

Minutes of GCC's Board of Directors' Meeting
June 24, 2020
Board Approval at its meeting on 7/29/20

Attending via Zoom: Bill Jones, Donna Peterson, Joe Timer, Amy Drew, Kim Kash, Dan Gillotte, Barbara Ford.

Meeting was called to order at 7:05 PM.

1. Approval of the Agenda: Motion: To approve the June agenda. Passed unanimously.

2. Approval of minutes May 2020 meeting: Motion: to approve the minutes as modified via email exchange. (Timer/Drew) Passed unanimously.

3. Managers' Report

Dan Gillotte reported that sales are going well, we continue doing 10-17 percent higher sales over last year-year over year is what he usually looks at. Customer counts are creeping back up with the extra hours. With a return to full hours next week, he expects another uptick of numbers though probably not all the way up to where they were six months ago. With customer count up, he predicts basket size will come down a bit. Bigger baskets will allow us to be financially strong, he says that's the internal goal. Co-op has this moment where we could win people back as one of their major grocery stores.

They are continuing shelf resets, focusing on different areas of store to highlight all the cool stuff we have, and augment with new stuff to help further cement ourselves as a positive shopping place for more and more people.

Dan said he is establishing basics for friendliness on the front end. We have people who are very good at this right now, and he is making sure everybody knows the standards.

Mercato is stable, with 90-100 orders per week, we're getting used to the flow of business. We are adding more and more things to Mercato as customers ask for more things. Also we added an hour of pickup to serve people who are going back to work, and may add one more hour in a couple weeks.

Kim Kash asked how updated the email list is. Dan said that it isn't in too bad a shape. Depending on how we do the annual meeting this year, if we send a mailing to all the members we can do a plea to members to add their email addresses.

4. Financial Report

Bill Jones reported that \$300K has been moved into a Vanguard treasury account. He'd like to see \$350K because that would be the solar panels, which cost nearly \$350K.

Joe Timer discussed the weekly sales report, In the last four weeks, staff has included Mercato sales on the report, \$9-14K in sales per week. Co-op had four weeks that do not reflect Mercato sales in the report. Dan Gillotte concurred, saying the first week sales numbers were small, then \$9-14K per week. A total of \$30-45K in Mercato sales is probably safe to say.

Joe said for the first nine months of FY2020, sales are almost \$500K over budget, totaling \$9,350,000. All departments are above budget except pharmacy. Gross margins also very positive, at \$189K over budget.

All departments are above budget when it comes to gross margins. Bottom line shows a net of \$164,364 compared to our rather conservative budget which expected a net of \$1700. Expenses are \$135K over budget, mostly a reflection of payroll, but by and large the numbers look very positive.

Dan said he is working hard to get Dave Brinks ahead on these reports so the Board is not getting the report on the day of the meeting. These are preliminary numbers, no glaring defects have been identified. Dave did his normal diligence, but neither Dave nor I can say we've done the finest of fine-tooth combing yet. He noted the margin for grocery/beer/wine are estimates, which is pretty conservative and reasonable. Co-op couldn't get a physical count at end of Q3 because of Covid, but we will have a physical account at end of July.

Other income: big payment last quarter \$126K from Co-op's primary supplier—C&S. This was a one-time payment. But still positive of \$40K, so the Co-op operated profitably for the nine months.

Regarding wages, Dan wants to get a firmer grasp on the way we've historically done things, as wages are one of those places where you can get confused in relation to budgeting. The dollar amount that you're over/under can be a little misleading, compared to the percentage over/under. If you do labor as a percent of sales, it makes sense that your labor dollars might creep up because you're putting more hours in. But the *percentage* you want to hit should stay roughly the same. As we think about budgeting for next year, talk about Q4 and first quarter next year, percentage is important because wages grow as sales grow. The converse is also true. Dan noted that we're over budget, percentage-wise, but no one could have anticipated the Covid-related raises per hour, etc.

Dan said he has started the budget for next year, preparing for the July board meeting in order to approve it to start August 1st—the beginning of FY2021.

He noted that with regard to rent for the church: they have been paying since he has been here, coincidentally. That rent is really money that the landlord is splitting with Co-op because we found that tenant. If they were to go away, we won't be getting money, but Co-op won't be charged anything for the church's space either.

Bill noted, we would just lose the \$2200 that's our half.

Joe pointed out we would also be losing their contribution to the property tax bill.

Barbara asked, so this year we are doing a review, not a full audit?

Joe said we've done a review for the last 2-3 years, which saves us \$2-3K in professional fees. There is no reason to have an audit, unless you have a big loan from a bank, and the bank may request it. The auditors suggested not to do a full audit but just a review.

Bill asked, how is inventory now relative to what it was end of April? At the end of April it was down several hundred thousand.

Dan said, that's what we're looking at. Because we didn't have a count at the end of April, we can't know what the inventory is; we're estimating based on history. We won't know until we count it in July. Dan is going to carry less inventory than Bob did regularly because he has a different mindset about it, he thinks. We'll know better in July.

He is interested in how many inventory turns do we have per year, how do we keep cash in the bank instead of on our shelves?

Dan said Mercato is not making much, but it's making a little something. It seems like we're better than breaking even, though it's not a profit center. It just needs to cover itself. Barbara noted that we can't let it go, not now.

Amy Drew said she believes the paperwork is due for loan forgiveness prior to the next meeting. She asked if there is a plan for that. Dan said they got the form for submitting, and expect that we will be able to ask for forgiveness. We have used virtually all of the funds for wages so we're well within the compliance threshold. We'll be able to fill out the form. The form is due 8 weeks after we got the money, and we are tracking that.

5. New Business

Update on the sublease-- Redeemed Christian Church of God

Bill Jones said we worked out that they will pay the first Monday after the first Sunday of the month, so they could use their first collection to pay rent. But of course we're not messing with that now, with Covid.

Status of the roof project

The roof is finished, Dan sent payment. Steve Skolnik is working on permits to get solar as soon as possible.

The State of Maryland came up with a form that only requires our signature for funding, not the landlord's. Dorrie brought it to Bill for signing, and then she delivered it.

Barbara noted that in the last meeting we roofing issues, and were trying to figure out if the roofer had caused a problem with our refrigeration.

Dan expressed his frustration that the HVAC company initially said they couldn't be absolutely sure the damage was caused by the roofers. Then later they admitted to Steve Skolnik that the damage really should have been covered by the roofing company. Dan said that he soon expects a full report from the HVAC company, which Dan and Steve will take back to the roofing company. Dan said the Co-op had to spend several thousand dollars already. The roofers undid some things in order to put the roof on. They didn't have an HVAC specialist and didn't secure things back the way they should have.

Barbara said she thought it was agreed that when they got to that point the HVAC people would be there. Dan said that did not happen: the HVAC people did not get called out by Adelphi. We have spent \$5K already, and need to spend a few thousand more to solve the issue.

Discussion of the national coop grocery seminar

Kim talked about one of the presenters' question: can our co-op support abolitionism? (LaDonna Sanders Redmond). She talked about supporting our front-line staff with fair pay and with equitable treatment. She discussed doing everything possible to reach out and fully support our diverse community, in terms of

membership and also board representation. She also warned against using language that goes further than the organization is actually willing to go.

Barbara said one thing that struck her is that we have to continue to serve and avoid losing customers, manage operating costs, and manage cost changes. In the future we have to be prepared for several outcomes, accept that with a slow and steady recovery, we will be able to reduce debt and increase savings for the future.

Kim said that we as a board should keep as a long-term goal the idea that we should own the building.

Proposal to reduce interest to 1.5% or less on normal member accts

Bill pointed out that nationwide, interest rates have dropped.

Dan said he thinks we are an anomaly in paying interest on member equity. He knows of no other co-op that does this, especially on retained patronage equity. He doesn't think that was ever the intent, to pay interest on retained equity. He suggested that the board take the interest rate as low as we feel comfortable on money that's really retained patronage.

Kim Kash suggested that we don't pay interest on patronage, but only on funds given for special loans.

Dan said he could take a step right away to lower it to whatever floor we are comfortable with above zero, and then at the annual membership meeting conceivably have a by-law change.

Joe Timer concurred, suggesting 1% or 1.5% and at the annual meeting we need to talk about member patronage accounts. He said we need to recognize that this situation is largely a result of the surplus that has come back in profitable years. This is not intended to be a money-making activity, we're not trying to generate capital gains for the members.

Donna recommended 1.5%. Amy and Kim suggested 1%, with Amy noting that the market bears a 1% interest rate right now.

Dan said the point of patronage is to fund the cooperative. The IRS says that co-ops don't have other ways to raise money. To tie this in too closely to the concept of a bank account is probably against the idea of what patronage income is about.

Amy said this gives us somewhat of a roadmap. She could change her answer to 1.5% if we educate members about what retained patronage is. Maybe it's not a good idea for this year's annual meeting to do that, but maybe by next year we can change the by-laws. Barbara agreed with this approach, noting that she doesn't think people really understand their investment in the Co-op.

Joe Timer said he could go along with 1.5% contingent upon 1. building in an education process where we tell members exactly what that account consists of, and 2. continuing to monitor withdrawals of member patronage. He noted that our retained earnings are a negative number right now. He'd like to see us back where we were 5-6 years ago with over \$400,000.

Motion: for normal member capital accounts to be 1.5% starting immediately. (Jones/Timer) Passed unanimously.

Motion: the board will set aside 30 minutes at the next two board meetings to do education to better understand patronage and retained earnings, in preparation for introducing this idea at the annual meeting. (Kash/Jones) Motion passed unanimously.

Discussion of a policy for larger requests for return of member accts

Refunds already discussed at a previous meeting were approved for Whelan (\$1308.26), Gutwein (\$318.83), Desch (\$1,579.92). One new one is automatically approved, since it's under \$200, for Elizabeth Lily (\$166.35), who is moving to Florida.

Jones/Timer. Motion passes unanimously.

Barbara Ford noted that the by-laws didn't change, when last year we did not refund people who gave more than \$200. It's a policy that we set, that we refrained from automatically refunding over \$200.

Joe Timer said he thinks we're going to go through an educational process at the next two board meetings. He is willing to continue considering larger refunds for another two months on an exception basis, as we develop a better understanding as a board.

Motion to adjourn: Timer/Kash.

The next meeting is July 29, 2020