

DELEGATION ORDER



Training Proposal for:

**Associated Microbreweries, Inc. dba Karl Strauss
Brewing Company**

Agreement Number: ET16-0130

Approval Date: July 21, 2015

ETP Regional Office: San Diego

Analyst: M. Ray

PROJECT PROFILE

Contract Attributes:	Retrainee Priority Rate	Industry Sector(s):	Manufacturing Retail Services Priority Industry: <input checked="" type="checkbox"/> Yes <input type="checkbox"/> No
Counties Served:	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: 146	U.S.: 146	Worldwide: 146
<u>Turnover Rate:</u>	16%		
<u>Managers/Supervisors:</u> (% of total trainees)	10%		

FUNDING DETAIL

Program Costs	-	(Substantial Contribution)	(High Earner Reduction)	=	Total ETP Funding
\$52,380		\$0	\$0		\$52,380

In-Kind Contribution:	100% of Total ETP Funding Required	\$75,950
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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, Computer Skills, Continuous Improvement, Manufacturing Skills	97	8 - 200	0	\$540	\$15.93
				Weighted Avg: 30			

Minimum Wage by County: \$15.93 per hour for San Diego County
Health Benefits: Yes No This is employer share of cost for healthcare premiums – medical, dental, vision.
Used to meet the Post-Retention Wage?: Yes No Maybe
 Health benefits of up to \$2.75 per hour may be used to meet the Post-Retention Wage.

Wage Range by Occupation		
Occupation Titles	Wage Range	Estimated # of Trainees
Administrative Support Staff		11
Events Staff		3
Information Technology		4
Logistics		7
Sales/Marketing		30
Restaurant Operations		7
Production		25
Manager		10

INTRODUCTION

Founded in 1989, and located in San Diego, Associated Microbreweries, Inc. dba Karl Strauss Brewing Company (Karl Strauss) (www.karlstrauss.com) engages primarily in production, sales, and distribution of beer to restaurants, bars, grocery stores, as well as private and public events. In addition to beer production, the Company also operates eight full-service brewery restaurants in Southern California.

This will be the third Agreement between Karl Strauss and ETP within the last five years. In its first project (ET09-0342), the ETP-funded training focused on sales and the addition of a bottling line to the Company’s San Diego facility. During this time, Karl Strauss was able to support all brewing and bottling in-house rather than outsourcing to Wisconsin. In its second project (ET12-0358), funding assisted in providing skills training to support the Company’s distribution

network expansion to Northern California. During this contract term, Karl Strauss also opened an additional brewery restaurant and transformed its current brewery into a tour and tasting room facility.

PROJECT DETAILS

Karl Strauss continues to face fierce competition from an increasing number of craft beer breweries in the marketplace. In recent years, the craft beer industry has seen exponential growth in California. During 2014, the number of operating breweries increased by over 20%, with an additional 240 breweries in planning. Today, with nearly 500 breweries statewide, California has more craft breweries than any other state. Moreover, a growing number of beer drinkers are expanding their palate and beer knowledge, driving the craft beer market even further. These industry and customer demands have had a significant impact on the Company's production and quality of its products, requiring Karl Strauss to enhance its competitiveness.

To meet these demands, Karl Strauss has immersed in new initiatives focused on integrating sustainability processes, improving efficiencies, and reducing waste. To do this, the Company has invested in developing a "Green Team" to implement and facilitate workforce skills standards, training strategies, and extensive beer education. The Company will also implement a new Learning Management System (LMS) to streamline education/training materials, and become paperless. The LMS will go live during the third quarter of 2015; therefore, it will not be utilized to administer ETP training.

These demands are also driving the Company to focus on growth opportunities. As a predominately Southern California-based distributor, Karl Strauss plans to expand its Northern California territories through bars, eateries, groceries, and convenience stores as well as beer festivals and events. These initiatives will require Karl Strauss to qualify and train its workforce to support company growth, meet overall production demand, and improve product quality.

Training Plan

ETP-funded training will be delivered to approximately 97 incumbent and newly-hired workers in various course topics. The training plan may include employees who have participated in previous contracts and some curriculum topics are repeated; however, Karl Strauss confirmed that the subject matter has been updated and/or improved, so there will be no duplication of training in those courses.

Training will be delivered in classroom/laboratory setting and will take place at the Company's main brewery and corporate headquarters in San Diego.

Business Skills (25%) – Training will be offered to all occupations. Course topics such as Customer Service, Sales/Marketing/Production Strategies, Organizational Development, Strategic Thinking, and SWOT Analysis training will provide supplemental skills to enhance worker's ability to provide exemplary customer service, increase sales, and improve business flow.

Computer Skills (15%) – Training will be offered to all occupations as it relates to their job function. Training in various software application skills will improve productivity. Training in the Company's new LMS will be provided to all trainees to easily track and manage employee training initiatives and effectiveness.

Continuous Improvement (45%) – Training will be offered to all job occupations. Course topics such as Sustainability Processes, Lean Manufacturing, Process Improvement, Quality Concepts, and Product Knowledge will provide trainees the skills necessary to improve

productivity and quality of products. The skills provided by this training are expected to improve the Company's ability to compete with in-state, out-of-state, and overseas competitors.

Manufacturing Skills (15%) – Training will be offered to Production, Events Staff, Logistics Staff, and Managers. Training will help trainees develop and demonstrate competence in good manufacturing practices, equipment operations & maintenance, quality management, and production planning to improve cost and product quality.

Commitment to Training

ETP funds will not displace the existing financial commitment to training. Safety training is, and will continue to be, provided in accordance with all pertinent requirements under state and federal law.

➤ Training Infrastructure

Training will be provided by a combination of six in-house staff and outside vendors. The Company's Training and Development Analyst with assistance from the Human Resources Department will be overseeing and handling project administration duties.

RECOMMENDATION

Staff recommends approval of this proposal.

PRIOR PROJECTS

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

Agreement No.	Location (City)	Term	Approved Amount	Payment Earned \$ %
ET12-0358*	San Diego	4/17/12 – 4/16/14	\$49,248	\$38,367 (78%)
ET09-0342**	San Diego	11/24/08 – 11/23/10	\$74,772	\$14,891 (20%)

***ET12-0358:** The last day of ETP training was 1/16/14. Karl Strauss has documented 2,132 eligible training hours for 46 trainees who completed retention (weighted average training hours of 46) to equal \$38,367 (78%) payment earned. In this Agreement, Karl Strauss corrected the issues that caused poor performance on its previous project.

****ET09-0342:** During this Agreement, Karl Strauss experienced production issues which adversely impacted the training schedule. The Company was challenged with balancing production and training need; therefore, some trainees were unable to complete the minimum training hours (24) required for reimbursement.

DEVELOPMENT SERVICES

N/A

ADMINISTRATIVE SERVICES

N/A

TRAINING VENDORS

To Be Determined

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

8 - 200 Trainees may receive any of the following:

BUSINESS SKILLS

- + Accounting/Payroll System
- + How to Become a Learning Organization
- + Organizational Development
- + Cost Control Skills
- + Marketing Strategies
- + Sales Strategies
- + Customer Service
- + Production Strategies
- + Budget Strategies
- + Strengths, Weakness, Opportunities, & Threats (SWOT) Analysis
- + Business Performance
- + Strategic Thinking

COMPUTER SKILLS

- + Human Resources Information System (HRIS)
- + Learning Management System (LMS)
- + jLAN Mobile Sales Suite Software Application
- + Manufacturing Resource Planning
- + Intermediate Microsoft Office
- + Intermediate Microsoft Excel
- + Intermediate PowerPoint
- + Beta Testing
- + Market Data Warehousing
- + Microsoft Project

CONTINUOUS IMPROVEMENT

- + Transformational Coaching
- + Process Involvement
- + Process Improvement
- + Problem Solving Skills
- + Decision Making Skills
- + Overcoming Objections
- + Sustainability Processes
- + Lean Manufacturing
- + Teambuilding Skills
- + Quality Concepts
- + Presentation Skills
- + Effective Communication
- + Product Knowledge
- + Negotiation Skills
- + Leadership Skills
- + Conflict Management
- + Time Management
- + Project Management

MANUFACTURING SKILLS

- ✦ Manufacturing Leadership
- ✦ Engineering Economics
- ✦ Visual Manufacturing & Communication
- ✦ Cost Concepts
- ✦ Risk Management
- ✦ Equipment Operations & Maintenance
- ✦ Material Requirements and Management
- ✦ Inventory Control
- ✦ Good Manufacturing Practices
- ✦ Quality Management
- ✦ Production Planning

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