



DELEGATION ORDER

RETRAINEE - JOB CREATION

Training Proposal for:

Nellson Nutraceutical, LLC

Agreement Number: ET17-0153

Approval Date: July 12, 2016

ETP Regional Office: North Hollywood

Analyst: M. Reeves

PROJECT PROFILE

| | | | |
|---|---|---------------------|---|
| Contract Attributes: | Retrainee Job Creation Initiative Priority Rate | Industry Sector(s): | Manufacturing Priority Industry: <input checked="" type="checkbox"/> Yes <input type="checkbox"/> No |
| Counties Served: | Los Angeles, Orange | 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: 646 | U.S.: 946 | Worldwide: 1,730 |
| <u>Turnover Rate:</u> | 8% | | |
| <u>Managers/Supervisors:</u> (% of total trainees) | 7% | | |

FUNDING DETAIL

| | | | | | |
|---------------|---|----------------------------|-------------------------|---|--------------------------|
| Program Costs | - | (Substantial Contribution) | (High Earner Reduction) | = | Total ETP Funding |
| \$96,600 | | \$0 | \$0 | | \$96,600 |

| | | |
|-----------------------|------------------------------------|-----------|
| In-Kind Contribution: | 100% of Total ETP Funding Required | \$197,659 |
|-----------------------|------------------------------------|-----------|

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 Imp. Hazardous Mat., Mfg. Skills, PL-Mfg. Skills | 100 | 8-200 | 0 | \$216 | *\$16.48 |
| | | | | Weighted Avg: 12 | | | |
| 2 | Retrainee Job Creation Initiative Priority Rate | Business Skills, Computer Skills, Continuous Imp. Hazardous Mat., Mfg. Skills, PL-Mfg. Skills | 150 | 8-200 | 0 | \$500 | *\$13.73 |
| | | | | Weighted Avg: 25 | | | |

*It will be made a condition of contract that the trainees in this Job Number will never be paid less than the State or local minimum wage rate as in effect at the end of retention (Final Payment) regardless of the wage expressed in this table. The highest minimum wage rate will prevail.

Minimum Wage by County: Job Number 1: \$16.51 per hour for Orange County and \$16.48 per hour for Los Angeles County.
Job Number 2 (Job Creation): \$13.76 per hour for Orange County and \$13.73 per hour for Los Angeles 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 \$1.84 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 | | |
| Corporate Support Staff | | 8 |
| Information Technology Staff | | 2 |
| Inventory/Logistics Staff | | 3 |
| Maintenance/Mechanic Staff | | 8 |
| Quality Staff | | 7 |
| Research & Development Staff | | 8 |
| Supervisor/Manager/Director | | 6 |
| Sr. Supervisor/Manager/Director | | 4 |
| Warehouse/Distribution Staff | | 14 |
| Manufacturing/Production Staff | | 40 |

| Job Number 2 | | |
|---------------------------------|--|----|
| Corporate Support Staff | | 10 |
| Information Technology Staff | | 10 |
| Inventory/Logistics Staff | | 10 |
| Maintenance/Mechanic Staff | | 10 |
| Quality Staff | | 10 |
| Research & Development Staff | | 6 |
| Supervisor/Manager/Director | | 4 |
| Sr. Supervisor/Manager/Director | | 4 |
| Warehouse/Distribution Staff | | 10 |
| Manufacturing/Production Staff | | 76 |

INTRODUCTION

Founded in 1962, Nellson Nutraceutical, LLC (Nellson) (www.nellsonllc.com) is a leading manufacturer and full service provider of branded and private-label nutrition bars, nutritional powders and healthy snacks. Nellson serves a wide variety of markets including retail, food service, athletic, weight management, store brands, direct to consumer and medical distribution. Nellson is headquartered in Anaheim and has an additional manufacturing facility in Irwindale. Both California locations will participate in the proposed training. The Company also maintains locations in Utah and Canada.

The Company qualifies for standard retraining under the out-of-state competition provisions as a manufacturer and is eligible for priority industry reimbursement. This will be Nellson's second ETP Agreement; however, it is the first one within the past five years.

PROJECT DETAILS

The traditional consumers of sports nutrition products have been bodybuilders and athletes; however, there is a growing number of lifestyle and recreational users looking to sports supplements for health and fitness purposes. This growing customer base is reshaping the market and driving demand for healthy and convenient lifestyle solutions that include sports nutrition products. To meet this demand and remain competitive in a rapidly growing industry, Nellson must continue to improve its production capabilities and operational efficiencies.

Retrainee - 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.

Nellson has committed to hiring 150 new employees (Job Number 2) to support the Company's rapid growth and expansion of business capacity. The Company recently acquired certain powder production assets, raw materials, packaging, labeling, and in-process products previously associated with NBTY, Inc., a manufacturer of vitamins and nutritional supplements. This acquisition included the Anaheim facility that now serves as Nellson's corporate headquarters.

Presently, the majority of production at the Anaheim facility involves powder products that are placed into bottles and/or cans. However, due to customer demand, Nellson is planning to increase the volume of its packet production. The Company currently runs five shifts per month on its packet machine, but is planning to increase production to 40 shifts per month in this area. This increase in production requires that Nellson upgrade the skills of its new and existing workforce to ensure optimal use of packet production equipment and processes.

Nellson also plans to expand its Anaheim facility through significant upgrades and new state-of-the-art equipment. These plans include several new production lines, new Information Technology and Enterprise Resource Planning systems, and ongoing equipment upgrades. Nellson's new High Speed Manufacturing line, planned for later this year, will increase the Company's manufacturing capacity, allowing for new business opportunities and growth.

The date-of-hire for all trainees in the Job Creation program will be within the three-month period before contract approval or within the term-of-contract. These trainees will be hired into "net new jobs" as a condition of contract.

Training Plan

The proposed training will enable Nellson to upgrade the skills of its existing workforce, integrate new employees, and implement process improvements designed to enhance business productivity and efficiency. Training will take place at the Company's facilities in Anaheim (Powder Division) and Irwindale (Bar Division). Training will be delivered by a combination of in-house subject matter experts and outside training vendors to be identified during the contract term.

Business Skills (25%) – Training will be offered to all occupations and will focus on customer service, communication, sales and time management skills. This training will help workers improve their customer relations and support skills, as well as equip them with the overall business acumen to effectively uphold Nellson's business principles.

Computer Skills (5%) – Training will be offered to all occupations. Training will help staff become more proficient in business software solutions in resource planning, quality control and data/information management.

Continuous Improvement (25%) – Training will be offered to all occupations. Training will focus on making the Company's processes more efficient and cost-effective. This training is designed to maximize worker productivity through the implementation of process improvements, problem-solving and teambuilding techniques.

Hazardous Materials (5%) – Training will be offered to Supervisors/Managers, Maintenance/Mechanic, Manufacturing/Production and Warehouse/Distribution Staff. This training will provide supplemental hazardous materials skills to frontline workers and lead personnel. Training will cover hazardous materials specific to Nellson's manufacturing processes.

Manufacturing Skills (40%) – Training will be offered to Supervisors/Managers, Manufacturing/Production, Maintenance/Mechanic and Warehouse/Distribution Staff. Trainees will gain the skills and knowledge to operate and maintain equipment, ensure product quality, and implement best practices in product production and food safety.

Productive Laboratory

Productive Lab (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.

Nellson indicates that PL training provides the suitable environment for employees to comprehend Nellson's detailed production processes. PL training will be provided to approximately 180 Supervisor/Manager, Manufacturing/Production, Maintenance/Mechanic, and Warehouse/Distribution Staff. PL training hours will range between 0 to 60 hours per trainee, depending on experience, occupation and learning capacity. This training will help workers achieve the competencies needed to perform their jobs with the highest level of efficiency.

PL training will focus on production processing skills and equipment operation. It will involve the various manufacturing machinery used for staging, blending, filling, packaging, labeling, and palletizing. Training will be provided by qualified instructors with knowledge and expertise in Nellson's manufacturing processes and equipment. The trainer-to-trainee ratio will be 1:1, and training will be capped at 60 hours per trainee.

Commitment to Training

Nellson's training budget for its California facilities is approximately \$100,000 for 2016. Company-funded training topics consist of anti-harassment, diversity, basic computer skills, new-hire onboarding, and management skills. Safety training is, and will continue to be, provided in accordance with all pertinent requirements under state and federal law.

➤ Training Infrastructure

Nellson has identified internal lead personnel to manage the scheduling, delivery, and documentation of training for both California facilities. The Company has also retained an outside administrative consultant to ensure that training adheres to ETP requirements.

RECOMMENDATION

Staff recommends approval of this proposal.

DEVELOPMENT SERVICES

Training Funding Partners (TFP) in Fountain Valley assisted with development for a flat fee of \$7,400.

ADMINISTRATIVE SERVICES

TFP 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

- Business Acumen
- Communication Skills
- Customer Service/Support Skills
- Sales/Marketing Skills
- Finance/Accounting Skills
- Time Management Skills
- Presentation Skills

COMPUTER SKILLS

- Human Resource Information System Skills
- Quality Control System Skills
- New Enterprise Resource Planning System
- Master Control System Skills
- Intermediate/Advanced Microsoft Office Suite

CONTINUOUS IMPROVEMENT

- Change Management Skills
- Coaching/Feedback
- Conflict Management/Resolution
- Failure Mode Effects Analysis
- Goal Setting
- Innovation Skills
- ISO Skills
- Leadership Skills
- Process Improvement Skills
- Problem Solving
- Product Evaluation
- Project Management Skills
- Quality Assurance/Quality Control
- Six Sigma Skills
- Statistical Process Control Skills
- Team Building

HAZARDOUS MATERIALS

- Bloodborne Pathogens
- Chemicals
- Compressed Gases
- Hazard Communication
- Hazardous Material Handling
- Spill Response

MANUFACTURING SKILLS

- Change Order Process Skills
- Clinical Skills
- Data Collection/Documentation Skills
- Failure Mode Effects Analysis
- Food Safety Management
- Geometric Dimensioning and Tolerancing
- Good Documentation Practices
- Good Manufacturing Practices
- New/Updated Manufacturing Processes/Systems/Products
- Product Blending/Filling/Packaging Skills
- Production Equipment Operations and Maintenance
 - Blow Molding
 - Pharmacy Weigh Room
 - Blending
 - Filling
 - Packaging
 - Palletization
- Standard Operating Procedures
- Troubleshooting/Root Cause Analysis
- Warehouse/Logistics Skills
- Advanced Safety Skills*
 - Behavior Based Safety
 - Confined Spaces
 - Electrical Safety
 - Hoist and Rigging
 - Hot Work
 - Lifting
 - Machine Guarding and Machine Safety
 - Pedestrian Safety
 - Personal Protective Equipment
 - Powered Industrial Vehicle Safety
 - Respiratory Protection
 - Walking and Working Surfaces

*Safety Training is capped at 10% of a trainee's total training hours

Productive Lab Hours

0 – 60

MANUFACTURING SKILLS (Ratio 1:1)

- Label Operator Process Skills
- Pharmacy Operator Process Skills
- Good Manufacturing Process Skills
- Product Staging/Blending/Filling/Packaging Skills

| |
|---|
| 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. |
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