

October 29, 2024 General Meeting Report

Base Mark-up for Fiscal Year FY2026 beginning Monday, February 3, 2025

In keeping with the March 28, 2023 General Meeting decision, the General Coordinators will report to the General Meeting each October on the base mark-up for the upcoming fiscal year and the analysis used to determine the mark-up.

FY2025 (Current) Base Markup: 24%

At the October 31, 2023 General Meeting, the GCs lowered the markup from 25% to 24%, retaining a 21% mark-up for members receiving income-based assistance, based on our projections for FY2025 ending on February 2, 2025:

Cost of Goods Sold	Base markup	Gross Margin %	Projected Sales	Gross Margin + Other Income	Projected Expenses	Gain / (Loss) before taxes
48,847,000	24%	19.05	60,342,000	11,895,000	11,870,000	25,000

In October 2023, the 24% base mark-up projection brought us closest to approximately breakeven, balancing our goals of low prices while ensuring the Coop's financial reserves remain in the \$7.5 - \$10 million range and we are prepared for a future pandemic or emergency. It would not be in the Coop's best interest to have a mark-up that yields a loss before taxes.

FY2026 Base Markup: 25%

The General Coordinators are raising the base mark-up to 25% for the fiscal year 2026 based on our projections that this mark-up will allow for a gain before taxes:

Cost of Goods Sold ¹	Base markup ²	Gross Margin % ³	Projected Sales	Gross Margin + Other Income	Projected Expenses	Gain / (Loss) before taxes
50,500,000	24.0%	19.04	62,378,000	12,358,000	12,785,000	(427,000)
50,500,000	24.5%	19.37	62,630,000	12,610,000	12,785,000	(175,000)
50,500,000	25.0%	19.69	62,883,000	12,863,000	12,785,000	78,000

Additional factors considered:

- Sales per member: Members are purchasing 13% fewer items on average than they did pre-pandemic. This can be traced, in part, to the change to a 6-week work cycle from a 4-week cycle, resulting in less shopping traffic.
- Employee Health Benefits: Healthcare costs have continued to increase significantly in recent years. This fiscal year, the increase is nearly \$200,000 compared to the same period last year. The previous year (FY24) saw an increase of over \$500,000 compared to the prior year (FY23).
- Pandemic Planning: We maintain that the Coop needs to have between 7.5 and 10.0 million dollars in our accounts for the next pandemic or emergency. We are hovering at the bottom of that range and a 25% mark-up for FY26 will help to avoid falling below that range.
- Salary Structure: In the last 2 years, the number of applicants for Coop jobs has averaged well below the pre-pandemic norm. Additionally, as we plan for the retirement of Joe Holtz, we have learned that to attract the best candidates, management salaries must be competitive with other Coops and with those listed by the Bureau of Labor Statistics, putting upward pressure on salaries.
- Uncertainty maintaining current membership and attracting new members: Some members have indicated the ongoing political disputes at the Coop are causing them to shop less. In addition, we are concerned these disputes could diminish the Coop's ability to attract new members.

The Coop will retain the 21% base mark-up for members receiving income-based assistance.

¹ Cost of Goods Sold: The delivered cost of the products members will buy before the markup is added to establish the selling prices.

² Base mark-up definition: The amount that everything is marked up before any additional mark-ups are added to some products. See page 2 of financial statement for more information.

³ Assumes shrink of approximately 1.40%