

## Plainfield Co-op Board Meeting Agenda

January 3, 2019, 5:30 pm  
in the Community Center

Special Meeting to develop near terms actions to address Coop's financial position

Attendees: Pete Boyle, Bram Towbin, Jean Hamilton, Sarah Phillips, Giordano Checchi, Jay Hebert

Absent: Chris Jackson

Staff: Rosemond, Kevin

The meeting convened at 5:45pm

### DRAFT BUDGET REVIEW

- Assumptions
- Revenue Projections
- Cost controls

Kevin explained the preparation process for the budget. He reviewed sales projections year to date and year over year. This allowed for a look at current sales trends. So estimated #s for sales and cost of good is based on sales for the year, upcoming new mark-ups, sales trends over the past few months, and margin targets for departments. I.e., this is baseline revenue growth based on the assumption that we continue to operate as is.

It also includes the reorganization of departments and the differential margins within departments, as presented in past discussions.

Jay arrived at 6:20pm.

Kevin led the Board through a review of the budget – revenue, COGS and expenses. Summary points:

- Giordano has noted there is something in the accounting that is strange since July.

**Action:** Take the average of the last three months of personnel expenses (“wages”) rather than the first 11 months.

- Kevin has added delivery COGS accounts to all depts taking delivery out of the expense accounts.

**Action:** Kevin still needs to populate COGS delivery charges removing from Fuel & surcharge and Delivery expense accounts, which will add \$5k to COGS and remove from expenses.

**Action:** Finance committee will address the random bank accounts, what are they. Where are they. Can they be closed.

- Advertising may consider increasing this budget.

- Charitable contributions consider knocking back to \$125.

- Delivery – book it all to the largest COGS account

- Dues and Subscriptions – what is booking to this account. Can we shave \$1000 out of this budget? \$1000 was for NFCA. Move USPS to postage or other appropriate accounts.

- Equipment – what is booking to this account?

- Laundry Linens – can there be operational improvements to conserve some cash.
- loan fee – adjust to be just interest payments and move principal payments to cash flow. Ask Naomi where our current interest payments are posting. Currently estimate of \$6480 in “Loan Fee” is an estimate of monthly payments on \$25k.
- working member discounts should be separated from member discounts (special orders)
- printing and reproduction: moved \$1000 from this account to newsletter
- Action:** Rosemond and Kevin will address the state of Vermont back taxes.
- move state corporate income tax out of expenses and add to other expenses
- Dividends – what is this account?
- Donations – what is this account?

Board took a ten minute break.

The Board reconvened at 7:20pm and discussed reflections on current financial state and budget.

Reflections from Board Members:

- Concern about borrowing money without understanding “how the ship will be righted” – i.e., without any changes, the maintenance of effort budget continues with an annual deficit.
- People shop at the Co-op to be a part of a community; and to do this, we may need to put an emphasis on creating a welcoming Co-op that brings in more/new community members/customers. Think outside the box – atm machine, coffee window, new offerings?
- Taking out a loan is related to making vendor payments, and not losing suppliers – but it delays the inevitable – what is the plan for increasing profits to pay back the loan?
- The absence of Maple Valley opens up possibilities
- The greatest expense is staffing, as always, but our current revenues cannot sustain personnel expenses
- Share the concern of entering the new year in a negative financial position – the negative position itself doesn’t feel alarming, but not having a plan is worrisome. We need a plan – what are the near-term actions that we can take that a reasonable and will make an impact?
- There is a concern about the store’s viability in the current location. Some expressed agreement. There is concern about how to make this kind of move.
- There is a concern that is felt about whether staff culture reflects a commitment to meeting financial goals of the Co-op.
- How do we reinvigorate our community’s commitment to the Co-op? Could we have a campaign to raise operating subsidy? Would that be successful? Could we look at our business model closer?
- Staff, particularly management, are under a lot of pressure. It’s difficult to operate successfully in the current financial environment (no money, no cash flow, etc) – borrowing money opens up opportunities to be more creative with problem solving. Borrowing money itself is not bad. The Co-op doesn’t have a lot of debt, owns the building, has the inventory.
  - Expanding prepared foods? Expand marketing? Work to build membership? These take money.
- Worrying about money is stressful for everyone involved! Approaching financial challenges with austerity is bad for morale.
- There was some faith that we are able to make some operational adjustments that will be able to bring us out of a deficit – to create a positive near term impact.

- We can look at nibbling at the smaller expenses but the big line items are where we need to focus our efforts.
- Making changes to fix our current deficit may not be the same thing as “righting the ship” – let’s work on the immediate deficit to free up some energy/cognitive bandwidth to do longer term/strategic business plan.

Rosemond reflected staff do know that there is a financial deficit, but they may not feel responsible for the deficit. Staff may feel that poor planning by the Board feels like the reason we are facing these problems and staff may feel that it is unfair to bear the brunt of any budget controls.

Kevin shared that he thinks it is realistic to think that we will need to make some changes to our personnel budget – but these will need to be considered with some important changes to process also. At the same time, we need to look at the bigger environmental threats and community trends at large. Being smart, positioning ourselves well – these things will matter.

.....

The discussion shifted to whether/if we borrow funds. There was a question about how funds could be used and what would be used as collateral. There was a discussion about any efforts to expand or work in new areas strategically may require a reallocation of staffing – i.e., not simply able to decrease staffing costs.

What would it take to have a break even month? Maybe an increase of \$10-12k in monthly sales. It’s worth planning based on a goal to have a break even month by the end of the first quarter.

There was a conversation about a variety of creative short-term, medium-term and long-term initiatives.

#### **Action items before the next Special Board Meeting:**

- Management will prepare and bring a labor budget that provides:
  - FTE (hours) per position
  - Hours per department
  - Sales per labor hour

**Action:** Sarah, Kevin and Rosemond will prepare some materials and a conversation around personnel expenses.

Next Meeting - **Sunday, January, 13, 11am – 2pm** – Special Board Meeting to Discuss Finances & Budget Planning

- Personnel Expenses
- Initiatives that we can begin in the next three months:
  - Resources needed
  - Timeframe
  - Revenue Expected
- Line of Credit Decision

**Action:** Review/Approve the Revised/Updated Budget at the Next Regular Meeting

The meeting adjourned.