

Economic Impact of COVID-19 Closures on the Tourism and Hospitality Industries
April 13, 2021 at 10:00 a.m.
Hearing Room 1 North Office Building/Virtual Hearing

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Barley Creek Brewing Company – Restaurant, Brewery, Distillery – Catering/Events & Tasting Room

Barley Creek Mission Statement:

Our team strives to deliver an exceptional and memorable experience so that guests have fun, tell others, and come back often.

Not a lot of case studies are out there on how to navigate a pandemic. I suspect we will be studying this for years and questioning and second-guessing some of the moves made and actions taken for twice as long.

What’s done is done – what we do next is important.

Background

My wife Eileen and I are Co-Founders of Barley Creek Brewing Company located in Tannersville, PA in the heart of the Pocono Mountains. I appreciate the opportunity today to share a few observations and briefly discuss our company’s experience during this unprecedented historic pandemic.

So much has already been covered today – 2020 was a Challenging Year.

In my opinion the independent Full-Service Restaurant category has changed. I think staffing, hiring, training, and retaining will need to be way up on the priority list for ensuring PA stays relevant / competitive in the tourism industry. There’s a hospitality labor shortage and various solutions that PA should and could explore that will affect how we will stack up with others competing for tourism dollars. The PA Workforce Development Board needs dollars and guidance.

Covid -19 and Barley Creek’s 25th Anniversary

2020 & 2021 will be the “year” remembered for the Covid-19 global pandemic. 2020 was also Barley Creek’s 25th year in business. Easily this was the most challenging year Barley Creek has ever faced as a team. We adjusted by changing our business model multiple times. Celebrating 25 years in business during a pandemic requires a team determined to succeed and still embrace

hospitality. We stayed open, and we made a difference in the lives of our staff, our guests, and our community.

The COVID-19 pandemic required Barley Creek to do things differently, quickly, and often with limited and incomplete information. We recreated our business model dozens of times! In Pennsylvania, on March 15, 2020, it was announced that non-essential businesses, including indoor dining would close at midnight on March 16. That's not a lot of notice. The PA Fine Wine and Spirits Stores would also close to the public the next day on Tuesday, March 17. Advice and guidance was delivered from the CDC, the PA Dept of Agriculture, PA Dept of Health, the PLCB, the LCE (Liquor Control Enforcement) as well as "news conference" guidance from the Wolf administration. Information came out weekly, and often daily. Mitigation directives are still being updated at an extremely fast pace to this day. In February of 2021, the 90-day emergency declaration was extended for a fourth time and on April 4, 2021 the latest new capacity guidelines went into effect. There were very few in the hospitality industry that agreed with all the mitigation efforts, which went beyond social distancing and masking to include some rules that were not supported by science, such as forcing guests to order meals with alcoholic beverages. These restrictions were put in place often without warning or feedback from industry experts and others.

Barley Creek accomplished a lot in 2020 including the following: Because we had to.

- Upgraded our Point-of-Sale Systems to include handhelds and contactless payment.
- Worked with our Accounting firm the Largo Group every week to plan and adjust.
- Kept every member of the management team fully employed and on full salary.
- Kept every hourly member of the team employed who wanted to work (fear and unemployment compensation made it easy for many to collect and not work.)
- Significantly grew our previously non-existent To-Go and curbside pick-up business.
- Launched our own food and spirit delivery service.
- Built S'mores outdoor dining sites. (Five separate sites for private trailside dining.)
- Made FDA emergency approved hand sanitizer from the distillery. (Our largest customer was The Tobyhanna Army Depot.)
- Created outdoor tent dining in two separate areas on the property.
- Opened an outdoor kitchen at the Pint Size Park - in the dead of winter.
- Doubled our offsite beer and spirit sales.
- Created a Barley Market that sells wine, beer, spirits, and other related items.
- Expanded and renovated our Sidewalk café.
- Reconfigured seating to comply with guidelines as updated - numerous times.
- Installed air cleaning Ionization units to each of our HVAC units.
- Purchased a four-head canning line and quadrupled canning capacity for our beer and cocktails.
- Invested to upgrade our WWTP (Wastewater Treatment Plant)
- Closed and re-opened (according to guidelines) the Tasting Room at the Crossings.

- Worked with our banker, our primary vendors, and Tasting Room landlord to ensure clear lines of communication to preserve cash/liquidity.
- Launched more efficient menus regularly at all our locations.
- Participated for the first time in a few long-established local Farmers Markets.
- Updated our website to make online ordering easier and launched the website on a new platform that gives us greater control.
- Started selling spirits online – shipping to PA and DC.
- Expanded our Brewtique – Gift Shop offerings.
- Increased social media presence, engagement, and traffic to a new high in total followers.

Barley Creek also won a number of awards, including: the 2020 Greater Pocono Chamber of Commerce Bizzy Award for the Best Overall Business; Community Impact Hero “Management Team” – 2020 American Red Cross; an ADI Silver Medal for our Whiskey; Best in the Mid-Atlantic for both Citrabelum and Iron Arm Wheat at the US Beer Tasting Championships; Silver medals for Blueberry Vodka and Spiced Rum and a Bronze Medal for our Whiskey at the US Open Whiskey & Spirits Championships; a dozen Pocono Record Readers’ Choice Awards; a Trip Advisor 2020 Traveler’s Choice Award.

Company Response to COVID-19 Pandemic

We will continue to navigate these challenging times to keep our staff, guests, and community safe. Enhanced health and safety protocols will remain in place across all our businesses – as recommended by the CDC and the PA Department of Health.

The pandemic has challenged certain segments of our business more than others. The two business segments affected the most are Catering and Events business and interestingly - our breakfast concept. We expect the impact from COVID-19 will continue to affect these businesses for at least the next 12 months and possibly longer.

Considering the various indoor dining limitations, rules, capacity restrictions and mitigation measures - Barley Creek did well. The mild weather in September, October, and November, allowed Barley Creek to record higher sales every weekend during that period. Outdoor dining sales at Barley Creek included the S’more trailside dining, the sidewalk café, and the Pint Size Park biergarten.

Barley Creek’s distillery and brewery has a Tasting Room. The Tasting Room was closed. This business was coming up on its first full year when the Simon Mall Property closed. Barley Creek’s Tasting Room & Pub is working extremely hard to create / re-create a successful post Covid Distillery / Brewery Tasting Room concept-experience.

Our breakfast business (The Morning Toast) and our catering and event business were affected the most by the Pandemic. The Morning Toast was closed for the majority of 2020. Guests are still not comfortable making breakfast a priority meal for indoor dining. We recently began

opening for breakfast on weekends and we would be willing to open midweek if we had enough staff.

Barley Creek's onsite and offsite catering and event business was essentially "postponed," cancelled or severely modified in 2020. We will continue to invest in outside dining and will position our **Pint Size Park** as a four-season outdoor biergarten. The reason for that is a percentage of guests will be more comfortable with outside venues.

Our offsite beer and spirit sales were up but there were often supply chain problems. The "To-go - Curbside" business had kept us in the game. Barley Creek's location, at the base of the busiest ski area in Pennsylvania, was more important than ever. Outdoor recreation was allowed, and Camelback Ski Area was open. We built and lit fires pits. We put up our catering tents. We lit 40 plus propane umbrella heaters daily and we followed common sense and the "du jour" guidelines to offer hospitality in the most challenging of circumstances.

In 2020, we did everything we could to promote the Pocono Mountains and the independent operators in our industry. We worked hard to get interviewed and quoted often. Our competition, more so than ever, was the supermarkets (who were selling wine when Licensees with WEP were not able to get product). Home replacement meal companies and QSR restaurants with drive-through windows did very well. These businesses thrived and we're learning a lot from them. Third party vendors such as Door-Dash and Uber Eats happened.

Barley Creek applied for and received PPP money from the Coronavirus Aid, Relief, and Economic Security Act (the "CARES Act") Additionally, we have recently applied for a 2020 ERTC (Employee Retention Tax Credits) refund. We will continue to seek financial assistance for eligible expenses if program funds are available. We will do so to make sure what's left in our restaurant category is not just corporate chains.

Going Forward

In 2020 the pandemic required Barley Creek to rethink, change and retool its business model numerous times. This was indeed a remarkable learning experience.

In 2021 the vaccine is being rolled out. The Governor just increased indoor restaurant dining capacity limits to 75%, with fewer restrictions. Further assistance from PA Department of Community and Economic Development would be appreciated.

The world has changed, and the full-service casual dining segment will not bounce back to pre-pandemic levels quickly. Barley Creek will continue to invest in staff training and technology. We will continue to help lead the effort to get everyone comfortable with "Getting Out There" again. We look forward to taking care of our employees, our guests, our business partners, and our community.

It's not easy operating in a pandemic. The independent casual full-service restaurant segment has been hurt. Barley Creek worked extremely hard to accomplish a lot in 2020. The start of 2021 bodes well as we look to grow our brand and create more opportunities for members of the

team to succeed. We look forward to our Governor and our Elected Officials to think with each decision how can they help the independent entrepreneur and local businessperson succeed.

Respectfully,