



**Training Proposal for:
United Facilities, Inc.**

Agreement Number: ET16-0450

Panel Meeting of: May 26, 2016

ETP Regional Office: San Diego

Analyst: M. Ray

PROJECT PROFILE

| | | | |
|---|---|---------------------|---|
| Contract Attributes: | Priority Rate Retrainee HUA | Industry Sector(s): | Transportation/Logistics Warehousing Priority Industry: <input checked="" type="checkbox"/> Yes <input type="checkbox"/> No |
| Counties Served: | Riverside, San Joaquin | 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: 137 | U.S.: 339 | Worldwide: 339 |
| <u>Turnover Rate:</u> | 10% | | |
| <u>Managers/Supervisors:</u> (% of total trainees) | 12% | | |

FUNDING DETAIL

| | | | | | |
|---------------|---|----------------------------|-------------------------|---|--------------------------|
| Program Costs | - | (Substantial Contribution) | (High Earner Reduction) | = | Total ETP Funding |
| \$128,484 | | \$0 | \$0 | | \$128,484 |

| | | |
|-----------------------|------------------------------------|-----------|
| In-Kind Contribution: | 100% of Total ETP Funding Required | \$142,046 |
|-----------------------|------------------------------------|-----------|

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 HUA | Commercial Skills, Computer Skills, Cont. Imp., PL-Comm. Skills, PL-Computer Skills | 83 | 8 - 200 | 0 | \$1,548 | \$13.98 |
| | | | | Weighted Avg: 86 | | | |

Minimum Wage by County: (HUA) \$11.70 per hour in Riverside and San Joaquin counties

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 |
|------------------------|------------|-------------------------|
| Operator | | 58 |
| Administrative Support | | 15 |
| Manager | | 10 |

INTRODUCTION

Established in 1953, United Facilities, Inc. (UFI) (www.unifac.com) is a family-owned and operated logistics and warehousing business. The Company is headquartered in Peoria, with operations in four states: Illinois, Florida, Colorado and California. UFI currently has four facilities in California located in Riverside (Fontana), San Bernardino (Mira Loma), and San Joaquin counties (two locations in Stockton). In addition to providing logistics and warehouse management solutions, these California facilities also provide a complete range of supply chain management services.

PROJECT DETAILS

This is the fourth Agreement between UFI and ETP, the second in the last five years. All four California facilities participated in ETP training in the past.

UFI is currently streamlining its Southern California services by consolidating the two facilities in Fontana and Mira Loma. Those retail and food service operations are being moved to a new 1.5M square-foot facility in Perris (Riverside County). Employees are being given the opportunity to transfer to the Perris location. This transition, which began this month, is expected to continue through August 2016.

As a result of this consolidation, and the purchase of new equipment, UFI expects to improve its overall business operations in the next two years. The Company invested \$158,000 in two new Claw Lines for Perris, and a single new Claw Line for the East Stockton facility. Operational in June 2016, these Claw Lines will pick inventory with a forklift attachment that runs on rails, reducing the amount of manual picking.

The Company represents, there is no loss in net jobs due to this consolidation. Employees were given notice in January 2016 of the pending change. At that time, the Company conducted a survey, which showed 13 employees had not decided if they were going to move to the Perris facility. So only four employees have resigned and are looking for another job due to the long commute.

Training is proposed for workers at the new facility in Perris, and the two facilities in Stockton. The training in Commercial Skills will focus on operating the new Claw Lines. There will also be training in Continuous Improvement and Computer Skills. The training in Computer Skills will continue Red Prairie Software Application, which began under the prior project. The training in Commercial Skills and Computer Skills will include the Productive Lab delivery method, as discussed further below.

The training plan may repeat some topics and include some trainees from previous contracts. However, there will be no duplication of training in those courses.

Training Plan

ETP training is scheduled to commence in June 2016. With ETP funding, the Company will be able to provide the following comprehensive training delivered by in-house trainers via class/lab and Productive Laboratory:

Commercial Skills (30%): Training will be provided to all job occupations as it pertains to their job duties. Course topics include Claw Line Procedures, Inventory Control, Receiving Procedures, Warehousing Procedures, Equipment Operations and Kitting/Assembly. Trainees will learn to operate the new claw line in a non-productive environment. Training will allow workers to increase accuracy of received and shipped orders and inventory with less stock adjustments.

Computer Skills (30%): Training will be offered to all occupations. Topics include Red Prairie Software Application and Systems, Applications and Products (SAP) skills training. Training in Red Prairie will cover the processing of inbound and outbound products; damaged products; and inventory control through the use of computer screens, hand held vehicle mount devices, and wearable mobile computers. SAP training will allow trainees to be able to control all the workflow and product lifecycle providing the customer with real-time tracking and feedback.

Continuous Improvement (10%): Training will be offered to all occupations in 5S, Focused Improvement and Leadership/Coaching Skills. The Company plans to provide cross-training in various operational procedures as a result of combining the retail and food service operations in one facility.

Productive Laboratory (30%): The Panel has 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.

UFI requests PL training in both Commercial and Computer Skills. PL training is necessary to successfully perform the operational functions within the warehouse to effectively move products from one zone to another. Training topics in Red Prairie Software Application and Claw Line

Procedures skills will be delivered simultaneously as the system operates the claw line. A “tasks and competencies” evaluation shows that PL will take at least 60 hours to complete for approximately 56 Operators. As such, UFI is requesting up to the 60-hour PL cap in Commercial and Computer Skills for these trainees.

The PL trainers will be qualified and/or certified to instruct and deliver the course content and material. They will be responsible for directing the operations and instructions as well as providing immediate feedback to the trainee as work is performed. Trainers will document all training daily.

The trainer-to-trainee ratio will be 1:1. The PL training is conducted during work hours, and the trainee and trainer are in constant communication and involved in a detailed analysis of the assigned work. Since the trainer’s time is dedicated to training/coaching/evaluation, there is a lower production rate by the trainee. The PL training will provide a structured environment for one-on-one training. This will allow trainees to acquire the skills to become competent in the operation of the equipment without the pressure of normal operational requirements.

High Unemployment Area

All trainees work in a High Unemployment Area (HUA), with unemployment exceeding the state average by at least 25%. The Company’s locations in Riverside and San Joaquin Counties qualify for HUA status under these standards.

➤ Wage Modification

For these trainees, the Panel may modify the ETP Minimum Wage by up to 25% if post-retention wages exceed the start-of-training wages. UFI requests a wage modification to 25% below the ETP Minimum Wage for trainees to \$13.98.

Temporary to Permanent Hiring

UFI intends to train 17 Operators under Panel guidelines for “temporary to permanent” employment. UFI has retained these employees on a temporary basis, with the intention of hiring them into full-time, permanent positions after training. According to UFI, Operators who are hired as a temporary worker must complete an 11-week training program and must undergo an extensive assessment process. The overall process may take up to 5 to 6 months. Therefore, the average time for “converting” temporary Operators into full-time permanent employment is approximately 180 days (6 months). It is expected that these workers will receive employer-paid share-of-cost for healthcare premiums while on temporary status, and upon hire into full-time permanent employment.

Under Panel guidelines for Temporary to Permanent training, these 17 Operators must be initially eligible to participate in ETP-funded training pursuant to Unemployment Insurance Code Section 10201(c). Moreover, they cannot be enrolled as trainees until after they have been hired on a full-time permanent basis by UFI. Until they are so hired, retention and post-retention wage requirements cannot be satisfied and UFI will not receive progress payments.

Substantial Contribution

A substantial contribution does not apply to this proposal because UFI has not earned \$250,000 or more within five years in prior agreements at the same facility.

Turnover Rate Calculation

The Turnover Rate calculation is not applicable for the new Perris facility. In lieu, UFI provided ETP with the turnover rate for Fontana and Mira Loma facilities for calendar year 2015.

Commitment to Training

UFI spent approximately \$49,000 on training in 2015. The Company provides ongoing 11-week new hire Operator training program, as well as safety, harassment prevention, frontline leadership, and customer-specific such as green light and building orders. UFI 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.

➤ Training Infrastructure

UFI's Corporate Human Resources Manager, with the assistance of Operations Manager at each facility, will be responsible for the overall implementation and management of ETP training. Administrative Staff will collect and maintain original documentation (paper-based attendance rosters) for their respective facilities and submit a copy to the Corporate Human Resources Manager for data entry into the ETP Online Systems. The Manager will also meet with ETP field staff during monitoring visits.

UFI determined that the Perris facility will maintain all records and documents pertaining to this ETP project at the end of the contract term.

RECOMMENDATION

Staff recommends approval of this proposal.

PRIOR PROJECTS

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

| Agreement No. | Location (City) | Term | Approved Amount | Payment Earned \$ % |
|---------------|--|-----------------|-----------------|------------------------|
| ET12-0313 | Fontana, Mira Loma, Stockton (East/West) | 4/2/12 – 4/1/14 | \$205,320 | \$129,036 (63%)* |

According to the Contractor, the primary factor for poor performance was the delay in implementation of the Red Prairie Warehouse/Inventory Management System. The system did not perform as expected and failed in testing. Although the Company projects to implement the Phase II of the aforementioned software system in September 2016, only the fully launched Phase I is included in this proposal. In addition, the requested amount of funding has been "right-sized" consistent with payment earned.

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:

COMMERCIAL SKILLS

- Claw Line (using Red Prairie) Procedures
 - Building Procedures
 - Inbound Procedures
 - Outbound Procedures
 - Picking Procedures
 - Staging Procedures
 - Damage Product Procedures
 - LXE (scanning)
- Inventory Control
- Receiving Procedures
- Warehousing Procedures
- Equipment Operations
- Kitting and Assembly

COMPUTER SKILLS

- Red Prairie Software Application
 - Building Procedures
 - Inbound Procedures
 - Outbound Procedures
 - Picking Procedures
 - Staging Procedures
 - Damage Product Procedures
 - LXE (scanning)
- Systems, Applications and Products

CONTINUOUS IMPROVEMENT

- 5S
- Why – Why
- Focused Improvement
- Plan, Brief, Execute and Debrief
- Value Stream Mapping
- One Point Lesson
- Leadership/Coaching Skills
- Cross-Training Procedures

Productive Lab

0 – 60

COMMERCIAL SKILLS (1:1 Ratio)

- Claw Line (using Red Prairie) Procedures
 - Building Procedures
 - Inbound Procedures
 - Outbound Procedures
 - Picking Procedures
 - Staging Procedures

- Damage Product Procedures
- LXE (scanning)

COMPUTER SKILLS (1:1 Ratio)

- Red Prairie Software Application
 - Building Procedures
 - Inbound Procedures
 - Outbound Procedures
 - Picking Procedures
 - Staging Procedures
 - Damage Product Procedures
 - LXE (scanning)

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.