

Adopted Minutes

East End Food Co-operative Board Meeting

March 20, 2017

In attendance:

Board Members: Mike Collura, President; Eddy Jones, Vice-President; Amit Shah, Treasurer; Andrew Ritchie, Secretary; Dirk Kalp; Patrick McHale; William Warnock; Brynn Yochim.

General Manager: Justin Pizzella.

Board Clerk: Erica Peiffer.

Member Guests: (16) Alice Leibowitz, Sara Ferah, Arianna Garofalo, Greg Sinn, Nichole Faina, DeAnna Srock, Ian Ryan, Rose Lynd, Gary Crouth, Tim Pearce, Faith Schantz, Tom Pandaleon, Kate Luxemburg, Alan Fuehrer, Heather Hackett, Leslie Clark.

Mike called the meeting to order at 7:01 p.m. William read our Ends statement aloud.

Amend/Approve Agenda

Discussion: The discussion of board committees was tabled.

Decision: Eddy moved to approve the agenda as amended. William seconded.

Vote: 7.0.0

Dirk arrived at 7:04 p.m.

Amend/Approve previous meeting minutes

Discussion: Directors reviewed draft minutes of the previous meeting and made corrections for grammar and factual errors which are reflected in the published minutes.

Decision: William moved to adopt the minutes as amended. Amit seconded the motion.

Vote: 8.0.0

GM Update

Justin provided a handout with bullet points covering the following topics: Finances & Store News. He highlighted that sales are up 0.5% over last year, and that we are at a seven year low in just about every expense category except personnel and board. Regarding Store News, he highlighted an update to the Produce department which has garnered increased sales, and he discussed the reasons for and the timeline of replacing the bulk water dispenser.

B1 – Financial Condition

Discussion: Justin introduced his report by highlighting two points of non-compliance – net income and sales growth – and explaining the underlying causes. Net income has been impacted by the depreciation of significant capital investments that were made roughly 5 years ago. Justin projected these will be “off the books” in 18 months. Sales had been at all time highs, then flatlined roughly 1-2 years ago. Justin reported we are “under-sku’ed” in most departments, due to the small footprint of our store and the lack of back stock spaces. He suggested we could double the footprint of our store without “missing a beat,” resulting in increased sales and improved service to our members and community. Board members inquired about alternate revenue streams, including catering and delivery services. Café staffing is a major challenge to implementing catering in the short run. We have a contract with Instacart delivery service, although this service has not moved into our market yet, and other co-ops have reported negligible increases in revenue by offering this service. Justin also explained the challenges to selling from a stand at farmer’s markets, including lack of a loading dock, and sufficient staff and equipment, to make the venture profitable. Directors inquired about recent co-op closings. Justin reported they were all relatively small, grossing under 3 million in sales per year, and attributed their downfall to tight margins that could not support them once competition entered their markets. Justin reported that all the co-ops

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that are currently experiencing sales growth have made either capital improvements, expanded or opened new locations. Directors inquired about recent price deflation trends. Justin reported this as a major challenge, as the cost of goods has remained the same while we are actively working on bringing prices down storewide. Working to improve price perception through marketing, offering excellent customer service, and running a really efficient store were strategies discussed to meet this challenge. Directors noted that the fresh departments were all experiencing sales growth, including meat, produce, cheese, frozen and perishable, and bulk, and Justin suggested focusing on expansion of the perimeter of the store. Amit explained to new directors the significance of the report attachments. Justin offered to have Finance Manager Shawn McCullough provide training on financial statements.

Decision: Amit moved to accept the report with acknowledgement of non-compliance. Andrew seconded the motion.

Vote: 8.0.0

Recap of Mini-Retreat

Eddy read a prepared statement detailing outcomes from the informal mini-retreat on March 11. Goals were to get to know one another, build working relationships, and discuss themes for the coming months. Directors shared their personal narratives and each included a personal transformative experience related to food. Priorities shared by the group were: Transparency, trust and healing; Expansion; Outreach and Member-Engagement. Directors discussed at length a proposal submitted by the Co-op Members for Democracy. The board reached consensus to publish the counts of the paper ballots and the reasons why any were not counted. Eddy reported the goal of the board is be transparent with the paper ballots while planning ahead for the next election. The board decided to not unilaterally reappoint any past board members, but rather create a transparent selection process to fill the current vacancy. Directors discussed Bylaw 4.5 which states that “Any vacancy among Directors elected by the members may be filled by appointments to the Board. A Director so appointed to fill a vacancy shall serve for the remainder of the term of his or her predecessor.” Eddy said this bylaw acts to create stability on the board related to both turnover and also stability during environments when few candidates are running for the board. The board had not reached any decision as to whether or not to recommend to the members that changes be made to this bylaw. The board discussed Bylaw 3.4 which puts forth that signatures of 10% of members are required to call a special meeting. Eddy said as this percentage gets lower, it potentially introduces instability as fewer and fewer members gain more and more of an influential platform; as this percentage gets higher, it potentially dampens member engagement and democracy by creating a signature threshold that is by practical means not feasible to attain. The board reached consensus on 10% as the right balance between these two competing priorities and does not recommend that changes be made to this bylaw at this time. Directors discussed at length the report from CSI, which details the investigation related to our 2016 election. In the interest of transparency, the board reached consensus on the importance of releasing this report, with appropriate redaction.

Eddy made a motion to direct Co-op staff to compile a report that makes transparent all information related to the paper ballots, and that this information be made available to members, including publishing the counts of the ballots and the reasons why any ballots could not be counted. Brynn seconded. Mike questioned if former candidates should recuse themselves due to conflict of interest. Dirk suggested there was no conflict of interest after confirming that this published information would not affect any changes to seated terms.

Vote: 7.1.0

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Eddy made a motion to form a sub-committee tasked with preparing the CSI report for public release by appropriately redacting the report so as to protect the identities and reputations of the persons interviewed, many of whom are employees. Brynn seconded the motion. Andrew asked if the people named in the report could participate in the redaction process. Mike reminded everyone that the committee will make a recommendation which will need to be approved by the full board before the report is released.

Vote: 8.0.0

Closings

Directors reviewed the date of the next meeting and packet submission deadline and procedures. Eddy committed to emailing a doodle poll for another meeting of the full-board to discuss the CSI report committee. Mike committed to obtain availability of our consultant for a formal board orientation retreat. The Finance Committee reported the audit report of fiscal year 2015/2016 was not yet complete, and agreed to meet with Justin for their standing appointment in June.

Member-owners Open Session

Sera Ferah thanked the board for making progress on issues and urged the board to reconsider the “compromise proposal.” Alice Leibowitz provided a counter-argument to the board’s decision on Bylaw 3.4 by claiming that many of our “active members” are now deceased and the 10% threshold is impractical. Faith Schantz asked for clarification about what information related to paper ballots would be released, confirming that vote tallies would be included. Kate Luxemburg cited the length of the Co-op’s member number sequence as a barrier to election integrity and also challenged the notion of online voting as “hackable.” Mike and Justin both confirmed that the online voting system that was contracted for the 2016 election included several layers of verification which insured the integrity of online vote tallies. Nichole Faina asked for the exact total cost of the CSI investigation, which was reported to be \$15,000. Tom Pandaleon asserted there was no fraudulent behavior committed by him or his colleagues and questioned if the “interference” in last year’s election process would be legitimized based on reasons other than those initially investigated by CSI, such as challenges presented by member numbers. Ariana Garofalo inquired about the appointment process and Mike reported there will be an open call for candidates. Greg Sinn questioned if the only solution proposed to the sales growth challenges presented in the B1 report was to expand the footprint of the store. Justin noted that other strategies were discussed. Greg suggested the Co-op explore direct marketing and outreach to increase sales and membership investments. Member Services Coordinator Erica Peiffer noted that membership growth is experiencing a record-breaking year, despite a pull-back on outreach efforts resulting from attrition in the Marketing and Member Services department. She cited significant outreach outcomes from recent years, along with current efforts at member engagement, including monthly community workshops, field trip tours, and co-op orientations. Her recent research of our co-op’s history had made it clear that our board has considered expansion and/or relocation of our store a top priority since 1991. She also shared her experience of cramped working conditions as a staff member of 5+ years. Rose Lynd suggested she could attend the upcoming board retreat to discuss the member petition.

Adjournment

Decision: Amit moved to adjourn the meeting at 8:55 p.m. William seconded.

Vote: 8.0.0

Minutes respectfully submitted by Erica Peiffer, Board Clerk.