

**Swarthmore Co-op Board
Meeting Minutes
Monday, July 27, 2020
Via Zoom Teleconference**

In Attendance: Donna Francher, President; Chris Galbraith, Vice President; John Moots, Treasurer; Mark Rossi, Secretary; Greg Bockman, Stephanie Edwards, Kevin Kebea, Vibhat Nair, Ines Rodriguez, Lauren Shoet, Jennifer Smuts, Mike Litka, General Manager

Absent: Jim Godderz

The existence of this member-owned market means that Swarthmore and its surrounding communities will be healthier and more vibrant, the local food system will thrive, and meaningful connections will be between member-owners, customers, and workers in a welcoming environment.

7:05 Call to Order / Agenda Review All

7:06 Approve Minutes of June Board Meeting
Greg made a motion to approve the minutes of the June Board meeting as written. The motion passed unanimously.

7:07 Member comments
There were no members present. Donna and Mike noted that meetings are being publicized to members. They can request an invitation to join via Zoom.

7:08 General Manager Monthly Update Report Mike

Mike updated the Board on the July 24 announcement that an employee had tested positive for COVID-19. This message was sent to members and customers on our mailing list, and is also on the website. Several employees who were in close proximity to the affected employee are being tested. A few have already tested negative and we are awaiting results for others. The store hours continue to be adjusted as needed, and we are moving staff around to fill open places in the store.

Events/Donations/Outreach/Marketing

- Owner Appreciation weekend is planned for 8/8 and 8/9.
- The Truck-A-Thon has been cancelled. Participating trucks have had their \$250 entry fee refunded.

Facilities

- The Co-op has started working with a new composting service based in Plymouth Meeting.
- Work is continuing on upgrading the scale system to communicate with the point-of-sale system.

- Today we learned that two remaining original refrigeration motors on the roof are running at only 30 percent efficiency and will need to be replaced.
- As a result the fiscal inventory has been postponed, although we did run quick inventory audits for major items.

Operations

- **COVID Response:** The store continues to respond to the need for online shopping and delivery and has completed over 4,500 product orders online. We've added a permanent sign at the corner entrance directing customers to the side entrance. We are also looking at options for installing a full-store tracker program. There are many choices at many price points. Some may be more than we would need. For example, a camera system at the entrance would cost \$2,800. That may be to overkill to install and it may upset customers. The primary goal is to keep customers safe in the store. The issue is that whatever happens outside the store cannot be prevented.
- **The PA Hazard Pay Grant application** was completed on 7/22, it calls for \$3 per hour premium over next 10 weeks.
- **The new Directors and Operators insurance policy** will take effect in September, we are bidding out these policy away from Great American, which chose not to renew our policy.

7:30

Finance Update

Mike

- **Summary:** Mike presented the June budget numbers, noting that sales were up by 21%. Cost of Goods, Gross Profit were all over budget. The net loss for the period was just \$2,837, which is reasonable.

John asked if there are signs that sales are dropping.

Mike replied that we did \$97,000 for the week last week. Customer counts are down but basket size is holding well. For example, yesterday we were at \$11,400, compared with \$12,800 last year, but with many less customers than we had before.

- **Owner suspensions for non-payment:** Mike noted that there is a need to address the equity of members who joined under the old \$5 incremental membership program and never completed their payments. We are in year six for these people and for more than two years we have been trying to obtain remaining payments to complete their full equity ownership membership. We have sent out ongoing communication with very little response and need to address this to "clean up" our books.
 - **Discussion:** The board and Mike discussed the options to address this issue. It may be best to cancel the partial memberships and move this money to the operations budget. It has been very cumbersome to track and follow up on this segment. Stephanie asked if there is a total dollar amount and Mike replied that we don't have a clear number but it is not very much. Some members only paid up to \$15. Most contributed less than \$100. Memberships are not refundable unless people complete their membership. Vibhat asked if we would be basically removing

these folks off the equity budget, and Mike answered yes, and asked for the authority to make this accounting change.

- **Action:** Donna made a motion to move cancel the incomplete memberships and move partial dues money to the operations budget. Lauren seconded the motion and it passed unanimously.

- **One Card Update:** Jennifer reported that Anthony and Anita from Swarthmore Town Center are organizing a merchant meeting related to the college's "One card" program on Monday, August 17. It is understood that the One Card program is being done away with for this year. The Board discussed how this could affect our operations. The results will depend on what the college is doing in response to COVID; it is not entirely clear in the currently fluid environment. Mike is in touch with Anthony at the college and will keep the Board apprised.

- **Member refunds:** Since the application for the liquor license has been posted, there has been one request for a membership cancellation and refund.

- **Ongoing COVID-19 Impact on Operations:**

Discussion: Greg questioned how the reduced operating hours and employee testing is affecting operations and suspension of home deliveries. Should we hire more employees so we can continue to strengthen our home delivery business? Mike replied that he is concerned about having too many people on the floor with not enough to do, and would prefer to run lean and efficiently. Vibhat asked if there are other ideas or solutions. Mike noted that the reduction of morning store hours has been put in place since customer traffic has been dropping at that time anyway. The same issues apply in the late part of the day. Mike noted that yesterday the store stayed open until 7 p.m. and only three customers came in after 6 p.m. For now, Mike would like to keep the hours as they are but we will reevaluate it as we move into the fall months. Another area of focus will be how the LCB rules will affect the management structure once beer and wine sales would commence. Mike is the designated manager, and we will be looking at the structure of the management team in the coming months.

7:45

Co-op Principle 4: Autonomy and Independence

Donna presented the fourth cooperative principle.

Cooperatives are autonomous, self-help organizations controlled by their members. If they enter into agreements with other organizations, including governments or raise capital from external sources, they do so on terms that ensure democratic control by their members and maintain their cooperative autonomy.

Discussion: Donna asked the Board whether we are doing enough with adhering to this principle or we missing anything. The organization is

“democratic” ... we’d like people to come to our meeting meetings, which is why people we invite people to attend on Zoom.

Ines noted that recently we have reached to members (e.g. capital campaign, freezer repair) more than in previous years, which is good. We are contacting members when we need help, and this is engaging and drawing them closer to the business. We do go to the members as much as we might go to outside institutions, and we should not feel bad about doing this, because we are being transparent. We want to reach out whenever possible and be sure that members are involved in our solutions. We want them to be engaged so they fulfill their responsibilities as owners. Vibhat noted that if we can sustain things on our own within the membership, it is better than having to go to others for help.

Donna concluded that we have to continue to pay more attention to how we involve owners in the business.

**7:55 Board Monitoring C5: Directors’ Code of Conduct
C6: Officers’ Roles**

C5: Directors’ Codes of Conduct: Ines reported that everyone reported in the Board survey that the Board is compliant. There were no comments other than we need to be sure that new board members are onboarded promptly. This session is being arranged now.

Jenn made a motion to accept that the Board Officers are compliant with C5. The motion passed unanimously.

C6: Officer Roles: Ines reported that everyone reported in the Board survey that the Officers are compliant.

Jenn made a motion to accept that the Board Officers are compliant with C6. The motion passed unanimously

7:56 GM monitoring: B8: Communications with, counsel to, and support of Board

Mark made a motion that the General Manager is in compliance with B8. The motion passed unanimously.

7:58 Conflict of Interest Mark

Mark reported that all Board Members responded to the annual “Conflict of Interest” statement for 2020. Board members are required each year to state if there are any potential conflicts of interests in their roles. The Conflict of Interest Statements are attached to the minutes and posted in Backpack.

8:00 Discussion

- **Hazard Pay Grant:** following up on Mike’s report, the \$3 hazard pay grant goes on top of what we previous increase the Board approved. Staff will have an hourly increase of \$4.00 for up to 10 weeks, or \$1,200.
- **Beer and wine update**

Kevin presented the “work in progress” plan for the sale of beer and wine. Highlights/key points:

 - The Board committee and Mike are now creating a strategic plan to address the steps/tactics we need to work through.
 - There are multiple choices and directions to address.

- There are various scenarios that can unfold, dependent on budget and timeline.
- This will be a multi-year plan; we will need to know how to fund the rollout over time. Understand the consumer what do they want.
- Here's what's being addressed now by the committee:
- Understand the industry – beer and wine in retail.
- Beer and wine trends...who is the customer. What do they want?
- How do we integrate specialty products into the mix, e.g. craft beer.
- Swarthmore21 surveys might help.
- What is the competitive landscape?
- What is our geography?
- Who do we aspire to be?
- Challenges: What comes out of the plan? What roadblocks may we face?
- A big piece of the plan is site design: What are we going to do? We have great input already, which helps? What will the store look like to allow us to have space we need?
- What will the merchandising look like?
- We will adopt a “good, better, best mentality” to confirm what will change.
- Training is a big deal....we have to become expert in a new category, e.g. What are the resources? Do we “card” people? How do we “run” this segment of the business? What are the IT implications?
- What will be the product assortment? How will we be working with more vendors? we will need 7 vendors to support this change.
- How will price work, both “in the door” and “out of the door”?
- Hours of operation...do we change things as we are selling?
- What is the impact on payroll and labor?...how do we handle it?
- Overall financial discussion will tie in to the work of the Finance Committee.
- Mike is working on the equipment choices, site design, merchandising... what will work?
- What are the food service opportunities? Do we do more with food service? Do we do appetizers and go from there? Do we offer a bite to eat and then people can shop?
- Outside of beer and wine what do we offer?
- Back of house.....where do we store things??
- To prepare, we are approaching this effort as a phased implementation: 90 days, 1 year, 3 years.

Discussion: The Board thanked Kevin and the team for this comprehensive presentation. John asked Mike if we had a picture of what things would look like on Day 1? Do we still have to work through that?

Mike replied that LCB will send a handler to evaluate the steps between getting license, and selling. Part of this evaluation is the site design. Some handlers some are more flexible than others. They have a lot of leverage. For example, we may not be able to do refrigeration up front. Maybe we start without the refrigeration.

Kevin noted that tactical decisions (e.g. 12 foot cooler) need to be answered. Then we can impact “vibe” of store.

Regarding timing: Kevin and Mike noted that we can have product in a week.

John commented that we can change things, correct? Mike replied that we should have a good idea of the schematic up front. For example: We can do 12 – 16’ run of wine with five shelves that would give us 450 kinds of wine. They would help with product selection and everything. Mike is in touch with a family run business in Bucks County that will guide us with this work. Right now the options for refrigeration equipment, cases, registers, lighting shelving are all being addressed. We will also address what fixtures will be necessary. The basic schematic will cost about \$15,000 using existing registers.

Mike suggested that we start smaller and then “upsized” as needed. Vibhat noted that numbers of what the investment would be will depend on inventory amounts.

- **Mortgage Refinancing**

The Finance Committee met with Bob Long from PNC bank to discuss the refinancing mortgage and he offered some suggestions for how to get more out of the mortgage.

John noted that in 2024 the mortgage payments will balloon under the current mortgage. Can we take advantage of the favorable rates, can we take money out to find investments? Will be reaching out between now and the next meeting to explore options that meet our goals? The Board will continue to address this topic in the coming months.

- **Onboarding of new Board members:** Donna is arranging for a Zoom orientation for Jim, Vibhat, Lauren and Chris. Donna, John, Ines and Mark will take part. This session will take place before the Board meeting. New members can also go through online CBL 101 training with Columinate. PACA also is doing online training. Donna will look into this option as well.

- **Committee updates**

- Jenn noted that the owner engagement committee will meet tomorrow. There will be ideas generated for what can be done in a COVID environment in which the traditional events cannot take place. There is a new Co-op Bread Making group led by Beth DeBruyn. The committee will also be considering ideas of owner appreciation events.
- Mike reported that the Co-op has again been nominated for the “Best of Delco” by the Daily Times. We will be looking to get votes for this high visibility contest.
- The Co-op is the recipient of the Swarthmore Rotary Club’s “Merchant of Year” and has named Donna “Person of the Year” for her work in support of the Co-op. Congratulations!

8:35

Adjourn

Donna made motion to adjourn the meeting and the motion passed unanimously.

Next meeting: August 24, 2020

July 27 Meeting Documents

Board Meeting Agenda, July 27

General Manager Monthly Report – July

Board of Directors Conflict of Interest Statements

Draft Minutes – June 22 Board Meeting

B8: Communications with Board Monitoring Report – July 2020

Actual vs. Budget Board Report – June 2020

Sales and Income Graphs, June 2020

Co-op Income Statement – June 2020

Co-op Cash Flow Statement – June 2020

Co-op Balance Sheet – June 2020

13-month Rolling income statement, June 2020, Parts 1 and 2

Co-op 2020 vs. 2019 Sales