

**Adopted Minutes**  
East End Food Co-op Board Meeting  
POWER/EEFC Conference Room  
September 16, 2019

**In attendance:**

Present Board Members: Eddy Jones, President; Sam Applefield, Vice President; Larry Meadows, Treasurer; Karen Bernard; Emily DeFerrari; O.E. Zelmanovich (Zoë).

Absent Board Member: Eva Barinas, Secretary; Jona Reyes.

General Manager: Maura Holliday.

Management Team: Shawn McCullough, Finance.

Board Clerk: MaCall Scott.

Member Guests: John Kowalski, Tom Pandaleon, Laura Valentine.

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Eddy called the meeting to order at 7:06 p.m. and welcomed member-guests in attendance. Sam read aloud the Ends statement. Directors, managers, and the Board Clerk shared how they were feeling coming into the meeting.

**Amend/Approve Agenda**

A Working Meeting Update was added after the GM Update. The Management Transition Committee Update and Executive Session were removed.

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

Vote: 6.0.0

**Amend/Approve previous meeting minutes**

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

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

Vote: 5.0.1

**General Manager Updates**

- Maura reported that the staff picnic on August 20<sup>th</sup> at Frick Park was a success.
- The Food Bucks program is moving along; the initial point-of-sale system set up will happen this week, and approximately two weeks of setting up internal processes are to follow.
- Mercato continues to see new customers. There is an upcoming change in the fee structure which will allow delivery fees to be more competitive.
- Maura and Jen, HR Manager, will attend a diversity training workshop conducted by Inclusant (a Pittsburgh based organization that specializes in diversity and inclusion consulting) on October 11<sup>th</sup>.
- All staff meetings will be held at the end of October. Maura hopes to gauge how staff members are currently feeling in general, as well as solicit feedback regarding expansion.
- Last month a letter from UE Local 667 was presented to the Board; Maura reported working with the Union President and Officers on resolving issues and is looking forward to moving on in a positive way.
  - Zoë requested that we include confirmation directly from the Union and Megan's email dated September 6, 2019 is appended as proof that good faith efforts are being made.
- In response to a recent grievance put forth by UE Local 667, Maura and the management team have agreed to an action plan to fill the vacant Cheese Buyer position.

**Working Meeting Update**

The Board met on August 26<sup>th</sup> to develop agreed-upon guidelines for the Board of Directors and go through the code of conduct violation document. Eddy reported that it was a positive meeting and an excellent fellowship opportunity for the Board. The Board and managers met on September 12<sup>th</sup> in a session facilitated by a third party to identify priorities regarding expansion visioning.

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**B1 – Financial Condition and Activities**

Maura reported an amendment; the Co-op was compliant in seven out of ten sub-policies, instead of eight out of ten as initially reported.

Narrative:

Shawn reported that quarter 4 was a strange one; it saw weaker than anticipated sales growth (2.3%), with a decrease in member and non-member transactions. This came on the heels of a quarter which saw strong sales growth (7.1% in quarter 3). The booking of the largest profit share to date, as well as a \$15,000 tax provision, contributed to the net loss. Sales were expected to slow from quarter 3, but not to the extent they did. The Co-op's cash position remains strong and still has a pre-tax net income of approximately \$206,000. The Co-op continues to address the challenge of increasing sales in the bottom 3-5 departments, which have lower than budgeted sales growth. Health care costs are about the same as they were in quarter 4 of last year. Rent was expected to be higher due to new rates per the lease agreement signed in March.

Two areas with higher than expected increases were credit card fees and repairs and maintenance. Shawn explained that in 2018, there was consolidation in the credit card processing industry, which caused what was thought to be a temporary spike in fees; however, the increase has continued throughout the past year, going from 1.23% to 1.65% of sales (a \$30-40,000 increase). An inquiry will be submitted to National Co+op Grocers (NCG), who handles merchant service contracts for most co-ops, in the next few weeks to see if this increase is consistent across the co-op landscape or is just us.

Refrigeration equipment issues were higher than in the prior year. Most of the current equipment was purchased used in 2011-2012. Due to expansion concerns, the Co-op is trying to get as much life out of the equipment as possible; the current setup cannot come to a new store. Now that the hotter months are over, the expectation is that the equipment won't face as much stress and therefore won't break down to the extent it did in May-August.

Looking ahead, sales continue to be the unknown; the first nine weeks of the first quarter have seen slightly less than 1% sales growth. If this trend continues, the budget may need to be revisited, particularly if expansion costs are incurred along with lower sales growth projections.

Other items of note: field auditors are on-site this week for the annual audit of the Co-op's financials. Shawn participated in a finance webinar where he learned that Steve Wolfe, the CFO of NCG is retiring.

Questions/Discussion:

Any thoughts on why sales are declining?

Shawn responded that he thought last year's sales growth might be attributed to more people moving into the area and disenchantment with Amazon/Whole Foods.

You mentioned the \$31,000 employee profit-sharing payout. Please explain.

The profit share is based on sales of the previous quarter, and it takes time to close the books. The \$31,000 expense was booked in the 4<sup>th</sup> quarter, but based on 3<sup>rd</sup> quarter sales.

There are five departments with negative sales growth; that seems to be a consistent issue. What is being done to improve performance of those departments?

It's a discussion the management team has been having. The same few departments are consistently underperforming. Is it a process problem? Not enough labor hours? Market trends? More investigation is needed.

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Is it fair to say all departments can be profitable?

Yes. The negative sales growth could be a reflection of the limitations of our store. In addition, it's hard to stay relevant with the growing competitiveness in the area.

Eddy noted surprise at seeing sales loss throughout the co-op world. Maura reported that NCG is changing some benchmarks for how they determine financial health to reflect the current landscape. NCG is starting to enter negotiations with UNFI to obtain better deals and is trying to secure a secondary distributor so that UNFI doesn't have so much control. NCG is also working on a "Core Sets Program" which will allow for more competitive pricing on mainstream items and through more efficient category management, allow co-ops to focus more on local purchasing.

What are co-ops with higher sales growth doing?

Some co-ops, like Lexington in Buffalo, NY, are the only grocery store in town; they don't have a large grocery store, like Wegmans, with which to compete. Maura reported that "fresh" is a significant driver these days: produce, beverage, ready-made food, grab and go, take and bake. Co-op remodels don't have as large of a center footprint; the majority of focus is on produce, deli, bakery, desserts, etc.

Regarding B1.4 (*The GM will not allow solvency (the relationship of debt to equity) to be insufficient.*), this sub policy is always uneventful because the Co-op doesn't currently carry debt. The NCG benchmark for jeopardy is a 3.0 debt to equity ratio (D/E).

What is the industry standard, especially for co-ops that have recently expanded?

Shawn responded that he would have to take a closer look to get those numbers. Our current equity is about \$1.8 million; taking on a loan to buy a building would likely take the Co-op's D/E higher than 3.0. According to NCG, having a 0.0 D/E is not looked at favorably because money should be reinvested in the store.

Directors expressed a desire for the B1 to be written in more lay-person friendly language. Shawn committed to making that change for the B1 report in December 2019.

The Board reviewed their quarterly expenditures report and requested that year-to-date totals be included next time.

Decision: Emily motioned to accept the report with acknowledgment of non-compliance. Zoë seconded.

Vote: 6.0.0

### **Finance Committee Update**

Larry had no new updates. Shawn reported that the annual financial audit is on track and that the Co-op was better prepared this year than in previous years.

### **Board Perpetuation & Elections Committee Update**

Emily reported that the committee met by phone on August 25<sup>th</sup> to discuss doing outreach to recruit more candidates. Half of the committee met in-person today, and the other half will meet on Wednesday, September 18<sup>th</sup>. Elections are moving along. The committee is discussing what the board retreat and new board member orientation should look like; they are considering doing in-house training instead of Columinate (formerly CDS Consulting Co-op) facilitated Cooperative Board Leadership Development (CBLD). The committee is also brainstorming ideas for a holiday season get together for directors.

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Directors discussed the draft version of the Recommended Process for Addressing Breach of Code of Ethics, identifying three questions to be addressed:

1. Should the Board be able to terminate the director in question after an initial monitoring period?
2. Should the director in question be able to request to have an open or closed session?
3. Should the document specify whether lawyers can be involved?

After much discussion, Emily requested to take the document back to the draft stage.

Directors discussed the draft of the EEFC Board of Directors Ground Rules, which outlines agreed-upon principles that will aid the Board in working collaboratively. Suggested edits will be shared on the Board's Google Drive.

Regarding elections, there are currently four candidates; Sam is expecting more applicants this week. The deadline for submitting the election process-related Board Report for The Cooperator is October 1<sup>st</sup>. Emily requested that directors take time to look at the candidates and to share any concerns on Fleep. After the vetting process for eligibility, which takes place September 23-30, Kate will be able to publicize the candidate bios on the website. Voting begins on October 26<sup>th</sup>.

Board self-monitoring will occur in November; Emily will work with MaCall on distribution. Emily committed to checking the low scoring items from the last survey to make sure the Board is making progress.

#### **Member-Owner Participation Committee Update**

Emily acknowledged committee members for their work on the governance survey and other projects. She asked if the Board could approve the survey in its current form, and confirmed the following timeline: the Member Survey (focused on shopping experience) would go out in odd-numbered years, and the Member-Owner Survey (focused on governance and membership issues) would go out in even years, starting in 2020. A few revisions were suggested, particularly regarding a question asking the participant to check their relevant identities (categories such as race, religion, ethnicity, sexual orientation, age group, etc.). Karen noted that the idea of asking is to find out whether people feel like they belong, and identify areas where the Co-op could work to be more inclusive. The Committee will continue to work on the Survey. They were thanked for their valuable work.

#### **Annual Meeting Committee Update**

Karen reported that posters would be in the store and flyers will be at the registers and Customer Service. Emails will go out to announce the Annual Meeting, and to ask for volunteers to table in the store to let people know about the meeting, and to volunteer the day of. Karen commented that last year's written annual reports were beautiful, and hopes that they will look the same this year. Maura's written report is ready. Eddy and Shawn are still completing their written reports. Eddy and Maura will coordinate to nail down the timing of the verbal reports at the meeting. Shawn will be on hand to answer questions regarding finances. Directors discussed ways of honoring and rewarding volunteers and committee lay-members for their hard work and dedication. Eddy commented that individual committees could decide the appropriate method for acknowledgment.

#### **Bylaws Committee Update**

Zoë reported that the next meeting would be held September 25<sup>th</sup> at 7:30 p.m. in the Conference Room. He has read the bylaws of thirteen co-ops and noted that ours are short and legalistic when compared to the whole spectrum. The Bylaws Committee will speak briefly at the Annual Meeting in November to present broad ideas about proposed changes to the bylaws for next year.

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**Expansion Committee Update**

A meeting was held with most of the board and managers to get on the same page regarding their vision for expansion. Sam will share notes for those that weren't able to attend. Maura is taking the lead on moving things forward and is planning to get staff members involved at the next all-staff meeting in October.

**Action Item Follow-up & Discussion**

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

**Closings**

The next board meeting was scheduled for Monday, October 21<sup>st</sup>. Submissions to the next meeting packet are due to the Board Clerk via email on Monday, October 14<sup>th</sup>, at 9:00 a.m.

**Adjournment**

Decision: Sam moved to adjourn the meeting at 9:42 p.m. Larry seconded the motion.

Vote: **6.0.0**

**Member-owners' Open Session**

Laura Valentine commented that the Member-Owner Survey, in its current form, does not feel like it has been done by a professional survey writer. Tom Pandaleon mentioned that he and Faith have talked about the same issue. He thought the next step planned by the committee, after getting approval from the Board, was to have the survey reviewed professionally. He concluded by commenting that, "the board meetings are so much more substantive these days."

Minutes respectfully submitted by MaCall Scott, Board Clerk.

Copied from an email dated September 6, 2019, with permission from UE Local 667.

Hi BOD & Maura, Hi, Emily.

Thank you for your attention to this matter. Please know that UE Local 667 is in general agreement that Maura, our new GM, is working collaboratively and earnestly on addressing some of the issues presented for the Board of Directors' review.

Maura is balancing her new role along with attempting to put out a number of smoldering hot spots left for her during previous iterations of EEFC administrations. The union is confident in Maura's ability to seek compromise and reconciliation. We have witnessed examples of this effort and we find it necessary to acknowledge her commitment towards EEFC unionized staff.

Thanks again for responding, and we hope that these new developments are given weight in any forthcoming discussions among your colleagues on the BOD.

We are hopeful for the future of EEFC under Maura's leadership.

Sincerely,  
-Megan Moffitt UE Local 667, President (2019 - 2020)