

**Adopted Minutes**  
East End Food Co-op Annual Meeting  
Eastminster Presbyterian Church  
Saturday, November 3, 2018 2:00pm – 5:00pm

**In attendance (69):**

Present Board Members(5): Eddy Jones, President; William Warnock, Treasurer; Emily DeFerrari; Zoe Mizuho; Sarah Trafican.

Management Team(7): eric cressley, Jen Girty, Maura Holliday, Shawn McCullough, Erin Myers, Amber Pertz, Kate Safin.

Board Clerk(1): Erica Peiffer

Members(55): Gaggan Boparai, Fran Bertonaschi, Yasmeen Ariff Sayed, Elizabeth Donohoe, Faith Schantz, Alice Leibowitz, Tom Pandaleon, Bill Wekselman, Nancy Wood, Lisa Simon, Michael Kurick (?), Paul Wood, Alis Andrews, Tyleta Howell, Deb Gausmann, Suella Pipal, Susan Segal, Morton Seltman, Howard Seltman, Marty Seltman, Ellen Gozion, James Herbert, Rob Shepherd, Karen Bernard, Leslie Clark, T.I. Wooley, Diane Gigler, Joni Rabinowitz, John Haer, Terri Supowitz, S. Scherk, Alvin Wostein, Andy Mowrey, Carol Cutler, John Napolitano, Casey Kilroy, Lindsey French, Bill Myerburg, Rana Sahni, Jona Reyes, Paul Budde, Laura Budde, Larry Meadows, Judy Wolfson, Jennifer Lee, Rayden Sorock, Elisabeth Yesko, Sam Applefield, lizzie anderson, Joy F. Sabl, Frances Butts, Elisa Beck, Corwin Parker, Tim McClain, Brandi McClain

Guests(1): D. Prolina (?)

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At 2:00pm, members in attendance socialized and enjoyed finger foods and drinks.

At 2:35pm, Board Member Emily DeFerrari called the meeting to order. First, she acknowledged emotions related to the recent tragedy at Tree of Life synagogue, and expressed a sense of hope to move forward as a community. Next, she read aloud our Ends statement. She thanked members and staff that contributed to the meeting planning, and thanked local non-profit Casa San Jose for coordinating the meal. In consecutive groups, EEFC staff, board, former volunteers, and board committee members were asked to stand and be recognized.

At 2:45pm, Board President Eddy Jones presented the Board President's report. First, he highlighted five priorities for the board over the past year - essential fiduciary responsibilities, store leadership, board perpetuation and sustainability, strategic planning, member engagement and transparency. Then, he reviewed the Co-op's financial history for the last 13 years. The years between 2005 and 2012 were highlighted as a period of ~5% growth in sales. Eddy noted the grocery business is a low margin business, and the 1% net income retained over those years is typical. The years between 2012 and 2017 were highlighted as "expansion mode". Eddy noted a 7% increase in revenue, along with major increases in capital expenses and personnel costs, resulting in negative net income for these years. He identified 2016 as a good time to expand based on this growth and major investments. Next he discussed our sales per square foot ratio, and benchmarked this figure against other grocers in our market, noting we were number one on the chart. He concluded that it is not realistic to expect more sales out of our current space and it is still a good time to expand. Board stability has been on the decrease, which is a challenge to overcome in pulling off a successful expansion project. Eddy celebrated our Co-op's success in producing ~\$108,000 in positive net income this past year. He cited decreased personnel numbers and costs, decreased capital expenditures and associated depreciation, and decreased board expenses as contributing factors. He said net income is a step in a positive direction, although we can't make progress and remain a sustainable business without making investments. He listed improvements to our physical space – including more retail space, more parking, a loading dock, and improving the proximity of our administrative offices to the retail space – as necessary investments to produce revenue growth.

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He noted our building was sold in the past fiscal year and our board and management are engaged in ongoing lease negotiations. He also listed store leadership and board stability as priorities for continued success of our Co-op. Our former General Manager resigned in October 2017 and we have been operating with a three-person designated general management team in the interim. The board solicited input from members and staff about desired skills and qualifications for a new GM, and explored a team management model. This process led the board to the conclusion that a single GM will best serve our Co-op at this time, and they plan to kick off an executive hiring search this week with the Pennsylvania-based Carlisle Group. The interim management team will also transition from a three-person to a seven-person team until a new GM is hired. Regarding board stability, there are nine candidates for five open seats in the current election. Committees of members are up and running, and the number of “extra” meetings (working meetings and executive team meetings) have reduced compared to the prior year. Regarding member engagement, members are now serving on board committees, the board has made strides to make board meetings more accessible to members in attendance (projecting documents and encouraging dialogue), and the schedule of the Annual Meeting has been realigned with the board elections cycle.

At 3:05pm, Human Resources Manager Jennifer Girty introduced all seven members of the Management Team. She then recognized two employees for achieving 20 years of service, including Bulk Buyer Jim McCool and IT Manager Erin Myers. Jennifer briefly reviewed results of the recently completed staff survey, noting 89% staff participation and increased positive outcomes. Next, each manager introduced themselves and briefly described their work.

At 3:08pm, Marketing and Member Services manager Kate Safin shared operational priorities for the coming year – including online shopping and home delivery, increased sustainability, and sales growth. Kate announced new online shopping and home delivery service will soon be available via a New York based service provider called Mercato, which she qualified as a certified carbon neutral business that works with other co-ops and small grocers. Delivery service will be available within a 16-mile radius of the Co-op, and a map displaying the service area was projected. Kate outlined the decision making process. First managers considered if our Point of Sale software was compatible with the service and determined it would work. Next, Kate surveyed members and shoppers via email, which yielded a 50/50 split between those who expressed interest in using the service and those that didn’t, but she noted there was no opposition to offering the service. Then managers collected feedback from staff to understand if operations could support the new service, and it was determined we could. Finally, managers and board considered if this was a worthwhile investment, concluding that the service will expand our reach to serve members and shoppers, while also helping us to remain competitive, and is a low risk endeavor. Kate projected a timeline of four to six weeks until a launch date. Lastly, Kate highlighted new sustainability initiatives that resulted directly from member feedback, including independent research, trainings with partner organizations, and a transition to fully compostable to-go wares. In the coming year, our Co-op will participate in the Pennsylvania Resources Council’s Zero Waste PA Small Business program.

At 3:18pm, Finance Manager Shawn McCullough presented the Finance Report. Shawn presented a more detailed slide to illustrate the points made earlier by Eddy regarding the years of “expansion mode”. He corroborated the fiscal year ending in 2018 produced \$108,000 in positive net income, and

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noted that roughly \$45,000 was distributed to staff via profit sharing - first payout since 2012. At the conclusion of our annual audit, our Co-op was benchmarked alongside 139 other member co-ops of NCG (National Cooperative Grocers), and we ranked 18 in pretax net income for the current year - a tremendous improvement from the prior year. Our cash also increased by 40%. Going forward, two major financial considerations will be tax planning and what to do with excess cash. Shawn concluded by saying, "It's not easy to make money when everybody is working against each other. This past year, people were working together - board, staff, and members. Good things happen when you cooperate."

A member asked Shawn to clarify how much of the net income gain was a result of increased margin. Shawn acknowledged that gross margin had increased slightly, but the major gains were made by decreased spending. Another member asked if we might not lower our prices now that we are "in the black". Shawn said pricing is constantly being assessed and compared against competitors, and while average sales for the past several years had flat-lined, sales over the last two years were up, indicating prices were meeting member and shopper expectations. He also noted our Co-op carries over 400 items as part of the Co-op Basics program to address a need for more affordable pricing, so lowering prices across the store was not part of the current strategy to sustain the very recent trend of positive net income. Another member asked Shawn to explain profit sharing, and asked if this policy was a result of union bargaining or if it was a board decision. Shawn said the policy was not part of the union contract and had been a policy at the Co-op for many years, perhaps forever, although we just hadn't made a profit to distribute to staff over the last few years. He confirmed that profit sharing was a management decision. The same member asked Shawn to explain the difference between a patronage dividend and member discounts, and to identify which was preferable. Shawn noted that a patronage dividend model would pay out a dividend check to each member, a percentage of their spending, at the end of the year, and would eliminate the daily and quarterly discount structure. The patronage dividend model would be preferable in that it allows the Co-op to maintain cash and shore up the needs of the business before determining the amount to be paid out. The discount structure is preferable for members with fixed income, who may value savings over time more than a one-time payout. Transitioning to a patronage dividend model would require a lot of time and energy, member engagement, and would take roughly a year to implement.

At 3:37pm, Marketing & Member Services Manager Kate Safin presented the Membership Report. Our Co-op welcomed 696 new members during the past fiscal year – on average, over 13 per week. Our Co-op hosted 27 community education events, partnering with 39 community organizations and 12 Co-op Members. Our Co-op donated over \$19,000 to community non-profits through the Register Round Up program, and over \$7,000 in general donations, including \$1,000 directly to Farm Aid and just under \$2,000 to the Pennsylvania Association for Sustainable Agriculture thanks to proceeds from the first ever Pittsburgh Urban Farm Tour. Kate emphasized the importance of member participation and listed opportunities including hosting events, contributing to our newsletter, serving on the board, voting for the board, and sharing thoughts and concerns via dialogue, comment cards and surveys. She noted our bi-annual member satisfaction survey is scheduled for January 2019 and it is extremely important that the Co-op have a valid email address on file in our database in order for a member to receive an invitation to take the survey. She encouraged all members to stop by the Customer Service desk to confirm contact details. Lastly, she invited members to sign up for a board committee to participate in planning a spring membership event.

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At 3:45pm, Emily DeFerrari facilitated Q&A on reports. A member commented that he had called the Co-op to express an interest in participating and was discouraged. Kate Safin apologized for this experience and encouraged the member to speak to her during the break. Another member commented that the climate of Co-op management and board is shifting to be more welcoming to member participation. Another member asked if the decision to offer delivery service should be put to a member vote. Eddy responded that Co-op board and management are constantly considering member input and striving to strike a balance between the needs of the business. He said this opportunity is low risk and is ultimately an operational concern.

At 3:50pm, raffle prize winners were called as members enjoyed desserts.

At 4:05pm, Emily facilitated the Board Candidate Forum. Five of the nine candidates were present, including Sam Applefield, Karen Bernard, Larry Meadows, Corwin Parker, and Jona Reyes. Emily presented the candidates with two questions - What life experience and skills or unique perspective would you bring to the EEFC Board? What would you like to see happen at the Co-op in the next three years? Candidates each took a few minutes to respond. Eva Barinas submitted responses to forum questions in anticipation of her planned absence; Emily read these on her behalf.

At 4:30 pm, Emily facilitated Q&A for board candidates. One member thanked the board for providing an audited financial report at the same time as the meeting, then asked candidates to describe what makes them “different”? Larry Meadows said he has a diverse background, having lived in various cities and worked in various sectors. Corwin Parker said he has a personal perspective on the importance of healthy food. Jona Reyes said she has a young, millennial perspective and also has extensive experience in advocacy. Karen Bernard said she has an “old” perspective, having been a part of the Co-op community for many years. Sam Applefield said he has had the unique opportunity to study food systems and cooperative business structures in his recently completed Master’s in Food Studies program. Another member thanked the board for putting excess Co-op cash reserves in the EEFC Federal Credit Union, and then inquired why the other four candidates were not in attendance. Emily responded that she assumed they had scheduling conflicts. Another member then asked the candidates to express their views on food activism. Jona said she is a big activist related to fracking and would like to work with the board to investigate our producers’ practices and advocate on the members’ behalf for reliable sourcing. Larry was not in favor of the Co-op becoming an activist organization, but rather he would like to Co-op to continue to be an advocate for partner organizations and to provide transparent communications to members. Corwin conceded that we need a better definition of organic in this country, and our Co-op should lead by example with our sourcing practices. Sam said there is a lot of potential through the Co-op to fix our food system through consumer education. Karen said she would like to put a question about activism on the next member survey, and also likes the idea of supporting partner organizations and providing educational opportunities.

At 4:48pm, Emily announced that due to time constraints, voting on a tablet at the meeting was no longer an option, but invited Kate Safin to present a short tutorial on the in-store and online voting options.

At 4:51, the meeting was adjourned. Members continued to socialize while committee members cleaned up. Excess food was donated to police officers that responded to the Tree of Life tragedy.