



GOVERNOR'S OFFICE OF BUSINESS  
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**Edmund G. Brown, Jr**  
*Governor*

**Panorea Avdis**  
*Director*

**Will Koch**  
*Chief Deputy Director*

**Cheryl Akin**  
*Deputy Director*  
*California Competes*  
*Tax Credit Program*

**Scott Dosick**  
*Assistant Deputy Director*  
*California Competes*  
*Tax Credit Program*

Governor's Office of Business  
and Economic Development  
1325 J Street, 18<sup>th</sup> Floor  
Sacramento, CA 95814  
[CCTC@gov.ca.gov](mailto:CCTC@gov.ca.gov)  
(916) 322-4051

**California Competes Tax Credit Program**

**Committee Meeting**

**Monday, June 18, 2018**  
**10:30 a.m.**

Department of Food and Agriculture  
1220 N Street  
Sacramento, CA 95814

And (via teleconference)  
Fontana City Hall  
Executive Conference Room  
8353 Sierra Avenue  
Fontana, CA 92335

**MINUTES**

**MEMBERS:**

**Panorea Avdis**, *Chair*  
*Director*  
*Governor's Office of Business*  
*and Economic Development*

**John Chiang**  
*State Treasurer*

**Michael Cohen**, *Director*  
*Department of Finance*

**Denise Zapata**, *Appointee of*  
*the Senate Committee on Rules*

**Madeline Janis**, *Appointee of*  
*the Speaker of the Assembly*

**OPEN SESSION**

**A. Call to Order and Roll Call**

Chair Koch called the meeting of the California Competes Tax Credit Committee (Committee) to order at 10:32 a.m.

**Members Present:** William Koch (representing the Director of the Governor's Office of Business and Economic Development), Tim Schaefer (representing the State Treasurer), Jacqueline Wong-Hernandez (representing the Director of the Department of Finance), Madeline Janis, and Denise Zapata via teleconference.

**B. Approval of Minutes from April 12, 2018, Committee Meeting**

Chair Koch called for any questions or comments from the Committee or public regarding Agenda Item B. Hearing none, he requested a motion to approve Agenda Item B.

**Action: Moved/Seconded:** Members Wong-Hernandez/Janis

**Yes:** Members Koch, Janis, Wong-Hernandez, Zapata

**No:** None

**Abstain:** Member Schaefer



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**C. Deputy Director's Report**

- **Agenda Overview – Agreements with 29 Businesses, Total Tax Credits \$56,993,536**

Deputy Director Cheryl Akin provided the Committee with the following updates:

At the last Committee meeting, member Janis inquired about the potential applicability of the False Claims Act to statements an awardee makes to the Governor's Office of Business and Economic Development (GO-Biz) during the annual compliance process. GO-Biz's preliminary analysis suggests that the California False Claims Act is inapplicable to any statements an awardee makes to GO-Biz or the Franchise Tax Board (FTB) in connection with claiming a California Competes Tax Credit (CCTC) because the False Claims Act, specifically California Government Code section 12651(f), indicates that it is not applicable to "claims, records, or statement made under the Revenue and Taxation Code." Because the CCTC is an income tax credit authorized under California Revenue and Taxation Code sections 17059.2 and 23689 and claimed on an income tax return filed with the FTB, statements made to GO-Biz and/or the FTB in order to claim the credit constitute a claim, record, or statement made under the Revenue and Taxation Code making the California False Claims Act inapplicable. Please note that this conclusion is preliminary and GO-Biz is currently in the process of consulting with attorneys at the FTB to review our analysis and provide their input as they are the subject matter experts as to California income tax law.

Additionally, the budget for the next fiscal year has now been approved and includes a 5-year extension of the CCTC Program at \$180 million a year. While the budget has now been passed and includes an extension of the CCTC, the budget trailer bills containing the exact language for the program going forward are pending final vote by the Legislature which is anticipated soon. However, GO-Biz anticipates the following changes to the program. First, GO-Biz anticipates that the 25% credit reservation for businesses with gross receipts of less than \$2 million will be eliminated and that \$20 million annually will be repurposed to a separate small business grant program which will also be operated by GO-Biz. Additionally, the newly proposed statutory language will likely require GO-Biz to evaluate (1) the training opportunities offered by the business to its employees and (2) the extent to which the credit will influence the business's ability, willingness, or both to create jobs in this state that might not otherwise be created in the state by the business or any other business when evaluating applications and selecting awardees for the credit. Additionally, certain changes would also require GO-Biz to provide committee members with additional information upon request by the committee member and to provide the Legislative Analyst Office with a report on the credits allocated during the 2018-2019 fiscal year. The Legislative Analyst Office, in turn, will be required to provide a report evaluating the credit to the Assembly, Senate, and the public.

Finally, there are 29 agreements for consideration by the Committee today. The agreements represent commitments for a net increase of 3,105 full-time jobs and \$336.3 million in investments in California. The total in recommended tax credits is \$57 million.



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Chair Koch asked that Ms. Akin send to each member of the Committee a summary of the final statutory changes to the program and GO-Biz's plans for implementation. Ms. Akin stated that she would provide that to each member of the Committee.

Member Janis asked about the specific code that excluded the false claims act from applying to the CCTC. Akin responded that it is California Government Code section 12651(f).

Member Janis asked about the small business grant program. Ms. Akin indicated that additional funding will be provided to create a separate grant program to help small businesses in California which will be administered by a separate team within GO-Biz.

Chair Koch indicated that the program will provide funding to additional entities beyond Small Business Development Centers (SBDCs). Ms. Janis asked if some of the money will go towards helping small businesses apply for the CCTC. Chair Koch stated that it is, among other things, already a part of the SBDC's technical assistance programs. Ms. Akin verified that small businesses will remain eligible to apply for the CCTC.

Ms. Janis stated that she would like to be involved in regulation process and provide feedback regarding the new requirement that GO-Biz evaluate the training opportunities provided by the taxpayer. Ms. Akin responded that she will keep the Committee members informed of any proposed regulatory changes to the CCTC program or application process.

Ms. Janis stated that experts should be brought in on this matter. For example, experts can weigh in on how to deal with people who leave the criminal justice system and are looking to join the workforce. Ms. Akin stated that GO-Biz is waiting for the final language of the statute before determining how best to proceed.

Member Wong-Hernandez stated that the Committee would love to provide input, but does not want the Committee to get in the way either. She thanked the GO-Biz team for their response on the false claims act issue.

Member Schaefer asked if the trailer bill language requires GO-Biz to analyze the impact of the tax credit on an applicant's business decision to locate in California. Ms. Akin stated that the program currently evaluates the impact of the credit on the ability or willingness of the applicant to create jobs in California, and the addition of the language simply clarifies that this must be analyzed by GO-Biz in determining which applicants should be awarded CCTCs.

Ms. Janis asked if the language requires GO-Biz to have a more robust analysis. Ms. Akin stated that GO-Biz already considers this criterion in detail as the intent of the CCTC is to attract and retain high-value employers in California and create good jobs for Californians. Applicants selected for award of the CCTC typically provide much more detail than other applicants as to how the credit will impact their decision to stay and expand or relocated in California.



Member Zapata asked if a company would be excluded from award of the credit if it is already looking for a building or already has a lease in place in California. Ms. Akin stated that such a company would still be considered, but it would be much more difficult for that company to establish that the credit would have any real impact on its business decision to stay, expand, or locate in California.

**D. Discussion and Approval of California Competes Tax Credit Agreements with Businesses other than Small Businesses**

**Total Recommended Tax Credits:** \$49,890,202  
**Total Recommended Tax Credits after Adjusting for S-Corporation Law<sup>1</sup>:** \$50,206,869

Chair Koch noted that there was a request to remove items, D-1, D-2, D-3, D-6 and D-13 for further discussion and called for any questions or comments from the Committee or the public regarding Agenda Item D. Hearing none, he asked for a motion to approve all items under Agenda Item D except for items D-1, D-2, D-3, D-6, D-12, and D-13.

**Action Moved/Seconded:** Members Wong-Hernandez/Janis  
**Yes:** Members Koch, Janis, Schaefer, Wong-Hernandez, Zapata  
**No:** None

Chair Koch called for agenda items to be taken out of order. Agenda items E-F were reordered for discussion prior to the discussion of the remaining items under Agenda Item D.

**E. Discussion and Approval of California Competes Tax Credit Agreements with Small Businesses**

**Total Recommended Tax Credits:** \$6,655,000  
**Total Recommended Tax Credits after Adjusting for S-Corporation Law<sup>1</sup>:** \$6,786,667

Chair Koch called for any questions or comments from the Committee or public regarding Agenda Item E. Hearing none, he requested a motion to approve Agenda Item E.

**Action Moved/Seconded:** Members Janis/Wong-Hernandez  
**Yes:** Members Koch, Janis, Schaefer, Wong-Hernandez, Zapata  
**No:** None

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

**Total Tax Credits Recommended to be Recaptured:** \$2,465,000  
**Total Tax Credits Recommended to be Recaptured after**

<sup>1</sup> 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)).



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**Adjusting for S-Corporation Law<sup>2</sup>:**

**\$2,565,000**

Chair Koch called for any questions or comments from the Committee or public regarding Agenda Item E. Hearing none, he requested a motion to approve Agenda Item F.

**Action Moved/Seconded:** Members Wong-Hernandez/ Janis

**Yes:** Members Koch, Janis, Schaefer, Wong-Hernandez, Zapata

**No:** None

Chair Koch indicated that the Committee would now address the remaining agreements under Agenda Item D that were pulled for further discussion.

**D-1. Dreamworks Animation LLC**

At the request of Chair Koch, Deputy Director Akin elaborated on Agenda Item D-1. Ms. Akin described the company and the proposed agreement to the Committee. Dreamworks Animation LLC (Dreamworks) creates 3D animated feature films, TV series, and other entertainment productions. Some of its more famous films include the Shrek franchise, Kung-Fu Panda, Madagascar, and How to Train Your Dragon.

In exchange for a \$10,000,000 CCTC, Dreamworks has committed to a net increase of 306 full-time employees and an investment of over \$60.5 million. The jobs Dreamworks is committing to create are in classifications such as: production support staff, artist, professional, and technical director. Dreamworks confirmed that the credit would be a significant factor in its decision to maintain and expand its California workforce.

Unlike many other animation studios, Dreamworks has, to date, managed to keep all phases of the animation process in-house at its facility in Glendale. However, the company states that it is under a great amount of economic pressure to remain competitive with other studios that have taken advantage of generous tax incentives from other jurisdictions that are designed to specifically target animation and visual effects companies. Unlike these other locations, California does not currently offer such an incentive program. In fact, animation studios are specifically excluded from qualifying for the California Film Commission Tax Credit.

Ms. Akin indicated that Chris deFaria, Dreamworks' President and CEO, Kathy Banuelos, NBC Universal's Vice President, and Jiwon Jeong, a representative for Dreamworks, are available to address any questions the Committee may have.

Chair Koch welcomed the representatives from Dreamworks and asked if they had anything to add to Ms. Akin's statement.

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<sup>2</sup> One-third of the CCTC 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 CCTC is also passed through to the S-Corporation's shareholders (R&TC §23803(a)(2)(F)).



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Mr. deFaria stated that this credit is about growing the company, not reducing the cost of what the company currently does. He stated that today is about what the company plans to do for its growth.

Member Janis thanked them for all of the support letters for Dreamworks. She asked if there are other jurisdictions that offer incentives and why Dreamworks wants to stay in California.

Mr. deFaria stated the animation industry has experienced significant financial pressure for the last 10 years and most of Dreamworks' competitors have found homes outside of California. He stated that British Columbia, Ireland, and the United Kingdom all have standard, easy to qualify for tax credits. There are plenty of places outside of California that can support this market now. He stated that the reasons for California range from emotional to practical. The top 23 grossing animated movies of all time have been made in California, and for the most part, the most successful movies are built upon a talented California group. Mr. deFaria stated that he truly believes Dreamworks will make the best movies here. He also said that the fact that he is from California factors into the decision.

Ms. Janis stated that she appreciates all of their efforts for diversity and inclusion. She asked if he would talk a little bit about the diversity numbers and the concrete steps Dreamworks will take to achieve diversity. Mr. deFaria stated Dreamworks is at the top of the industry with regards to its diversity numbers, with one-third of its workforce being comprised of people of color and 28% women. Dreamworks has a large diversity and inclusion program underway and has hired an executive and a training group of sixteen people for this purpose. He stated that there is a strong ethical and business argument for hiring a diverse workforce, and Dreamworks has made the business decision to promote diversity as its customers become more diverse.

Member Zapata stated that she would like to see Dreamworks look at other communities in the Los Angeles region. Ms. Zapata noted that there are numerous communities outside of the greater Los Angeles area with large Latino populations, other communities of color, large workforce availability, and lower median home values. Ms. Zapata pointed to the Coachella Valley as one such example and suggested that Dreamworks should consider these areas for expansion in the future in order to maximize their positive impact on the community. Mr. deFaria stated that the company is currently limited to the greater Los Angeles area, but will look farther than that going forward.

Ms. Zapata stated that it might be a good idea to partner with schools. Mr. deFaria said that this summer, Dreamworks will be hiring about twenty students through one of Mayor Garcetti's programs, which is focused in Los Angeles.

Ms. Janis thanked Mr. deFaria for taking the time to come up.

Chair Koch called for any questions or comments from the Committee or public regarding Agenda Item D-1. Hearing none, he requested a motion to approve Agenda Item D-1.

**Action Moved/Seconded:** Members Wong-Hernandez/Janis

**Yes:** Members Koch, Janis, Schaefer, Wong-Hernandez, Zapata

**No:** None



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**D-2. Kattera, Inc.**

At the request of Chair Koch, Deputy Director Akin elaborated on Agenda Item D-2. Ms. Akin described the company and the proposed agreement to the Committee.

Kattera, Inc. (Kattera) is a construction technology company that manufactures prefabricated interior and exterior wall panels, door framing, roof truss assemblies, flooring systems, countertops, and cabinets for rapid assembly at construction sites. In exchange for a \$10,000,000 CCTC, Kattera has committed to a net increase of 648 full-time employees and an investment of over \$55 million. The jobs Kattera is committing to create are in classifications such as manager, material handler, and technician.

Created in 2015, Kattera uses its technology for building development, interior design, materials supply, and construction management. Kattera provides its products and services to customers throughout the United States; however, the majority of its new projects are located on the West Coast, from northern Washington through southern California. Kattera currently has two factories located in Arizona and is proposing to build a new manufacturing facility to serve its customers in the Western United States. Kattera indicated in its application that the credit would influence its decision to grow in California, as it is considering three locations in California's Central Valley, as well as locations in Reno, Nevada and Phoenix, Arizona.

Ms. Akin indicated that Jennifer Rigney, Kattera's Manager of Government and Regulatory Affairs, is here to address any questions the Committee may have.

Member Janis thanked Ms. Rigney for coming. Member Janis asked if the Committee approves the \$10 million credit today, will Kattera definitely commit to coming to California. Ms. Rigney said yes, Kattera will definitely stay.

Ms. Janis asked if Kattera would be closing down its Arizona facility. Ms. Rigney stated that it will continue to operate in Arizona; it is just a matter of deciding where to expand.

Ms. Janis asked if Kattera's headquarters are in California. Ms. Rigney said that it is headquartered in Menlo Park.

Ms. Janis asked about Kattera's employee demographics. Ms. Rigney stated that Kattera has 30% women, which is very high for the construction industry. She added that she has seen a lot of diversity in her own experience, but she does not have specific demographic statistics. She further clarified that diversity is an important part of Kattera's cultural principles and the company strives to promote a diverse and inclusive workforce, including the redaction of information during the hiring process.

Ms. Janis asked if Kattera feels that there are certain physical activities that women cannot do. Rigney stated that this is certainly not true and that it has women in leadership, on site, and on the floor.



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Ms. Janis said that in the section of its application discussing diversity in hiring, Katerra put women in the same phrase or category as people with physical disabilities. Ms. Janis inquired why it was phrased that way. Ms. Rigney stated that it was not the company's intention to imply women are not as capable and that the sentence in question could have been worded better.

Member Wong-Hernandez stated that machines tend to be designed for taller people, and people who are short may be dissuaded from using equipment designed for tall people. She stated that that's how she interpreted it, but to let her know if she is mistaken.

Ms. Janis said that she just wanted to make sure the company is not discriminating against women doing certain type of work such as heavy lifting. Ms. Rigney confirmed that was not the case.

Chair Koch called for any questions or comments from the Committee or public regarding Agenda Item D-2. Hearing none, he requested a motion to approve Agenda Item D-2.

**Action Moved/Seconded:** Members Wong Hernandez/Schaefer

**Yes:** Members Koch, Schaefer, Wong-Hernandez, Zapata

**No:** None

**Abstain:** Member Janis

### **D-3. US Foods, Inc.**

At the request of Chair Koch, Deputy Director Akin elaborated on Agenda Item D-3. Ms. Akin described the company and the proposed agreement to the Committee. US Foods, Inc. (US Foods) is manufacturer and distributor of food products.

In exchange for a \$7,000,000 CCTC, US Foods has committed to a net increase of 216 full-time employees and an investment of \$71.6 million. The jobs US Foods is committing to create are in classifications such as: account executive, manager, clerk, production worker, and warehouse administration.

US Foods partners with approximately 250,000 restaurants and foodservice operators throughout the United States and offers more than 350,000 items in its product lineup, which includes brands such as Chef's Line, Metro Deli, Stockyards, and Rykoff Sexton. It is looking to build a new distribution and food processing facility to serve its clients in the Western United States and is considering locations in both California and Nevada. US Foods indicated in its application that award of this credit would play a significant factor in its decision to create this facility and related jobs in California versus another state.

Ms. Akin indicated that Rachel Gradner with CBRE is US Food's site selection consultant and is available to address any questions the Committee may have.

Chair Koch asked if the members of the Committee had any questions for Ms. Gradner. Member Janis said she wanted to hear from the public first before asking her questions. Mr. Koch called for any questions or comments from the public.





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John Krueger, Executive Vice President of the Greater Sacramento Economic Council, expressed his support for the project. He stated that McClellan Park is an area that has become a shining example for good, diverse jobs. He stated his appreciation for the jobs that do not require a college education and for US Foods coming here as there are other places where the company could be just as successful.

Member Janis asked what is project Painter. Ms. Akin said that it is the codename for the distribution and food processing facility US Foods is looking to potentially build in McClellan Park. Mr. Koch stated that it is a standard practice for site selection consultants to use a codename to keep the business name confidential until a final decision is made.

Ms. Janis asked if this would be a completely new facility. Ms. Gradner said yes it would be a completely new facility.

Ms. Janis asked if US Foods will choose California instead of Nevada for this facility if approved for this tax credit. Ms. Gradner stated that the recommendation would be to move forward and come to McClellan Park. Ms. Janis asked if she could get a yes or no answer. Ms. Gradner stated that the negotiations are ongoing and the CCTC is a significant but not the only factor being considered in deciding where to locate. The company will be making a decision within the next four to eight weeks.

Ms. Janis also asked if the company slaughtered animals. Ms. Gradner clarified that this is not a slaughtering facility.

Ms. Janis asked where the company sourced its meat. Ms. Gradner said she would get back to that the committee with that information.

Ms. Janis asked about US Foods' efforts to attract and hire a diverse workforce. Ms. Gradner stated that US Foods does not discriminate based on gender, sex, religion, and other factors. Ms. Janis asked for more specifics and Ms. Gradner said she will get back to Ms. Janis after talking to US Foods' human resources office to determine exactly how its recruitment processes are implemented.

Ms. Janis stated that US Foods may have some prior conflicts with unions. She asked Ms. Gradner to describe that. Ms. Gradner stated that she was not aware of any issues with organized labor, but would be happy to find out more information and provide it back to the Committee.

Ms. Janis stated that the cost per job works out to be about \$32,000 per job and these jobs pay \$30,000. She asked if this is a good ratio. Ms. Akin stated that a large percentage of the jobs that US Foods will be creating pay significantly more than \$30,000. \$30,000 is the minimum wage of a few classifications, while the average wage is much higher. Ms. Gradner elaborated that the weighted average is closer to \$60,000.

Member Schaefer asked if US Foods has site control in McClellan Park. Ms. Gradner said US Foods owns 30 acres and is looking to acquire an additional 6 acres to complete the project.



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Member Janis asked Ms. Gradner if she works for the company. Ms. Akin stated that Ms. Gradner is a consultant working on US Food's site selection efforts.

Ms. Janis suggested that it would be helpful in the future to have an actual employee or representative of the company itself attend Committee meetings in the future.

Chair Koch called for any questions or comments from the Committee or public regarding Agenda Item D-3. Hearing none, he requested a motion to approve Agenda Item D-3.

**Action Moved/Seconded:** Members Wong-Hernandez/Koch

**Yes:** Members Koch, Schaefer, Wong-Hernandez, Zapata

**No:** Janis

#### **D-6. Argo AI**

At the request of Chair Koch, Deputy Director Akin elaborated on Agenda Item D-6. Ms. Akin described the company and the proposed agreement to the Committee. Argo AI LLC (Argo) is a robotics and self-driving artificial intelligence software development company. In exchange for a \$2,170,202 CCTC, Argo has committed to a net increase of 158 full-time employees and an investment of over \$15 million. The jobs Argo is committing to create are all in the classification of software engineer.

Created in 2017, Argo is working to develop the technology for fully autonomous cars by focusing on Society of Automotive Engineers (SAE) Level 4 technology. SAE Level 4 technology is the level of autonomy where the autonomous car does not need any driver attention, for instance, allowing the driver to safely go to sleep. Argo is based in Pittsburgh, Pennsylvania and has engineering hubs in Dearborn, Michigan, Princeton, New Jersey, Mountain View, California, and at its headquarters in Pittsburgh, Pennsylvania. Argo indicated in its application that it has only limited funding available for investment and local incentives are a material factor in deciding whether to expand in California, rather than other locations such as Pittsburgh, Pennsylvania where Argo has both its headquarters and an engineering research hub.

Ms. Akin indicated that Ming Su, Argo's Director of Finance, Jen Honick, Argo's Head of People Operations, and Tanya Erbe, a consultant with BDO, were available by phone to address any questions the Committee might have.

Member Janis stated that she pulled this item because she is concerned. With this credit, the Committee will have given a sixth credit to companies doing research in automation. She asked if there is any research being done regarding the jobs that will be displaced by increased automation.

Chair Koch stated that while this technology is transformative in nature, the future is uncertain. There are people studying this issue right now. He said that there are similar, if not identical, concerns for the freight industry. Mr. Koch stated that the Governor issued an executive order for



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state agencies to develop a plan to transition the freight industry to zero, or near zero emission technologies and automation could play a role in this transition. As part of the plan, GO-Biz, along with the Labor and Workforce Development Agency, are studying this very issue and determining the type of skills the workforce will be required to have in the future as a result of new technology such as automation.

Ms. Akin indicated that with respect to Argo, they will be moving forward with the development of this technology and the creation of these jobs regardless of the credit, and it is simply a matter of ensuring these jobs are located here in California, rather than at one of Argo's other engineering hubs in Pennsylvania, Michigan, or New Jersey.

Ms. Janis asked if Argo could provide a job impact analysis. She also asked if there is a transition plan for existing employees related to their vehicles and what kind of vehicles is Argo developing. Mr. Su stated that Argo is developing driverless technology for many vehicles, but is starting with passenger vehicles.

Ms. Janis asked if Ford Motor Company is a customer of Argo. Mr. Su said yes, Ford is a customer.

Ms. Janis asked why Argo wants to be in Silicon Valley. Mr. Su responded that there is a lot of talent to tap into here. He also said that California also has laws that enable testing of the technology.

Ms. Janis asked if Argo would still come to California if it did not receive this credit. Mr. Su said it would be on a much more limited scale. Argo currently has a small presence in California but it is looking to expand that.

Ms. Janis asked if it is looking at the job impacts of this technology. Mr. Su stated that this is a difficult question to answer because although some jobs are eliminated, other jobs are created.

Ms. Janis asked what the new jobs would be. Mr. Su stated that map-building, vehicle operators, and safety operators would be some examples.

Ms. Janis stated that she is wondering if the CCTC program could create, before awarding any more automation companies, some sort of protocol that addresses the job creation goals the program wants to achieve in California. Chair Koch asked Ms. Akin to look into the statute to see how that fits. Ms. Akin stated that she will look at what is able to be done in relation to the statute.

Chair Koch called for public comment.

Matt Broad, Legislative Advocate at Broad & Gusman, LLP indicated that he was representing the Teamsters and stated that he echoes the concerns about automation taking away jobs. He suggested that there needs to be consideration of the serious potential of job displacement that may result from this technology.

Chair Koch asked Mr. Broad if he was aware of the sustainable freight initiative through the Governor's Office. Mr. Broad stated that he is not. Mr. Koch said that GO-Biz would coordinate with him and give him the information after the meeting.



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Jassy Grewal, from the United Food and Commercial Workers Union, asked that the matter be tabled for further discussion. She recognized that automation is not going away but would like to see investments in this industry balanced with resources and partnerships that provide retraining opportunities for displaced workers.

Member Wong-Hernandez stated that this is a company that is developing a technology that will be sold to companies for their use. She asked how a third party fits into the union's vision. Ms. Grewal stated that the union is not targeting the company itself. She said it is more about the issue overall and thinking about how union members will be retrained.

Ms. Wong-Hernandez asked Ms. Grewal what she would like to see if we tabled this for a later date. Ms. Wong-Hernandez asked for clarification of what the Committee would have at a later date that it does not have now that would assist in the Committee's evaluation of this credit award. Ms. Grewal indicated that she did not have specifics, but would like to see more studies of the issue of job displacement including plans on how to retrain any displaced workers.

Member Schaefer stated that he will support the committee's action with some degree of trepidation. He stated that there has to be a judgment call made, and he supports the item with the understanding that there will be future exploration of potential impact of automation on workers.

Mr. Koch asked Ms. Grewal if she was aware of GO-Biz's sustainable freight efforts. Ms. Grewal indicated that she was not and Mr. Koch stated that GO-Biz would follow-up with Ms. Grewal after the meeting.

Chair Koch called for any additional questions or comments from the Committee or public regarding Agenda Item D-6. Hearing none, he requested a motion to approve Agenda Item D-6.

**Action Moved/Seconded:** Members Wong-Hernandez/Schaefer

**Yes:** Members Koch, Janis, Schaefer, Wong-Hernandez, Zapata

**No:** None

#### **D-12. Conduent Commercial Solutions LLC**

Chair Koch called for any questions or comments from the Committee or public regarding Agenda Item D-12.

Member Janis asked about a past controversy with the facility in New York. She indicated that there were newspaper articles suggesting that employees interacting with Spanish-speaking customers were paid less than those who interacted with English-speaking customers. Ms. Janis also said that there was an allegation that certain employees may have been illegally fired for trying to form a union.

Keith Krueger, Conduent Commercial Solutions LLC's (Conduent) Vice President of Tax Operations, stated that he was not aware of the newspaper articles or allegations Ms. Janis was referring to and as a result was unable to comment at this time. He asked that Ms. Janis forward the articles to him



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and indicated that he would follow up on that issue. Todd Crouse, Conduent's Director of Regional Operations, stated that all employees go through ethical training and that he is not familiar with those specific allegations.

Chair Koch asked Deputy Director Akin if she ran a due diligence search for the applicant and if any issues were raised. Ms. Akin confirmed that the CCTC team performs due diligence searches to identify any lawsuits or other legal issues involving companies recommended for award of the CCTC. She confirmed that such a due diligence search was performed with respect to Conduent and the CCTC team did not come across this information or any other legal issues during its due diligence search. Ms. Akin indicated that if any issues were identified during this due diligence process, she would have reached out to the company to discuss or resolve the issues before recommending the company for award of the credit.

Ms. Janis asked if there is a way to approve the credit, but before executing, do some more due diligence. Ms. Akin stated that it would be difficult with the end of the fiscal year approaching. Ms. Janis indicated that she would vote to approve the agreement with the understanding that the company would provide additional information to the Committee regarding these issues. Ms. Akin confirmed that GO-Biz would follow up with Conduent to address these questions.

Member Schaefer indicated he was supportive of approving this agreement based on GO-Biz's explanation of its due diligence and legal review process performed during its application review process.

Chair Koch called for any additional questions or comments from the Committee or public regarding Agenda Item D-12. Hearing none, he requested a motion to approve Agenda Item D-12.

**Action Moved/Seconded:** Members Wong-Hernandez/Zapata

**Yes:** Members Koch, Janis, Schaefer, Wong-Hernandez, Zapata

**No:** None

**D-13. S&E Gourmet Cuts, Inc.**

At the request of Chair Koch, Deputy Director Akin elaborated on Agenda Item D-13. Ms. Akin described the company and the proposed agreement to the Committee. Created in 1977, S&E Gourmet Cuts, Inc. (S&E) is a family owned company that manufactures beef and turkey jerky, meat bars, and meat sticks.

In exchange for a \$950,000 CCTC, S&E has committed to a net increase of 50 full-time employees and an investment of over \$15 million. The jobs S&E is committing to create are in classifications such as: manufacturer, manager, and director.

S&E is currently located in San Bernardino and is considering three locations for its expansion: California, Texas, and North Carolina. S&E indicated in its application that as part of their



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recruitment efforts, both North Carolina and Texas have offered it incentives if it moves its operations to those states.

She then introduced Jeremy White, S&E's Chief Financial Officer, who was available to address any questions the Committee may have.

Chair Koch called for any questions or comments from the Committee or public regarding Agenda Item D-13. Hearing none, he requested a motion to approve Agenda Item D-13.

**Action Moved/Seconded:** Members Wong-Hernandez/Zapata

**Yes:** Members Koch, Janis, Schaefer, Wong-Hernandez, Zapata

**No:** None

**G. Public Comment**

Chair Koch called for questions from the public. There were none.

**H. Adjournment**

Chair Koch adjourned the meeting at 12:02 p.m.