

SWARTHMORE CO-OP BOARD OF DIRECTORS

MINUTES OF MEETING

January 27, 2014

The meeting, which was held in Swarthmore borough Hall, began at 7:00 PM.

Present were President, Bob Scott, Vice President, Martyn Harding, Secretary, Pam Bartholomew, Treasurer, Michael Markowicz, and Board members Don Delson, Andy Rosen, Carol Savery, Helen Nadel, Karen Shore and General Manager, Marc BrownGold.

The meeting was observed by Lisa Murphy of Collingswood, NJ, who is in the beginning phase of starting a co-op there.

Hillary French attended in order to advise us on the pending change in employee medical benefits. We began the meeting with this discussion.

The decision to change from an 80/20 to a 60/40 payout on medical insurance has obvious cost implications- savings for the Co-op and additional expense for employees. This split is not unusual in the industry and still keeps us true to our goal of providing better than average benefits. Other implications include:

Timing- implementation now or at the next open enrollment period?

Impact on take home pay: do we compensate affected employees with a one time bonus for the extra cost to them?

Hillary asked what the "immediate need" was to the Co-op. Marc responded that the need was not immediate. He had spoken with our representative from Lacher who predicted huge changes likely in 2015 as a result of the ACA (Affordable Care Act). She recommended waiting to see what the experience would be with the enrollment process and with public vs. private exchanges. Hillary also felt that most Co-op employees would likely be eligible for subsidies under the ACA. Additionally, the Small Business Exchange would be operational in 2015.

With January 2015 as our start date, Hillary agreed with Marc that the decision on health insurance would have to be made by October, which meant that the planning process would have to begin in April.

Approval of Minutes

The minutes of the December 16, 2013 meeting were approved on a motion by Carol & seconded by Don.

General Manager's Monthly Update

- General Manager, Marc BrownGold, provided his monthly update to the Board. December was a banner month with record sales of \$600k, the largest sales volume since Marc took over. While triple holidays helped boost the month's sales, industry numbers were off slightly, making this achievement sweeter for the Co-op. Sales continue to be strong in January, up 8%.
- 2014 will be a year in which the Co-op will begin negotiating heavily on food prices. Joining NCGA (National Cooperative Grocers Association) will not only provide volume discounts that Marc calculates could yield \$18k in grocery savings, but also consulting services (live and on the web) that can take the place of CBLD. The Co-op now qualifies to join and Marc feels ready. The cost is an annual \$1000 fee plus .10% of sales which the Board agreed would be covered by savings. A motion was made by Don and seconded by Andy to approve membership in NCGA. The Board approved the motion.
- Department managers want to increase volume purchases which would allow them to be able to offer more significant discounts, but this will require a dry and cold storage facility.
- Marc is negotiating with Swarthmore College to provide dining services for students when their operation is closed. Similarly, the Co-op plans to run joint events with the Scott Arboretum.
- Marc brought the decision to go bagless back to the board stating that not only is it the right thing to do for the environment, but even Giant intends to go bagless by 2015. He proposed that beginning on Earth Day, the Co-op would charge for all bags and will have eliminated them starting January 2015. To minimize shopper inconvenience, cheap (\$1) reusable bags will always be on hand. It was noted that every new member receives a reuseable bag when they join. The Board felt strongly that plastic bags could be eliminated now and only paper bags would be offered for 5 cents. Karen Shore explained that there was no compelling environmental argument for offering paper over plastic bags, but everyone agreed that shoppers would only pay for paper bags. Marc agreed that he would have to begin educating shoppers on the switch to only reuseable bags. The motion to convert to reuseables by January 2015 by eliminating plastic bags now and charging for paper bags until then was made by Don and seconded by Michael. The Board voted to approve.

- BCorp
 Marc presented the idea of becoming a BCorp. He felt that familiarizing himself with the BCorp metrics had already elevated his thinking and would be beneficial to the organization. He also would appreciate the organizational support, consulting services and expertise that come with a membership. He felt that BCorp had given structure to his ideas. Board reaction to this idea was varied. Don felt that this change would represent a major strategic rather than operational shift and as such, should be taken to the LRP committee. Bob's initial reaction was that it could pose a risk with our lenders (which Andy did not see as a problem). He felt that it should be addressed after we refinance. Karen and Martyn questioned whether becoming a BCorp would add value. Would it change the Board's decision making? Is it just marketing value? Carol felt that Marc seeks out the issues that BCorp covers anyway so that spending money to join might not be worth it. Everyone agreed that adding some of the relevant topics (like paying a living wage or the underlying philosophy reflected by product mix) to the annual Board Retreat would be worthwhile.
- Rounding Up!
 Marc proposed using a program called Rounding Up! which many small businesses use to raise money for a cause, as an on going fundraiser for Sunday Suppers. This added revenue stream would help fund Sunday Suppers and possibly make annual fundraising events (which are difficult to plan) unnecessary. A non-tax exempt donation would be made at the register (purchases would be rounded up to the next dollar). Don felt very reluctant to have cashiers ask customers for money at checkout. Bob also felt that cashiers were being asked to do too many things- ask for membership, ask for money for a bag, and ask for money for Rounding Up!. Martyn suggested that it be positioned as a member benefit- that members could be asked to sign up for RoundingUp! so that it would happen automatically when a member number was given at checkout.

A motion was made by Don and seconded by Martyn to approve the Rounding Up! Program. A sign up form will be developed and sent to members with their Annual Meeting materials. The Board accepted this motion.

- "Swarthmorean" Partnership: Marc announced a partnership had been formed with the Swarthmorean in which the Co-op would purchase and pay quarterly for a years' worth of advertising at significant savings.
- Membership grew by 20% in 2013. If this pace continues, we could crack 2000 mark in two years.

- CCMA- Marc felt that he and his staff benefitted enormously from attending CCMA last year. In fact, the Back to Basics program was inspired by what they learned there. This year he plans to take department managers to the annual meeting which will be held in Madison, Wisconsin

Finance Update

- 3 Year Comparison

A comparison of the last three year's sales showed that 2013 yielded a 1.8% increase over 2012. While Total Income did not change, 2013 profits were down by \$70k, mainly because Advertising costs were \$45k higher than 2012. Administrative costs were down \$15k over 2012 so it was the Marketing Labor increase of \$30k that accounts for the increase. Marc agreed to institute advertising cost controls- to figure out how to cap or save in this area.

- Cash Balance

Michael called it "great news" that the cash on hand at the end of December was \$296k. If the cash balance can remain here until April, there will be no need to defer repayment of our member loans.

- Business Manager Search

The business manager position was posted and resumes are coming in. Don suggested that the Finance Committee plus Marc and Andy make up the Hiring Committee. Andy has a suggested process for evaluating /screening the resumes.

- Member Loan Deferral

Bob met with our largest member lender who agreed to defer part or all of the \$42k he had lent to the Co-op. Three/4 other member loan holders (worth \$35k ZZZ+25) also agreed to defer repayment if necessary. No one was positive whether the loans were due in April or June, but the decision on whether we need to defer must be made 2 months in advance so that the appropriate legal paperwork can be sent out.

Karen Shore commented on the performance of the Grocery/Dairy/Frozen product categories observing that the lower performing categories are always those in which the Co-op cannot differentiate itself from its competition on quality & has to compete on price. She suggested that we address this issue in our Board Retreat. Marc responded that he already sees improvement in those categories with the new grocery manager and would like to give him some more time to implement his ideas.

GM Monitoring Reports

- B7 Co-op Premises

On a motion by Don and a second by Michael, the Board agreed that Marc was in compliance with B7. The Board approved.

- B-Global Executive Constraint

Carol made a motion seconded by Martyn to accept the report. The Board voted to approve the motion.

Board Process Self-Monitoring

- C-Global Governance

Board found itself in compliance with this report on a motion by Don and a second by Bob.

- D- Global Board-Management Connection

The Board found itself in compliance on a motion by Don and a second by Bob.

Information Sharing and Discussion

- Nominations

The four current board members whose terms are expiring have elected to run again. Bob Scott will run for Ron DiSantis' unfilled vacancy and Don Delson, Andy Rosen and Karen Shore will be on the ballot.

A discussion followed about whether 9 or 10 was the best number of board members. Consensus was that we needed more than 9 members and that there was really no risk of a deadlock with 10. Therefore, in the 2015 election we will add a candidate to get the board to 10.

Bob Scott does not want to serve as president next year, so nominations will be accepted for every office. Carol Savery and Bob Scott are serving as the Nominating Committee.

- Long Range Plan Chapter Updates:

Don will complete the editing of the draft chapters by the February meeting.

- STCR Data Mining and Member Survey

As membership committee chair, Pam reported that STCR had finally given an estimate for setting up the capability to separate and report our sales data by members and non-members. This capability is key to understanding our business as the growth of members is a key component to volume growth at the Co-op. The underlying premise of the membership strategic plan is that we need to understand the difference between what members and non-members buy (in total and by

product category) in order to understand our current business and to know how to market to both segments, hopefully growing the membership. This data should be vital to the board in setting strategic direction and understanding and to Operations in targeting specific marketing/promotion efforts and being able to measure their success. That being said, STCR's cost to provide this reporting is \$2400 which was surprisingly expensive. Pam proposed the trade-off of switching the activities in the LRP & doing a customer survey this year (IF it's less expensive) and getting the member/non-member sales data in 2015. Marc explained that there are other data reporting services besides STCR, but that the Co-op is under contract with them until 2015. He plans to talk to other co-ops at the CCMA conference in June to see whom they use besides STCR.

Board members were still interested in pursuing this reporting capability provided the \$2400 got us all of the info we really need. Marc questioned whether having that data was worth its cost. Pam, Marc, Martyn and Karen will review the STCR proposal and capabilities and make a recommendation at the next meeting.

Don made a motion that was seconded by Karen authorizing Pam to contact STCR and clarify exactly what the \$2400 will buy. The Board approved.

- Education committee

Helen reported that the Greens class was a success, from full enrollment of 15 participants to satisfaction with the Swarthmore Presbyterian facility.

Spring offering include: Puff pastry in April, Syrian food in March and a class in Indian cooking . Plans are in the works for summer classes as well.

- Sunday Supper Winter Fundraiser

A "Purchase a Plate" fundraiser is planned for 3/29/14 at the co-op with an "In like a Lion/Out Like a Lamb" theme. It will take place outside at the Co-op with fire pits and music, and of course, lamb on the menu. Sponsorships are being solicited at the \$50, \$100 and \$250 levels. Organizers (Helen, Karen and Marc) asked that each Board member solicit 5 sponsorships. They will provide literature to give to potential sponsors. Helen said that last time 98% of local businesses supported the fundraiser! A total of \$2200 was raised for Sunday Suppers.

Don asked what the fundraising goal was, explaining that having a goal was important even in soliciting support. Karen pegged \$3600 as this year's goal. The hope is that if we raise more than the \$2400 annual budget, we can decide to hold an event because it's fun rather than needing to do it every year for the money.

- 501C-3

There was no report at this time.

- Annual Meeting

Secretary, Pam Bartholomew, asked what the timing and mailing list specifics were for the Annual Meeting schedule for 4/24/14. She will be out of town until 3/10/14 and requested back up. Marc thought that Operations Mgr, Sara Yoo had the mailing list and Bob was going to check on the timing of the mailing. Pam will share the specifics before she leaves.

Review of Action Items

- Anthony will create a card to insert in the Annual Meeting mailing asking members to sign up for the Rounding Up! program.
- The Finance Committee plus Andy Rosen will form the Medical Benefits Task Force
- Business Manager candidate resumes will be reviewed by the Finance Committee plus Andy
- Board members will email their nominations for Board officers to Bob and Carol.
- Pam, Martyn, Karen and Marc will review the STCR estimate.
- Directors will solicit 5 sponsors each for the Sunday Suppers fundraiser.
- Don will edit the LRP chapters.
- Karen will follow-up on the 501C-3 requirements.
- Bob, Pam and Sara will work out the logistics of the Annual Meeting mailing.

Adjournment

The meeting was adjourned at 9:35 PM. An Executive Session followed.

Next Meeting

The next regular meeting will be held on Monday, February 24 at 7pm in the Community Room of the Swarthmore Borough Hall.

Respectfully submitted,

Pam Bartholomew
Secretary

Documents for the Meeting

Co-op Board Agenda 1/27/2013

Co-op Board Minutes 12-16-2013

GM Report- December 2013

2013 Co-op Year End 3 Year P&L

End of Year 2013 Membership Report

Co-op December 2013 Income Statement

Co-op December 2013 Balance Sheet

GM Monitoring Reports: B7 & B-Global Executive Constraint

Marketing Director Report December 2013

BCorp dox

NGCA

Leader- winter 2014

Media Kit2

