

DIVISION OF BUSINESS & FINANCIAL AFFAIRS

COVID-19 BRIEFING

April 3, 2020

Unit: Financial Services (University Auxiliary Services)

Prepared by: John Lazarus

ACTION: It is proposed that UAS apply for a Paycheck Protection Program (PPP) Loan under the CARES Act in order to preserve cash. The loan amount UAS is eligible for per formula provided is \$630,000.

BACKGROUND AND POLICY ISSUE(S):

1. The PPP Loan provides small businesses with funds to pay up to 8 weeks of payroll costs including benefits.
 - a. Applications can be submitted starting April 3, 2020.
 - i. There is a funding cap and so it is in our interests to submit an application quickly.
 - b. PPP loans can be for up to two months of your average monthly payroll costs from the last year plus an additional 25% of that amount.
 - c. PPP loans can be used to pay for
 - i. Payroll costs, including:
 1. Salary and wages (capped at \$100,000 on an annualized/employee);
 2. Employee benefits (including costs for vacation, parental, family, medical, or sick leave and state and local taxes assessed on compensation.
 3. Interest on mortgage obligations, incurred before February 15, 2020;
 4. Rent, under lease agreements in force before February 15, 2020
 5. Utilities, for which service began before February 15, 2020. Payroll costs.
 - d. PPP loans have a fixed interest rate of 1.00%
 - e. PPP loans have a payback period of 2 years
 - i. All payments are deferred for 6 months
 1. interest will continue to accrue over this period.
 - ii. There are no prepayment penalties or fees.
2. Loan forgiveness
 - a. Loan forgiveness will be provided for the sum of documented payroll costs, covered mortgage interest payments, covered rent payments, and covered utilities.
 - i. Due to likely high subscription, it is anticipated that not more than 25% of the forgiven amount may be for non-payroll costs.
 - ii. The loan forgiveness as it related to payroll

1. We would need to keep everyone employed for 8 weeks from the date of loan origination, in order to have that portion of the loan forgiven and that date is likely to occur at the time of year when our business normally slows dramatically with the end of the Academic Year, and 2020 Summer Conferences business seems likely to be \$0, or close to that, and so we'd have staff working at a time when wouldn't need them.
- iii. Loan forgiveness as it relates to mortgage interest payments, covered rent payments, and covered utilities.
 1. It appears as though we will have some portion of the loan forgiven under this provision.

RECOMMENDATION:

- 1) Based on the 1.00% interest rate of the loan, we recommend applying for the Loan and doing so as quickly as possible.

SUPPORTING DOCUMENTATION:

- PPP Overview: <https://home.treasury.gov/system/files/136/PPP%20--%20Overview.pdf>
- PPP Fact Sheet: <https://home.treasury.gov/system/files/136/PPP--Fact-Sheet.pdf>
- PPP Loan Application: <https://home.treasury.gov/system/files/136/Paycheck-Protection-Program-Application-3-30-2020-v3.pdf>

CURRENT UPDATE: Loan applications can be submitted starting April 3, 2020. There is a funding cap and so it is in our interests to submit an application quickly.

April 3, 2020 7:40 pm - Attempts to submit the loan application though an available banker have been problematic because the SBA site has been unstable. However, we have been assured through contacts with members of the Foundation Board who have banking relationships that the submitted loan applications will be funded. We have been in contact with Rabobank (Mechanics Bank) and notified that our loan information has been submitted to their bank CARES internal contact. We expect to upload the loan document on Monday after we receive the upload link. We are also working on a backup plan with another bank with contacts from Nichole Ipach.