

**Adopted Minutes**  
East End Food Co-op Board Meeting  
Remote Meeting via Cisco WebEx Meetings  
July 20, 2020

**In attendance:**

Present Board Members: Sam Applefield, President; Charlie Orr, Vice President; Laura Valentine, Secretary; Larry Meadows, Treasurer; Eva Barinas; Karen Bernard; Tom Pandaleon; O.E. Zelmanovich (Zoë).

Absent Board Member: Melanie Frank.

General Manager: Maura Holliday.

Management Team: Shawn McCullough, Finance.

Member-Owners: Member-owners were able to view the live meeting and speak during the open session. Sections of the meeting when members were speaking were not recorded.

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This meeting was held remotely, via Cisco WebEx Meetings.

Sam called the meeting to order at 7:03 p.m. Laura read aloud the Ends statement. Everyone checked in to express how they were feeling coming into the meeting.

**Amend/Approve Agenda**

- Add acknowledgement of Melanie's resignation from the Board to the BP&E Committee Update.
- Add a Board Secretary Update to the Committee Updates section; Laura would like to share emails received in the Board account.

Decision: Charlie moved to accept the agenda as amended. Laura seconded the motion.

Vote: 7.0.0

**Member-Owners' Open Session**

A member-owner in attendance gave thanks to the Co-op for doing a great job.

**Amend/Approve May Meeting Minutes**

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

Decision: Tom motioned to approve the June minutes as amended. Eva seconded the motion.

Vote: 7.0.0

**General Manager Updates**

- The Bulk department reset is complete. Bins are being filled daily and departmental sales are rising. The next step will be to re-open the kombucha taps.
- The Food Bucks spend-\$2-get-\$2 promotion has been extended through the end of July and has been successful; the past five weeks have seen the highest redemption rates yet.
- Pennsylvania now has a hazard pay grant; staff making less than \$20/hour would receive an extra \$3/hour for ten weeks – we are looking into it to see if we qualify.
- National Cooperative Grocers (NCG) has been assessing their financial support for co-ops and have come up with the NCG 2020 package, which includes funds to help alleviate COVID-related financial stress.
- All-staff meetings were held last week; there were eight smaller-group sessions. Maura reported great attendance and conversation.
- The annual Urban Farm Tour will be happening virtually this year.
- The 2019/2020 fiscal year closed on June 28. Normally this time of year sees a lull in sales due to farmers' markets and people going on vacation. Due to the pandemic and these options not being as available, sales for the first several weeks of the new fiscal year have been strong.

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Questions & Comments

- Does the NCG package compare to packages last year or in previous years?
  - Maura responded that this package differs because it is COVID relief related and is in addition to our usual dividend from NCG.
- Congratulations were offered for the completion of the Bulk department reset.
- Is the spike in COVID cases affecting plans to extend store hours? Are staff members still getting the same number of hours?
  - Yes, we were going to start extending store hours on July 6, but that was around the time that cases started to spike – we were not comfortable increasing hours. Sales are not struggling and staff members are fine with not changing the hours. We are letting more customers in at a time. Staff members are still getting the same number of hours.
- Do you have any updates regarding the armed guard in front of the store? Overall, what's the experience at the front door? Is there an additional cost to having them there all day?
  - Maura answered that we have always had a guard and they have always been armed. We've developed a relationship with them over the past two decades. The increased presence has mainly been to monitor the door and count the people coming in; also, with increased tensions in the world, we wanted them to be present all day to de-escalate if needed. Staff feedback is that most people are okay with the current practice, but would like a better understanding of the guards' training and protocols. In the beginning, the experience at the front door was one of increased animosity; hostilities are higher now than they have been before. There is a substantial additional cost for having a guard present all day – over double.
  - Board members questioned the necessity of the guard being armed, but agreed with the next steps of Maura inquiring about their de-escalation training.
- Were we able to send out a notice about this board meeting earlier this time?
  - Yes, an email went out last week. Notice about previous board meetings weren't as timely because we were changing the start times as we adjusted to doing virtual meetings.
- Are there any Café updates?
  - This week they are working on grab & go salad items. There is no real guidance from the health department.
  - Sam is aware of some reopening webinars for cafés and restaurants and will pass on those resources.

**B2 – Business Planning and Financial Budgeting**

Maura expressed hope that this report is an improvement over last year's, due to being able to put a multi-year aspect on the business plan. The biggest challenge is that the ongoing pandemic is causing a recession; back in 2007, the recession hit co-ops hard and the competitive landscape is much different now. NCG is working to give as much guidance as they can. Their biggest recommendation is creating a six-month business plan and budget (rather than twelve-month) so that co-ops are forced to look at their numbers more critically and frequently to understand how the recession is affecting them – after the six months, we'll be able to see if our initial projections are accurate or if adjustments to the budget and business plan need to be made. The hope is that the budget is realistic and that there isn't much in the way of lockdowns or supply-chain shortages. Maura requested that the Board go along with NCG's suggestion. Maura plans to report to the Board quarterly, on the quarter that has just ended. We won't have the financials from the bookkeepers – the reported numbers will be raw and in the moment. When asked how much the numbers change, Shawn answered that it's mainly the margin that changes, and the closer we are to the year end the larger the change may be. To prevent

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duplicative reporting, directors and managers discussed paring down future B1 – Financial Condition and Activities reports (which are for the penultimate quarter).

Questions & Comments

- Do you think NCG’s recommendation to do the business plan and budget on a 6-month cycle will stick?
  - Maura answered that it might – they are predicting an 18-24 month recession, and they may be establishing a new best practice.
- Is it a burden to you to do this twice per year?
  - Shawn responded that it’s actually more efficient to do it this way.
- Why is the growth margin the same for each of the sales growth scenarios in the report?
  - Shawn stated that a decrease or increase in sales doesn’t really affect the margin – we’ll just sell more or less product. Three sales growth scenarios were presented; this time we added a -10% sales growth scenario, 0% is the baseline, and 4.6% is based on a recommendation from NCG to base sales growth off of the last 6 weeks of sales, beginning in May. Shawn added that -10% is not apocalyptic – it’s a reasonable number that is not catastrophic.
- Are there any updates on the Payroll Protection Program loan and forgiveness?
  - We fully expect the loan to be forgiven. They have increased the time we have to use the loan money, which is for expenses like rent and payroll. Shawn is in contact with the loan issuer and has determined we check all of the boxes for loan forgiveness – that determination should happen in October or November this year. The main concern is that the rules keep changing, but the possibility of it not being forgiven is remote – so many businesses would go under if they had to repay. We will have to repay the \$149,900 Economic Injury Disaster Loan.
- In the section of the business plan about being more welcoming and inclusive, we should elevate the fact that we are doing more targeted recruiting.
- Can we make special ordering more robust again? It’s something a lot of customers don’t know about and that other stores don’t do.
  - Maura responded that we are starting to talk about it – supply chains are returning, but we may have to set limits on quantity. We are running out of storage space due to increased Mercato and curbside business. Right now, members can special order two cases – exceptions are flour, paper products, and canned tomatoes.
- How much supply-chain stability can you anticipate? Are we increasing in-store brands like Field Day?
  - Paper is touch-and-go and we usually only have one variety at a time. Paper towels are coming back and we found some alternatives to napkins. Perishable and frozen items will be harder to predict. Bulk will be okay. We are increasing the number of Field Day products on the shelves: health and beauty items, grains, and legumes. We are improvising with new products so that we don’t have empty spots on the shelves.
- Laura noted that while looking over the SWOC Analysis (Strengths, Weaknesses, Opportunities, Challenges) in the Business Plan, something that really stuck out is how many weaknesses would be mitigated by expansion; adding, “We know it’s a priority and we’ve been talking about it for so long. Even though we are going through a recession we should put more effort into expanding. Some of these challenges cannot be mitigated without a bigger footprint.”
- Sam asked for clarification on whether expansion related services were reflected in the management consulting line of the budget.
  - Shawn responded that they are – about 17% of the management consulting budget is for diversity training, the remaining 83% is for expansion related services.

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**Decision:** Zoë motioned to accept the report as compliant. Charlie seconded the motion.

**Vote:** 7.0.1

**B3 – Asset protection**

Maura introduced the report by saying that she worked to consolidate the content so that there weren't so many attachments; individual policies can be made available to Directors by request. She is reporting non-compliance for policy B3 (*The General Manager shall not allow assets to be unprotected, unreasonably risked, or inadequately maintained.*) because the Payroll Protection Program loan funds have not been moved to another account, making our balance higher than FDIC insured limits. These funds will be moved to other accounts over the next several weeks.

Questions & Comments

- Is the FDIC insured limit a reasonable threshold? Can we have more accessible checking accounts?
  - Shawn responded that due to the operational needs of the business, the checking account will probably always be above the limit. For control purposes, he is not in favor of adding another checking account.
  - Directors and managers discussed the possibility of changing the operational definition of policy B3 – citing the fact that the policy will remain out of compliance as long as the threshold remains \$250,000. It would be preferable to pick a threshold that makes sense for operational needs and demonstrate that the checking account is with a top-rated institution.
- Laura noted that it would be nice to know how many sub-policies are non-compliant, rather than full reports, adding that it shouldn't be weighted against the GM, as report compliance is an aspect of the GM evaluation.
- Correction on page 45 of the meeting packet: the real estate lawyer's last name is Brown, not Thompson.
- Maura clarified that there is a difference between Hartford Mutual (General Liability, D&O, and Umbrella Coverage) and The Hartford (Workers Compensation).

**Decision:** Larry motioned to accept the report with consequences, with follow-up monitoring to occur at the August board meeting, confirming that roughly \$500,000 has been transferred to additional bank accounts. Sam seconded the motion.

**Vote:** 7.1.0

**MOP Survey Analysis Discussion**

**Decision:** Zoë motioned to table the MOP Survey Discussion until a future meeting. Sam seconded.

**Vote:** 7.0.1

**Board Perpetuation and Elections (BPE) Committee Update**

Tom reported that the first call for board candidates went out under Karen's signature. He is writing an article for The Cooperator and working with Kate to finalize the candidate packet by August 1<sup>st</sup>. Karen encouraged Tom to have others look at the candidate packet to suggest updates. She also encouraged Directors to both submit their bios to Kate for the website and to work on recruiting board candidates, highlighting that there are a lot of seats to fill. Tom took a poll to determine which Directors were still interested in remaining active on the BPE Committee: Zoë, Larry, and Eva will continue to participate.

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Director, Melanie Frank, submitted her resignation in advance of this meeting. The Board expressed sadness in her leaving and acknowledged that she has been overwhelmed with other responsibilities. The Board has the option to appoint a new Director to the remaining term or open the position to the general election later this year. Laura Valentine offered to take on the remainder of the vacant seat's term which ends in 2022; her current term was set to expire in 2020, and will be filled in the election this fall.

**Decision:** Tom motioned to recognize Melanie Frank's resignation, effective July 20, 2020. Seconded by Eva.

**Vote:** 8.0.0

**Decision:** Charlie motioned to appoint Laura Valentine to the remaining term of the vacant seat, which expires in 2022. Eva seconded.

**Vote:** 7.0.1

This leaves four open seats to fill in the 2020 Board elections, as Karen Bernard has also stated her intent to leave the Board after this year.

### **Member-Owner Participation (MOP) Committee Update**

Tom reported that the Committee is meeting this upcoming week to discuss their proposal to EEFC management regarding board communication to member-owners.

### **Annual Meeting Committee Update**

Karen, Eva, Kate, and Maura met to discuss holding the Annual Meeting remotely. Maura confirmed the meeting will be virtual this year, and she is looking into taking a class on learning how to present during an event like this. A budget has not been established, and may not be necessary. The Committee is now focused on figuring out the most inviting way to hold a virtual meeting. The first communication to members about the Annual Meeting went out on July 15<sup>th</sup> and announced the date, which is Saturday, November 14<sup>th</sup>.

### **Bylaws Committee Update**

Zoë outlined two decisions that need to be made: the first is to vote on a change to the proposed bylaws based on member feedback, the second is to determine whether to count the bylaws votes or the election votes first.

The proposed bylaw in question is 2.8 Termination of Membership; the condensed version reads, "23. The notice required to involuntarily terminate a member is increased from 3 days to 14 days, allowing a member time to prepare to defend themselves at the hearing. (This does not preclude the EEFC from banning them from the store in the meantime, if necessary)."

**Decision:** Zoë motioned to change the language to include a 14 day notice to the person in question. Charlie seconded.

**Vote:** Unanimous. (Exact numbers were not recorded due to a technological error.)

The Board needs to decide whether the bylaw change votes or the election votes will be counted first. If the bylaws votes are counted first, that could open up a second seat on the Board for a staff member. While some Directors were in favor of counting bylaws first in order to open an additional seat for staff, others felt that the election is being run under the current bylaws and that it would be fairer to be clear of what the expectations are, potentially disappointing less people. The Board was not able to come to a decision on the order in which votes will be counted and opted to resume the discussion another time.

**Decision:** Charlie motioned to table the discussion for a future meeting. Karen seconded.

**Vote:** 6.0.1

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Eva left the meeting during the Bylaws Committee Update.

**Expansion Committee Update**

Tom reported that he has put a call in to the URA (Urban Redevelopment Authority) as well as the Chatham Center for Women's Entrepreneurship to look for interest in receiving our RFP (Request for Proposal).

**Resilience Committee Update**

Due to time constraints, it was decided that this update would be tabled.

**Board Secretary Update**

Due to time constraints, it was decided that this update would be conducted via email.

**Action Item Follow-up and Discussion**

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

**Closings**

The next board meeting was scheduled for Monday, August 17, 2020. Reports, agendas, and packet submission are due to the Board Clerk via email on Monday, August 10, at 9:00 a.m.

**Adjournment**

**Decision:** Charlie moved to adjourn the meeting at 10:29 p.m. Larry seconded.

**Vote:** 7.0.0

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**Executive Session**

The Board had a brief Executive Session to discuss expansion and store security.

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Minutes respectfully submitted by MaCall Scott, Board Clerk.