



Memorandum

MONTEREY REGIONAL WASTE MANAGEMENT DISTRICT

DATE: February 12, 2021
TO: General Manager
FROM: Last Chance Mercantile Re-Opening Task Force
SUBJECT: Review of Re-opening Options

Reviewed by: 
General Manager Date: 2/12/21

RECOMMENDATION: For discussion and direction to staff.

The Last Chance Mercantile Re-Opening Task Force (Task Force) is providing the attached analysis of District options for re-starting LCM operations for review and discussion at the February 19 meeting. At this month's meetings of both the Finance and Personnel committees, staff reviewed project objectives and the process for rendering a decision. Committee members recommended that staff present a comparison of the three options under consideration at the upcoming Board meeting for a full review and discussion. The Committees further recommended deferring a final decision to the March meeting.

Project objectives

At the outset of this project, staff discussed with the Board the District's goals for the re-opening of the LCM. As the project has progressed, additional objectives and priorities have been raised. Staff used the Committee meetings this month to solicit further feedback on priorities and came away with the following top priorities, in order of importance.

1. Continue the diversion of waste from the landfill through the promotion and facilitation of material reuse.
2. Operate the LCM in a financially sustainable manner.
3. Support jobs having fair wages and benefits.
4. Maintain the District control over its reputation in the community.

At this meeting, staff seeks to confirm these other priorities or make changes as desired by the Board.

Option analysis

The attached analysis provides a side-by-side view of three re-opening options available to the District at this time: 1) the Second Chance Thrift Store, 2) the Veterans Transition Center, and 3) a MRWMD run operation.

Staff will review with the Board this analysis and be available for further questions and direction.

Also attached is an updated description of the District-operated option, together with a financial projection providing a multi-year view of this option. For details on the two third parties who made presentations to the Board at the January meeting, please see refer to the materials provided in the Board packet for that meeting.

1. **Organization qualifications & fit with District mission and objectives**

	Second Chance	VTC	District-Operated
Organizational mission and program priorities	<p><u>Mission (The Bridge):</u> "We exist to provide a residential setting for those struggling with addictions, providing safety, structure, discipleship and supervision for the purpose of restoring them back to God, family, work and community."</p> <p><u>Why LCM:</u> Two priorities: 1) expand vocational opportunities; and 2) increase reutilization of used goods. Operating LCM would address both goals.</p>	<p><u>Mission:</u> Empower vets to move from crisis to self-sufficiency.</p> <p><u>Why LCM:</u> Has had a goal of establishing own thrift store to support: 1) jobs for job training; 2) revenue diversification; 3) expand donor network/donations.</p> <p>LCM provides:</p> <ol style="list-style-type: none"> 1. established facility 2. job training 3. addl. revenue & diversification 4. leverage donor network 5. household needs for their clients 	<p><u>Mission:</u> "The mission of the District is turning waste into resources in the most cost-effective and environmentally-sound manner to benefit the community."</p> <p><u>Why LCM:</u> 1) To show the environmental stewardship and economic benefit that reuse and redistribution of reusables provides to our community; 2) to divert materials from the landfill; 3) programmatic embodiment of the highest level of solid waste hierarchy.</p>
Experience in delivering services and programs (including reuse retail)	<ul style="list-style-type: none"> • 16 years operating a growing number of rehabilitation and vocational training programs including: a culinary program, janitorial program, and thrift store operations • Serves 35 residents currently, capacity for 40 residents. • 10 years of operating Second Chance Thrift Store in Pacific Grove; second store added in Monterey in 2015. • Successful thrift store retail practices developed over years of operating current stores 	<ul style="list-style-type: none"> • 23 years operating a growing number of programs, including: sobriety programs, job training and placement, community housing, transportation, and clothing, furniture & food donation and distribution. • Capacity to serve 55 residents. • Large volunteer network • No direct used goods/thrift retail management experience • Experience in receiving and distributing donated items 	<ul style="list-style-type: none"> • 30 years of experience • Last Chance opened in 1991 as an auction and moved to its existing location in 1996.

Key personnel qualifications	<ul style="list-style-type: none"> • Leadership team of three (3) including: executive director, program/store manager and director of operations. • Program/store manager has strong reuse retail and repurposing experience along with a personal passion for it. 	<ul style="list-style-type: none"> • Seasoned management team • Board of Directors made up of veterans; formal governance practices and procedures in-place. • Influential local advisors & partners • COO leaving organization; replacement will be hired if awarded. • Do not have existing management personnel on staff for store. 	<ul style="list-style-type: none"> • Leadership Team, management and administrative teams serving 116 employees. • Director of operations who is experienced in starting and managing successful reuse retail operations. • Experienced assistant manager with 23 years' experience • Average Former LCM staff experience: <ul style="list-style-type: none"> ○ Mgmt./supervisors: 17 years ○ FT labor: 9 years ○ PT labor: 3 years
Performance record	<ul style="list-style-type: none"> • 16 years history of successful development, operation and growth of both rehabilitation programs and reuse thrift stores. • Combined budget of Bridge Restoration Ministry and Second Chance Thrift Store ~\$1M. • 2020 showed first loss in Second Chance operations due to maintaining payroll of staff during COVID-related mandated store closures. 	<ul style="list-style-type: none"> • Budget growth from \$1.3 to 3.2M in past 4 years • During the economic downturn because of the pandemic, VTC's budget increased \$1M. • Named CA Nonprofit of the Year for 29th Assembly District in 2017 • Named Monterey County Service Provider of the Year twice by the Nonprofit Alliance of Monterey County 	<ul style="list-style-type: none"> • Maintained steady revenues over past decade in face of increased reuse retail competition • Growing operating losses • Voted "Best Eco-Friendly Business" by Monterey County Weekly readers 5 years in a row (2015-2020).
Financial stability	<ul style="list-style-type: none"> • Funding derived approximately half from public donations and grants and half from thrift store revenue. • Liquidity (current assets/current liabilities): 4.3x • Operating efficiency (operating margin): 7.9% (entire organization) 	<ul style="list-style-type: none"> • Diverse funding sources (22 in total) • Multi-year contracts from 3 federal agencies (VA, HHS, HUD); 1 State agency (Dept of Corrections), Mo. County, and 3 cities (Marina, Seaside, Monterey) • Liquidity (current assets/current liabilities): 1.4x • Operating efficiency (operating margin): 20% 	<ul style="list-style-type: none"> • Backed by District operations and rate-setting structure.

2. Operational approach

	Second Chance	VTC	District-Operated
Retail strategy – donations, merchandising, marketing...	<ul style="list-style-type: none"> Will leverage proven thrift store retail practices developed in current stores, including: <ul style="list-style-type: none"> Re-sale goods donations via drop-offs and pick-ups In-store merchandising and product rotation Product pricing policies based on age in store Online sales through Amazon, Shopify, Poshmark, Mercari & Offer Up Customer engagement practices that include use of social media, electronic customer alerts via e-mail and text for things like special promotions, coupons, and Community Corner, a consignment area for handmade and up-cycled goods. Textile recycling/upcycling of unusable textile into rags and yarn balls. Projections assume no revenue increase from historical, but their leadership believes revenues will increase based on sales and marketing strategies and maximizing large footprint of the store. 501(c)3 donation credits eligible 	<ul style="list-style-type: none"> Approach is to recruit an experienced retail manager to run the store. Will build on existing VTC donor program; and add a fee-based pick-up service. Use of promotions, such as Clothing Issue Day for discounted clothing. Marketing strategy overseen by VTC marketing manager. Assuming a 10% per year revenue increase, primarily due to increased donation flow. 501(c)3 donation credits eligible 	<ul style="list-style-type: none"> Building upon past experience operating the LCM, will seek to expand strategy to include: <ul style="list-style-type: none"> Online sales Budgeted 15% price increase Engage consulting services from SCORE and Urban Ore or others to examine other ways to improve operations to increase revenue and diversion. <ul style="list-style-type: none"> Merchandising Pricing strategies Online sales
COVID-19 safety approach	<ul style="list-style-type: none"> COVID-19 safety strategy in-place in their current reuse retail operations including store 	<ul style="list-style-type: none"> Utilize existing protocols in current operations from Federal, State & County agencies. 	<ul style="list-style-type: none"> Plan developed by MRWMD staff in conjunction with In-Focus, a

	occupancy protocols, customer sanitizing stations, staff safety measures, and quarantining of incoming items before they're placed for sale.		<p>safety consultant under contract with the District.</p> <ul style="list-style-type: none"> ○ Customer limits based on State tiers. ○ Temperature testing, hand sanitizers, plastic partitions for cashiers. ○ Restocking at beginning and end of day to keep customers from lingering.
Innovation opportunities or potential	<ul style="list-style-type: none"> • Potential to introduce new, but tested retail strategies to LCM, including: <ul style="list-style-type: none"> ○ Merchandising ○ Rotation of goods through multiple outlets ○ Use of online sales ○ "Community Corner" upcycling/consignment program ○ Donation pick-up service ○ Collaboration with other thrift stores to recycle clothing and other materials through brokers to increase revenue and diversion for items that aren't sold. • Other innovations taking advantage of large space. • POS system (Lightspeed) in place. 	<ul style="list-style-type: none"> • Donation strategy to increase availability & quality of goods through pick-up. • Satellite donation drop-offs using containers. • Delivery of sold items for a fee. • Possible additional activities: <ul style="list-style-type: none"> ○ Bike and other repair services ○ LCM as platform for trade skills development in partnership with other entities 	<ul style="list-style-type: none"> • Utilizing the facility for other programmatic purposes and cross promotional sales. • Sales of products promoting sustainable living (e.g., reusable containers to replace single-use items) • Landscape product displays to encourage purchasing. • Reuse/repair cafes organized by District

3. Employment approach

	Second Chance	VTC	District-Operated
Staffing Plan	<ul style="list-style-type: none"> Plan for shared management of two senior leadership positions between two stores with a heavy presence to get store re-launched successfully. One dedicated store manager assigned at LCM. 7-10 FTE (paid) at LCM. Use of vocational program trainees (volunteers 12+ mos. duration) Other sources of workforce: <ul style="list-style-type: none"> Work Alternative through Monterey County & Turning Point through Monterey County Works 	<ul style="list-style-type: none"> 3.5 FTE management: COO (PT), store manager, asst. manager, case manager 5 FTE sales 4 PT sales: VTC residential program (6-12 mos. duration) + program alumni 1 ops + 3 pick-up service staff 0.5 FTE admin Potential use of military spouses, volunteers and/or temporary staff. 	<ul style="list-style-type: none"> Director of operations ¼ to ½ time dedicated to store for first year (time not incl. in operating costs) Asst. manager in first year LCM store manager for second year and beyond 6 FTE (incl. management position) 5 PT employees
Pay	<ul style="list-style-type: none"> Current projected average \$16.88/hr. at both stores, minimum rate \$14.50/hr. \$2.50/hr. average burden Plan to bring employees closer to \$20/hr. average as store's financial performance stabilizes. 	<ul style="list-style-type: none"> Average management wage \$23.50/hr. (excl. COO) Average labor wage: \$15.00/hr. min. No prescribed COLA or benefit increase. 	<ul style="list-style-type: none"> OE3-negotiated pay rates for FT & PT employees (excl. Dir. of ops) <ul style="list-style-type: none"> Average management/supervisor wage: \$36.25/hr. Average labor wage: <ul style="list-style-type: none"> FT \$21.00/hr. PT \$17.35/hr. Annual COLA and step increases
Benefits	<ul style="list-style-type: none"> Worker's comp & taxes Dental, vision, life insurance benefits with no out-of-pocket expenses for employee Most employees covered by Medi-Cal or Covered California Seeking to provide employer-health benefit without high-deductible. 	<ul style="list-style-type: none"> Group health insurance plan 401k with 5% match Paid vacation & sick leave Program participants receive housing, food, transportation and clothing in addition to counseling while in program. 	<ul style="list-style-type: none"> OE3-negotiated benefits for 6 FT employees: <ul style="list-style-type: none"> CalPERS pension Medical Dental Life 457b 2-7% step match Sick/vacation time EAP counseling No benefits for PT employees

	<ul style="list-style-type: none"> • Program participants receive housing, food and clothing in addition to counseling and classes for a minimum of one year while in program. 		
Opportunities for former LCM Staff	<ul style="list-style-type: none"> • “Former LCM employees would certainly be considered for positions under our management should they choose to apply with us.” • Soft skills relative to management and motivation of residential clients strongly preferred. 	<ul style="list-style-type: none"> • “While our goal is to employ current formerly-homeless veteran clients, their spouses and our alumni, VTC will consider priority employment be given to former LCM staff.” • Separate case managers assigned (funded by other VTC program). 	<ul style="list-style-type: none"> • 6 of 10 hired back (7th already re-hired for Site Crew under call back program) • 3 others offered PT opportunity. • PT employees eligible for in-house promotions in same or other departments
Skill development and training	<ul style="list-style-type: none"> • Primary focus of mission is vocational training to help people become independent. • Builds self-esteem and a sense of accomplishment in the area of work ethics. • Receive training to provide job skills and stability themselves and their families upon graduation from the program. 	<ul style="list-style-type: none"> • Primary focus of mission is vocational training to help people become independent. • Give veterans tools and training they need to overcome physical and mental traumas to move out of homelessness through on-the-job training. 	<ul style="list-style-type: none"> • Work with 3rd party consultants to expand in-store activities and systems and help develop staff skills.

4. **Benefits to District**

	Second Chance	VTC	District-Operated
Customer base and reach	<ul style="list-style-type: none"> • Tax deductibility could expand customer base. • Expanded reach for donations through pick-ups • Online sales and multiple outlets increase probability of sale/diversion of an item 	<ul style="list-style-type: none"> • Tax deductibility could expand customer base. • Expanded reach for donations through pick-ups and satellite drop-offs. • Hard-to-sell items (60 days) transferred to Disabled American Veterans (DAV) in Fresno thrift store. 	<ul style="list-style-type: none"> • Existing relationship with current customer base would be maintained. • Expanded online sales activity would be an expectation.
Services	<ul style="list-style-type: none"> • Store operation 6 days/week • Pick-up of donated items 	<ul style="list-style-type: none"> • Projections based on 5 days/week but could expand to 6 days/week dependent upon increased transaction volume. • Pick-up of donated items • Delivery of purchased items for a fee 	<ul style="list-style-type: none"> • 5 days/week sales, 6 days/week donations • Expanded online sales. • Streamlined process for staff and customers to ensure consistency of pricing (stop staff-hopping by customers to get best price) • Removal of CRV Buyback Center, e-waste, and landscape product sales to focus staff on LCM activities. • Potential for other reuse programming and District services/promotions in a staff-run facility.
Financial	<ul style="list-style-type: none"> • Open to discuss revenue/profit sharing. • No added cost to the District except cost of contract manager/district liaison. 	<ul style="list-style-type: none"> • 10% of revenues would go to a jointly controlled reserve fund for facility and program improvements. • No added cost to the District except cost of contract manager/district liaison. 	<ul style="list-style-type: none"> • Staff will be engaged in and accountable for financial performance of LCM. (They had not been responsible or empowered prior to LCM closure.) • A financially sustainable operation long-term

Reputational/Brand	<ul style="list-style-type: none"> • Community benefit organization with reputation for operating high quality programs for at-risk populations and retail stores. • Potential to extend the District's impact with faith-based communities. • Potential to expand the District's impact on the community by association with this partner. 	<ul style="list-style-type: none"> • Community benefit organization with reputation for operating high quality programs for at-risk populations. • High-profile org with relationships with local and regional decision makers. • Potential to expand the District's impact on the community by association with this partner. 	<ul style="list-style-type: none"> • Maintain the current positive public experience of the LCM. • District control over in-store messaging as it relates to sustainability practices site-wide.
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5. Risks to District

	Second Chance	VTC	District-Operated
Financial	<ul style="list-style-type: none"> • Small organization without ability to absorb significant financial setbacks. <ul style="list-style-type: none"> ○ Access to The Bridge reserves for small Second Chance/LCM deficits 	<ul style="list-style-type: none"> • Potential for reconsideration of involvement should projections not be met and experience financial losses. 	<ul style="list-style-type: none"> • Regular price increases would be required to keep pace with District labor costs. • Potential for union pressure to eliminate part-time positions in future negotiations
Operational	<ul style="list-style-type: none"> • Dependence on small management/leadership team subject organization to key-person risks. • Adding LCM would represent significant growth, increasing staffing and budget by ~150% • May be unfamiliar with needs of existing LCM customer base. • Expected turnover (12 months) of program participants could impact customer relations. • Potential use of volunteers may impact customer experience. 	<ul style="list-style-type: none"> • No direct thrift store experience. • May be unfamiliar with needs of existing LCM customer base. • Expected turnover (6-12 months) of program participants could impact customer relations. • Potential use of volunteers may impact customer experience. 	<ul style="list-style-type: none"> • Due to recall policy for laid-off employees, the LCM staff would be predominately the same as before. There will be new expectations and skillsets (online sales, profit/loss responsibilities) that will be new to staff.
Legal	<ul style="list-style-type: none"> • Potential legal liability from customer/staff interaction not under District control. • Customer injury or accident exposure. • Need to establish guidelines to ensure adequate church/state separation. 	<ul style="list-style-type: none"> • Potential legal liability from customer/staff interaction not under District control. • Customer injury or accident exposure. 	<ul style="list-style-type: none"> • Same legal liabilities as other aspects of MRWMD operations.

Reputational/Brand	<ul style="list-style-type: none"> • Transition to a third-party operator may have an impact on our customers. • Staff conduct not subject to District control. • LCM fails to meet operator's objectives and District is required to change operations again. 	<ul style="list-style-type: none"> • Transition to a third-party operator may have an impact on our customers. • Staff conduct not subject to District control. • No historical focus on waste reduction activities. • LCM fails to meet operator's objectives and District is required to change operations again. 	<ul style="list-style-type: none"> • LCM operations fails to evolve as desired/expected and District is required to change operations again.
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LCM - DISTRICT STAFFED AND OPERATED OPTION

All \$\$ in Thousands	3-Year Average	FY 2021 Budget Pre-COVID*	Q4 Apr-Jun 2021	Q1 Jul-Sep 2021	Q2 Oct-Dec 2021	Q3 Jan-Mar 2022	Q4 Apr-Jun 2022	Fiscal Year 22/23	Fiscal Year 23/24	Fiscal Year 24/25
OPERATING REVENUES										
Baseline Revenue	\$790	\$800	\$200	\$230	\$230	\$230	\$230	\$920	\$948	\$976
Price Increases			15%	0%	0%	0%	0%	3%	3%	3%
New Revenue Baseline			\$230	\$230	\$230	\$230	\$230	\$948	\$976	\$1,005
Re-start Ramp-up			65%	75%	85%	100%	100%	100%	100%	100%
TOTAL REVENUES	\$790	\$800	\$150	\$173	\$196	\$230	\$230	\$948	\$976	\$1,005
OPERATING EXPENSES										
PERSONNEL EXPENSES										
Full time employees		15	6	6	6	6	6	6	6	6
Part time employees			5	5	5	5	5	5	5	5
Wages	\$922	\$910	\$118	\$123	\$123	\$127	\$127	\$527	\$542	\$559
Taxes & Benefits										
Healthcare	251	264	\$34	\$34	\$34	\$36	\$36	\$148	\$153	\$157
CalPERS	99	155	\$17	\$18	\$18	\$18	\$18	\$75	\$77	\$80
Workers Compensation	71	85	\$12	\$13	\$13	\$13	\$13	\$53	\$55	\$56
Other Benefits	20	12	\$1	\$1	\$1	\$1	\$1	\$5	\$5	\$5
Taxes	12	13	\$2	\$2	\$2	\$2	\$2	\$8	\$8	\$8
Total Taxes & Benefits	452	529	\$66	\$67	\$67	\$70	\$70	\$289	\$298	\$307
SUBTOTAL	\$1,374	\$1,438	\$184	\$190	\$190	\$198	\$198	\$816	\$840	\$865
NON-PERSONNEL EXPENSES										
Contractual Services	\$12	\$20	\$4	\$4	\$4	\$4	\$4	\$16	\$16	\$17
Gasoline, Oil & Fuel	\$1	\$2	\$0	\$0	\$0	\$0	\$0	\$1	\$1	\$1
Office Expense	\$3	\$6	\$8	\$8	\$8	\$4	\$4	\$15	\$15	\$16
Operating Supplies	\$13	\$15	\$1	\$1	\$1	\$1	\$1	\$5	\$5	\$6
Professional Services	\$11	\$12	\$8	\$8	\$8	\$7	\$7	\$28	\$28	\$29
Repairs & Maintenance	\$37	\$30	\$7	\$7	\$7	\$7	\$7	\$29	\$30	\$31
Safety Equip/Supplies/Training	\$12	\$10	\$2	\$2	\$2	\$2	\$2	\$10	\$10	\$11
Training/Meetings/Education	\$0	\$0	\$1	\$1	\$1	\$1	\$1	\$3	\$3	\$3
Other Expense	\$1	\$1	\$0	\$0	\$0	\$0	\$0	\$1	\$1	\$1
SUBTOTAL	\$90	\$95	\$32	\$32	\$32	\$26	\$26	\$108	\$111	\$114
TOTAL OPERATING EXPENSES	\$1,464	\$1,533	\$216	\$222	\$222	\$224	\$224	\$924	\$951	\$980
NET INCOME (LOSS)	(\$674)	(\$733)	(\$66)	(\$49)	(\$26)	\$6	\$6	\$24	\$25	\$26
Cumulative Net			(\$66)	(\$116)	(\$142)	(\$136)	(\$130)	(\$106)	(\$81)	(\$55)

* Pre-COVID budget assumed no BBC and no landscape product sales

LAST CHANCE MERCANTILE RE-OPENING: MRWMD STAFFED OPERATIONS

FEBRUARY 12, 2021

Summary

The LCM Task Force has been reviewing the historical operations of the Last Chance Mercantile to assess the feasibility of creating a District-run operating plan that would meet the goals of re-opening safely during and after the COVID-19 pandemic and doing so in a more financially sustainable manner. This process has included talking with other facility operators and organizations, as well as meeting with former staff members to solicit ideas and feedback.

The following is a preliminary summary of possible adjustments and assumptions that could be made to meet those objectives, as desired by the District's Leadership Team and Board of Directors. This is a working document, provided to the Board to show staff's current thinking regarding the feasibility of this option. The success of a District-run operation will be dependent upon achieving a range of conditions. The Task Force is continuing to refine these conditions and assumptions and will provide further analysis in February.

Key Program Adjustments and Assumptions

Program Reductions

The activities and responsibilities of the LCM staff would be reduced to the sole functions of:

1. Receiving and processing customer-donated and MRF-recovered reusable items for resale;
2. Pricing, stocking, and display of items for sale;
3. Customer assistance and service for sales and material handling; and,
4. Online sales, store promotions and other marketing, and other customer engagement activities

The activities that would no longer be conducted by the LCM staff are as follows:

1. The Container Redemption Value (CRV) Buy Back Center: The CRV Buy Back Center was closed because of the State and County Shelter in Place orders in March, and due to significant safety concerns raised by pedestrian and bicycle traffic on Charlie Benson Rd. In addition, the lack of CalRecycle funding to support the operations (loss of approximately \$300k/yr.), contributed to the closure decision. A new CRV buy back center has subsequently opened in Seaside.
2. Electronic Waste (E-Waste) acceptance and processing: With the temporary closure of the LCM, this activity has been handled by the Household Hazardous Waste (HHW) facility. The HHW staff have proven to be well-equipped to accept and handle these materials and this activity within the other operations of the facility. It has not required any additional staff to be hired for the HHW.
3. Staffing of the public Recycling Drop-Off station ("Z-Wall"): For many years the District had positioned a staff person at the Z-Wall to direct the public to the appropriate containers and to monitor the materials that the public wanted to drop off. This was certainly needed when the District was selling and/or delivering the materials to other material processors. However, since the opening of the MRF, the District has more capacity to process marginally contaminated materials over the MRF sort lines. Staff will continue to monitor the materials to assure that there is no "illegal" dumping of materials in the containers for avoidance of paying disposal fees. If in the future the quality of the materials becomes a problem, regardless of how the LCM is

LAST CHANCE MERCANTILE RE-OPENING: MRWMD STAFFED OPERATIONS

FEBRUARY 12, 2021

operated, either the MRF or Site Operations staff will take on the responsibility of staffing the Z-Wall operations.

4. Landscape Product Sales: Landscape product sales are in the process of being transferred from the MRF staff to Keith Day Company. Keith Day will have the ability to sell and load both bag sales and bulk sales of compost, topsoil, and woodchips. Additionally, they will be adding additional compost and soil options, aggregate materials (stone/rock), and various colored woodchip options for the public. This change will free up time and costs at the LCM and enhance the options for the public for landscaping products on the site.

Staffing Reductions and Costs

Due to the changes and reductions in the scope of the services and activities of the LCM staff, the Task Force believes that the staff can be reduced from 15 full-time staff members to 6 full-time and 4 or 5 part-time employees. This staffing should support maintaining retail store hours of Tuesday through Saturday and accepting donations Monday through Saturday.

1. Total staff reduced from 15 to 10 or 11.
2. Eliminated positions vacated due to retirement and not replaced due to reductions of LCM activities:
 - a. LCM/HHW Manager
 - b. 1 -Sales associate
 - c. 1- Sales assistant
 - d. 1- Z-Wall attendant
 - e. Associate operator
3. Staff suggestion: Operate with a staff of 6 FTE's and 4 PT (non-benefitted) staff members. This would include the following positions:
 - a. 1 Asst manager
 - b. 1 Supervisor
 - c. 1 Sales associate
 - d. 3 Sales assistants – Full-time
 - e. 5 Deputy sales assistants – Part-time up to 28 hours/wk. each (5th position is to backfill for vacation/sick/WC needs)
4. Laid off employees called back according to needs defined by re-calibrated job descriptions. Call-back prioritization based on job requirements and seniority.
5. Compensation aligned with existing pay schedules. PT staff would receive rate of pay at existing pay schedule, including step increases, but would not be union-represented or receiving benefits unless working an average of greater than 30 hours per week on a permanent scheduled basis.
6. To prevent personnel costs from escalating beyond what the store can support, full-time positions will be capped at 6. Additional staffing needs will be addressed by using part-time deputy-level staffing.
7. In year two, the asst manager position in the OE3 Operations Unit would be replaced by an LCM manager position represented by the Management Unit. This will result in an approximate 15% increase in funding for the change in position responsibilities.

LAST CHANCE MERCANTILE RE-OPENING: MRWMD STAFFED OPERATIONS

FEBRUARY 12, 2021

Store operations

1. Store hours unchanged. Open 5 days per week – Tuesday through Saturday.
 2. Store staff on site Tuesday through Saturday. Asst. LCM manager on site Monday through Friday. Supervisor would oversee the Saturday operations.
- Stock inventory twice per day: morning and end of day. Will eliminate need for customers to linger waiting for new goods to arrive.

COVID-related safety

1. During the pandemic, safety protocols limit the number of customers in the facility to the percentage of facility capacity based on the Monterey County Health Department directives.
2. Implementation of the comprehensive COVID-19 safety plan and protocols developed for the LCM, with review and assistance from InFocus, the District's safety consultant.
3. Sanitation protocols incorporated into employees' duties.
4. Assume pandemic impact is removed by October 2021.

Operating expenses

Operating expenses have been adjusted due to the programmatic reduction of activities that the LCM will be undertaking. Operating expenses other than staffing make up approximately 15% of the overall programmatic expenses. Staff related expenses make up approximately 85% of the operations costs.

Notable Operating Expense Highlights:

1. Investment in staff training expected during first year of operations, utilizing resources at SCORE for general retail operations training and an organization like Urban Ore, experienced in re-selling used goods.
2. Other operating expense projections tied to historical costs, increased by a 3% inflation factor annually.
3. Cost savings :
 - a. Reduction of vehicles to one. Remove P/U truck and one flatbed
 - b. Reduction of fuel expenses, minimal forklift use
 - c. Reduction of operating supplies with elimination of soil sales and sales receipt books for those transactions
 - d. Eliminate temporary staff support

Facilities and Other Capital Investments

1. Improve heating system. (This will be required regardless of what entity operates the facility going forward.)
2. Remodel rest rooms; make available for staff only. Provide portable toilets for customers.

LAST CHANCE MERCANTILE RE-OPENING: MRWMD STAFFED OPERATIONS

FEBRUARY 12, 2021

Revenue Increases

This is where the greatest risk exists for the creation of this operating model. The facility has not increased the prices of items in any consistent or meaningful way over the past seven years. A price list was established in 2014 and has been unchanged since that time. Overall revenues for the LCM have been remarkably consistent for the past 10 years. The Task Force envisions a pre-opening 10-20% increase in prices (15% average). It is not known how this will be accepted by the current customer base, many of whom are resellers of the items that they purchase. The former staff has researched and presented to the task force their findings of price comparisons with multiple other thrift stores in the regions, and the LCM is significantly (25-300%) under their pricing, depending on the items. So, there is plenty of room for price increases but the impact on sales of those increases is unknowable at this time.

Also, there will be a lag time for the return-to-normal sales activity, both due to the County's COVID restrictions as well as the impacts of the year-long closure of the facility.

1. Volumes projected to begin at 65% of historical volumes due to length of current closure and COVID limitations
2. Return-to-normal volume increase projections:
 - a. 75% after 3 months
 - b. 100% after 12 months
3. Price increase assumptions:
 - a. 15% at re-opening
 - b. 3% annually after first year
4. Other revenue enhancement strategies:
 - a. Special promotions:
 - i. Senior days
 - ii. Student discount time periods
 - b. Online product promotions on Facebook; hold items for pick up on Friday.
 - c. Increase clothing prices
 - d. Establish simplified price list
 - e. A uniform price haggling approach. This would be accomplished through only two staff members being (one for inside sales and one for outdoor sales) being authorized to set prices during any shift. Eliminates the ability for public to price check with multiple staff members. [This is controversial. Many staff believe it should be continued as it is a distinguishing characteristic of store.]

Overall Impact of Changes

Initial analysis suggests that if all of the assumptions and adjustments to the costs/expenses and revenues are achieved, it may be possible to build a financially sustainable program that is break-even after the first 12 to 18 months of operations. Reaching that break-even point may require an additional investment of \$100,000 - \$200,000 in the first year.

SUMMARY OF STRENGTHS AND WEAKNESSES

Option	Second Chance	VTC	MRWMD
Strengths	<ul style="list-style-type: none"> • Knowledgeable leadership team with many years of program creation, sustenance, and expansion • Established organization addressing needs of at-risk populations • Deep thrift retail experience <ul style="list-style-type: none"> ○ able to hit the ground running, requiring little District guidance ○ Immediately improve LCM store operations and retail effectiveness • Strong commitment to environmental mission of reuse, repair, repurposing used goods • Strong reputation of providing valuable services to community/county • No cost to District beyond management oversight & coordination 	<ul style="list-style-type: none"> • Knowledgeable leadership team with many years of program creation, sustenance, and expansion • Established organization addressing needs of at-risk populations • Strong financial foundation, likely enabling on-going program investment • Experience developing/managing used goods donation program • Solid compensation plan for workforce • Strong reputation with extensive support of many local politicians and public benefit organizations • No cost to District beyond management oversight & coordination 	<ul style="list-style-type: none"> • Workforce is knowledgeable of District operations and store mechanics • Workforce is committed to operating store in financially sustainable way • Relationships with existing customers and experience with their needs and expectations • High pay scale for all workforce; rich benefits program for FTEs • Financial backing of the District would allow for continuous operations • Strong commitment to reuse, repurposing used goods that is aligned with organization's mission
Weaknesses	<ul style="list-style-type: none"> • Thin management team; subject to key leadership risks • Lightly capitalized business; subject to economic volatility risks • Lower wage scale, limited benefits 	<ul style="list-style-type: none"> • No thrift retail experience; will have to hire expertise and learn business • Potential higher need for MRWMD involvement in start-up phase • Weaker linkage to District mission 	<ul style="list-style-type: none"> • Requires investment (\$100k-\$200k) to get to break-even operations • Compensation structure guarantees annual cost increases regardless of store performance • Workforce has no history of continuous program innovation or cost management practices