

DELEGATION ORDER



**Training Proposal for:
Simpson Strong-Tie Company, Inc.
Agreement Number: ET15-0326**

Approved Date: October 30, 2014

ETP Regional Office: San Diego

Analyst: M. Ray

PROJECT PROFILE

Contract Attributes:	Retrainee Priority Rate HUA	Industry Sector(s):	Manufacturing Services Priority Industry: <input checked="" type="checkbox"/> Yes <input type="checkbox"/> No
Counties Served:	Riverside	Repeat Contractor:	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No
Union(s):	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No Los Angeles Sheet Metal, Air, Rail, and Transportation Local 170		
Number of Employees in:	CA: 450	U.S.: 1,500	Worldwide: 2,000
<u>Turnover Rate:</u>	6%		
<u>Managers/Supervisors:</u> (% of total trainees)	10%		

FUNDING DETAIL

Program Costs	-	(Substantial Contribution)	(High Earner Reduction)	=	Total ETP Funding
\$25,200		\$0	\$0		\$25,200

In-Kind Contribution:	100% of Total ETP Funding Required	\$97,200
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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	Computer Skills, Continuous Improvement, Manufacturing Skills	100	8 - 200	0	\$252	\$15.00
				Weighted Avg: 14			

Minimum Wage by County: \$14.90 per hour for Riverside 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

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
Customer Service		20
Mechanic		10
Operator		50
Production		10
Supervisor/Manager		10

INTRODUCTION

This is a repeat single-employer contractor (SEC). However, because the Application for Funding had been submitted by September 19, the date on which the Panel established a preference for first-time single employers, this proposal was allowed to move forward.

Founded in 1956, Simpson Strong-Tie Company, Inc. (SST) (www.strongtie.com), a subsidiary of Simpson Manufacturing Company, Inc., designs and manufactures a myriad of metal connectors, shearwall panels, as well as anchor and fastening systems for building construction. Its product lines include Structural Connectors, Fasteners, Wood and Steel Strong-Wall® prefabricated shearwalls, Anchor Tiedown Systems (for multi-story buildings), Quik Drive® auto-feed screw driving systems and Anchor Systems (for concrete and masonry). SST is an international supplier of structural building products for industrial, commercial and residential construction industry.

SST employs more than 2,000 worldwide, including 450 in its three California facilities: headquarters in Pleasanton and manufacturing facilities in Stockton and Riverside. Pleasanton

and Stockton participated in the first two ETP projects (see Prior Projects table) within the last five years. Riverside did not participate in the second project.

In this proposal, the Company seeks funding for 100 workers in its Riverside facility only. In an effort to avoid, communications issues and have more on-site control of ETP training and documentation, SST is submitting a separate funding proposal for its Stockton facility **(ET15-330) for \$26,160**. The combined requested funding does not exceed the amount the Company earned from its last project ET12-0150 (\$51,923). In total, both proposals are under the SEC cap of \$425,000.

In 2013, the Company expanded its connector and lateral systems by acquiring the TJ® Shear Brace product line from Weyerhaeuser, an international forest products company. The pre-fabricated Shear Brace shearwall (now branded Simpson Strong-Tie® Strong-Wall® shearwall) complements SST's current product lines. In late 2014 to 2015, SST is also introducing a new product: The Strong Frame. This lateral system product is designed to prevent structural damage during a seismic event.

In addition to new products, the Company has completed its most recent acquisition in January 2014, Automatic Stamping Companies, a truss connector plates manufacturer. With these new product lines and businesses, the Company is poised to expand its presence in the industrial, commercial and residential industries as well as diversify into infrastructure construction markets. This expansion resulted in an increase for products, yielding a 10% growth in 2013 and SST anticipates another 10% increase in production in the next two years.

Prior Projects

In its first ETP project, training included all California facilities and focused on implementing new processes used to manufacture products and increased its development efforts for products used in Do-It-Yourself home improvement, multi-family residential, and commercial and industrial markets. Various Business, Computer, Continuous Improvement and Manufacturing Skills training enabled workers to introduce new products, improve manufacturing processes, and streamline operations.

In its second ETP project, training for all three California facilities focused on innovative new products in green building technology. The Company also implemented new, Lean initiatives to shorten lead-time, reduce inventory levels and improve on-time delivery. Training in Business, Computer, Continuous Improvement, Manufacturing, and Literacy Skills allowed workers to implement these new initiatives successfully.

In this project, SST - Riverside has determined critical training areas in manufacturing processes and technologies. The facility is committed to Computer, Continuous Improvement and Manufacturing Skills training that were not provided in the first two projects.

Prior Performance

In 2011, the manufacturing facilities located in the city of Brea, Visalia and Ontario consolidated and relocated to either the Stockton or Riverside facility to reduce costs and improve efficiencies. The move streamlined the Company's operations to suit its business goals to increase plant capacity and improve efficiency. During the consolidation, employees from these facilities were offered employment at either Stockton or Riverside facility. Training for the Riverside facility has been right-sized to earnings under ET12-0150.

For ET12-0150, the Company was recovering from the economic downturn. It introduced a significant number of new processes and equipment expansions. During the development of this Agreement, SST planned for a better training performance from its first Agreement by focusing on only critical training. As such, the training plan was smaller in scope (fewer trainees and a reduced funding amount) than its first. In an effort to manage its training plan, the Company also published a training calendar, not previously done, to ensure employees were scheduled and released for training.

SST states that although the last Agreement was more focused and had on-site scheduling processes in place, it was also managed through the Pleasanton facility, which has now attributed to its less than expected performance. SSI reports a lack of communication between the Pleasanton and Riverside staff. In addition, there was inexperienced staff and problems with its overall recordkeeping process. Although company-wide training was conducted, there were problems getting all trainees/trainers to document all applicable training at each facility properly. Facility personnel did not have a clear understanding of the ETP program and its overall administration process. Consequently, not all training hours were documented as approximately 146 trainees were slightly below the minimum training hours of 24; therefore, SST fell short of achieving maximum ETP earnings. An average of 32 training hours was provided to 90 trainees.

Therefore, the Company has requested separate ETP Agreements and training plans to avoid communication issues and have more on-site control of ETP training and documentation. SST's Riverside facility is confident that, with a more sustainable training plan and a dedicated on-site team, the facility will earn 100%. SST Riverside has put the following plans into place to improve performance:

1. SST Riverside requested its own ETP contract to fully implement and manage training performance.
2. SST Riverside has assigned a new Plant Manager to oversee training and roster collections. The Plant Manager understands the importance of recordkeeping, expectations for reimbursement, and the ETP contract as a whole. The Plant Manager will ensure that all trainees and trainers understand the importance of capturing eligible training under this Agreement.
3. The Management team established a program to assess training needs and ensure training delivery by conducting monthly meetings to review performance and goals to maximize ETP funds.
4. Designated personnel will be responsible to verify completeness of rosters, distribute to the third-party vendor for input into the ETP Online System, and track them in a timely manner.

With the developed training plan, SST Riverside is prepared to implement ETP training once the proposed Agreement is approved.

For ET09-0106, the Company reports that it suffered a 23% decrease in net sales during the economic downturn in the construction industry. This affected its ability to retain the number of employees that were part of the original training plan and to provide the training as planned. An average of 46 training hours was provided to 77 trainees. Riverside was not included in the contract.

PROJECT DETAILS

Although the need for training is driven by the company-wide changes, the Stockton and Riverside facilities have separately identified their training needs. The Company states that

although both facilities are manufacturing plants, they do not manufacture the same products. The Riverside plant manufactures Special Moment Frames version of The Strong Frame. The Stockton plant manufactures the Ordinary Moment Frames version of The Strong Frame, as well as Shear Brace-Strong Wall® shearwalls. As such, training needs from each facility will differ and are strictly specific to the facility's products, processes and equipment.

Specifically, training the Riverside facility will focus on recently implemented computerized modules on conveyors, robotic welders, auto presses and forklifts that are driven by computer programs. New automation will require the Riverside facility to provide its workers with technological skills training necessary to be more efficient and productive.

The facility will also participate in a comprehensive company-wide performance-based training program to address skill gaps formally through performance assessment. With the ETP funding assistance, the facility will be able to provide its workers with skills necessary to improve overall customer service, efficiencies and savings to support business needs and help the Company remain competitive in the marketplace.

Training Plan

To support increased demands, SST must improve its manufacturing processes through advanced technology and process improvement with training in the following:

Computer Skills (5%) – Training will be offered to all occupations. Software training in Computer-Aided Manufacturing, Computer Integrate Machines, Product Lifecycle Management and Numerical Control will provide trainees the ability to streamline processes to perform their job faster and more efficiently.

Continuous Improvement (45%) – Training will be offered to all occupations. Course topics such as Leadership, Teambuilding, Communication and Problem Solving Skills training will provide trainees with skills necessary to improve customer responsiveness across all departments. In addition, trainees will receive Just-in-Time Processes, Project Management, and Process Improvement training to manage increased business needs successfully.

Manufacturing Skills (50%) – Training will be offered to all occupations to develop skills in production, processes and procedures. Training in various new and upgraded machineries will allow workers to operate equipment more efficiently. Training topics such as Good Manufacturing Processes, Total Productive Manufacturing and Preventative Maintenance will provide trainees with skills to improve product quality and overall manufacturing processes.

Commitment to Training

SST's current annual training budget per facility is \$75,000 for New Employee Orientation; Anti-Harassment; On-the-Job; Basic Computer Skills; Safety, Health, and Environmental training. ETP training is designed for advanced job skills that will allow SST's Riverside facility to provide job skills training to meet the Company's overall business needs.

SST represents that ETP funds will not displace the existing financial commitment to training. Safety training is provided in accordance with all pertinent requirements under state and federal law.

➤ Training Infrastructure

SST plans to contract with an administrative subcontractor to assist with ETP project administration. In addition, the Riverside facility has a designated staff member to oversee

the training, and collect and submit training rosters to the administrative subcontractor for data entry into the ETP systems.

Union Support

The Los Angeles Sheet Metal, Air, Rail, and Transportation Union Local 170 supports training for Operators, Mechanics, and Production Staff to obtain the skills to remain competitive in the manufacturing industry.

High Unemployment Area

All trainees in this proposal work in a High Unemployment Area (HUA) with unemployment exceeding the state average by 25%. Although SST's Riverside facility in Riverside County qualifies for HUA status, it is not requesting for a wage or retention modification.

Impact/Outcome

A comprehensive training program has been developed to equip SST's Riverside facility workers with the skills needed to achieve overall company business and sales goals. The Company projects that successful implementation of this training program will increase overall productivity, and the morale and skill level of its employees so that they can remain employed.

Out-of-State Vendor

SST is requesting to use an out-of-state consultant in connection with this proposal. TGII, located in Suwanee, GA assisted with the development of this proposal at no cost. Given the business relationship established during the development process of this proposal, SST would like to continue this relationship and request to utilize this out-of-state vendor for administrative services.

Although this is TGII's first training contract with SST, the Company has previous ETP experience with other contractors and the Plant Manager has worked with TGII before. Training will be documented via email and online services. SST Riverside will be responsible for recordkeeping and training delivery of training.

RECOMMENDATION

Staff recommends approval of this proposal.

PRIOR PROJECTS

The following table summarizes performance by SST under ETP Agreements that were completed within the last five years:

Agreement No.	Location (City)	Term	Approved Amount	Payment Earned \$ %
ET12-0150	Pleasanton, Stockton, Brea*, Riverside	9/16/11 – 9/15/13	\$80,910	\$51,923 (65%)
ET09-0106	Pleasanton, Stockton, Visalia*, Brea, Ontario*	8/31/08 – 8/30/10	\$403,560	\$59,893 (15%)

DEVELOPMENT SERVICES

TGII in Suwanee, GA assisted with development of this proposal at no charge.

ADMINISTRATIVE SERVICES

TGII 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:

COMPUTER SKILLS

-  Microsoft Office (Intermediate and Advanced)
-  Computer-Aided Manufacturing Software
-  Computer Integrated Machines
-  Product Lifecycle Management Software
-  Numerical Control System

CONTINUOUS IMPROVEMENT

-  Leadership Skills
-  Quality Concepts
-  Process Improvement
-  Just-in-Time Processes
-  Teambuilding
-  Problem Solving
-  Early Management
-  Focus Improvement
-  Material Improvement
-  Organizational Capability
-  Process Improvement
-  Business Performance
-  Skills Enhancement
-  Communication Skills
-  Project Management
-  Environmental Sustainability
-  Best Practices

MANUFACTURING SKILLS

-  Total Productive Manufacturing
-  Equipment Operation, Troubleshooting and Maintenance
-  Cross-Training in Operations, Troubleshooting and Maintenance
-  Autonomous Maintenance
-  Operator Process/Equipment
-  Robotics
-  Kaizen
-  Lean Six Sigma
-  Technician Processes
-  Maintenance Processes
-  Electrical & Electronic Equipment Operation, Maintenance and Repair
-  Pneumatic Equipment Operation
-  Electrical Systems Technology
-  Warehouse Automation, Equipment and Processes
-  Quality Good Manufacturing Practices
-  Preventative Maintenance

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

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Linda Jaloma
Business Manager/Financial Secretary

Ernesto Tolentino
Director of Organizing

August 1, 2014

Andre El-Khoury
Simpson-Strong Tie Company, Inc.
12246 Holly Street
Riverside, CA 92509

Dear Andre El-Khoury:

We are aware that employees of Simpson-Strong Tie Company, Inc. will receive training funded through the Employment Training Panel (ETP) and we concur with the proposed training.

We feel that the ETP-funded training will assist employees of Simpson-Strong Tie Company, Inc. to obtain the skill to enable them to remain competitive in the manufacturing industry and improve the job security of their employees.

Sincerely,

Linda Jaloma
Business Manager

cc: Ernesto Tolentino, Business Representative