

## **Bruce Stahnke discussed recent progress with cost-estimation and design changes**

Sent drawings to E.L. Shea. They'd be a good choice for doing the work. Asked them for pricing. They asked one subcontractor for each trade to do price estimate. We received on Oct 30<sup>th</sup>. The price was surprisingly high. \$5.1M (Breakdown is included on the handout.) Target is \$4M. To reduce, we'd have to take out large bites. Did this, then sent plans back to E.L. Shea to re-price (6 items).

### *Proposed design revisions – also shown on a hand-out*

First – delete the 2<sup>nd</sup> floor. Was on top of, and in-between the trusses on the roof. Second – make the building smaller. Third - below 12K square feet, we can delete the sprinkler system. Fourth – border modifications, including with columns on south side. Fifth – once we got rid of the 2<sup>nd</sup> floor, could make the trusses a continuous span (elimination of steel that held up the trusses – elimination of columns on the sales floor). Sixth – site plan (move café cooler and freezer, office space from upstairs, community room, east side room coolers/ freezers, service drive. 53 parking spaces, instead of 71.

We could later expand to the east. Currently the 12,000 square foot threshold is significant. If we exceed that, we want to exceed it with sales floor space because that is the income-generating space.

Receiving area size hasn't changed in the new plan.

Jim – we used to have produce prep in the SE corner. We need that so that we avoid a drippy mess when moving produce to where it's going to be sold.

### *Next steps and proposed timeline*

Regarding the schedule – there's another meeting in Dec – that's when we should say go/ no-go. Bruce can take this the 1<sup>st</sup> of Jan, and finish the project. Go back to Shea to re-price then. Still think that it can go down. That would allow us to bid this sometime in winter/ early spring. I also asked him to give us a construction schedule. His schedule was 8-12 months, instead of 22. He has a good reputation of coming in on-time. He has given us information describing what we need to do to have this be an 8 month project. Key is to start on Labor Day – meaning that we could still raise money on the summer, and go ahead in August. Then, finishing early spring, and have a July 1 grand opening. That's worth money, and it reduces risk.

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## **Kevin discussed the pro-forma, including sources and uses**

Latest update is from October

### *SOURCES*

phase 1 preferred shares \$700K, phase 2 \$1,280,000 (currently at \$313,000 from phase 2, and \$1,117,000 total currently): planning on \$2M total

\$41,000 in donations (planning on \$75,000 total)

\$75,000 in cash reserves plus \$25,000 in savings, \$52,000 in member equity: \$2,211,100 (investment, donations, cash reserves, savings, and *some* member equity)

\$36,000 in vendor credits, free fill

Loans: \$3M CEI, CFNE, Local Initiative Support Corp. (\$1M each, with some flexibility)

Over \$5M total – which roughly equals the cost of moving into the new store.

Gap of \$112K in financing (shortfall), though some expenses have been paid. It wasn't clear if this shortfall represented gross or net revenue

#### *USES*

*Total uses: \$5,355,000*

10% contingency of \$487,000

Land improvements, construction, equipment (currently coming in low), inventory, architecture & engineering, legal, project management, interest

Co-op is projected to be profitable in year 4

*Question: How are we going to handle the repayments, specifically the accounting, given the complexity of repayment dates and interest rates?*

One suggestion was to get this set up in Quickbooks. Another was to have our auditors weigh in on the set-up of this system now, and then also to ensure that we include a review of our investment book-keeping in the next annual financial audit.

Aaron asked Kevin to provide regular financial updates that are project-specific. For example, the pro-forma top-line numbers could be entered into Quickbooks as a budget, and we can then show profit and loss performance to budget at future board meetings. We should also be briefed on the cash-flow projection for the next 10 years. Kevin said that this last piece of information is included in the pro-forma.

#### **Tasks**

Kevin will send us the pro-forma a week before the next meeting, which is the 19<sup>th</sup> of December. He will send the pro-forma on the 15<sup>th</sup>.

Tim asked Kevin to provide the details of a full loan package with the three lenders mentioned: CEI, CFNE, LISC.

At the next meeting, we will discuss the plan to hold a Co-op members-only meeting presenting the pro-forma and the architectural plans at an appropriate level of detail. We discussed possibly holding the broader Co-op members' meeting in late Feb, which would give Bruce time to finalize details from cost-estimation and other updates.

At the next meeting, we'll also discuss the 6 potential cost savings points that Bruce identified for our review.