



DELEGATION ORDER

RETRAINEE - JOB CREATION

Training Proposal for:

SVC Manufacturing, Inc. a division of PepsiCo, Inc.

Agreement Number: ET17-0113

Approval Date: June 22, 2016

ETP Regional Office: San Francisco Bay Area

Analyst: A. Nastari

PROJECT PROFILE

Contract Attributes:	Priority Rate Retrainee Job Creation Initiative Veterans	Industry Sector(s):	Manufacturing Priority Industry: <input checked="" type="checkbox"/> Yes <input type="checkbox"/> No
Counties Served:	Alameda	Repeat Contractor:	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No
Union(s):	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No Teamsters Local 912		
Number of Employees in:	CA: 13,000	U.S.:100,000	Worldwide: 263,000
<u>Turnover Rate:</u>	10%		
<u>Managers/Supervisors:</u> (% of total trainees)	11%		

FUNDING DETAIL

Program Costs	-	(Substantial Contribution)	(High Earner Reduction)	=	Total ETP Funding
\$96,016		\$0	\$0		\$96,016

In-Kind Contribution:	100% of Total ETP Funding Required	\$141,680
-----------------------	------------------------------------	-----------

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	Computer Skills, Continuous Improvement, HazMat., Mfg. Skills PL - Mfg. Skills	104	8 - 200	0	\$774	\$17.02
				Weighted Avg: 43			
2	Retrainee Priority Rate Job Creation	Computer Skills, Continuous Improvement, HazMat., Mfg. Skills PL - Mfg. Skills	10	8 - 200	0	\$1,200	\$16.00
				Weighted Avg: 60			
3	Retrainee Priority Rate Veterans	Computer Skills, Continuous Improvement, HazMat., Mfg. Skills PL - Mfg. Skills	4	8 - 200	0	\$880	\$16.00
				Weighted Avg: 40			

Minimum Wage by County: The following wage requirements are for Alameda County - Job 1: \$17.02 and Jobs 2 & 3: \$14.19

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

Although employer provides health benefits, they are not being used to meet Post-Retention Wage.

Wage Range by Occupation

Occupation Titles	Wage Range	Estimated # of Trainees
Job Number 1		
Lead Operator		10
Mechanic/Electrician		15
Managers		10
Production Operator		65
Technician/Clerk		4
Job Number 2		
Mechanic/Electrician		2
Production Operator		8
Job Number 3		
Production Operator		4

INTRODUCTION

SVC Manufacturing, Inc. (SVC), www.pepsico.com is a subsidiary of PepsiCo, a processed food and/or beverage manufacturer since 1926. SVC's Oakland facility, which employs 120 workers, is the only plant in California that manufactures Gatorade. Thus SVC refers to this facility as Gatorade Oakland.

SVC is eligible as a repeat Contractor for standard retraining as a NAICS identified manufacturer.

All trainees are covered by a collective bargaining agreement with International Brotherhood of Teamsters Local 912. The union has provided a letter of support. The represented trainees' wages will be deemed to meet ETP post-retention wage requirements, and therefore there is no need for a wage modification In Job Number 3.

PROJECT DETAILS

This is SVC's third ETP project for the Gatorade facility. In April 2011, SVC sought funds for training in new equipment operation for the packaging of Gatorade in a pouch instead of a bottle. It also upgraded its labeling equipment. Investments totaled close to \$1 million. Operators were to be trained on new equipment and materials, production line and labeling processes, and caps and bottles. A portion of the training plan also included continuous improvement courses in new quality assurance methodologies for a successful transition.

The training delivered in the previous ETP Agreements primarily resulted in the delivery of manufacturing processes, which will not be duplicated in this project.

In this Proposal, SVC seeks funds to continue with the delivery of its upgraded continuous improvement training plan. It will also incorporate training for newly hired workers, including Veterans. Training for incumbent workers will include cross-training in manufacturing, as well as intermediate to advanced skills in continuous improvement. SVC's expectations are to close skills gaps in its processes, which impact its overall production line. All training will be conducted at its Oakland facility.

Retrainee - Job Creation

In support of job creation, the Panel offers incentives to companies that commit to hiring new employees (higher reimbursement rate and lower post-retention wages.) 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.

In this proposal, SVC has committed to hiring 10 new employees (Job Number 2). 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. Although this initiative allows for a lower post-retention wage, SVC's newly hired workers will earn above the new hire wage requirement. SVC is remodeling its facility to accommodate newly hired staff.

Veterans Program

The Panel has established a higher reimbursement rate and other incentives for training California veterans. SVC has committed to training four Veterans (Job Number 3). This may include either existing or newly hired Veterans.

Training Plan

All training will occur at the Oakland production plant. Training will be delivered by internal trainers and possibly by third-party training vendors, if needed.

Computer Skills (10%): Training will be provided to Leads, Managers, and Technicians in SVC's ERP and Kronos management system. Additional training in MS Office and Data Analysis will be determined by specific job functions.

HazMat (10%): Training will be provided to all occupations to ensure workers are aware of Blood borne Pathogens and the proper way of handling and disposing of hazardous materials such as cleaning chemicals and equipment lubricants. Workers will receive Hazard Communication where they will learn to understand warning labels and symbols to prevent unsafe conditions. A portion of the training will include Storm Water Pollution Prevention resulting from a new state regulation requiring that companies monitor storm water run-off.

Manufacturing Skills (35%): All occupations will receive new or cross-training in Equipment Operations, Equipment Maintenance, Material Handling, Production Line system Operations, Testing, and Food Quality. A portion of the training will be delivered in Productive Lab format.

Continuous Improvement (45%): All occupations will receive training on ISO 14000 (Food Quality), Lean Skills, Process Improvement, and Problem Solving. Team Leads and Frontline staff will receive Leadership skills in order to develop an integrated workforce that enhances productivity teambuilding.

Productive Laboratory

The Panel adopted regulations to authorize reimbursement for training delivered in a Productive Laboratory (PL) setting. 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, and special attendance rosters will be used to assist in monitoring.

All occupations will receive a portion of their training in a productive lab environment.

SVC estimates that up to 25 trainees, from the five occupations, will receive up to 60 hours of PL training in order to be certified to operate, troubleshoot, and/or maintain the new equipment to the manufacturer's specifications. Certifications are provided by Managers and Safety Managers who are subject matter experts. To accomplish this certification process, trainees must have hands-on experience in a working environment operating actual manufacturing equipment. Training will be delivered at a trainer-to-trainee ratio not to exceed 1:2.

Experienced company trainers will provide both the classroom and PL training and will further assist trainees as they are completing the competencies tasks identified in SVC production checklists. Workers will be trained in equipment and maintenance skills of its mixing, filling, labeling, and shrink wrap machines. During PL, SVC expects production rates will be lower than 50% because there will be two workers—trainer and trainee—performing a task that normally requires one worker.

SVC provided staff a training matrix for each new piece of equipment that will be used by the trainer to assess competencies in order to certify each trainee. PL training will allow these workers to achieve the competencies needed to perform their jobs with the highest level of safety and efficiency.

Commitment to Training

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. SVC has an annual training budget of \$70,000 which is used to deliver new-hire orientation, standard safety training, basic machine operations, and limited Good Manufacturing Practices.

➤ Training Infrastructure

SVC will utilize internal trainers to deliver its training plan and its Supervisors and Project Leads will administer scheduling for training. SVC has a dedicated staff person who will be dedicated to enrolling trainees, tracking hours and meeting with ETP staff. CMTA will provide services as an outside ETP administrator.

On occasion it may seek assistance from third-party training vendors who are based in California for the delivery of Continuous Improvement or Computer Skills.

Impact/Outcome

As a result of the PL training, it is expected that each participating trainee will complete the required checklist activities to achieve certification.

RECOMMENDATION

Staff recommends approval of this proposal.

PRIOR PROJECTS

The following table summarizes performance by SVC under an ETP Agreement that was completed within the last five years:

Agreement No.	Location (City)	Term	Approved Amount	Payment Earned \$ %
ET13-0351	Oakland	4/29/2013 – 4/28/2015	\$98,852	\$98,852 (100%)
ET11-0220	Oakland	3/29/2011 – 3/28/2013	\$97,200	\$25,332 (26%)

ET11-0220: According to SVC, low performance was due to a delay in launching new equipment, and a contractual obligation. This Agreement was approved in March of 2011 as a Critical Proposal. SVC installed new equipment in April 2011. However, production of the new line did not begin until March 2013 because of a five-year contract with a co-packer which tied up \$2 million. The co-packer was guaranteed rights to produce the product until the SVC parent (PepsiCo) bought out the contract in 2012.

DEVELOPMENT SERVICES

CMTA assisted with development of this proposal for a fee of \$5,000. This fee does not affect the approved amount of funding.

ADMINISTRATIVE SERVICES

The SVC retained CMTA in Sacramento to perform administrative services in connection with this proposal 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:

Safety Training cannot exceed 10% of total training hours per-trainee
(This cap does not apply to Hazmat)

MANUFACTURING SKILLS

- Maintenance/Electrical training
- Cross training in operations/troubleshooting
- Cross training in maintenance
- Food quality
- Material Handling
- Equipment Operation
- Equipment Maintenance
- Test and Trial Systems and processes
- Train the Trainer
- PLC programming

COMPUTER SKILLS

- Data Analysis
- Enterprise Resource Planning Software
- Microsoft Office
- Kronos

CONTINUOUS IMPROVEMENT

- Leadership skills for frontline workers
- Quality systems
- Lean Training
- ISO 14000 (food quality)
- Process improvement
- Natural Team Work
- Teambuilding
- Problem Solving

HAZARDOUS MATERIALS

- Bloodborne Pathogens
- Chemicals
- Compressed gases
- Hazard Communication
- Storm Water Pollution Prevention

Productive Lab Hours

0 - 60

MANUFACTURING SKILLS (1:2 Ratio)

- Kister
- Batch Deck
- Depal
- Filler
- Labeler
- Sidel

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.



TEAMSTERS LOCAL 912

Affiliated with the
INTERNATIONAL BROTHERHOOD OF TEAMSTERS

and with
General Teamsters of Santa Cruz County, California; Cannery, Warehouse Workers and
Food Processors of Santa Cruz County, San Jose, Santa Clara and Alameda Counties

Brad Sebring
Secretary-Treasurer



Santos Lerma
President

November 5, 2015

Stewart Knox, Executive Dir.
1100 J Street
Sacramento, CA 95814

Dear Panel Members,

We understand that the PepsiCo Beverages & Foods Oakland Gatorade Plant is requesting an amendment to their current Employment Training Panel contract with your office. This amendment is to increase the funding due to accelerated training needs. You may be aware that PepsiCo has renewed its commitment to keeping the Oakland Plant open. Gatorade is working to increase its Oakland operation and transform it to a higher technology bottling processing plant. Due to the recent commitment, Oakland has been implementing the continuous improvement platform that the other plants implemented over three years ago. The training curriculum proposed by the Oakland Gatorade plant has significantly help to increase the capability of their employees and they are exceeding our plan. We do not want our members left behind because their skills may be lacking.

The amendment of the current contract with your office is exactly what is needed to help these employees continue gaining the new skills required to operate in a continuous improvement environment. We believe that these kind of cooperative arrangements between labor, management, and the Public Sector are beneficial to all the parties and we fully support them and your efforts. We also have reviewed the proposed training plan and determined it to be in furtherance of both Union and Corporate objectives.

If I can be of further assistance, please do not hesitate to call.

Sincerely,

Santos Lerma Jr.
Union President
Teamsters Local 912

Brad Sebring
Secretary-Treasurer
Teamsters Local 912