



RETRAINEE - JOB CREATION

Training Proposal for:

Fox Factory Holding Corp.

Agreement Number: ET15-0341

Panel Meeting of: January 22, 2015

ETP Regional Office: San Francisco Bay Area

Analyst: A. Nastari

PROJECT PROFILE

Contract Attributes:	Priority Rate Retrainee Job Creation Initiative HUA	Industry Sector(s):	Manufacturing Priority Industry: <input checked="" type="checkbox"/> Yes <input type="checkbox"/> No
Counties Served:	San Diego, Santa Cruz	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: 639	U.S.: 741	Worldwide: 923
<u>Turnover Rate:</u>	16%		
<u>Managers/Supervisors:</u> (% of total trainees)	6%		

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;">\$314,936</td></tr> </table>	Program Costs	\$314,936	-	<table border="1" style="width: 100%; border-collapse: collapse;"> <tr><td style="text-align: center;">(Substantial Contribution)</td></tr> <tr><td style="text-align: center;">\$0</td></tr> </table>	(Substantial Contribution)	\$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;">\$314,936</td></tr> </table>	Total ETP Funding	\$314,936
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In-Kind Contribution:	100% of Total ETP Funding Required	\$315,000
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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, Cont. Imp., HazMat, Mfg. Skills, PL-Mfg Skills	191	8 - 200	0	\$576	**\$15.60
				Weighted Avg: 32			
2	Retarinee Priority Rate Job Creation	Business Skills, Computer Skills, Cont. Imp., HazMat, Mfg. Skills, PL-Mfg Skills	106	8 - 200	0	\$1,900	**\$13.00**
				Weighted Avg: 95			
3	Retarinee Priority Rate Veterans	Business Skills, Computer Skills, Cont. Imp., HazMat, Mfg. Skills, PL-Mfg Skills	5	8 - 200	0	\$704	**\$15.60
				Weighted Avg: 32			

*Trainees in this Job Number will never be paid less than the statewide minimum wage rate at the end of retention (Final Payment) regardless of the wage expressed in this table.

** 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 Numbers 1 and 3: \$15.60 per hour for San Diego County and \$16.25 per hour for Santa Cruz County.

Job Number 2(Job Creation):\$13.00 per hour for San Diego County and \$13.55 per hour for Santa Cruz 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

Up to \$3.74 per hour may be used to meet the Post-Retention Wage.

Wage Range by Occupation		
Occupation Titles	Wage Range	Estimated # of Trainees
Job Number 1		
Administrative Staff		20
Production Staff		120
Production Support Staff		15
Professional Staff		8

Engineers 1		5
Engineers 2 & 3		3
Managers		12
Supervisors		8
Job Number 2		
Production Staff		91
Production Support Staff		15
Job Number 3		
Administrative Staff		1
Production Staff		2
Professional Staff		2

INTRODUCTION

Founded in 1974 and headquartered in Scotts Valley, Fox Factory Holding Corp. (Fox) (www.ridefox.com), and its subsidiary of Fox Factory Inc., designs, engineers and manufactures high performance shock absorbers and racing suspension products. Merchandise is fabricated for mountain bikes, snowmobiles, motorcycles, All-Terrain Vehicles, Utility Terrain Vehicle, off and on-road vehicles and trucks, Sports Utility Vehicles and specialty vehicles. Fox supplies to and services customers consisting of OEM bike and powered vehicle manufactures, military vehicles, race teams, after-market dealers, and distributors of bike and powered vehicle components. Fox sells and distributes its products globally in more than 40 countries.

The Company operates six facilities in California:

- Its headquarters and one machine shop in Scotts Valley;
- One 24/7 machine shop in Watsonville;
- Two separate Inventory, Shipping and Receiving Warehouses in Watsonville; and
- An Off-Road & Military Division Office with manufacturing plant in El Cajon.

ETP-funded training will be provided to all six California facilities.

The experience level of the labor pool, in the regions where Fox does business, is unskilled. This limits the Company's ability to hire new workers. As such, Fox relies on in-house training that allows workers to develop the skills needed to meet manufacturing demands. Training in this proposal will focus on new equipment operations, ISO and company-wide standards.

Fox has experienced a high increase in sales of powered vehicle and mountain bike products. The 2015 mountain bike launch received positive responses, leading to more new releases planned for 2016 and 2017. Additionally, as of October 2014, Fox began providing services for the Flyin'Miata sports car with a new generation of suspension.

Job Creation, Growth and Expansion

The projected growth of its powered vehicle industry and custom designs creates the need for additional training, especially for new employees. Fox plans to hire 106 workers in the occupations of Production Staff and Production Support Staff.

Fox is in the process of completing installation of eight new dyno machines at its operations and assembly facilities. The dyno machines are computerized measuring equipment used to translate data such as friction, force and speed. The machines allow the operators to troubleshoot, verify customer required audits, and demonstrate the developed design, and set internal production processes that meet requirements. This will minimize the risk of failure, used by the automotive supply chain management (Production Part Approval Process).

Fox also recently purchased a new screw machine for small precision parts and a CMM Machine for measuring complex components. Fox is also upgrading several lathes/mills in its Machine Shop.

In December 2014, Fox will install new shock system equipment at its El Cajon manufacturing plant. In 2015, it will further expand operations by creating new production lines to accommodate a \$1 million investment in new equipment for new production.

Retrainee - Job Creation

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.

Fox has committed to hiring 109 new employees under Job Number 2. Trainees must be hired within the four month period prior to Panel approval or during the term of contract. [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.

The estimated number is based on Fox’s previous hiring practices. In CY 2013 it hired 184 workers, 100 of whom were on a temporary basis to start. In CY 2014, it has hired 186 workers, 99 of whom were on a temporary basis to start. With the upcoming expansion in CY 2015, Fox plans to hire 106 workers into permanent full-time positions. Hiring will take place for the new production lines in El Cajon; Final Processing department in Scotts Valley; and at the warehouses in Watsonville.

Temporary to Permanent

The trainees in Job Number 2 come under Panel guidelines for “temporary to permanent” employment. Fox has retained these employees through a temporary agency, with the intention of hiring them into full-time, permanent positions after training.

These trainees must be determined eligible to participate in ETP-funded training before the start of training, while on payroll with the temporary agency. However, the retention and post-retention wage requirements cannot be satisfied until after they have been hired by Fox. Until then, the Company will not receive progress payments.

Veterans Program

The Panel has established a higher reimbursement rate (\$22 per hour) and other incentives for training California Veterans. In 2012, Fox hired through the Lucas Group Military Transition Career Fair. In 2015, Fox has set a goal of hiring five Veterans who will participate in this training proposal. In 2013, Fox partnered with *Work for Warriors*, (<http://www.msccn.org/WorkforWarriors/CAJobs.html>), a California National Guard pilot program

that matches the skills of unemployed and underemployed National Guard members with the hiring needs of employers.

PROJECT DETAILS

Training Plan

Business Skills (10%): Training will be offered to Administrative and Professional Staff to expand Fox's business goals and objectives in growth and customer satisfaction. Training in Effective and Strategic Sales Skills, Facilitation and Effective Negotiations, and Communications are necessary to accomplish Fox's sales goals.

Managers, Supervisors, Leads and Administrative Staff will receive training in Diversity in the Workplace to improve communication.

Computer Skills (5%): Training will be offered to Administrative, Production Support and Professional Staff utilize numerous computer programs to record and track operational information and customer database. The spreadsheets are often complex, involving linked information charts and complicated formulas.

Training in the Company's MRP Systems and Advanced Excel will help track operational information, product management, costs and efficiency factors. Training is essential to meet production efficiency and integrate communication within all departments.

Human Resource Information System training is essential for all Administrative Staff, Manager and Supervisors who need to access reports, view and analyze data, financial records, timekeeping systems, applicant tracking system, performance development plans, employee records and managing career growth and development.

Engineers in all levels will receive various CAD/CAM training, Pro E and Solid Works required for machining designs.

Manufacturing Skills (25%): Training in new dyno machines will be provided to Production Staff Leads and an additional 10-15 Production Staff will be cross-trained. Machinists Levels 2 and 3 will be trained on the new Screw Machine. QA staff and R&D Machinists will be trained on the new CMM Machine. Remaining Production Staff and Production Support Group will receive a range of includes: Assembly and Manufacturing Practices; Operations on new machinery; Rework; QA Tooling; Production Operations; Inventory Control; Warehouse Operations & Distribution; Forklift Certification; Measurement and Calibration. This training will be essential in meeting production goals, efficiency and measuring employee skill levels.

Continuous Improvement (15%): Leadership training will be offered to Leads, Managers and Supervisors to effectively lead workers within departments. Training will include topics such as Team Building, Decision Making Processes, Resource Management, and Process Improvement. In order to establish an efficient and effective workforce, all workers will receive several Continuous Improvement courses as pertinent to their job functions. Production and Production Support Staff will receive training in 5S Standards and Lean Manufacturing to establish a streamlined production line.

During 2015, remodeling of the various departments to support the new lines in production will necessitate training in Kaizen Methodology; Kanban Principals; and Workflow/Masurement; Inventory Control; Pull System, and Organizing Workflow. The training will be delivered to Production and Production Support Staff, along with Managers and Supervisors.

Fox's Production Support Staff, specifically, QC/QA Inspectors and Kaizen Inspectors, required continuous training in Quality Standards, Process Improvement, and Root Cause Analysis. These are critical positions in auditing and inspection of Fox's products required to meet company standards.

Hazardous Materials (5%) will be provided to Production Staff and Production Support Staff in FOX's Manufacturing Department will receive training on Material Safety Data Sheets, which provide comprehensive information about a substance or mixture for use in workplace chemical management. Safe and proper handling of Hazmat Materials is important to educate workers while handling various types of coolants, oils, etc., which are used while producing parts and/or assembling parts.

Productive Laboratory-Manufacturing (40%)

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.

Fox requests to deliver a maximum of 40 hours of PL training to 115 Engineers, Production, Production Support Staff. Training will be delivered with a 1:1 trainer-to-trainee ratio and will only be delivered at its Operations facility in Watsonville, the Machine Shop in Scotts Valley and its Offroad Operations in El Cajon. This is consistent with the Panel's guidelines.

PL is necessary to fully apply and implement processes and techniques learned in a class/lab environment. PL allows trainees to adapt to the operations workflow in operating equipment on the production line.

All training and cross-training will be specific to equipment operations in the following areas:

- Assembly Procedures: Oil Fill; Shaft Assembly; Air Spring Assembly; Body Assembly; Shocks Assembly; Shock Hand Dyno Equipment; Product Inspection; Product Packaging; Operations Skills for New Machinery; and
- Final Process: Part Collection; Tumblers; Pistons; and Process Inspection Deburring conducted by Machinists.

Fox uses an internal Assembler Training Plan which measures, tracks, evaluates, and certifies completion of each task throughout manufacturing processes. Each task is scored so Supervisors can identify areas where additional training is required.

Trainers will consist of internal Leads with over six months experience who have demonstrated the ability to be trainers and are proficient in their particular area. Management staff with over two years experience will also provide training and assist in the role of "train the trainer program" for personnel who have demonstrated a high percentage score.

Commitment to Training

Fox commits \$250,000 annually to train its six California facilities. Training includes Manufacturing Processes and Machine Operations, Forklift Operations, Business Processes, Leadership and Management Skills, Safety & Accident Reduction/OSHA requirements, and company-Specific systems & software applications.

Fox delivers over 80 hours of training to new workers in their first 3 months. Afterwards, workers receive an additional 48 hours in continuous improvement or on-going training. Safety training is provided in accordance with all pertinent requirements under state and federal law.

➤ Training Infrastructure

Fox has designated its HR Business Associate as the ETP Program Coordinator who will oversee that the training is scheduled, delivered, and documented via the ETP rosters. The Coordinator will be the main point of contact for both Fox and ETP staff. The Company has also identified 15-20 internal trainers who will schedule and deliver Fox's training plan.

High Unemployment Area

All of the occupations being trained appear in the trainee population that work in Watsonville, a High Unemployment Area (HUA) with unemployment exceeding the state average by at least 13.8%. The Company's location in Watsonville qualifies for HUA status under these standards. However, Fox is not asking for a wage or retention modification.

RECOMMENDATION

Staff recommends approval of this proposal.

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

- Diversity in the Workplace
- Effective Meeting Skills
- Employee Selection and Coaching
- Facilitation/Presentation Skills
- Financial Analysis and Management
- Financial Strategies
- Inventory Control
- Payroll Systems
- Project Management
- Relationship Building Through Sales and Service
- Sales Strategies & Negotiations
- Procurement Skills
- Resource Management
- Product Management

COMPUTER SKILLS

- Computer Application Software
- Shop Floor Computer Basics
- Financial Accounting Systems
- CAD/CAM
- ERP and MRP Systems
- FileMaker Database
- Epicor

CONTINUOUS IMPROVEMENT

- Quality Standards
- Calibration Maintenance and Skills
- Coaching & Giving/Receiving Feedback
- Communicating Effectively
- Process Improvement/Need for Change
- Implementing Solutions/Statistical Process Control
- Creating & Building Teamwork
- Lean Manufacturing/Thinking
- Kaizen Methodology
- Kanban Principals
- Organizing Workflow & Setting Goals
- Performance Development Plans
- Pull System
- Role of the Lead
- Root Cause Analysis
- Supply Chain Management
- Train-the-Trainer Skills
- Workflow/Measurement

- ISO 9000/Certification
- Forklift Certification
- Logistics
- Leadership
- Team Building

HAZARDOUS MATERIALS

- Proper Handling of Hazmat Materials
- Control of Hazmat Waste/Spill
- Material Safety Data Sheets

MANUFACTURING SKILLS

- Assembly Procedures
- Blueprint Reading
- Equipment Operations
- Good Manufacturing Practices
- Job Instruction/Analyzing Jobs for Efficiency
- Manufacturing Practices
- Maintenance Procedures
- Operations and Processes
- Production Operations
- Warehousing Operations & Distribution
- Measurement and Calibration
- Operations Skills for New Machinery

Safety Training cannot exceed 10% of total training hours per-trainee

Productive Lab Hours

0-40

MANUFACTURING SKILLS (Ratio 1:1)

- New Machinery
- Good Manufacturing Practices
- 5S Standards
- Equipment Operations
- Operations and Processes
- New Product Build Processes
- Analyzing Jobs for Efficiency
- Business Process Re-Engineering
- Re-Work
- Tumblers
- Piston Prep
- Deburring Parts
- Material Handling

Note: Reimbursement for retraining is capped at 200 total training hours per trainee, regardless of the method of delivery. PL is capped at 40 hours per-trainee.