SWARTHMORE COOP BOARD OF DIRECTORS

MINUTES OF MEETING

MAY 20,2013

The meeting, which was held in Swarthmore borough Hall, began at 7:05 PM.

Present were President, Bob Scott; Board members Don Delson, Martyn Harding, Michael Markowicz, Helen Nadel, Andy Rosen, and General Manager, Marc BrownGold. Board Secretary, Pam Bartholemew and Board members Carol Savery and Karen Shore were not in attendance.

1. Approval of Minutes

The minutes of the March 25, 2013 meeting were not available for review and approval. Bob will contact Sharon Mester to get them for approval at the June meeting.

1. Lacher Insurance Presentation

Andy Rosen invited insurance broker and consultant Dave Cardie from Lacher and Associates, Souderton, PA. to make a presentation to the Board on healthcare reform issues affecting the Coop. Lacher has been in business for 45 years and Dave has been working in employee benefits since 1985. He was originally referred to us by Andy Rosen and Coop vendor One Village Coffee. Lacher was selected by Marc and his committee in 2012, from a pool of three insurance brokerage firms.

Dave presented an analysis of healthcare reform on particular types of businesses in the format of a “Healthcare Reform Dashboard”. The Coop is classified as a Small Group having less than 50 fulltime employees. Dave and Marc disagreed on the issue of full-time equivalence (FTE) – converting part-time hours to full-time . Dave believes that part-time hours are added together and divided by 30 to obtain FTE. Marc believes that you get FTE by dividing by 40. We have 29 FTE’s using Marc’s formula and 38 using Dave’s. Companies with less than FTE’s pay no penalties under the new healthcare laws so the Coop would not be penalized if we didn’t offer healthcare.

There are 20% healthcare premium incentives for offering wellness programs. These incentives will increase to 30% in 2013. Most companies pay about 80% of healthcare costs and many reward wellness and penalize high-risk behavior such as smoking. Dave predicted that there will be a 30% increase in healthcare premiums for younger demographic groups in 2014. Our current employee demographic would fall in this category.

Dave also explained about public and private exchanges which give individuals and small companies the ability to shop for insurance plans. The public option gives the shopper the ability to shop among companies. The private option is shopping within a single companies offerings. We are apparently not eligible to use a public exchange this year (although Marc disagreed with this).

Andy summarized that for the October rollover we can either stay with our existing plan or go with a private exchange. Don pointed out that healthcare choice may be a strategic choice to be considered by the Board rather than an operational one depending on the financial effect. Dave will price the private exchange option so that we have data to consider by the beginning of August.

Andy and Marc will work with Dave to keep the Board updated on plan options over the next few months. We will revisit this issue at our August 26th meeting.

After Dave’s departure, there was discussion about whether to move forward with Lacher as our consultant or if we should re-explore other companies.

1. General Manager’s Monthly Update

Marc presented an update for March and April since there was no April Board meeting. March sales were up while sales in April remained flat. There was a 5.1% loss in April sales across the industry. May sales were up 5% in the first week and were flat in weeks 2 and 3. Deli sales are up and frozen food sales are showing positive growth in the last 2 weeks.

Marci had a double knee tear and has been out for the last five weeks recuperating. She has used all her vacation and sick days. Marc hopes that she returns soon.

April’s meat inventory was unequal. This is the first inventory since Mike’s departure. Ed is moving to Prepared Foods to replace Brendan who is leaving to take a job closer to home. Marc has interviewed three people so far to fill Ed’s Deli position and has two more candidates to interview.

Specialty is showing growth. Bakery has stabilized margins. Marc is being considered for a Board position with CGN and will know the results by our Board meeting in June. CCMA preparations are ongoing. The conference is the second week of June in Austin, TX. Micro lending discussions are ongoing as well. A new Ford Transit van has been purchased. The Coop certified seafood program is underway.

Marc’s Board review needs to be done by the June Board meeting. He was reviewed by his employees and the results of that review will be made available to the Board shortly.

Marc said that his challenge is to raise sales in the next eight months to get the bottom line figures up. He is also researching the hot bar but has so far found the equipment to be too expensive. Don commented that the hot bar will help sales.

Ron asked about labor hours and labor cost which is running about $40,000 ahead of 2012 to date. Marc attributed it to two managerial transfers, crossover weeks and paid vacation as well as new employee training costs including extra hours for shadowing. Ron and Marc discussed the turnover in cashiers. Two more are leaving to begin college. Marc is finding it hard to keep cashiers for long. He is trying to hire more professional front-end staff but retaining them is difficult.

Don raised the issue of the Coop’s need for a CFO. Finance will review the feasibility of adding this position.

Due to the decline in grocery sales, Ron wondered if we should de-emphasize grocery and pay more attention to the things we do best – local produce, meat, seafood and convenience items. He also commented that we need to differentiate ourselves more in grocery.

Michael wondered if some of the drop in sales revenue could be due to the price reductions on 3,000 items that went into effect in March. Marc noted that most of these items were in grocery. He believes that it should improve volume in the long term. May grocery sales are up so far.

4. Finance Report

Ron reported that four pages of accountant review items had been addressed. These changes resulted in a positive $1,000 change in net income. Finalized financial statements will be completed by next week.

Marc’s bonus figures are now finalized. Total sales, membership and bottom line figures have been completed.

5. GM Monitoring –A. Global Ends

Lisa Aaron pointed out that this report was based on the old ends statements on Backpack. Marc will rework this report using the current ends and will report again next month.

6. GM Monitoring –B1 – Financial Condition and Activities

Marc reports that he is not in compliance with #1. Sales have only increased 2.5% year to date which is under the benchmark figure of 3%. Ron questioned one area of the DSCR calculations involving non-discretionary cash items. Marc will investigate.

Andy moved for approval and Ron seconded. The report was approved by the Board.

7. Board Self- Monitoring –C4 – Board Meetings

The Board found that we are in compliance with all areas. Don moved for approval and Ron seconded. The report was approved by the Board.

8. New Vice -President

Don is resigning as Vice President since he has other commitments which would prevent him from being able to function effectively as President. Bob asked for nominations to replace Don. Michael nominated Martyn. Helen seconded. Martyn accepted the nomination. There were no other nominations. All members present voted in favor of Martyn as Vice-President (except Martyn).

9. Long-Range Planning

Marc provided a committee list and major issues to be addressed in each committee. We are moving on with chapters based on the retreat to “put meat on the bones.” Martyn suggested creating a timeline for further work. Don recommended assigning a chair for each committee and that each committee should meet before the June Board meeting.

Committee chairs are as follows:

Team 1. Governance Bob

Team 2. Membership Pam

Team 3. Education Helen

Team 4. Finance Ron

Team 5. Marketing Anthony

Team 6. Staff Andy

Team 7. Physical Plant Marc

Team 8. Expansion Michael

10. Governance Committee Meeting

Shares that remain unclaimed after seven years are turned over to the state. Lisa suggested that we could create a non-profit 501-C3 that could get the shares in the event that they remain unclaimed. The non-profit (if created) would get unclaimed shares from new members. We would need to ask existing members to elect the non-profit option if their shares remained unassigned. The 501 C3 could also be useful as a fund for Education prior to patronage rebates. Bob will take this back to the committee for further research.

11. Education

Helen reported that the Sunday Supper of May 12th was successful. She is planning Cooking Creativity Classes. One, with Frank Mosca, will be taught in his home. Another one with Tim Smith, the chef ad Downingtown Station Tavern is planned for August or September and will be held in the Presbyterian Church kitchen.

Marc, Anthony and Helen met and discussed having future classes in member’s houses.

12. Member Loans

Don suggested that we consider deferring member loan payments due in July of 2014 if necessary due to financial reasons. He would be willing to do this with his member loan and believes that other member loan holders would be amenable to doing the same. Ron responded that he would prefer to use a line of credit for 9 months before we refinance rather that deferring on member loan payments. The building valuation done for the last loan suggests that we can borrow more if we need it for repaying loans or other purposes.

13. Member Comments

Lisa announced that after meeting with Bob and Pam she has agrees to take over some of the policy governance updating work previously done by the Secretary.

Martyn reminded Marc to remove the “other” Andy Rosen from his Board email list. Marc said that he had already done so.

14.Review of Action Items

* Bob will contact Sharon to get March minutes
* Bob will distribute GM Annual Review forms to the Board
* Andy will follow up with Locker
* Bob will put retreat notes up on Backpack
* Bob will email committee assignments and chairpersons
* The governance committee with follow up on forming non-profit
* Ron will contact Doug Bender

15. Adjournment

The meting was adjourned at 9:05 PM. An Executive Session followed to discuss personnel issues.

16. Next Meeting

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

Respectfully submitted,

Michael Markowicz

Documents for the Meeting

Co-op Board Agenda 5/20/2013

GM Report

Co-op April 2013 Balance Sheet

Co-op April 2013 P&L

GM Monitoring Reports B1 & A-Ends

Strategic Plan Organization