

**Four Questions About Surviving the COVID-19 Crisis with Nick Florio, CPA, CEO and  
Founder of Strategic Staffing Consultants**

**April 6, 2020: Martin Borosko, ESQ., Staffing Practice Leader of Becker LLC, interviewed fellow Industry Partner Nick Florio, CPA, CEO of Strategic Staffing Consultants about the hot topics Nick is consulting with his Staffing clients about during the COVID-19 crisis.**

***Borosko: I am sure you are receiving dozens of phone calls from industry clients each day looking for you to give them assistance on weathering this crisis. What is the first piece of advice you are giving them?***

Florio: Initially, they just need to make sure their businesses are being operated safely under these conditions. Use of and investment in remote workforce tools has increased dramatically over the last month. Many smaller companies were not prepared with proper technology and have been using available “off the shelf” support like Teams, Zoom and Skype.

Once safety has been established, the primary focus comes to CASH FLOW. It is anticipated that customers will start paying more slowly in the upcoming weeks. That will create a domino effect and cause your staffing company to also experience slower than normal collections. This is particularly concerning for those that borrow under an ABL or other formula-based lending arrangement.

Most ABL’s allow financing of accounts receivable that are less than 90 days old. With slower collections, these thresholds could be stressed whereby prior funded invoices drop off and are charged back to the business creating additional economic strain. This needs to be watched closely, and a call to your lender for temporary modifications of these clauses may be in order.

***Borosko: What are common mistakes that staffing firms are making in forecasting cash flow in this crisis and what advice are you giving them to correct these mistakes?***

Florio: It’s almost impossible to predict what collections, or billings may look like right now. Everyone is reacting differently to this health crisis. Some staffing companies are experiencing large surges in sales, in particular from the healthcare and IT support sectors. Others have experienced a steep fall off in business as retail clients are closing their doors temporarily.

Whatever it is that a company is currently projecting, they would be wise to have 2 or 3 different scenarios of a cash flow model. They also need to be able to respond quickly by making changes in overhead if both revenue and collections decrease dramatically.

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***Borosko: Do you agree that applying for a loan under the CARES Act SBA PPL program should be the top priority for most staffing firms today? What advice do you have for staffing firms in putting together their application?***

Florio: The Payroll Protection Program “PPP” is a great concept that should work well for staffing agencies. Provided you have less than the required 500 employees (and this may be changing soon!) you can apply for and borrow 2.5x your average monthly payroll. The conditions for this specific loan have changed several times, and further changes are expected, but as of the date of this response, the payment terms are 1% interest starting after 6 months, and a re-payment period of 2 years. There is NO collateral requirement, and NO personal guaranty.

Further, a portion of the PPP loan can be forgiven provided that the use of these funds goes towards continuing payroll for the 8-week period AFTER you borrow the funds. Funds spent on related healthcare benefits, rent or mortgage interest and utilities also count towards forgiveness.

On Friday several large banks had still not opened portals for on-line applications. Other banks saw their portals “crash” from an abundance of applications. It’s not the kind of volume banks were accustomed to experiencing, so this may continue for the next few days while they reconfigure technology to accommodate the volume. Get in line and get your application in if you qualify!

Remember, even if a portion of this loan is NOT forgiven, its 1% money for 2 years..... not bad at all !!

***Borosko: Many business leaders have a difficult time cutting internal staff. The obvious first step is to furlough or dismiss historical non-performers and employees who do not fit/buy into the firm culture/mission. But what advice to give to clients about the next round of cuts and how to measure when to make those cuts and who to cut? Is there a KPI for measuring recruiter productivity you ascribe to or another analytic you look at?***

Florio: First – to that extent that you are considering either lay-off’s or furloughs of staff – you need to be mindful of coordinating any planned cuts with borrowings under the PPP. Another aspect of the PPP loan is that “headcount” parameters have been established, and you need to make sure that an appropriate number of staff remain employed in order to benefit from the debt forgiveness aspects of that loan program.

Given that – many staffing agencies had low or non-performers before this crisis. This could be the time to make those layoffs and begin to curtail your overhead. Cutting sales, recruiting or administrative support staff is never an easy decision, but in light of this crisis, tough calls need to be made, and time is of the essence. It’s not just the wages you would be saving, with employer payroll taxes, health benefits and other wage related costs, every \$1.00 of payroll may result in as much as \$1.25 in overall savings.

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### **About the Professionals:**



**About Nick Florio:** With over 30 years of experience in the staffing industry, Nick Florio founded Strategic Staffing Consultants Inc. in 2020. Nick advises staffing companies in the areas of mergers and acquisitions, business valuations, general consulting, and helps clients with their long-range, strategic planning.

Nick's experience is utilized by staffing business owners, private equity groups, and law firms that are in the M&A arena. His expertise is leveraged in deal structuring, tax minimization, deal negotiations, and resolving post-acquisition disputes.

Nick also sits on the Board of Directors for a publicly-traded staffing company.



**About Martin Borosko:** Martin L. Borosko has been the Managing Member of the firm since 2006. Under his leadership, the firm has grown into one of the premier boutique firms with offices in New York, California, New Jersey and Pennsylvania.

Marty leads the Staffing team within the firm dedicated to studying the best legal practices within the staffing and healthcare industries. His philosophy is to direct clients toward legal strategies that facilitate growth and increase enterprise value in the long term. He often works as part of a team with leading investment bankers, accountants and risk managers to implement comprehensive growth strategies for clients. Marty is a frequent contributor to legal and business publications and lectures across the country on emerging issues impacting the Staffing Industry.

### **About Becker**

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