



**DELEGATION ORDER**

**Training Proposal for:  
Aleia Corp. dba Surplus Service**

**Small Business**

**ET17-0245**

**Approval Date:** October 10, 2016

**ETP Regional Office:** San Francisco Bay Area

**Analyst:** C. Hoover

**CONTRACTOR**

- Type of Industry: Green Technology  
Wholesale Trade  
Priority Industry:  Yes  No
- Number of Full-Time Employees  
California: 7  
Worldwide: 7  
Number to be trained: 6  
Owner  Yes  No
- Out-of-State Competition: Competitors Outside CA
- Special Employment Training (SET):  Yes  No
- High Unemployment Area (HUA):  Yes  No
- Turnover Rate: 25%
- Repeat Contractor:  Yes  No

**FUNDING**

- Requested Amount: \$9,048
- In-Kind Contribution: \$8,700

**TRAINING PLAN TABLE**

Job No.	Job Description	Type of Training	Estimated No. of Trainees	Range of Hours		Average Cost per Trainee	Post-Retention Wage
				Class / Lab	CBT		
1	Retrainee SB <100 Priority Rate	Business Skills, Computer Skills, Continuous Improvement	6	8-60	0	\$1,508	\$17.02
				Weighted Avg: 58			

It will be made a condition of contract that the trainees in this Job Number will never be paid less than the State or local minimum wage rate as in effect at the end of retention regardless of the wage expressed in this table. The highest minimum wage rate will prevail.

- Reimbursement Rate: Job #1: \$26 SB Priority
- County(ies): Alameda
- Occupations to be Trained: Administrative Staff, Owners, Sales Staff, Supervisors
- Union Representation:  Yes  
 No
- Health Benefits: N/A

**SUBCONTRACTORS**

- Development Services: N/A
- Administrative Services: N/A
- Training Vendors: N/A

**OVERVIEW**

Established in 2011, Aleia Corp. dba Surplus Service (Surplus Service) is a green certified Small Business based in Fremont. The Company's services are referred to as Upcycling which provides green-sustainability solutions. This includes refurbishment services, liquidation or surplus goods, data removal, recycling and e-waste management or removal. Surplus Service provides reverse logistics (purge or end-of-life management) for the collection of surplus inventory, returned goods, e-waste, and depreciated assets including computers, servers, medical devices, laboratory instruments, test equipment, and phone and networking systems. This is Surplus Service's second ETP Agreement, the 2<sup>nd</sup> in the past five years.

Surplus Service offers asset management, assured destruction, harvesting and data protection. The Company provides serialized auditing and data removal (or destruction) to Department of Defense and National Security Administration standards, and it also partners to do turn-key recycle events. Depleted assets often have secondary market life, so the Company's goal is to make landfills the last resort. Surplus Service is a local-certified, green Small Business.

Surplus Service's business includes reselling returned or damaged merchandise from a variety of markets including: retail, electronics, industrial, healthcare, government, manufacturing, and technology sectors. Surplus Service's business is continuing to expand with new contracts with companies like General Dynamics, Thermo Fisher Scientific, and the federal government. Customers are starting to ask for certifications such as the Responsible Recycling Standard, the General Services Administration and the International Organization for Standardization. These customer and industry demands are driving Surplus Service to initiate improvement activities to remain competitive. The requested ETP funding will help the Company implement a new business structure, provide essential services, and improve worker skills. The Company's President and Vice President will deliver the ETP training, which will occur at the Company's Fremont location.

## **Commission**

Surplus Service requests to use commission to meet the Post-Retention Wage of \$17.02 per hour for Sales Staff. Surplus Service has a formal Commission Plan calculated and paid monthly based on a percentage of merchandise sold. Trainees' base hourly wages range from \$15.00 to over \$30.00, but with commission their wages will meet or exceed the ETP Minimum Wage Requirement of \$17.02 per hour for Alameda County. Commission is paid to Sales Staff who earn three to seven percent depending on their level of sales, which will enable them to add an average of \$5.00 per hour to their base wage. Sales Staff will use at least \$2.02 per hour of their commissions to meet Post-Retention Wage.

All trainees must meet the state minimum wage rate at the end of retention.

## **Training Plan**

Training will be delivered in Classroom/Laboratory (Class/Lab), as outlined below:

**Business Skills** - This training will be offered to Sales Staff and Supervisors. This training will include developing and improving the skills of Managers and Supervisors: Leadership, Decision Making, Motivation, Teambuilding, Administration and Coaching Procedures. In addition, the training will create ownership at the individual-employee level, so every employee takes ownership on their own for approved (individual) initiatives (i.e. - employees are proactive with ideas for change).

**Computer Skills** - This training will be offered to all occupations. Training will be delivered for an E-Commerce site implementation as it is essential for the Company to have its own website to cut expenses. The Company has been using a third-party website, eBay, to liquidate their refurbished and surplus acquisitions, which charges fees to their sellers (18%-20% of overall sales), as well as posing other limitations. The proposed training will result in a dramatic cost savings for the Company. Training will be delivered on implementing an Inventory Management system to improve productivity and competitiveness in the market. As a small business, paying for a customized software solution is not easy to afford. A new inventory system needs to be in place to fulfill new customers' tracking requirements. In addition, training will be delivered for a Customer Management system for handling customer requests and for resolving customer complaints. The Company started a new service area where it's planning to utilize its new commercial website, which is gradually replacing eBay. This change is bringing more responsibility for the Company's sales representatives, which drives its need for training.

**Continuous Improvement** - This training will be offered to all occupations. Training will be delivered on workflow dispatch, and the Company's logistics-transition process (i.e. - providing processes for smoothly transitioning a customer between sales and back to operations, while

identifying when sales' responsibilities end and when operations takes over the responsibility with regard to customers' needs/service).

### **Turnover Rate**

A waiver of the 25% turnover penalty is requested due to 2015's turnover rate of 25% which was an anomaly. (Rate in 2014 was 18%, in 2013 the rate was only 15%). In 2015, Surplus Service's hiring policy prioritized use of agencies placing disadvantaged people such as ACHire, Work2Future, Nova, CalWORKs, Richmond Works, etc. This hiring policy proved to be unsuccessful for purpose of retaining these high-risk hires on a full-time basis. The Company hired five employees from these agencies, half of which voluntarily quit.

### **RECOMMENDATION**

Staff recommends approval of this proposal.

### **PRIOR PROJECTS**

The following table summarizes performance by Surplus Service under an ETP Agreement that was completed within the last five years:

Agreement No.	Location (City)	Term	Approved Amount	Payment Earned \$ %
ET15-0192	Fremont	7/7/14 – 7/6/15	\$18,200	\$9,100 (50%)

ET15-0192: Surplus Service had limited success in meeting their previous training goals. Even though the Company delivered 712 hours of training (equaling \$18,512 in potential reimbursement funding), it was not able to earn the 100% reimbursement because the 90-day retention period was not met for five out of the eleven trainees that received ETP training. (Half of the trainees voluntarily quit after receiving ETP training).

To ensure its workers remain employed with the Company, the Company has changed its ineffective hiring process. The Company is not hiring high-risk employees. The Company has centralized its hiring through a Small Business Development Center, and been able to recruit and hire quality long-term employees. With turnover no longer an issue, the Company is confident all trainees will complete training and retention, and they will earn 100% of the contract amount in this proposal.

The request for funding under this proposal has been "right sized" to reflect the amount previously earned (ET15-0192).

**Exhibit B: Menu Curriculum****Class/Lab Hours**

8-60

Trainees may receive any of the following:

**BUSINESS SKILLS**

- + Team Culture
- + Market Segments (Adopting Changes)
- + Implementing Company Trackers (Managing Synchronization)
- + Employee's Goals and Objectives
  - o Preparation and Implementation

**COMPUTER SKILLS**

- + **E-Commerce**
  - o Analyzing E-Commerce Sites
  - o Synchronizing Sites (New and Old)
  - o Merging Sites into Core System
- + **Network Management**
  - o Improving Productivity (Central Server)
  - o Local Area Networks (LAN)
  - o Wide Area Networks (WAN)
  - o Metropolitan Area Networks (MAN)
- + **Customer Management System**
  - o Customer Data Base (client data- payments, shipments, pickups)
  - o Just-In-Time (JIT) Processes
  - o Production Scheduling
  - o Production Operations/Workflow
  - o Process Improvement
  - o Decision Making
  - o Leadership Skills for Front-line Workers
  - o Managing Customer Relations
  - o Identifying Customer Needs
  - o Telephone Skills
  - o Handling Customer Requests
  - o Resolving Customer Complaints
- + **Inventory Management (Software)**
  - o Inventory Management System
  - o Transitioning (Old to New System)

**CONTINUOUS IMPROVEMENT**

- + Customer Service
- + E-Commerce Tools
  - o Customer Relationship Regulations
- + Communication Skills (Internal and External)

Note: Reimbursement for retraining is capped at 60 total training hours per trainee, regardless of the method of delivery.