



Co-op Board Proposes 2019 Budget

Co-op's financial health continues to improve; still some areas of concern

Vote scheduled for December 2nd

To understand where the Co-op is financially, consider its recent financial history.

In August of 2017, the finance committee was just starting to work on the budget for 2018. The 2017 numbers were not good. As such, trying to predict where the Co-op would be in 2018 was nerve-wracking, to say the least.

From January - August 2017 retail was showing a loss of -\$14,800 and was predicted to reach a loss of around -\$26,000 by the end of the year if nothing improved. Accounts Payable (money the Co-op owed) was at \$52,500 with \$26,800 of that total being past due. Without drastic change, it was only a matter of time before vendors would start requiring checks on delivery or refuse to deliver at all. The financial predicament was bleak and all-consuming.

Thankfully, the Co-op community responded to this situation in a very positive and proactive manner. Membership voted "yes" to a reduction in discounts taken at the register, including staff discounts. Many members gave up their discount at the register entirely to show their support. Many hours were put in by the board and the finance committee members to re-evaluate every practice, program, and decision. The staff made a concerted effort to buy more carefully, reduce spoilage, and re-evaluate current systems. So, did these changes have any impact? The answer is a resounding yes. The following retail report, which focuses on the store's performance, includes actual figures, not budgeted figures. Below that, see the Accounts Payable report, which shows the progress the Co-op has made in catching up, and staying caught up, on its bills. It is safe to say that the progress in retail has been astonishing.

Retail Report (Actuals)

	Sep '17 - Aug 18	Sep '16 - Aug 17	\$ Change	% Change
Ordinary Income/Expense				
Income	578,262.86	635,553.21	-57,290.35	-9.01%
Cost of Goods Sold	376,284.86	452,982.94	-76,698.08	-16.93%
Gross Profit	201,978.00	182,570.27	19,407.73	10.63%
Expense	178,205.14	206,272.96	-28,067.82	-13.61%
Net Ordinary Income	23,772.86	-23,702.69	47,475.55	200.3%

Accounts Payable August 31, 2017

Accounts Payable August 31, 2018

Current	Past Due	Total Due	Current	Past Due	Total Due
\$25,755	\$26,797	\$52,552	\$18,407	-\$407	\$18,000

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What about the whole organization?

To determine the financial health of the whole organization (remember, the Co-op is not just a retail store but real property too), we need to examine the whole financial picture—not just the store's. Take a look at the last number in the “\$ Over Budget” column. You will see that the Co-op's net income exceeded the budgeted figure by more than \$10,000. This represents an amazing turnaround.

Budget vs. Actuals for 2018 January - September

	Jan - Sep 18	Budget	\$ Over Budget
Ordinary Income/Expense			
Income	411,414.06	476,681.16	-65,267.10
Cost of Goods Sold	267,046.10	338,195.47	-71,149.37
Gross Profit	144,367.96	138,485.69	5,882.27
Expense	125,483.69	143,028.63	-17,544.94
Net Ordinary Income	18,884.27	-4,542.94	23,427.21
Other Income/Expense			
Other Income			
General Other Income	17,814.77	18,975.59	-1,160.82
Building Income	19,588.21	19,921.00	-332.79
Total Other Income	37,402.98	38,896.59	-1,493.61
Other Expense			
General Other Expense	14,581.46	14,227.03	354.43
Building Expense	20,782.74	15,154.33	5,628.41
Total Other Expense	35,364.20	29,381.36	5,982.84
Net Other Income	2,038.78	9,515.23	-7,476.45
Net Income	20,923.05	4,972.29	15,950.76

Concerns for 2019

Though all this news for 2018 is exciting there are some concerns for 2019:

- ◆ 2018 sales are down considerably from previous years.
- ◆ Membership has dropped.
- ◆ Payroll is projected to increase.
- ◆ Building repairs are needed.

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1. Why are sales so much lower? We really don't have a simple answer for this. The good news is that the Cost of Goods Sold has dropped even more. So even though the co-op is selling less, it is bringing in more income. The Finance Committee and management suspect several factors: drop in membership; change in store hours; change in products offered for sale; and the possibility that in previous years the store was purchasing more expensive products that had to be sold on sale or at a loss to move. This would have increased the sales numbers, but not improve the profit.

Note in the 2019 budget there is a planned 2% increase in sales from the projected year-end of 2018. Now that the current management has re-evaluated the inventory, they are planning on slowly offering more and different items.

Also, in 2019, there will be a full-time Front-End Sales Associate. This position will allow for the staff members to be more readily available to assist member workers and customers looking for products or additional services.

With all these improvements and others, we are hopeful that the 2% sales increase will be attainable.

2. What is being done about the drop in membership? The Membership Committee has been reaching out to members who have not renewed to try to get answers to this question, but early indicators suggest that there is no one overarching reason for the drop. The Committee is supporting staff in their efforts to improve the membership experience, which include offering a more flexible working member program and a more comprehensive offering of exclusive member benefits. In addition, it is expected that the new staff structure will add to the staff's ability to answer questions related to membership renewal and applications. Finally, the committee is working to get the member application/renewal forms online, which should help streamline the application/renewal process.

3. Why is payroll increasing from 2018's projected numbers? First, for half of 2018, the store did not have a full management team, while the 2019 budget reflects a fully staffed store for the entire year. Second, minimum wage is increasing. Third, in 2018 the store had 98.5 hours per week scheduled vs. 2019's 104.5 hours scheduled and 108 hours budgeted. Though we don't expect there to be an overage, we want to be conservative in the budgeted figures. The increase in hours is needed to reduce stress and prevent burnout in the paid staff. The increase is also needed as there has been a significant shortage in working members filling shifts. For example, there were 105 unfilled shifts for June-August alone (though the numbers under the new working member model appear to be improving).

4. Why are building expenses over budget in 2018 and what can be expected in 2019? When the 2018 budget was being constructed it was a bleak situation and no building repairs were budgeted. However, things still needed fixing. Some ceiling tiles in the retail space were missing or damaged and needed replacement. The front steps' railing broke and needed repair. The very old fuel oil tank needed replacing before it started to leak. The puddling in the rear parking lot became much worse and needed attention. Because the financial situation had improved, these critical repairs got done. Yet, 2019 has its own building concerns. The budget line could/would be much higher if we addressed everything that needed attention. However, the Finance Committee thought it best to budget what the Co-op could likely afford - \$3,600. The Finance Committee is working on ways to raise capital for some of the bigger expenses now and hopes to bring a proposal to the membership early next year.

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What Else Will Be Discussed at the Membership Meeting?

Pre-Order/Special Order Changes

In an effort to make the Pre-Order Program more efficient and sustainable, the Finance Committee recommends the following changes:

1. The current markup rates for each type of member shall no longer apply to the program. Instead, pre-orders will be marked up in accordance with the standard shelf prices in use at the date of the purchase.
2. A five percent discount shall be applied to all items purchased under the pre-order program provided both of the following criteria are met:
 - a. The purchaser is a member of the co-op
 - b. The order qualifies as a case or bulk quantity determined by management.
3. Non-members can purchase pre-order items but will not receive the “case” discount.
4. Membership discounts will then be applied at the register as in all standard sales. This will decrease workload for staff and make the checkout process simpler.

Double Working Member Discount

In review of the Pre-Order Program, the double working member discount was determined to be unfair. It did not allow for any additional discount over a Single Working Member for in-store purchases. To encourage more workers for a double working shift the proposal is to increase the discount from 12% to 15%.

Fish Program

A third recommendation from the Finance Committee is to amend the process for pricing fish. Currently, there are different markups for working and supporting members. The committee recommends simplifying the fish pricing with a uniform markup multiplier of 1.65. The member’s discount will then be applied at the register as in all standard sales. This will decrease workload for staff and make the checkout process simpler.

Fedco Program – The Fedco Program is currently under review. The Finance Committee would like to discuss this program with membership at the December 2nd membership meeting as well.

Have More Questions About the Budget?

We are available to answer them! Join us November 7th 2-4, November 15th 5-7, and November 21st 2-4 at the Co-op’s front of store tables. Please come see us with any concerns or questions that you may have. We also look forward to seeing you at the Membership Meeting, scheduled for December 2nd at 4:00 at the Brieman Building.