

## Adopted Minutes

East End Food Co-operative Board Meeting

June 19, 2017

### **In attendance:**

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

Absent: Brynn Yochim.

General Manager: Justin Pizzella

Board Clerk: Erica Peiffer.

Member Guests: (7) Zoe Mizuho, Evan Diamond, J Alan Feuhrer, Faith Schantz, Alice Leibowitz, Emily DeFerrari, Tom Pandaleon.

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Eddy called the meeting to order at 7:07 p.m. Members in attendance introduced themselves. Andrew read our Ends statement aloud.

### **Amend/Approve Agenda**

Discussion: Discussion of the board budget was tabled until the next meeting. A brief update from the June working meeting was added after approval of May minutes.

Decision: Amit moved to approve the agenda as amended. Andrew seconded.

Vote: 6.0.0

### **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: Dirk moved to adopt the minutes as amended. Andrew seconded the motion.

Vote: 6.0.0

### **June Working Meeting Recap**

Eddy summarized outcomes on three topics that were discussed at a working meeting earlier in the month. A redaction of the CSI report on the 2016 board election was completed and will be attached to adopted May meeting minutes. Board training sessions, including CBL 101 and a formal retreat are being scheduled. The appointment process and call for candidate details were determined and an email announcing the appointment opportunities was issued to members.

### **Officer Assignments**

Eddy expressed interest in serving as Board President. Directors questioned if a nomination was necessary. Dirk said that self-nominations have historically been acceptable.

Decision: Dirk moved to elect by acclamation. Amit seconded.

Vote: 6.0.0

Directors agreed to wait until all board members were in attendance before discussing an appointment to the vacant seat for Vice-President.

### **GM Update**

Justin reported we have the necessary equipment to install the new bulk water machine, although we are waiting on a permit. Outdated compressors in the walk-in coolers will soon be replaced, and updates are planned for bulk fixtures, the foyer, and HBA/Supplement shelving. We passed a recent Health Department inspection, and although several upgrades were requested, Justin said the inspection was very positive overall. Finally, Justin shared insights on Amazon's proposed acquisition of Whole Foods.

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### **B1 – Financial Condition & Activities**

Justin reported that sales growth and net income continue to not be in compliance. The definition of compliance for sales growth – 3% or greater – is self-defined. Due to downward trends nationally and at our store over the last several years, Justin expressed his intent to redefine his interpretation for the next report. This re-interpretation will also be reflected in the next fiscal year's budget. Inexpensive upgrades are planned in an effort boost sales, and Justin continues to limit expenses to try to meet compliance in net income, although labor costs are historically high. We remain essentially debt-free and our cash position is good. Directors reviewed the report and asked questions. Regarding our sales indexed to inflation, Justin reported the market is suffering from “price wars” and in our efforts to reduce prices, we have moved enough volume to maintain margins, but not much more. Regarding financing for upcoming upgrades, Justin reported financing in-house with 18 months as the longest payout. Regarding flash sales, Justin asked Produce Manager Evan Diamond to report. Evan said the sales have been very successful in featuring hyperlocal products that are in the peak of their season, and have allowed us to take advantage of special deals from larger vendors. Dirk noted that while we didn't hit our target for net income, it was a step forward to realize a net positive. Regarding labor expenses as a percentage of total sales, Justin reported we are at approximately 26%, which is 4-5% higher than most co-ops. While we pay well relative to peers and industry standards, Justin said our extensive benefits package is the most significant labor expense. Justin explained that we “staffed up” during a period of strong sales growth several years ago, and currently have a staff that can support more sales but we find ourselves in a facility that limits our ability to stock more products or work more efficiently. He cited the lack of a loading dock as a prime example.

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

Vote: 6.0.0

### **B7 – Communication to the Board**

Justin described this policy as the underpinning of policy governance. He pointed to a matrix of monitoring reports which indicated that all reports had been submitted on time and accepted for the 2015-2016 year. Eddy requested a matrix for the 2016-2017. Dirk explained that it is the responsibility of the board to evaluate reports and to provide comments for the matrix – as Board Clerk Erica simply compiles the data and prints copies. Eddy requested that Justin and Erica recreate to the best of their ability a matrix for the 2016-2017 year to date, and the board agreed to provide future content.

Decision: Amit moved to accept the report. William seconded.

Vote: 6.0.0

### **B8 – Board Logistical Support**

Justin introduced this report by acknowledging Erica for her service, and noted the process documents and list of duties that were attached to the report. He said we do a lot to support our board relative to other co-ops. Eddy noted the need for an online document repository with well-structured permissions that can be managed through transitions, and the need for an online calendar of meetings; the Secretary and Clerk agreed to meet to develop a recommendation. Finally it was noted that the report did not address subpolicy B8.5, which states the GM shall not allow insufficient archiving of board documents. Erica responded that the Board Clerk maintains all of the documents identified in an extensive archive on both the Co-op's internal server and in hard copy.

Decision: Amit moved to accept the report. Patrick seconded.

Vote: 6.0.0

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### **B9 – Emergency GM Succession**

Justin reported that no plan for emergency GM succession existed prior to his tenure, and the intent in his plan is for day to day operations to be able to function without a General Manager for a sustained period of time. He designated a three-person team of managers to oversee operations in his absence. He submitted a checklist of tasks and noted the only thing that could not occur in his absence is strategic planning. He also noted that the board would need to choose a designated representative for NCG. Dirk commented that this type of planning was sorely lacking over the years and found the detailed report to be very valuable. He also commended Justin's approach in strengthening the role of the management team in preparation for operational readiness in expansion.

Decision: Patrick moved to accept the report. Andrew seconded.

Vote: 6.0.0

Directors reviewed membership statistics, and noted consistent growth.

### **Closings**

Directors reviewed the date of the next meeting and packet submission deadline.

### **Member-owners Open Session**

Faith Schantz congratulated Eddy and asked several questions related to the publication of the CSI report and upcoming board election timelines. Zoe Mizuho commented that Amazon has been getting a lot of bad press related to labor practices and the recent acquisition of Whole Foods may be an opportunity to differentiate our store, suggesting we should celebrate the great things we do for our staff. Justin and William pressed Zoe to explain how the Co-op has “strayed from its values” as was mentioned in the previous statement. Zoe recited a list of personal perceptions, including an exaggerated focus on competing with Whole Foods, straying from a hard line on GMOs, excluding members from participating on board committees and in major decisions, professionalizing, and prioritizing the bottom line over people and planet. Justin thanked Zoe for a fuller explanation, and defended the Co-op's commitment to its values by citing significant increases in local sales and the fact that we have not made a profit in the past five years. Justin argued that we have consistently prioritized our people over profit, maintaining generous staff and member benefits, lowering prices for customers, and increasing wages in the face of stagnant sales and negative net income. Tom Pandaleon called for improvements in the overall umbrella term of “member participation” and suggested that a member's commitment to co-op values can increase their commitment to shopping here. The conversation evolved into a discussion of personal interpretations of our Ends. Several members expressed a sense of inspiration from point number four - a creative vision to transform the future. Dirk described his vision for organizing “communities of interest” so that members could network and share knowledge and resources. Erica described the co-op model as a “middle way” that balances sustainable business practices with creative vision, and suggested that compromise within a diverse group is the strength of cooperation. Alice Liebowitz suggested the Annual Meeting as a venue for a philosophical dialogue around the intersection of “enterprise and association.” Patrick reminded members that applications are being accepted until July 14 for appointment to the two open seats.

### **Adjournment**

Decision: Andrew moved to adjourn the meeting at 9:01 p.m. Amit seconded.

Vote: 6.0.0

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Minutes respectfully submitted by Erica Peiffer, Board Clerk.