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**CALIFORNIA VENDORS  
POLICY COMMITTEE  
(CVPC)**

**Meeting Minutes  
February 15<sup>th</sup>, 2007**

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## CALIFORNIA VENDORS POLICY COMMITTEE Meeting Minutes

Meeting commenced at 9:10 am, Thursday, February 15, 2007.  
Location: Ronald Reagan Building, Los Angeles, California

### INTRODUCTION/CELL PHONE CHECK

Chair Hatch began the meeting by stating there was a closed session scheduled at 10:00 am. Only the CVPC delegates, CVPC Executive Secretary, and the Recording Secretary would be in attendance to this special meeting. The closed session (authorized by Government Code 11126) was placed on the agenda to address some of the legal issues that may need legal resolution. The regular CVPC meeting would reconvene at 10:30 am.

Chair Hatch reiterated the rules of participating in the meeting, including requesting that all cell phones be turned off during the meeting.

### ROLL CALL

Chair Hatch called the meeting to order at 9:10 am. He began the meeting by taking a roll call of attendees.

The meeting was in compliance with November 1995 Motion 95.212 disclosure requirements for delegates. There were **ten (10) delegates** in attendance which satisfied the requirements of a Quorum.

Delegates in Attendance:

<b>District</b>	<b>Delegate</b>	<b>Location</b>
District 1	Tom Evans	Agnes Developmental Center and Main Processing Center (Post Office) in San Jose. (Facility 704)
District 2	Joe Murphy	Turlock Roadside Rest Area, Turlock, CA (Facility 756)
District 3	Steve Adams	Folsom State Prison, Folsom, CA (Facility 863)

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District 4	Reese Griffith	Cal Pers Public Retirement System in Sacramento (Facility 697)
District 5	Michael Hatch	Concoran State Prison
District 6	Jeana Martin-Hanlon	California State Men's Prison in Lancaster, California
District 7	Harry Begian	Cal Trans, Los Angeles, California
District 8	Jack Bedikian	Bulk Mail Center – U.S. Post Office in Bell City, California
District 9	David Collins	California Rehabilitation Center in Norco, California
District 10	David Hanlon	Dave's Snack Bar in Spawar (San Diego)

The CVPC welcomed newly elected **Delegate Steve Adams** to the committee.

## **INTRODUCTION OF STAFF AND GUESTS**

**John Westbrook** – BEP Program Manager

**Steve Miller** – Assistant BEP Program Manager.

### **Representatives from the Los Angeles Field Office:**

Jerry Faustinos  
David Norris  
Arthur Gresham  
Tim Cole

**Janis Friesen** - CVPC Executive Secretary

### **Guests and BEP Vendors:**

Juan Aquilar

Elias Thomas

Jay Narang

Naresh Balani

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Sandy Balani

Michael Dowling

Steve Webb

Roy Harmon - BEP vendor that operates a roadside rest area in the Oceanside/San Diego area (Location 745).

Hazel Harmon – wife of Roy Harmon.

Nicole Smith – CVPC Recording Secretary

### **MINUTES – Recommended Action**

**Approve the minutes of the CVPC meeting held on December 7, 2006.**

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**MOTION 2006.044.** Moved that the committee accept the minutes of the December 7, 2006 California Vendors Policy Committee meeting and the Responses to the motions for the December 7, 2006 as distributed.

**Moved:** Delegate Griffith  
**Seconded:** Delegate Martin-Hanlon  
**Vote:** Passed Unanimously

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**Reading of the CVPC Motions and BEP Responses of December 7, 2006 Meeting.**

Only the motions that had DOR responses were read.

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**MOTION 2006.041.** Moved that any vendor who is displaced from his/her facility through no fault of their own, such as in the closing of a roadside rest for remodeling that would take several months, should still be viewed as an active vendor by BEP so that they will continue to receive medical and retirement benefits while the facility is closed down.

**Moved:** Delegate Murphy  
**Seconded:** Delegate Begian  
**Vote:** Passed Unanimously

**DOR Response to Motion 2006.041:** The DOR agrees. Vendors displaced under these circumstances will continue to receive medical and retirement benefits while the facility is closed.

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**MOTION 2006.042.** Moved that CVPC sponsor an Educational Conference in 2007 to be held in San Diego.

**Moved:** Delegate Bedikian  
**Seconded:** Delegate Hanlon  
**Vote:** Passed Unanimously

**DOR Response to Motion 2006.042:** The DOR fully supports CVPC's sponsorship of an Educational Conference to be held in San Diego in 2007.

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## EXECUTIVE OFFICERS REPORTS

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### Report of the Chair

#### Action Items from the December 7<sup>th</sup>, 2006 CVPC Meeting:

**Action Item:** Chair Hatch highly suggested to all subcommittee heads to have their meetings scheduled soon after each CVPC meeting. It would help tremendously in meeting the different project deadlines set throughout the year. He also challenged the subcommittee chairs to utilize a standard meeting form to track motions, votes, action items, etc. It would also make it easier for the next CVPC committee members to track and continue active and pending projects. The next subcommittee chair would be able to carry on the work of the past subcommittee.

**Status Report:** Chair Hatch reiterated the use of the standard subcommittee form. He also urges subcommittee heads to schedule their meetings soon after CVPC meetings in order to follow-up on action items generated from the meeting.

**Action Item:** Mrs. Friesen will distribute the report form to all the delegates to be used in their smaller subcommittee meetings. Delegates would be able to track action items, motions and current projects and report these items at the next scheduled CVPC meeting.

On January 31<sup>st</sup>, the Executive Committee met with the Tony Candela. Listed below are the items that were discussed in the meeting.

**Regular Monthly Meetings** The Executive Committee will meet with the DOR Deputy Director, Tony Candela, on a monthly basis via conference call to discuss CVPC business.

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**Retirement Fund**

Union Bank will begin providing fund management services over the vendor retirement fund. The actual start date of the contract is still pending.

There were some discussion regarding the transfer of money and making changes to a retirement before the change over. Union Bank and Great West (the current contractor) are still negotiating the complete transference of responsibilities. During this period, there will be a freeze on the funds; vendors would not be able to make changes to their accounts for approximately 30 days. The current contract ends on March 31<sup>st</sup>.

There was some discussion regarding the role and responsibilities of the new retirement committee. Elected members remarked that they have not received any communication regarding new developments on the contract. They would like to educate the large vendor community on the different changes.

**Collection of Delinquent Fees**

Chair Hatch clarified that the DOR's strategy in the collection of delinquent fees will be to concentrate on those vendors who owe the *most* in delinquent fees first.

**Getting Reports on Time**

Chair Hatch will need required reports from the DOR in a timely manner in order to have sufficient time for analysis and to be able to give a full report to the CVPC. Mr. Westbrook has assigned Marty Fay to give the CVPC any requested reports upon request.

**Action Item:** Mr. Westbrook recommended giving him a list of all the reports required by the CVPC and he will make sure they are forwarded to Mrs. Friesen for distribution. He indicated the Interim Location and Delinquency Reports are available for review and he will forward them to Mrs. Friesen after the meeting.

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Chair Hatch reiterated that the reports are important in order to keep the CVPC abreast of BEP business issues, keep on track with pending projects and continue to maintain active participation between the CVPC and DOR.

Mrs. Friesen will continue to delete names and other confidential information from the Delinquency Report to protect the privacy of vendors.

**Bi-Annual Report**

Mr. Westbrook confirmed that the CVPC will get the most current bi-annual report.

**Vendor Loan Program**

Delegate Hanlon reported on the status of the vendor loan program. Currently the law is being revised by Dan Kysor, from the California Council of the Blind (CCB). Mr. Kysor will schedule a meeting with the Executive Committee to review the revised law AB959. The DOR is still pursuing the plan which would give them more flexibility in managing the loan program.

**Recording Tapes**

Mr. Miller confirmed that the reproduction tapes are working fine.

**CVPC CLOSED SESSION MEETING – 10:00 am**

Chair Hatch reiterated the confidentiality agreement to those delegates and others that attended the closed session meeting.

After the closed session the CVPC, DOR staff and guests reconvened at 10:30 am.

**Report of the Vice Chair**

**Report on BAC Meeting:** Chair Hatch and Delegate Griffith attended the last BAC meeting. Chair Hatch expressed his concerns regarding several recommended actions made during the BAC meeting that were going to be submitted to the legislature for review.

The two main issues that were discussed were (1) partnering concerns between the BEP and DOD, and (2) the continued development of large cafeteria locations. The BAC committee felt

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the partnership between the BEP and the DOD was not in the spirit of the Randolph-Sheppard Act and therefore this relationship should be avoided. Both issues have direct impact on the BEP program. Chair Hatch and Delegate Griffith were able to give input on these two issues and provide some insight from a BEP vendor's perspective.

Chair Hatch reiterated the importance of getting involved and attending some of the BAC meetings. The BAC develops a bi-annual report which summarizes the recommendations made throughout the year. The report is required by law (SB105) and is submitted to the legislature for review. The SB105 was a law that established the Blind Field Services as their own entity which reports directly to the legislature. The BAC report addresses recommendations and program improvements concerning the Orientation Center for the Blind and the BEP.

Chair Hatch commented on Steve Miller's discussion and presentation at the BAC meeting. Mr. Miller explained the BEP's current position on the development of larger cafeteria facilities and lead the discussion on the pros and cons of such an investment in these types of BEP locations. It is important that the program invests in the right locations and make wise choices to help promote better financial returns for the vendor and program.

Delegate Griffith remarked that the DOR is a vast organization with many services and programs. Gary Kuwabara, the acting Director of the DOR, gave some perspective on the DOR's budget which appears to be financially sound. A new Director will be appointed in the next several months. John Westbrook gave the BAC committee an overview of the BEP program and a report on the current training class which is scheduled to graduate in May 2007.

Dan Kysor, from the CCB, has been placed in charge of rewriting the bill concerning the Vendor Loan Program which will give the DOR additional flexibility in managing and operating the loan program. The new bill is AB959. It is still pending. The Executive Committee will contact Dan Kysor to get an update on the new bill and expected date of submission to the legislature.

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**Status on enhancement proposal to Randolph-Sheppard Act:**

Delegate Hanlon gave a brief overview of the political arena regarding the Randolph-Sheppard and the many grassroots efforts at the federal level to try and eliminate the program for the visually impaired. There is a great concern regarding the pending actions against the law. These efforts could potentially affect all vendors on federal and military contracts. More challenges to the Randolph-Sheppard Act have developed due to the economic climate and pending federal cutbacks. The RSVA and other major blind organizations have enlisted a new and dynamic lobbyist to lead the efforts in protecting the interests of the visually-impaired. She is confident in making progress and wants to eliminate threats to the law.

It was stated that the vendor community grosses approximately \$650 million in sales a year. Because of the economic environment, federal agencies need to find and increase additional revenues and legal analysts are seeing more and more contracts being awarded to privately owned companies (i.e., Marriott). Also there will be changes in the way contracts are handled by the DOD; most contracting decisions will be made by a "controller". If the trend continues, other federal agencies may follow suit, directly affecting federal contracts and vendors on these locations.

At the last Stagebrush event in Las Vegas, Delegate Hanlon reported that several representatives gave speeches about the current efforts to modernize the Randolph-Sheppard Act. He urged blind vendors to get involved, stay informed of new developments and to continue to keep their congressional representatives educated on the value of the law and the program. Delegate Hanlon also mentioned Steve Levi who represents US Postal Services on Randolph-Sheppard related issues, gave an in depth analysis and USPS position on the issue of food services in post office facilities.

Delegate Hanlon has been working on a project to enhance the Randolph-Sheppard Act. One idea that is being explored is transferring the program from the Department of Education to the Department of Commerce. He noted that the Department of Commerce is more familiar with the SBA and this relationship may provide even more opportunities for blind persons to bid for other types of contracts, in addition to food service contracts. The Department of Commerce appears to have a better business acumen towards programs like the BEP and this relationship may prove

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beneficial in expanding the Randolph-Sheppard priority to other contracts.

Delegate Hanlon also mentioned that there is a convention for the visually-impaired occurring in April in Sacramento in which Bob Humphreys will be in attendance. He is one of the leading attorneys and authorities that will be advocating the Randolph-Sheppard law and will be lending his support and expertise in Washington.

Jerry Faustinos gave some of his first impressions of the program since starting his new role as BEC several months ago. He remarked that he feels there is a legislative attitude to diminish the spirit of the Randolph-Sheppard Act. He has already seen 2 BEP facilities lost from the program. Since being in his new role as a BEC, he has made some keen observations and noticed areas of improvement. He would like to see more promotion of the BEP program with a greater effort to implement effective growth strategies. He would like to see the CVPC and DOR work more as a team to promote growth and to leverage each others strengths in business and marketing to improve the program. In Los Angeles County alone, he is seeing many opportunities for program expansion and BEP location development. He also sees a need to aggressively sell and market to building and property managers the benefits of using a program like the BEP. Everyone should be held accountable for the success of the program which will require an extra effort to look for new opportunities and to develop quality locations for new vendors coming into the program.

Delegate Hanlon mentioned that Senator Torlakson has announced his position on the senate bill that he introduced mandating that 50% of food items in vending machines on state property meet certain "healthy food" requirements. He has openly stated that he will reintroduce the bill but is willing to meet with various groups to hear different positions **for and against** the bill. The CVPC will continue to monitor any progress on the bill and will report developments back to the vendor community. There are many groups in the food industry that are closely watching the bill as well. Delegate Begian will lead the task force and is in the process of developing a solid position to address this issue.

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## Report of the Secretary-Treasurer

Delegate Griffith reported that there is approximately \$9532 in the account which earned \$6.41 in interest.

### **EXECUTIVE SECRETARY'S REPORT— Janis Friesen**

Janis Friesen read a recent email from Mr. Candela regarding the Trust Fund.

“The Vendor Set-Aside Fund is officially named the Vending Stand Fund - **VSF**. As you are aware the vendors remit a certain percentage of earnings to the VSF. The VSF is used for renovations, repairs, etc. for vendors' sites. The contributions to the VSF are used at the 21.3% matched to the federal vocational rehabilitation 78.7% share for the majority of items. However, per regulations some required 100% VSF.

Please see the table below that defines the **matcheable and non-matcheable expenses**. Staffing for the BEP program as well as operating expenses are paid 78.7% federal funds and the match of 21.3% is state general fund. There are VSF used to support the staffing and program operation. Worker's Compensation, Health and Dental, etc. that are contributions from the vendor community are received at DOR and are directly deposited to the identifying funds for those purposes.

Please let me know if you would further like to discuss this.

Candace Gilmore, Budget

#### **Matcheable Expenditures:**

Expendable behind the counter or in-kitchen property – New/  
remodeled existing location

Consumable property – new location

Consumable for public use

Accountable equipment – new/remodeled existing location

Installations – new/remodel existing location or roadside rest

Transportation and Storage – new / remodeled existing location

(must be a moving company with a license

Repairs and maintenance

Miscellaneous location costs

Management Services

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### **Non-Matcheable Expenditures:**

Initial stock loans  
Consumable products  
Liability Insurance  
Health and Dental premium  
Worker's Compensation Insurance

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Mrs. Friesen read another email response From Mr. Tony Candela:

“A question was raised at the December 2006 CVPC meeting about how set-aside money / vendor funds are matched with federal vocational dollars. A separate question about how California state general funds are matched with federal dollars was also asked. I would like to include that information.

For example, you will see that staff costs are ***not borne*** by any of the set-aside dollars but strictly state fund and federal VR funds. Many of the BEP infrastructure expenses are borne by a combination of set-aside and VR dollars and some general funds are used while awaiting the set-aside dollars to come.”

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Mrs. Friesen stated that “the CVPC is doing is very well with their budget so far.” Mrs. Friesen is a little concern regarding the budget for Office Supplie which may go over slightly this fiscal year.

Mrs. Friesen announced that there is a new employee in contracts, Luis Bermudez. His primary responsibility is to approve all of the BEP purchasing requests and issue a purchase order number for those requests. He was previously with Blind Field Services in Sacramento and was in charge of all of the procurement responsibilities for the counselors. He will be under the direction of Doug Sales in Contracts Department.

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## **DEPARTMENT REPORTS**

### **Financial Report**

Mr. Westbrook reported that there are problems with the trust fund and the DOR is looking a ways to increase income, including taking a stronger position on collecting delinquent funds. Steve Miller has been using Quicken to carefully track expenditures on equipment and repairs and on the day-to-day operation of the program. Mr. Miller is

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tracking all expenses and has created some reports that he will submit to the CVPC for additional input.

Mr. Westbrook remarked that he welcomes the CVPC's input and recommendations and the CVPC would be a great avenue to articulate the vendor community the status of the vendor trust fund. One area of concern is health care insurance which is a **non-matchable expense**. It is currently at \$651K and is a large expense that is rapidly affecting the fund. The health insurance premiums for each vendor (about \$400) comes directly out of the fund. In reality, Chair Hatch reminded everyone that vendors actually pay 100% of their health insurance which is actually paid out of the vendor trust fund.

Mr. Miller explained why the trust fund income has been decreasing drastically and may be attributed to certain trends over the years, including decreasing BEP locations coupled with decreasing building populations. Mr. Miller conducted a study that revealed that although overall gross sales may have increased over the years, payroll expenses and other business operating expenses has increased, causing vendor net income to decrease substantially. The program is experiencing less income than a few years ago which may be a direct reflection of decreased net business income which in turn affects P&Ls and vendor fee payments. There is also less BEP locations today than a few years ago.

The program spends **approximately \$1.1 million on repairs to equipment**. There are two parts of the fund that cannot be touched which is Worker's Compensation and Liability Insurance. These reserves are strictly used for these purposes only.

Mr. Westbrook gave a brief synopsis on the DOR's position and plan to rectify the loss income and improve the trust fund. The DOR is aggressively pursuing delinquent fee payments. The program could see immediate results to the trust fund with just implementing a solid fee collection policy. Another plan is to address the health insurance issue and rising premiums by increasing the vendors share of costs.

Delegate Hanlon remarked that BEP has to be more aggressive in location development and in procuring new locations. Mr. Westbrook stated that for a location to be viable, there needs to be a building population of at least 1600 people. Presently, there are just not enough buildings with this type of population available like in the

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past. Part of the responsibilities of the BEC is to find new location opportunities for the program.

Delegate Began commented that the “financial house of the program needs to in order first No matter how much money you bring in, if the pot has a hole, you will not gain anything.” The DOR is requesting input from the CVPC on solutions on how to fix the financial issues surrounding the trust fund. He feels the DOR is requesting advice from the CVPC who has the business expertise, so when there is additional income, it will accumulate, grow and there will be a reserve. The ultimate goal is to increase the program’s spending power.

Chair Hatch responded to Delegate Adams’ question regarding location announcements indicating net incomes of less than \$1300. Chair Hatch indicated that the CVPC elected to eliminate all secondary locations along with re-circulating interim locations that have exceeded the 6 six months limit and that were not paying fees.

Mr. Westbrook added that BECs work closely with vendors to create a business and financial plan in an effort to increase net income. Before a vendor resigns from his or her facility, all avenues are explored. There are times where a vendor resigns and just simply “cannot do it anymore”. He explained that the estimated income versus the actual income indicated in the location announcements may vary. The **DOR’s estimated income** for the location factors: (1) the existing building population, (2) potential sales volume (based on the building population) and (3) potential labor costs (based on estimated volume). Mr. Westbrook remarked that the DOR estimated net income for a BEP location is often “very conservative”.

**Action Item:** Mr. Westbrook and Mr. Miller will research the two interim locations in Los Angeles County and why they have not been closed upon the recommendation of the CVPC. Mrs. Friesen remarked that a motion was passed concerning the locations in July 2006. (See below)

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**MOTION 2006.031.** Moved that in reference to **facility 6-458-C**, Superior Courts Building, Pasadena, CVPC recommends BEP Program Manager request that LA County provide a subsidy to make this a viable facility for a BEP vendor and/or move the facility to the first floor making is a wet vending stand. If the LA County does not

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agree to either solution, then CVPC recommends closing facility 6-458-C.

**Moved:** Delegate Fields (Alternate for Delegate Begian)

**Seconded:** Delegate Evans

**Vote:** Passed Unanimously

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**MOTION 2006.032.** Moved that in regards to **facility 6-256-C**, Juvenile Hall, and the two Department of Public Social Services buildings, CVPC recommends BEP Program Manager request LA County give BEP vendor operating that Business Enterprise a subsidy. If the county does not agree, then CVPC recommends closing facility 6-256-C.

**Moved:** Delegate Fields (Alternate for Delegate Begian)

**Seconded:** Delegate Martin-Hanlon

**Vote:** Passed Unanimously

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Mr. Miller requested a report on how the DOR will begin auditing vending machine contracts to ensure proper payment of commissions. The DOR will begin a pilot program to start auditing some of the local vending machines in the Sacramento area. After an assessment of the pilot program, it will be expanded to other areas of the state and perhaps have the BECs perform some of the random audits. The five major components of the program consists of:

1. Checking the vendor for compliance to the contractual agreement and that they are providing the required services.
2. Performing random site inspections
3. Reviewing the commissions being reported and conduct a comparison with other vending machine sites with similar machines and operations.
4. Conducting building satisfaction survey to ensure contractors are providing adequate services and meeting the needs of the building patrons.

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5. Conducting a fiscal audit directly from the machines and analyze the actual sales vs. reported sales. The DOR would like to utilize the technology available to conduct these audits.

Chair Hatch commented that by making the reporting of non-resetable sales and random audits **mandatory**, and by inserting this language in the vending contracts, could help act as a deterrent against fraud.

Roy Harmon reported that Doug Sales, Chief of DOR Contracts, seems to be in favor of the new technology to help monitor vending machine sales and commissions.

There are many vendors who have been asking whether or not the program is receiving and collecting all of the commissions. Chair Hatch mentioned that once a consistent auditing system has been implemented, the program may also find other vending machines that have “slipped under the radar” or that have not been reported.

Once the auditing system is in place, Chair Hatch recommended that the DOR start researching having the health insurance premiums paid out of a different fund, perhaps the vending machine commission fund. This could potentially help increase the vendors’ trust fund and thus increase the program’s purchasing power.

Mr. Miller would like to start the pilot auditing program immediately and evaluate it in several months to see if there is a direct affect on commission revenue. After the evaluation, the DOR will report the successes and any needed improvements to the program. Delegate Adams would like to see the DOR eventually audit the vending machines for competitive pricing. Delegate Murphy suggested exploring the pricing issue in a subcommittee for further review and bring a motion to the larger committee at the next scheduled CVPC meeting.

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**MOTION 2006.045.** Moved that the BEP manager shall instruct staff and DOR contracts department to institute immediately the following policy in all BEP vending machine contracts, new and those being renewed in the future. (Language to be projected) All contractors when reporting their monthly vending machine commissions to BEP shall report for each machine under contract, sales and meter readings (non resetable), commission and percentage for the final collection for each reporting period to BEP. These meter readings

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shall be continuous. If any readings from the reporting of commissions are found to be false or incorrect at any time of audit or verification, the cancellation of all of that company's contracts may occur.

\*Intent; CVPC wishes language similar to this to be instituted however; a draft of the proposed supportable legal language should be presented to CVPC for its review prior to being placed in contracts. CVPC respectfully requests that the BEP Program Manager have this proposed language no later than 45 days from the receipt of this motion.

**Moved:** Delegate Griffith  
**Seconded:** Delegate Adams  
**Vote:** Passed Unanimously

District One – Yes  
District Two – Yes  
District Four – Yes  
District Five – Chairperson  
District Six – Yes  
District Seven – Yes  
District Eight - Yes  
District Nine – Yes  
District Ten - Yes

**(This motion in accordance with the Bylaws required a 2/3 vote to be heard) (Vote to hear the motion carried unanimously.)**

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### **Legislation/Regulations Report**

Mr. Westbrook remarked that Charles Nunn has been working diligently on the Regulations and is currently writing all of the justifications. He has kept the lines of communications open between all parties involved and has received feedback from the CVPC, DOR and Legal. Mr. Westbrook noted that Mr. Nunn should have everything completed by June 2007. He has been very impressed with the progress on the Regulations update project. Once the package is complete, it will go to Legal for review.

### **Program Manager's Report**

Mr. Westbrook and Mr. Miller are working on the Strategic Plan which should be completed soon. The package was sent over to Mr. Nunn

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for additional input and he added some recommendations. The draft will be submitted to the CVPC for review and for additional comments before the final version is completed. Mr. Westbrook was hoping to have it at this CVPC meeting in order to distribute to the committee.

Larry Iniguez received a promotion and has left the DOR. His position is currently being advertised. Mr. Westbrook expects to fill the position as soon as possible. The BEC list is currently depleted. Mr. Westbrook would like to see some strong, experienced BECs go after the position. The position is currently being advertised on the State of California personnel board [www.spb.ca.gov](http://www.spb.ca.gov). All of the information regarding the position, including exam dates and required forms are on the site. There has been no expected fill date for this open position. Mr. Westbrook will begin the interview process as soon as he receives some applications. It is a top priority for him to get this critical position filled as soon as possible.

Mr. Westbrook is still recruiting for an administrative support person for the department. He looks forward to having someone in place soon.

Mr. Westbrook confirmed that Bill Shirah is not leaving the DOR. There has been rumors of his departure; this is completely **untrue**. Mr. Westbrook reported that there are 7 trainees in the current training class and all of them are doing very well in the program and are expected to graduate in May 2007.

Steve Miller reported on the collection effort of the DOR on delinquent accounts. The number of vendors who owe fees have increased from 31 (owing \$188K) to 55 vendors (owing \$222K). He noticed another area where vendors should be aware of on their P&Ls and that is the "Miscellaneous section". Vendors should make sure it is completed correctly.

He emphasized an important point regarding the set-aside fund - **every \$1000 of income generates \$5000 in matching trust fund dollars**. Mr. Miller is already seeing some successes with the new collection policy but indicated that the program has a long way to go.

Mr. Miller submitted a draft copy of the proposed repayment plan for vendors who are delinquent in their fee payment. It details the criteria and eligibility requirements for the repayment plan. Mr. Miller would like the CVPC to review the plan and submit

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recommendations. The proposal has been placed in the Fiscal subcommittee for review. Since the policy has been implemented, The DOR has received only two letters from vendors who have past due delinquencies and wanted to institute a repayment plan. He has also seen an increase in P&L reports being submitted and incoming delinquent fee payments from vendors. Late P&Ls have decreased in effect of the policy. BECs are doing their part in the collection efforts by sending out letters to their vendors for late P&Ls.

The only drawback with the implementation of the collection policy is working within a system that has limited resources and personnel to handle such a project. Mr. Miller anticipates that improvements and additional resources will be needed to monitor this collection activity. The main issue for the DOR is prevention, being proactive and to correct the problem before it escalates into a larger delinquency. Chair Hatch reiterated the importance of being fair and applying the law equally.

Mr. Miller repeated that vendors should notify the DOR by March 31<sup>st</sup> to establish a repayment plan. If the agreement is broken, Mr. Miller believes that the collection activity will be escalated to the Franchise Tax Board as a last resort to collect the delinquent funds.

Mr. Westbrook along with some of key staff members met with some landscape architects from Cal Trans to discuss the continued development of roadside rest areas. Cal Trans is very involved in the aesthetics of the roadside rest areas. The DOR tried to make some efforts to replace some of the more expensive kiosks structures with inexpensive portable units. Cal Trans rejected the DOR's offer. Another meeting has been scheduled on March 12 in Sacramento to meet with higher ranking representatives from Cal Trans to further discuss the DOR's development proposal. The DOR would like to proceed with the development of the roadside rest areas which has been placed on hold because of a lack of funds. The DOR is trying to present other cost effective, alternative options to get these roadside rest projects back on plan.

**Action Item:** Mr. Westbrook will give Mrs. Friesen and the CVPC a copy of the list of roadside rest areas that are planned for development within the next 2 years.

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## COMMITTEE REPORTS

At the beginning of each subcommittee section, there will be a reading of action items from the December 7<sup>th</sup>, 2006 CVPC meeting)

### GRIEVANCE—Delegate Martin-Hanlon

**Action Item from 9/2006 CVPC Meeting:** Mr. Westbrook will notify Legal to forward any new and pending grievances directly to Delegate Martin-Hanlon so she would able to make full and complete reports to the CVPC.

**Status:** Mr. Westbrook remarked that Legal has reported no new grievances since the last meeting. Per the request of the Chief Legal Counsel, all grievances are to be forwarded to Mrs. Friesen first, to the Grievance subcommittee head.

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**Action Item from December 7<sup>th</sup>, 2006 Meeting:** Mr. Candela will request from Legal more detailed information regarding the status of this case and what is the ultimate goal from this DOR/GSA arbitration.

**Status: An email from Tony Candela stated:** “An Arbitration hearing is scheduled between Zellickson and DOR with regard to DOR’s actions or inaction on pursuing GSA, after GSA refused to follow the ALJ recommendations after the initial DOR challenge to GSA which DOR won. After this matter is cleared a second DOR versus GSA action may take place. I am not sure if we have received permission from AG to pursue GSA or if we will until DOR/Zellickson arbitration mentioned above is completed.”

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### Report on Pending Grievances

Mr. Westbrook reported on the status of Ron Long’s pending arbitration with the Navy. The negotiations with the Navy did take place with the DOR. The Navy is treating 2 of the 5 locations as 1 location which are being serviced out of the same warehouse at Point Loma. The two locations together would be a viable BEP location. DOR position is to pursue the 2 locations.

Pending the outcome of the Navy/DOR decision, Mr. Long along with FSI is to be submitting a proposal to the Navy. Mr. Westbrook does

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not know of Mr. Long's intentions about pursuing the Navy locations but suspects he is still interested if the offer is reasonable.

If Mr. Long is not interested, the DOR would have to quickly select a new vendor capable to step into the location. Mr. Long with his teaming partner FSI, are already prepared to step into and operate the location with little to no disruption in service.

## **FISCAL —Delegate Collins**

**Action Item:** Mr. Westbrook will follow-up with Accounting to see if there is a way to streamline or improve the letters that are sent to vendors. Chair Hatch pointed out that the report is not an easy to read communication for a visually impaired person.

**Status:** Mr. Miller noted that the reports are generated from an old system. All delegates agreed that the report is lengthy in addition to being difficult to read. The CVPC hopes that the Accounting Department will continue to find ways to improve and streamline the report.

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**Action Item:** Mr. Candela recommended inviting the Chief Financial Officer to the next CVPC meeting in order to provide a coaching session about how the federal and state matching funds work. It may have to be via conference call because the CVPC meeting will be in LA.

**Status:** Mr. Candela sent the CVPC additional information clarifying how matching funds worked which was discussed earlier in the meeting. Mr. Miller gave a detailed presentation at the last December 2006 meeting on how state and federal funds were matched as well.

**Follow-up Action Item:** Mrs. Friesen will extend an invitation to the CFO for the next 2-day CVPC meeting in Sacramento.

### **A. Status Report on BEP Budget Information**

Mrs. Friesen read an excerpt of the Strategic Plan:

“BEP has established a budget process that provides an estimate of all expenditures that will be charged to the vending stand fund. This is a three year rolling plan that is revised at

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the end of each year. Adding a year so that it always projects BEP funding means for a three year period. This budget does not include staffing needs for BEP and operating expenditures, as the budgets for those activities are contained in the DOR departmental budget. This process ensures that adequate funding is available from the vending stand fund for BEP plans to abstain and improve vending facilities. The 3-year budget includes the following:

- ◆ A vending stand fund balance for the current year and the next two years.
- ◆ Projected expenditures from the vending stand funds for the current year and next two years.
- ◆ Projected revenues from fees paid into the vending stand fund for the current year and the next two years.
- ◆ Preliminary budgets for each projected new and each projected remodeled facility scheduled for the 3-year period.

The most current plan is available from BEP upon request.

**Action Item:** Mr. Miller is currently working on the 3-year budget plan. He made some additions to the Strategic Budget Plan for BEP. He will be working on this project in March and will forward a copy to the Fiscal Subcommittee for review.

Delegate Collins highly recommended that the CVPC continue to pursue the health insurance dilemma that is drastically affecting the vendor's trust fund and the program's purchasing power and potential growth. Delegate Begian also agreed about the urgency of addressing this health care issue before the trust becomes depleted. Mr. Miller added that the \$651K that is currently spent on health insurance premiums represent **43.3% of the total revenue this year out of the trust fund.** About 1 ½ years ago, health insurance premiums were approximate \$435K. Health insurance premiums are rising rapidly and at a much faster rate than inflation.

Delegate Adams recommended looking at the historical incremental increases. Michael Dowling recommended that the vendors who choose the more expensive PPO or POS plans, their share of costs should also be greater.

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Mrs. Friesen read the WI 19629 which summarizes the purposes of the set-aside fund.

“Retirement or pension funds, health insurance contributions or premiums, life insurance contributions or premiums to the extent of approved by federal rehabilitation services administration and provision for paid sick leave or vacation time are business related insurance. If it is so determined by majority vote of blind vendors, after the department provides to each vendor full information on all matter relevant to these purposes. The Department shall seek the necessary approval for expenditures of set-aside funds for life insurance contributions or premiums.”

**Action Item:** The health insurance issue has been placed in the **Vendor Benefit** subcommittee to explore various short- and long-term solutions to this growing concern.

**B. Mission Statement**  
No report given

**C. Annual set-aside charge exemption for 2007**  
No report given

**D. BEP/DOR plan for Delinquent BEP Vendors**  
Discussed in detail earlier in the meeting under  
“**Department Report**”

## **RULES — Delegate Hanlon**

### **A. Status of SB87 – Vendor Loan Program**

**Action Item from December 2006 CVPC Meeting:** Mr. Candela will follow-up with Dan Kaiser of CCB to get a status report on the SB87 revision project. Mr. Kaiser confirmed that he has received all the necessary materials to get started.

**Status:** Also discussed at length earlier in the meeting under the “**Vice-Chair report**”. Mr. Candela responded to this action item that, “CCB, Dan Kysor, reported at the

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February 8<sup>th</sup> Blind Advisory Committee meeting that CCB is ready to put forward a bill to the legislature.”

**B. Status on BEP Regulations.**

Delegate Hanlon has met with Mr. Nunn several times in regards to the Regulations. Mrs. Friesen has sent out drafts of the Regulations to subcommittee members and there are still flaws in the wording.

He mentioned that he has not been too impressed with the current turnaround times of getting the Regulations reviewed but he will continue to be very involved in seeing them completed.

**TRAINING/UPWARD MOBILITY—Delegate Murphy**

**A. Report on mentoring new vendors**

No report given.

**B. Report on training class**

Discussed earlier under the “Program Manager’s Report”. Seven (7) students are currently in the class and are performing well. The graduation date is May 30<sup>th</sup>, 2007.

Delegate Murphy suggested extending an invitation to the training class for the next CVPC meeting in May. It would be great to have the trainees learn about the purpose of the CVPC, its role and responsibilities and encourage involvement.

**C. Report on new vending module**

In April, Chair Hatch, Delegate Murphy and Paul Patche are scheduled to lecture the training class on vending machines and on effectively managing a vending machine route. They will also speak about a “day in the life of a BEP vendor”.

**D. Report on 2007 Educational Conference**

Mrs. Friesen reported that the contract is almost completed and is waiting for the Budget department to approve it. The hotel, meeting room, microphones and suite is estimated to be approximately \$2K. Food and Beverage for the event will be approximately \$3500 which includes a continental

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breakfast each day and the banquet meals. The event will be at the Red Lion Hanalei (name change May 1, 2007 to Crown Plaza) in San Diego.

Delegate Murphy gave an overview of the event and the special sessions planned during the training conference.

- ◆ The conference will be held over 3 days, Friday-Saturday-Sunday.
- ◆ On Friday there will be a Serv Safe training class facilitated by Bill Shirah.
- ◆ On Saturday, there will an intensive 3-hour workshop on the “**Tools for Success**” pertaining to a vendors business enterprise.
- ◆ The committee is planning to have sponsorship exhibits.
- ◆ There will be an auction and a request was made for donations and contributions for the auction.
- ◆ Vendors can expect a “Save the Date” communication soon.

He reiterated the great opportunity the conference brings, especially for networking. He encouraged all delegates to support the conference as it is another way to communicate to a wider vendor audience and address the needs and concerns of the program.

Mrs. Friesen read Delegate Bedikian’s subcommittee report which summarized the DOR’s approval and support for the CVPC Education Conference. He also summarized the roles and responsibilities of the subcommittee members with Delegate Murphy in charge of the organizing the speakers and presentation exhibits. It was agreed to charge a fee for sponsorship and exhibits at the conference.

Mr. Miller and Mr. Westbrook will also encourage as many BECs to attend and support the conference. CVPC will extend a formal invitation to BEP staff.

It was also recommended to have a representative from the Health and Human Services attend the conference and address the Healthy Food Initiative. Delegate Evans

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suggested having an session on how to interview for a location and what to expect during a selection committee.

The proposed dates for the conference is October 5-7<sup>th</sup>, 2007. October 8<sup>th</sup> is a state holiday.

The next subcommittee meeting will be on February 20<sup>th</sup>.

## **VENDOR BENEFITS AND REVENUE ENHANCEMENTS— Delegate Griffith**

**Action Item from the last December 2006:** Chair Hatch and Delegate Griffith will follow-up on the life insurance issue and try to come up with a motion to address this issue at the next CVPC meeting.

**Status:** Delegate Griffith and Chair Hatch will research this further and discuss with Jeff Dierks to see what the costs would be to increase the life insurance proceeds. They will also find out the fiscal impact to the set-aside and then follow-up with a detailed report with the advantages and disadvantages.

**Worker's Compensation/Health Insurance.** Jeff Dierks mentioned that they are trying to eliminate actuarial studies due to costs. They can cost up to \$9K each time an actuarial report is requested.

Many vendors have been contacting Mr. Dierks regarding their health insurance benefits and their premiums. There has been discussion regarding increasing the vendor's share of costs.

**BEP Retirement Plan.** Delegate Griffith contacted Great West, Brian Deeks, about the vendor retirement program. Mr. Deeks confirmed that the contract has been signed. Great West will continue to manage what is called "earnest money" for up to one year probably at their low money market rate. Earnest money is defined as "**all the money that has not been invested in mutual funds**". He encouraged delegates to educate their vendors that if their money has *not* been invested in mutual funds that their money will be placed in low-bearing interest rate fund, possible a money market account. However, money in a mutual fund will be transferred into a similar mutual fund.

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Union Bank is the new company that will take over the contract from April 2007. A firm contract date has not been established or communicated as of this CVPC meeting. Mrs. Friesen reiterated that there will be a “freeze period” when the contract has been transferred from Great West to Union bank. During this transfer period which will last approximately 30 days, vendors will be unable to make any changes to their retirement accounts. If they choose, it was highly recommended that vendors make sure their money is in a mutual fund before the contract change to ensure the highest yield.

After reviewing the current retirement contract process which has to be done every 5 years, Doug Sales gave some of his own insight on the contracting process when it comes to finding companies to manage the vendor retirement accounts. He sees a disruption of service every 5 years as the vendor retirement contract has to be re-circulated out to bid. He suggested another option which would give vendors more control over their retirement savings which would be to “1099” vendors and have them invest own their money in a retirement account or vehicle of their own choosing. Vendors would be in complete control of their own retirement futures.

### **QUALITY LOCATION DEVELOPMENT— Delegate Evans**

**Action Item from December 2006 meeting:** Mr. Westbrook will confirm with contracts if the program is currently receiving commissions from the Lawrence Livermore Lab.

**Status:** The program is not receiving commissions from the Lawrence Livermore Lab.

**Action Item from December 2006 meeting:** Mr. Westbrook will forward all solicitations to Mrs. Friesen so that the CVPC has an opportunity to re-review it before release.

**Status:** Mrs. Friesen did receive an email from Mr. Westbrook to Jenny Garcia requesting that facility announcements be forward to Mrs. Friesen. Mrs. Friesen will need to receive the announcements promptly to facilitate and ensure a quick response time for CVPC comments and recommendations.

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**Renovation plan for existing SRRA facilities.** Mrs. Friesen confirmed that she had received an initial list of roadside rest areas and she forwarded the list to all the vendors who had roadside rest area locations. She also made a special request to these vendors to pass this information along to other vendors as appropriate and who would be interested in the information.

Mr. Westbrook and Mr. Miller agreed that the notes from the Cal Trans meeting has to be reviewed and discussed further to ensure accuracy before placing the information on the CVPC website. The first roadside rest area on the list for development is Gold Run which is expected to begin in the Fall (October/November 2007). The roadside rest area development plan is scheduled until 2011.

Mr. Miller will inform the QLDC of confirmed location development dates and will have Mrs. Friesen post the information accordingly.

**Discussion New DOR facility.**

Mr. Miller gave some background behind the development of a BEP location at the new DOR facility. Because of the building population only being 450 people, BEP agreed having a coffee cart onsite with limited hours of operation along adequate storage and refrigeration. There are approximately 50 sites within walking distance of one or two vending machines in the downtown Sacramento area. The DOR will be spending approximately \$47K on the site itself and the vending machines that will be placed in the DOR headquarters. Mr. Miller anticipates that they will have to develop a solid logistical plan when purchasing these machines. The DOR is scheduled to move into the new facility in October 2007. Mr. Westbrook remarked that the BEP has been wanting to do these satellite locations but had a difficult time figuring out the logistics.

There was discussion regarding developing new locations and how they should be subject to the new facility minimum net income requirement. Mr. Westbrook clarified that the DOR established the minimum net income at \$2500. Delegate Adams responded that the California Necessity Index requires the DOR to use the CNI criteria when developing new locations where the net income must be at minimum of \$3K. Mr. Miller added that the BEP has exceeded that criteria; the DOR determines or bases the amount of a location's net income by the commissions and sales that are actually reported to the DOR. Mr. Miller has also noticed by conducting an analysis report that a location's net income and sales are often 1.5 times more

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than what is actually reported. The DOR is very confident that they are circulating locations that are generating net income that exceed the \$3K minimum.

Based on inflation and rising costs in regards to cost of living and health care premiums, Delegate Adams noted that the CNI should have increased.

**Action Item:** Delegate Adams will forward the information about the California Necessity Index to Mr. Westbrook. Chair Hatch highly recommended that the DOR look at this index to make sure location net income minimums are at par with inflationary increases.

**Discussion Pelican Bay State Prison** - Mr. Miller received a call from some representatives from Pelican Bay State Prison and are interested in snack bar/vending machine services. This prison was reporting approximately \$100K in sales a year.

**Action Item:** Mr. Miller will follow-up and is planning a site visit to the Pelican Bay prison to obtain more detailed demographic information to determine if this a viable opportunity for a vendor.

He remarked that historically when a BEP vendor manages the food service operations of a location, revenue tends to increase. He feels this would be a great opportunity for a vendor.

**Discussion Marysville Cal Trans** - There was some discussion regarding the development of the Marysville location. Mr. Miller confirmed that there is a building population of 766 people. It is slated to be a snack bar/grill location. The decision was to capture and attract some of the offsite traffic by instituting visible signage and extending some of the hours of operation into the evening and on weekends. Chair Hatch had questions regarding overcoming some of the potential challenges with this location especially catering to different clientele (both Caltrans employees and offsite traffic) in addition to providing a variety menu.

**Status of Federal Prison** - Steve Miller will be devoting more time to pursuing federal prison locations and anticipates working very closely with QLDC to prioritize and develop a strategic plan.

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Mr. Miller did confirm that in some federal prisons there is a requirement for a vendor to pay a fee into an inmate fund. Mr. Miller agreed that it is time to move forward on aggressively pursuing federal prisons.

**Action Item:** Mr. Miller would like to schedule a preliminary meeting with QLDC to discuss an action plan and priority list to begin approaching federal prisons. Delegate Evans fully supports developing a logistical plan to present to the CVPC.

Mr. Westbrook added that pursuing federal prisons will be a top priority for Larry Iniguez's replacement. There are currently 5 federal prisons in California on the BEP's priority list.

Mr. Westbrook remarked that Mr. Long is doing a great job at the East End location in Sacramento. He is now open on the weekends and evenings. The facility is a great commentary on the program. Mrs. Friesen added that local BEP vendors are there on the weekends in support of Ron Long who is always there and is very hands-on in every aspect of the operations. Mr. Long is very committed to financially turnaround the restaurant. Delegate Evans recommended scheduling a site visit to the East End restaurant, MVP's during Mr. Hopkins stay in Sacramento.

## **LA COUNTY TASK FORCE —Delegate Begian**

### **A. Status report on LA County contract.**

No movement has been made on the contract negotiations. Mr. Westbrook has not received any communication to date from LA County.

**Action Item:** Mr. Westbrook will research the Legal's findings on the details of the transference of county property to state control and management. Mr. Westbrook will get some clarification on this issue.

## **HEALTHY FOOD TASK FORCE —Delegate Begian**

Mr. Miller commented that the DOR will attempt to reconnect with some of the contacts at DHS and try to develop some marketing initiatives to help vendors promote and support the healthy food initiative. The DOR has expressed their desire to participate in the program and is willing to work with vendors. There needs to be a

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well developed, consistent plan, including an organized list of what is considered “healthy”. Some vendors would like a clearer definition. Adjusting to the changing needs of the marketplace, a majority of vendors in the program already offer healthier food choices for their patrons.

## **DISTRICT REPORTS**

Because of time constraints, Chair Hatch requested that delegates report on the most important and pending items.

**District 1** – No report given.

**District 2** – No report given.

**District 3** - Delegate Adams expressed the sentiment of some of the vendors in his district and their dissatisfaction with the existing service contract. He would like to see more CVPC involvement and representation in the development of these service contract.

**District 4** - Delegate Griffith reported that there were several selection committees in his district.

- ◆ Andy Brown was selected to operate the Department of Water Resources dry stand location.
- ◆ There is a new vendor at the DMV location, Glyn Burney and is doing a great job at this location.
- ◆ Richard Holcomb was stuck by a bus and is expected to recover and return to work in 4-6 months. He remains very positive.

**District 5** - Chair Hatch mentioned that there will be 2 selection committees scheduled in this district: (1) one of them being for the Avenal State Prison and (2) several smaller interims that were combined into one location.

**District 6** - No report

**District 7** - Delegate Begian wrote a letter on behalf of the LA county vendors praising the service improvements being noticed in the LA field office.

“Dear Mr. Westbrook,

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For almost three years the Los Angeles BEP office was operating with only 1 SBEC, 1 BEC and 1 clerical. This situation was not only unfair to LA field office staff but also for a long time prevented them for providing needed support services to us. The lack of staffing also caused a great deal of problems, concerns and complaints from many of the vendors in our district. Since the vacancies in the field offices have been filled, they have been very helpful and are providing excellent services to us. The adequate staffing in our field offices is very important and should be a priority. Vendors of the 7<sup>th</sup> District who have signed their names below would like to take this opportunity to thank the entire staff of the LA field office for their valuable help and support.

Sincerely yours,

Sandy Balani  
Albert Barnes  
Z. Bedikian  
Harry Begian  
Anthony Copper  
Thomas Johnson  
Jay Narang  
Alias Thomas  
Sharon Wolff

Cc: Tony Candela”

Some of the vendors at the meeting gave some of their experiences with the LA field offices including improved communication, fast turnaround service and their dedication to developing and improving BEP locations.

Chair Hatch shared his own experience with a former LA BEC, Robin Simmons who help him set up his first vending machine operation. She spent the entire week with him to ensure he had a smooth transition into his new location. He encourages vendors to take the opportunity to show appreciation to those staff members that go above and beyond to help them succeed.

Delegate Begian expressed his concern regarding a situation where a vendor would like to resign from their location. He feels that the issue is very complicated and may need CVPC input.

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**District 8** - No report.

**District 9** - Delegate Collins reported that there will be some expansion changes with Max's Duarte location.

**District 10** - No report.

## **NEW BUSINESS**

No report.

## **OPEN FORUM**

No discussion.

## **ADJOURNMENT**

Mrs. Friesen remarked that the next CVPC meeting will be in May 2007 in Sacramento and will probably be a 2-day meeting.

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**MOTION 2006.046.** Moved to adjourn at 4:10 p.m.

**Moved:** Delegate Begian

**Seconded:** Delegate Murphy

**Vote:** Passed Unanimously

