



North Country Brewing Co.

141 South Main Street, Slippery Rock, PA 16057 • www.northcountrybrewing.com

Hello, and thank you Ladies and Gentlemen for sharing your valuable time to listen to my concerns about the Department of Labor's proposed raising of the overtime salary exemption threshold.

My name is Bob McCafferty, and my wife and I own North Country Brewing Co., which opened in 2005 as a full menu brewpub with 52 employees-and has since grown to include a second location restaurant, a cannery, and working 64 acre farm-collectively employing 177 employees.

Personally, working in restaurants permitted me the flexibility to attend college, pay for two-thirds of my tuition, rent, car with insurance and food-to then graduate with a Bachelor of Science in Environmental Geoscience. After graduation, I worked hourly until being promoted to salary and a contract with a company. The hourly field technicians made more than I did as salaried, when hours dedicated per week are compared, and they had much less responsibility. However, I was able to gain an entry level chance to learn more, take on more responsibilities and grow to be promoted from field tech, to crew chief and on to field director. To further in my career would mean going back to school for a doctorate, and I had just paid off my remaining college debt. I decided to purchase a falling down building in a town that was still dry-to believe in the potential freedom and again return to the restaurant industry that always fed me.

We have created many careers in the past 13 years open. We have started many young people into their first job-and we have recognized those with work ethic and a desire to do more with their lives to promote them to learn more skill sets. Derek, for instance, is one of those workers who started as a dishwasher, enjoyed our flexible schedule we offered and graduated Slippery Rock University while working for us and playing weekends in a band. Derek has grown through all the kitchen stations from a minimum wage dishwasher, to a \$13/hour line cook, then onto a \$43k/year salaried Sous Chef, and now an Executive Chef's pay of \$52,000/year plus benefits-and is married with two children.

The restaurant industry exists on a profit margin of 6% if they do everything right and do not have any theft or heavy waste. We hire all of our staff at the industry's highest national restaurant industry thresholds with professional experience considered for the starting salaries. We have hired folks with culinary and hospitality degrees and we have also promoted/trained from within those who take initiative to get it, want it, and a desire to do it. For our business to be viable, we just simply cannot hand out \$7,000.00/year to \$20,000.00/year raises for entry level positions such as line leads, sous chefs, assistant brewers and/or front of the house managers on their first management job.

This proposed overtime salary threshold paints a wide brush stroke across the cost of living of any and all locations while mopping over businesses of all types with various profit margins-that they must operate within or close.

We have accrued a higher debt load by expanding and also higher labor costs by hiring more employees to cover the seats accumulated by our growth. However, single units near each of our two locations don't require the management we do and will not have to raise their menu prices-therefore raising our menu prices to absorb new regulations is not an option.

Every one of our employees have names, lives and are considered part of our family. However, this new regulation, as with other across the board regulations, have forced us to consider the impact and do the simple math of it in order to plan our longevity. We have already eliminated three positions within our company the last time this regulation was mentioned, and recently we have eliminated five more this time around. The last time this regulation was mentioned, other restaurant groups in PA made their salaried managers hourly workers, while others started heavily automating the service industry to further cut labor and jobs, and now continue to cut and automate.

Other mandates, such as the ACA, have already negatively impacted our employees forcing them into a part time realm with many in our industry getting the hours they need by acquiring a second job. The career building opportunity that we used to offer is already threatened, while our health care we offer demands that we find another \$17k increase this year again.

Thoughts:

- Eliminate our community donations of \$70,000/year. Stop volunteering in each town and replace two jobs.
- Not open our coffee shop bakery-stop growing.
- Sell the farm.
- Downsize our current business by selling off three.
- Eliminate flexibility in everyone's schedule which would eliminate any opportunity for class or self-improvement.
- Abandon the proactive culture we've created that grows careers and instead install ipad self-prompt ordering with food runners.
- Change the approachability of our restaurants to the community-to automation and just a "contact us" email form.

Realities:

- Currently, our payroll is \$2,248,877.28/year
- Of that, 19 managers on payroll is \$814,667.74/year
- To pay the DOL proposed salary for management would be \$959,667.74/year
- We can't remain open by meeting the proposed salary thresholds as that increases payroll by \$145,000.00
- Make all 14 entry level managers hourly at 45hours/week increases payroll \$94,107.00
- Eliminate 14 entry level management jobs and hire part time 30 hour/week workers
- Calculate hourly pay based on how much they work. Same salary but considered hourly doesn't help them succeed or have the will to learn. No incentive to do better.

Again, thank you for your time and considerations,

Robert McCafferty