



**Training Proposal for:
Altman Specialty Plants, Inc.
Agreement Number: ET15-0219**

Panel Meeting of: July 25, 2014

ETP Regional Office: San Diego **Analyst:** J. Davey

PROJECT PROFILE

| | | | |
|---|---|---------------------|---|
| Contract Attributes: | Priority Rate Retrainee Job Creation Initiative HUA | Industry Sector(s): | Agriculture Priority Industry: <input checked="" type="checkbox"/> Yes <input type="checkbox"/> No |
| Counties Served: | Monterey, Riverside, San Diego | Repeat Contractor: | <input checked="" type="checkbox"/> Yes <input type="checkbox"/> No |
| Union(s): | <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | | |
| Number of Employees in: | CA: 1,273 | U.S.: 1,508 | Worldwide: 1,508 |
| <u>Turnover Rate:</u> | 17% | | |
| <u>Managers/Supervisors:</u> (% of total trainees) | 6% | | |

FUNDING DETAIL

| | | | | | |
|---------------|---|----------------------------|-------------------------|---|--------------------------|
| Program Costs | - | (Substantial Contribution) | (High Earner Reduction) | = | Total ETP Funding |
| \$352,500 | | \$0 | \$0 | | \$352,500 |

| | | |
|-----------------------|------------------------------------|-----------|
| In-Kind Contribution: | 100% of Total ETP Funding Required | \$437,491 |
|-----------------------|------------------------------------|-----------|

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 Priority Rate | Business Skills, Commercial Skills, Computer Skills, Continuous Improvement, HazMat, PL- Commercial Skills | 250 | 8-200 | 0 | \$720 | \$15.60 |
| | | | | Weighted Avg: 40 | | | |
| 2 | Retrainee Priority Rate HUA | Business Skills, Commercial Skills, Computer Skills, Continuous Improvement, HazMat, PL- Commercial Skills | 200 | 8-200 | 0 | \$540 | \$11.17 |
| | | | | Weighted Avg: 30 | | | |
| 3 | Retrainee Priority Rate Job Creation | Business Skills, Commercial Skills, Computer Skills, Continuous Improvement, HazMat, PL- Commercial Skills | 71 | 8-200 | 0 | \$500 | \$13.00 |
| | | | | Weighted Avg: 25 | | | |
| 4 | Retrainee Priority Rate HUA Job Creation | Business Skills, Commercial Skills, Computer Skills, Continuous Improvement, HazMat, PL- Commercial Skills | 58 | 8-200 | 0 | \$500 | *\$9.14 |
| | | | | Weighted Avg: 25 | | | |

* It will be made a condition of contract that the trainees in Job Number 4 will never be paid less than the statewide minimum wage as in effect at the end of retention (Final Payment) regardless of wage expressed in this table.

| | |
|---|---|
| <p>Minimum Wage by County:</p> <p>Health Benefits: <input checked="" type="checkbox"/> Yes <input type="checkbox"/> No This is employer share of cost for healthcare premiums – medical, dental, vision.</p> <p>Used to meet the Post-Retention Wage?: <input checked="" type="checkbox"/> Yes <input type="checkbox"/> No <input type="checkbox"/> Maybe</p> <p>Up to \$2.34 per hour may be used to meet the Post-Retention Wage.</p> | <p>San Diego - Job 1: \$15.60; San Diego (Job Creation) – Job Number 3: \$13.00</p> <p>Riverside/Monterey (HUA) – Job Number 2: \$11.17; Riverside/Monterey (HUA, Job Creation) – Job 4: \$9.14</p> |
|---|---|

| Wage Range by Occupation | | | | |
|---------------------------------|------------|----------------------|-------------------------|-------|
| Occupation Titles | Wage Range | | Estimated # of Trainees | |
| | Job 1 | Job 3 – Job Creation | Job 1 | Job 3 |
| Administrative Staff | | | 7 | 2 |
| Distribution Staff | | | 50 | 14 |
| Managers | | | 8 | 2 |
| Production Staff | | | 175 | 50 |
| Supervisors | | | 10 | 3 |
| Occupation Titles - HUA | Wage Range | | Estimated # of Trainees | |
| | Job 2 | Job 4 – Job Creation | Job 2 | Job 4 |
| Administrative Staff | | | 4 | 1 |
| Distribution Staff | | | 38 | 10 |
| Managers | | | 2 | 1 |
| Production Staff | | | 150 | 45 |
| Supervisors | | | 6 | 1 |

INTRODUCTION

Headquartered in San Diego and founded in 1975, Altman Specialty Plants, Inc. (Altman) is a wholesale nursery. The Company provides a broad assortment of plants, flowers, shrubs, and other botanical products to retail nurseries, home and garden centers, and other stores throughout the southwest and western U.S. Altman operates three growing centers in Vista, Bonsall, and Escondido, Salinas, and Perris, all three of which are locations where proposed training will take place. The company's customers include The Home Depot, Lowe's Home Improvement, Orchard Supply & Hardware, and Walmart among others.

Altman is eligible as a single employer for standard retraining and priority-industry funding under the out-of-state competition provisions as a NAICS identified industry (crop production). Altman states that all the trainees identified for training are employed full-time (at least 35 hours per week) and are not seasonal workers.

Altman has to meet stricter customer demands in a highly competitive marketplace. Plant production is moving toward modern technological advances in machinery and operations to meet competitive pressures on price and production costs. To prevent passing along price increases to its customers, Altman must create greater efficiencies and streamline its operations.

Altman recently adopted continuous improvement processes, in order to compete with out-of-state companies with lower labor and production costs. To maintain its competitive position in California, Altman is continually modifying and improving its production and delivery processes.

In an effort to be more efficient in its use and conservation of water, Altman plans to train its employees on best practices in irrigation management. Altman will also train on the use of its water recycling system which is currently under construction. This system will save over 100 million gallons of water per year. This complex project will require training to maximize its

usefulness. Training not only involves irrigation management as it relates to plant requirements, but also as it relates to new more efficient water irrigation systems currently in use.

The Company recently acquired two plant production companies in Colorado and Texas; and created new growing centers in Escondido and Bonsall. Altman is in the process of assimilating the two companies in Colorado and Texas, but needs to train key Administrative Staff on their accounting applications and systems. Since all of its corporate support services are in California, as the business grows, there is more work and training needed for its California employees on operational, accounting and information technology. Altman also needs to continue training as it implements new software and existing software upgrades to improve efficiencies and production capabilities.

In its first ETP project, Altman provided its first formalized training in Business, Commercial, Computer, and Continuous Improvement skills to meet the demands of its customers, such as Lowe's and Walmart. Over 260 trainees at the Company's 3 facilities received an average of 62 hours of training. The Company states that because it grows over 5,000 different types of plants, it takes more than one training cycle for its Production and Distribution Staff. With a variety of environmental variables and a changing regulatory environment, trainees need additional training in order to become proficient in the plant propagation and growing techniques, as well as proper shipping and delivery requirements. Each year the Company tests 200-500 new plant varieties to determine what plants will be marketable and go into full production in the following year.

PROJECT DETAILS

Training Plan

Altman will provide a customized range of skills that will give its employees the necessary tools and knowledge to improve productivity, quality, and efficiency. Trainees will receive an average of between 25 hours for newly-hired retrainees to 50 hours for incumbent workers in class/lab and productive lab training in the following skills:

Business Skills (25%) - All trainees will receive training in Leadership, Project Management, Time Management, and other related business skills. These skills are needed for newly-hired staff to bring them up-to-speed in the skills and knowledge to do their jobs and also provide them with the knowledge to better understand their roles in the organization, to understand customer needs, and adapt to new functions as needed.

Commercial Skills (20%) - Most of the trainees to receive this training will be Distribution and Production Staff; however, employees from other departments may receive some training in these skills. These skills are needed for newly-hired staff to become current in the skills and knowledge to do their jobs safely and efficiently. Trainees will receive training in Equipment Operation, Driving & Delivery Techniques, Growing Techniques, Merchandising, Order Fulfillment and other skills related to the efficient production and delivery of the Company's products.

Computer Skills (25%) - All trainees will receive customized training in the Company's Evolution ERP system. This training is necessary because Altman's IT Department is continually working to enhance this system. Additionally, with the Plant Partners work, Altman must make changes to its Evolution system in order to increase capacities and assimilate its new businesses. Plant Partners (the ERP system used by one of the acquired companies) training will provide skills for selected Administrative Staff to incorporate that system into the current Evolution program to manage production, inventory, sales and other critical operations functions.

Continuous Improvement (15%) - All trainees will receive training in Process and Quality Improvement. These skills will allow staff to improve growing and production techniques, meet customer requirements more effectively, and identify areas where continuous improvements can be made. Newly-hired staff will benefit from this training to stay current with skill sets and knowledge to do their jobs effectively and efficiently.

Hazardous Material Skills (5%) - This training will be offered to Production Staff, Distribution Staff, Managers, Supervisors, and selected Administrative Staff on the proper handling and disposal of hazardous materials, including how to safely use, transport, and store pesticides and herbicides, and Material Safety Data Sheets.

Productive Laboratory

Commercial Skills (10%) - Productive Laboratory (PL) trainees may produce goods for profit as part of the training in the courses identified under the Curriculum. The instructor must be dedicated to training delivery during all hours of training.

Due to the nature of plant production, hands-on training is needed for new equipment, procedures, growing and harvesting techniques. Classroom training on equipment operation is only practical to a certain point because trainees work outdoors and must learn how to operate production equipment in that environment, and where there is adequate space to operate. Some of the equipment is used for plant propagation and production, involving soil preparation, planting, and harvesting, which can only occur at the work site.

Production Staff, Distribution Staff, Managers and Supervisors, will participate in PL. Trainer-to-trainee ratios will not exceed 1:3. PL will focus on operating planting and related equipment: Soil Mixing machine, Transplanter Machine, Seeding Machines, Flat Filler Machines, Tricycle tractors, Robotic Equipment, Irrigation Management System, Water Recycling Equipment. Trainees may receive up to a maximum of 35 total hours of PL, within a range of 0-20 hours per course title in the curriculum, depending on individual need and job requirements.

Altman has provided a list of tasks trainees will perform and competencies they will achieve. Trainers will demonstrate the operation of the equipment and then observe trainees, correcting errors, and ensuring safe and proper techniques are used. Trainers will certify trainees once they are deemed competent. At the conclusion of PL, trainees will be competent in the safe operation, maintenance, and use of equipment or machinery to meet minimum productivity standards.

High Unemployment Area

The 258 trainees in Job Numbers 2 & 4 work in a High Unemployment Area (HUA), a region with unemployment exceeding the state average by at least 25%. The Company's locations in Salinas and Perris qualify for HUA status under these standards.

➤ Wage Modification

For these trainees, the Panel may modify the ETP Minimum Wage by up to 25% if post-retention wages exceed the start-of-training wages. Trainees in Job Number 2 are currently employed with Altman and must show a wage increase from the ETP minimum \$11.17 at the end of the 90 day employment retention period. Between 20 and 30 of the 200 trainees will need a HUA wage modification in Job Number 2. Trainees in Job Number 4 will be newly-hired within three months prior to the beginning term of the Agreement or during the Agreement and do not have to show a wage increase.

Altman is requesting a wage modification from \$12.19 to \$9.14 per hour for newly-hired Job 4 trainees in an HUA. Between 5 and 10 of the 58 trainees will need this modification in Job Number 4.

It will be made a condition of contract that the trainees in Job Number 4 will never be paid less than the statewide minimum wage rate as in effect at the end of retention.

Retrainee - Job Creation

In support of job creation, the Panel is offering incentives to companies that commit to hiring new employees. Under the Retrainee-Job Creation program, training for newly-hired employees will be reimbursed at a higher rate and trainees will be subject to a lower post-retention wage.

In this proposal, Altman has committed to hiring 129 new employees as shown in Job Numbers 3 and 4. To be eligible for reimbursement under these Job Numbers, trainees must be hired within the three-month period prior to Panel approval or during the term of contract. As a feature of this program, the Substantial Contribution requirement will be waived for Job Numbers 3 and 4. Also, a Turnover Rate penalty will not be assessed.

Due to the recent acquisition of two new companies in Colorado and Texas, and two more growing sites in Bonsall and Escondido, the Company will hire these trainees within the three months prior to Panel approval or during the Agreement term.

Substantial Contribution

Altman Specialty Plants is a repeat contractor with payment earned in excess of \$250,000 at all three facilities combined within the past five years. (See Prior Project Table.) However, no single location earned in excess of \$250,000. Therefore, the substantial contribution does not apply to this proposal.

Commitment to Training

Altman reports that it does not currently budget for training. It does, however, provide training on an as-needed basis for new hire orientation and mandatory and essential training such as OSHA safety training. In the past, the company has only been able to provide minimal training. The Company is committed to continuing the quality and frequency of training once the ETP training project is completed.

Altman represents that ETP funds will not displace the existing financial commitment to training.

Altman represents that safety training is, and will continue to be, provided in accordance with all pertinent requirements under state and federal law.

RECOMMENDATION

Staff recommends approval of this proposal and HUA wage waiver request.

PRIOR PROJECTS

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

| Agreement No. | Location (City) | Term | Approved Amount | Payment Earned \$ % |
|---------------|-----------------|----------------------|-----------------|------------------------|
| ET12-0430 | Statewide | 6/25/12 – 6/24/14 | \$279,720 | \$279,720 (100%) |

DEVELOPMENT SERVICES

Altman retained Training Funding Source (TFS) in Seal Beach to assist with development of this proposal for a flat fee of \$13,500.

ADMINISTRATIVE SERVICES

TFS will also perform administrative services in connection with this proposal for a fee not to exceed 13% of payment earned.

TRAINING VENDORS

To Be Determined

Exhibit B: Menu Curriculum

Class/Lab Hours

8-200

Job Numbers 1-4

Trainees may receive any of the following:

BUSINESS SKILLS

- Coaching and Counseling
- Leadership
- Meeting Facilitation
- Project Management
- Sales
- Time Management

COMMERCIAL SKILLS

- Confined Space (training on how to follow procedures and work around tanks and other confined spaces)
- Driving and Delivery techniques
- HACCP (Hazard Analysis and Critical Control Points)
- Equipment Operations
- Forklift
- Growing Techniques
- Inventory Control
- Irrigation Systems
- Merchandising
- Order Fulfillment
- Pay by Scan
- Planting
- Product availability
- Water Recycling/Efficiency

Safety Training is capped at 10% of a trainee's total hours

COMPUTER SKILLS

- Evolution
- MS Office (intermediate/advanced only)
- Plant Partners
- SAP Enterprise Resource Planning (ERP)

CONTINUOUS IMPROVEMENT

- Process Improvement
- Quality Improvement
- Lean Manufacturing

HAZARDOUS MATERIALS

- HazMat
- Hazardous Material Handling (Pesticides and Other Hazardous Materials)
- MSDS (Material Safety Data Sheets)

PL Hours

8-35

Job Numbers 1-4

Trainees may receive any of the following:

PL COMMERCIAL SKILLS (1:3)

- Safe Operation and Maintenance of Production Equipment
 - Soil Mixing Machine
 - Planting Machine
 - Seeding Machine
 - Transplanting Machine
 - Robotic Plant Spacing Equipment
 - Water Recycling/Irrigation Equipment
 - Forklift

Note: Reimbursement for retraining is capped at 200 total training hours per trainee, regardless of the method of delivery.