



## Finance Committee Meeting Minutes November 21, 2024

Zoom

### Present at meeting

**Finance Committee:** Mike Connors (Treasurer), Brenda Harper (Director), James Kloor (Member at Large), Chris Copple (Member at Large), George WinterSun, Diane Sharples (Member at Large), Mimi Smith (Employee Director), Layla Richardson (Director)

**Staff:** Emily Walter, Sean Nolan

**Members:** Kathleen Pelley

### 1. Welcome

The meeting was started at 6:05pm by Mike.

### 2. FY25 Q2 Review – reported by Sean

I want to point out a few things that deviate from our budget. The biggest variance is our health benefits. Year to date we're about \$50k over budget for healthcare. We are also expecting a health refund of about \$40k. There was also a discretionary \$25k bonus for staff, having to do with a class action settlement, that hit the bottom line during this quarter.

We've had high PG&E expenses. Part of this was that the Tesla batteries weren't working appropriately, and we've since fixed that problem. This has raised our occupancy expenses over budget.

- Brenda – Have we recently looked into the difference of self-insured vs. fully insured for health insurance?
  - o Sean – We are having some quotes put together just to look at the numbers. It would likely be more expensive, but it's more consistent and easier to budget for. The current health insurance policy is written into our Union contract.
- Mike – Is there something we can do to be more strategic when it comes to these health expenses.
  - o James – We could have a medical expenses reserve fund account. For any expense over the budget, it comes out of that account. This could more clearly show the Board/FC what's happening as far as healthcare costs.
- Chris – I don't see long-term profitability if we continue paying these high personnel costs.
- Mike – How can we mitigate the hit of healthcare costs without changing the insurance?
- ACTION: Sean will bring Mike's question to Barney.
  - o James – For strategic visioning, we need to find out if members want lower prices or do they want staff to have this really good insurance that's costing the Co-op a lot.
  - o Chris – We need to project using our current assets and current operating expenses. What is our liquidation date for the Co-op? That would be a good source for discussion.
- Mike – In P6 the margin dropped, even though the quarter margin was solid. What happened in P6?
  - o Sean – this has to do with the estimate process. If we estimate the first two periods too high, then the third period of the quarter will be lower. It's not an actual drop.
- Mike – Why did labor costs go up, but personnel costs did not go up?

ACTION: Sean will look into this.

- Mike – I noticed the debt to equity and the current ratio are trending in the wrong direction. Do we need to think about our short-term expenses and debts?
  - o Chris – I noticed the debt to equity looked good overall and is below our target, but the current ratio was not. We are sitting on \$2M that we said we would reinvest, which is what we've been doing the last couple of years. And we said it wouldn't all be in cash, but some in debt. I think this trend shows exactly what we're doing with the investments in the generators and store renovations.
  - o James – We had a loss this quarter and profit last quarter. That would affect our debt-to-equity ratio.
- Mike – Can the graphs with quarters have 5 quarters so we can see year over year?
- ACTION: Sean will ask Barney to do this for Q3.
  
- Diane – Can we have all the reports and graphs be consistent in showing the newest numbers on the left, with the oldest numbers on the right?

ACTION: Sean will talk with Barney about this.

**Recommendation to the Board:** Accept the FY25 Q2 Financials.  
Motion by James, 2<sup>nd</sup> from Diane, motion passes (9/0/0).

### 3. FY25 Fourth Quarter C Share Dividend

No change.

### 4. Board Members on Finance Committee – reported by Mike

Currently, all Board members are supposed to attend the Finance Committee meetings. I was thinking of instead appointing certain Board members.

- Diane – I agree.
- Chris – I think the reason for the current practice is to educate the board about the Co-ops finances so that they can make the best decisions for the membership. I'm not sure how well this works.
- Layla – What if new board members are required to attend two Finance Committee meetings at the start of their term so that they understand the finances better?
- Kathleen – I like to see new Board members attend these meetings the first six months of their term. This is a big corporation that the Board is responsible for.
- James – I think the Co-op is stable now and it would be okay to make this change.
- Lizzy – As a new board member, I do think it's important to attend these meetings.
- George – I like having everyone attend, and it's only quarterly.

ACTION: Emily and Mimi will bring this topic to the Policies and Procedures committee.

### 5. National Cooperative Grocers (NCG) Relationship

- Sean – NCG is National Co-op Grocers. They are a co-op for co-ops. Most food co-ops are members of NCG. We pay for a membership and we receive services and negotiated deals on products we sell. We also get educational resources and materials. NCG acts like a large corporation, allowing us to be more competitive with pricing. The point of being a member is to ultimately save money. And sometimes we even get a dividend back, the most recent one was \$70k. We have a contract that holds us to some terms and agreements, such as some of the products we sell.
- Mike – Can you explain the equity fund, joint liability fund and the DC loan fund?

- Chris – The Equity Fund is our investment. The Joint Liability is part of the deal they negotiate with UNFI and is what all UNFI bills are paid with. Based on the risk of each Co-op, you have the Joint Liability Fund that would cover the cost of a UNFI bill if you weren't able to pay it. If your numbers are good our Joint Fund Investment goes down. If our financials were poor, our risk of not being able to pay our bill increases, and then we have to add more to the Joint Liability Fund. The Development Corporation is a sub corporation that works on development projects, trying to get co-ops going.
- James – We've had NCG staff visit to audit our Co-op. They can offer suggestions for improvements. In the past there was some contention with NCG, but it seems like our working relationship with them is currently good.

## 6. Member Comments

- Sean – The Arcata generator is now up and running. We are likely a couple of months out to get the Eureka generator online.

## 7. Set Future FC Meeting Date and Agenda Items

Next Finance Committee Meeting – Thursday, Feb. 20 at 6pm

### Future Agenda Items:

- FY25 Q3 Finance Review
- Makeup of the Finance Committee
- Healthcare Analysis

## 8. Meeting Adjourns

Consensus reached to adjourn the November 21, 2024, meeting at 7:23pm.

*Minutes submitted by Emily Walter*