



The Plumbing industry is beginning its 4th week of an unprecedented crisis, the likes of which have not been seen before. As a result of the March 17th moratorium on construction in Boston, and with many surrounding municipalities following suit, roughly 85-90% of Local 12 plumbers are at home. Many plumbing contractors are in survival mode as they navigate how to weather the storm.

First, it is important to know that you are not alone in your fear, uncertainty and frustration. So many people are dealing with the same emotions and situations, as are many businesses statewide and nationwide.

We are optimistic for the future. This is not the first crisis that PCA Contractors have faced. Throughout our long history, contractors have met and overcome worse challenges. This too will pass. In the meantime, a wide spectrum of organizations are working to provide resources to make sure we get out on the other side just as strong as before.

SAFETY

In the face of an unprecedented pandemic safety must be the industries top priority. The PCA and Local 12 have been working with the Building Trades and a core group of general contractors in the Boston area to craft safety protocols that will allow construction to resume, safely.

PRODUCTIVITY

At the forefront of these conversations concerning safety protocols, are discussions to ensure that the costs associated with a decrease in productivity or increased requirements for supplies are not passed off entirely onto subcontractors. If at this time your firm is still performing work and being negatively affected by additional safety protocols, the PCA encourages you to reach out to your legal team to see if there is any remedy available.

CASH FLOW

With the reduction and stoppage of construction in the area, many firms are finding that they are experiencing a gap with their cash flow. Additionally, many vendors, GCs, and owners are withholding payment outright to make sure they have cash on hand to weather the storm. This is creating an extremely difficult atmosphere for subcontractors.

Even after work restarts, firms will encounter a secondary cash flow issue of trying to “re-employ” their workforce after this stoppage, potentially creating more issues down the road. The federal government has stepped in to provide resources to help with the cash flow issue.

GOVERNMENT RESOURCES

The Federal Government passed the CARES Act on March 27th.

- The CARES Act, is an economic stimulus package that includes several loan programs designed to keep companies afloat during this crisis.
- The Act includes the Payroll Protection Program which allows for loans to be taken that are equal to 2.5X the average monthly payroll from 2019.
- The loans will be at an extremely low interest rate, ~1%.
- Loans are forgivable if businesses meet certain criteria.
 - At least 75% of Loans must be used for payroll
 - Wage packages of up to \$100,000 on an annualized basis can be forgiven. (A local 12 plumber at 40 hours per week, 52 weeks with no overtime would be paid roughly \$193,000.
 - Wages of employees cannot be reduced more than 25%, if so it will reduce the amount that can be forgiven
 - There must be the same amount of full-time employees on payroll during the duration of the loans compared to the first 2 months of 2020. If there are less on payroll during the loan, it will reduce the amount of the loan that can be forgiven.

While the forgiveness is a very attractive aspect to the CARES Act, the criteria are not necessarily conducive to have the plumbing industry take advantage of this to the maximum capability.

Despite this fact however, the PCA highly recommends that every contractor conduct due diligence in considering the Payroll Protection Program’s loan regardless of amount that will be forgiven. This loan offers a great safety net to combat cash flow disturbances, and to ensure that your business has the funds to make it through this rough patch. It is an insurance policy at a very small price. Consult with your lawyer, accountant or banker to find out if you are eligible.

During these uncertain times it is important to handle day to day issues that arise, but also to look to the future to ensure a steady and secure exit from this crisis.

Please don't hesitate to reach out to Jeremy Ryan (973) 727-3676 or Andrew DeAngelo (617) 905-0603 if you have any questions or concerns.

Respectfully,

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