

Plainfield Co-op Board
Meeting by Zoom
November 24, 2020

Board members present: Cat, Les, Rose, Roseanne, Liz, Shana
Others present: Gail (minute taker), Peter, General Manager

Check-ins and Technical. Everyone was able to connect by Zoom.

Agenda review and Timekeeper. Rose volunteered to be timekeeper for this meeting.

Minutes. The October 19, 2020 minutes were approved.

Holiday greetings. We don't have funds for holiday gifts to neighbors or staff. Rose will prepare handwritten notes to neighbors.

For staff, the Board will try to put together gift bags by soliciting gifts from vendors. Cat will brainstorm with Shana about what businesses to contact and reach out to them by Mid-December. Roseanne will act as point person. Total gift bags needed is 24.

Support for Diversity and Inclusion. Before the meeting, Cat drafted a statement on diversity and inclusion. Board members were generally supportive and made some suggestions about the statement. Cat will incorporate the suggestions and send out a final draft to be approved by e-mail so that it can be included in the winter newsletter (deadline December 1). The statement says the Co-op will have a Diversity and Inclusion Team. Shana volunteered to be a member of the team. Peter will ask Leah to join the team. Les will write a sidebar for the newsletter focusing on Co-op history.

Board Education. Les, Shana, and Rose attended the CBL101 training online by Columinate. Rose, Les, Shana, and Cat have been attending the four-part Columinate training on Finance and have appreciated the training. Les uploaded key documents from the training into the Board document folder. The sessions are recorded if others want to listen to the training. There is an upcoming training December 10 on Policy Governance – Deep Dive.

General Manager Monthly Update. Peter's written report is appended at the end of these minutes. Peter provided two updates to his report: (1) He received an email informing him that the hazard pay grants have been approved for eligible staff. (2) North Country Credit Union has forward to the SBA the Co-op's application for forgiveness of the Payroll Protection Plan loan.

In discussing staff turnover, Board members expressed strong support for staff wearing name tags.

The Board had a chance to review the 2021 budget prior to the meeting together with the budget narrative. Peter explained various terms and lines in the budget. There are two different projections: one assuming the store can remain open all year, and the other assuming the store will have to close for five months because of the pandemic. Peter noted that, if the store has to close for as long as five months, it will not be able to reopen on a full schedule because of a lack of reserves. The Budget Narrative was

discussed. It is appended after the General Manager's Report at the end of these minutes.

Rose commended Peter for the clarity and thoroughness of the budget documents. Shana commented that it is a really well thought-out and clear budget.

The budget documents accompanied the F2 Monitoring report.

Les said he is concerned that the Capital budget for 2021 is not included. Shana said she is working on the equipment budget, and Liz is looking at the building needs. Liz asked whether ending the year in the red causes the store to be in default or insolvency. Peter said that, while there is not a profit this year, the numbers are heading in the right direction and the store is able to pay its bills.

After further review of the budget, the budget narrative, and the F2 Monitoring report, all were in favor of accepting the F2 report, with the understanding that a multi-year plan will be developed in the coming year.

Board Committees

- **Building and Capital Improvement.** Shana made a preliminary outline of equipment needs in consultation with Kevin. Will meet with the Building Committee. Still need to sequence equipment replacement and upgrades.

She reported that the USDA is accepting applications for planning grants with a deadline of December 11 for letters of intent. On motion by Rose, the Board approved applying to the USDA for a planning grant. Shana said she would draft a letter of intent. Rose offered to help with the draft and to reach out to those in the community who might be in a position to write letters of support.

- **Relocation.** Liz has been researching options. She said the next steps would require a lot of energy to find and acquire a location. She noted that Les indicated the building size and parking area recommended by the Marketing survey almost perfectly matches Maplefields. She said it is a worthy undertaking to get more information and investigate further.
- **Membership.** No meeting this month.
- **Strategic Planning.** Rose and Les had an initial meeting and drafted a charter, which is in the Strategic Plan Board Google folder. Leah might join the committee, also Kevin. Would like to find two more member/owners to join.

Executive Session. The Board went into Executive Session and decided to give Peter a \$500 one-time bonus (after taxes) to be paid from the unused funds in the Board Budget. Cat will contact Naomi to work out the details of how it will be paid.

Next meeting. Rose will do a Doodle poll to determine a date for the Board's December meeting.

Peter's Corner: General Manager's Update for November 24, 2020 Board Meeting

Budget Development: A large amount of this month has been spent on the budget. In addition to my own work, Kevin and I have spent several weekend days and long nights reviewing and preparing the figures. Many thanks to Naomi for quick responses to many questions and the sending of various reports for us to work with. James Morrell from Columinate has also been quite helpful, as mentioned later. A separate budget narrative document will provide you with detailed information to aid in your review of the numbers.

COVID: The pandemic's omnipresence continues to be felt. Staff is expressing increasing levels of concern for their safety and that of the customers. With Washington County Vermont's current hot spot, and various entities closing around us or restricting business, it's become a hot topic in the Co-op. At least three times last week, staff had impromptu animated discussions about our response. Included in those discussions was a review of what we would have to do as an employer if a staff member came down with or was exposed to COVID 19, including special considerations for being an essential service as a grocery store. We had an emergency staff meeting today (Wednesday) to discuss concerns and plans, as well as the proposed budget and COVID's potential effect on it. After months of only a handful of curbside orders a week, we're now getting 6-8 a day. We have updated our on line order form and have edited the auto-reply message. The new awning at the Express Window is having an external light installed, and it will serve as our curbside pickup point, as we cannot use the porch in the dead of winter, as groceries will quickly freeze. Chris has also removed the façade of the kids' area so that we can use that space for staging grocery pickups. The buyers have been working for a week now updating the on line inventory, and Kevin has been working with CoPOS and a new program to feature that inventory on our website. As soon as that is ready to go, we'll do a major update on the website with announcements to the public. We are about to lower the limit of people in the store to 3 at a time and only one person per household (with exceptions for single parents with kids – although if parent and 2 kids are in the store, no one else can be). We are hoping to stay open as long as possible. Again, you will see more discussion of this in the budget documents.

Staff: We have had a fair amount of turnover in staff, some expected and some not, and have been constantly recruiting. COVID has also pushed one of our subs to preventively self-quarantine, cramping our availability to cover all shifts. This has consumed extra time for training and seeking coverage.

Payroll Protection Plan Loan Forgiveness: As of this writing, the North Country Credit Union has not communicated with us other than their initial acknowledgment of receipt of our forgiveness application. Their deadline for acting is December 9, and the SBA has an additional 90 days to act. I had hoped we'd hear by now, given the short form application. Hopes are dimming for getting forgiveness within this fiscal year.

Columinate Peer Review Audit: We have continued to work with the Columinate audit. I compiled a summary and shared with all staff in order for them to have a context for various discussions related to specific initiatives. I met individually with all our buyers to review sections of the written report that pertained to their departments, and then we discussed the findings collectively at the October Buyers' meeting. Leah and I have specifically reviewed the suggestions on cleaning up the entryway and register area. Columinate shared a Merchandising Guide, and our staff has been incorporating that guidance into the store displays. I've had a couple of follow up conversations with James Morrell consulting on the financials, specific targets for coops of our size margin development and attainment, and tools for our buyers to use to monitor inventory turnover (turns) and margins. This was very helpful as we developed the budget proposals for 2021.

Membership and Marketing Coordinator: Leah Tedesco has been hard at work updating the membership database, and we are almost completely current. She and I have a session planned with Kevin to make the final changes in CoPOS. Leah has also been working with Bob Fancher and Julia Wilk on switching the host of our website and email service (which has been problematic), re-doing the website, and various other member outreach materials. She has been quite active in all our social media platforms promoting and boosting our presence in the community.

Marketing Committee: Met and developed a budget for 2021.

Building Committee: Installed an extended roof over the generator and installed a really nice awning over the Express Window.

Membership Committee: Has not met since last meeting.

Personnel Policy: I have not yet had a chance to work on this since our last meeting, but plan too now that the major work on budget development is out of the way.

Respectfully submitted,

Peter Youngbaer, General Manager

2021 Plainfield Co-op Budget Proposal Narrative

INTRO: The budget spreadsheets include both a summary page of sales, costs of goods sold, and other operating expenses. Additional tabs at the bottom give you detail of the expense pages, wages (these are confidential), marketing (called advertising and outreach in the budget), and the board budget.

Open or Closed: A major feature this year is that there are actually two budgets. Headers at the top of two columns read “Open” and “Closed” delineating the differences. “Open” is based on the Co-op not having to close its doors to the public due to COVID 19. “Closed” assumes that we will be closed to public in-store shopping for the period January 1 through May 31.

2020 Notes: If we do have to close earlier than January 1, there will be an obvious impact on 2020. We will most likely finish the year with a deficit, even assuming forgiveness of the PPP loan. October finished slightly in the black, and November is ahead of projects, but our starting point for 2021 is behind where we would like.

Sales Projections and Margins: We show you actuals for 2018 and 2019 and Estimate End of Year for 2020 (same that we showed you in September). The 2021 projections are a result of analyzing historical trends, mixed with knowledge of changes during the past year due to COVID buying habits, plus input from the Columinate study, including enhanced merchandising.

Columinate’s James Morrell commented that our current 34% margin rate (actually lower with the revised 2020 budget) was outside the lower end of margins for co-ops of our size (i.e. under \$2 million in sales). That margin range is 35-38%. However, that almost always includes a prepared foods department – a very high margin department. With that information, we chose a margin target overall of 35%. As you can see from the spreadsheet, that varies widely department to department. We have closely examined our departments and spoken with our buyers. We are working with them on better analysis of their inventory and turnover, as well as applying the 80/20 rule: looking at the bottom 20% of performers and easing them out of inventory in favor of higher performing items. Specifically to the “Closed” projections, we again rely on our direct experience with buying habit changes during our closed period and how it affected different departments. We also know that some of the changes we’ve made, such as the addition of the Express Window, and that consumers have “settled” somewhat in their behaviors – such as little dining out.

COGS: Again, working with Columinate on margin attainment, we are implementing improvements in reduced spoilage, better floor staff compliance with inventory pricing (e.g. ringing out conventional potatoes when they’re actually organic), and consistent inventory monitoring throughout the year.

Expenditures other than Wages: These are based on both historic trends and a closer analysis of this current unusual year. We’ve added some specific notes on some line items, both on the summary sheet and within the expense detail tab.

Wages: The Wages tab gives you all the detail on each employee. We used current names, but know there will be turnover. Nevertheless, the position is assumed for the entire year. The previously discussed step increase January 1 to keep up with the changing Vermont Minimum Wage Law is included, as well as a Cost of Living Increase on an employee's anniversary date. You can see the range of totals for Beginning of Year and End of Year. The fringe rate is the same used for 2020. It includes standard fringe of FICA, FUTA, and SUI, as well as covering Holiday and Paid Time Off (PTO). A Vacancy Savings rate of 2% is included to reflect the gap between an employee leaving and a new hire coming on board, and that there is often a wage differential between the leaving employee and the new hire. The General Manager's salary is unchanged.

Wages Under Closed Scenario: The most significant difference between the Open and Closed budgets is in wages. In order to balance the budget within current revenue projections in the event of a sustained closure, staff and hour cuts will need to be made. In order to achieve the necessary savings (\$36,492), we would need to reduce total wages for the year by 2247 hours (ave. wage of \$16.24). Spread over 52 weeks, that's a reduction of 43 hours aggregate staff time per week for the entire year. What does that look like? It would mean something like having store hours (curbside and Express only) from 10-6, closed Thursday mornings for deliveries. The numbers do not include any adjustments for Hazard Pay, enhanced PTO, or increased staff discounts.

Community Center: There are no numbers for either Community Center income or expense. We have no current plans for the space, given the COVID situation. While any number of people – both historic users and new – have inquired we cannot have outside people in the building at this time. Suggestions for use have been many, including turning it into an apartment and renting it out. Adding a dumb waiter/freight elevator and making it back stock storage, allowing expansion of the downstairs retail space. Renting it out to a yoga studio or the like for regular income. Using it as before, or through a new non-profit that might access grant funding for improvements. Etc. However, none of these options have been developed.

Options:

The "Open"/"Closed" options give you what could be characterized as a best case/worst case scenario for operations. If we close in the near future, that closure might not last five months into the new year, mitigating slightly the overall impact.

Extending our Line of Credit to provide additional cash to meet short range goals, including reducing the impact on staff and hour reductions.

Examine other loans. However, our F1 monitoring criteria tell us that any additional borrowing would make us further out of compliance with standards.

New government assistance programs. None are currently out there. We have tapped into whatever was available including the most recent Vermont state hazard pay grants. These don't help the Co-op per se, and only 9 of our staff were eligible for this one-time assistance.

Consider literally closing the Co-op for a period of months. This would require selling off current perishable inventory and laying off staff. A skeleton staff would be necessary to pay utility bills and the like and monitor and maintain the building, etc. Laid off staff would be eligible for some unemployment. This would protect most of the Co-op's assets – especially member equity.

Rather than operating at a significant loss for a period of time, we could come out of hibernation

in the Spring, when COVID has hopefully waned and vaccinations are widely available. This may allow us the time to further develop proposals for alternative locations, building renovations or expansions, etc.

CLOSING THOUGHTS: The Co-op seems to have been in one crisis mode or another for several years. While the budgets submitted here assume current operations in the currently-modeled

facility with incremental improvements to operations (“more of the same, but better”), they belie the underlying structural issue I see. We have an old building with high needs: paint job the most visible. We have aging equipment. We have very limited retail space. And, we have an external invisible enemy bearing heavily on all of us. The budgets before you show modest paths forward that allow us to scrape by in feeding our community and keeping some people modestly employed. It would be great to do a whole lot better.

Decisions

Tasks people volunteered to do