



RETRAINEE - JOB CREATION

Training Proposal for:

Auto Center Auto Body, Inc. dba Fix Auto

Agreement Number: ET15-0360

Panel Meeting of: January 22, 2015

ETP Regional Office: San Diego

Analyst: S. Godin

PROJECT PROFILE

Contract Attributes:	Job Creation Initiative HUA SET	Industry Sector(s):	Services Priority Industry: <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No
Counties Served:	Orange, Riverside, San Bernardino,	Repeat Contractor:	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No
Union(s):	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No		
Number of Employees in:	CA: 182	U.S.: 182	Worldwide: 182
<u>Turnover Rate:</u>	10%		
<u>Managers/Supervisors:</u> (% of total trainees)	N/A		

FUNDING DETAIL

<table border="1" style="width: 100%; border-collapse: collapse;"> <tr><td style="text-align: center;">Program Costs</td></tr> <tr><td style="text-align: center;">\$118,925</td></tr> </table>	Program Costs	\$118,925	-	<table border="1" style="width: 100%; border-collapse: collapse;"> <tr> <td style="text-align: center;">(Substantial Contribution)</td> <td style="text-align: center;">(High Earner Reduction)</td> </tr> <tr> <td style="text-align: center;">\$0</td> <td style="text-align: center;">\$0</td> </tr> </table>	(Substantial Contribution)	(High Earner Reduction)	\$0	\$0	=	<table border="1" style="width: 100%; border-collapse: collapse;"> <tr><td style="text-align: center;">Total ETP Funding</td></tr> <tr><td style="text-align: center;">\$118,925</td></tr> </table>	Total ETP Funding	\$118,925
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In-Kind Contribution:	100% of Total ETP Funding Required	\$167,920
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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 SET	Business Skills, Commercial Skills, Computer Skills, Cont. Imp., HazMat, PL-Commercial Skills	77	8-200	0	\$825	*\$27.09
				Weighted Avg: 55			
2	Retrainee HUA SET	Business Skills, Commercial Skills, Computer Skills, Cont. Imp., HazMat, PL-Commercial Skills	12	8-200	0	\$825	*\$14.90
				Weighted Avg: 55			
3	Retrainee Job Creation SET	Business Skills, Commercial Skills, Computer Skills, Cont. Imp., HazMat, PL-Commercial Skills	35	8-200	0	\$1,300	*\$12.19
				Weighted Avg: 65			

*This proposal was scheduled to be heard in December. Staff recommends "grandfathering" the CY 2014 wages to ensure there is no detriment caused by the cancellation of December's meeting where, as here, some occupations would not meet CY 2015 wages.

Minimum Wage by County: Job Number 1(SET): \$27.09; Job Number 2(SET/HUA): \$14.90 for Riverside County
Job Number 3(Job Creation): \$13.32 for Orange County; and \$12.19 for Riverside & San Bernardino counties
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
 Employer-paid health benefits of up to \$2.05 per hour may be used to meet the Post-retention wage in Job Numbers 1-3.
Other Compensation: In Job Number 1, the occupational titles of Technician, Mechanic, Estimator and Lead Painter earn commission. Estimators also receive bonuses.

Wage Range by Occupation		
Occupation Titles	Wage Range	Estimated # of Trainees
Job Number 1 – SET		
Technician/Mechanic		40
Estimator		12
Lead Painter		7

Administrative/Support Staff		9
Parts/Production		2
Frontline Manager		7
Job Number 2 – SET/HUA		
Technician, Painter		6
Estimator		1
Administrative/Support Staff		2
Detailers/Porters		1
Parts/Production		2
Job Number 3 – JOB CREATION		
Technician, Painter		15
Estimator		6
Administrative/Support Staff		4
Detailers/Porters		6
Parts/Production		4

INTRODUCTION

Established in 1984, Auto Center Auto Body, Inc. dba Fix Auto (ACAB) (<http://www.fixauto.com/en/public/index.sn>) specializes in automotive collision and repair, including the sales of associated parts and accessories associated with such repairs. Headquartered in Yorba Linda, ACAB currently maintains eight facilities in Southern California, located in Orange (5); Riverside (1); and San Bernardino (2) counties. Two additional facilities are scheduled to open in Southern California during 2015 - 2016. The Company currently employs 182 full time workers. All locations are included in the proposed training.

PROJECT DETAILS

ACAB reports that its need for training is driven by its strategic plan to increase revenues and raise worker efficiency levels; and provide a higher level of customer satisfaction at competitive prices. To meet this goal, the Company must update employee product knowledge and technical skill sets, and implement standard operating procedures and process improvements at all ACAB facilities.

Increased consumer demand for vehicles made from lighter metals and recent technological advances in alternative fuel systems has changed the way auto body repairs are done and how costs are estimated. Technicians must be able to work with these metals and understand how body repairs differ based on the metal composition of the vehicle. Key training areas include automobile repairs that utilize metals such as Boron and ultra-high strength steels and composites, as well as damage assessment for newer technology vehicles. Technicians will also receive technical training needed to meet standards established by the Inter-Industry Conference on Auto Collision Repair (I-CAR), Automotive Service Excellence, and Original Equipment Manufacturer credentials required by most insurers and vehicle manufacturers.

ACAB currently participates in Direct Repair Programs (DRP) as a preferred provider with State Farm, AllState, USAA, Farmers, Mercury, Liberty Mutual, Esurance, CCSAA and Auto Club automotive insurance carriers. Participating in a DRP provides a streamlined efficient process for ACAB, the insurance carrier and the customer. Preferred provider status allows ACAB to act on behalf of the insurance carrier, which eliminates the need for the adjuster to make a trip to

the body shop and write an estimate. In addition, the Company does not have to wait for repair approval. DRP participation removes unnecessary steps, reduces cycle time and contains costs.

Each insurance carrier has specific repair guidelines. Estimators and Technicians must have the product knowledge and technical skills to complete estimates and repairs per carrier's specific criteria to maintain DRP status. The majority of insurance carriers also require yearly technical skills upgrade training and recertification of DRP Technicians, Estimators and Administrative Support Staff. Although the training extent varies by carrier, most insurers require Technicians and Estimators to complete a minimum 40 hours of industry-specific training each year on the latest repair technology.

Training on various software program revisions used by ACAB and updates to each DRP insurance carrier's software will enable employees to navigate the various system components used for estimating, job costing, production planning and customer communication. Estimators and Administrative Support Staff will also receive training on the latest updates to the proprietary software used by each insurance carrier.

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.

ACAB states that it experienced a 5% revenue increase for the period of 1/1/14 - 9/30/14, and its employee count grew from 136 to 182 during the same time-period. Based on its expansion plans to open two additional auto body service centers and positive sales volume forecasts, ACAB predicts a 10% - 30% increase in overall business growth for the next two years. As such, the Company will increase its full time workforce (net increase) by hiring at least 40 net new employees during the term of the proposed Agreement, of which 35 are included in this Agreement. Twenty workers (10 Technicians, 4 Support Staff, 4 Estimators and 2 Parts/Production personnel) will be hired to staff the new locations. The remaining 15 job creation trainees (6 Technicians, 4 Estimators and 5 Support/Parts Staff) will be placed at existing locations to meet increased production and customer service demands. The new workers will require extensive training to develop the requisite skills needed facilitate projected growth.

Trainees must be hired within the four-month period prior to Panel approval or during the term of the Agreement. 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 rate. [Note: The usual date-of-hire "window period" for this program is three months. In this case, because the proposal was held over due to cancellation of the Panel meeting in December 2014, and the Company has already started hiring, staff recommends extending this period by one additional month.]The Company also represents that these trainees will be hired into "net new jobs" as a condition of contract.

Training Plan

ETP funding will allow ACAB to provide formal structured training to upgrade the skills of its incumbent and newly hired workers. Training will also promote the professional development of its team members to support sustained, profitable sales growth at its repair facilities.

Business Skills (25%) – Training will be offered to all occupations and focus on internal and external customer relationship building, negotiation skills and presentation/communication skills. This training will also provide workers with industry-specific claims processing techniques and customer service and engagement skills.

Commercial Skills (20%) – Training will be offered to Technicians, Estimators, Production/Parts Staff, Painters, Detailers/Porters and select Frontline Managers. Training will cover automotive service and repair skills, new vehicle technologies, aluminum and hybrid repair, alternative fuel vehicle maintenance, and extended I-CAR credentials for collision centers. This training will also teach Estimators how to accurately estimate damage and create repair plans for Technicians.

Computer Skills (20%) – Training will be offered to all occupations in the Company's software systems used to track costs and production flow, schedule service, and connect with customers and insurance carriers.

Continuous Improvement (15%) – Training will be offered to all occupations. This training is designed to promote teamwork throughout the organization, streamline processes, and improve quality, cycle time, and cost efficiency.

Hazardous Materials (5%) – This training will be offered to Technicians, Detailers, Painters, and Parts Staff on the safe handling and disposal of hazardous materials.

Productive Lab (15%) – Commercial Skills

Under the Panel's Productive Lab (PL) guidelines, trainees may produce goods or perform services for profit as part of the training in the courses identified under the Curriculum. The training will be provided by in-house subject matter experts (leads, supervisors and managers) who are exclusively dedicated to instruction for the entire reported training time.

Many employees enter the automotive collision repair industry lacking requisite "hands-on" technical skills to perform tasks at an optimal level. Due to the nature of vehicle collision repair, it is essential that certain elements of the proposed training take place in a PL setting to ensure that workers reach required proficiency levels. PL tasks, competencies and the estimated minutes/hours needed to achieve proficiency for each process/piece of equipment in the PL curriculum have been developed and are included as part of the proposed training plan.

PL training will compliment class/lab training modules listed in the curriculum. PL training will involve the use of resistance spot welders, metal inert gas welders, frame rack and measuring system, paint spray guns, paint spray booths, and various hand tools.

Training assignments will include collision repair and painting, welding of structural parts, measuring frames and uni-body structures, aluminum repair, mechanical components, uni-body alignment, and advanced vehicle diagnosis and repair. Trainers will certify trainees once competent. At the conclusion of PL, trainees will be skilled in the various vehicle repair technologies and able to meet minimum productivity standards.

Approximately 50 Technicians/Mechanics, Painters and Estimators will receive up to 15 hours of PL Commercial Skills. Most of the PL training will have a trainer-to trainee ratio of 1:1; however, some repair processes will be performed in teams. For instance, in the PL Body Filler Methods process, a team of three will be stationed around a full-size vehicle. Each trainee will repair a medium-sized dent on one of the vehicle's steel panels. The trainer is able to give instruction, observe, correct, and provide real time feedback while the team of three simultaneously repairs the vehicle.

ETP staff reviewed the tasks and competencies associated with the PL training, and the details support the Company's expressed business needs for training.

Frontline Worker

ACAB is requesting to include seven Frontline Managers who supervise and work in conjunction with Estimators, Technicians and Production Staff. These Managers spend more than 50% of their time performing frontline work. Therefore, based on the nature and scope of their job duties, these trainees meet the Panel's definition of frontline workers and qualify for SET funding.

Special Employment Training/High Unemployment Area

Under Special Employment Training (SET), companies are not required to demonstrate out-of-state competition. These funds are designated for frontline workers only. To qualify under SET, trainees must be earning at least the statewide average hourly wage at the end of the retention.

The twelve trainees in Job Number 2 work at the Corona facility, located in a Riverside County, a designated High Unemployment Area (HUA) with unemployment exceeding the state average by at least 25%. These HUA trainees qualify for the 2014 ETP Minimum Wage of \$14.90 for Riverside County rather than the statewide average hourly wage of \$27.09. ACAB has requested this wage modification.

Commission and Bonuses

ACAB has both a formal Commission and Bonus Plan. Commissions are calculated and paid twice monthly. Bonuses are calculated and paid monthly. ACAB requests to use commissions and bonuses to meet the post retention wage of \$27.09 for Job Number 1 trainees.

Per Title 22, CCR, Section 4418(b): *"The Panel may use commission earnings to determine a trainee's hourly wage, if there is a reliable history of commission payment by the employer and if actual payment can be verified. As used herein, "commission" means a percentage or proportion of the sale price, for services rendered in the sale of goods or services, paid to employees whose principal job duty is sales."*

Per Section 4418(c): *"The Panel may include bonuses in determining a trainee's hourly wage, if there is a reliable history of bonus payment by the employer and if actual payment can be verified. Bonuses are paid in addition to any other compensation and are normally paid to reward extraordinary work or induce continued employment."* Bonuses may be used to meet the ETP minimum wage requirement if: (1) the employee's base wage is at least the State minimum wage; (2) criteria for earning bonuses is documented; and bonuses are a normal recurring part of an employee's compensation.

ACAB requests to use commission to meet the Post-Retention wage of \$27.09 for the occupational titles of Technician, Mechanic, Estimator and Lead Painters in Job Number 1. Commission for these occupations is based on a percentage of services rendered and sold as well as company profits.

Technicians/Mechanics - Technicians and Mechanics receive a variable commission based on a percentage of ACAB's labor rate, number and type of cars receiving service, the level of employee expertise plus years of service. Monthly commission for the 40 Technicians/Mechanics in Job Number 1 for the last nine consecutive months (1/1/14 – 9/30/14) were at least \$7.04 per hour.

Lead Painters - Earnings of Lead Painters are 100% commission based. Commissions for this occupation are calculated monthly based on the number of cars being painted, additional services sold (i.e.: extra paint coats, premium paint, clear protective coat, etc.), the expertise of the painter (quality of work plus employee's years of service), and company profits. Wages for the last 9 consecutive months (1/1/14 – 9/30/14) for the seven Job Number 1 Lead Painters showed year-to-date earnings ranging from \$75,247 to \$131,850 for an average overall hourly amount of \$62.27 per hour for the above time period.

Estimators – Trainees earn both monthly commission and bonuses. Commissions for this occupation are calculated based upon negotiated vehicle repair costs and company profits. ACAB reports that commissions were at least \$6.98 per hour for the last nine consecutive months (1/1/14 – 9/30/14). Estimators also earn monthly bonuses based on exceeding monthly performance benchmarks and providing a high level of customer satisfaction (rewarding extraordinary work). ACAB reports that monthly bonuses for this group were at least \$8.06 per hour for the last nine consecutive months (1/1/14 – 9/30/14).

Impact/Outcome

ETP funding will substantially contribute to ACAB ability to increase revenues, raise efficiency levels, and provide a higher level of customer satisfaction. In addition, funding will be a primary financial catalyst for the Company to implement extensive training for newly hired and incumbent trainees needed to respond to changing technologies in the auto body repair industry.

Commitment to Training

ACAB's annual training budget for its eight facilities is approximately \$150,000. Employee training includes basic new employee orientation, anti-harassment/violence in the workplace prevention, basic computer skills, ethics, safety and on-the-job training. This training will be provided at ACAB's expense during the term of the proposed agreement and beyond.

ETP funds will allow ACAB to launch system-wide initiatives, train more employees in a formal, structured manner, and provide staff with skill sets necessary to improve customer service and implement process improvements. ACAB certifies that ETP funds will not displace the existing financial commitment to training. Safety training is provided in accordance with all pertinent requirements under state and federal law.

➤ Training Infrastructure

ACAB will contract with an administrative subcontractor to assist with ETP project administration and record keeping duties. In addition, ACAB will appoint a designated staff member at each facility to collect training rosters and submit them to ACAB's contract representative.

RECOMMENDATION

Staff recommends approval of this proposal.

DEVELOPMENT SERVICES

Synergy Management Consultants, LLC (Synergy) in Grass Valley assisted with development for \$7,000.

ADMINISTRATIVE SERVICES

Synergy will also perform administrative services for a fee not to exceed 13% of payment earned.

TRAINING VENDORS

To Be Determined

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

8-200

Trainees may receive any of the following:

BUSINESS SKILLS

- Customer Care Skills:
 - Customer Retention
 - Customer Engagement
 - Customer Relationship Building
- Advanced Sales & Marketing Skills:
 - Suspecting, Prospecting & Closing
 - Sales Account Management
 - Advanced Closing Techniques
 - Sales Procedures & Strategies
- Negotiation Skills
- Conflict Resolution
- Communication Skills
- Presentation Skills

COMMERCIAL SKILLS

- I-CAR Collision Repair Certification Skills
- Refinishing Skills:
 - Trim & Hardware
 - Surface Preparation
 - Vehicle Priming/Sealing
 - Paint Spray Guns Maintenance & Set-Up
 - Corrosion Protection Process
 - Sand, Buff & Detail
 - Color Theory & Tints
 - Blending Techniques
 - New Technologies
- Structural Repair:
 - Unibody Alignment
 - Three Dimensional Measuring
 - Repair & Replacement of Outer Body Panels
 - High Strength Steels
 - Aluminum Repair Processes
 - MIG Welding Skills
 - Straightening Structural Damage
 - Glass Replacement
 - Pillars, Rocker Panels, Rails, Front Structures & Floor Pan Replacement
 - Heating Cooling and AC Systems
 - Steering & Suspension Systems
 - Advanced & Hybrid Vehicle Systems
 - Composite materials & Bonding Techniques

- Non-Structural Vehicle Repair Skills:
 - Remove & Install Trim & Hardware
 - Adhesive Bonding
 - Diagnose Wind Noise & Water Leaks
 - Aluminum Cosmetic Damage
 - Spot Welding
 - Composite Repair
- Estimating Skills:
 - Steering & Suspension System Damage Analysis
 - Damage on Non-Drivable Vehicles
 - Flood & Fire Damage Analysis
 - Damage on Non-Drivable Vehicles
 - Electrical/Mechanical Systems
 - Stationary Glass
 - Advanced Materials
 - Advanced Vehicle Systems
 - Hail, Theft & Vandalism Damage
- Vehicle Operation, Maintenance & Troubleshooting
- Alternative Fuel & Hybrid Vehicle Repair Diagnostics
- Service Procedures & Scheduling
- Product Knowledge
- OEM Knowledge/Skills

COMPUTER SKILLS

- CCCOne Software:
 - Job Costing
 - Production Flow
 - Production Planning - ETA Times & Dates
 - Internal & External Customer Communication
- Michell & Michell Repair Center Software
- Nugen IT
- Audatex Software
- CCC Info Systems Software
- Alldata Software
- Advanced Microsoft Office Suite

CONTINUOUS IMPROVEMENT

- Teambuilding
- Root Cause Analysis
- Kaizen Event Strategy & Implementation
- Lean Concepts
- Standard Operating Procedures
- Leadership Skills for Frontline Workers
- Process/Quality Improvement
- Problem Solving/Decision Making Skills
- Inventory Control

HAZARDOUS MATERIALS

- Completing Material Safety Data Sheets
- Volatile Organic Compound Tracking
- Emergency Clean-Up
- Registration, Evaluation, Authorization & Restriction of Chemical Substances

PRODUCTIVE LAB

0-15

COMMERCIAL SKILLS (Ratio 1:3)

- Body Filler Methods
- Structural Resistance Spot Welding
- MIG Brazing Techniques
- Color Tinting
- Spraying Blending Techniques
- Measuring Vehicle Structures
- Alignment Process for Unitized Vehicles

Safety Training will be limited to 10% of total training hours per-trainee

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