

Adopted Minutes
East End Food Co-op Board Meeting
4/16/2018

In attendance:

Present Board Members: Eddy Jones, President; Patrick McHale, Vice-President; William Warnock, Treasurer; Emily DeFerrari; Malcolm Ferguson; Katy Nevinsky; Sarah Trafican; O.E. Zelmanovich (a.k.a. Zoë).

Designated General Management Team: Shawn McCullough, Eric Cressley, Jen Girty.

Board Clerk: Erica Peiffer

Member Guests: Rayden Sorock, Andy Mowrey, Faith Schantz, Tom Pandaleon.

Eddy called the meeting to order at 7:00 p.m. He welcomed O.E. Zelmanovich (a.k.a. Zoë) as a recently appointed director of the board. Malcolm read our Ends statement aloud.

Amend/Approve Agenda

Discussion: A call with CDS Consultants to talk about expansion was added between 7:20-8:20pm. A discussion with George Moses to talk about development plans for Lexington Place was added at 8:30pm, to be followed by a closed session to discuss next steps for the Board Perpetuation and Elections Committee.

Decision: Malcolm moved to accept the agenda as amended. William seconded the motion.

Vote: 8.0.0

Amend/Approve previous meeting minutes

Discussion: Directors reviewed draft minutes of the previous meeting and made corrections for grammar and clarity as reflected in the published minutes.

Decision: Katy moved to accept the minutes. Malcolm seconded the motion.

Vote: 6.0.2

DGMT Update

Jen reported that due to union contract negotiations the staff satisfaction survey was rescheduled from February to September, and the following survey will be scheduled for February 2020. Eddy noted that he and the DGMT were considering “360 reviews” and will include related questions in this year’s survey. Shawn provided an overview of the project to re-install reverse osmosis water filtration system, including that our Facilities Manager recently resigned and passed off the project to Special Projects Coordinator Vince Rose. Shawn reported on finances, projecting \$130-135K in net income for the last quarter. Sales have been up 1.5-2% during March and margin has improved; wages have been down since the start of the year. A Finance Committee meeting was scheduled for next Thursday, with the B1 report in June to report on this timeframe. Eric reported the details of upcoming sales promotions including Plant Something Day and the Earth Day Bulk Sale, as well as a store closing for a CBS television filming shoot.

Conference Call on Expansion with CDS

Directors held a conference call on speakerphone with CDS consultants Bill Gessner, Don Moffit, and Rose Marie Klee. Bill Gessner introduced himself as an expansion specialist located in Minneapolis, last in contact with EEFC in 2014-15. Don Moffit introduced himself as working with CDS for 16 months, specializing in financial feasibility and issues around leasing, and also noted five years experience as a project manager for a start-up food co-op in Durham, NC. Rose

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Marie Klee outlined the agenda for the conversation - building on retreat conversation, an overview of expansion planning, and preparing for lease negotiations.

Eddy listed the board's short-term priorities related to expansion: solidify current lease, educate ourselves about the expansion process, educate ourselves about developments around us, educate ourselves about options. Bill summarized his understanding of our current business context – EEFC is doing more sales per square foot than the average NCG member, in a site with operating challenges that make it difficult to achieve efficiencies. The last time he worked with EEFC in 2014, the idea was to move to a bigger store, open a second location, or perhaps ambitiously do both. Then, Bill outlined four stages of expansion and an approximate timeline for each:

- Stage 1 - feasibility - most challenging. 1 year.
- Stage 2 - preparing for construction/renovation. 6 months.
- Final decision point to move forward or return to Stage 1.
- Stage 3 - construction/renovation. 6 months.
- Stage 4 - preparing for opening. 4-8 weeks.

Next, as a hypothetical example, Bill explored the scenario for opening a second location. On the short end, this project would take 2 years and 2 months, and he noted the first three years are a challenge to work through the management of two stores. He suggested the board consider if the Co-op has adequate leadership to successfully transition through a five-year period of growth.

Shawn gave an overview on the lease situation. Since moving into the basement of The Factory in 1986, we have been renewing three year leases. The property recently changed hands and we have rights until the end of January. We have asked the new landlord to price out three-year, five-year with three-year opt-out, and five-year lease options. Don offered some practical advice on lease negotiations and suggested he could provide assistance looking for potential conflicts in a proposed lease.

Eddy noted major developments planned for our area in the next few years and mentioned the board's openness to consider opportunities to improve the current space. Malcolm expressed his desire to put the exploration of options higher up on the priority list and suggested that curbside pick-up or delivery services could increase sales in the short-term while we work on expansion of our retail footprint. Don called these "last mile" options and said they are worth exploring with a cost-to-projected sales/margin analysis, although he shared his perspective that co-ops create a sense of place and this community-building aspect is what sets us apart as retailers.

Eddy asked for advice on how to organize to embark on the feasibility work of Stage 1. Bill suggested the board visit other co-ops, read the Cooperative Grocer magazines, explore the CDS Expansion Toolkit, and he offered to provide a quote and description of consulting services for a 2-3 day intensive workshop. After the call, Erica noted the expansion toolkit and detailed notes from Bill's visit in 2014 are available on Google Drive. She also suggested the board review

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visioning session notes and member survey data from the past 5-10 years to prioritize member wants/needs in tandem with increased sales opportunities when evaluating expansion options.

DGMT Update Continued

eric reported on attendance at the recent NCG Annual Meeting in Durham, one of two mandatory meetings per year for the designated representatives of member co-ops. This year's theme is "Customers are the Heart of the Co-op". NCG presented their annual report and a member participation report template. eric suggested revising our Ends monitoring metrics to be compatible. NCG has started publishing a bulletin called "board notes" to be transparent with member co-op boards; eric promised to upload these to Google Drive.

Committee Updates

Emily reported that 12 people came to two different meetings to revise the draft charter for the Member Linkage Committee. Marketing & Member Services Manager Kate Safin submitted comments and concerns that were not addressed in the latest version of the draft, so the committee plans to meet again on April 25.

Member-owners Open Session

Dan Denlinger provided suggestions for management and staff, including letting staff members "be who they are" when interacting with customers, and for staff to treat customers like individuals as well. He stressed the importance of greeting people who come within several feet of you. He suggested management and board adopt a culture of self-criticism and also become more interactive with staff, while avoiding micro-management. He suggested the board hire someone to look at expansion and get back to considering the strategic vision of the Co-op, with the store as the foundation that supports larger objectives, like for example, operating a teaching urban farm that also sells produce in the store.

Tom Pandaleon commended Emily for her work on membership participation, noting a lot of emails and activity regarding the MLC charter. He urged other board members to "step up" and form committees so Emily is not overworked. He reported on a recent expansion project at Greenstar Co-op in Ithaca, and noted that Weavers Way in Philadelphia also recently expanded. He urged the board to visit other co-ops to learn about their expansion processes.

Emily reported that George Moses, a board member of the Point Breeze North Development Corporation (PBNDP), would not be calling in or attending the meeting. Tom noted that the new landlord, Jason Lardo of Icon Management, was also a board member of the PBNDP.

Emily reported on guidelines for proposals set forth by the Urban Redevelopment Authority (URA) for development of the Lexington complex, including the recommendation to meet with the PBNDP. She attended a meeting last week in which developers discussed subdividing the parcel to include housing. The majority of the complex has environmental concerns due to past industrial use, which limits future development to light industrial and/or retail use, and she noted the PBNDP wants preference given to businesses currently in the neighborhood. Directors

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agreed to invite Jason Lardo and Rich Allen from Icon Management to the May working meeting.

Faith Schantz asked the DGMT to comment on expansion planning. Shawn responded that we will need financing and a minimum of three consecutive years of net income to secure it. Eric noted the URA has offered grants in the past, with generally more forgiving terms. Zoe questioned if the board should contact the URA to discuss plans for the Lexington complex. Shawn warned against discussing expansion opportunities outside our current space with third parties until we have a lease agreement in place. Jen expressed an interest in getting Lardo's perspective on how the Co-op fits in to the larger development plans for the area, and said she is open to working with the URA, but agreed that discussing other options without a lease agreement makes her uncomfortable.

Finally, Emily noted the Winco Building on Penn Avenue in Wilkesburg is currently available and has a loading dock, although directors and DGMT agreed not to pursue that option at this time due to the high sale price.

Closings

The next board meeting was scheduled for May 21st. A closed working meeting was scheduled for Monday, May 7th. Submissions to the next meeting packet are due to the Board Clerk via email on Wednesday, May 9th by 9 a.m.

Adjournment

Decision: Sarah moved to adjourn the meeting at 9:15 p.m. Emily seconded the motion.

Vote: 8.0.0

The Board went into Executive Session at 9:24 p.m. to discuss the board vacancy. Malcolm motioned to seat Alicia Hall to the board seat vacated by Andrew Ritchie, for the term ending in October 2018; Emily seconded and the vote carried 5.0.3. At 9:44 p.m. Malcolm moved to adjourn the session. Patrick seconded. The Board voted 8.0.0 to end the session.

Minutes respectfully submitted by Erica Peiffer, Board Clerk.