

**Minutes of Lakewinds Natural Foods Cooperative**

**d/b/a Lakewinds Food Co-op**

**Board of Directors’ Meeting**

**Monday, May 18, 2015**

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| John DePaolis, President  Steph Matz, Vice President  Brenda Pfahnl, Treasurer\*  Tracy Kochendorfer, Secretary  Dale Woodbeck, General Manager  \*absent | Katie Bloomstrom  Sarah Carroll  Caroline Hermes  Fred Ladner | Karyn Penn  Tim Reese  Ryan Sweeney\* |

*The Board met in closed session at 6:00 p.m. prior to its regular meeting.*

1. **Call to Order**

Following the closed session, John called the meeting to order at 6:40 p.m. on Monday, May 18, 2015 at Eden Prairie headquarters. Board members listed above and Dale were in attendance. In addition, the following members of senior management were in attendance: John Case (Special Projects), Eileen DeReus (Finance Manager), Amy Campbell (Marketing Manager), Greg Dick (Operations Manager), Shanna Anderson (Purchasing Manager) and Jena Olson (Human Resources Manager)

**2. FY2016 Budget**

Dale and the Senior Management Team presented the proposed FY 2016 budget for Board approval and organization/department priorities. Highlights included the following:

a. GM Overview: Dale reported that as a result of years of planning and research, our Richfield store is a success story, contributing to the whole of Lakewinds operating well ahead of plan. Much was learned along the way, and our employees gained valuable experience through the process, positioning us well for future expansion.

Key points of differentiation between Lakewinds and other retailers include our cooperative ownership structure, our customer service and product standards, and our local sourcing and storytelling, particularly for items found in the stores’ perimeters.

We have improved operational efficiencies, processes and pricing strategies, and have a full complement of well-qualified senior management. Open Book Management is key to helping our employees to think like owners and see how their behavior impacts our bottom line. Regular employee huddles foster esprit de corps which in turn improves motivation and performance.

Business Priorities include the following:

* Alignment across the organization
* Development and implementation of the 5 Promises with strategic and tactical planning, budgeting and implementing metrics
* Open Book management.
* Employee training programs and follow through
* Growth readiness in all parts of the organization
* Continue to scout for potential 4th store locations and be prepared to act smartly and quickly
* Lead effort for Twin Cities co-ops to develop a broad market strategy in the face of rising competition

Mission Driven Objectives include:

* Lakewinds Organic Field Fund
* Impactful outreach and community work
* Continue work on increased local sourcing
* Partnerships with compatible organizations
* Continue to provide leadership to Access to Land Project

b. Budget Development: John Case described how the annual budget is developed starting early March with information and input from department managers, store managers, Dale and others. Sales, labor and margin are key metrics, as well as other factors that could affect the budget such as new competition, road closures and the like. The bottom up approach encourages involvement and ownership of the numbers, which are thoroughly and repeated vetted up and down the management chain.

c. Finance: Eileen described the FY2016 budget in more detail, including target sales, margins and gain share. The annual budget is broken down into weekly targets to incentivize continuing performance. We estimate conservatively to give ourselves breathing room. Growth is projected for all stores again this coming year. Finance department priorities include increasing ROI analysis and reporting. Open Book Management. Workflow efficiencies. Working with Greg Dick to provide information to departments to improve operational and document management efficiencies.

d. Operations: Greg reported on Operations Department priorities, such as the following:

1. Consistently optimize operations (duplicate successes across departments and stores)
2. Cross train staff to be ready for a future store #4
3. Cost reduction & profit maximization
4. Leverage customer service – use Open Book Management to celebrate good feedback in customer service arena, surprise and delight customers
5. Documenting best practices
6. Effective product stocking and movement within stores

e. Purchasing: Shanna reported on Purchasing Department priorities, such as the following:

1) Updating product standards

2) Pricing strategies

3) Purchasing team additions have come on board

4) Fresh department category managers work with local producers, give input on pricing, buying strategies, share best practices with store and department managers

f. Marketing: Amy reported on Marketing Department priorities, such as the following:

1. Enhance and update store experience/vibe
2. Differentiation through messaging and content distribution (why shop the co-op; measures of success are happy employees and customers).
3. Investing in PR and social media, rather than print ads
4. Integrating with Purchasing to coordinate in-store and exterior campaigns
5. Pave new paths of growth through innovation and experimentation.
6. Hope to do all owner survey
7. 40th anniversary in 2016

g. Information Technology: Derek Fermstad, IT Manager, was unable to attend the meeting so Dale reported the following highlights in his absence:

1. POS System – next level (integrate ordering with POS system)
2. Support other department initiatives
3. Complete backup architecture (part of disaster recovery plan)
4. Upgrade Windows environment – so have consistent environment computer to computer and environment to environment.

h. Human Resources – Jena reported on Human Resources priorities, such as the following:

1. Emphasis on internal and external training
2. Continued focus on employee retention
3. Positioning ourselves for growth – continued effort on employee breadth and depth
4. Consistent interview experience
5. Respond to employee interest in personal growth

Jena also noted that the Richfield job fair was a good experience. Lakewinds brought the community into the store.

*A motion was made to approve the FY 2016 budget as presented, seconded and all voted in favor.*

Senior Managers were thanked for their and their departments’ work on the budget and excused, and the Board and Dale continued the meeting.

1. **Consent Agenda**

The consent agenda included approval of the following items: (i) new member-owners and share repurchases of departing member-owners for April 2015; and (ii) April 2015 Board Meeting minutes.

*A motion was made to approve the consent agenda, seconded and all voted in favor.*

1. **GM Report and Financial Statements**

Dale presented the April General Manager’s Reports along with the April financial statements. Sales and pre-tax income continue to exceed plan and cash flow from all of Lakewinds’ operations is strong. The ratios reported on our balance sheet remain in positive territory.

1. **Executive Responsibilities Review 1-11:**

The Board discussed Dale’s annual report on his compliance with the Executive Responsibilities 1-11 of the Board Governance Policy Register. The reports will inform the Board’s performance review of Dale in June.

1. **Richfield Property Purchase Agreement**

Dale discussed his recommendation for approving the purchase of an approximately 19,932 square foot pad site located to the immediate south of the Richfield store. The site may be used for additional parking or other purposes. The purchase price and carrying cost are well within the co-op’s means and no debt will be incurred in connection with the purchase, which is expected in December.

*The following motion was made, was made, seconded, and all voted in favor:*

*RESOLVED, that Lakewinds enter into a Purchase Agreement with Lyndale Gardens LLC in the form presented to the Board for the purchase of the approximately 19,932 square foot pad site located to the immediate south of the Richfield store for a purchase price of $239,184.00, payable from Lakewinds’ available cash at closing upon the conditions to purchase having been met to Lakewinds satisfaction, to be signed by the President and Secretary of Lakewinds, and Dale Woodbeck is authorized to take such actions as are necessary and desirable to complete the due diligence and purchase on behalf of Lakewinds in accordance with the terms of the Purchase Agreement.*

1. **Review Board Retreat Agenda**

John summarized the upcoming agenda for our Board Retreat on May 30 with Art Sherwood of CDS Consulting at the University of Minnesota Landscape Arboretum, and the Board affirmed the agenda, as follows:

1. Increase shared understanding of the co-op difference and the Board’s leadership role through the four pillars of cooperative governance
2. Build a shared understanding of key external market/competitive factors impacting growth and co-ops and their implications
3. Build shared agreement on level of commitment to growing Lakewinds in the context of the above, other Twin City’s co-ops and the Lakewinds strategic direction (Ends)
4. Be introduced to and build a shared understanding of the “Growth Roadway” model and “Smart, Fast Moves” as ways for boards and GMS to work together to pursue growth opportunities effectively
5. Look to the past and apply the above to Richfield experience and to the future work ahead
6. Begin building a high level Board specific plan for the coming year to support the overall strategy of Lakewinds
7. Continue to strengthen the Board-GM leadership team

*A motion for adjournment was made, seconded, and all voted in favor.*

The meeting was adjourned at 9:03 p.m.