

Adopted Minutes
East End Food Co-op Board Meeting
POWER/EEFC Conference Room
July 15, 2019

In attendance:

Present Board Members: Eddy Jones, President; Sam Applefield, Vice President; Larry Meadows, Treasurer; Karen Bernard, Emily DeFerrari, Jona Reyes (via speakerphone).

Absent Board Member: Eva Barinas, Secretary; O.E. Zelmanovich (Zoë).

General Manager: Maura Holliday.

Management Team: Tyler Kulp, Produce; Shawn McCullough, Finance.

Board Clerk: MaCall Scott.

Member Guests: Alice Leibowitz, Faith Schantz.

Eddy called the meeting to order at 7:05 p.m. Eddy welcomed member-guests in attendance. Larry read aloud the Ends statement.

Amend/Approve Agenda

Decision: Sam moved to accept the agenda. Larry seconded the motion.

Vote: 4.0.0

Amend/Approve previous meeting minutes

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

Decision: Larry moved to accept the minutes as amended. Emily seconded the motion.

Vote: 4.0.2

General Manager Updates

Maura reported that there have been issues in the store with cooler failure; an expected occurrence during extreme weather changes. The management team is in the process of completing first round interviews for the Marketing and Member Services Manager position; Kate's last day will be on August 2nd. Interviews for the Grocery Coordinator position will begin the week of July 15th; there are two external and one internal candidate for the position. When asked about the timeline for hiring, Maura responded that it depends on how the first interviews go, and that while hiring internally is good, it does make the onboarding timeline more challenging. She gave an overview of the practice for announcing open positions: they are generally posted internally and externally at the same time. Jobs are posted on our website and on some paid and free job websites. Internal candidates have at least a seven day window to apply and always get at least a first round interview. Qualified external candidates receive a phone interview and two rounds of in-person interviews. Maura reported that the grievance noted in last month's minutes has since been closed. Managers met with the union, where they stated their case, requesting that the terminated employee be reinstated; managers declined the request. Mercato sales have doubled since going live with same-day delivery. A fiscal year (FY) budget increase for internal marketing has been made in an effort to drive Mercato sales. Eddy noted that the registers would be a good place to talk up the Co-op's online shopping service.

Adopted Minutes
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B2 – Business Planning and Financial Budgeting

Maura reported compliance in all areas except for subsection B2 (The General Manager shall not cause or allow business planning and budgeting to deviate materially from the Board’s Ends priorities, risk financial jeopardy, or fail to be derived from a multiyear plan.); due to her brief amount of time in the General Manager position, she focused on FY 2019-20 rather than a multi-year plan. She noted that more time with the Board and in her position is needed to properly map out a strategic vision. The four areas of focus for the report are: maintaining financial health, online sales growth, to increase and improve the prepared foods program, and an expansion and relocation plan. The FY 2019-20 budget has three forecasted sales scenarios: 1%, 2.7%, and 3.5% - all with a 38.05% margin. When asked about how a target sales growth rate of 2.7% was settled upon, Shawn responded that it is a blended rate; he compared the last quarter of FY 2017-18 and 2018-19, when sales started to uptick, took into account any relevant trends, and downgraded the average to err on the side of conservancy. Maura added that she and Shawn met with each operational department manager to discuss labor, margin, and sales growth leading up to the writing of this report, and that most co-ops are budgeting 1-3% sales growth. Noting the cost of cleaning services listed in the budget, Shawn reported that there has been discussion over the years about insourcing cleaning, and that with a new GM in place perhaps that option can be revisited. When asked why depreciation is on a budget, Shawn explained that when the Co-op buys a fixed asset that is over a certain dollar amount, generally the cost is capitalized, or spread out over the expected useful life of the item. A large amount of depreciation disappeared in February/March of 2019, and a smaller amount will come off in November 2019. Regarding credit card processing fees, Shawn stated that the fees are a percentage of sales and that at this time, there isn’t another company to utilize for processing credit cards. When asked about increasing the prepared foods program, and specifically if there are any new packaging innovations, Maura replied that the Co-op’s compost service, Zero Waste Wrangler, has an agreement with Pennsylvania Resources Council to use their Agrecycle dumpster; that means that they can take some of the hot and salad bar containers, but at this time the Co-op is not able to separate those containers from other refuse. Maura reported that Mercato sales have doubled since going live with same-day delivery. Despite Kate’s impending departure, internal marketing efforts to increase Mercato sales have already begun, most recently with a postcard mailing campaign.

Decision: Karen motioned to accept the report with acknowledgement of non-compliance. Larry seconded.

Vote: 6.0.0

B3 – Asset Protection

Maura reported that Shawn prepared the majority of this report, and that they are reporting compliance in all areas except for subsection B3 (The General Manager shall not allow assets to be unprotected, unreasonably risked, or inadequately maintained.), due to allowing a bank account to exceed the FDIC insured limit. The account in question is in the process of being converted into a cash investment account, and should be then be exempt from said limit. When asked whether there are operational policies and procedures in place for large purchases and

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July 15, 2019

entering contracts, Maura responded that there are procedures, but no written policies at this time, and added that we are doing very few large purchases or entering into contracts. Larry questioned whether the Co-op could reach out to the larger co-op world for service vendor recommendations, to which Shawn responded that we can and have in the past. Directors and managers discussed the spirit of the bidding process – to maintain transparency, and to provide opportunity for underrepresented groups who may not have a chance to bid, even if current contracts are historically renewed and the services provided are good. Shawn went over the insurance documents that were attached to the B3 report: Directors and Officers Liability Insurance (which covers the Board), Workers Compensation and Employers Liability Insurance, and Commercial Property and General Liability Insurance. When asked if these policies are auto-renewed, Shawn reported that Jen Girty, HR Manager, goes through a bid process with a handful of brokers during policy renewal periods to find the best rate.

Decision: Sam motioned to accept the report with acknowledgment of non-compliance. Larry seconded.

Vote: 6.0.0

Finance Committee Update

Larry reported that he and Shawn have been discussing adding more account codes to the board budget. Shawn noted that this is a fairly straightforward process, but that it would be better to set up a spreadsheet to track expenses than to add line items to the Co-op's trial balance, which is, "a comparative, year-end listing of all accounts and their requisite balances." Eddy commented that it would not be worth the return on the effort to map detailed expenses, though it would be helpful to get a quarterly board expense report. Shawn committed to providing a supplemental report showing year to date and quarterly board expenses with B1 reports going forward. For FY 2019-20, Directors and Shawn agreed to having the draft board budget by May 2020 and final budget by June 2020; Eddy committed to updating the board governance calendar.

Board Perpetuation & Elections Committee Update

Emily reported that there are "several balls up in the air right now." On the back-burner is the tallying and reporting of the board self-evaluation, due to more urgent and time-sensitive committee work. BP& E committee members were asked to add comments to the proposed candidate packet by July 22. Emily reviewed the upcoming election cycle timetable: candidate declaration is August 1 - September 22, the voting period is October 26 - November 30, the Annual Meeting is November 9, and ballot counting is the first Monday in December. An e-news notice went out to announce the candidacy period begins August 1. Emily reminded the group that there are four open positions to fill this year and encouraged everyone to recruit candidates. Emily reported that she has received good comments regarding the board breach of conduct document; the deadline for any additional comments is August 2.

Member-Owner Participation Committee Update

Emily started by giving thanks to Alice, Annie, and especially Faith for taking the reins of the committee meetings in her absence. She reported that the member-owner governance survey has

Adopted Minutes
East End Food Co-op Board Meeting
POWER/EEFC Conference Room
July 15, 2019

been the priority of late; the timeline for roll-out is January 2020. Alice added that the survey needs to go through a human subject ethics review board; the one used is at a university and the draft needs to be submitted by the end of November. She noted that this is a standard that has been recommended by Kate, and is already utilized for the Member Survey. Alice clarified that the governance survey will occur in alternating years and its goal is to get feedback on all aspects of membership except for shopping. To help set it apart from the Member Survey, it was recommended that a section be added to explain the motivation and goals of the survey. Faith asked that feedback be sent to her and she will convey it to the Committee; the deadline for comments is July 29. A draft of the governance survey may be included in the August board packet and then be authorized in the August meeting. Faith added that the next committee priority is the new member onboarding packet.

Annual Meeting Committee Update

Karen went over a draft of the Annual Meeting agenda and proposed that the meeting could be advertised by volunteers tabling in the store, cashiers mentioning it at the register, and flyer being put in shopping bags. Maura noted that it has historically been a challenge for the front end to put flyers in bags. Karen began a discussion about the reports that are given at the Annual Meeting, noting that attendees in previous years have found them very helpful. Eddy floated the idea of consolidating reports into one management and one board report totaling 20 minutes each. Regarding food, Karen reported hoping the Co-op Café would cater; Maura responded that due to staffing challenges, the Committee should look at other catering options. Emily clarified that bylaw changes will not be presented at the meeting, but the idea that there will be bylaws changes proposed for the 2020 year will be introduced. Eddy commented that a three hour meeting is a lot to ask of people and wondered if it could be done in two hours, with any additional time being for socialization. Karen countered that it is important to have time to hear from candidates; Alice added that a two and a half hour meeting is possible. Directors discussed the possibility of reducing the reporting section to just one 30-minute report with multiple speakers, further reducing any redundant reporting.

Management Transition Committee Update

Eddy reported that the Committee and Maura met on July 1st. Sam reported that they discussed the most recent union grievance, what the Marketing and Member Services department will look like with Kate leaving, some expansion related items, and the disbanding of the Interim General Management Team.

Bylaws Committee Update

Eddy reported that there is an action item to provide feedback on recommended bylaw changes; the deadline for feedback is the working meeting on August 5th, which will be held at Emily's house.

Expansion Committee Update

Eddy confirmed that the Expansion Committee update will be taken up in Executive Session.

Adopted Minutes
East End Food Co-op Board Meeting
POWER/EEFC Conference Room
July 15, 2019

Action Item Follow-up & Discussion

Board and managers reviewed progress or lack thereof on action items from previous meetings.

Closings

The next board meeting was scheduled for Monday, August 19th. Submissions to the next meeting packet are due to the Board Clerk via email on Monday, August 12th at 9:00 a.m.

Adjournment

Decision: Emily moved to adjourn the meeting at 9:31 p.m. Larry seconded the motion.

Vote: 5.0.0

Member-owners' Open Session

Regarding operational support leading up to the Annual Meeting, Alice reported feeling strongly that promoting the event in the Front End and planning to cater in the Café should be a priority, and that it is worthwhile to struggle with the hurdles. Put another way, rather than committing now to not doing it, commit to trying and if it falls through another option can be found. Tyler, as former Assistant Manager in the Café, commented that the Café wants to cater, and they want a full deli case; that it's not the lead time or desire that is a challenge, but staffing. Karen noted that it was good to hear the perspective of someone with insight into operational challenges within the Co-op.

The Board went into Executive Session at 9:37 p.m. to discuss matters pertaining to the feasibility study of the Factory Building and expansion. At 10:06 p.m. Larry moved to adjourn the session. Karen seconded. The Board voted 5.0.0 to end the session.

Minutes respectfully submitted by MaCall Scott, Board Clerk.