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California Competes Tax Credit Program

Committee Meeting

Thursday, April 22, 2021
1:00 p.m.

In response to the Governor's Executive Order N-29-20 authorizing public bodies to take necessary action to protect the public from the spread of Coronavirus (COVID-19), the California Competes Tax Credit (CCTC) Committee Meeting was live streamed and open to the public on Zoom.

Members of the public were encouraged to submit public comments or requests during the meeting through email.

MINUTES

OPEN SESSION

A. Call to Order and Roll Call

Chair Myers called the meeting of the California Competes Tax Credit Committee (Committee) to order at 1:01 p.m.

Members Present: Chair Dee Dee Myers, Madeline Janis (representing the Speaker of the Assembly) Matt Saha (representing the State Treasurer), Todd Walters (representing the Senate Committee on Rules), and Gayle Miller (representing the Director of the Department of Finance).

Deputy Director Dosick stated that all members were present.

Chair Myers stated that she would need to leave the meeting at 3 p.m. and if the meeting is still underway at that time Chief Deputy Director Dombrowski would take over.

B. Approval of Minutes from November 5, 2020, Committee Meeting

Chair Myers asked if there were any public comments on Item B with regards to the minutes from the November 5, 2020 meeting. Deputy Director Dosick confirmed there were no public comments. Chair Myers requested a motion for approval of Agenda Item B.

Action Moved/Seconded: Members Miller/Walters
Yes: Members Janis, Saha, Walters, Miller, Myers
No: None

Member Janis complimented the staff and appreciated the detailed minutes. She pointed out the last part of the agenda from the previous meeting where diversity and inclusion were discussed as part of the California Competes Tax Credit program. She felt the Committee had a great discussion talking about specific ideas on how to institutionalize the topic of diversity and inclusion better than the current requirements. She stated that it seems like applicants just write about what the Committee wants to hear instead of imposing specific requirements, such as an equity plan or responses to a set of questions.

Ms. Janis requested that Deputy Director Dosick address the topic in his upcoming Deputy Director's report if possible. Mr. Dosick confirmed he would be happy to provide an update. Chair Myers thanked Ms. Janis for the question and requested they move to Agenda Item C.

C. Deputy Director's Report

- **Agenda Overview – Agreements with 16 Businesses, Total Tax Credits $80,000,000**

Deputy Director Dosick reminded members of the public watching the meeting that they could submit public comments by emailing CalCompetes@gobiz.ca.gov and added that CalCompetes staff are actively monitoring this email and would forward emailed comments to the Committee. He also noted that public comments could also be submitted using the Zoom Q&A tool found in the toolbar. He reminded the public that if they used the Q&A tool, to include a name and organization. He explained that it is used for identification purposes only. He also reminded the public that inappropriate behavior can result in being removed from the meeting based on provisions of the Bagley-Keene Act. He encouraged individuals having technical issues submitting a public comment to call the CalCompetes hotline at 916-322-4051.

Mr. Dosick informed the Committee that it has 119 Agreements up for recapture under Agenda Item E. He reminded the Committee of the statement he made at previous meetings that CalCompetes awardees sign a 5-year contract (Agreement) that sets forth how much credit they can claim each year if they achieve their employment, wage, and investment milestones. Most of the Agreements recommended for recapture were for agreements whose 5-year terms have expired. In some cases, the businesses achieved some, but not all the milestones, which is why you see a recommendation for a partial recapture of the credit. In other cases, the business failed to achieve any of its milestones over the five years and thus the entire credit is recommended for recapture. As always, there are some voluntary requests from businesses to have their credit recaptured as their business plans had changed and as a result requested the Committee recapture the credit to make it available to other businesses. Any credits that are recaptured are made available in the next fiscal year. In those situations where the credit recipient is in material breach of its agreement, for example, for failure to submit the annual reports required by the agreement, there is a recommendation that the Committee approve recapturing the entire credit.

Mr. Dosick noted three specific businesses (items as E29, E36, and E62) cured their breach by submitting their annual reports or getting in contact with CalCompetes staff in the last 48 hours. He requested that the Committee exclude these items from Agenda Item E.

Mr. Dosick informed the Committee that the CalCompetes team has started receiving and reviewing the annual compliance worksheets for the 2020 tax year. When the worksheets and instructions were sent out to the credit recipients, we requested if they did not achieve their 2020 milestones as a result of the pandemic or the pandemic-induced recession that they provide a written explanation. If 2020 was the last year of the agreement, we are working with those businesses to extend their agreements administratively for an additional year. In a similar light, if a business claimed a prior year credit but did not maintain the employment levels as required by the contract, as a result of COVID-19, we are also working administratively with the business and the Franchise Tax Board to give the business an additional year to reacquire the previously achieved milestones instead of having to return the credit through an amended tax return right away. He noted that this does not limit the state's ability to recapture these credits if the business does not restore by the end of the 2021 tax year the jobs that were lost in 2020.

Lastly, GO-Biz is recommending 16 tax credit awards today totaling $80 million. GO-Biz received over $650 million in credit requests during this application period. He was happy to report an influx of applications from inland areas of the state and areas of high unemployment and high poverty. This is reflected in the recommended awards today. The 16 agreements for the Committee's consideration represent commitments for a net increase of over 4,000 new full-time jobs and over a billion dollars of capital investments in California in exchange for $80 million in total recommended tax credits. Each of the businesses recommended for an award has asserted in its application that this credit will be a significant factor in their decision or ability to remain and expand in California.

Mr. Dosick thanked the CalCompetes team. He stated that the team is down another member and is at 50% strength but continues to respond to all emails and phone calls from applicants and businesses, within one business day. He noted that his team has reviewed hundreds of applications and annual milestone reporting forms in the last few months.

Mr. Dosick directed a response to Member Janis' earlier question stating his intent to have an update at the June meeting. He mentioned that the delay is not from a lack of effort but noted significant changes since the November meeting, including getting a new Director. He also noted the administration and GO-Biz are focusing on efforts to reopen California's economy safely and to ensure that all Californians have access to the vaccine. He stated that it is his intent to bring something back to this Committee for discussion hopefully by the June meeting but intends to keep in touch with the Committee members between now and June. Mr. Dosick turned the meeting back over to Chair Myers.

D. Discussion and Approval of California Competes Tax Credit Agreements
Total Recommended Tax Credits: $78,208,333
Total Recommended Tax Credits after Adjusting for S-Corporation Law[1]: $80,000,000

Chair Myers proposed removing Agenda Items D3, D5, D12, and D13 from consent for further discussion. She asked the Committee and the public if there were any other questions or comments on any of the items not pulled at this time. Deputy Director Dosick confirmed we did not receive any additional comments. Chair Myers called for a motion to approve all items under Agenda Item D except for items D3, D5, D12, and D13.

Member Miller stated she would be happy to make the motion but wanted to comment that the awards this time were impressive and from all over the state. She believes that people are starting to not only appreciate this program as an incentive, but also to really think about the type of employees we have in this state. She stated it was great to see that, even as people may be moving out of the area, we are still seeing huge investments in other parts of our state and believes it is in no small part because of the program.

Member Miller also added that David Neumark from the UC Irvine did a good job talking about the benefits of CalCompetes. She recommended the Committee read his review if they have not yet had the chance. She stated that the Neumark study was thoughtful in terms of the success of the program incentive and accountability. She added she was excited to see much more diversity in the projects today and complemented the team.

Chair Myers thanked Member Miller for her comments. Member Janis stated she would be happy to second but wondered if Deputy Director Dosick could send around the Neumark study. Mr. Dosick stated he would send the study around to the Committee.

> **Action Moved/Seconded:** Members Miller/Janis
> **Yes:** Members Janis, Saha, Walters, Miller, Myers
> **No:** None

Chair Myers called for the agenda items to be taken out of order. Agenda Item E was reordered prior to the discussion of the 4 remaining items under Agenda Item D.

E. Discussion and Approval of Recommendations for California Competes Tax Credit Agreement Termination and Credit Recapture

Total Tax Credits Recommended to be Recaptured:	**$65,706,635**
Total Tax Credits Recommended to be Recaptured after Adjusting for S-Corporation Law[2]:	**$70,036,635**

Chair Myers asked Deputy Director Dosick if there are any comments from the public regarding Agenda Item E pertaining to the discussion and approval of recommendations for California Competes Tax Credit Agreement Terminations and Credit Recapture. Mr. Dosick confirmed that no public comments have been received at this time.

Hearing none, Chair Myers requested a motion to approve Agenda Item E with the exception of E29, E36, and E62.

Action Moved/Seconded: Members Walters/Miller
Yes: Members Janis, Saha, Walters, Miller, Myers
No: None

D-3. In-N-Out Burgers

At the request of Chair Myers, Deputy Director Dosick elaborated on Agenda Item D3. He described the company and the proposed tax credit agreement to the Committee. In-N-Out Burgers (INO) is a California-based burger chain.

In exchange for a $7,000,000 California Competes Tax Credit, INO has committed to a net increase of 224 full-time jobs and an investment of $200 million in the state. The jobs INO is committing to create are in classifications such as warehouse worker, administration, customer support representative, maintenance technician, and quality control associate.

INO indicated in its application that it has been expanding in regions outside of California with new store openings recently in Colorado and Oregon. Additionally, it is also entering new states such as Washington, Idaho, and New Mexico. To maintain its product standards and to support operations, it has built an interchangeable network of patty production and distribution facilities in Arizona, Nevada, Oregon, Utah, Texas, and Colorado. It recently acquired land in Colorado to build a new 89,000 square foot distribution center and has plans to potentially build a large office building at the adjacent vacant site. INO indicated that it is considering whether to move a portion of its corporate departments in both

[2] One-third of the California Competes Tax Credit may be utilized by an S-Corporation to offset the tax on net income at the S-Corporation level (R&TC §23803(a)(1)). The remaining two-thirds is disregarded and may not be used as a carryover for the S-Corporation (R&TC §23803(a)(2)(A)). However, the full amount of the California Competes Tax Credit is also passed through to the S-Corporation's shareholders (R&TC §23803(a)(2)(F)).

Irvine and Baldwin Park to Colorado where it could concurrently grow its staff in support of its regional footprint. Choosing Colorado would mean the relocation of 332 corporate and administrative positions from its Irvine and Baldwin Park locations. INO stated that it could save between $11.5 million to $15 million over 5 years based on lower payroll costs if it relocated its headquarters and administrative positions to Colorado. If awarded a credit, INO confirmed it is willing to retain the corporate and administrative positions in Irvine and Baldwin Park. Additionally, the credit will secure future growth and investments to re-purpose the Baldwin Park facility for administrative support positions as well as additional future growth in its production, meat processing, and distribution facilities in Chino and Lathrop.

Mr. Dosick stated that Paul Kim and Raj Kumar from Deloitte joined the meeting to represent INO and to answer any questions the Committee had.

Mr. Kim thanked the Committee and gave a quick opening statement. He stated INO looks forward to continuing to invest in the state as it has since 1948. He stated that the company has built a reputation for serving the highest quality products that is prepared in a clean environment and served in a warm and friendly manner. INO is also committed to being an outstanding employer while also giving back to the community. Evidence of its success is seen with its recent Glassdoor's 2021 List of America's Best Places to Work, in which the company was ranked the third highest in the country. INO has a proud history of providing internal hiring and promotion opportunities with many of the store managers and corporate associates, including executives having started as entry level retail store associates. Mr. Kim stated that INO also plans to expand its retail operations in California but noted that no retail positions were considered in this application. He welcomed questions from members of the Committee.

Member Walters thanked Mr. Kim and Mr. Kumar for being here today. He stated he had a few questions specifically noting its very diverse workforce and his concern about the rights of workers as far as speaking out at work. He stated that he would like to know if it still had a policy with regards to workers expressing themselves through the use of buttons and what employees can talk about at work.

Mr. Kim stated that INO believes that providing a consistent uniform is important to the overall sparkling clean environment of their restaurants. He stated that the issue with the buttons was not regarding the messaging, and he was aware of the case in reference. The issue was more about employee uniform consistency. As previously mentioned, he stated INO is an outstanding employer and treats its associates like family. The company also offers a minimum starting pay of at least $16.00 hour in California, which is well above the statutory minimum wage.

Mr. Walters clarified that his concern relates to the political issue of the buttons. He stated with the company's diverse workforce, he hoped that its employees would have the right to express themselves in a way that they feel is appropriate. He understands that there is a uniform and a need for policies about uniforms. He stated that he still believes that workers have the right to express themselves either politically or in a way that shows who they are. His concern was that the nature of the buttons itself was a direct cause for possible retaliation against its employees. He wanted to be assured that going forward the tax credit dollars are not used in a way to keep workers from speaking out.

Mr. Kumar responded to Mr. Walters question that he should not have these concerns as the button incident was not meant to suppress any of the employees. He stated that the matter was regarding the consistency around the uniform, which he noted happened in Texas in 2015. He added that over the last six years there has not been a single grievance put forth in front of labor relations for INO. He reiterated that INO completely commits itself to its employees. He stated that ultimately INO wants to present its brand in a consistent manner.

Member Janis wanted some background on the incident and was curious on the messaging of the button. Mr. Kim stated it was about a button that said "Fight for $15" referring to the minimum wage. Member Janis wanted to know whether INO paid $16 per hour in Texas as it does in California. Mr. Kim believed Texas was different but knows California's minimum is $16 per hour for retail associates and much more for corporate associates. He provided another example that store managers make at least three times the industry average for the position.

Ms. Janis asked if INO had any other NLRB and OSHA charges filed against the company since the incident. Mr. Kumar stated INO has not had a single charge since the incident and added it also did not have any environment issues.

Chair Myers asked the Committee if it had any further questions. Member Saha noted that the requested tax credit was $7,000,000 but INO indicated that Colorado offered incentives between $11,000,000 to $15,000,000. He wanted to know the math and how the amount would incentivize the company to stay in California. Mr. Kim stated that it was an analysis that Deloitte performed that analyzed Bureau of Labor Statistics data to compare the same jobs using average wages for California versus Colorado. It also looked at employer taxes and cost of employment differentials. Mr. Kumar added the company did not feel it was appropriate to ask for the exact amount of the savings range stating there was an element and desire to remain in California. It wants to continue to value California as its home. There is a degree of pain in shifting to Colorado, and while it was still under consideration, award of the credit would help solidify and ensure that it commits to its growth in California. Member Saha thanked Mr. Kim for the response and stated he had no further questions.

Member Janis asked what In-N-Out University is. Mr. Kim stated that the first INO restaurant is now used to train store associates and store managers in providing the best customer support and instill other values of the company. Mr. Kumar added that one of the great statistics of the company is that every store manager started as an entry-level employee, demonstrating its commitment to promote intrinsically and internally as opposed to seeking outside managers. Mr. Kim added that there were plenty of examples of corporate employees and even executives that started as retail associates.

Chair Myers asked if there were any more questions or comments from the Committee or the public. Hearing none, she requested a motion for approval of Agenda Item D-3.

Action Moved/Seconded: Members Miller/Saha
Yes: Members Janis, Saha, Walters, Miller, Myers
No: None

D-5. Dreyer's Grand Ice Cream, Inc.

At the request of Chair Myers, Deputy Director Dosick elaborated on Item D-5. Mr. Dosick described the company and the proposed agreement to the Committee. Dreyer's Grand Ice Cream, Inc. (Dreyer's) is an ice cream product manufacturer. Dreyer's certified in its application that absent award of the California Competes Tax Credit, its project may occur in another state. It also certified that at least 75% of its net increase of full-time employees will work at least 75% of the time in Kern and Tulare County. Both Kern and Tulare County were areas of High Unemployment and Poverty at the time Dreyer's submitted its application. He reminded the Committee that California Competes gives a priority to applicants committing 75% of its new full-time jobs in an area of high employment and/or poverty. In exchange for a $3,554,333 California Competes Tax Credit, Dreyer's has committed to a net increase of 205 full-time employees and an investment of $180 million. The jobs Dreyer's is committing to create are in classifications such as production associate, deployer, load planner, customer service analyst, finance analyst, accounting analyst, human resources manager, information technology, and sales. Dreyer's indicated in its application that to accommodate growth it needs to invest in expanding its existing facilities in California, Fort Wayne, Indiana, or Laurel, Maryland. Dreyer's confirmed that these other facilities have comparable capacity and manufacture similar product types as the California facilities. It stated that it would expect to save millions of dollars in labor, other operational costs, and benefit from economic incentive programs by expanding outside of California.

Mr. Dosick stated that Dreyer's representatives Heidi Zuber, Head of HR and Chief Legal Officer, Dale Brockmeyer, CFO, Scott Brooks, Financial Controller, Kristen Duarte, Operations Controller, and Linnet Wong, Tax Manager, were available to address any questions the Committee had.

Chair Myers welcomed the Dreyer's representatives and asked if they had any opening comments.

Ms. Zuber thanked the Committee for giving Dreyer's the opportunity to talk about the company and the efforts put forth in California.

Member Saha asked about the 75% and where employees would be the other 25% of the time referenced in the staff writeup. Mr. Dosick clarified that the CalCompetes regulations define a high poverty and high unemployment area as a city or county whose unemployment and/or poverty level is 150% or more than the statewide average, and that the applicant commits that at least 75% of its new employees will work at least 75% of the time in one of those areas. He stated that it was not Dreyer's stating that employees would only be working there 75% of the time, it was just the regulatory definition. Mr. Saha asked if it was going to be a full-time position or a transient issue. Mr. Dosick responded that California Competes only looks at full-time jobs and part-time jobs are never part of any recommendation the program makes. Mr. Saha thanked Mr. Dosick for the explanation.

Member Walters asked Dreyer's to elaborate on a 2017 allegation on worker retaliation regarding union activity. Ms. Zuber stated she was not aware of any retaliatory claims on union activities and noted it does have one union on-site for maintenance and mechanics. She stated it unionized about five years ago, but she was not familiar with the referenced claim. Mr. Walters stated he believed it was a charge by the Teamsters. Ms. Zuber responded that she did not have any recollection on the matter and mentioned it has not had any issues in the last five years with that union. She stated it had just negotiated a new contract with the union this past spring.

Mr. Walters stated in 2016 there was a union election put before the NLRB and in the following months there were two charges of retaliation. Ms. Zuber responded that she did not have any recollection and stated as the corporate lawyer at the time, she would have been aware of the incident. She added that she remembered a microunit issue that came up under President Obama delayed the formation of a union for about a year. She reiterated that the contract was eventually signed and has been in place since that date.

Mr. Walters stated the importance of having taxpayer dollars going to good jobs and a workplace where workers are appreciated. Ms. Zuber stated Dreyer's is always open for dialogue and has an open-door policy.

Member Janis asked how many workers are unionized. Ms. Zuber responded that 44 employees are unionized out of approximately 1,200 employees in California.

Ms. Janis noted that she was glad to see the commitments on its diversity programs. She asked what the definition of diverse was in regards to its statement that a large percentage of its employees identified as diverse. Ms. Zuber stated that it meant non-white and its demographic was about 36% female and 86% racially diverse in Bakersfield and 28% female and 75% diverse in Tulare. Ms. Zuber noted that both matched the areas of operation.

Ms. Janis thanked Ms. Zuber for her response and asked if Dreyer's could elaborate on the training provided to employees. Ms. Zuber stated there were several ways it trains employees, and some training is completed offsite such as classes, degrees, or programs that an employee may need. It also has training programs where the vendors for its specialized equipment are brought in for dedicated training of its employees. The training teaches employees how to operate the equipment. It also has the Dreyer's Academy, which is an 80-hour training that teaches the entire process of how to make ice cream, from sourcing the ingredients to selling the final product.

Ms. Janis asked about the statement regarding training employees on the equipment rather than having an extended warranty. She asked if the training was built into the procurement process. Ms. Zuber stated that training has been a commitment with its newer vendors; but, for its older vendors, it was not set up due to prior arrangements. She stated that since there are only a handful of companies that make ice cream equipment, Dreyer's leverages the promise of more purchases to get training support from its vendors. Ms. Janis asked for Ms. Zuber's thoughts on extended warranties, as "Procure for

Training" has been something she has been working on with public agencies. Ms. Zuber stated that its equipment does come with warranties, but there are very few people in the United States that can fix the equipment. She noted much of the equipment is made overseas and imported. Dreyer's has taken the stance of training its employees on how to fix the machinery themselves and relying on warranties for larger issues. Ms. Janis thanked Ms. Zuber for her response.

Mr. Walters asked if Dreyer's workforce used independent contractors or gig workers in the factory. Ms. Zuber stated it does not use any on the factory floor, but it does utilize independent contractors for ancillary items, like painting the building and other items not directly impacting ice cream production. She stated that it does use temp agencies to build its pipeline so it can hire more people.

Mr. Walters asked how many temporary workers made up its workforce. Ms. Zuber stated her best guess was about 90/10 ratio between regular and temporary employees. She stated that it uses temporary employees more as a pipeline than a staffing model. She stated that the idea is to hire the temporary employee and move them to payroll because Dreyer's believes it is better to have full-time employees that are dedicated to the business, willing to learn the machinery and how to make a quality product.

Mr. Walters brought up the previously mentioned NLRB charges stating that it was filed by Teamsters Local 87 on December 2016 and was closed on March 2017. The cases started with an organizing campaign that was filed in 2016 and eventually two charges of worker retaliation for dismissal. He asked if Dreyer's was aware of the case. Ms. Zuber responded that the only case she could think of was a campaign but could not recall if it was the Teamsters as it is usually the operators and engineering union in the factories. She stated that it has Teamsters on its sales team but it is a different union than the one referenced.

Chair Myers asked if there were any other questions from the Committee.

Ms. Janis asked if Dreyer's had a position of neutrality when it comes to workers wanting to unionize. Ms. Zuber stated that if workers wanted to unionize it is not opposed to the idea. She stated that she believes Dreyer's provides a workplace where it is not necessary. She provided an example of the maintenance and mechanics who felt a union was needed. The workers unionized and now have a union contract. She stated that the terms of the union contract are not much different than for its non-union employees.

Chair Myers asked if there were any other questions from the Committee or the public. Mr. Dosick stated that he was seeing a question but not in a format requested. He asked if Mr. Bouques was wanting to make a public comment at this time. Mr. Dosick reminded the public that public comments can be made, but members of the public cannot not engage in dialogue with the applicant or committee. This is standard for all governing boards and commissions. Ms. Janis stated she would be happy to ask the question. She asked if Dreyer's participates in training incentives specifically with the Employment Training Panel. Ms. Zuber responded that she was not familiar with the Employment

Training Panel but was open to any type of training for employees. Mr. Dosick stated he would be happy to talk with them offline to provide more information. Ms. Zuber stated she was open to having the conversation and is always open to good talent.

Chair Myers asked if there were any other questions from the Committee or the public. Hearing none, she requested a motion for approval of Agenda Item D-5.

Action Moved/Seconded: Members Miller/Saha
Yes: Members Janis, Saha, Miller, Myers
No: Walters

D-12. Omega Packaging

At the request of Chair Myers, Deputy Director Dosick elaborated on Item D-12. Mr. Dosick described the company and the proposed agreement to the Committee. Omega Packaging (Omega) is a jar and plastic cap manufacturer. In exchange for a $550,000 California Competes Tax Credit, Omega has committed to a net increase of 19 full-time employees and an investment of $6.48 million. The jobs Omega is committing to are in classifications such as manager, plant supervisor, and production line worker. It indicated in its application that it has two facilities in La Mirada and Santa Fe Springs. Omega is proposing to consolidate its existing facilities that make up about 63,000 square feet and build a new manufacturing plant with over 100,000 square feet. It indicated that the increase in square feet will allow it to build a state-of-the-art manufacturing plant, grow its product line, and facilitate additional hiring. It is currently considering three options for its new manufacturing facility: 1) consolidate existing locations to a larger manufacturing facility in the areas of La Mirada, Anaheim, Fullerton, or Placentia, California, 2) relocate to Arizona, or 3) relocate to Tennessee. In its application, Omega included a substantial analysis of the cost differentials for Arizona and Tennessee with savings in wages, workers compensation insurance, real estate, rail shipping, energy costs, as well as proposed out of state tax incentives.

Mr. Dosick stated that Jack Oh, President of Omega Packaging, Yuko Tsuchida, Consultant with Hito LLC, and Eunice Salinas, Consultant with Hito LLC were available to address any questions the Committee had.

Mr. Oh greeted the Committee and said he appreciated the chance to be here. He stated Omega has been in business for about eight years and that is proud to be a California manufacturer. He stated that he has spent his entire life in California, including having attended both a public California high school and the University of California. He appreciated the support and opportunities the state has provided for him. He stated that he is currently on a business trip in Cleveland but is happy to answer any questions.

Chair Myers thanked Mr. Oh for his opening statement and invited questions from the Committee.

Member Janis asked if Omega could elaborate processes to manufacture plastics and if any of the products would use recycled content in an effort to reduce the need for new plastics to be made.

Mr. Oh thanked Ms. Janis for her question, stating it is a hot topic in the plastic manufacturing industry. He noted the company in the last four years has sought out more sustainable options, which is largely driven from both its own drive, as well as requests made by its customers. He stated there are some legal and regulatory limitations for its customers serving the food and medical industries. The resin materials used by the food and medical industries must be FDA approved. He stated that despite limiting factors, Omega has made efforts to test alternative materials such as bio additives, hemp resin, and corn-based resin. He stated that most of the plastic it processes is virgin plastic. Omega made a significant push three years ago to use a material called Oceanworks, which is certified as recycled ocean-bound plastic. Omega started processing it in 2019 and has since processed 104,000 pounds or 52 tons of Oceanworks material. Mr. Oh stated that a lot of its customers have started to request post-consumer resin. It currently has projects with Unilever, Aveda, and P&G that have mandated its packaging contains at least 50% PCR content.

Ms. Janis asked Mr. Oh for clarification on what PCR and ocean-bound plastic are. Mr. Oh responded that ocean-bound plastic litter that is captured enroute to the ocean and is recycled. Omega takes the previously ocean-bound plastic and processes the material as an alternative to using virgin plastic. He confirmed that ocean-bound plastic is also PCR but is specifically plastic that, if it had not been captured, would have ended up in the ocean. Mr. Dosick asked for clarification if PCR stood for post-consumer resin. Mr. Oh confirmed that PCR means post-consumer resin. He estimated that Omega is currently using 7% to 8% PCR and expects that amount to double in the next year.

Chair Myers asked Mr. Oh if there were specific challenges to using PCR instead of virgin plastic. Mr. Oh stated that the primary challenge for recycled plastics is that it does not run similarly to virgin plastic. Omega has spent significant resources to research how to process the material so that the end-product looks good. He stated that it makes a lot of cosmetic, medical grade, and food grade packaging and that needs to look good for the end-customer. The material also needs to be FDA approved as the plastic needs to be safe for food and medical contact. He stated that it was critical that the materials do not contaminate the packaged product.

Ms. Janis asked Omega to confirm if 7% of its product is made with PCR and if it was committed to double the amount by next year. Mr. Oh confirmed that it was a goal and added that an additional challenge is the overall availability of recycled PCR material. He noted significant challenges to the supply chain when it comes to FDA approved PCR material but believes that it can still meet its PCR goal.

Ms. Janis asked what the recycling numbers of its products are. Mr. Oh responded that Omega uses two grades of plastic: #1 PET and #5 PP. Ms. Janis asked which one it produces more. Mr. Oh responded he was not sure of the exact breakdown but guessed it is 40% #1 and 60% #5 and that most of the PCR used is #5. Ms. Janis stated that based on what she has read, #5 or PP is effectively not recyclable. Mr. Oh clarified that it's recyclable but there are challenges in the industry of getting it recycled and that techniques have improved over the last few years.

Ms. Janis asked if it had any research on the final destination of its trash. Mr. Oh stated the company does not do that kind of research.

Ms. Janis asked if the processing of plastic generated toxins that could affect workers or the community. Mr. Oh stated that the plastic pellets come to Omega and are transferred directly to its machines. The pellets are melted and processed into the final product and the process has no toxic by-products. Ms. Janis asked if it was emitting any pollutants. Mr. Oh responded that it was not emitting any measurable pollutants. Ms. Janis asked if its workers had to wear any protective gear. Mr. Oh stated that employees wear eye and ear protection.

Mr. Walters asked if any work was being done by independent contractors or temporary workers. Mr. Oh stated that Omega occasionally uses temp agencies for temp-to-hire staffing. He stated it uses a few agencies for this kind of staffing and that its employees are eventually added to the Omega payroll after a few months. He confirmed it did not use independent contractors. Mr. Walters thanked Mr. Oh for the response.

Chair Myers asked if there were any more questions from the Committee.

Ms. Janis stated that she wanted the Committee to consider having an environmental screen when it conducts the application process and wanted the screen to align with the vision and goals set by the Governor. Member Miller stated she understands the comment made by Ms. Janis but believed the issues are more nuanced in terms of the environmental goals moving to 2045. She thinks that there are strong goals set by California when it comes to the environment and electric vehicles. She stated that it was also important for California to help with the transition and ensure fossil fuel businesses transition jobs in a way that makes sense. She stated that the cases brought forth are not always binary and we need to be mindful of the training to advance in these areas. She complimented Mr. Oh on his awareness of the post-consumer resin opportunities and for working with the FDA to make sure we can get PCR products up to standard. Chair Myers concurred with Ms. Miller's comments and added that another consideration is where the pressure is coming from within the supply chain. She stated that Mr. Oh made a good point that customers are increasingly demanding recycled products and that he is trying to figure out a way to meet that demand over time. Ms. Janis responded that perhaps tax credits could be used to support the transition Ms. Miller referenced and help companies facilitate the use of more recycled content.

Mr. Oh stated that it has a smaller environmental footprint compared to its plastic product manufacturing competitors. He stated its machines are all-electric compared to the industry standard of hydraulic machines. Omega's machines use 70% less electricity than traditional hydraulic machines and that its machinery does not use any oil.

Chair Myers thanked Mr. Oh for his comment and asked if there were any other questions from the Committee or the public. Hearing none, she requested a motion for approval of Agenda Item D-12.

Action Moved/Seconded: Members Miller/Saha
Yes: Members Saha, Walters, Miller, Myers
No: Member Janis

D-13. Plastic Technologies, Inc.

At the request of Chair Myers, Deputy Director Dosick elaborated on Item D-13. Mr. Dosick described the company and the proposed agreement to the Committee. Plastic Technologies, Inc. manufactures stock and custom-made blow molded plastic products including car parts, bottles, tool cases, and even the occasional pink flamingo. Its customers are in the medical, automotive, safety, and aerospace industries across the U.S. and abroad.

In exchange for a $450,000 California Competes Tax Credit, Plastic Technologies has committed to a net increase of 20 full-time employees and an investment of $9 million. The jobs Plastic Technologies is committing to create are in classifications such as operator, administrative associate, quality control technician, maintenance technician, manager, and supervisor. Plastic Technologies indicated in its application that it occupies three leased building in a small industrial complex and efficiency is lost shuttling inventory and employees between buildings. It has outgrown its existing facilities and plans to move to a larger facility that it will purchase, but the location must make sense financially in the long term given that its competitors are doing business in less expensive states and countries. Plastic Technologies stated it is considering purchasing a building in San Bernardino, but it has also considered relocating to Phoenix, Arizona where the owners have owned industrial properties before and it anticipates potentially significant savings in real estate costs and wages. Plastic Technologies indicated it is requesting assistance from GO-Biz and other local programs to help it stay viable in California.

Mr. Dosick introduced Meir Ben-David, President and Owner, and Diane Ben-David, Vice President and Owner, who were available to answer the Committee's questions.

Chair Myers welcomed the representatives from Plastic Technologies and asked if they had any opening comments.

Ms. Ben-David thanked the Committee and appreciated the consideration. She asked Mr. Ben-David if he had anything to say. Mr. Ben-David said he is also joined by Barbara Easley.

Chair Myers invited questions from the Committee.

Member Janis stated her surprise for having two plastic manufacturers on Earth Day. She asked if the representatives could talk about their products and what they are doing in terms of using more post-consumer materials.

Mr. Ben-David stated that its products are custom-made and specified by the purchaser. He stated the products range from highway safety barricades to medical and automotive industry products. Ms. Easley added it does not make mass-produced plastic products like water bottles; it fills a specific industry niche.

Mr. Ben-David added that Plastic Technologies uses high density or low-density polypropylene to manufacture its products. He noted all of its plastics start as virgin and the trimmings are recycled and rerun on its machine. The rerun plastic is used to maximize plastic-use and eliminate waste. Ms. Easley stated it also works with a recycling company for any materials that it cannot regrind. All waste is recycled, and the operation is about 96% to 98% efficient in minimizing waste.

Ms. Janis asked if she understood the process correctly. She stated that Plastic Technologies uses all virgin plastic, turns it into the product, and all leftover materials are reused. Mr. Ben-David confirmed that Ms. Janis understood the process correctly. Ms. Janis asked if it was taking any steps to get away from virgin plastics and towards alternative materials. Mr. Ben-David stated that another company recently came up with a new biodegradable mixture, and it chose to work with Plastic Technologies to test it. He stated that ultimately the decision is not up to them as they manufacture the product as specified on the drawings. Ms. Easley added that the customers specify the product and the source materials, and that Plastic Technologies does not get to decide the materials. Mr. Ben-David added that its products are very specific in their use and a lot of testing is done by cities and organizations that ultimately determine what materials can be used.

Chair Myers asked if it made things for both the public and private sector, such as jersey barriers. Mr. Ben-David confirmed that it does. He stated that the buyer specifies the object and material, Plastic Technologies produces the product to the buyer's specification, and then sends it to the customer for testing. The product is sent to an institution or government agency that will test and modify it as needed, and the test product is reproduced and sent out for testing again. This cycle repeats until a final product is reached.

Ms. Janis asked about the wages noting that it provides a health insurance contribution of $2,700 per year and wanted to know if that was for individuals. Mr. Ben-David confirmed the amount and that its employees have health insurance. Ms. Easley added that the employer pays 75% and the same rules extend to dental and vision insurance. Ms. Janis thanked the representatives for the response.

Member Walters asked if it uses any independent contractors or temporary workers within its workforce. Mr. Ben-David stated that they have not recently used one, but it does use an agency for temporary workers. It has not been used since before COVID and Plastic Technologies expanded its engineering department to allow everything to be done in-house.

Chair Myers asked if there were any more questions from the Committee.

Ms. Ben-David stated that a lot of the items it produces are durable goods and provided an example of a watering can, which has years of use and does not end up in a landfill. She stated that it was important to note that some products do not have any other solution but plastic at this point and appreciated Ms. Miller's comment on the nuance of a just transition.

Chair Myers thanked Ms. Ben-David for her comment and asked if there were any other questions from the Committee or the public. Hearing none, she requested a motion for approval of Agenda Item D-13.

Action Moved/Seconded: Members Miller/Walters
Yes: Members Janis, Saha, Walters, Miller, Myers
No: None

F. Public Comment

Chair Myers asked if there were any additional questions or comments regarding Agenda Item F. Hearing none, she moved to adjourn the meeting.

G. Adjournment

Chair Myers adjourned the meeting at 2:25 p.m.