

Swarthmore Co-op Board Meeting

Minutes

October 25, 2021

Via Zoom

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 forged between member-owners, customers, and workers in a welcoming environment.

In Attendance: Donna Francher, President; Greg Bockman, Vice President; John Moots, Treasurer; Mark Rossi, Secretary; Stephanie Edwards, Kevin Kebea, Vibhat Nair, Lauren Shohet, Mike Litka, General Manager

Absent: Ines Rodriguez, Jim Godderz

Member Owners: Ira Josephs

Call to Order / Agenda Review

Donna called the meeting to order at 7:35 p.m.

Review/Approval of September Meeting Minutes

There were no changes or questions related to the content of the draft minutes of the September Board Meeting. Lauren made a motion to approve the minutes as written and the motion passed unanimously.

Member Comments

Ira Josephs, a member/owner, joined to the meeting to hear about what is happening with the Co-op.

General Manager Monthly Update Report

Mike provided an update to the Board:

The store continues to be busy and this is reflected in our sales that have been averaging about \$130,000 per week. Sales last week were \$126,000. Last year for the same period, we were at about \$85,000 per week. Even without the sales for beer and wine sales, which were not there a year ago, store sales are up.

As reported last month, the greatest challenges we are facing are related to items in short supply due to national supply chain issues and being short staffed. Inflation is affecting prices of many items from suppliers, and this is leading to higher prices in the store.

Examples: Turkey prices are up this year over last year. Ocean Spray has a shortage of cranberries, candied yams and canned pumpkin are in short supply.

We are also in the process of hiring new full-time and part-time staff. As with so many businesses, it is difficult to fill open positions. We are using a combination of promotion from within, the *Indeed* internet staffing service and past interviews as we seek to fill positions and become more efficient.

Other highlights follow:

Events/Donations/Outreach/Marketing:

- We are working with Swarthmore Town Center on several events in conjunction with Swarthmore Recreation Association

Facilities:

- All equipment has been repaired.
- We have added an “auto slicer” to improve efficiency in the deli.
- The soup station is now live.

Operations:

- Holiday menu will go live on 10/31.
- We have just launched Co-op Gift Cards (no more paper gift certificates).
- Two deli team members were lost due to behavior/conduct issues.
 - Deli hours are being adjusted for the next few weeks and staff from other departments are assisting.

Financial Summary to Budget:

- Sales, cost of goods, gross profit, wages, taxes/benefits, supplies, marketing, occupancy and administrative costs were all over budget.
- Net Gain for the period was \$40,601.37, \$11,739.54 better than plan.

Discussion

Mike’s report, and in particular comments around staffing shortage issues, generated some discussion among the Board members:

- Vibhat asked if there is an opportunity to increase pay for a reduced staff so that a smaller staff would help with productivity. In other words, can we do more with less people?
- Mike responded that it is not an optimal time to do this as we move into the busy holiday season. He noted that people are being moved around within the store to meet areas of greatest need.
- Lauren asked Mike if we are planning to issue requests for volunteers to help during the busy season. Mike noted that we will do so in “What’s Fresh” and owner emails.

- Donna asked if there is any one thing that is driving up sales. Mike replied that it is general. Beer and wine continue to be \$10,000 to \$11,000 per week and we are still averaging over \$20,000 per week across the store.

Mike reported that certain areas are doing especially well. Deli is at \$16,000 to \$17,000 a week compared with \$8400 a week. Specialty snacks and desserts have increased as well. Dairy and frozen are level.

The decline is in “grocery” and in particular meat department sales are going down (although prices are going up.) We are now sourcing pre-packaged meats from Bell Evans.

Mike noted that with the decrease in meat sales, our next priority will be a redo of the meat and deli cases, which are in need of refurbishment/replacement. (This item is covered later in this meeting’s agenda).

Finance Report

Greg also noted from Mike’s financial report that the liquidity / liability ratio is up. This is due to the PPP loan forgiveness.

John presented the Financial Committee report and followed up with Greg’s comments on the liquidity issue. The committee feels this ratio is solid because we are in a good financial position overall. Right now there are \$252,000 in our operational fund and \$259,000 in our capital fund.

Everyone agreed that now is a good time to be move ahead with our investment strategy and that we should be addressing the best stewardship of our funds. We should consider a “deep audit” to be sure that all of our allocations and expenditures are in the “right bucket.”

John noted that the main topic we need to address tonight is the 2022 Annual Budget. Mike and John presented the annual budget compared with the 2021 projected budget and the 2021 actual budget through September.

Mike noted the following highlights to the proposed 2022 budget:

- We are anticipating additional expenses totaling \$36,000, or about \$3,000 per month to cover “one card” fees, increases in insurance rates, board budgeting, an in-store celebration event for owners, an in-depth audit of our finances and the annual member meeting.
- With proper management and accounting of expenses and correct sales projections we are budgeting for a profit of \$132,000 in 2022.
- Mike noted that a better word for this projection is “forecast” instead of “budget.”
- We also don’t fully know what is happening with COVID. Will it come back? Will it completely diminish? We don’t know so we can’t be entirely sure of how our operations will be affected.

Discussion: The Board discussed that it is difficult to pass a final 2022 budget since we don't yet have the final results for 2021. Everyone agreed that we should pass a preliminary budget now, and that the budget would be reviewed and finalized at the end of the first quarter of 2022. In the future, the final budget would be due at the end of the first quarter of each year.

Action: Vibhat made a motion for the Board to approve the preliminary budget as presented and that the Board will review this budget in the first quarter of 2022 and adjust as necessary.

The motion passed unanimously.

Board Budget

Donna asked Board members to consider what types of training and programming they would like for professional development in the new year. There are various options available as discussed at the September Board Meeting.

Board Monitoring:

C8: Governance Investment

Mark summarized the Governance Committee meeting on October 12 during which the C8 Governance Investment policy language was reviewed and updated for clarification and accuracy. New language was added to the policy that includes examples of when the Board would seek outside monitoring assistance: *financial auditing and grocery market analysis*. Also, content was added to state the Board will use professional and administrative support *as necessary to fulfill the Board's role*.

Donna made a motion for the Board to approve the additions to the policy language and the motion passed unanimously. The policy will be updated accordingly.

D1: Unity of Control

Mark made a motion that the Board is in compliance with D1: Unity of Control, and the motion passed unanimously.

GM Monitoring:

B2: Business Planning and Financial Budgeting

Lauren made a motion that Mike is in compliance with B2: Business Planning and Financial Budgeting, and the motion passed unanimously.

Update on Replacing Board Members

Greg reported that there was no response to the call for people who may be interested in serving on the Board at this time.

Action: Everyone agreed that we should hold on replacing the open Board positions at this time. Greg recommended that we continue to do a “soft search” for prospective members, with the goal to fill the open seats in April during the 2022 Annual Owner Meeting.

Strategy Follow-up - Survey Results:

Vibhat reported that our intern, Sabria Aziz, has completed first phase of the Co-op in-person surveys. The surveys took place at the Farmer’s Market on Saturdays during October. Vibhat thanked the Board members who helped Sabria conduct the surveys.

Vibhat noted that most of the responses were from those who already shop at the Co-op. Survey responses were coded using Survey Monkey. Responses indicate that the participants like the Co-op the way it is. What we are concerned about is learning from people who do not shop there....we want to reach out to the segment of the population beyond the member/owners. We want to get the word out about the survey beyond the members, and so the next phase will be in determining how we can reach people who don’t shop there or don’t like us.

John noted that the survey results are helping us to reaffirm things customers like. As far as what people want, prepared foods are on shopper’s wish list. Home delivery and online ordering are not as big of a deal.

Action: The next phase will be in reaching those who are not regular shoppers and comparing their responses with the Saturday surveys at the Farmer’s Market.

Vibhat will update the Board at the November Board Meeting.

New Business - Deli and Meat Cases

As discussed earlier this evening, Mike in noted that we desperately need to replace/refurbish the deli and meat cases. With the scope of work required, refurbishment would cost about \$40,000 and take 16 weeks, vs. new cases that will cost from \$80,000 to \$100,000 and take nine months to a year to receive.

With declining meat sales and increased reliance on prepared foods, we will need to scale back our meat case to response to this change, and we will need to manage the communication about what is coming. We need to communicate the rationale for the changes based on past and anticipated sales. It is expected that many member owners may not like this change, and will need to understand our reasoning.

Next Steps: Mike will create a business case and present it to the Board for a formal vote. If we do not vote at a regular Board meeting, we will arrange for a special Zoom meeting to place our vote as soon as Mike has the information to present.

Other Questions:

Ira, our member guest, asked about why we don’t have more sale items and promotions. Mike explained that discounts are passed along by corporations. Since we don’t have large

volume, we don't have leverage. The best that we can do are "owner specials" that are in What's Fresh. We have to absorb the cost in our margins.

Adjournment: Stephanie made motion to adjourn the meeting. The meeting was adjourned at 8:46 p.m.

Next meeting: November 22, 2021

October 25 Board Meeting Documents:

Board Meeting Agenda, October 25, 2021

Draft Board Meeting Minutes: September 27, 2021

General Manager Monthly Report – October 2021

2022 Budget Highlights, comparison with 2021 Actual and Projected Results

GM Monitoring: B2, Business Planning and Monitoring Report, October 2021

Sales and income graphs, October 2021

Actual vs. Budget, October 2021

Co-op Income Statement, October 2021

Co-op Cash Flow Statement, October 2021

Co-op Balance Sheet, September 2021

13 month rolling income statement, parts 1 and 2, September 2021

Co-op 2021 vs. 2020 Sales, August 2021