



When: September 23, 2019 6:30PM - 8:30PM

Where: Whitewater Innovation Center Room 105, 1221 Innovation Drive, Whitewater WI

Invited: All Owners of the Whitewater Grocery Co. and their elected board

Mission & Vision: We are your (future) friendly neighborhood grocer supporting fresh and local products.

We value:

- community ownership
- quality customer service
- welcoming everyone
- a lively learning and gathering space
- sustainable practices: people, planet, profit

Meeting Intention: To gain understanding around our financial feasibility, learn how to manage our project in SmartSheets, and prepare for the annual meeting.

Preliminaries: Call to Order, Mission & Intention, Guests, Check-In, and Agenda Review

The meeting was called to order by President Lacey Reichwald at 6:37 p.m.

Board Members Present: Lacey Reichwald, Greg Majkrzak, Brienne Diebolt-Brown, Anne Hartwick, and Jennifer Crone. Absent: Praveen Parboteeah and Joanna Baker.

Owners Present: Michael Schwabe and Katy Wimer.

The mission and values for the Whitewater Grocery Co. was read by Lacey. The intention for this meeting is to gain understanding around our financial feasibility, learn how to manage our project in SmartSheets, and prepare for the annual meeting.

Our guests were welcomed, and declined to speak during the designated owner comment period.

Anne moved to approve the agenda. Second by Jen. Motion passed without dissent.

Consent Agenda:

Jen moved to approve the Consent Agenda, including our previous meeting's minutes, Committee Reports, Action Plans: 800 Owners, Business Plan, Site Selection, President's Report, and the most recent Dashboard & Financial Statements. Second by Greg. Consent Agenda was approved without dissent.

Accountability: Action Items

The Board reviewed our progress on the outstanding action items due for the August 26 meeting. Please indicate *Done* or *Request for Extension*.

Action Items the Annual Owner Meeting



- All Board members will provide their content to Praveen - slides and notes - for the Annual Meeting by Sept. 30. See [facilitator agenda](#) for your responsibilities. **Pending.**
- Anne will create a template for the Contact Sheet - include Board & Committees - and distribute to the Board by Friday, Sept. 20. **Request for extension until Sept. 23.**
- Each Committee will submit content for the Contact Sheet to Anne by Sept. 30. **Pending.**
- The Board will have a rehearsal at V's Waterfront Venue on October 7, 4 p.m. **Vicki invited the Board through our Google Calendar.**

Action Items Due PRIOR to **September 23** Meeting

- The **Finance & Legal Committee** will recommend language for the 4.2 Bylaw Terms and Elections change by Sept. 10. **On hold. Request for extension to Nov.**
- **Praveen** will follow-up with an email to the Business & Economics Department faculty who received the brochures at their August retreat in mid-September. **Request for extension to Nov.**
- **Jo** will send out Board Officer Survey. All Directors should be respond by Sept. 9. **Done.**
- **Lacey** will go through her list of potential Board applicants and ask if they are willing to apply. Applications are due on Tuesday, Sept. 3. **Done.**
- **Lacey** will be write her President's Report for the Board to be more article-like so that Katy can use them for the newsletter. **Done.**
- Lacey asked that **all Board members** review the "[Every Possible Location](#)" spreadsheet in the Google Drive by Sept. 1. **Done. Jen would like to review as well.**
- **Greg** will share the Firebrand Copy SmartSheet with the Board. **Done.**
- **Greg** will present to Outreach & Ownership at their 3:30 meeting on Sept. 4. **Rescheduling.**

Action Items Due for **September 23** Meeting

- In preparation for September 23 meeting all of the following tasks are due by **September 18.**
 - **Brienne, Anne, and Jo** will submit their Committee Reports (Outreach & Ownership, Finance & Legal, reports to the Secretary. **Done.**
 - Action Plan Owners (**Brienne** - 800 Owners, **Praveen**- Business Plan, **Lacey** - Site Selection) will include updates to their action plans in the Committee Reports. **Done.**
 - If action or discussion is required by the Board on any of the activities listed in the plans or the reports, notify Lacey to include in the Committee Updates agenda item. **Done.**
- The **Ownership & Outreach Committee** will develop a plan to broadcast and promote the new Mission & Values to owners and stakeholders through our communication channels. **Done.**
- The **Ownership & Outreach Committee** will develop a plan to broadcast and promote the 2019 Market Study public statement to owners and stakeholders through our communication channels. **Request for extension.**
- All Committees (**Brienne, Anne, and Jo**) should review and add their dates to the SmartSheet Firebrand copy. **Brienne - Done. Anne - Request for extension. Jo - Request for extension.**
- **Anne** will provide Katy Wimer with Matt's name so she can onboard Matt as a new volunteer. **Done.**
- **Jo** will report on the results of the Board Officer Survey. **Done.**
- **Jo** will research whether or not we are eligible for a scholarship to attend the Small & Strong Conference in Minneapolis on Oct. 26. **Done.**



- **Lacey** will connect with Praveen to discuss working with the Business Department to create curriculum for Start-Up Co-op Management. **Request for extension to Nov.**
- **Lacey** will send Praveen a copy of the latest Business Plan as well as the Action Plan for the Business Plan. **Done.**
- **Lacey** will contact Firebrand to see if we have any more time left with them based on the consulting service we won during March's Up & Coming Conference. **Done. No time left.**
- **Anne** will mark the following folders as confidential in our Google Drive: Market Study, Pro forma, ~~Site Selection~~, Real Estate. **Done.**
- The **Finance & Legal Committee**, with the support of Maria & Lacey, will spearhead a fact-finding mission regarding the following assumptions/data points in order to customize our pro forma for community. The data points will be discussed at the F&L September meeting. F&L will recommend numbers for the pro forma at the September Board meeting. **Done and ongoing.**
 - *Rent - Pro Forma assumption is \$12/sf. Survey local landlords, business owners, and real estate agents find out if this similar to the average in our area, noting if the rent information is for a NNN lease or not. **Done.***
 - *Triple Net (NNN) Payment - Pro Forma assumption is \$3/sf. Determine the typical rate for the Real Estate Taxes/Insurance/CAM. **Done.***
 - *Personnel Expenses - Pro Forma assumption is 22% - Contact existing co-ops to see what the sustainable range is to give us an understanding of how variations in this number might affect the pro forma. **Done.***
 - *Review the updated co-op averages from CDS **Done.***
 - *Facilitate the research alternative sources of personnel (UW-W internships and grants - "Co-op Grocery General Manager Training Certificate", owner volunteers, self service, robots, etc. **Ongoing.***
 - *Facilitate the research of additional revenue streams (with support from Praveen, Brienne & Grace Crickette) **Ongoing.***
- The **Finance & Legal Committee** will develop a policy for owners whose installment payments have fallen in arrears and present to the Board for review and approval at the September meeting. **Request for extension to Nov.**
- The **Finance & Legal Committee** will provide an update as to whether or not the indemnification clause needs to be updated with expanded insurance coverage at the September meeting. **Request for extension to Nov.**
- **Brienne** & **Jen** will develop an owner information audit policy and procedure. Jen started the task with a listing of the items that need to be reviewed. Jen will update the Board during the September meeting. **Request for extension to Nov.**
- The **Outreach & Ownership Committee** will start preparing for the launch of second receipt campaign at the Annual Meeting in October. Part of the planning will be a review of Sarah Hoot's final report of what went well, what didn't, and what we can do better next time. Sarah is to consult with the Board prior to the launch to determine all critical data will be captured and analyzed based on the Board's current needs. **On hold and will be removed from the Board action items.**

Action Items Due AFTER the **September 23** Meeting



- The **Finance & Legal Committee** will research and provide a recommendation on the policy for Equity Return to an owner who wants to surrender his or her share.
- The **Ownership & Outreach Committee** will develop charters for their new subcommittees and present them to the Board for approval at the November Meeting. ***On hold. Will be removed from the Board action items.***

Committee Requests

Request to reallocate funding and increase Consulting line item budget

Lacey moved to approve the reallocation and additional funding to cover the cost of up to 3 hours of QuickBooks support and consulting from Wegner CPA. Second by Greg. Motion passed without dissent.

The following will be made to the budget to cover the cost:

1. Reduce QuickBooks Subscription budget by \$150, from \$410 to \$260. This is the total needed if we stay at our current subscription level for the rest of 2019 rather than upgrade to a higher subscription level.
2. Re-allocate the \$150 from the "QuickBooks" budget to the "Consulting: Accountant" budget.
3. Add \$165 to the "Consultant: Accountant" budget.

The net effect is the new "Consultant: Accountant" budget increase from \$550 to \$865 and would provide for up to 3 hours of QuickBooks support from Wegner CPA at \$105/hr for account reconciliation assistance and future questions as needs arise. Jen will update the budget accordingly for the November meeting.

Officer Survey Report

Jo's delivered her report via email. Two people responded to the survey. Anne is looking to relinquish her secretary role, but will continue for this year if no one is interested. Lacey is interested in not being an officer after 2020. Lacey and Jo are working on succession planning to make the transition seamless and effective.

Jo formally announced she will not be running next year when her term is up. Milena's care has become more involved and time-consuming. Seemingly simple issues are highly complicated with Milena and take an enormous amount of time and energy. She had hoped to give a portion of that to the development of the Gro Co., but it seems to be quickly diminishing.

After Jo's report was read, the Board discussed how succession planning is critical to the health of the Board. Anne said that she is willing to continue on in her role, but would be willing to train someone to take over for her, even if it doesn't happen in November.

We talked about having a more in-depth discussion about succession planning at our January Board retreat for officer roles. Lacey expressed concern about the perception that the Board and direction of the GroCo is led by personalities. She doesn't want anything to jeopardize our mission.



Lacey will talk to our consultants about planning for a January retreat and its content. Greg suggested that we survey the Board to see if we've been driven by personalities. Lacey will include the nomination and election of officers in the November meeting.

Election

Jo reported via email to the Board that we are currently at 142 votes online. The majority of the votes were in the first three days of the election opening. We had a slight bump after Katy featured Elvia on Facebook and reminded our owners to get their votes in. Each Wednesday, Katy will highlight another candidate until October 10.

Small and Strong

Jo reported that there are scholarships available for the conference in Bloomington on October 26, although it is still not clear if the scholarship covers the entire cost. She is currently waiting for a reply. She asked the Board to contact her if anyone wants to attend.

Board Business: Pro Forma Review

Treasurer Jen Crone reviewed our latest research on our pro forma.

Pro Forma Assumptions Research - Local Comparisons

- Research by Maria and Lacey
- Responses from Linda Platner, RR Walton, Willy Street, Outpost
- Not a lot of data points
- Co-ops show wide variety in what they have been able to negotiate.
- Conditions at startup may be very different than for an established store.
- Good qualitative advice from local co-ops related to what affects rent, NNN, and personnel rates: [Link to Details](#)
- What we don't have:
 - Rent for potential sites under consideration
 - Rent/NNN survey from local business owners

Pro Forma Factor	Original Assumption	Local Agents/ Landlords	Local Co-ops (Mad, Mil)
Rent, \$/sf	\$12.00	\$15 - \$30	\$13 - \$18
Triple Net - Real Estate Taxes, Insurance, CAM \$/sf	\$3.00	\$6.50	\$1.80-\$2.50
Personnel Expenses	22%	N/A	25% - 27%
Comments	← →	From one local commercial REA.	

She presented two slides related to various pro forma assumptions. We've made some progress over the past couple of months on researching two major areas that populate our pro forma: local real estate & successful co-ops to get a better idea of triple-net, rent, and personnel expenses.

Triple-net is very high in Whitewater according to the data provided by Linda Platner (\$6.50). The triple-net range in Madison & Milwaukee is between \$1.80-\$2.50. This number really can vary based on how established a co-op is in the community, they have a lot of leverage and can negotiate a good rate. The lower the rate, the more the co-op does to take care of the grounds, etc.



Jen still doesn't feel like the information she has received so far, so she will not be changing the original assumptions.

She also expressed concern about local rents being higher than \$12 sq. ft. and though it would be helpful if the Site Selection Committee could provide more input. It would be interesting to survey local businesses that are renters to get more data.

Lacey had a local landlord reach out to her regarding a 7,000 sq. ft. property at \$10 sq. ft. The co-op would be responsible for insurance which would be equivalent to 2 months rent.

Greg asked if we were to a point where we need to consider owning. Jen said that frankly we still need to be looking at renting. Otherwise, we would need to raise a completely different kind of capital amount. Unless a specific scenario presents itself, renting is more likely.

Given what Lacey knows about Whitewater, we might be able to come under \$12 sq. ft.

Triple-net seems high to Lacey, but it includes maintenance, so it might be right in line.

Until we get some better individual data points, Jen feels like we should err on the side of being conservative.

Jen would like us to come up with a range, so we can identify what we are shooting for when we start negotiating. With these assumptions, the pro forma is not projecting us to be a sustainable or profitable store.

Lacey asked if we know what that range is. Jen said her next step is identifying a range that would make us sustainable or profitable for rent, triple-net, and personnel expenses.

Jen feels like personnel expenses should be kept at 22%. We need it to be higher when we are first getting started. There will be a time where we can't pay people what we aspire to.

Lacey noted that the personnel expenses for co-ops is based on grocery sales, but may not include a heavy amount of quick serve and grab-and-go options typical of grocers. For restaurants, personnel expenses can range between 33-35%.



Pro Forma Assumptions Research - Industry Comparisons

- Provided by CDS Consulting in 2019
- Mix of industry avg from 45 established smallish co-ops, with yr 3 performance of 3 startups.
- Further details [here](#) and in pro forma
- Areas for attention:
 - Sales/SF
 - Annual sales growth rate
 - Gross Margin
 - Occupancy Expenses
- Next Steps
 - Conversations with CDS, G2G, others(?)
 - Determine realistic Low/High range for each parameter
 - Look at Pro Forma cases using low to high ranges for each with the goal of demonstrating a profitable store

	KWA (2018)	G2G (2019)	WE ARE	Range from comparable co-ops - from industry avg and startups	
				LOW	HIGH
Retail sf	10,200	4,500		9,000	11,000
Total sf	15,000	7,500		13,500	15,000
Equivalent Size	Aldi	Kwik Trip			
Project cost (CDS/KWA/B2B)	\$3.3 MM	\$2.9 MM			
Year 3 sales, adjusted (KWA/B2B)	\$7.2 MM	\$3.4 MM	▶◀	\$2.5 MM	\$12.9 MM
Year 3 Sales/retail sf (KWA/B2B)	\$710	\$753	▼	\$961	\$1,170
Sales Growth after Yr 5 (CDS)	2.5%	2.5%	▼	3%	8%
Cost of Goods (CDS)	66.6%	66.6%	▶◀	62%	67%
Gross Margin (KWA)	33.4%	33.4%	▼	33%	38%
Personnel Expenses (% gross sales, yr3) (CDS)	22%	22%	▶◀	19%	25%
Occupancy Expenses (% gross sales, yr3) (CDS)	11.8%	12.8%	▲	2%	6%
Total Operating Exp (% gross sales, yr3) (CDS)	40.6%	37.6%	▶◀	28%	44%

The second slide includes updated data from Columinate. The boxes in yellow indicate how the numbers from the pro forma and the market study differs from the range of industry information. For instance, sales per sq. ft. The market study was \$700 vs. industry standard of \$900-\$1,000.

The pro forma takes what was in the market study and scales it back 20%.

Jen feels like the advice we are getting from Columinate & G2G is to stick with 33% gross margin, and she expressed her frustration about not receiving any information from the second market study on how we can change our departments to adjust the gross margin. Greg asked how much does the gross margin affect the pro forma. Jen and Lacey said that the gross margin has a huge impact on profit.

Jen is going to start plugging in different scenarios and test for profitability.

Occupancy is not going to keep our store from being successful - it is going to be personnel expenses, gross margin, and sales.

Lacey is going to reach out to the Pensacola Co-op to ask for their financials.

Board Development: SmartSheet

Greg reviewed the Firebrand version of the SmartSheet with us and gave us some tricks for entering tasks into the application.

Administrative: Annual Meeting

The Board assessed the preparedness and determined last minute needs for the Annual Meeting. Jen asked that we use better language for the forward facing agenda, something like “ The Stories We Tell Matter - How we can debunk the myths.” Anne will change the Annual Meeting agenda to



reflect the new language.

Self-Assessment: Policy Review

No policies are up for review in September.

Looking Ahead: Review Board Calendar & next meeting(s)

The Board reviewed and commented on the [Board Calendar](#) and talked about having a Board meeting in October. The benefit to having an October Board meeting is to get people in place. The Board decided to schedule a meeting for Oct. 28, and stack any administrative/onboarding agenda items at the top of the meeting so that the officers of the Board can meet later in the evening on their own if they so desire.

Anne will send out a meeting invitation for Oct. 28 at 6:00 - 8:30 p.m.

Closing

President Reichwald officially adjourned the meeting at 8:32 p.m. The minutes were respectfully submitted to the Board on October 24 by the Board Secretary, Anne Hartwick.

DRAFT