

Adopted Minutes
East End Food Co-op Board Meeting
Held Remotely via Cisco WebEx
December 19, 2022

In attendance:

Board Members: Ariel Barlow, President; Tom Pandaleon, Vice President; Mia Sorada, Treasurer; Laura Valentine, Secretary; Brian Alderman; Debi Johnson; Marty Seltman; Liz Geist; Caoimhe Quach

Management: Maura Holliday, General Manager; Jennifer Girty, Human Resources; Elly Helgen, Marketing & Member Services; Shawn McCullough, Finance; Tyler Kulp, Produce

Member-Owners: Megan Moffitt, Mark Bowers, Joshua Trapp, Breezy Mueller

Board Clerk: Jessie Ryan, MaCall Scott

Absent Board Members: Carlos Gasca Yanez

Introduction

The Board President called the meeting to order at 7:01 pm and read the Ends Statement aloud.

The East End Food Co-op exists to enhance physical and social health in our community.

To these ends, we will create:

1. A sustainable member-owned business open to everyone
2. An ethical and resilient food infrastructure
3. A vibrant, dynamic community of happy, healthy people
4. A creative vision to transform the future

Check-In

Those in attendance checked in to express their feelings and any needs.

Amend/Approve Agenda

Decision: The meeting agenda was approved without objection.

Amend/Approve Minutes

Decision: The November meeting minutes were approved without objection.

Member-Owners Open Session

Megan and Mark both took a moment to say hello.

December Working Meeting Report

The topics of discussion at the meeting included Board Committee structure changes for 2023, follow-up to the B6 report actions from the November board meeting, and planning for new board member onboarding.

Board Transition

Decision: Motion to certify board election results:

Liz Geist '25

Ariel Barlow '25

Tom Pandaleon '25

Carlos Gasca Yanez '23

Laura Valentine '23

Caoimhe Quach '23

Vote: 6-0-0

Decision: Motion to seat board members.

Vote: 6-0-0

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GM Update

Maura provided the following update to the Directors before the meeting:

This report is in addition to monthly monitoring reports. This update expects to give additional information to the Board of Directors that may not be included in the month's monitoring report. This report aligns with parts of sub-policy B7: Communication to the Board.... 'The General Manager shall not cause or allow the Board to be uninformed or unsupported in its work.'

Membership:

Current total member-owners: 15,989
New member-owners: 43 (2 refunds)
Total member equity: \$1,607,709

Register Round-Up Total:

November recipient: GIFT (Giving it Forward Together) \$476.20

December recipient: Community Kitchen Pgh

Operations Update:

- Due to FY22 being a 53-week fiscal year, our year-over-year (YoY) weekly comparisons do not match up to the same week. When we compare 2022 Thanksgiving week with 2023 Thanksgiving week, we had 3.3% sales growth year over year. However, in the week leading up to Thanksgiving, we saw a 1.8% sales decrease. The number of transactions were down for both weeks YoY, so shoppers are still coming in less frequently and making larger purchases.
- One entryway door company has come in to take measurements and we are waiting for a quote for each of the front entrance doors. The goal is to replace only the main door. We are looking at a brand other than Stanley, as they are one of the more expensive brands out there and we will likely not be able to transfer this to a new store (but we can try if it is possible).
- Turkeys were a success this year. We had 227 pre-orders, which is the most we have had in pre-orders for as far back as we have records.
- 2023 Round Up is getting a slight makeover. We are going to round up for 2 recipients every quarter, which makes it easier to promote at the register and will result in more money going to charities.
- 2 new community partners – Sundreams Farm, who sell mushroom kits and Centred Coffee; we are also working on having Ascend join as a community partner

Updates & Questions:

- In regards to the CX survey, there was a question about why we look at the percentage of customers who rate us 5/5. The intent is that highly satisfied customers are more likely to give us high marks for their willingness to return and to recommend us to others. The top three key drivers of overall satisfaction come from the availability of products, cleanliness of the store, and the checkout experience. The goal is to get feedback so that we can move satisfied customers to highly satisfied. It's the greatest opportunity that is identified in customer satisfaction surveys.
- How does supporting two organizations every quarter for the Register Round-Up make it easier to promote?
 - It gives the Front End staff more time to learn about each organization.

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Management Report

- Jen Girty, HR Manager, gave kudos to MaCall for learning the new accounting software, her new role at the Co-op, and onboarding Jessie. She is doing a great job. December is open enrollment for retirement benefits. Our broker came out for two meetings with staff so they could ask questions, learn about the plan, and enroll. Workers' compensation insurance renews in January. Our renewal rate came in a bit higher than last year's because we projected our wages to be higher. Jen is working on gathering additional quotes in hopes that we can save money. The increase is very nominal at this point. The Safety Committee was recertified this month, which gives us a 5% discount on our Workers' Compensation Insurance.
- Elly Helgen, MMS Manager, posted the Community Engagement Coordinator position internally in the breakroom and on Paylocity. She also discussed the new Register Round Up process.
 - Liz suggested using the Register Round Up for other purposes such as pay it forward gift cards. Elly and Maura discussed leaving a spot open one quarter for a food for all fund/equity fund. The specifics have not been developed yet. Applications from charities and organizations that are interested in participating go to the Marketing department and then go to the Front End. eric has done it differently every year, but usually asks Front End employees that are interested to participate on a committee to help decide which organizations to choose. The results then go back to Marketing/GM for the final tallies and approvals.
- Tyler Kulp, Produce Manager, gave an update on the produce/floral department. There are currently a lot of winter floral items and citrus items on display. There are many items on sale for holiday meal preparation including onions, potatoes, sweet potatoes, etc. Inventory is similar to Thanksgiving but not as much. The Sugar Bee apple display contest is happening this month. Tyler is hoping there will be no issues with deliveries or inventory due to the upcoming snowstorm. Lettuce prices are high but we are still able to source it.

Updates & Questions:

- What are the metrics of success for the administrative assistant position?
 - Jen and Jessie are currently focusing on the day-to-day tasks and learning the monthly routine. Jen hopes that by the 90-day mark, they can start focusing on the role of being a backup to the HR Manager.
- What is The Safety Committee?
 - The Safety Committee meets monthly and strives to include a staff member to represent each department. At each meeting, the committee reviews a topic assigned by the insurance company, which includes learning about the topic, auditing ourselves, and creating an action plan. The committee also completes monthly and quarterly inspections of the store. Once a year, the committee is recertified through the state, allowing the Co-op to receive a 5% discount on Workers' Compensation Insurance. The Safety Committee has made vast improvements in keeping the store safer for staff and shoppers. The number of reported accidents has reduced significantly for both business liability and workers' compensation.
- What is going on with COVID cases?
 - There have been approximately 12 COVID cases since Thanksgiving. Maura and Jen are a bit nervous about a spike after the holidays. Jen discussed her procedures for notifying employees and completing contact tracing.
 - A suggestion was made to create a written protocol and procedure for COVID.

B1 – Financial Conditions and Activities

The Policy Register states, “With respect to the actual, ongoing financial conditions and activities, the General Manager shall not cause or allow the development of fiscal jeopardy or material deviation of actual expenditures from Board priorities established in Ends policies.”

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- Mia gave an intro to the B1. In the third quarter of the year, there is seasonality because people are going to farmers' markets and going out of town, which contributes to a lower quarter. Things that also contributed to a lower quarter were the opening of Whole Foods and some issues receiving products due to supply chain delays. Consumers are creatures of habit; we need to figure out which products people are buying repeatedly. We have a reserve of cash on the books in preparation for expansion, about \$2 million. We have been cautious about making repairs and investing in new equipment for the past few years, knowing we are going to move, but we are looking to put some money towards floors, doors, and wages.

Shawn's narrative was as follows:

- In the first quarter of the fiscal year-end 2023, the overall store margin dipped to 33.8%. Last quarter there was some discussion regarding the higher margin for the quarter end of June 2022 (which was 40.6%) due to the potential of having timing differences as well as the higher inventory, which could cause this quarter to be depressed. This seemed to play out a bit relative to the margin. Additionally, we had a sales decrease of approximately 5.1%. Since the pandemic started, we have had some dramatic swings from quarter to quarter and year over year relative to sales, net income, and margin. When looking at the two most recent quarters as a group, the average margin for the last two quarters is 37.2% $(33.8+40.6/2)$ which would be considered more in line with the Co-op's average margin.
- Sales suffered one of the higher year-over-year decreases in recent memory. Factors mentioned during the Finance Committee meeting were the opening of the new Whole Foods in August, continued pandemic-related contortions, and sales decreases due to the limited café options.
- The cash position declined over the prior year as well; cash decreased by ~ \$184,000 or 9.0%. However, our Days Cash on Hand for 10/2/22 was approximately 51 days (this roughly means that if we closed our doors on 10/2/22 and did not bring in a single dollar more in revenue, we could still burden 51 days of our "normal" expenses – payroll, product vendors, service vendors.).
- Looking forward, activity in the Café has already picked up. Relative to the new Whole Foods location, I went back and reviewed the sales activity from when the Co-op weathered the first Whole Foods opening in 2002. Sales activity for the period of 2002 through 2004 dropped by about 5.1%. I feel this number is more coincidental and potentially apocryphal than planned or intentional. I would expect a sales drop, however, and this will be monitored relative to other assumed reasons which cause sales declines.

Questions & Comments:

- Where is the cash being held?
 - Cash is being held at approximately 8 or 9 different bank locations.
 - FDIC insurance limits are around \$250,000 per account per institution, so spreading out the money lessens our risk.
 - In the new year, Shawn will be doing some cash consolidating, closing some accounts, looking for new investments, putting more money in the EEFC, etc.
- How would a sales decline express itself in other ratios?
 - Working capital and cash on hand
 - Net income, sales, and margin. Of every sales dollar, our products cost roughly \$0.635 and our personnel costs are roughly \$0.255-\$0.26, which leaves us \$0.10-\$0.11 to pay the rent, utilities, buy shopping carts, laptops, etc.
 - Days cash on hand is 51 days, which is kept in savings or operating accounts, CDs, and a few small investment accounts.

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- Mia wondered if we should be looking at EBITDAP every quarter.
 - Looking at EBITDAP on a quarterly basis is somewhat irrelevant because we don't have a lot of taxes, interest, or depreciation that contribute to that number. Looking at it over a year perspective is probably a better indicator.
 - Another co-op reports compliance if they were at or above the median of peer co-ops.
- You talked about the importance of buyers on the department's abilities to manage their margin effectively; how has that realization about buyers changed some of your other prioritization, and have you done anything with that knowledge in this quarter and seen any initial results from that? What are we changing as a result?
 - Maura was hoping to have recommendations from the consultants, but is still waiting for their report; a lot of recommendations for remedying are in the report.
 - Loss of sales growth in our supplements and wellness department, which is likely a trend that is happening industry-wide, could be due to inflation, that people eliminate these products from their budget to save money, or discount shop
- What do you use to receive news about sales trends?
 - Maura is in contact with NCG, which includes monthly calls with peer groups and communications coming directly from NCG.
- Can we see sales information by department?
 - Maura stated that we keep it broad and do not get that specific

Decision: Laura motioned to accept the B1 report as non-compliant. Second from Ariel.

Vote: 9-0-0

The Board completed the GM Monitoring Matrix, highlighting strengths and opportunities.

Committee Updates:

Resilience

The Committee has not met since the last board meeting but has a meeting scheduled for 12/22/22.

Finance

During their meeting, The Committee mostly discussed the B1 report. Maura suggested having a session early next year to discuss what possible membership benefits could look like in terms of a financial model.

Board Perpetuation and Elections (BP&E)

The Committee just finished up the election and onboarding of three new board members; it went great. The next step is the Board of Directors retreat, which is scheduled on January 22, 2023. During the retreat, the Board will be having lunch, performing team-building exercises, getting to know one another, talking about board culture, as well as visioning and setting goals for the future. They have been working on committee assignments, restructuring proposals, and updating the committee and officer roles. Outreach is being performed to those who showed interest in the election to ask them to join a committee to continue the work they were hoping to do as a board member. Updates and changes are also being made to the Board of Directors Manual.

Member-Owner Participation (MOP)

Marty reached out to two people who ran for The Board but were not elected: Rebecca Keating (already on MOP) and Gretchen McCormick (plans to join). The Free Fridge project continues as Marty, Liz, and other MOP members plan to visit the Millvale Library. The Committee would like to get input from member-owners early in the process of the expansion project to get them more engaged. A few ideas to get member-owners involved were a survey, an open meeting, and word of mouth in the store. Marty followed up on the idea of providing \$50 gift cards to member-

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owners who participate on a committee, every six months. This was approved in the budget, and the proposal will be sent to Shawn.

Annual Meeting

Marty hopes to book the Frick Environmental Center again this year. He is waiting to hear back if they have adequate indoor space in case of inclement weather.

Policy and Governance

Laura is working on updating policies and practices.

Capital Campaign

This Committee is currently on pause as we focus on our expansion efforts.

Action Items

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

Appreciations

Those in attendance took a moment to share their thanks.

Closing

Next Meeting: Monday, January 23, 2023

Packet submission due: Monday, January 16, 2023

Decision: The meeting adjourned at 9:01 pm without objection.

The Board entered Executive Session at 9:01 p.m. to discuss expansion, committee restructuring, and engaging a consultant and adjourned at 10:16 p.m.
