Minutes of GCC's Board of Directors' Meeting
May 27, 2020
Board Approved

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

Meeting was called to order at 7:01

1. Approval of the Agenda: Motion: To approve the April agenda. (Timer/Drew) Passed unanimously.

2. Approval of minutes April 2020: Motion: to approve the minutes. (Timer) Passed unanimously.

3. Managers Report

Dan Gillotte said that regarding masks, we don't know what phase 1 will fully entail yet. He has seen some places that still fully require masks, some places that have ditched the requirement.

Kim Kash said she is worried about the senior/vulnerable population. If state rules change, we might start to see pushback about mask wearing.

Linda Ivy said she thinks the majority of Greenbelters, if we request them to wear masks, will not throw a fit. She notes that someone called her about tastings going on at the deli. Dan said tastings should not yet be happening, and would look into it.

Dan said he is hearing from many other food co-ops who are having conflicts where they try to enforce masks without the government requiring it. He is concerned, because every manager he has spoken to has been surprised that at their co-op people are being really problematic about it.

Amy Drew asked how compliant Dan feels the staff will be regarding mask-wearing, once the state no longer requires it. Dan said he feels pretty firmly that we can get compliance there, and also for vendors.

Dan said hazard pay will continue; it's still just as hard to work in these conditions as ever.

The sale circular will not return to the News Review yet, because the wholesaler isn't confident in their ability to meet the demand. They are recommending only having in-store copies of the circular.

For the same cost as what we've been paying to do the insert in the paper, Dan said he is instead going to spend that on ads about general, broader image stuff than specific product pricing.

Amy Drew said the endcaps, Facebook posts, community outreach, and other communication has been superb, and she thinks the whole community appreciates it as well.

She said she has heard members of the community express concern that online ordering/curbside pickup will go away. Dan said he can start talking about that publicly. The plan is that we'll keep offering it in future. Once it's started it's relatively easy to maintain.

Bill Jones noted that Bob was looking into curbside pickup last October, trying to get it set before the virus came out. On the other hand, delivery is really too expensive unless they want to pay $10 more than pickup.

Dan said that if demand for pickup drops off we'll look at adding delivery, for the extra fee. He said he thinks it's a fine program. We're figuring it out, and the team that's running it is getting better at it.

Joe Timer said sales are up substantially, up 6.2% from last year. It's nice to see numbers trending in that direction.

Dan referred to the weekly sales report that he sent board members a sent a snippet of. He said it has been a good tool to start using, to show managers and eventually more staff. His report visually shows that we have more sales than last year, and also that it's not necessarily going to last forever. We need to be prepared that sales may sync back up to where they were before. His interest, he said, is for that not to happen.

While we have people shopping with us with bigger baskets, hope to maintain the bigger basket with more customer count too. Hope is we can keep baskets nice and big. Shoppers using Mercato have about a $100 average basket, much higher than a normal in-store shopper. People stock up when they use the curbside.

Next Tuesday Dan said they are re-setting the aisle with dressing, pickles, etc. He is working with Teddy to get some products outside, enlivening the ramp with product. He brought the salad bar back with wrapped produce today. He is keeping a close eye on labor and sales, and will be prepared to deal with that if sales come back down again.

Bill suggested that whenever they move an item to another aisle or something, that they put up a sign to indicate where the item has been moved. Dan said that the changes he's making are mostly within the same aisle.

Joe Timer noted that weekly sales on the sales report are somewhat understated since Mercato orders are not included.

Dan said that Dave will make a journal adjustment by department, perhaps monthly or maybe only quarterly. Mercato says they're working on the programming to have it be a script within the system to update automatically within our POS. It's on Mercato's work plan for this year.

4. New Business

Redeemed Christian Church of God

Dan said he would check on the status of rent receipts. He sent a follow-up email the day after the meeting to confirm that we have received May rent for both of our tenants.

Roof project

Bill reported that the roof is done. There is a list of drawings and information that the roofer is required to provide for our records, and those are not quite done yet. Final invoice for about $45,000 will come in in the next week or so and need to be paid. A defect/damage affected the electrical supply to the refrigeration equipment. Refrigerant had to refilled for $3600, and the store paid the bill. It's possible that this is the fault of a roofer subcontractor. Steve Skolnik and Bill will discuss and get back to the roofer if his subcontractor is responsible.

Dan said he needs to check on some other damages that occurred in the pharmacy area through the roofing process. Last he heard the issues were not resolved. Bill asked Dan to send him and Steve Skolnik an email with details.

Joe Timer asked whether has Dorrie been successful in dealing with the state. Bill Jones said there was supposed to have been a hearing on our request on May 23, but the Board of Public Works didn't get to it in their meeting, and it won't come up again until July 1st.

PPP status

Bill said we got the funds. It is currently a loan at a very good interest rate. There is some possibility of forgiveness, and that's something we will look at. It is deposited into the M&T Bank operating account, which covers payroll, rent, utilities.

Greenbelt Racial Equity Alliance

Bill suggested that he respond to GREA's second email with the following: "We described the process for hiring the GM in our May 18 email. Can you please explain what part of this process you object to?"

FDIC Insurance

Bill Jones said the Co-op had $740K in the M&T account a few weeks ago, and only have $250,000 is FDIC insured. He does not think we should have that much in a non-insured account. He said one way is to put it in 3-4 different banks, but that's a lot of trouble. Another way is to put it in Treasury money market, in Vanguard, which is used to purchase US Treasuries, which are guaranteed by the US Government.

Joe Timer said he would support moving money into the Vanguard treasury account, a better way of doing it.

Amy, Dan and Kim all wondered how fluid these funds would be, and what are the impacts of moving them? Bill said there is a one-day turnaround with Vanguard.

Amy Drew asked what fees would be associated on the M&T Bank side, with regard to those types of transactions? Bill said he would check on that. He said there is no fee when he does this type of transfer from his personal bank account, and there is no fee when it is done with the Co-op's GFCU account.

Dan Gillotte said the account floats by a couple hundred thousand dollars, but with the size of our payroll and our payables are significant enough, the vast majority of that money still needs to live in the operating account.

Bill noted that up until March, the balance in the M&T account was $350K. The reason we're up to $750K is that we haven't been able to buy supplies.

Joe Timer said, as long as we keep money in there that keeps Dan Gillotte and Dave Brinks happy, then he's fine with it.

Barbara asked whether Vanguard is FDIC insured. Bill said no, but they buy treasuries. He said that GHI, which has fairly strict financial requirements (they never have more than $250K in an FDIC insured bank) has $7 million in their Vanguard treasury account. But they do not feel comfortable with even $300K in a bank. The auditors don't allow it.

Amy said there has to be a value decided upon, outside of the FDIC limit. Sounds like we need something more like $350K or $360K, for operations.

Dan said he can take the lead from the board if you all are in favor of moving a substantial portion of cash into Vanguard/treasuries, with the caveat that it's liquid and there are no added fees.

Motion: The board directs Dan to put a substantial portion of our cash in our Vanguard account once an ACH connection is established with the M&T operating account. (Jones/Ivy) The motion passed unanimously.

401K for employees

Bill said we really should have a 401K for our employees, but a simple IRA is almost as good. He referred to the email that he had sent to all board members, quoted here:

"Some background on the SIMPLE IRA which I am proposing:

<u>It is like a 401(k) but far cheaper and far simpler.</u> It is only allowed for businesses with less than 100 employees. It avoids the need to submit lots of paperwork to the IRS. The requirement is that the employer puts 2% of each employee's pay in the pre-tax SIMPLE IRA. So for instance, if an employee is making $11.50/hour for 40 hours, we make out a paycheck for $460 gross pay (minus income taxes and FICA), and we also send $9.20 to Fidelity. The employee may volunteer to add additional amounts up to $13,000/year. This is in addition to whatever the employee chooses to do on their own with an individual Traditional or Roth IRA, which is limited to $6,000/year.

<u>The advantage of saving for retirement should be clear.</u> Putting away $100/month for over 30 years of one's working life will produce an income of something like $600/month for over 30 years of retirement. If you have an income of $2000/month now, you might hope for a Social Security income of $1000/month in retirement (if the government fixes SS). So reducing your income to $1900/month now gets you an income of somewhere around $1600/month in retirement.

<u>The advantage of this SIMPLE IRA for people who decide to save for retirement is great</u> — they can save pre-tax up to $19,000/year instead of a limit of $6,000/year (more if over 50). For employees who do not want to save for retirement, they can clean out this SIMPLE IRA some time after they leave employment. It is likely that 80% to 90% of minimum-pay employees will do that; but at least we greatly help that other 10% to 20%, and we can hope to educate more of them to save for retirement. I personally will be glad to run educational seminars on the subject.

<u>ONLY if we decide we need to permanently raise pay</u> to above minimum wage should we institute the SIMPLE IRA plan. We might for instance announce that each employee will get either a $0.35/hour raise or a 1% raise, whichever is greater, in addition to the 2% we will contribute to the SIMPLE IRA. So it is effectively a raise of between 3% and 5%. We may need to do this to retain workers who might otherwise look for a job that does not interface with customers so much.

<u>I suggest Fidelity only because they do not charge any fees</u>, whereas others charge $1000/year or more. Fidelity allows employees to invest in any of their mutual funds, many of which allow small balances, such as a stock index fund and a money market fund. My research did not find any other reliable source with no fees."

Bill said he is afraid that part-time employees won't appreciate it, and we will offer seminars and workshops to try to convince them otherwise. We can't do this without raising pay at least 2%. He wants to offer this once we are comfortable with a raise above minimum wage.

Joe said he has always supported this kind of instrument for retirement purposes. He asked, what would be the annual cost to the Co-op for this program, roughly?

Dan said they had a 401K for the past eight years at Wheatsville, where managers participated mostly and nobody else did. It was complicated, and frustrating. The nice thing about this proposal is it's not complicated. He doesn't know how much perceived value staff will see. He suggested they think about two points where decisions need to be made: 1. If sales come to a screeching halt, whether or not life goes back to normal, and we don't have the money to pay people these extra money, what would we do? 2. As we think about budgeting for next year, it's important to say, we're making our plan for the next fiscal year and we want to pay people differently. At that point Dan said he could report a specific cost that would be our benefit program. If we pay people X per hour, we'd have a sense of what the labor burden would be for next year in our budgeting process. That's the point where we want to aim to make a decision about this. That's pretty soon, as the fiscal year starts August 1st.

Joe Timer said the Co-op tried this many years ago with our year-end bonus. 2% of the bonus went into the credit union as an IRA, and probably four months after that account was set up, the cashiers and some of the lower-paid employees withdrew their funds, incurring penalties. We decided that was not a very good approach. But for managers, this could be really useful.

Bill said, this can only be done for everyone. This is a safe harbor plan, the IRS will not inspect as long as you're just doing this, for everyone—everybody gets 2%, nothing else from the employer. He suggested that he and Dan talk more.

Capital Account Refunds

Motion: To refund the accounts of the Glenns, Whalens, Gutweins, all families who moved away. Also to refund all but $500 of Alexander Zajar's balance, and all but $100 of the Desch's balance. (Jones/Ivy) The motion passed unanimously.

Dan asked whether it is part of the bylaws that we are compelled to give these patronage refunds back (beyond the member's original membership contribution), or is this just something we have been doing? When we had patronage rebates and we paid whatever percent we decided to pay out in cash, that retained patronage went into these people's accounts. But he wonders if it's a by-law requirement that the money went into individual accounts, or is there one pot of retained patronage? One theory of patronage rebate is, is it actually the person's money like we're treating it now, or is it really the Co-op's to use?

Bill checked and confirmed that the member owns that money, per section 2.03 of the by-laws.

Dan said his point is to keep whatever tools we have to maintain capital, so he wanted to understand for sure.

Bill suggested that they might want to consider lowering that interest rate to 1.5%. Can take that up in the June meeting.

Dan said he might argue that we don't want to make an interest payment on patronage, period. This is actually people's patronage rebate that they're accruing dividends on.

Bill said that technically the loans we got last year for Rays on the Roof went into the membership account. They get 3 or 3.5%, and those we have a legal obligation to repay at the end of 3-12 years, and it's not technically separate from the patronage. Only in those cases, where we specifically signed a loan document, can the member's balance go above the $2,000 limit.

Dan noted that it is not unusual for the Co-op to make a by-law change when they decide something is not right. He said he has not spent the time on this that he needs to.

Joe Timer moved to adjourn.

June 24^{th} is the next meeting.