ACEC
Navigating Your Small Firm Through the COVID-19

April 2, 2020

COVID-19 Challenging Times – Agenda

• Communication is Critical
• Managing and Engaging Your Workforce
• FFCRA (Families First Coronavirus Response Act) - Employee Paid Leave and Medical Leave Act
• CARES Act (Coronavirus Aid, Relief, and Economic Security Act) - Retirement Plans, Student Loan Repayments, Health Plans, Executive Compensation, Payroll Tax – related info.
• COVID-19 Your Firm’s Checklist
• Changes to our Workplace and Workforce – What does the future hold?
COVID-19 – Communication is Critical

• Create a communications’ strategy/plan (the more the better) with staff and clients; update website; use social media

• Leadership team meet daily

• Conduct weekly board meetings

• Identify scenarios for firm’s future plans
  • Overhead expenses, freeze on bonuses and/or raises, furloughs, lay-offs, hiring
  • Recognize FLSA (wage and hourly laws for exempt and non-exempt)

COVID-19 – Communication is Critical (Continued)

• Provide guidance to managers on communicating with staff
  • Daily check-ins
  • Weekly updates on projects and/or regular project debriefs
  • Weekly town halls
  • Daily communication from leadership to staff (end of day/beginning of day)

• Identify a central resource to capture concerns, questions, issues
COVID-19 – Managing and Engaging Your Workforce

- Set expectations: Communicate with employees (daily check-ins); set daily and weekly goals
- Hold staff/studio/team meetings on weekly basis
- Hold virtual meetings vs. phone calls, emails
- Request daily timesheets to project/plan workload
- Share calendars (SharePoint)
- Recognize employees are balancing
  - 24/7 vs the standard 8-5 workday *(8-5 may not be the standard workday especially for working parents)*
- Be flexible; ask your employees what will work for them
- Ensure employees have the technology tools needed to perform their jobs

COVID-19 – Managing and Engaging Your Workforce

- Create virtual lunch/learn sessions on technical and non-technical topics
- Enlist your trainers, consultants and EAP provider to assist with health/wellness activities and education (i.e., stress management, virtual exercise classes, meditation/yoga; encourage employees to move every day)
- Identify an advocate or committee to continue to create initiatives, activities for all staff; identify fun activities (virtual workspace contests, virtual pot-luck lunch meetings, birthday celebrations, favorite baseball sports jerseys, etc.)
- Conduct a short 30-day, 60-day online survey to check-in with employees and monitor revised practices
COVID-19 - FFCRA – Emergency Family and Medical Leave Expansion Act

• Two weeks (up to 80 hours) of paid sick leave at the employee’s regular rate of pay where the employee is unable to work because the employee is quarantined, or

• Two weeks (up to 80 hours) of paid sick leave at two-thirds the employee’s regular rate pay because the employee is unable to work because of a bona fide need to care for an individual subject to quarantine

• Up to an additional 10 weeks of paid expanded family and medical leave (Emergency Family and Medical Leave Expansion Act (EFMLA) at two-thirds the employee’s regular rate of pay where an employee, who has been employed for at least 30 calendar days, is unable to work due to a bona fide need for leave to care for a child whose school or child care provider is closed or unavailable for reasons related to COVID-19. First 10 days are unpaid but may use paid sick leave or PTO.

COVID-19 - FFCRA – a few specifics

• Effective date: Applies to leave taken April 1st through December 31st, 2020

• Applies to organizations with less than 500 employees
  • Exception: If under 50 employees, the organization may qualify for small business exemption

• Who is eligible: Applies to both full-time and part-time (pro-rated) employees (see DOL resource document for calculation for part-time employees)

  Implementation guidelines will be provided by DOL
COVID-19 – Other Leave Practices

- Utilize current leave practices for staff
- Create PTO banks
- Ask employees to ‘voluntarily’ cut hours to the “minimum” hours to stay on “benefits plan”

Caution – For exempt staff – do not treat them like hourly employees

COVID – 19 –CARES Act: Other Related Benefits

- **Testing for COVID-19:** All group health plans must cover the full costs of diagnostic testing (regardless of employer size, whether fully-funded or self-funded plans, and whether high-deductible or traditional plans
  - Testing cannot be subject to co-pays, coinsurance, deductibles or pre-authorization requirements
- If employee is eligible for paid sick time under the EPSL Act, the employer should continue their health plan (similar to FMLA or EFMLA-covered employee)
- Continue HSA Employer contributions during furlough, FMLA, EFMLA, etc.
- **Cafeteria plans** – employees can change elections since schools and childcare centers may be closed; see DOL website for more info.
COVID – 19 – CARES Act: Other Related Benefits

- **Short Term Disability Plans** – need to have a diagnosis of COVID-19 virus (similar to any other diagnosis) to receive benefits; *see DOL website for more info.*
- **Retirement Plan** changes—will depend on type of plans; *see plan documents*
  - IRS has not changed the rules for **401-k hardship** withdrawals during this time – *See DOL website for more info.*
  - **Partial Plan Termination** – IRS presumes that your qualified plan has undergone a “partial termination” if the turnover rate of your plan participants is at least 20%; *see plan documents*
- **Payroll tax credit** for paid sick time and EMFLA leave – check with your tax accountant; more information on this to follow in coming weeks
- **Unemployment Insurance** – *See specifics on both State and Federal DOL*

COVID-19: Your Firm’s Checklist

- Develop a **leadership contingency plan** (temporary back-up for key leaders)
- Update and/or create **related policies and procedures** (**tele-work, flexible hrs., exposure procedure**) and communicate and distribute to staff (add topic to weekly and/or town hall meetings)
- If there is a reduction in hours for specific individuals and/or groups; create communication piece to provide to impacted employee(s)
- **Tele-work** policies (update and/or create)
- Post **FFCRA notice** (virtually) and eventually “physically” in office location
  - For specific questions and clarification, go to DOL website, contact attorney, etc.
- Reach out and coordinate with vendors on **benefits** (**Benefit Providers, insurance carriers, 401k etc.)** on specifics on plans and discuss changes and amendments
COVID-19: Your Firm’s Checklist

✓ Reach out to employment attorney on specifics related to the new Act and other workplace issues

✓ Re-assess new hires and college recruits
  ➢ Extend timeline for new hires (if necessary);
  ➢ Communicate regularly with interns and new recruits (even if specific dates are not determined)
  ➢ Create a virtual on boarding; assign a virtual buddy for new hires

✓ Continue thinking creatively on how to engage your team (ask employees to help with ideas)

✓ Involve employees in community (where they can add value, but protect from the virus)

13

COVID-19: Your Firm’s Checklist

✓ Continue to focus on the health and wellness of your employees
  ➢ Virtual exercise classes
  ➢ Identify specific days and/or times of the week for activities (coffee-hour, happy hour, etc.)

✓ Create, communicate and practice social distancing guidelines at work (On-site (office, field, etc.) – (see SHRM for more info.)

14
COVID-19 Changes to our Workforce and Workplace

• Recognize that changes are being made daily; plan for continuous change

• What will our workplace and workforce look like tomorrow?
  • The way we do our work
  • Where we do our work
  • The way we communicate with our staff, our clients, etc.

• Lots of unknowns; recognize that there are numerous resources to help navigate our way through these challenging times

• Stay tuned!!

Resources, Questions & Wrap Up

Resources:
• SHRM – Society for Human Resources Management – www.shrm.org
• U.S. Department of Labor – https://www.dol.gov/agencies/whd/pandemic
• Updates on FFCRA – www.dol.gov/agencies/whd
• Center for Disease Control – www.cdc.gov
• Jason Branciforte @ Littler Mendelson – https://www.littler.com; jbranciforte@littler.com
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What’s on the Agenda

• Update based on conversations with firms across the country
• Financial questions and decisions
• Keeping Workers Paid and Employed Act
The News

• Essentially all firms have converted fairly seamlessly to the remote work environment
  • The transition from 1 office to 30 offices
  • Past investments in IT are really paying dividends
  • Some firms did not have translatable hardware
• Significantly more communication taking place
  • Projects, social, check-ins, happy hours
  • What’s missing is the mentoring aspect – walking around the office and connecting

The News – cont’d

• Impact to work very dependent on market sectors and geographies
  • Is construction an essential business
• Most firms have seen some impact to business and backlog, but would have anticipated more negatives
• Most firms doing more strategic financial planning
  • Scenarios and what ifs
Implementation

- Cash, Cash, Cash
  - It just received a promotion
  - ACH instead of checks
- Accounts Receivable
  - Collections slowing
- Accounts Payable
  - Slow it down and conserve your cash
- Track your COVID-19 costs
- Capital Expenditures – don’t do it unless it’s for IT
- RIFs, furloughs, adjustments to compensation
- Line of credit
  - To borrow or not to borrow

Keeping Workers Paid and Employed

- Small business loans for firms with fewer than 500 people per physical location
- Loans to be used for payroll support, salaries, paid sick or medical leave, insurance premiums, and mortgage, rent and utility payments
- April 3rd is the commencement date for applications for small businesses and sole proprietors
- April 10th is the commencement date for applications for independent contractors and self-employed individuals
Keeping Workers Paid and Employed – cont’d

- Good faith certification of necessity of loan due to COVID-19
- No fees or prepayment penalties
- No personal guarantees or collateral
- $349 billion available

Potential for loan forgiveness
- Eligible for forgiveness if money used for allowable expenses and as long as these expenses were in place before February 15, 2020
- Payroll costs do not include compensation above $100,000 in wages
- Amounts forgiven can be reduced by a reduction in employees or compensation
- Cancelled debt not included as taxable income
Keeping Workers Paid and Employed – cont’d

- Emergency Economic Injury Disaster Loans (EIDL) Grants
  - Now available for ESOP companies with less than 500 employees
- Refundable payroll tax credit for 50% of wages paid by employers during the crisis
  - Some qualifications
- Can defer employer share of Social Security tax
- Check with your accountant and payroll service

Q&A - Discussion

- What questions do you have?
About Matheson Financial Advisors

Matheson Financial Advisors, Inc. ("Matheson Advisors") is a boutique corporate financial advisory services firm providing M&A advisory services, internal ownership transition and management buy-out consultation, Employee Stock Ownership Plan (ESOP) solutions, and business valuations for a variety of purposes. Our clientele includes firms in the engineering, architectural, environmental consulting, construction, and government contracting industries, as well as other professional service firms. We offer the technical expertise of larger investment banks, combined with the personal service and relationship orientation of a smaller boutique advisory firm.

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