

Viroqua Food Co-op Expansion Policy 2016 Specific to Expanding the Building Site and Adding to Parking

Viroqua Food Cooperative is embarking on expansion project. Our goals for this project are to enlarge the parking lot and incorporate the Center Ave space east of the current store into the store's footprint to operate a larger facility with an emphasis on prepared foods, full service meat and seafood, expanded seating and educational area in an economically and environmentally sustainable manner that will enable us to enhance service to our owner-members and customers.

Our vision for the expansion of Viroqua Food Co-op is to further develop our facilities and programs to increase VFC's position as a destination shopping experience for those who want to purchase organic, locally grown, produced and prepared foods while supporting a cooperative organization. We envision that this additional space will move VFC closer to being a full service grocery store offering products, services, information/education and customer service with a facility that is leading in its design and limiting the impact of its operation on the Earth. The larger store with expanded product selection and parking will allow the Co-op to better compete with existing and potential competitors.

Our collective vision to describe our work: ***When we, the VFC Owners and community shoppers, engage in the VFC experience, we contribute to building a vibrant local economy that transforms our community.***

General Manager, Board and Expansion Committee Responsibilities:

The General Manager will partner with the National Cooperative Grocers Development Cooperative (NCG DC) to take primary responsibility for the feasibility, financial analysis, planning and design, supervision of the construction of the new parking lot and the renovation and integration of the additional space into the current store's footprint along with the purchase of new equipment. The General Manager will negotiate and obtain legal review when deemed necessary by the GM of the general contractor contracts but it will be the responsibility of the Board to approve and sign these documents. The General Manager will work with an Expansion Committee consisting of 1 member of the VFC Board, the Prepared Foods Manager, the Finance Manager, the Purchasing Manager, and the Marketing Manager to provide advice and counsel to the General Manager throughout the expansion project. Primary accountability and reporting will be from the General Manager to the Board.

The Expansion Policy sets expectations and policy for the General Manager and expectations for the role of the VFC Board in the expansion process.

Planning and Research:

Planning will be done in conjunction with the contract that is in place with the NCG DC and will include sufficient professional planning and research on all aspects of the project including financial assumptions and worst case scenarios utilizing market data from the Market Study that was completed in Sept 2014. The General Manager will develop timely and ongoing business planning to support preparation for and completion of the expansion that will beneficially increase the Co-op's market share for the greater purpose of serving the needs of its owner-members. The General Manager is authorized to invest up to \$100,000 in total for planning and research of the expansion project with additional funds to be approved by a simple majority of the Board if needed.

Expanded Store Design:

The expanded store will be designed to include new or expanded departments and products as suggested by the results of the recent Market Study, the member survey, and advice from NCG DC from the expertise gained from completing projects on a similar scale.

Cost:

The General Manager will ensure that the total project cost won't exceed a limit established by the VFC Board. The General Manager in conjunction with the NCG DC will prepare a sources and uses budget to be approved by the Board. If after Board approval, the sources and uses budget is revised, the General Manager will obtain approval from the Board for the revised budget. Only insured contractors with successful track records doing similar sized and similar type projects will be used, and the total project cost will be based upon a budget that includes a contingency fund not to exceed 10%.

Financing:

VFC will use owner-member financing, financial institution loans, in a combination that is most economical to the long term benefit of the store and its owner-members including considerations of the cost of financing, the cost of obtaining financing, and tax implications.

- Financing agreements will be considered in terms of the fourth Cooperative Principle concerning autonomy and independence and will ensure that democratic control and cooperative autonomy are maintained by our member-owners.
- Financing needs will be realistically projected in conjunction with the appropriate NCG DC expertise.

Profit and cash flow:

A pro forma will be prepared for budget, income statement, balance sheet and cash flow for at least 5 years following the opening of the expanded store. The Board will assess and if appropriate, approve the pro forma in conjunction with its approval of the overall expansion project to safeguard the financial status of the store.

Timing and approval:

The General Manager will get Board approval for:

- Initial Market Study and engagement with the NCG DC to determine projected sales and the project's financial feasibility.
- After review of pro forma, sources and uses budget and estimated project costs, approval to proceed to the next decision point.
- Approval of the design-build contract general contractor.
- Entering into debt and owner-member financing.
- Approval to proceed with combining the east parking lots, demolition and construction with short-term construction financing
- Final project approval including total project costs, sources & uses budget, and close on project financing prior to proceeding with construction or demolition on the Co-op building. There is no turning back at this point.

Capacity:

The project won't exceed VFC's capacity to operate the new store successfully (in an economic sense). Management, marketing, operational systems, accounting, IT, and workforce/labor will be analyzed and enhanced to ensure that they meet the capacity requirements prior to the opening of the expanded store.

Environmental implications:

The project will minimize the impact of our operation on the Earth. Environmentally friendly materials and technologies will be used to the extent allowed by the project budget.

Viability:

VFC will study and be informed by market forces that could affect the success of the expanded store. The Co-op will be responsive to market trends and demand in product selection, pricing, and service levels to ensure sufficient levels of gross sales and net profit.

Communication:

The General Manager will guide and control communication with the Board and report regularly (monthly/quarterly) to the Board concerning significant progress toward the opening of the expanded store and any issues that affect the viability of the project as they arise.

- Reports shall include updated time lines and sources and uses projections.
- The General Manager shall keep appropriate documentation of the project.
- The Board will provide timely response to the General Manager.

Interim priorities:

The General Manager will maintain profitability in the current store operation, staff morale, and an effective and resilient management team throughout the expansion project and the opening of the expanded store and parking lot.