

North Coast Co-op Annual Report



811 I St. Arcata, CA 95521 (707) 822-5947 • 24 4th St. Eureka, CA 95501 (707) 443-6027
www.northcoast.coop

Picking Up the Pieces and Hitting our Stride

By Melanie Bettenhausen, General Manager

The first half of Fiscal Year 2017 (April 2016-March 2017) was a lot of questioning what the future would hold. We spent the first months with an interim General Manager and witnessed a slow trickle of management team members leaving. After taking on the role of General Manager in August 2016, things started to kick into high gear and before I knew it, we were at the end of the year, and we made significant accomplishments to both our short and long-term goals.

Throughout the year, we saw much-needed improvements to our infrastructure. Our Board of Directors made updates to policies, including our purchasing policy. The updated text reflects our commitment to sell local products, as well as products with positive social and environmental impacts. The board developed a Zero Waste Policy, which sets our own vision of being a zero-waste organization. Our co-op was also recognized as one of the top two co-ops in the nation to have the lowest energy use per square foot. For our ongoing work, we received a Sustainability Star award, something that motivates us to continue in our sustainability efforts. The board also distributed more than \$180,000 in patronage refunds to our members in January 2017 for fiscal year 2016, and it was the first time in recent history, possibly ever, that non-Fair Share members received cash vouchers.

At the same time, the Arcata store was hit with lowering revenues due to Eureka Natural Foods opening a new store in McKinleyville in September 2016. Additionally, all major highways in and out of Humboldt County closed at least once during the winter and spring. We experienced major ongoing refrigeration issues in both stores, including the Arcata Bakery oven failing for two days. By the beginning of January, ninety percent of the Management Team were in their positions less than five years, and seventy percent had been in their roles less than one year!

Despite these challenges, we were provided an opportunity to evaluate our roles and responsibilities, as well as reflect on how resilient and dependable our staff is. When something failed in the stores, we saw people from all different departments step up to help solve the problems. We were also reminded of how many employees have worked at the Co-op



General Manager Melanie Bettenhausen & Board President Dave Feral sign Melanie's contract in the Co-op's Ten Pin Building.

for many, many years, and I made it a personal goal to congratulate these milestones when they happen. I began a conversation with Human Resources to implement a celebratory system to thank each of our long-term employees for their dedication and hard work over the years. We were also voted Best Deli/Meat Market and Best Grocery Store in North Coast Journal's Best of Humboldt competition (we have been Best Grocery Store since the competition was implemented in 2009).

While Fiscal Year 2017 had its ups and downs, I am pleased to report that by the end of the year, most positions were filled and turnovers reduced, equipment issues were minor and not requiring days on end of stop-gap fixes, and sales were leveling out. One of the things we focused more energy and time on was the remodel in Eureka. In December 2016, I hired a Project Manager to take the reins. We met with Department Heads to gain an understanding of their operational needs, and although the timeline has shifted quite a bit over the last year, we were close to a floor plan that met the needs of our shoppers, department functionality, and regulatory requirements.

Today, I am happy to report that we are hitting our stride, and are looking forward to all the exciting changes coming in the next Fiscal Year. Pick up the quarterly *Co-op News* in stores or visit our website to stay abreast of happenings. Thank you for your continued patronage and support of North Coast Co-op!



By the Numbers

Last year, North Coast Co-op...

...hosted the
30th
annual
Pumpkin Patch



...signed up

705



new members

...provided
411
product
demonstrations

...distributed

\$185,022

in patronage refunds

...donated
\$19,960
in Cooperative
Community
Fund grants
to 15 projects.



...spent
more than
\$28,500
at local livestock
auctions



...raised
\$1,598
at Big Brothers
Big Sisters Bowl

...carried products
from more than
200 local
farmers
and food producers

...raised
\$2,086
during
Thrill of the Grill



...collected

\$17,274

from our
customers during **Share the Spirit**



Celebrating our Long-Term Employees

The Co-op is humbled to have twenty employees who have worked at the Co-op for twenty or more years. It is their character and tenacity that sets the Co-op apart from our competitors.

Sallie Grover, Floral Department Head - **41 years**

Larry Crabb, Arcata Front End Senior Clerk - **40 years**

Bob Stockwell, Wine Department Head - **34 years**

Mara Segal, Arcata Cashier - **33 years**

Cheri Strong, Arcata Bakery Senior Clerk - **30 years**

Michael Morris, Arcata Bread Master - **29 years**

Mary Cooper, Accounts Payable - **28 years**

Rosey Ward, Arcata Deli Cook - **27 years**

Scott Kistic, Arcata Beer Department Head - **26 years**

Sue Coulter, Eureka Grocery Senior Clerk - **25 years**

Karl Seifert, Arcata Bulk Department Head - **25 years**

Adrian Bruce, Arcata Baker - **25 years**

Josiah Pumpkin, Arcata Dairy Department Head - **24 years**

Joey Beasley, Eureka Produce Department Head - **23 years**

Doug Hites, Arcata Meat Cutter - **22 years**

Andrea Murillo, Eureka Pricer - **21 years**

Casey Tingle, Eureka Meat Department Head - **20 years**

Jason Worrell, Eureka Dairy/Frozen Department Head - **20 years**

Damon Berkowitz, Arcata Produce Clerk - **20 years**

Elizabeth Gahm, Arcata Wellness Clerk - **20 years**

Annual Board President Report

By Leah Stamper, Board President

It's hard for me to believe another year for the Co-op Board of Directors has flown by. It has been an eventful and productive year seeing some projects through to fruition that have been in discussion for years, moving forward on others, and taking the first steps on visioning and planning for the future. I share with you some highlights of the year we have had.

PURCHASING POLICY

In collaboration with management and staff, the Policies & Procedures Committee developed a purchasing policy to guide decision making for product purchases at the Co-op. Until this document, purchasing decisions were guided by the judgment of the departments and the GMO policy, but it was sometimes challenging for members to understand why we sell what we do. We hope that this will help bring transparency, accountability and collaboration to the Co-op and its members.

ZERO WASTE AND THE EUREKA REMODEL

Probably the most well know project that we have been working on this year is the Eureka store remodel. As a condition of this project the board developed a Net-Zero Impact Plan for the remodel. This means that the Co-op will hold itself to high standards of waste reduction and environmental impact through all stages of construction and store operations thereafter. The plan includes requirements for contractors to sort and appropriately recycle or dispose of all waste, as well as implementation of new

options for zero-waste shopping. We look forward to leading the way in zero waste for our community.

A YEAR OF EARTH ACTION

The Earth Action Committee has been in full swing for over a year now. Most exciting of all, the Co-op made plans to hire our own Sustainability Coordinator to help the committee by doing research and leg work to bring issues to the committee, as well as promoting sustainability throughout the Co-op.

UPDATING BYLAWS AND THE PPC

The Board of Directors has been busy reviewing and approving changes and policies proposed by the Policies & Procedures Committee (PPC). The PPC has worked very hard over the past several years correcting inconsistencies between our governing documents and clarifying language. In fact, the PPC has done so much work that it has almost put itself out of business, as we recently had to cancel a meeting for lack of content! Not to worry though, there will be more to come, including a proposed single-person membership policy on the upcoming ballot.

LOOKING FORWARD AND STRATEGIC PLANNING

We are beginning the steps for our next strategic plan. The conversation is just beginning and we need your help. Stay tuned for updates and information on how to get involved in the process. With all that has happened in the last year, it is exciting to think about what is to come for the future of our Co-op.



This Past Year in our Departments

ARCATA

A new staff settled into the Arcata store including a new Store Manager, Assistant Store Managers, General Merchandise Senior Clerk, and Grocery Department Head. A lot of time was devoted to keeping up with store maintenance issues. Additionally, the store heating system was repaired in March 2016 and security added to the count-out and employee bike rooms in February 2016. In January 2017, the Arcata staff worked with the city to address the issue of CRV buy-back, due to the loss of the Arcata Recycling Center.

BAKERY

A tap was added at the beverage bar at both locations for It's Alive! Kombucha, a local kombucha producer, and the Bakery transitioned to organic sugar for granulated, powered and brown sugars. Extensive cross-training was done to increase job knowledge for staffing. Bakery products for in-house and Co-op events in the community moved to being supplied in reusable containers to promote zero waste.

DELI

Throughout the year, the Deli Manager and Prepared Foods Manager worked diligently on a detailed timeline created by Eureka remodel consultants. The hiring of the three new leadership positions—all filled by internal applicants—increased the support team for the Deli Manager and made it possible for them to complete large portions of the timeline. Extensive sustainable product research was done to find the current best options available for single-use packaging in the department, transitioning away from single-use packaging with PET resin.

EUREKA

With a new Store Manager and Assistant Store Managers with a long Co-op history, the Eureka store saw a full store leadership team by October last year. There were negotiations and revisions to the Collective Bargaining Agreement with UFCW Local 5. The silver lining of a mass refrigeration failure in May 2017, right before Memorial Day, was the Eureka store donating more than 7,500 pounds of affected food to Food for People.



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INFORMATION TECHNOLOGY (IT)

Over the past fiscal year, the IT Department replaced a very old phone system with a modern voice-over-IP system that improved the ability to transfer calls between stores and significantly cut our monthly bill. They also overhauled the in-store Wi-Fi system to improve speed, connectivity and coverage for our members and shoppers. IT also upgraded the internal network system for staff, allowing for better communication between all departments.

MAINTENANCE

The Maintenance Department faced numerous obstacles in both staffing and store equipment last year. Despite being in 'response-mode' for much of the year, they contributed a great deal to the Co-op being recognized by the National Co+op Grocers with a Sustainability Star award for our continued sustainability efforts. The Co-op tied for the co-op in the nation with the lowest energy use per square foot, and were recognized for their innovative water efficiency measures, increased reuse and recycling by over 44 tons, and efforts to begin tracking refrigerant escape.

MARKETING

Last fiscal year there were many changes in the Marketing & Membership staff, when the Marketing & Membership Director was promoted to General Manager. After many months of reevaluating what "local" means to Co-op members, the definition of "local" changed to Humboldt, Trinity, and Del Norte counties in February 2017. It was also decided to switch Co-op News from a monthly publication to a quarterly (tri-monthly) publication, starting in April 2017, to reduce paper use and provide more in-depth content to our members and shoppers.

MEMBERSHIP

The Membership Coordinator/Board Assistant position was split into two separate positions and a new Membership Coordinator started. In December 2016, the Co-op distributed more than \$180,000 in patronage refunds. It was the first time that non-Fair Share members received cash vouchers. At the end of the fiscal year, there were 705 new members (262 in Eureka and 443 in Arcata). One hundred and thirty-eight members were repurchased, resulting in a net total of 567 new members.

MERCHANDISING

The Merchandising Department had another great year at Convergence, an annual product and purchasing exposition. A new Merchandising Manager took the helm after a 37-year employee retired, she went right to work by attending annual farmer meetings in February 2016 and a local vendor meeting. End caps began switching every sale period (instead of just beginning of month), and IT began to attend Merchandising & Pricing meetings. The Co-op named a new project manager for the Eureka remodel, and Merchandising began meeting with Eureka staff about the project. Merchandising also expanded their department by creating a Category Management Specialist Position.





Fiscal Year 2017 at the Co-op

By Brandy Cogburn, Controller

We have finished closing Fiscal Year 2017 (FY17). Combined sales for Arcata and Eureka were at \$35,322,823 for the year and Gross Margin after Cost of Goods Sold was \$12,796,576. Sales were \$158,404 above FY16 year end and the Gross Margin for FY17 was \$55,124 over FY16. The Net Income for FY17, however, was \$523,166 below FY16.

Payroll and Benefits for FY17 were \$9,390,518, which is \$689,018 over FY16. This is due to the new employee hires for the upcoming Eureka remodel and the increase in hires to fill the departments, reaching

full staffing in both locations. Operating Expenses were up by \$115,396 and Occupancy Expenses were up by \$52,909 from FY16, while Other Expenses were down \$222,793.

Member Shares value grew by \$86,433 from FY16. This is the growth of equity investment from new member-owners and from current member owners purchasing B Shares or investing in C Shares. Our board set the Annual Percentage Rate (APR) at 2% interest on dividend-earning C Shares.

Income Statement				
	FY 2017	%	FY 16	%
SALES REVENUE	35,322,823	100.00%	35,164,419	100.00%
Member Discount	(544,456)	-1.54%	(553,308)	-1.57%
Gross Sales	34,778,367	100.00%	34,611,111	100.00%
Cost of Goods Sold	21,981,791	62.23%	21,869,659	62.17%
GROSS MARGIN	12,796,576	36.23%	12,741,452	36.23%
Payroll & Benefits	9,390,518	26.58%	8,701,500	24.75%
Occupancy Expense	1,224,895	3.47%	1,171,986	3.33%
Operating Expenses	614,326	1.74%	498,930	1.42%
Other Expenses	1,580,281	4.47%	1,803,074	5.13%
Total operating expenses	12,810,020	36.27%	12,175,490	34.62%
Operating Income	(13,444)	-0.04%	565,962	1.61%
Other Income (expense)	15,778	0.04%	59,453	0.17%
Income (loss) before income taxes	2,334	0.01%	625,415	1.78%
Provision for Taxes	(14,692)	-0.04%	(92,891)	-0.26%
NET INCOME (LOSS)	544,882	-0.03%	532,524	1.51%

Balance Sheet		
Assets:	FY 2017	FY 16
Current Assets	3,529,775	3,44,467
Property & Equipment	2,611,099	2,550,343
Other Assets	533,856	509,049
Total Assets	6,674,730	6,403,859
Liabilities:		
Current Liabilities	2,269,341	2,027,770
Long Term Liabilities	64,000	68,000
Total Liabilities	2,333,341	2,095,770
Member Equity:		
Member Shares	3,487,851	3,401,418
Retained Earnings	853,538	906,671
Total Equity	4,341,389	4,308,089
Total Liabilities & Equity	6,674,730	6,403,859

FY 2017 Share Totals	
Share Type	Total
A Shares	\$365,280.00
B Shares	\$927,689.36
C Shares	\$2,060,286.92
Total Shares	\$3,353,256.28



**NORTH COAST
COOP**

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