeting started at 6:06pm by Humnath.

### 2. Review Draft FY24 Budget – reported by Barney

We submitted the budget page that summarizes our master template budget to the Finance Committee. We anticipate a profit a bit below 1%. The biggest expanding cost is labor, of which we have limited control.

- Diane – There's a savings in occupancy compared to the current year. Why is that?
  - o Sean – we moved where some GLs were. Some that were previously in occupancy were moved to General & Admin, for example, janitorial supplies and laundry. I'm guessing that's where this change is coming from.
- Chris – the discounts that is 2% of sales. Some of that is for shoppers and some is for employees.
  - o Barney – it's a combo of employees, members, seniors and discounted product specials. Most of the discounts are employees, members and then seniors.
- Mike – where were the discounts factored into last year's budget?
  - o Barney – discounts were previously included in General & Admin. It was moved in FY23. This was an auditor recommendation.
- Roger – I have budgets for the previous years, but I don't see the actuals for previous years. It's hard to tell if this budget is a useful tool. The profit margin is significantly different from the year before. Why does that margin change from year to year.
  - o Barney – we could create a summary sheet for the prior years with the actual. But we do evaluate our actual financials monthly. It was difficult to create budgets the last couple of years with so many unknown variables due to the pandemic. Looking at budget to actuals for the last couple of years might not be very helpful. What we are proposing is based on what we know real time.

**ACTION:** Have actuals with the previous budgets in the future.

- Sean – labor has increased. The CRV fine has returned to the Eureka store, which will be \$100 a day. We budgeted \$36,000 for the CRV fine but hope we will find an option to not need to spend this. We started using a cash recycling program for counting cash but have decided it's not working for the store. This should hopefully save the Co-op \$60,000 this year. We haven't shown this in the budget yet because our agreement is not yet legally terminated. One thing on this budget is about \$60k increased depreciation of equipment in General & Admin. This is from the renovations completed this year.

- Barney – We will have a loss in FY23 and tax credits will be carried forward for the next couple of years.
- Roger – Barney and Sean do very thorough analysis and presentations. What should the board be doing to effectively help when it comes to finances?
  - o Barney – having member participation is always good. My job is explaining how the financial process works and then the board and members can promote the financial work of the Co-op.
- James – how much is the increase in Revenue/Cost of Goods due to inflation verses pricing increases from the current year? What have we budgeted for the health insurance plans?
  - o Barney – we looked at Revenue/Cost of Goods keeping in mind a constant increase of cost. We are trying to keep ahead while keeping an eye on all the variables. We looked at each department to see what each department anticipates.
  - o Sean – the annual stop loss for the health insurance plan is 2M.
  - o James – I think it’s important to know what is budgeted vs. what the max cost we could possibly need to pay.
  - o Barney – we are budgeting higher for this year. Looks like we budgeted just under \$1M.
- Humnath – have we done analysis to reduce the costs of operations? Have we compared our costs to similar companies?
  - o Barney – we do get National Co-op Grocers reports. The one thing that stands out over all other costs is labor. Everything else is similar compared to other similar sized Co-ops.
- Roger – the budget assumes that there won’t be an employee holiday benefit.
  - o Sean – The employee benefit language is in our CBA but we can go above and beyond the CBA. The benefit is in the budget. It’s part of the bottom line which is also part of why we expect less than 1% profit. Because it’s become difficult to meet the 1% profitability metric, we are looking at basing the solstice benefit on cash on hand instead.

**Recommendation to the Board:** Accept the FY24 Budget as presented.  
 Motion by James, 2<sup>nd</sup> from Humnath, all in favor, motion passes (8/0/0).

### 3. Members at Large

All of our member at large terms are essentially ending at the same time. Maybe we can vote in May for a member at large to keep them staggard. Terms are all 2 years which makes them hard to stagger. Maybe we should look at making them 3-year terms.

**Recommendation to the Board:** Update the Finance Committee Charter to extend the Member at Large terms to three years.  
 Motion by James, 2<sup>nd</sup> from Kirsten, all in favor, motion passes (8/0/0).

### 4. Member Comments

- James – wanted to inquire that the Co-op is using safe measures as far as how the Co-ops cash is being held.
  - o Barney – we have applications out right now to secure our cash on hand with FIC protection. I’ll have more information at the May board meeting.
- James – the Eureka lease ends in 2027. The rent will go up by about \$12,000 annually.
  - o Kirsten – I think it would be worthwhile to talk to a realtor to see what else is out there. The Eureka store is really big but doesn’t make a lot of sales.
  - o Kathleen – I have many friends that won’t shop at the Eureka Co-op because it’s owned by Arkley.
  - o Roger – I think this discussion would be great in a committee of its own.

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

Next Quarterly Finance Committee Mtg. – Thursday, March 23 at 6pm

Future Agenda Items:

- Quarterly Financials
- Members at Large Terms

**6. Meeting Adjourns**

Consensus reached to adjourn the March 23, 2023, meeting at 7:03pm.

*Minutes submitted by Emily Walter*