

CLUB *thinking partners*



Coronavirus Response: *Staffing until Labor Day*

NCA Town Hall Webinar Series
March 27, 2020

PRESENTED BY:
DENEHY CLUB THINKING PARTNERS

ABOUT CLUB THINKING PARTNERS

- Over 750 search and consulting projects specifically in the private club and boutique resort sectors over the last 19 years.
- Three offices:
 - Fairfield, Connecticut
 - Los Angeles, California
 - Jackson Hole, Wyoming
- Ten professionals with expertise in talent development/acquisition, governance, strategic leadership consulting, club operations, new club development, asset acquisition analysis, club experience surveys and performance management.

PRESENTERS



- Dan Denehy, CCM CHA – President, DENEHY Club Thinking Partners



- Kirk Reese, CCM – Executive Vice President, DENEHY Club Thinking Partners



- Bob James, CCM, CCE, CHE – Vice President, DENEHY Club Thinking Partners



- Anne Catherine Nielsen, MBA, SPHR, SHRM – SCP, - HR Consultant and Business Partner, EquaMagna



- Peter Petrina – President, Petrina Group International, Inc.



- Jeffrey P. McFadden – Chief Executive Officer / GM, The Union League Club of Philadelphia

WEBINAR OBJECTIVE

Provide concepts, approach and resources for club leaders to shape an ever-changing plan.

This deck is intended to be a planning guide with thought starters for club leaders to navigate the challenging months ahead.

WHAT WE KNOW NOW

- The spread of coronavirus hasn't peaked in the U.S.. Even after such measures, will there be a second wave or reignition? It is estimated that 50% - 70% of the population will eventually be infected.
- COVID-19 will impact clubs in the short and long-term in various degrees.
- The effect of Coronavirus is varied throughout the country, but densely populated areas are more susceptible to widespread infection. Many state and local municipalities have enacted "stay at home" orders restricting business to essential applications.
- The situation is changing rapidly day to day.
- 510(c)7 Clubs are not included the recent stimulus package; for profit clubs with under 500 staff members are included.
- Other stimulus packages are being considered that could potentially include relief for 510(c)7 businesses and employees.
- We don't know what we don't know.

WHAT IS ON YOUR EMPLOYEES' MINDS

- Many stressors, and a lot of uncertainty
- How do I manage to keep my job?
- What happens if I lose my job?
- Financial responsibilities: Homeowner/tenant responsibilities
- What happens if I get sick? How do I keep my job and take care of my family?
- How do I juggle work and home-schooling my kids without losing my sanity?
- How do I manage isolation from direct family, grandparents, extended family?
- How do I maintain balance and provide a healthy environment if confined at home?
- How do I manage stress, tension, depression?
- How do I avoid turning to alcohol, drugs?

GENERAL STAFFING CONCERNS

- Staff retention
- Paying staff – at what level and for how long?
- Assisting staff and their families
- Offering / Extending staff benefits
- Permanently losing staff who have been furloughed / laid off
- Retaining staff now and after furlough
- Determining if / when to bring staff back
- Re-engaging returning staff and onboarding new staff once this crisis is over

NCA Survey Results of 210 Respondents on March 16, 2020

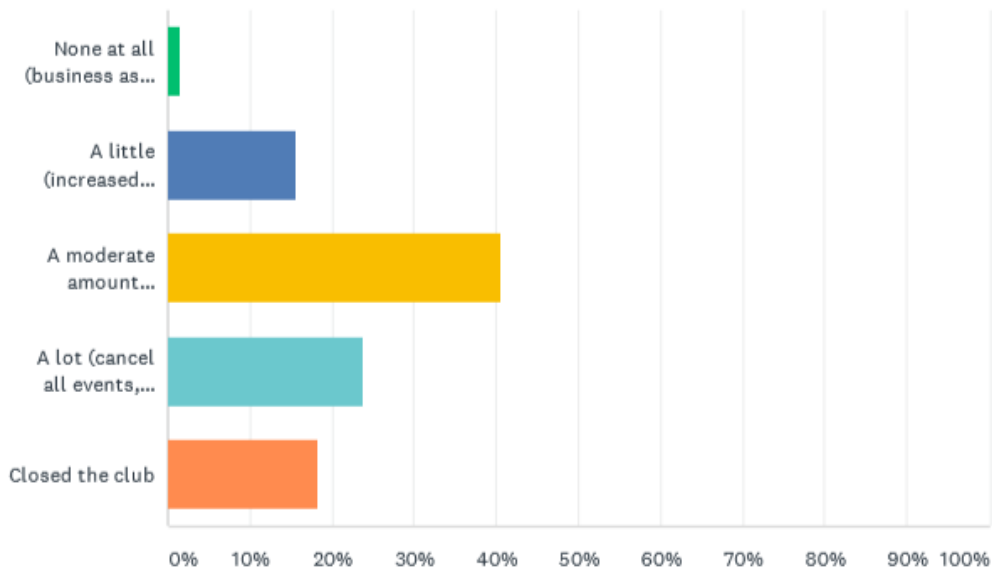
On a scale of 1 to 5, level of concern about the impact of COVID-19 will have on your club? (1 = not concerned at all; 5 = extremely concerned)

GM/COO	<ul style="list-style-type: none">• 76% Very Concerned to Extremely Concerned
Staff	<ul style="list-style-type: none">• 77% Very Concerned to Extremely Concerned
Members	<ul style="list-style-type: none">• 56% Very Concerned to Extremely Concerned

Source: NCA Corona Town Hall Survey 3/16/20

Q4 What modifications have you made to your club and its programming in regard to COVID-19?

Answered: 209 Skipped: 2



ANSWER CHOICES	RESPONSES	
None at all (business as usual)	1.44%	3
A little (increased sanitation efforts, encourage social distancing)	15.79%	33
A moderate amount (increase sanitation, cancel large events, limit capacity of programming)	40.67%	85
A lot (cancel all events, limit staffing, reduce facility capacity dramatically, reduce most programming)	23.92%	50
Closed the club	18.18%	38
TOTAL		209

Source: NCA Corona Town Hall Survey 3/16/20

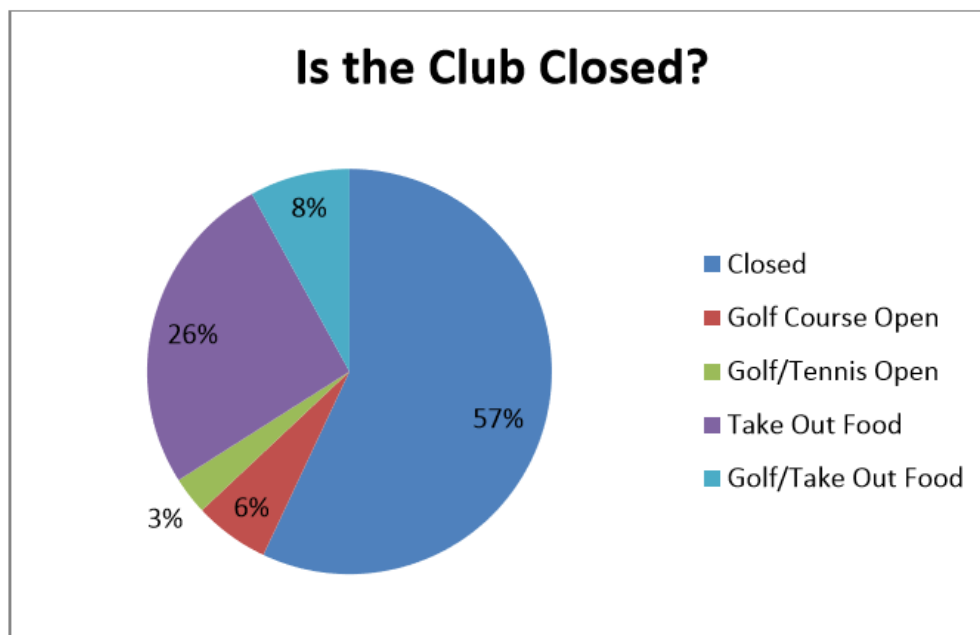


Survey: COVID-19 Response - CA Clubs

Q1: Is the Club Closed?

Closed	57
Golf Course Open	6
Golf/Tennis Open	3
Take Out Food	26
Golf/Take Out Food	8
TOTAL	100

Note: More than half of Clubs surveyed (57%) are closed completely, and about one third (34%) are offering take-out.



Source: COO/General Manager Bill Howard, CCM, and his team at Bel-Air Bay Club who initiated a survey of 100 California clubs with TGSC members on Saturday, March 21, 2020

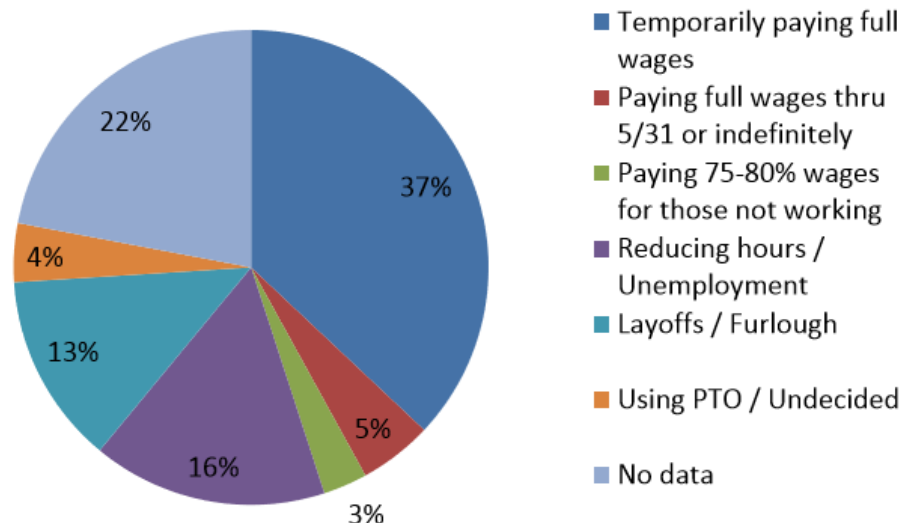


Q2: Staff Compensation

Temporarily paying full wages	37
Paying full wages thru 5/31 or indefinitely	5
Paying 75-80% wages for those not working	3
Reducing hours / Unemployment	16
Layoffs / Furlough	13
Using PTO / Undecided	4
No data	22
TOTAL	100

Note: most clubs are paying all or at least full time employees until the end of March, or for some or all of April and will then reassess.

Staff Compensation



Source: COO/General Manager Bill Howard, CCM, and his team at Bel-Air Bay Club who initiated a survey of 100 California clubs with TGSC members on Saturday, March 21, 2020

ASSESSING THE BUSINESS

RISK ASSESSMENT

- Where is your **club business** now? *Not everyone is starting from the same place...*
- What can you do? (Capabilities)
- What can you afford to do? (Resources)
- What should you do? (Culture)
- What is the right thing to do? (Community Values)
- How do you communicate (manage up) to the Board/Ownership? (Leadership)



What will you do? (Action)

Every club will be different!

FACTORS THAT NEED TO BE CONSIDERED





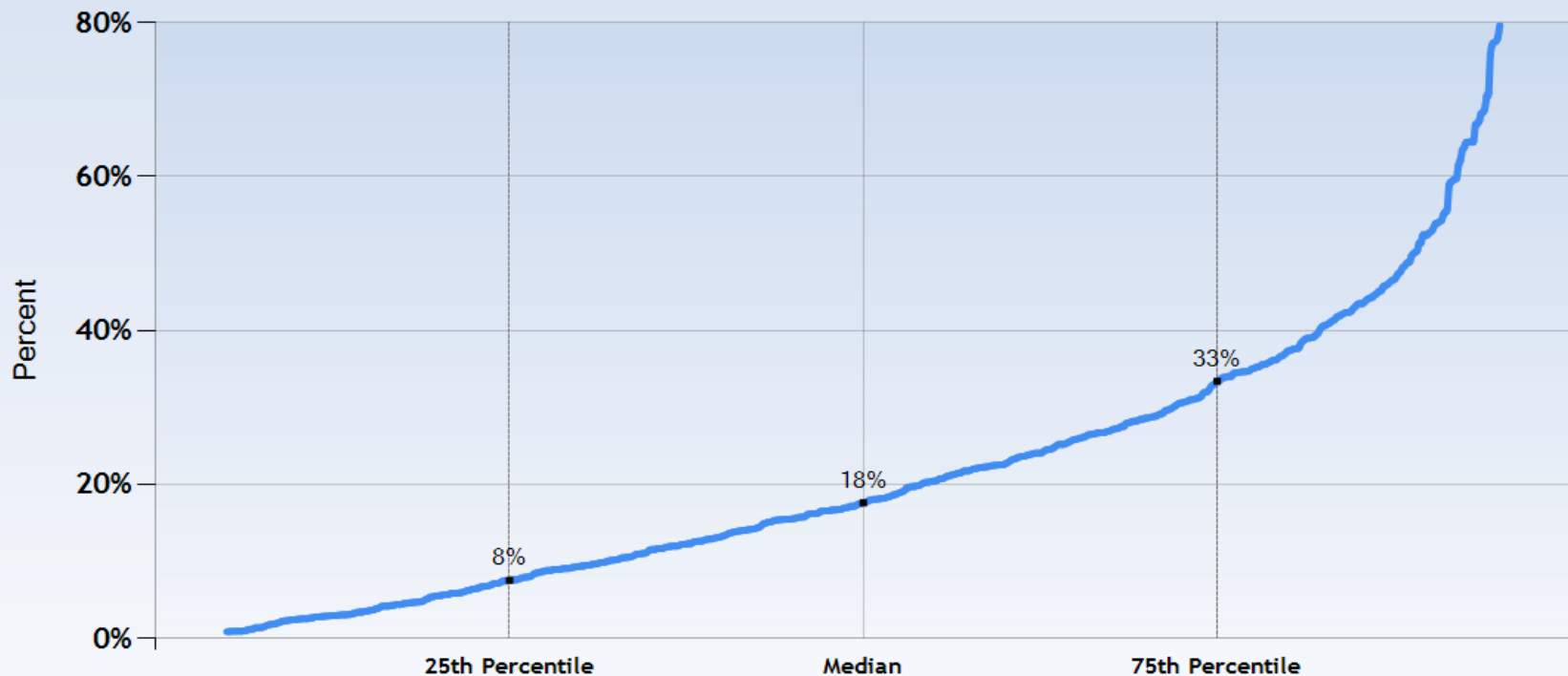
$$\text{Gross Burn Rate} = \frac{\text{Cash}}{\text{Monthly Operating Expenses}}$$

$$\text{Net Burn Rate} = \frac{\text{Cash}}{\text{Monthly Operating Losses}}$$

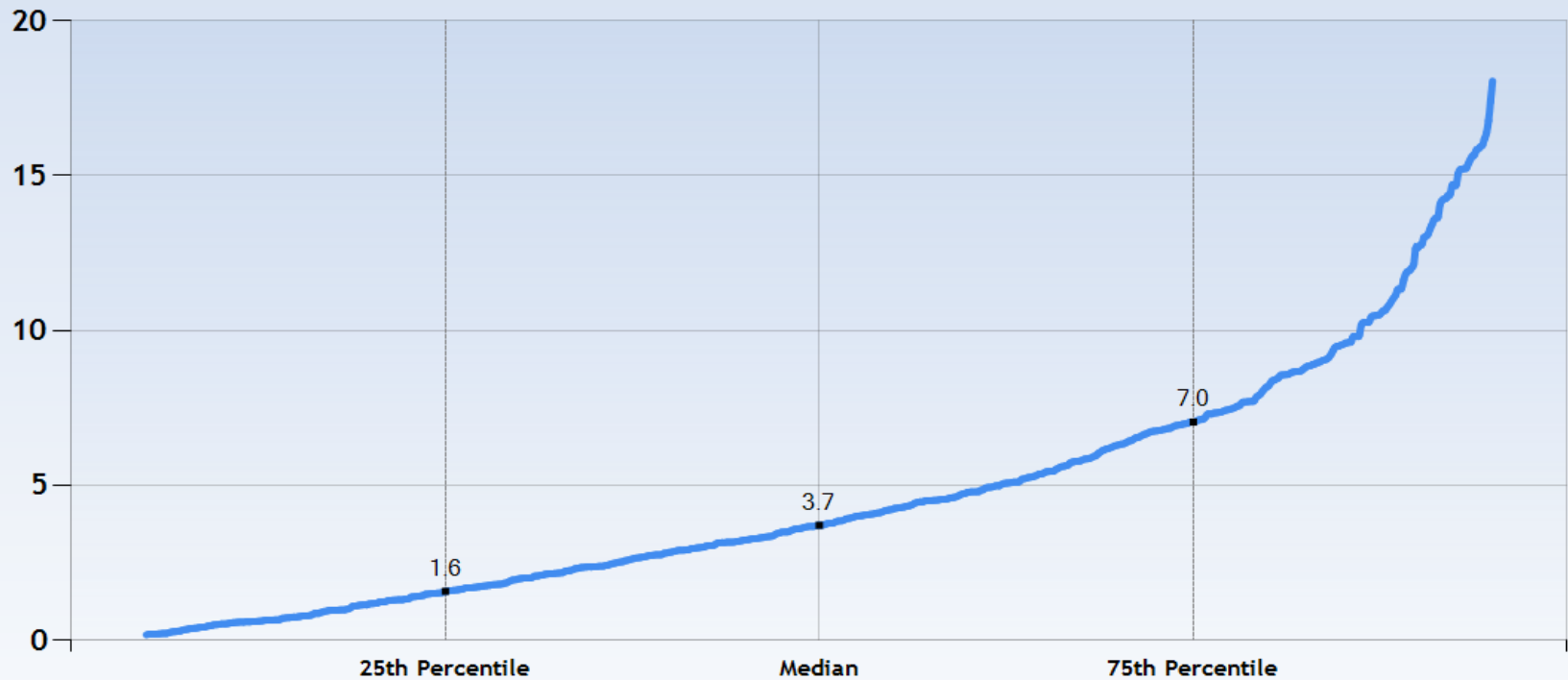
Cash and Cash Equivalents



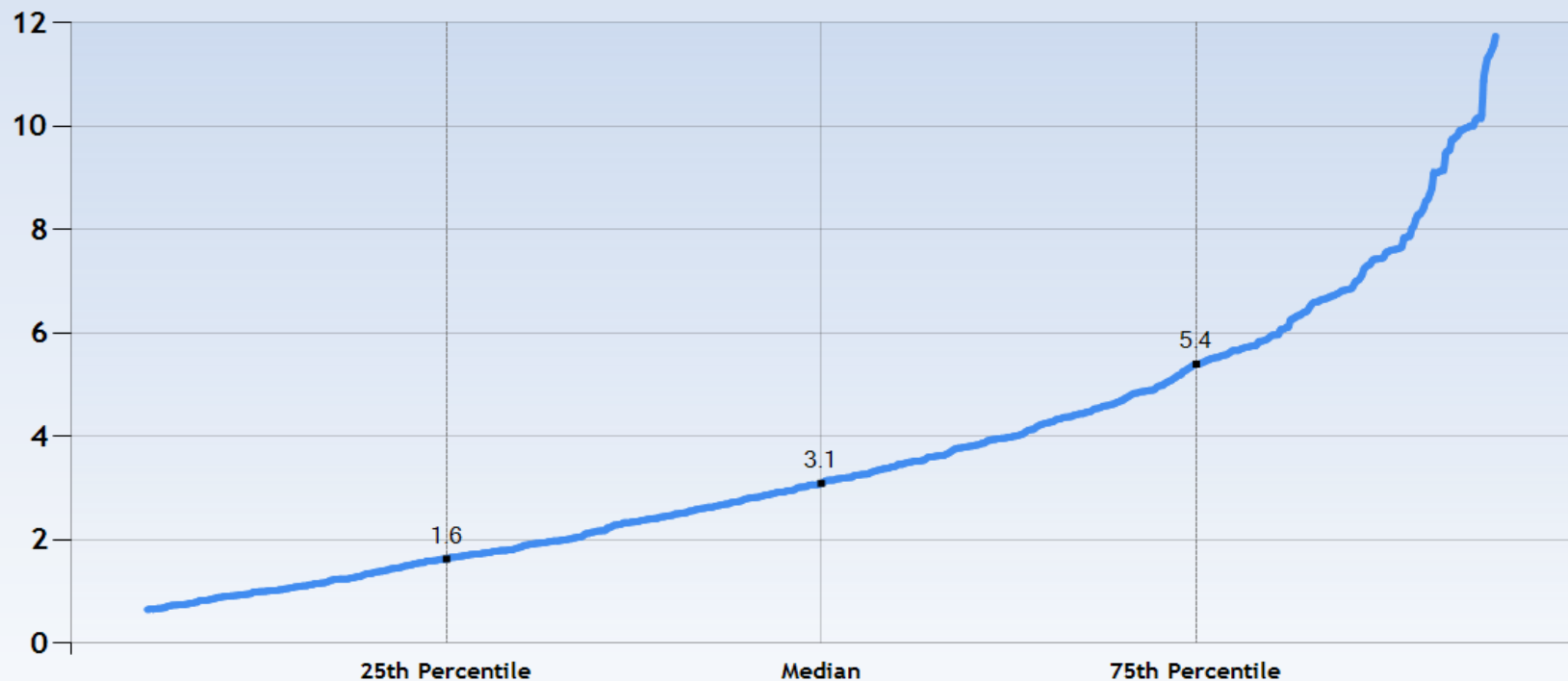
Cash and Cash Equivalents as a Percent of Operating Revenue



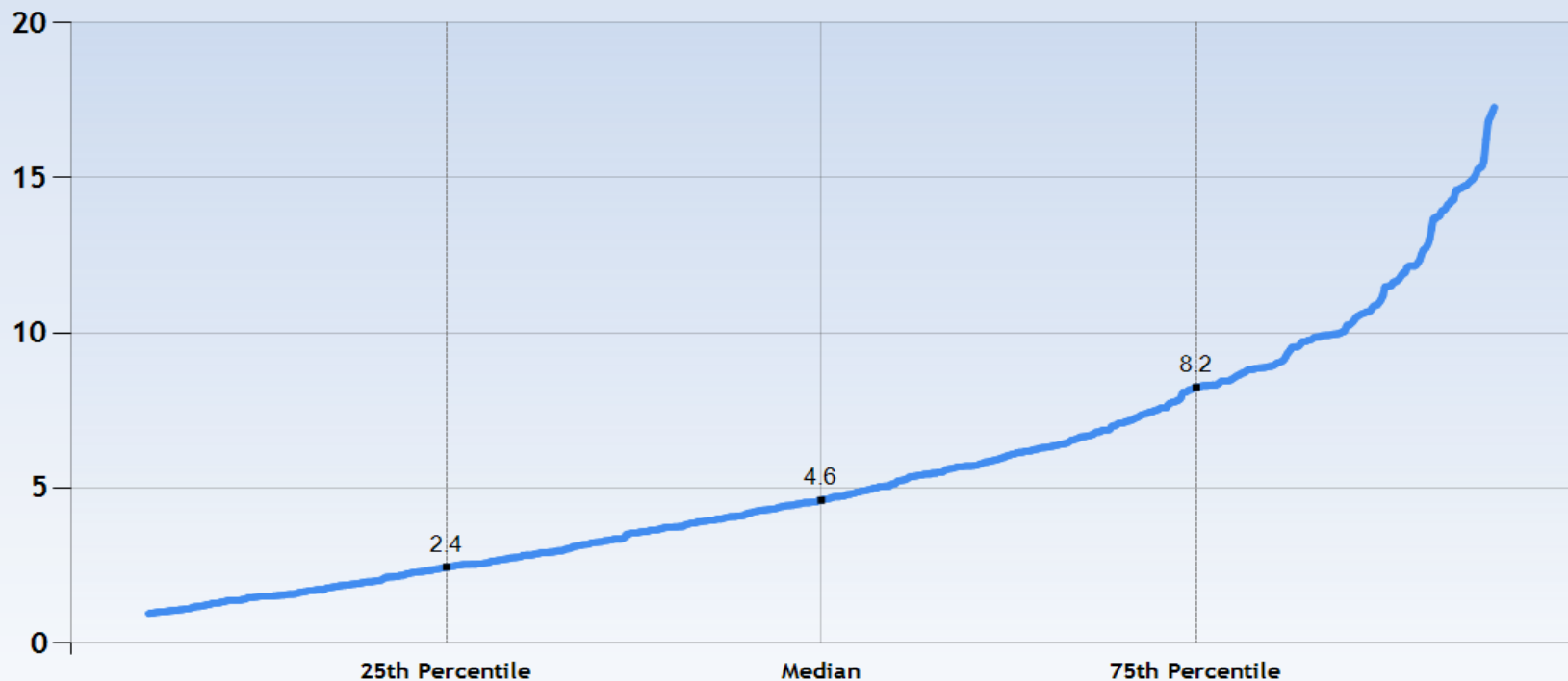
Number of Months Payroll Available

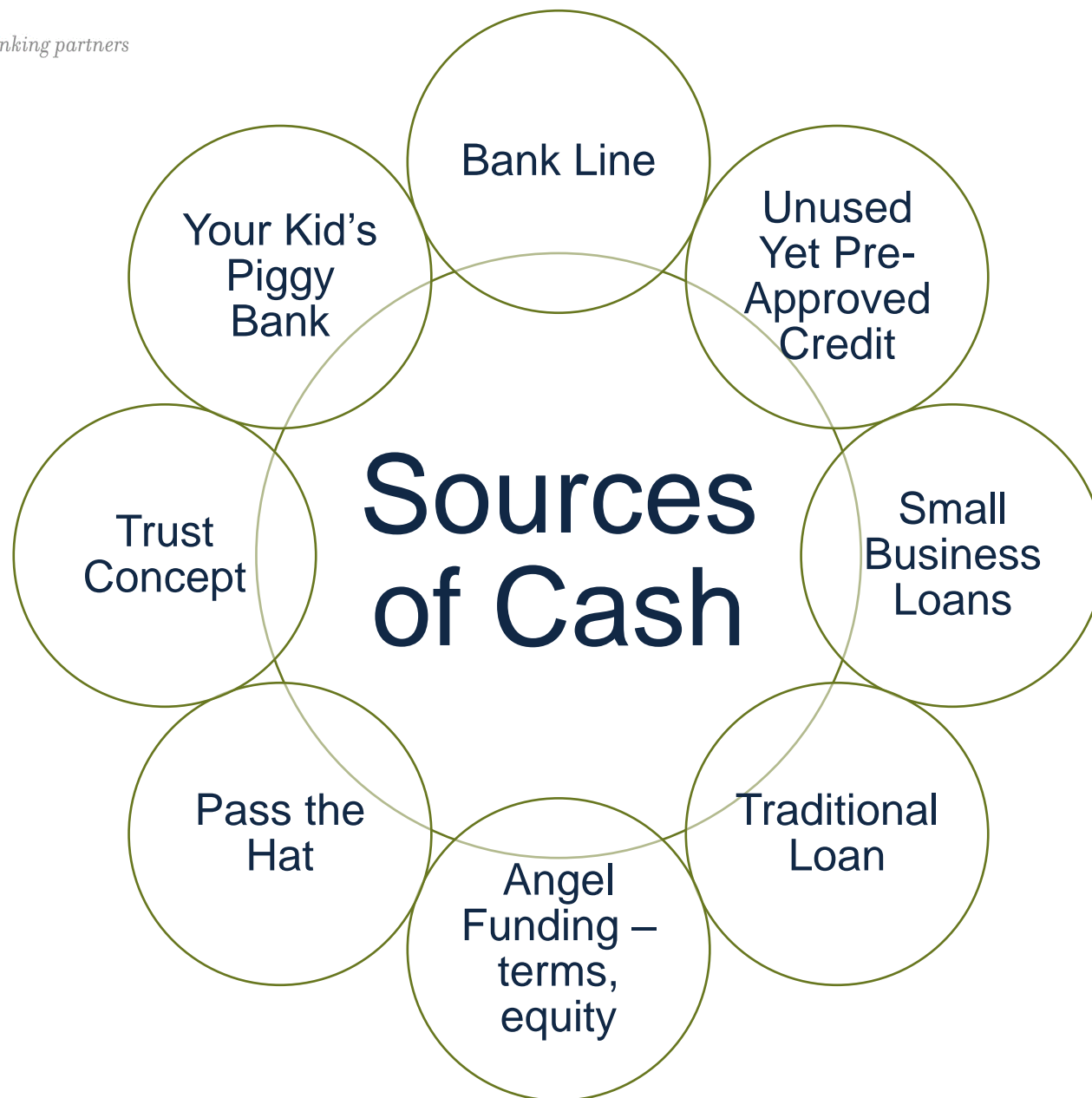


Number of Hibernation Months Available - including Paying Hourly Staff



Number of Hibernation Months Available - without Paying Hourly Staff

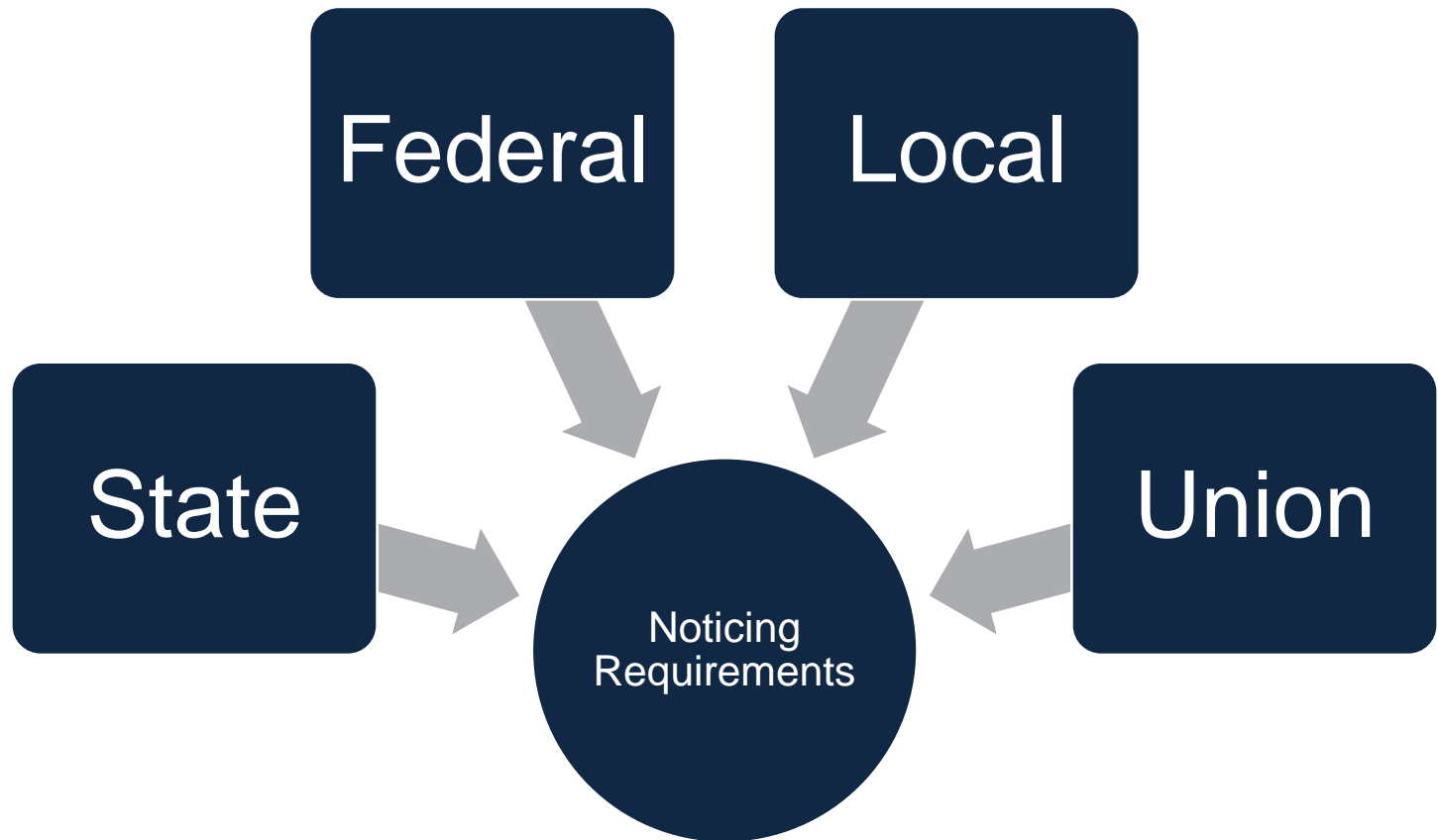




MANAGING THE BUSINESS

POSSIBLE SCENARIOS – *THINK MACRO*

- Stay open where possible and continue services, amenities, outlets
- Temporarily close all or parts of club facilities as restricted by regulations. Re-open when permitted.
 - Close all but F&B take out or home delivery
 - Must be done under HACCP guidelines.
 - Local health department guidelines
 - Member pickup methodology
 - Close all but golf operations where permissible
 - Maintain the golf course
- Close the club for the remainder of the 2020 season or beyond



If you don't know the answer, ask the appropriate expert for professional advice!

UNINTENDED CONSEQUENCES

- Loss of members
 - Existing at-risk members
 - Members with financial difficulties
- Wait lists dry up and less future demand
 - Pace of the Market recovery
 - Family lifestyle changes
 - Disappointment in how the club handled the crisis
- Clubs get overrun with “Staycationers”
- Loss of booked catering
- Loss of future catering bookings
- General loss of momentum

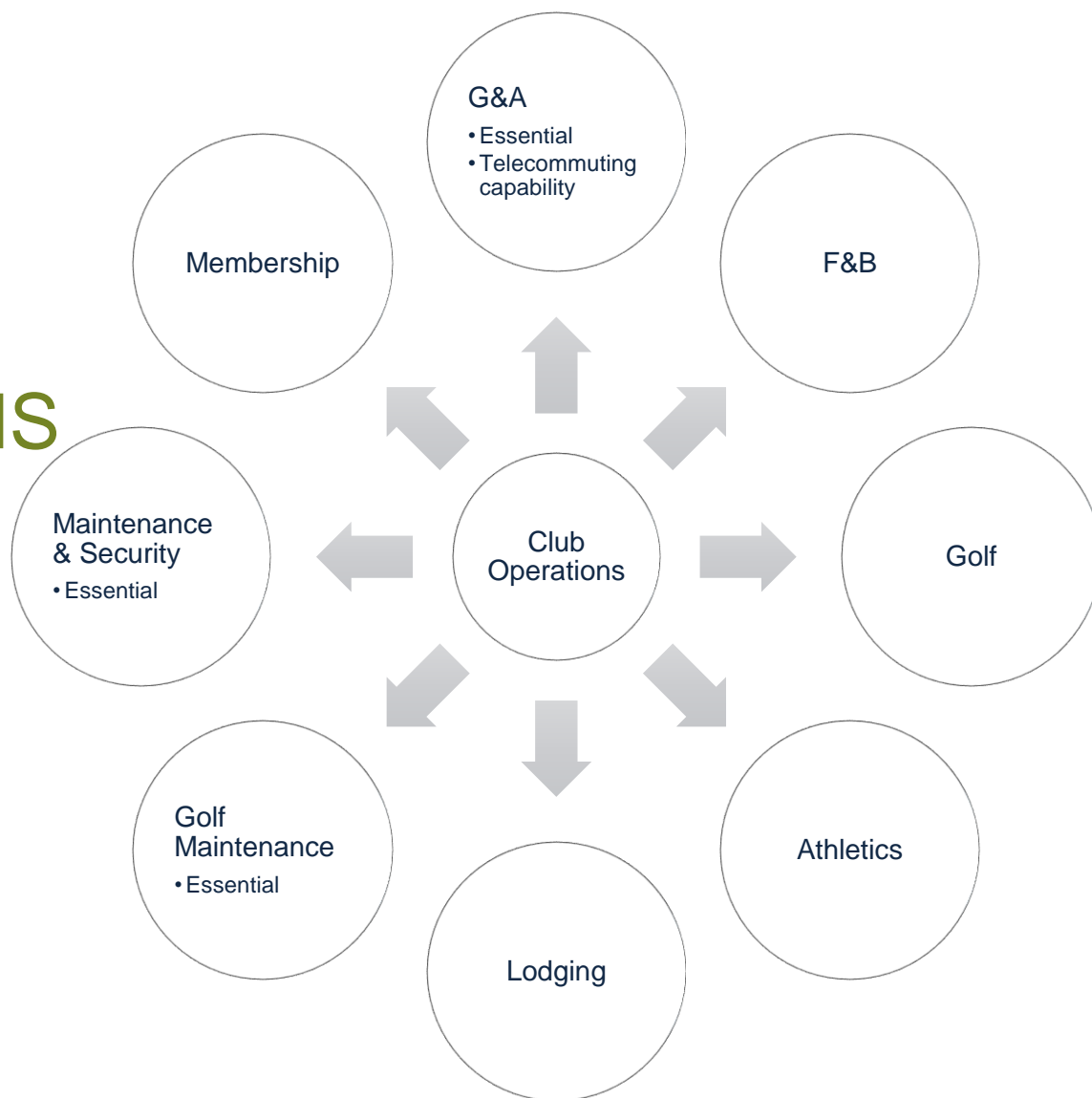
STAFFING

LEADERSHIP STARTS AT THE TOP

- GM/CEO should try to defer their salary until employees are back from a furlough
- Treat Everyone Equally – Just Not at the Same Time (i.e. golf grounds crew participate later)
- Pay all Medical Insurance Premiums including Employee Portion during the Crisis
- Implement a 401(k) Holiday Program
- Require use of all PTO before Unemployment if cash position is ok for the next six months
- Savings on unemployment mod is always better for the club's long-term health
- Clubs will need everyone on the other side of this crisis; limits PTO on the backside
- Never a better time to cross train into essential jobs; employees may look to gain a new skills (Mental health)
- Never underestimate keeping your furlough employees engaged (virtually), just as you are doing with your members.
- Consider giving an additional 3 days of PTO if the crisis last through May for use after July 1 (to Dec. 31)
- Never waste a crisis; never a better time if possible to cook for or help out first responders

DEPARTMENTAL CONSIDERATIONS

Approach may be different by
department contingent upon
overall strategy



STAFFING IMPLICATIONS

- Employees are either laid off/furloughed, terminated, partially employed, fully employed
 - Employees are using sick pay, vacation time at no additional cost to club
 - Severed or laid off employees qualified for unemployment insurance
 - Club is paying full or partial wages, but full benefits
 - Clubs may be paying bonuses for those actually working
 - Advances to employees while waiting for Government Checks

COMPENSATION

Fixed and Variable Compensation	<ul style="list-style-type: none">• Salary• Hourly• Discretionary Bonus• Performance Drive Compensation
Continuing pay	<ul style="list-style-type: none">• Tips• Commissions• Fees for Service (Caddies)
Continuing Benefits	<ul style="list-style-type: none">• Health Insurance• Life Insurance• Vacation• Sick Pay• Holiday Pay Accruals

H2B AND J1



INTERNATIONAL STAFFING

J1 VISA PROGRAM

- Governed by US Dept. of State
- Designed to offer cultural, educational exchange and practical training opportunities in the US
 - Summer Work & Travel (students) (June – Sept 30)
 - Internship Program (students or recent graduates) (12 months)
 - Training Program (recent graduates) (12 months)

H2B VISA PROGRAM

- Governed by Dept. of Labor & USCIS
- Allows US Employers to bring foreign nationals to the US
 - Temporarily
 - Seasonally (to not exceed 9 months)



J1 VISA PROGRAM

CHALLENGES & CONSIDERATIONS

NOW (in-country J1s)

- As US Employers are shutting down, J1 employees stuck in the US
- International outbound flights drastically reduced
- Who is responsible for the J1s who are stuck here?
- US State Department largely absent from conversation so far
- Meeting of State Dept. officials with J1 sponsors on Friday, March 27
- State Dept. to allow J1 sponsors to use code “COVID” to justify late departures – this to avoid unlawful status

FUTURE (out of country J1s)

- Can they come?
 - Travel restrictions
 - Embassies are closed
- Even if they can come...do you want them?
 - Stage of the virus in other countries

H2B VISA PROGRAM CHALLENGES & CONSIDERATIONS

H2B PROCESSING

Challenges for FL clubs

- Uncertainty about what the northern properties are doing and if they are hiring H2Bs
- Managers vs. Boards of Directors
- Government limitations (closing of non-essential services) an obstacle to compliance
 - Minimum # of hours issues
- Inability to travel (flight cancellations)
- Cost to send foreign employees home
- How much to pay? For how long?
- Legal considerations
 - Terminating H2B workers
 - Laying off H2B workers

Challenges for northern clubs

- Uncertainty about future (when can they open, if they can open)
- Managers vs. Boards of Directors
- Impossibility to predict volume of business
- Pressure from FL clubs to send their H2Bs north earlier (April)
- Inability to accommodate housing in hot areas early (Westchester, NY, etc.)
- Legal considerations (filing of petitions with USCIS, maintaining H2Bs in legal status)
- Feasibility of recruitment local workforce instead
 - Difficult for remote locations
 - Unpredictability of local workers hired
 - Difficult to achieve on short notice
 - Training costs very high
 - Quality of service will suffer



THE IMMEDIATE FUTURE

APRIL - OCTOBER

J1 future uncertain for Summer of 2020

- Embassies closing due to COVID
 - Unclear when they will reopen
 - Unclear on what criteria will be used for visa issuance (country of origin, visa category, etc.)
- Airlines
 - Unclear when they will resume operations
 - Prices
- Willingness of people to travel to US
 - Psychological impact on potential J1 employees and their parents

H2B future in better position but still uncertain for Fall 2020

- Same reasons as with J1
- Unemployment in the US may impact need of H2B workers to some degree

Coronavirus is already identifying gaps / holes in existing legislation

- Possible future lawsuits may impact both programs (beyond Oct 2020)

EMPLOYEE MANAGEMENT

EMPLOYEE ENGAGEMENT IS THE HEART OF THE MATTER

- Who should be involved?
- President of the Club, Board, GM, Controller, HR, Operations for Clubs that are fully operational
- Philosophical alignment is key
- What you do and what you say in this moment is your Club Culture
- Every interaction counts (active and furloughed employees)
- Use Emotional Intelligence in your verbal and written communication
- These are unprecedented times. Make sure all team members are trained to demonstrate knowledge, alignment with your leadership decisions and communicates with Care and Consideration
- Medical matters should be handled confidentially and sensitively by GM/Controller/HR (HIPAA, ADAA, ADEA)

AS EMPLOYERS, HOW DO WE BEST DEMONSTRATE CARE WHILE MANAGING THE BUSINESS?

- Healthy employees is a requirement for running a productive and sustainable business.
- Sick employees should be encouraged to stay home, and not be made to feel guilty and should not be retaliated against. COVID-19 can affect anyone.
- Many employees may be mandated quarantine or asked to exercise precautionary quarantine (operational expectations / scheduling)
- Certain States have Paid Sick Leave provisions for employees who are on a precautionary or mandated quarantine.
- The Families First Coronavirus Response Act (FFCRA or ACT) being implemented on April 1st will provide an extension to FMLA through Paid Sick Leave and 10 weeks of paid FMLA
- Your employees may also be eligible for Paid Family Leave or Short-Term Disability
- Take advantage of your EAP resources and make an effort to communicate more than usual

STRATEGIES FOR YOUR EMPLOYEES CURRENTLY ON PAYROLL

- Limit number of employees at your Club, to essential staff
- Administrative staff should be encouraged to work from home and remote work should be facilitated by the club / IT
- Remember to thank them for coming to work
- Morning briefing – important information, check in and sharing operational items, staff news, social distancing guidelines, sanitation guidelines in place, PPE (Osha, Health Board)
- If they do not have enough operational hours, explore online training options and webinars they can do at your Club or from home (Servsafe, Sexual Harassment Prevention) – Resources: NCA, CMAA, SHRM, EAP

WHEN YOUR CLUB IS OPEN FOR BUSINESS WITH LIMITED SERVICES:

Work Continuation Options

Continue Pay for work performed

Reduction of Hours / Pay

Exempt employees reduced hours – become Non exempt or reduction in pay

Some Work share programs are available – different guidelines State to State

Complement reduced hours with relaxed PTO, to keep whole

Employee PTO donation – exchanges to help employees in need. If you don't have a program currently, start it now.

Membership funding of additional pay / PTO time to close the gap before Federal Paid Sick and Medical Leave (FFCRA) becomes available, April 1st.

DIFFERENCES BETWEEN A FURLOUGH AND LAYOFF

- Furlough is an alternative to Layoff
- Furlough is a temporary layoff and should not last longer than a year
- Furlough can be a reduction in hours up to no work at all
- Most often unpaid time off
- Employer can offer to pay out accrued PTO
- Eligibility for unemployment – wait is waived right now due to COVID 19
- Based on carrier Summary plans, benefits may be maintained during the furlough (ask the questions)
- Set timelines for next communication in your furlough letters
- Inform employees regularly of your intent to finalize your staffing decisions and timeline

DIFFERENT APPROACHES TO LAYING OFF

- More final in nature – intent is not to rehire
- Determine Layoff strategy
- Package / no package
- Opportunity for Voluntary Termination with package
- PTO accrued – what are your handbook policies? Do you pay out at termination?
- Benefit continuation (COBRA, Portable benefits, Conversions,...)
- Plan and execute with HR / legal Counsel
- Be aware of your notification responsibility to employees and government agencies (WARN act)

RAMPING BACK UP

- Commitment to rehires – delayed opening
- New Hires (offer have fluid start date language)
- Rehire / New Hire Process: Look at automation opportunity
- Communicate, communicate, communicate!

PLANNING

LEVERS

- New normal vs. legacy leadership
- Modulate onboarding staff to match flow of demand
- High vs. low impact services and amenities
- High vs. low cost services and amenities
- Mothball certain amenities that you could not have done before

Seasonal Clubs – Winter

2 Months:

End of Season nearing dormant stage planning for upcoming season in fall. Best position for business as usual practices. Some will have early test of membership resiliency by billing annual dues prior to season

4 Months:

Staffing models in place and recruiting efforts being made. Seasonal cap x outlays put into motion through early fall to opening. Changes to operating model considered and implemented. Membership recruiting and retention efforts intensify for upcoming season

6 Months:

Club implementing plans for start of season in mid late fall. Greatest potential a pivot to another operating model in consideration of Covid-19 restrictions, membership and expected business levels.

Seasonal Clubs – Summer

2 Months:

Beginning of season clouded with uncertainty. Most difficult model to forecast as much of the incremental and UBI business will have been postponed or cancelled outright. Skeleton operations in place until use restriction(s) lifted then a quick pivot to planned staffing model and “pdq” opening training. New models operating club with enhanced safety measures in place. Staff planning is for ramp up as business develops. Expectations from Great Recession are that members will use Club for staycation purposes enhancing core and family programming.

4 Months:

Season in full swing with primarily core member usage in dining and athletic programming. Likely still social distancing type restrictions enforced in some states or locales. Not quite business as usual yet as revenue streams from banquets, weddings and outside events continue to be impacted. Marketing for fall events to recover lost or postponed business from spring and summer.

6 Months:

Transitioning into slower use period for outdoor athletic and family programming. Staffing models will reflect leaner more nimble models and sharpened forecasting of fall events through holiday season. Potential for return to a new normalcy in Club operations with Clubs enjoying higher core member usage.

Year-Round Clubs

2 Months:

Entering summer season with uncertainty. These Clubs likely enjoying easier pivot back to busy seasonal operations because larger year-round core staffing. Decisions made to engage and communicate to all staff that are employed, furloughed or laid off is key to resiliency in ramping up operations to summer levels. Core areas of use in athletics and in restaurants are most potential to return to prior business levels with UBI type usage off through end of season. Membership retention planning is key.

4 Months:

Season in full swing with primarily core member usage in dining and athletic programming. Likely still social distancing type restrictions enforced in some states or locales. Not quite business as usual yet as revenue streams from banquets, weddings and outside events continue to be impacted. Marketing for fall events to recover lost or postponed business from spring and summer.

6 Months:

Transitioning into slower use period for outdoor athletic and family programming. Staffing models will reflect leaner more nimble models and sharpened forecasting of fall events through holiday season. Potential for return to a new normalcy in Club operations with Clubs enjoying higher core member usage. Member marketing and engagement to gauge Club business levels in fall and beyond..

OPPORTUNITIES

OPPORTUNITIES – A FRESH START

- Training
- Install a concept, program or service
 - HAACP
 - Change restaurant concept/menu
 - Pivot to a new need (will more of your members work from home in the future)
- Recapitalize - improve facilities or infrastructure
- Reinvigorate the Member Experience
- Business Planning – strategizing and planning
- Revitalize Membership Marketing Plan
- Reflect on how to differentiate your club in the marketplace
- Membership Survey
- Hospitality labor pool will be flush - how can your club find and attract top talent?

RESOURCES

- Small Business Administration - <https://www.sba.gov/>
- SHRM - <https://shrm.org>
- Department of Labor - <https://www.dol.gov/>
- National Club Association - <https://www.nationalclub.org/>
- Club Benchmarking - <https://www.clubbenchmarking.com/>

ADDITIONAL RESOURCES

- www.shrm.org
- https://www.dol.gov/sites/dolgov/files/WHd/posters/FFCRA_Poster_WH1422_Non-Federal.pdf
- <https://www.dol.gov/agencies/whd/fmla/final-rule/faq>
- <https://www.dol.gov/agencies/whd/flsa/pandemic>
- <https://www.ready.gov/pandemic>
- <https://www.osha.gov/SLTC/covid-19/>
- https://www.cdc.gov/coronavirus/2019-ncov/if-you-are-sick/steps-when-sick.html?CDC_AA_refVal=https%3A%2F%2Fwww.cdc.gov%2Fcoronavirus%2F2019-ncov%2Fabout%2Fsteps-when-sick.html
- <https://www.cdc.gov/coronavirus/2019-ncov/hcp/guidance-prevent-spread.html#precautions>
- https://www.eeoc.gov/eeoc/newsroom/wysk/wysk_ada_rehabilitaion_act_coronavirus.cfm
- https://www.eeoc.gov/eeoc/newsroom/wysk/national_origin_race_discrimination_covid-19.cfm
- <https://www.dol.gov/agencies/eta/layoffs/warn>



Dan Denehy

President

Club Thinking Partners

CT Office: 203.319.8228

Jackson Office: 307.690.7931

Dan@denehyctp.com

www.denehyctp.com

THANK YOU!

If you have additional questions, please
contact us:

Kirk Reese

Executive Vice President

Club Thinking Partners

LA Office: 310.991.9768

Kirk@denehyctp.com

www.denehyctp.com

Bob James

Vice President

Club Thinking Partners

CT Office: 203.319.8228

Bob@denehyctp.com

www.denehyctp.com

**Anne Catherine Nielsen, SPHR,
SHRM-SCP**

HR Consultant

EquaMagna

Phone: 646-552-6674

annecatherine@equamagna.com

www.equamagna.com

Peter Petrina

President

Petrina Group International, Inc.

Phone: 877-Petrina

pp_petrina@petrinagroup.com

www.petrinagroup.com

Jeffrey P. McFadden

Chief Executive Officer / GM

The Union League Club of
Philadelphia

Phone: 215-563-6500

McFaddenJ@unionleague.org