



DELEGATION ORDER

RETRAINEE - JOB CREATION

Training Proposal for:

JDZ, Inc. dba AleSmith Brewing Company

Agreement Number: ET15-0373

Delegation Order Date: January 14, 2015

ETP Regional Office: San Diego

Analyst: R. Swier

PROJECT PROFILE

Contract Attributes:	Critical Proposal Job Creation Initiative Priority Rate Retrainee SB <100	Industry Sector(s):	Manufacturing Priority Industry: <input checked="" type="checkbox"/> Yes <input type="checkbox"/> No
Counties Served:	San Diego	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: 28	U.S.: 28	Worldwide: 28
<u>Turnover Rate:</u>	1%		
<u>Managers/Supervisors:</u> (% of total trainees)	9%		

FUNDING DETAIL

Program Costs	-	(Substantial Contribution)	(High Earner Reduction)	=	Total ETP Funding
\$91,000		\$0	\$0		\$91,000

In-Kind Contribution:	100% of Total ETP Funding Required	\$143,000
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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 Job Creation Initiative Priority Rate SB <100	Business Skills, Computer Skills, Cont. Improv. HazMat, Mfg. Skills, PL- Mfg. Skills	35	8-200	0	\$1,560	\$13.28
				Weighted Avg: 60			
2	Retrainee Priority Rate SB<100	Business Skills, Computer Skills, Cont. Improv. HazMat, Mfg. Skills, PL- Mfg. Skills	28	8-60	0	\$1,300	\$15.93
				Weighted Avg: 50			

Minimum Wage by County: Job Number 1 (Job Creation): \$13.28 per hour; Job Number 2 (Retrainee): \$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

\$1.07 per hour may be used to meet the Post-Retention Wage for Job Numbers 1 & 2.

Wage Range by Occupation

Occupation Titles	Wage Range	Estimated # of Trainees
Production		21
Office/Sales		20
Customer Service/Bars		15
Manager		6
Owner		1

Critical Proposal

This proposal for JZD, Inc. dba AleSmith Brewing Company (AleSmith) is designated as a “Critical Proposal”, as defined in Title 22, California Code of Regulations (CCR) 4402.2, by the Governor’s Office of Business and Economic Development (Go-BIZ). AleSmith is expanding its workforce with the construction of a new manufacturing plant. This project will assist AleSmith to develop new job skills for existing retrainees and job creation workers.

INTRODUCTION

AleSmith, (<http://www.alesmith.com>) located in San Diego and founded in 1995, is an artisan microbrewery that specializes in handcrafted ales in a variety of styles. AleSmith is a craft beer

manufacturer with national distribution of bottled and draft beer with international distribution to Japan and Europe. The onsite tasting room in San Diego is open to the public and sells beer as well as merchandise to its retail customers. According to Brewers Association, in 2014 the craft beer industry grew by 20%, while the large commercial breweries have had flat, and even declining sales. San Diego County currently has over 90 breweries with more in the planning stages.

PROJECT DETAILS

AleSmith's current owner purchased the Company in 2002. At that time AleSmith brewed about 600 barrels of beer, and the Company was in the red. Since then, the AleSmith has grown to its current profitable state with an increase of production of 2500%. AleSmith currently brews 15,000 barrels per year and expects to double that amount in 2015 and triple that amount by 2016. However, AleSmith has outgrown its current facility. To meet customer demand and growth projections, AleSmith will begin the move into its new state-of-the-art facility in February 2015. The initial phase of the project cost is estimated at \$12M.

All equipment will be new in the new manufacturing facility. All employees, incumbent and newly-hired, will need extensive training on this new equipment, along with the new processes/procedures at the new facility. All of the new brew house equipment is manufactured by Krones of Germany, which is a worldwide leader in brewery equipment. While other brewers in the US use Krones products, AleSmith will be the first brewery within the US to use Krones equipment especially designed for the manufacturing of AleSmith beers. As part of the implementation of new processes and equipment AleSmith will implement a new Enterprise Resource Planning (ERP) system, therefore, staff will also require computer skills training.

In order to meet customer demand and remain competitive and profitable, AleSmith must be efficient in its processes and all of its systems. Incumbent and newly hired staff will need to be trained.

Productive Laboratory

During productive lab training, trainees may produce goods for profit as part of the training in the courses identified under the Curriculum. The instructor must be dedicated to deliver training during all hours of training.

Due to their emphasis on quality, flavor and brewing technique the craft brewing industry's smaller production batches receive a greater amount of "hands on" involvement from Production Staff compared to large scale breweries. Therefore, it is essential that training take place within a PL environment. PL training will be provided by Managers and Lead Production Staff. They will develop a training plan for each process/piece of equipment and instruct the trainee on entire process. In some cases, the trainees will have already completed the classroom training on new equipment from the equipment vendors. During PL training, production output levels will be greatly reduced due to a slowdown in the process as trainers provide instruction, demonstrate the use of equipment, and respond to questions. Due to the learning curve and use of new equipment it is anticipated that some batches may not be suitable for consumption. All PL trainees will be formally evaluated using a checklist of competencies.

Most of the PL training will have a trainer-to-trainee ratio of 1:1, however due to the expansion of job creation employees to more than double the current employee level, it will be more efficient to train newly hired employees in teams. Therefore, AleSmith is seeking approval for allowance of increasing trainer-to-trainee ratio from 1:1 to 1:3.

AleSmith has identified up to 200 hours of PL training and is seeking approval for up to the maximum of 60 hours for Job #1 employees. Incumbent worker Job #2 retrainees will be subjected to the Small Business cap at the maximum of 24 PL hours.

Retrainee - Job Creation

In support of job creation, the Panel offers incentives to companies that commit to hiring new employees. Training for newly-hired employees will be reimbursed at a higher rate, and trainees will be subject to a lower post-retention wage.

The Company will focus on training existing and job creation trainees in high level job skills needed to operate the new plant and machinery. In effort to triple production by 2016, AleSmith is taking the following action:

- Relocating from a 20,000 sq ft space to 105,000 sq ft facility in February 2015
- Hiring at least 35 job creation trainees in their San Diego facility (125% increase in net employees)
- Investing \$12 million within the initial phase to transition

AleSmith projects to hire 35 new employees in the next 12 months in (Job Number 1). The date-of-hire for trainees will be within the three-month period before contract approval or within the term-of-contract. Trainees will be hired into “net new jobs” as a condition of contract.

Training Plan

Business Skills (12%): This training will be offered to all occupations. Communication/Customer Relations/5 Star Service and Product Knowledge will give trainees the ability to provide a positive experience in all interactions with each other, customers and vendors. The product knowledge training is also critical for all staff as all AleSmith employees are ambassadors of the Company. Sales and Marketing/Branding training will be offered to Sales personnel on sales techniques, marketing/branding for products and pricing, distributors and their agreements.

Computer Skills (15%): This training will be offered to all occupations. Training in the new ERP system, advanced skills in MS Office, and Fishbowl Inventory Management system will enable staff to move from a manual inventory tracking system to an automated inventory tracking system. Customer Service/Bar staff will be trained to use new Point-of-Sale system in the new building which will provide quicker service to customers while also providing more efficient accounting reporting.

Manufacturing Skills (60%): This training will be offered to Production Staff and Managers in the following skills: Equipment Operations, Maintenance, and Troubleshooting as well as Quality and Process Flow Training. Staff will learn to use the new equipment and maintenance and troubleshooting. Trainees will learn process flow for each piece of equipment in the manufacturing process. One person will be designated as the technical specialist to do major maintenance but because equipment requires constant maintenance, they all need the basic maintenance training. All trainees will learn about preventing and identifying common quality issues. Training will be delivered in both a class/lab and productive lab setting.

Continuous Improvement (10%): This training will be offered to all occupations in a lead role to give them the skills to improve the quality of products and processes as well as learning how to continuously develop staff. Lean Manufacturing, 5S, and Six Sigma will help in all processes from production to office work. The skills and tools provided by this training are expected to improve the Company’s ability to compete with the growing number of breweries that continue to open.

Hazardous Materials (3%): This training will be offered to Production Staff in Hazmat Handling and Waste Water Handling/Treatment.

Commitment to Training

AleSmith represents that 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. In addition, any Productive Lab training conducted beyond the maximum hours that ETP will cover will be at AleSmiths' own expense.

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

Job Number 1: 8-200
 Job Number 2: 8-60

Trainees may receive any of the following:

BUSINESS SKILLS

- ✚ Communication/Customer Relations – 5 star service
- ✚ Financial Reporting and Budget Management
- ✚ Inventory Control
- ✚ Sales and Marketing/Branding
- ✚ Product Knowledge

COMPUTER SKILLS

- ✚ Fishbowl Inventory Management System
- ✚ ERP System
- ✚ MS Office
- ✚ Point of Sale System

CONTINUOUS IMPROVEMENT

- ✚ 5S
- ✚ Lean Manufacturing
- ✚ Six Sigma
- ✚ ABC (Alcohol Beverage Control) Overview

HAZARDOUS MATERIALS

- ✚ HazMat Handling
- ✚ Waste Water Handling/Treatment

MANUFACTURING SKILLS

- ✚ Equipment Operation, Maintenance, & Troubleshooting
- ✚ QA/QC Training
- ✚ Process Flow / Best Practices
- ✚ Malt Handling
- ✚ Brewer Training
- ✚ Centrifuge Training
- ✚ Packaging Training
- ✚ Sanitation Techniques

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

MANUFACTURING SKILLS - PRODUCTIVE LAB (PL) (limited ratio 1:3)

PL Hours

Job Number 1: 0-60
 Job Number 2: 0-24

- ✚ Brewing Training
- ✚ Sensory Analysis Training
- ✚ Sensory Panelist Training
- ✚ Capsule Applicator Training
- ✚ Kosme Bottle Training
- ✚ AcePack Case Packer Training
- ✚ Automation Slitter/Sealer Training

Note: Reimbursement for retraining is capped at 200 total training hours per-trainee regardless of the method of delivery. PL is capped at 60 hours per-trainee for Job Number 1 and 24 hours for Job Number 2.