

Swarthmore Co-op Board
Monday November 25, 2019
Community Room – Borough Hall
Meeting Minutes

In attendance: Donna Francher, President; Jill Gaiieski, Vice President; Stephanie Edwards, Treasurer; Mark Rossi, Secretary; Barbara Amstutz (phone); Greg Bockman, Kevin Kebea, Lori Knauer, John Moots, Jennifer Smuts, Mike Litka, General Manager

Absent: Ines Rodriguez

7:00 Call to Order / Agenda Review All
Donna presided, called the meeting to order and reviewed the agenda.

7:05 Approve Minutes of October Board Meetings All
Greg made a motion to approve the minutes of the October meeting. The motion passed unanimously.

7:10 General Manager Monthly Update Report Mike

Events/Donations/Outreach/Marketing

- Preparations are made and orders processed for Thanksgiving
- Home for the Holidays 12/7 events in the works: craft demo by Compeer, dreidel class.
- Cookie Exchange set for 12/14
- Marc Schmitt will be doing pop-up events in the store from December through March for Waffles for Tourettes.

Facilities

- Mike noted equipment replacements/costs:
 - o Dumpster: \$3,450
 - o Pin pad: \$2,700
 - o Deli scales: \$4,800

Operations:

- The focus since last meeting has been on Thanksgiving orders and replacing equipment

7:30 November Finance Update Mike

October Summary: Mike noted the forecast for October is off significantly because comparisons are with 2017 (not 2018). This is because we did not have monthly data for 2018 and relied on quarterly data from 2017 to produce the fourth quarter forecast in 2019. We expect to be down 4% overall. December results will include both Thanksgiving and Christmas because Thanksgiving is in late November this year. Sales were off budget by \$45,187.62
Net loss for the period was \$7,456.92

B-1 Monthly Update from monthly financial reports

Sales are down \$16,620 from 2018 to 2019 for the month of October.
Net loss for the month is \$7,456; Year to date net loss is \$38,008.37.

7:45

Board Decisions

All

2019 Profit Sharing

Despite all of the efforts to manage costs, the Co-op will likely not achieve a profit in 2019, largely due to the unforeseen expenses needed for recent equipment failures. This will likely negate the profit sharing to employees that was discussed at the October board meeting.

2020 Budget

The Board addressed the 2020 budget. Stephanie presented a document that proposed budgets based on two scenarios: One with operations remaining and “business as usual”, the other projecting the profit and loss with the addition alcohol sales to the mix.

Scenario 1 Discussion:

If business continues “as usual” the Co-op will realize a \$130K loss in 2020, based on the current trend of sales declining 3% each period.

The primary issue impacting operations and budget is the likelihood of continued equipment failures. The building is nearly 20 years old. When the store opened, some of the installed equipment was brand new, but some equipment was used. Much of the equipment in the store is now approaching the end of its useful life. The equipment failures of 2018 and 2019 are likely to continue and the budget needs to address how we will deal with failures when they occur.

Mike cited the potential failure of refrigeration equipment. Failure of the deli case alone would cost \$80,000. Without available repair funds this would put the store out of business.

Donna questioned whether a budget category could be set up in advance to account for equipment failures. Mike noted that the refrigeration equipment currently is connected remotely to roof compressors, and that newer types of systems that are now available could cost less to operate in the future, but we would still be faced with replacement and installation expenses.

There was discussion about whether the store would carry less refrigerated items in the future, meaning that some refrigeration equipment would simply not be replaced. Mike noted that this would be a significant decision. The meat case was replaced in 2010. It is possible that the meat selections would be changed to all “grab and go” vs. the current configuration. Such decisions would be complicated and have to be carefully thought out in the event of a significant equipment failure in 2020.

Scenario 2 Discussion:

Adding alcohol sales by Q2 would allow the Co-Op to realize a profit in 2020. It is assumed that alcohol sales will be 8 percent of sales, based on industry

trends. Sales of beer and wine are becoming commonplace in food venues, e.g. Acme in Media and Ridley, Wawa outlets, etc.

It is also believed that the sale of beer and wine in the Co-op would drive other store sales and help to address equipment replacement/repair issues. Beer and wine could be sold unrefrigerated under refrigeration equipment is replaced and/or repaired.

The Board agreed that it is unknown today if beer or wine will be sold in 2020, so it is impossible to choose the Scenario 2 budget proposal.

Circling back to Scenario 1, the board discussed whether it may be possible to budget for smaller sales losses in 2020. John noted that the Finance Committee budget estimated a 3% sales decline. Should we consider something that is less severe? Can we break even with a 1% or 2% can we come up with something that is less severe?

Mike expressed concern that if nothing is done the business will not be able to sustain itself. Labor cost are huge, roughly 21% to 22% of operating costs. It would be difficult to run the current departments if the work staff was reduced.

Donna proposed that rather than passing a budget for the entire year, the Board could approve the Scenario 1 budget for the first quarter and monitor where we are at the end of March 2020. This would provide a foundation for the presentation of the Co-op's financial position at the member meeting in April. Additionally, the freezer repair work will be completed in January 2020 and we will have more data about our financial position. Our results at that time would help in the establish budgets for the remaining quarters of 2020.

Board members agreed that communication with the owners will need to address the difficult financial decisions that lay ahead. The store will break even in 2019, but 2020 will be especially difficult. Owners need to know this, including the worst case scenarios.

Action: John made a motion that the Board should approve Scenario 1 now, followed by an intensive review of finances in late March so the budget can be revised at that time.

The motion was approved unanimously.

8:30

Board Accountability

- **D2: GM Accountability**

- The Board shall evaluate the GM's overall performance and any incentive arrangement related to the performance of the Co-op as written in the Ends.

It was noted that the GM's incentive arrangement needs to be updated.

- The Board will not instruct or evaluate any employee other than the GM.

Stephanie made a motion that the Board is in compliance, Donna seconded the motion and motion passed unanimously.

8:41

Discussion

All

- **Small Business Development Center** **Jenn**
Jenn raised the availability of the Small Business Development Center at Widener via Kim O'Halloran to assist the Co-op. Mike noted that there was previous contact there and that nothing came of it.
- **Recruitment of New Board Members** **Greg**
Barbara will be moving off the board at the end of her term in April 2020 and Jill will resign from the Board before serving her third year of her term. Jill's position will need to be filled for the third year and two new Board positions will be filled for three-year terms beginning in 2020. Action: Greg will take the lead in the recruitment process. All Board members should be on the lookout for potential nominees. Board members should consider the important skills of new Board members that will round out the current skills of the Board.
- **CBL 101 Board Training** **Donna**
Donna noted Saturday, February 1, 2020 for the day-long Board training session, to be delivered in Swarthmore. More details (time and location) will follow.
- **December Board Meeting Location** **Mark**
Mark noted that the Community Room is not available for the December 16, 2019 Board meeting. Rather than meeting in the Children's Activity Room, Mark suggested having the meeting at the Co-op at 7 p.m. Mike will check on this and let the Board know. Final location will be communicated in advance of the meeting.

8:55

Adjournment

Next meeting: December 16, 2019

November 25 Board Meeting Documents

Board Meeting Agenda – November 25 Board Meeting
Board Meeting DRAFT Minutes – October 28 Board Meeting
General Manager Monthly Report – November 2019
2020 Budget Summary (PDF)
2020 Budget – Excel
2020 Budget – Excel, with Beer/Wine sales
Actual vs. Budget Board Report – October 2019
Board Graphs – October 2019
Income Statement – October 2019
Cash Flow Statement – October 2019
Balance Sheet – October 2019
13 month rolling income statement, Parts 1 and 2
Monthly Sales, October 2019 vs. October 2018

