



Communication - 015 - 01.10.21 - Important Second Round Payroll Protection Program Information and 2021 Strategic Initiatives in response to the continued impacts of Covid-19 and Operational Planning.

Dear Customer

We hope everyone had a safe and enjoyable Holiday Season and Happy New Year. As we put 2020 behind us, in what has been the most challenging business environment for the Restaurant and Hospitality Industry in our lifetime, we look to 2021 with a sense of optimism as 2021 should prove a stabilizing year for our industry.

Included with this Correspondence is important (time sensitive) information regarding the 2nd (PPP) Payroll Protection Program, which most Restaurateurs will qualify for and have an opportunity to apply through their local lending institution. Also included are some strategic initiatives that address other operational aspects of your business for your review and consideration.

Recognizing the countless Covid-19 related challenges of the last 9 months for your business, on December 27th 2020, the 2021 Omnibus Appropriations Bill, which included the 900 Billion Covid-19 Relief Package, was signed into law. The significance of this legislation is that it included the Second Paycheck Protection Program for small business and worth noting the Restaurant and Hospitality Industry was allowed the second draw at 3.5x monthly payroll or essentially 15 weeks of qualifying payroll.

Like the 1st PPP Loans these are forgivable loans provided the expenses are qualifying and have been properly submitted for forgiveness. This Second Round of PPP at 3.5x monthly payroll will prove very helpful for qualifying operators. Immediately below is information and links for the Interim Final rule as well a helpful PPP Summary (attached) from the NRA showing the differences between the first and second PPP structure.

Provided your business meets the 2nd PPP Qualifier, we encourage you to promptly contact your commercial bank / lending institution to determine when they're able to begin accepting applications for submittal to SBA.

Paycheck Protection Program loan update. The Treasury Department and Small Business Administration have released the **Interim Final Rule** outlining procedures and requirements for the new Paycheck Protection Program second draw loans. The new loans are limited to companies with 300 or fewer employees that have seen a reduction in revenue of at least 25% in any quarter of 2020 versus the same quarter in 2019. The maximum loan amount is \$2 million and use of loan funds are subject to the same 60/40 requirements payroll to other uses of the original PPP loans. The allowable and forgivable uses of the loan have been expanded to include certain supplier costs as well as the cost of personal protective equipment (PPE) and other items. A summary of the differences between the second draw loans and the original PPP loans from the NRA is available **HERE**

Operational Strategic Initiatives:

As we look to 2021, in addition to the importance of determining your establishments Second Round PPP Eligibility, we encourage a proactive approach to the strategic operational and menu related adjustments needed to help protect and grow your operating performance.

The Food Service Industry in 2021 is expected to have a strong rebound over 2020 and (Technomics - which is a leading Industry analysis), has projected the 2 year CAGR becoming positive in 2022. Technomics has also forecast 2021 inflation at approximately 3%, this can vary based on the operators menu mix.

With the 5th NY State Minimum Wage increases taking effect 12-31-20, and the current non-tipped employee minimum wage now being \$12.50 for Independent operators, the business climate requires thoughtful and timely interventions to protect and grow your hard earned operating performance. Outlined below are some thoughts for your review and consideration. First Quarter adjustments will provide a lasting and cumulative benefit through the year. Your Sales representative will gladly assist your efforts on these important initiatives.

For our PA Clientele, especially those that are in close proximity to the NY State border, although the minimum wage in PA is unchanged the wage pressure to retain quality staffing is real and consistent with our NY State Clientele we recommend that you also preemptively address these operational and menu considerations.

Operational and Menu Considerations:

1. Restaurants cannot absorb the additional labor cost without erosion to their net operating performance.
2. Restaurants when confronted with menu price objections should respectfully remind their patrons that the adjustments were modest and necessary to maintain the quality and portions your customers have come to enjoy.
3. **2021 Timely Menu Price Adjustments** - although the projected annualized impact needs to be computed for each establishment individually, **it's recommended that the needed menu adjustments (increases) are put into place no later than early February.**
4. Outlined below is an abbreviated approach to approximate the effective impact and corresponding menu price adjustment percentage needed to protect and grow your operating performance.
5. **Abbreviated approach to approximate the 2021 Labor, Product and Operational Cost increase impact (%) to revenue.**

Example:

- a. **Establish the approximate weekly labor cost increase for 2021.**
(Example \$450.00 – Remember to include your matches)
- b. **Divide the approximate weekly labor cost increase by your approximate weekly sales totals** (Example \$15,000.00 weekly revenue)
- c. **\$450.00 / \$15,000.00 - .03 (3% of revenue).**
- d. **Important note:** the labor increase example is approx. 3% to revenue (sales) however it represents a substantially higher percentage when measured against your net operating performance, it's important to not disregard the impact.
- e. **Product cost inflation of 3% represents an approximate 1% increase against revenue (sales) when the menu items food cost is 33.3%.**
- f. **Operational (Fixed and Variable) cost inflation** may represent another .5 – 1% increase against revenue.

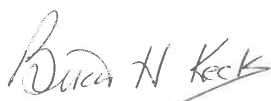
Example Impact: The approximate 2021 Labor, Food Cost and Operational Cost Appreciation could equate to a range of between 4.5 to 5.0% of sales revenue and would warrant an average menu price adjustments of approximately 5%.

6. Please note the targeted menu price adjustment doesn't need to be applied equally to each item rather the cumulative effect of adjustments above and below the 5% target need to net an overall 5% improvement.
7. Please note that in addition to the mandated labor rate adjustments, operational cost continue to appreciate as well food cost inflation should be anticipated and modeled into the February menu price adjustments, (included in the example above).
8. Please inquire with your Sales Representative for Menu Analysis Assistance and Templates as well additional reference information to help navigate this important topic.
9. **If you have any questions please let your sales representative, regional manager or customer service representative know and we'll look forward to reviewing the provided information with you.**

Please note we cannot guarantee the accuracy of these documents however they're from reputable sources. Keck's Food Service will continue to advocate and collaborate with our Regional and State Leadership in an effort to advance responsible decision making regarding the issues impacting our region, our industry and our valued customers.

Keck's Food Service will continue to monitor Covid-19 developments closely and will work diligently to support your business thru this difficult time. We value your business and will plan to provide additional updates and KFS information for your review and reference. If you have any questions please feel free to contact your sales or customer service representative.

Regards



Brian H. Keck

President - CEO

Keck's Food Service Inc.

2796 Route 328

Millerton Pa, 16936

1-570-537-2515 ext 212

bkeck@kecksfoodservice.com

www.kecksfoodservice.com

01.10.21