



April 20, 2020

Ohio House of Representatives
Ohio 2020 Economic Recovery Task Force

Dear Speaker Householder:

Per your April 15 request seeking small businesses to provide virtual testimony before the task force. Please know that I am available for the opportunity to share how the COVID-19 crisis has affected Karpinski Engineering to date, and how the recovery effort is vital to our firm and others in our industry.

General Information:

Company: Karpinski Engineering
Location: Headquarters in Cleveland with other Ohio offices in Uniontown and Columbus. We also have two other offices in Pittsburgh, PA and Jamestown, NY.
Employees: 120 firm wide with 105 in Ohio.
Origins: Founded in 1983 – 37 years in business
Contact: James T. Cicero
President
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216-391-3700 X1070 office
Description: Karpinski Engineering is an engineering firm that works in the public and private sector. We work in the vertical construction market. Our specific market types include K-12, Higher Education, Healthcare and Corporate. Our engineering disciplines include mechanical, plumbing, electrical, technology, fire protection and civil.

Brief Remarks:

Have we been able to operate during the coronavirus?

- Yes. Karpinski Engineering is considered an essential business. We have been operation continuously since the crisis began.
- We have all staff working remotely. Even as an essential business we have taken this approach to avoid the risk of multiple employees being infected with the virus at the same time. We have a virtual desktop infrastructure (VDI) and a virtual private network (VPN) that we utilize for remote access.
- Due to our health care clients and other essential clients we have engineers that are required to be at construction sites. We follow the Ohio Department of Health protocols as well as our client's protocols while at the site.

What kind of financial strains have been brought on by this? And how does this compare to other financial downturns?

- The COVID-19 crisis has had a significant financial impact. The biggest difference between this crisis and other economic downturns is that this one was almost instantly. With other recessions, like the 2008 recession we had time to see it coming. We had time to adjust staffing levels and understand the impact to our business.
- Within three weeks of the crisis hitting Ohio, we had approximately 25% of our projects go on hold.
- We have laid off about 15% of our staff. This is the single largest lay off of employees in company history by a factor of two.
- Our projections for year-end are not good. Our backlog of work has been decreasing by projects that have gone on hold and our invoicing for projects that have continued is trending lower and lower. With the shutdown continuing in Ohio we do not see any relief from this downward trend. We are also seeing many of our clients with uncertainty of how the economy will look post COVID-19 and so we are not anticipating an instant restart to the economy.

What kind of obstacles do you see ahead for your business once you are able to fully open again?

- The COVID-19 virus. The virus is not going away. Until a vaccine is made, there will be a new normal. This new normal will bring uncertainty to the economy in general, which will mean less clients ready to pull the trigger on capital projects. This will certainly impact the design and construction community.
- Education clients - Earlier Governor Mike DeWine indicated that all agencies would need to cut budgets by 20%. This will dramatically affect K-12 and Higher Education funding which will directly impact our business. Defunding these institutions and agencies that support them, like the OFCC, will have a significant impact on many companies in the architectural, engineering and the construction community.
- Healthcare clients both public and private have to put elective surgeries on hold, they have spent considerable amount of resources to combat the virus. Many of their projects have been put on hold. If they do not receive some type of economic relief for these expenditures it will trickle down to the engineering design and construction community.

Any government roadblocks ahead that the legislature should be aware of?

- This is not a time for politics. We need all government officials to work on solutions. I believe the State of Ohio has done a great job in showing unity in the solutions. Keep showing this unity.
- State budgets and trying to pay for the effects of the COVID-19 virus. We understand that the state is also spending significant resources to help combat the effects of this crisis. The virus hit us almost instantly, and is a once in a lifetime event. I would like to see state budgets reconciled over years and not try and reconcile them within one year.
- "Stay at Home" – We understand why this was so important. Our firm was part of the design for the Cleveland Clinic "Hope Hospital" which was a 1000 bed surge hospital that was designed and constructed in less than a month. Our hope is this surge hospital will never be used, mainly due to the "Stay at Home" policy. However, we are also suffering economically during this crisis. We would like to see a compromise solution as to how many can start back to work safely.
- Emergency Services Law – As mentioned above our firm along with many others jumped in to help the Cleveland Clinic build a hospital in less than one month. There needs to be a law that limits the liability of professional architectural and engineering firms that help during a crisis. We designed oxygen, electrical and communication systems within one week. This normally takes months. Our standard of care dramatically shifted during this effort. I believe a law like the Good Samaritan law for individuals is needed for companies that jump in during times of crisis.

- Processing and delivery of unemployment checks needs to be improved. Employees that are laid off are under tremendous stress and waiting for unemployment check should not be one of them.

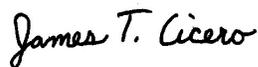
What protocols do we believe would be helpful to return to work, while maintaining a level of safety to provide confidence to their customers and employees?

- There needs to be a clear construction worksite protocol established. On many construction sites it is left to the general contractor or construction manager to establish protocols. This have left many trade contractors worried for the health as it relates to the virus. Many of these contractors have threatened or walked off the site. The construction industry cannot go forward without feeling safe at the worksite.
- PPE – whether it's in the office or at the worksite, there is a PPE shortage and the government needs to help assure that there are adequate supplies of PPE available for those that need it.
- Published protocols for office environments. Our staff reads all kinds of material on line. I have used the Ohio Department of Health and the CDC as our guide. I let employees know that this is the standard, not what you see on any other website.

In addition to being President of Karpinski Engineering, over the past decade, I have also served on the board for the American Council of Engineering Companies of Ohio (ACEC of Ohio). ACEC of Ohio is the leading advocate for engineering firms throughout the state. A recent survey conducted by ACEC of Ohio indicates that many of the member firms share my same concerns. I currently sit on ACEC of Ohio Public Works Committee and over the past two years we have been meeting with OFCC to strengthen the relationship between that agency and the design community.

I would certainly be available for a virtual testimony before the task force to share my experiences through these uncertain times and to share my concerns of doing business in the “new normal” after the crisis.

Sincerely,



James T. Cicero, PE, LEED

President

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April 17, 2020

Ohio House of Representatives
OHIO 2020 Economic Recovery Task Force

Dear Speaker Householder:

Per your April 15 request seeking small businesses to provide virtual testimony before the task force, please know I would welcome the opportunity to share the story of LJB Inc.

GENERAL INFORMATION

Company: LJB Inc.
Location: Headquarters in Dayton; other Ohio office in Cleveland and Lima
Employees: 90 full-time employees in Ohio; 170 firm-wide
Origins: Founded in 1966; 54 years in business
Contact: Rod J. Sommer
CEO and Chairman
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Description: LJB is national engineering firm that works with public and private clients responsible for land, the environment and infrastructure, which includes roads, bridges, buildings, utilities and engineered safety systems. Primary markets served include commercial/retail, education, federal, healthcare, industrial/manufacturing, and state and local government.

BRIEF REMARKS

Have we been able to operate during the coronavirus?

- > Yes. As an essential business (professional services), we have been operating continuously since the pandemic began.
- > Approximately 75% of our staff is working from home, but those individuals are only operating at about 85% efficiency.
- > Our biggest obstacle is not internal, but rather **external**. Many of our clients are under shutdown orders, which makes it difficult to provide services that require being on site.

What kind of financial strains have been brought on by COVID-19 and how has this compared to other financial downturns?

- > Considerable. We have already furloughed approximately 13% of our staff and an additional 10% are working with reduced hours. This necessary action also has a significant impact on state and local tax revenues, because our 90 Ohio employees have an average salary of \$85,000.
- > Assuming the economy is back open by July 1, we are projecting that our annual revenue will be off budget by 20% and earnings by 50%.
- > Assuming a July 1 re-start and targeted and effective government stimulus aimed at infrastructure, the overall impact is not projected to be as bad as the Great Recession of a decade ago. The strong economic underpinnings entering the pandemic will certainly help speed recovery. That said, the suddenness and severity of the shutdown orders are the biggest difference. Our business had to react much more quickly, as projects stopped overnight rather than a more gradual cycle of decline.

What kinds of obstacles do we see ahead once we are able to fully open up again?

- > As mentioned above, we have remained in continuous operation. However, it is unknown how quickly our clients will re-open and what their revised budgets, business plans and buying patterns might be. For example, the ‘stay at home’ order has significantly reduced lane miles traveled, which has a direct impact on fuel sales and corresponding tax receipts. The near- and long-term impacts on the Ohio Department of Transportation program is difficult to model.
- > We expect all our clients will have greatly reduced budgets moving forward, so we will have to be proactive in projecting the number of staff needed to maintain lower demand for our services.
- > Even after the ‘stay at home’ order is lifted, many employees might want to continue working at home for convenience, safety concerns or the cost/time benefit of not commuting. Management will have to model the impacts of the increased demand for telework, including lost efficiencies for the business and the future need for physical office space.

Any government roadblocks ahead that the legislature should be aware of?

- > The ‘stay at home’ order has put the biggest strain on our employees with young families, as many needed to quickly address childcare issues, virtual schooling, a spouse also working from home, etc. A common solution to this home-based gridlock is that many younger employees are now working odd hours, like 9pm to 2am, which is not efficient for coordinating with co-workers and clients—not to mention the negative impacts on physical and mental well-being.
- > Financial constraints on public works projects are expected, while LJB supported the increase in the motor user fee through the last transportation budget ODOT funding is down by 45%+ due to lack of miles being driven. The OPWC and OFCC programs are depending on a re-appropriation or capital bill to be passed soon. We support funding for all public works programs that allow for engineering to be done sooner rather than later, by moving projects into the design phase it leads to construction of projects which keeps the economy moving.

What protocols do we believe would be helpful to return to work, while maintaining a level of safety to provide confidence to their customers and employees?

- > Today's limited access to the *proper* personal protective equipment (PPE) is going to be a long-term risk for most, if not all, businesses in Ohio and across the nation. The best way to mitigate this risk is to eliminate the need for PPE, which is easily defeated by individual users, by implementing administrative and engineered control solutions.
- > LJB's Health Safety & Environment practice is a national leader in developing engineered safety systems for businesses and organizations across all market sectors and we are actively working with clients on current and post pandemic response protocols. I would be happy to arrange for additional testimony from professionals in this practice if the legislature sees value in this conversation.

In addition to being a small business owner and CEO, I also serve as the board chair for the American Council of Engineering Companies of Ohio. ACEC Ohio is the leading authority that advocates, protects and promotes the engineering business in Ohio. Our top priority is to build working relationships with legislators, state agencies and peer state trade associations to keep key leaders informed about industry issues and pro-business regulations. ACEC Ohio membership includes more than 140 engineering firms, most of which are small businesses and according to recent industry surveys share many of the concerns I have mentioned in these remarks.

In closing, I would welcome the opportunity to provide virtual testimony before the task force or in one-on-one sessions with interested legislators. Thank you for your consideration.

Sincerely,

LJB Inc.

A handwritten signature in black ink that reads "Rod J. Sommer". The signature is written in a cursive, flowing style.

Rod J. Sommer
CEO and Chairman