

Plainfield Co-op Annual Meeting Minutes

April 28, 2019

Grace United Methodist Church

Sarah Phillips, Board President, called the meeting to order at 3:30 pm. All present introduced themselves. In honor of the Co-op's 50th anniversary, the attendees sang "Happy Birthday" to the Co-op. Sarah explained that Jean Hamilton has resigned from the Board to become acting General Manager; Sarah was appointed President by the Board and Charlotte Domino is the new Secretary. Gail Falk is taking minutes for this meeting. Sarah introduced Janice Walrafen as facilitator for the meeting.

Quorum. Because there was not a quorum, it was decided to postpone elections until later in the meeting in hopes that there would be a quorum. A quorum would be 49 members, and there were 33 present. Brian Tokar questioned whether the membership count of 989 paid-up members is accurate; he noted that this is nearly double the number needed for a quorum in previous years. Sarah agreed that the number seems high and said that **the membership list will be reviewed for accuracy.**

Because of the lack of a quorum no decisions will be made today. At this meeting, the officers and General manager will report on the status of the Co-op. This is a time for members to express thoughts, ideas and questions, which will **be recorded and brought to community meetings later in the spring.**

Committee Reports.

- **Marketing Committee.** Charlotte Domino reported that the Marketing Committee is newly formed and is looking for additional members to focus on bringing more members/customers into the store.
- **Newsletter.** Glenda Bissex said the newsletter continues to come out quarterly. To save postage, members are asked to sign up to read it online or pick it up in the store. The next issue will focus on issues raised at the meeting.
- **Building Committee.** Mike Brosky reported that in the past year the committee created an office for the manager and COPOS stations on the second floor, freeing up the downstairs office for day-to-day operations. The mop sink in the back of the store was converted to a handwashing sink (for code compliance), the wooden counter tops in the produce section were replaced with stainless steel counters, and the sheet rock under the produce sink was replaced with more lasting material. The Building Committee will take advantage of the store being closed on Memorial Day to have a painting party – members encouraged to participate. The bathroom counter top will also be replaced that day. The next area of focus for the Building Committee will be the exterior of the

building. Paula Emery asked whether there was a plan to compensate for the elimination of the upstairs sink; Sarah said there is no indication this has affected rentals or use of the space and suggested that Paula connect with Jean about concerns.

- Fundraising Committee. Sarah said there is a new committee to focus on raising working capital. Andy Robinson has joined the committee. Other members are invited to join.

Treasurer's Report. Treasurer Giordano Checchi was unable to be present. His written report was distributed and is attached to the minutes. Jean presented the report. She noted that in 2018 there was a net loss of \$46,000. Revenues have been essentially flat over the last four years. The strategy approved by the members at last year's annual meeting to bring compensation of staff closer to a livable wage and to invest in compensation for management-level staff has not resulted in the financial turn-around that was hoped for. Ongoing losses have been financed by delaying payments to vendors, many of whom are local people or companies. The Co-op drew down \$5,000 in December 2018 from its line of credit with the Cooperative Fund of New England and another \$35,000 in January. However, the Co-op is still seriously arrears in payments to vendors.

Jean said that we are now seeing the results of years of underfinancing of the Co-op in the form of underpayment of staff salaries, failure to bring in staff with needed marketing and financial skills, and deferred maintenance of the Co-op systems and infrastructure.

She said the Co-op needs working capital to strengthen the building, staff, and marketing. Raising working capital soon to bring vendor payments up to date and make needed investments is essential for the Co-op to survive. She then read the Treasurer's conclusions, which she said she agrees with (see attached report).

Karen Starr asked why staff weren't told sooner that the Co-op was in financial trouble. Jean responded that the problems are not new, they are cumulative. She acknowledged that it is very stressful for staff to work in an organization that is financially stressed: staff are always under pressure to cut back and creative ideas can't be implemented.

General Manager's Report

Jean said that the past three months have been stressful as the Board and staff try to navigate the acute pressures of financial strain. Staff have shown resiliency through these changes and the Board has shown dedication and a very heavy lift in trying to find the right path forward. She expressed appreciation to everyone who has shown support by continuing to shop at the Co-op, who have volunteered, and who have contributed their energy to keeping it as strong as possible.

Jean explained that in March Kevin Levesque stepped down from the position of General Manager. He is now serving as Operations Manager: he has a great deal of skill to work with

buyers, tighten up on inventory, and does a great job overseeing the daily operations of the store. At that time Jean stepped off the Board to serve as General Manager. As General Manager she is focused on communication with members and staff, financial management, strategic direction, and human resources issues.

She noted that, in the midst of the financial crisis in March, a staff member was terminated by the General Manager (who was Kevin at the time). This situation is painful, sensitive and complicated. The Co-op cannot discuss personnel matters in a public forum. This matter took a great deal of the Board's attention. The Board reviewed the General Manager's actions and process and found that he acted legally, appropriately and reasonably. The process included an offer of mediation and an offer for a restorative process with the board, but these offers were declined by the staff person.

Jean noted some bright spots:

- The Co-op has continued to be open every day
- Staff are super dedicated
- Cost control strategies are showing a positive effect in holding down costs
- Gross margin is improving
- Working membership is growing (thanks to Charlotte's work)
- Gift card use is up by 75% saving credit card fees
- The Community Center is used robustly and can now be scheduled online
- We have some robust committees: Building, Newsletter, Marketing. We are launching a fundraising committee.

As General Manager, she does not see the situation as hopeless. This is a time to Refresh and Reset. We – the members and staff – are all crew, not passengers, and need to row together.

Comments on the General Manager's Report

- Why didn't someone do something sooner?
- What are we going to do to save the Co-op?
- Why were staff not promoted internally for management positions; it would have been better to promote from within
- What is the policy about a Board member becoming a manager and then becoming a Board member again? Isn't this a conflict of interest?
- Last summer we were told that the new management structure was intended to fill in for specific skills that were lacking. Have we succeeded in developing those skills?
- Why did the Board not make it clear how dire the situation was?
- The precedent of the firing of a staff person needs to be looked at.
- This wasn't just any termination; it was an African American woman who was terminated.

- I'm grateful to Jean for stepping in as a General Manager. I know it was not a power grab.
- From a staff perspective the new management is not collaborative. At last year's annual meeting there was a big commitment to a collaborative management structure.
- Advertising for this meeting was bad.
- Staff feel they are not being listened to about budget cuts
- We haven't been seeing and listening to each other – staff, board, management
- I remember in the past there were lots of inventory issues. I am glad that is being addressed.
- When I walk into the Co-op I am always greeted by happy, helpful faces.
- I appreciate Jean's willingness to step off the Board and to take the heat.
- Why was the Administrative Manager fired rather than being given a different role?

At this point in the meeting, comments on the General Manager's report stopped and there was a discussion about how to address ongoing concerns of the staff member who was terminated and concerns of staff and members about the procedures and factors considered when an employee is terminated. After discussion it was agreed that a small group will meet to develop a productive framework for this discussion, including what information can be shared and with whom? Karen Starr will convene the committee. Members are Karen, Gail, Charlotte, Ludmilla, Leah and Rosemond. They will report a proposal to the Board by May 20.

President's Report

Sarah Phillips, as the new Board President, gave a President's Report.

She reviewed results of the Marketing study conducted in 2018. The person who conducted the study was very skilled and the study was thorough. Regrettably, after the report came out, only one person attended the meeting to hear and discuss its findings. We need further member discussion of the Marketing Study's conclusions. One main point is that the catchment area for our store is totally contained within Hunger Mountain's catchment area (i.e., the towns from which shoppers come to Plainfield Co-op are also towns served by Hunger Mountain Co-op). We are used primarily as a convenience store not a place where people do their major shopping, and we need to come to grips with what that means for our identity. The study revealed that a high proportion of the residents of our "catchment area" does some shopping at Plainfield Co-op as compared with the market penetration of other cooperatives. Another major finding of the study is that we are limited in our ability to grow if we remain at our current location, but we *would* grow if the Co-op moved to a location on Route 2.

Sarah reviewed the fact that as of the end of March, the Co-op was \$68,000 behind in payments to vendors; of this amount 49% is out of current. The Board has asked management to create savings by reducing staff/hours, increasing efficiency and focusing on increasing margins. The Board has discussed contingencies and drastic measures should the financial

situation not turn around; thankfully March financials were more promising, though not sustainable. We will need to raise money to keep open now and allow us to plan for the future.

She said that the Board is tasked with looking up and out, but this has been extremely difficult while managing both a financial and a personnel crisis.

Sarah said the Board agree that communication is key. The Board has hosted multiple board/staff meetings and proposes a series of community meeting where members can weigh in on major changes that may be in our future, such as location. Sarah concluded that deep engagement with members is the primary strategy going forward. The Board needs to engage with members to fill in the strategic plan and move it forward and position ourselves for the future. The Board needs input from members in organizing and getting people to come to meetings to discuss topics and be clear about what they value about the Co-op.

We are at a do or die moment.

Sarah asked those present to write down on a piece of paper how they could contribute at this time to the Co-op's urgent needs. **Charlotte collected the responses and will collate them.**

Comments on the President's Report

- You should do a better job of publicizing Board meetings and Annual Meeting
- Ask Hunger Mountain for help (Response from Jean: we have)

Elections postponed

There was still no quorum, and so there could be no Board elections. Charlotte Domino and Bram Tobin had been appointed to the Board on an interim basis in accordance with the by-laws. They will continue to be members of the Board pending elections, as will Giordano Checchi, whose term expires, but who is running for another term. Elections will be held at a future Special Meeting when a quorum is present.

There was a discussion about how to get enough members to attend so that there will be a quorum. Erok Gillam suggested a party – something fun. A 50th anniversary celebration combined with a 50-50 raffle (a 50 theme).

The meeting was adjourned at 5:30.

Respectfully submitted,

Gail Falk, Member Notetaker

Plainfield Co-op 2019 Annual Meeting
Treasurer Report

Dear Members,

I apologize for not being able to attend this important meeting of our co-op. Previous commitments that I have not been able to change required me to travel to a far and remote place of our country.

I prepared a summary of the Profit & Loss and of the Balance Sheet for the last four years, from 2015 to 2018, that I invite everyone to closely look at.

The summary of the last four years of activity of our co-op allows a comparison, line by line, of the main figures that determine how well our co-op is doing.

The troubles suffered by the Management Collective in the second half of 2017 have led to organizational changes that created a sudden worsening of the figures that determine the financial performance of the co-op. But signs of difficulty were already visible in the previous years, indicating that our co-op was already running a weak operation that could be negatively impacted by any unforeseen event. The organizational changes of 2018, put in place in an effort to improve the motivation of our staff and to improve our revenues, have not led to the results everyone had hoped for. The beginning of 2019 has forced the Board to implement new changes, and for the moment the co-op is still running.

The main lines that show our difficulties are:

- The Gross Profit remained essentially flat over the last 4 years.
- Payroll Expenses that absorb 72% of the whole Gross Profit in 2018.
- Current Liabilities have almost doubled in four years, with Accounts Payables, the money we owe to our suppliers, that are 219% of what they were in 2015.
- The already meager return for our members has been zeroed for the last two years.

The conclusion is that the co-op is failing to provide its members and the community at large the support our Bylaws and our principles call for.

Yes, we have a place where we can purchase local, healthy, and good quality food and groceries.

Yes, we are an outlet for local products.

Yes, we are a cozy place where our community can meet and socialize.

But,

We are lacking the means to support those in our community that are in need.

We are hurting the sustainability of the local economy, made by our local suppliers and local business, if we cannot pay them in a timely manner.

We need to at least break-even, if we want to be a not for profit co-op.

As Treasurer, I invite all of the co-op members to think about major changes, not of small adjustments, but of serious changes. Think about taking a bold step into the future of our co-op. Other options may work for the short time, but would lead to a delay of the same issues we are suffering today.

Respectfully submitted. Giordano Checchi

Plainfield Co-op - Summary of the P&L and Balance Sheet for the last four years

Plainfield Co-op - Summary of the P&L and Balance Sheet for the last four years				
	2015	2016	2017	2018
PROFIT AND LOSS				
NET REVENUES FROM SALES	1,114,509	1,118,203	1,159,975	1,190,626
COST OF GOODS SOLD (ADJUSTED¹)	746,031	745,130	780,646	797,436
GROSS PROFIT	368,478	373,073	379,329	393,190
EXPENSES (TOTAL)	368,779	387,252	377,434	436,862
of which ² :				
Merchant Services Fees	13,686	13,884	15,914	15,854
Accounting	14,727	18,162	13,319	13,839
Staff Discount	21,071	24,967	19,162	22,564
Store Supplies	8,685	7,297	8,577	10,522
Electricity	11,751	10,297	12,166	10,664
Payroll Taxes	19,856	20,894	19,999	23,876
Wages	215,439	228,510	220,676	258,276
Member Discounts ⁵	2,282	1,798	3,257	4,700
NET ORDINARY INCOME	(301)	(14,179)	1,895	(43,672)
Other Income ³	7,184	4,908	4,701	3,311
Other Expenses ⁴	5,115	4,474	8,272	5,777
Net Other Income	2,069	434	(3,571)	(2,466)
NET INCOME	1,768	(13,745)	(1,676)	(46,138)
Explanatory Notes:				
1. adjusted for inventory and spoilage				
2. highlighting expenses higher than \$10,000 per year				
3. includes the Community Center income				
4. includes Board, Comm. Center, Member Communications, Depreciation				
BALANCE SHEET				
ASSETS				
Current Assets	113,083	102,325	113,273	124,406
Fixed Assets	50,359	50,359	53,017	53,017
Other Assets	26,298	37,733	20,026	27,391
TOTAL ASSETS	189,740	190,417	186,316	204,814
LIABILITIES and EQUITY				
TOTAL LIABILITIES	56,470	61,763	59,042	111,994
Current Liabilities	56,470	53,763	59,042	107,312
of which:				
Accounts Payable	44,420	48,447	53,810	97,242
Other Current Liabilities	12,050	5,316	5,232	10,070
Long Term Liabilities	0	8,000		4,682
TOTAL EQUITY	133,270	128,654	127,274	92,820
of which:				
Common Stock	5,972	5,972	5,972	5,972
Member Equity	28,067	38,728	48,956	60,641
Dividend Payments (to members) ⁵	(2,000)	(3,531)	0	0
Retained Earnings	99,463	101,230	74,022	72,345
Net Income	1,768	(13,745)	(1,676)	(46,138)
TOTAL LIABILITY AND EQUITY	189,740	190,417	186,316	204,814