SWARTHMORE COOP BOARD OF DIRECTORS

MINUTES OF MEETING

JULY 22, 2013

The meeting began at 6:30 p.m. We started in Swarthmore Borough Hall and relocated to 308 Maple Ave. in Swarthmore because the meeting room had been double booked.

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

1. Approval of Minutes

The minutes of the March 25 Board Meeting, the April 18 Annual Members’ Meeting and the May 20 Board meeting were approved on a motion by Helen and a second by Carol Savery.

2. General Manager’s Monthly update

General Manager, Marc BrownGold, provided his monthly update. Though industry -wide sales are down, Coop sales are up slightly- $12k increase for the month and a $50k increase for the year. Recent improvements in Fresh Foods sales were welcome- Last week Prepared Foods sales were double the previous year’s, hopefully indicating a turnaround in that department (Deli, too, posted a significant comeback).

**Grocery, Dairy & Frozen** continue to underperform. Marc has identified management issues rather than the recent price reductions as the cause.

**Meat** dept is back on track having corrected the improper coding that was misattributing sales to another department.

**Seafood- “**Coop Certified” is so well received in other depts. that they are planning to add it to the Seafood as well.

At a coop meeting in Brooklyn, Marc presented the “Coop Certified” concept to “HOW GOOD”, a marketing consulting company. The concept has generated significant interest from other co-ops wanting to copy it in their stores. Marc is working with How Good to develop COOP CERTIFIED signature brand that could be applied to qualified products in co-ops across the country.

**Bulk and Spices** have continued to generate strong sales.

With recent changes in personnel and management, Marc has decided to postpone the installation of a hot food station in the front of the store to next year. He wants his new personnel in place & comfortable before they introduce another significant change to the store set up.

**Staff**- In Fresh Foods Ed will manage both Prepared and Deli from the chef’s position. A new hire, Brendon, will assist Ed as well as manage Bakery.

Natalie is a new hire who will run the Cheese Dept., reporting directly to Marc.

3. Finance Report

In Michael’s absence (newly appointed Treasurer following Ron DiSantis’ resignation), Don Delson gave the Financial Report. At the end of June, sales were up 2% compared to the first half 2012. Projections for the second half of the year were revised from 6% sales growth to 3 1/2%.

The **2013 Budget** has been revised upward based on first half actual expenditures. Sales are forecast at $5.75MM with a profit of $94M.

Don questioned the Employee Discount line item which increased to $26k. He questioned the wisdom of allowing such a generous discount (20% off purchases and a 50% meal discount on work days) which in the end accounted for almost 20% of the store’s projected profit ($94k). A discussion followed on the pros and cons of limiting the discount or capping it. The value of the discount has to be measured in more than financial terms. In addition to representing a significant benefit to the employees (which might contribute to their retention), it also allows them to buy products at the Coop that they probably couldn’t otherwise afford. Employees who have first hand knowledge of the products and can recommend them add value to our shoppers.

Marc commented that the discount wasn’t actually 20% of the cost because there is about a 30% margin added. The Finance committee will verify that the discount amount is accounted for correctly.

The Finance Committee strongly recommends that we immediately hire a financial professional as a Business Manager reporting to the GM. The cost of this position should not be subtracted from the metrics on which the GM’s bonus is calculated/performance is evaluated so that he is not penalized in any way by the expenditure on the new position. Half of the new salary can probably be made up by offsets in current staffing: the elimination a part time marketing position, reductions in the cost of FMS because the Business Manager will be able to perform some of its functions, and possible reductions to the bookkeeper’s hours, again because the Business Manager will take over some of those duties.

A resolution to hire this Business Manager was proposed by Don and seconded by Carol. The Board approved the resolution.

The committee will develop an appropriate job description and begin the search process. Michael and Marc will interview candidates.

Lastly, the issue of Member Loans was addressed. Payment of $190k in member loans is due in 2014. Since we have now decided not to refinance the Coop mortgage, the option of rolling that debt into the refinance is not possible. It was decided to wait until January or February of 2014 when the year end numbers are finalized before deciding whether to pay the member loans, defer them, or use a line of credit to pay them.

4. GM Monitoring Reports

 A- Global Ends

Suggestions were made to add specific data from the most recent Employee Survey to support the claim of store morale and engaged employees as well as Market Basket data to support to the ZZZZZ. Helen asked for clarity in the description of community engagement and education.

Andy moved for approval and Don seconded. The Board approved the report.

B6 Staff Treatment & Compensation

It was suggested that Data from the 2013 Employee survey be added to substantiate claims in sections B6-2 and B6-7.

Marc could not be in compliance with B6-4 because the compensation study is not yet complete. Andy Rosen will revise the language in that section and follow up on the status of the study.

Don moved to accept the report with the proposed changes to be reviewed in October and Andy seconded. The Board approved the report.

B-8 Communications with, Counsel to, and Support of the Board

The GM was in compliance with all of B-8 but B8-8. His inability to decipher what B8-8 meant and how to comply led to the decision to strike it from the Policy. The Governance Committee will address this. Andy’s motion to approve was seconded by Don. The Board accepted the report.

B-10 Conflict of Interest

Marc found that he was in compliance with all areas. Andy moved for approval and Carol seconded. The report was approved by the Board.

5. Board Self Monitoring Reports

C-5 Director’s Code of Conduct

In order to comply with this policy, the directors had a roll call for any conflicts of interest. The following conflicts were disclosed:

Bob Scott Swarthmore Borough Solicitor

Don Delson Publisher of the “Swarthmorean” , Director of WSFS

Helen Nadel employed by Greener Partners

Karen Shore employed by Food Trust

Don moved to accept the report and Andy seconded. The Board accepted the report.

C-6 Officers’ Roles

The Board found that we are in compliance in all areas. Helen moved to accept and Pam seconded. The report was approved by the Board.

6. Other Business

Don moved to accept the resignation of Ron DiSantis from the Board and from the office of Treasurer. Bob seconded. The Board approved the resignation.

Michael Markowicz was nominated as Treasurer. Helen moved to accept his appointment and Don Seconded. The Board approved.

7. Information Sharing & Discussion

\*A lengthy discussion of the usefulness of the policy governance model followed. From both the GM’s perspective and the Board’s, policy governance is proving to be an ineffective framework and blunt instrument for communicating to the Board what Marc feels is important to know. The required structure of the monitoring reports (statement, interpretation, data) is an artificial framework that makes it more difficult for the GM to communicate what’s really going on in the co-op. After 2 years of strict adherence to the Policy Governance model, Marc and the Board would like to change the structure of the reports to a format that is easier for Marc and more informative to the Board. Policy Governance has been very useful in ensuring that we haven’t missed anything, defining the parameters of the GM versus Board responsibilities, and defining the limits of the operation, but its cumbersome structure creates busy work that we no longer need to do to be compliant.

Lisa Aaron who is on the Governance committee, suggested that Marc give the committee his suggestions of ways to” tweak” the reports, making them less artificial. Including more data in the monitoring reports is a goal that everyone agreed is desireable.

Helen envisioned a more collaborative Pol Gov relationship between GM/Board where they two entities would be more like “thought partners”.

\*The Finance Committee and GM will begin to work together more closely. They will meet quarterly instead of just 4-6 times per year. The addition of the proposed business manger will aid the closer relationship between the GM and the Finance Committee.

\*Data storage : Using the “cloud” for storage of board documents and historical data was discussed. Pam will investigate how the Coop currently uses the cloud and determine if it’s appropriate for the Board too.

8. Action Items

1. Michael & Marc will investigate the accounting of employee discount program.

2. The Finance Committee will look into the accounting detail of how to allocate the cost of Ed as mgr of both the Deli & Prepared Foods departments.

3. Andy will revise the language of B6-4 and report on the status of the compensation study.

4. B-6 will be reviewed in Oct. when compensation study is complete-Andy

5. Strike B-8 from policy- Governance Comm.

6. Strategic Plan Progress- Martyn will send new assignments

7. Report on data storage on the Cloud-Pam

9. Adjournment

The meeting was adjourned at 9:15. An Executive Session followed.

10.Next Meeting

The next regular meeting will be held on Monday, August 26 at 7pm in the Community Room of Swarthmore Borough Hall.

Respectfully submitted,

Pamela Bartholomew

Secretary of the Board of Directors

11. Board Meeting Materials

\*Coop 2013 Budget (revised)

\*Coop Board Agenda

\*Coop Board Minutes 3/25/13 & 4/18/13 & 5/20/13

\*Coop June 2013 Balance Sheet

\*Coop June 2013 Income Statement

\*GM Report

\*Ends Report

\*B6 Staff Treatment and Monitoring Report

\*B8 & B10 Monitoring Reports

\*Marketing Report, June 2013

\*June Memberships 2013