



Finance Committee Meeting Minutes

May 27, 2021

Zoom

Present at meeting

Finance Committee: Kirsten Lindquist (Treasurer - Employee Director), Pamela Lee (Board Secretary), Diane Sharples (Member at Large), David Dahler (Member at Large), Thomas Wehland (Employee Director), Chris Copple (Member at Large)

Staff: Emily Walter, Barney Doyle, Sean Nolan

Members: Kathleen Pelley, Laura Jones

1. Welcome

Meeting started at 6:04pm by Kirsten Lindquist. Introductions were made.

2. FY21 Fourth Quarter Financials

- Chris – would like to see employee discounts moved to payroll instead of G&A. NCG reporting has a standard of employee discounts being part of payroll. When you put employee discounts in G&A it seems to be obscure the picture. I want the members to be aware of what labor costs are and if the employee discount is not in payroll, then the cost is hidden.
- Barney – Wegner CPA moved discounts into G&A, saying they don't belong in payroll because it's a discretionary discount. Coupon discounts are reflected in revenues. Employee discounts aren't a direct correlation to labor as it's based on who uses the discount, not on labor. We can report employee discounts differently to increase transparency.
- Pamela – I would like to see the three discounts (member, employee, and senior) broken out in our financials/budget for members to see. This would create more transparency.

ACTION: Sean will check in with NCG about this.

ACTION: Barney will contact the auditors about this.

- Barney - we had an inventory fiasco with WIS at the end of P12. Starting in June the Co-op will perform inventory in house. Looks like we'll have a net income of around 1.5 million for FY21.

Recommendation to the Board: Accept the FY21 Q4 financials.

Motion by Diane, 2nd from Thomas, motion passes (6/0/0).

3. FY21 Audit Update - reported by Barney

We've been working with the auditors for the past month. The auditors have everything from us that they need. It will be another month before we have final audit figures. No significant issues have been found. We can discuss patronage refunds once we have the final numbers.

ACTION: Barney will contact the Co-ops attorney about different options for distribution of patronage dividends.

4. Approve FY22 Q2 C Share Dividends

The current C share dividend rate is 2.50%.

- David – suggests we start decreasing the rate. The rate was raised during a time when cd rates were higher than they are now. The rate should be more in sync with cd rates. I want to see C shares go away, to remove them as a liability from the Co-op. I'm concerned for the long-term profitability of the Co-op.
- Diane – C shares are an owner position, not a liability.
- Kirsten – now that we are not selling C shares, I don't want to draw a lot of attention to them which changing the dividend rate would do.

Recommendation to the Board: Keep the C Share dividend rate at 2.5%.

Motion by Pamela, 2nd from Thomas, motion passes (5/0/1). David opposed.

5. C Share Cash Reserve

Currently there is a board motion to set aside \$5,000 a month into a C share reserve account. Staff have set aside \$200,000 into a reserve and would like to make that amount the cap of the reserve, as previously discussed with the board. Staff are looking for a motion to make the C share reserve cap at \$200,000.

Recommendation to the Board: Stop setting aside \$5,000/week for the C share reserve because we met our goal of \$200,000.

Motion by Pamela, 2nd from Chris, motion passes (6/0/0).

6. C Share Update – reported by Sean

We did discontinue the sale of C shares. This has gone fine, and we are looking at systems for future share structures should we want to raise capital funds.

7. Review Financial Benchmarks for Potential Updates

The committee reviewed the financial benchmarks and discussed updating some of them. Many of these benchmarks were originally based on benchmarks from NCG.

- Personnel w/benefits – health insurance costs are the highest expense in this category.
 - o What if we made health insurance costs its own benchmark line?
- Gross Margin – the target is currently low.

ACTION: Sean will check in with NCG to see if they have updated their benchmarks.

ACTION: Barney will get an RFP from different health insurance providers.

ACTION: Breakout benefits from personnel w/benefits. A benchmark number will need to be defined.

8. Member At Large Terms

The committee discussed that Chris's term is up later this year. Chris is interested in remaining on the committee indefinitely.

- David noted that FC terms are 2-year terms, but they are listed as 3-year terms on the agenda.

ACTION: Emily will look into this.

9. Member Comment on Reports

- James – what was the rationale for the \$200,000 c share reserve account? Why not \$260,000 to have an entire year of \$5,000/week?
 - o Barney – \$200,000 seems like a good enough amount to absorb any large c share repurchases and not put the Co-op in a cash crunch.

10. Set Future FC Meeting Date and Agenda Items

Next Quarterly Finance Committee Mtg. - Thursday, August 26

Agenda items:

- Employee Discounts
- FY22 first quarter financials
- FY21 Audit
- Patronage Refunds
- Approve FY22 Third Quarter C Share Dividend

11. Meeting Adjourns

Consensus reached to adjourn the May 27, 2021, meeting at 7:48pm.

Minutes submitted by Emily Walter