



**Retrainee - Job Creation
Training Proposal for:**

B.H.K.H., Inc. dba Henson's Fix Auto Escondido

Small Business ≤ \$50,000

ET15-0366

Approval Date: January 12, 2015

ETP Regional Office: San Diego

Analyst: S. Godin

CONTRACTOR

- Type of Industry: Services
- Priority Industry: Yes No
- Number of Full-Time Employees
 - California: 25
 - Worldwide: 25
 - Number to be trained: 16
 - Owner Yes No
- Out-of-State Competition: No OSC
- Special Employment Training (SET): Yes No
- High Unemployment Area (HUA): Yes No
- Turnover Rate: 6%
- Repeat Contractor: Yes No

FUNDING

- Requested Amount: \$19,910
- In-Kind Contribution: \$13,000

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		
01	Retrainee SB <100 SET	Business Skills, Commercial Skills, Computer Skills, Continuous Improvement, Hazardous Materials, PL Commercial Skills	11	8-60	0	\$1,210	\$27.09
				Weighted Avg: 55			
2	Retrainee SB<100 Job Creation Initiative SET	Business Skills, Commercial Skills, Computer Skills, Continuous Improvement, Hazardous Materials, PL Commercial Skills	5	8-60	0	\$1,320	\$13.00
				Weighted Avg: 60			

- Reimbursement Rate: Job #'s 1 & 2: \$22 SB Non-Priority
- County(ies): San Diego
- Occupations to be Trained: Administrative Support, Estimator, Technician, Parts/Production Staff, Detailer/Painter, Owner, Manager/Supervisor
- Union Representation: Yes
 No
- Health Benefits: Job #'s 1 & 2: \$2.89 per hour

SUBCONTRACTORS

- Development Services: Synergy Management Consultants in Grass Valley assisted with development for a flat fee of \$1,400.
- Administrative Services: Synergy Management Consultants will also provide administration services for 13% of earned ETP Funds.
- Training Vendors: To Be Determined

OVERVIEW

Originally formed as Henson & Son Collision Repair in 1984, this small family owned business joined the Fix Auto Group as an independently owned franchise in 2012. Now known as B.H.K.H., Inc., dba Henson's Fix Auto Escondido (FAE) (<http://www.fixauto.com/escondido>), the Company specializes in automotive collision and repair, including the sales of associated parts and accessories. FAE currently employs 25 full time workers. FAE is eligible for Special Employment Training (SET) funding for frontline workers.

PROJECT DETAILS

FAE reports that training is being driven by the Company's strategic plan to increase revenues, raise efficiency levels, and provide a higher level of customer satisfaction at competitive prices. To meet this goal, the company must update the product knowledge and technical skill sets of its employees, and implement standard operating procedures and process improvements.

Increased demand for vehicles made from lighter metals and recent technological advances in alternative fuel systems have changed the way auto body repairs are done and how repair 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 repair of automobiles 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 to meet standards established by the Inter-Industry Conference on Auto Collision Repair (I-CAR), Automotive Service Excellence, and Original Equipment Manufacturers Association (OEMs).

FAE recently began participating in a Direct Repair Program (DRP) as a preferred provider with State Farm Insurance Company and is currently negotiating to become a preferred provider for both Mercury and USAA Insurance. Participating in a DRP provides a streamlined and more efficient process for FAE, the insurance carrier, and the customer. Preferred provider status allows FAE to act on behalf of the insurance carrier; eliminates the need for the carrier's adjuster to make a trip to the body shop and prepares an estimate; and eliminates FAE's wait for repair approval. DRP participation gets rid of 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 each carrier's specific criteria to maintain DRP status. The majority of the insurance carriers also require yearly technical skills upgrade training and recertification of DRP Technicians, Estimators, and Administrative Support Staff. Although the amount of training 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 updates to the various software programs used by FAE 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 will also receive training on the latest updates to the proprietary software used by each insurance carrier.

Retrainee - Job Creation

FAE states that its newly acquired Direct Provider status with State Farm Insurance and current negotiations with Mercury and USAA Insurance has the potential to increase revenue and work

orders by up to 35% over the next two years. The new role of a DRP makes formal training critical to managing growth and remaining profitable. To support its business expansion plans, FAE anticipates increasing its full time workforce (net increase) by adding at least 5 additional full time employees (1 Technician, 1 Estimator, 1 Parts/Production Worker, 1 Detailer and 1 Administrative Support Staff). These new workers will require extensive training to develop the requisite skills needed to facilitate projected growth.

Trainees must be hired within the three month period prior to Panel approval or during the term of the contract. Under the Job Creation Initiative, trainees for SET-funded projects are subject to the ETP minimum wage for new-hires, rather than the SET wage. The Company also represents that these trainees will be hired into "net new jobs" as a condition of contract.

Training Plan

ETP-funded training will allow FAE to provide formal structured training to upgrade the skills of its incumbent and newly hired workers, and promote the professional development of its team members.

Business Skills - Training will be offered to all occupations focusing on internal and external customer relationship building, negotiation skills, and presentation and communication skills. This training will also provide workers with industry-specific claims processing techniques.

Commercial Skills – Training will be offered to Technicians, Estimators, Parts/Production Workers, Detailers/Painters, and selected 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 teach Estimators how to accurately estimate damage and create repair plans for Technicians.

Computer Skills – Training will be offered to all trainees enabling them to navigate the Company's software systems used to track costs and production flow, schedule service, and connect regularly with customers and insurance carriers. Estimators will receive extensive training on all estimating software used by FAE.

Continuous Improvement – Training will be offered to all occupations. Continuous Improvement topics are designed to promote teamwork throughout the organization, streamline processes, and improve quality, cycle time, and cost efficiency.

Hazardous Materials – This training will be offered to Technicians, Detailer/Painters, and Parts/Production Workers on the safe handling and disposal of hazardous materials.

Productive Lab – Commercial Skills – Under the Panel's PL guidelines, trainees may produce goods or perform services for profit as part of the training. The FAE trainer to trainee PL ratio will be no more than 1:3. The trainers are in-house subject matter experts exclusively dedicated to instruction for the entire reported training time.

Productive Lab (PL) training is necessary because many employees enter the automotive collision repair industry lacking the hands-on technical skills to perform tasks at an optimal level. Therefore, certain elements of training must take place in a PL setting to ensure that workers reach the required level of proficiency. Approximately 11 Technicians and Estimators (incumbent and newly-hired) will each receive up to 20 hours of PL-Commercial Skills.

The tasks and competencies associated with the proposed PL training support the Company's expressed business needs for training. PL training will be provided to both newly-hired and

incumbent technicians/mechanics and estimators. The proposed PL training will involve the use of resistance spot welders, MIG (metal inert gas) welders, frame rack and measuring system, paint spray guns, paint spray booths, various hand tools, and estimating software.

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, and estimation of repair costs. Trainers will demonstrate specific repair methods and then observe trainees, correcting for errors, ensuring safe and correct techniques are used. Trainers will certify trainees on the aforementioned tasks once the trainees are deemed competent. At the conclusion of PL training, trainees will be competent in the various vehicle repair technologies and estimates included in the PL curriculum, and will be able to meet minimum productivity standards. Trainers will be experienced journey level Technicians/Mechanics and/or senior level Estimators solely dedicated to training delivery during all hours of instruction.

Special Employment Training (SET) / Frontline Worker

Under Special Employment Training (SET), companies are not required to demonstrate out-of-state competition. To qualify under SET, trainees must be earning at least the statewide average hourly wage at the end of the retention. Small Business SET projects may train top-level executives, including Managers and Supervisors. Owners are also eligible for training under the the SET program in Small Business SET projects with 50 or fewer employers.

Wages: Use of Commissions and Bonuses to Meet ETP Wages for Job 1 Trainees

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

FAE requests to use commissions to meet the Post-Retention wage of \$27.09 for the occupational titles of Technician and Estimator in Job Number 1. Commissions for these occupations are based on a percentage of services rendered and sold and company profits.

Technicians- FAE reports that its Technicians receive a variable commission based on a percentage of FAE's labor rate, number and type of cars receiving services, and the level of expertise of the Technician or Mechanic, plus years of service. The base hourly rate for technicians is \$19.50. FAE reports that monthly commissions were at least \$11.43 per hour for the last 11 consecutive months (1/1/14 – 11/1/14).

Estimators – These trainees earn both monthly commissions and bonuses. Earnings for this occupation are 100% commission based and calculated based upon negotiated vehicle repair costs and company profits. FAE reports that commissions were at least \$30.29 per hour for the last eleven consecutive months (1/1/14 – 11/1/14) for this group. Estimators also earn monthly bonuses based on exceeding monthly performance benchmarks and providing a high level of customer satisfaction (rewarding extraordinary work). Although this group also earned bonuses of at least \$2.18 per hour (for the same time period) they will not be needed to meet or exceed the SET wage of \$27.09.

Contract Term Limitation - Although a small business, the project includes a Job Creation hiring component. FAE states that the 5 job creation trainees will be hired over a two year period. A 24-month Agreement term will allow FAE to complete all training and retention.

RECOMMENDATION

Staff recommends approval of this proposal.

Exhibit B: Menu Curriculum

Class/Lab Hours

8-60

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

- Summit 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
- Microsoft Office Suite

CONTINUOUS IMPROVEMENT SKILLS

- 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 HANDLING

- Completing Material Safety Data Sheets (MSDS)
- Volatile Organic Compound (VOC) Tracking
- Emergency Clean-up
- Registration, Evaluation, Authorization & Restriction of Chemical Substances

Productive Lab Hours

0-20

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
- Estimating repair & collision repairs
- Estimating System Software Skills
- Estimating DRP Process

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

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