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**CALIFORNIA VENDORS  
POLICY COMMITTEE  
(CVPC)**

**Meeting Minutes  
May 17, 2007**

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## CALIFORNIA VENDORS POLICY COMMITTEE Meeting Minutes

Meeting commenced at 9:00 am, Thursday, May 17<sup>th</sup>, 2007.  
Location: Department of Rehabilitation, Sacramento, California

### INTRODUCTION/CELL PHONE CHECK

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 9:00 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 ***eight (8) 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. |
| District 2      | Joe Murphy      | Turlock Roadside Rest Area, Turlock.   |
| District 4      | Reese Griffith  | Cal Pers Public Retirement System in Sacramento                                  |
| District 5      | Michael Hatch   | Concoran State Prison  |
| District 7      | Harry Began     | Cal Trans, Los Angeles.  |
| District 8      | Jack Bedikian   | Bulk Mail Center – U.S. Post Office in Bell City                                 |
| District 9      | David Collins   | California Rehabilitation Center in Norco  |
| District 10     | David Hanlon    | Dave's Snack Bar in Spawar (San Diego)   |

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**Absent:**

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| District 3 | Steve Adams         | Folsom State Prison, Folsom                |
| District 6 | Jeana Martin-Hanlon | California State Men's Prison in Lancaster |

## **INTRODUCTION OF STAFF AND GUESTS**

**John Westbrook** – BEP Program Manager

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

**Janis Friesen** - CVPC Executive Secretary

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

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

**Hazel Harmon** – wife of Roy Harmon.

**John Friesen** – retired BEP vendor

**Michael Dowling** – BEP vendor

**Nicole Smith** – CVPC Recording Secretary

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## EXECUTIVE OFFICERS REPORTS

### Report of the Chair

Delegate Begian expressed his frustration with the lack of action on the part of the DOR on important issues that affect the BEP. He made several attempts to organize a meeting between Caltrans and BEP representatives and has not received or heard any follow-up action from the DOR.

Mrs. Friesen explained that at the last Caltrans meeting with the DOR, the overall impression she received, was that Caltrans wanted the DOR to increase their financial contribution toward development projects. Chair Hatch received the same impression but also indicated that Caltrans appeared to want to pursue roadside rest area development projects with private enterprises.

Delegate Begian responded that Caltrans's strategy to obtain more funding from the DOR toward projects has always been the norm. He remarked that in order to keep the negotiations going with Caltrans, the DOR has to take the initiative, stand firm on their positions and continually follow-up.

Chair Hatch mentioned that there has been no BEP Program Manager's report for some time now. The report is a key piece of communication between the DOR and the vendor community.

Some delegates felt the only way to get some reaction or follow-up to important issues from the DOR is to file grievances.

On April 11<sup>th</sup>, there was a special teleconference in which some of the CVPC delegates were in attendance to discuss legislative issues. The primary discussion was on the 4 bills that are currently pending.

### Status re:SB441 – Healthy Food Initiative

Chair Hatch gave a brief overview of the bill which requires a certain percentage of healthy foods to be in vending machines on state property. He was very pleased with the CVPC's position against the legislation at the hearing. At the time of the hearing, the legislation was being reviewed by the Governmental Organization committee and was voted down. However, the author of the legislation was able to have the head of the committee grant the legislation as a **"2 year**

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**bill** in which it can be reconsidered before the committee again next year.

Janis Friesen continue to track the activity on any and all legislation that can potentially affect the program. Mrs. Friesen commented that SB441 was amended, with some language deleted. This is a strategic tactic used to get a bill to move through the House easier. Chair Hatch responded that the CVPC will continue to make a strong stance in opposition to the bill.

Chair Hatch expressed his appreciation to BEP vendors, Andy Brown and Gyn Burley for attending the committee meeting and for speaking in opposition to the bill.

**Status re: AB959**

Chair Hatch explained that this is the bill concerning the Vendor Loan Program. Mr. Friesen remarked that all interested parties are waiting for a response from the DOR's legal department for language that should be inserted in the bill that will protect the DOR's liability risk. The current language in the bill does not give any protection to the DOR. Currently, the DOR would be fully responsible for the administration of the program, including any losses. The bill is at a standstill pending receipt of this information. Mr. Candela was taking the lead on getting this information to the CCB before the bill is approved.

Mrs. Friesen added that the bill has passed through the Human Services committee and is on the "consent calendar" waiting for the full assembly. After it is passed by the full assembly, the bill will go to the Senate when it will undergo more hearings. The bill will have to be amended before the hearing phase or it will be passed "as is" with the current language.

Chair Hatch remarked that it appears the bill will pass through the legislature with very little opposition, which is even more reason for the DOR to place the protective language as soon as possible.

**Status re: AB 1566**

AB 1566 concerns the privatization of roadside rest areas. Chair Hatch reported that the bill did not even go to a committee for vote. Chair Hatch publicly acknowledged Roy Harmon and Dan Kysor who spoke in opposition to the bill. Mr. Harmon added that NATSO, one of the major trucking organizations, spoke in opposition to the bill as

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well. NATSO wants the roadside rest areas primarily for their trucks and drivers and will consistently oppose any efforts to privatize the roadside rest areas. Mr. Harmon also remarked that the same individuals who are pursuing these revitalization projects are gathering support from Ralph Carhart, who used to work for Cal Trans. Assemblyman Niello, the author of the bill, indicated that he is willing to work with BEP vendors so all parties are in agreement and can work together to improve the roadside rest areas.

Mr. Harmon urged the CVPC delegates to know their local assemblyman and representatives. Shortly after the meeting, he was faced with imminent closure of his location by Caltrans due to lack of funds to keep it operating. It was eventually halted with the assistance of his local assemblyman.

Mr. Westbrook responded to Mr. Friesen's question regarding the DOR's position on working with Caltrans and potentially entering into teaming partner agreements on the roadside rest areas. Eventually, the DOR may have to pursue this option but currently there are no plans or agenda to do so. Mr. Westbrook remarked that there seems to be potential in the vendor/teaming partner relationship on roadside rest areas.

The action item following the Caltrans meeting was that Mr. Westbrook and his team will present a proposal to Caltrans outlining exactly what the DOR can do and contribute toward future developmental projects.

### **Status re: AB 728**

Mrs. Friesen explained that this bill if passed would give an exemption of sales tax on gum, confectionaries, snack food and bottled water when sold through a vending machine. This bill is sponsored by CAVC. It is a bill that would be beneficial to the BEP program and vending machines vendors. CAVC have been in support of the vendors in the past and has worked closely with vendors on SB 441.

The bill is not doing very well in the legislature. It was heard on May 7<sup>th</sup> and was in the Assembly Revenue and Taxation committee where it was later placed in their "suspense file". It has another hearing date scheduled for May 21<sup>st</sup>. If it does not make it through this hearing, it will either become a "2-year bill" or completely dismissed.

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## Report of the Vice Chair

### Report on BAC Meeting:

Chair Hatch attended the last BAC meeting. The BAC oversees several areas of the DOR that pertain to the blind, including Field Services, Orientation Center for the Blind and the BEP. It is an advisory committee, appointed by the Governor and reports to the legislature. They make recommendations on such issues as the number of closed or open cases, DOR staffing and responsibilities, counseling for the blind, etc. The BAC's role changed by the passage of SB105, which increased their duties and oversight responsibilities over blind services.

Chair Hatch attended this past meeting because of his concern that the BAC were making some recommendations to the legislature that conflicted with the interests of the BEP vendors. Chair Hatch was able to address the BAC and give them a different perspective to what they were proposing to the legislature. In response, the BAC revised their recommendations to be more in sync with the interests of the BEP.

The BAC invited the CVPC to give a regular report about the BEP program, from a CVPC viewpoint. He spoke about some of the longstanding concerns and challenges about the program. He was able to address some of the challenges the program is currently facing – decreasing set-aside fund, decreasing number of locations, etc. Chair Hatch remarked that the BAC seemed quite concerned about what is happening.

Chair Hatch highly recommended that the CVPC develop a relationship with the BAC because of their position with the DOR and influence with various organizations. The BAC can prove to be a valuable resource for the CVPC.

Kathy Skivers is the Chairperson of the BAC. Chair Hatch will extend an invitation to her and/or other committee members to attend future CVPC meetings.

Every year, an annual report with recommendations is submitted to the legislature for review. Delegate Hanlon credits Cathy Skivers and the BAC for making contact with Senator Soto, the author of the vendor loan program bill and bringing the issue back on the DOR's agenda.

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The next BAC meeting is scheduled to be in September and will be at OCB in Albany.

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

Delegate Hanlon gave a brief report that there has been no movement in this area and the group is still trying to find a sponsor for the bill.

The threat to the Randolph Sheppard Act from Senator Kennedy's health committee is on the backburner at moment. Because of the current political environment, politicians are focused on the Iraq war and the upcoming elections.

The DOD has elected not to submit their proposal regarding the Randolph-Sheppard Act. The efforts and strategies of the new lobbyist, Catriona Macdonald, are becoming more effective. Efforts to derail the RSA are subsiding. Actions are being watched very closely; the threat remains but it is not imminent.

John Westbrook reported that the DOD has sent out their participatory surveys or GAO survey to all the state programs to get updated information on how the vendors (and their teaming partners) are participating in the BEP program that are located at DOD facilities. Because of privacy issues, the program would not submit information about an individual vendor's earnings. The program has 3 DOD facilities.

Ray Hopkins is scheduled to visit the DOR the first part of June.

### **Report of the Secretary-Treasurer**

Delegate Griffith reported that there is \$9543.60 in the account.

Checks were issued to the account. A check must be endorsed by two authorized signers. The Executive Committee members, Chair Hatch, Delegate Hanlon and Delegate Griffith, are authorized signers, on the account.

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## EXECUTIVE SECRETARY'S REPORT— Janis Friesen

Janis Friesen reported on the following items:

**Program Manager's Examination.** The open examination is scheduled to close on June 15<sup>th</sup>. Interested candidates must pass the examination to be placed on the qualified list. The interviews will be held in July and August.

There was some discussion regarding distributing the announcement nationally. Mr. Westbrook will confirm with Mr. Candela.

**District List.** Mrs. Friesen received the most current Profile 1 report as of March 30<sup>th</sup>. Copies were available at the meeting. She will also send the district listings to the CVPC delegates via email.

**Trust Fund.** Mrs. Friesen gave a more simplified explanation of the trust fund.

“You buy a \$100 toaster. The State General Fund is like the bank. They debit the trust fund for \$21.30. They debit F10 money for \$78.70. That is how the toaster is paid for. Every dollar that is in the trust fund is worth \$4.69 worth of equipment because of the match. When you have encumbrances and encumber \$100, they take \$21.30 out of the Trust Fund and hold it. The money is set-aside and cannot be used.

When you have **disencumbrances**, say you disencumber \$10K (set aside), \$2130 is put back into the Trust Fund. According to Erica Behling, “the program has never run out of F10 money.”

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## DEPARTMENT REPORTS

### Financial Report

Mr. Miller reported some favorable news regarding the trust fund. The 20006-2007 fiscal year will end in the “black”. The program did not go over budget. The program has been buying equipment as needed and approving repairs. Last year, the program went over budget by \$96,000.

There is a proposal being submitted to the CVPC regarding increasing the vendors' contribution to their health and dental insurance plans. The contributions will be similar to that of a state

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employee who pays about 16% of their health insurance costs. The goal is to mirror that percentage to that of a vendor's contribution.

At the same time, the DOR is trying to keep in line with the Governor's policy of universal health coverage for the uninsured. The challenge is preventing vendors from declining health insurance coverage because of the increase. The DOR estimates that the vendor's contribution for health insurance would be increased to approximately \$98 from \$5. The dental portion would be increased to \$21. The proposed increase would generate approximately \$700,000 in additional revenue to the set-aside fund; thus a significant increase in purchasing power as well. Every dollar is worth approximately \$4.89 in federally matched funds. The largest expenditure from the trust fund is health insurance premiums; it represents approximately 40% of the total expenditures.

The pro-rata administrative fee that was once being deducted from the set-aside fund was found to be incorrect. Mr. Miller expects that with the increased healthcare contributions from vendors, along with the pro-rata fee no longer being deducted from the set-aside fund, the program can expect to have approximately \$1.3 million in additional revenue next year in the fund.

Most of the delegates were in agreement that the proposed increase should become effective immediately.

Some delegate expressed their frustration with the process of getting initiatives implemented. This health insurance issue was discussed during the last CVPC meeting. It was suggested that whenever there is a proposal from the DOR that it is submitted to the CVPC for review before the next scheduled meeting so a motion can be presented to committee. Waiting until the day of the meeting tends to delay the issue until the next scheduled CVPC meeting. Mr. Miller gave his commitment to the CVPC to adhere to the timelines and deadlines in the future.

Mr. Harmon mentioned that although it is great that the DOR is working to increase the set –aside fund, it is hard to track the expenditures of the program when there has been no financial report for quite some time. The CVPC needs that report and should be tracking where the money is going and to recommend corrective actions, if necessary.

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Mr. Miller repeated that he is willing to work with the CVPC on the reporting issues, making them easier to read and understand. Mr. Friesen followed up with the comment that there is a lack of communication from the DOR to the vendor community. Vendors should be aware of the financial state of the set-aside fund (whether good or bad) and the plans and goals of the program to improve the situation. The lack of communication and inconsistency is causing a significant amount of vendor distrust with the system and the BEP program. When letters are distributed regarding the increased contributions to their healthcare costs, some vendors are going to ask some really hard questions. Some vendors are already claiming a misuse of funds within the program. Mr. Friesen highly recommended that Mr. Westbrook improve the existing communication methods with vendors and look to the CVPC as a partner to outreach to vendors.

Delegate Griffith reiterated the sentiment that although he is in favor of having a large set-aside fund, he would like to see controls in place to keep abreast of the spending. He recommended that each P&L from every BEP location should be reviewed for what is being spent, fees submitted, etc. A strong business reviews every expense of its business operations and takes corrective action promptly. He noted that a P&L is not a reflection of a vendor's income. Delegate Murphy agreed and that having a report that shows information on the ROI (return of investment) of a location would be beneficial. Review of this information could help the DOR see which locations are profitable and limit excessive spending in other locations that are not profitable. The main question is "what is the return of investment at each location?"

Another option suggested was to use statewide averages of expenses for a particular BEP location. During an annual review of each location, the DOR could compare the expenses of the location to that of the statewide averages and make any adjustments on spending if necessary.

Chair Hatch requested information on what are the consequences for submitting a faulty P&L with wrong information? The only recourse, according to Regulations, for the Department to take against a vendor who submits a faulty P&L statement, is to direct the BEC to request supporting documentation from the vendor. Mr. Westbrook mentioned that some states have a "no tolerance" rule for dealing

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with vendors who submit fraudulent P&Ls, while other states conduct monthly audits.

Mr. Miller reported that there were 4 vendors who received termination notices. The DOR is working with the vendors to set up repayment plans. There are 2 other vendors that will be receiving termination notices. Mr. Miller's strategy is to pursue the largest and/or longest delinquencies first. If a vendor has an active bankruptcy, the vendor must develop a plan to resolve some of the debt. The DOR is notified when a vendor has claimed bankruptcy and submits any information that is required. Currently, there is only one vendor who is in an active bankruptcy.

**Action Item:** On the current delinquency report submitted to Janis Friesen, Mr. Westbrook will note whether or not the vendor has been sent a termination notice and/or is on a repayment plan. For confidentiality reasons, all names are to be removed from the report submitted to the CVPC. Mr. Miller will send Mrs. Friesen the most current delinquency report.

The DOR is looking into other alternative ways to increasing the vending commission fund. Chair Hatch noted that this fund may be another avenue to pay for the vendor's health insurance which would release some of the burden from the set-aside fund.

Mr. Miller reported that the DOR is researching other ways of contracting and is addressing the commission reporting issue.

The DOR has developed contractual language to insert into future vending contracts with privately owned businesses which would place stricter requirements on reporting commissions. Flat rate commission payments are another option being explored by the DOR and would enable the DOR to have a steady stream of income and would give the DOR the ability to predict how much actually comes in on a monthly basis. Another option is having a statewide contract and have one contractor supply vending services throughout the state.

Mr. Miller reported that they have completed their analysis of approximately 1,085 state properties and there were 35 locations identified that were not in Contracts or a BEP location. Clint Vigen will be completing his report soon and expects to start visiting some of the sites to see what opportunities there are for BEP.

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Mr. Westbrook mentioned that the reason the DOR has not pursued state university systems as potential BEP locations, is because the officials from the state university had threatened to get a waiver or exemption from the law. The DOR and the CVPC (at that time) were concerned of other state systems and departments following suit and elected not to pursue this issue further. There are approximately 30 state universities in California. Delegate Begian strongly urged that the CVPC should select 3-5 priority items for the DOR to develop and work on.

Mr. Miller requested from the BEC team information on any development projects, repairs or purchases to be made in the 2007-2008 fiscal year. This would give him an overall picture of some of the expenses to expect in the next fiscal year. He had requested this list from the BECs and will work together with QLDC to develop a priority list and roll-out schedule.

### **Legislation/Regulations Report**

This section was discussed at length during the May 16<sup>th</sup> session of the CVPC meeting.

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

The BEP architect is retiring July 1, 2007. The filing date for the position is May 18<sup>th</sup>. The DOR has received some applications already. Mr. Westbrook anticipates no challenges in filling this position. The person will also be trained by the previous architect.

There are challenges with filling Larry Iniguez's position largely because of the level of the position and salary. The DOR needs someone who has knowledge of the program. Mr. Candela has agreed to work on upgrading the position. Lloyd Anderson and Steve Miller are temporarily handling the responsibilities of the position, including selection committees.

Mr. Westbrook confirmed that he will be retiring in September 2007. The official separation will be the first part of October. Mr. Westbrook also confirmed that he will not leave the position vacant for more than a month. He plans to stay on board. Mr. Candela alluded that the CVPC may have some input in the selection of the next Program Manager.

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## **COMMITTEE REPORTS**

At the beginning of each subcommittee section, there will be a reading of action items from the February 17, 2007 CVPC meeting.

### **GRIEVANCE—Delegate Martin-Hanlon**

#### **Report on Pending Grievances**

Mrs. Friesen reported that there were two grievances submitted since the last CVPC meeting.

One grievance is concerning an interim facility and the other is concerning equipment purchasing.

Mr. Westbrook remarked that the vendor requested equipment that was outside the contractual guidelines. There is a vending machine contract that the DOR has to adhere to when making vending machine purchases. The issue was taken to the contract department who also confirmed that any vending machine purchases must be within the guidelines of the contract. The vendor's machine was eventually replaced but it was not the model he had originally requested. Mr. Westbrook indicated that he will review the matter after July 1<sup>st</sup>. An evidentiary hearing was postponed on behalf of the vendor.

There was a grievance submitted to the LA field office in regards to a particular interim and the challenges arising from the facility. Mr. Westbrook confirmed that there will be a DOR response to the grievance within 30 days. .

Chair Hatch summarized the situation in Southern California in which a vendor, on short notice, left his facility, a cafeteria in a federal building in Los Angeles. The DOR found another vendor to operate the facility as an interim but is experiencing difficulty obtaining security clearances for their employees. The vendor has undergone the entire process to begin operating the facility. There are also issues with the permit required to begin operating the cafeteria. The DOR is working with GSA. There was a congressional inquiry of the GSA regarding the lack of response on behalf of the GSA to the DOR. GSA responded to the inquiry by stating the matter was out of their control and the responsibility was with Homeland Security who was delaying the security clearances for employees. According to a presidential directive, all employees, contractors and subcontractors

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must have security clearance. Delegate Began believes this may be a delay tactic being used by building management to prevent the BEP from operating the location.

The DOR is in the process of filing arbitration against the Navy base.

## **FISCAL — Delegate Collins**

Delegate Collins commented that he has been the head of the fiscal subcommittee for the past 16 months and he has learned much about the program. The most productive meeting was when Steve Miller answered questions regarding the DOR budget. He would like Steve Miller to attend some of meetings to keep the subcommittee focused on fiscal issues of the program. Mr. Miller indicated he is open to attend future meetings.

Delegate Murphy suggested obtaining DOR reports that gives an overview of what the program is spending versus income. Delegate Collins agreed and will try to prioritize what reports are needed by CVPC.

## **RULES — Delegate Hanlon**

### **A. Discussion of the Proposed Rules and Regulations**

Rules and Regulations were discussed at length during the March 16<sup>th</sup> CVPC meeting.

### **B. Motion re: To accept the proposed Rules and Regulations as reviewed and/or amended.**

Motion was passed and discussed during the May 16<sup>th</sup> CVPC meeting.

### **C. Motion re: Accept Rules committee recommendation that after review of redistricting, there are no changes in the redistricting review.**

All BEP districts are in compliance. The highest district has 15 vendors and the lowest has 11 in one district. The difference between the highest and lowest is 4.

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The Rules committee reviewed a report on March 22<sup>nd</sup> that indicated the program had 123 primary locations and 31 interims with a total of 154 BEP locations.

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**MOTION 2006.052.** The rules subcommittee has reviewed the Vendor differential between all CVPC districts, and finds that there is no more than a four vendor differential as our bylaws provide for a seven vendor differential, we believe there is no need for redistricting for the 2008-2009 CVPC term.

**Moved:** Delegate Hanlon  
**Seconded:** Delegate Begian  
**Vote:** Passed Unanimously  
**Absent:** Delegate Martin-Hanlon  
Delegate Adams

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## **TRAINING/UPWARD MOBILITY—Delegate Murphy**

### **A. Report on mentoring new vendors**

The Education Conference is official and will be occurring in October 2007. Delegate Murphy urged delegates to start promoting the conference now. The CVPC anticipates more attendees this year.

Delegate Murphy will continue to work on seeking computer training for vendors. It has been a reoccurring request in the vendor community. It will be a priority agenda item for the upward mobility subcommittee.

### **B. Report on training class**

The training class graduates on May 30<sup>th</sup>. Delegate Murphy confirmed that he will be participating in the exit interviews that Mr. Westbrook will facilitate on May 29<sup>th</sup>. There are six trainees and all have passed their mid-terms. The graduation will be held in one of the conference rooms at the DOR. Delegate Griffith plans on attending. Mr. Westbrook will send Mrs. Friesen the details of the graduation.

The new class will begin in early October. Mr. Westbrook confirmed that there has already been nine referrals to the training program. The training class has capacity for 12. Interviews will begin in July and August.

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### **C. Report on new vending module**

There were several vendors who came to lecture the training class in April. Andy Brown, Delegate Murphy, Chair Hatch, Paul Patche and Roy Harmon addressed the class on the various types of vending machine locations and on how each operate their own facilitates. Roy Harmon gave a future outlook into the vending business with all the new technologies available to the visually impaired.

Delegate Murphy remarked that the subcommittee plans on making some recommendations on improving the vending machine module at the next CVPC meeting. Chair Hatch agreed and commented that the vending business is very extensive and new vendors need to be adequately prepared to handle the vending machine route. The CVPC should continue to encourage the DOR and BEP trainer to expand the module and to include more hands on training on vending machine maintenance. There is an overall agreement that there needs to *be more than one day* training on vending machines.

Chair Hatch encouraged the DOR to start thinking long-term in regards to developing the training program. Mr. Westbrook indicated that there will be vending machines located in the dining area on the first floor and there is a possibility the training class could utilize those machines for hands-on training in cleaning and maintenance. Mr. Westbrook indicated that he will follow-up on this suggestion.

### **D. Report on 2007 Educational Conference**

Delegate Murphy confirmed that everything concerning the conference is almost finalized. The CVPC will need some assistance on the travel arrangements for keynote speaker Terry Smith.

The hotel is set up to start receiving reservations. Reservations for the event will be sent out shortly after this CVPC meeting. Hotel information will be on the flyer. Delegate Murphy urged delegates to call and personally invite their constituents to the conference.

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The Serv-Safe training will be conducted the Friday of the conference weekend. Details about the Serv-Safe training will be on the reservation flyer. Mrs. Friesen will finalize the logistics and payment of the training with Bill Shirah. The test will be \$36.00.

The agenda and all the speakers have been confirmed and lined-up.

**Action Item:** Union Banks' attendance is still pending depending upon the outcome of the Vendor Retirement contract. Mr. Westbrook will follow-up with extending an invitation to representatives of Union Bank.

Mrs. Friesen will ensure BEP staff and newly licensed vendors are invited.

**Food:** The banquet will be upstairs on Saturday night. The event will take place in the same room each day of the conference. There will be a continental breakfast provided each day of the conference. Attendees will be responsible for lunch.

The CVPC Delegates will begin looking for high quality auction items. The last auction was very successful and raised funds to help with some of the expenses of the conference that are not covered by the DOR, including the continental breakfast and "open bar".

**Hotel:** Vendors must reserve their hotel rooms by the deadline date. If the room is reserved past the deadline, the vendor will receive the state rate for the room but will not be reimbursed. A credit card is required to reserve the room but will not be charged. The credit card is secured for phone and internet charges and additional expenses that may be charged to the room. The DOR contract is just for the basic room. Although it is a holiday weekend, the CVPC was able to obtain the negotiated rate for the entire weekend if a vendor chooses to stay longer.

The hotel is very close to tourist attractions in San Diego. The hotel may provide shuttle services to these sites for vendors.

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## **BENEFITS — Delegate Griffith**

### **A. BEP Retirement Plan.**

The retirement plan is still being operated under Great West. There is still time to transfer cash funds from a money market into mutual funds. If not, the funds will remain with Great West for a year according to the contract.

### **B. Medical Insurance**

Medical insurance was covered extensively under the Program Manager's report earlier in the meeting.

Mrs. Friesen also reported that a vendor can request prescription information, such as usage, drug interaction, side affects, etc, to be in large print. There are also prescription bottles available that will verbally tell the vendor when to take the medication. This service is available from Kaiser. Delegate Evans added that when requesting this service, Kaiser needs approximately 3-4 days to fill the prescription. There is no additional cost for service.

### **C. Liability Insurance**

Jeff Dierks drafted a letter indicating the rates for increased life insurance. Delegate Griffith gave a copy of the letter for Mr. Westbrook to review and determine its distribution to vendors. Mr. Dierks also stated that life insurance companies may be hesitate to increase the amount of life insurance.

The subcommittee sent a letter to Mr. Westbrook, April 10<sup>th</sup>, in regards to some of the major concerns of the subcommittee and the vendor community at large, regarding the overall health of the program. No response has been received.

Mrs. Friesen read the letter:

“Dear Mr. Westbrook,

We would appreciate if you would write a communication to all vendors explaining the health of the business enterprise

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program. We would like an explanation of how the program now has very little operating money at its disposal. What would be your solution to handling this problem for lack of funds. We do not feel that the majority of vendors realize how precarious our situation is today.

Reece Griffith”

Mr. Westbrook responded that the program will end this fiscal year “in the black”. Mr. Westbrook and Mr. Candela are working on a strategic plan to address issues with the set-aside fund. The plan should be revealed soon.

Delegate Griffith added that he would like to see the DOR and its staff work together with the CVPC to make the program even better. He would like to see the Program Manager communicate issues better to the vendor community.

Mr. Westbrook stated that funds from the reserve fund cannot be used in any way per the direction of the Accounting Department.

According to a report, liability claims have drastically decreased over the years. One reason for the decrease in claims submitted is a direct correlation to the decreased number of cafeteria locations in the program today.

In 2002, the insurance deductible was increase from \$1000 to \$10,000 for liability insurance. When there is a claim submitted and it is for \$10K or more, it is paid out of the fund. The renewal for the liability insurance is in September. The subcommittee recommended having different rates depending upon the type of facility. Another recommendation was lowering the deductible and have the vendor be responsible for the amount up to the deductible.

Mr. Dierks will be sampling different areas of California before the contract for liability insurance is renewed. For example, Bakersfield have been known to have higher rates than Sacramento.

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Chair Hatch requested that the subcommittee request from Mr. Dierks additional information and supporting documentation such as a breakdown of current costs for liability insurance per the different vending facilities versus what vendors would be expected to pay after the adjustment. Vendors need to know the potential changes.

Delegate Begian agreed that there needs to be a plan. He believes that if there is a “reasonable” increase there will be minimal opposition but the committee should see some factual data in order to make a well-informed decision. Without factual information and figures, the committee does not know exactly how much the increase would be. The decrease should be substantial for the vending machine locations.

Mr. Friesen gave a historical perspective and remarked that this issue with liability insurance was explored back in 1993. The insurance risk rate for vending machines outside of the BEP program was 17 cents on every \$1000. For a cafeteria location, the costs increase dramatically. In the past, most of the claims were “slip and falls” from cafeteria locations. The deductible payment was taken out of the fund in which every vendor must contribute an equal share regardless of their BEP location.

Roy Harmon added that before 1990, each vendor was responsible for retaining their own liability and worker’s compensation insurance. Mr. Harmon did his own research for liability insurance and found that he would pay nearly 1/10 of what is currently being paid. Mr. Harmon also remarked that there has been several requests for reports from Mr. Dierks about liability insurance rates, worker’s compensation claims, accident, etc. This information is important to the CVPC in order to make informed decisions and to take corrective action, if necessary. The CVPC may also find some cost savings for the set-aside fund. The group liability insurance policy does not appear to be cost effective.

Delegate Murphy highly recommended that the subcommittee reintroduce the motion at the next CVPC meeting but bring data and figures for the committee review.

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**MOTION 2006.053.** Moved to reduce Vendor's liability premiums and reflect more appropriate risk factors for liability, CVPC requests the BEP Program Manager to instruct the Department of Insurance Risk Management to break down the BEP Liability premiums to a minimum of three rates for all vendors;

- 1 – Vending machine only facilities
- 2 - Dry/Wet C- Store facilities
- 3 – Snack Bar/Cafeterias facilities

These rates should reflect the outside differentials for similar risks.

We further request BEP implement the new rates no later than the beginning of the next contract year for liability insurance.

**Moved:** Delegate Griffith  
**Seconded:** Delegate Hanlon  
**Vote:** Motion Failed  
**Absent:** Delegate Martin-Hanlon  
Delegate Adams

- District One – Yes
  - District Two – No
  - District Three - Absent
  - District Four – Yes
  - District Five – Chairperson
  - District Six – Absent
  - District Seven – No
  - District Eight - No
  - District Nine – No
  - District Ten - Yes
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Delegate Griffith reported that the deductible can be reduced. The broker can revise contract. The deductible was increased so that the insurance company would not have to pay out as much in claims. There have not been many claims until this year where 1 vendor who operates a prison facility submitted 3 claims for “business

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interruption” due to the lockdown of the facility. Those claims were submitted at \$10K each time. These types of claims will be paid without being challenged or further investigated. From this incident, there appears to be potential for abuse.

If a vendor has a claim less than \$10K, the deductible fund pays the difference. If the claim is over \$10K, the deductible fund pays the entire \$10K, then the insurance pays the rest of the claim beyond \$10K. Each vendor currently pays \$9.96 a month for liability insurance.

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**MOTION 2006.054.** CVPC believes to encourage Vendor accountability and to lower all Vendor’s liability premiums, the BEP Program Manager should instruct the Department of Insurance Risk Management to cease charging all vendors for the deductible fund and require individual vendors having liability claims to pay the deductible portion, if any for those claims charged to their facility.

**Moved:** Delegate Griffith  
**Seconded:** Delegate Hanlon  
**Vote:** Motion Failed  
**Absent:** Delegate Martin-Hanlon  
Delegate Adams

District One – Abstain  
District Two – No  
District Three - Absent  
District Four – Yes  
District Five – Chairperson (No)  
District Six – Absent  
District Seven – No  
District Eight - No  
District Nine – Yes  
District Ten - Yes

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

### **Renovation plan for existing SRRA facilities.**

Lloyd Anderson gave a status report of the meeting with Caltrans. The renovation plan will be delayed six (6) months due to other contractual obligations. No start date has been determined. He noted that Caltrans will begin tearing down and removing the rest

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stop and kiosks. Warlow and the Alisio Creek roadside rest areas developments are also being delayed.

Roy Harmon remarked that he learned that the Alisio Creek's kiosk will remain as is and the remodeling will be focused on the bathrooms. It will remain open during the remodeling. Mrs. Harmon added that the bathrooms will be in a hacienda style, with tile roof and stucco walls. Caltrans mentioned in the meeting that they wanted the vendors to try and obtain the funding. Mr. Anderson also stated that Caltrans requested the DOR to manage the construction and they will supply the utilities. The BEP program has contacted several companies, including Tuff Shed, in an effort to see if they can comply with the construction requests and still be cost-effective. Cal Trans is requesting more input from the DOR in the development of the roadside rest areas projects.

The following are locations that are on the priority for completing in 2008:

- **Gold Run** is still scheduled for the Spring of 2008. It will be shed style. There will be some storage. The DOR requested electrical for refrigeration and freezer. Net income to be approximately **\$6900**. Caltrans uses car counts to determine visitation numbers to the location. There will be 10 machines. Changer included.
- **Donner Summit** has been delayed until 2009 and will be closed for approximately a 1 ½ years during the remodeling. There will be 10 x 12 storage area. It will be internal with air conditioning. 11 machines on both sides. Changer included. Eastside will be developed first then the Westside.
- **Shandon in Paso Robles** is scheduled for 2008. It is a stand alone unit. There is a possibility to add the Camp Roberts location.
- **Sunbeam** is a new facility with a comfort station.
- **Coalinga** is scheduled for 2009. The vending will not be separate from the comfort station.

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Mrs. Hazel Harmon remarked that Caltrans told the vendors that the development projects are part of the ADA funding and they must start these projects by December of 2008, with construction beginning in January 2009. If they do not meet these deadlines, they have the potential to lose the ADA funding.

Mr. Anderson remarked that the main issue for the DOR is trying to find the funding for these development projects. Caltrans responded by stating they do not have the funding to fulfill the kiosk requirement and that is why the DOR is actively looking at different and alternative building structures.

**List of roadside rest areas to be developed:**

Lakehead  
Gold run  
Crystal Springs  
Hunter Hill  
Shandon  
Buttonwillow  
Coalinga  
Valley Wells  
Sunbeam  
Alisio Creek

**Action Item:** Lloyd Anderson will have Steve Miller forward the list of development projects along with dates to Mrs. Friesen to post on the CVPC website.

**Discussion New DOR facility.** – It will be a wet stand location with satellite vending in the area. It should be a viable vending route. The project costs will be \$61,000 with a majority being spent on vending machines.

There will be a walk-thru on May 29<sup>th</sup> for equipment contractors who are interested in bidding for the site development project. As soon as the program gets approval on the funding, the building of the site will begin.

**Discussion Pelican Bay State Prison** - One of the main priorities for the program is Pelican Bay. There is an appointment set to begin discussions with representatives of Pelican Bay. Sales of vending

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machines are being reported at about \$90,000 per year. It is currently under contract with the DOR. Chair Hatch highly recommended that the DOR inquire about the visiting numbers. Lloyd confirmed that the number of visitors is a question on the site survey document.

Another site being pursued is the Lawrence Livermore Laboratory which has 3 facilities and almost 100 vending machines. There is a walk-thru on the 23<sup>rd</sup> of May for 3 of the facilities which are generating \$2.1 million in sales. It is a partner relationship. The facilities are hot food service and one has catering connected to it. Vending is a separate contract. Sodexo, and Blackstone are interested contractors looking at the project as well. The BEP plans to aggressively pursue the vending portion at this facility as well. It is a major priority for the program.

**Discussion Marysville Cal Trans** - There was some discussion regarding the development of the Marysville location. Mr. Anderson confirmed that there is a building population of 776 people. The main concern for the DOR is having street access for this location which is mandatory in order to subsidize the lack of building population. Caltrans has agreed to public access option to the facility. Public patrons will not have to go through security. There will be signage on the front, visible from the street to attract passersby. Caltrans agreed to do some of the internal remodeling so the DOR would not incur those costs. The purchasing estimate is ready to be submitted at \$200,000. There will be another meeting to discuss and finalize who will be responsible for certain aspects of the project. Steve Miller wrote in his notes that the return of investment for this location would be in 2.71 years.

Mr. Anderson reported that the Spawar (Navy) location is in development. The contract for the construction of the modular facility has been distributed. A contractor has been retained. The program is now waiting for funding which is expected at the end of June. Costs for development: \$98,000 for trailer and \$60,000 for equipment.

Other locations waiting for BEP development is the Federal Building in San Francisco and Federal Court Building in Fresno. Both are waiting for funding to continue and finish the construction project.

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**Action item:** Mr. Anderson will forward Janis Friesen the list of projects that are fully funded. There are about 12 locations.

**Status of Federal Prison** - no discussion

**Discussion on Committee setting 3 goals** – Delegate Evans will discuss at the next scheduled CVPC meeting.

**Discussion Caltrans meeting** - Chair Hatch attended the Caltrans meeting at the DOR. The impression he received from the meeting was that Caltrans wants to partner with private enterprise. They discussed developing legislation to change the law to make it easier for them to work outside of the system and preferably with private enterprise. Caltrans has been continually requesting for additional funding and increase financial responsibility from the DOR on certain development projects.

Mr. Anderson noted that some negotiations have proceeded well while others have not and it is hard to tell what direction Caltrans is pursuing. In his opinion, he does believe Caltrans will work with the DOR but may pursue other options which could provide additional revenue sources outside of the DOR and the system.

There was also discussion regarding reports of the Alisio Creek roadside rest area generating nearly \$6 million in gross revenues. These reports have not been confirmed. Caltrans may be looking at this revenue stream as a source of assistance or funding.

**Discussion re: facilities estimated to not pay fee put only as an add on and not a primary.**

No discussion.

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

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

No movement has been made on the contract negotiations.

**Action Item from last CVPC meeting:** Mr. Westbrook will research the Legal's findings on the details of the transference of county property to state control and

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management. Mr. Westbrook will get some clarification on this issue.

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

Chair Hatch reiterated that it is important that BEP develop its own health initiative plan to show its support of the Governor's initiative and that the BEP vendor community is making an effort to provide healthier food alternatives to state employees.

If the program and CVPC can implement a plan for all vendors to incorporate into their own businesses, it may influence some of the larger political committees and politicians to rethink the need for legislation enforcing that 50% of food items in vending machines are "healthy" alternatives.

Chair Hatch recommended developing a plan to show that the vendor community is promoting and is in full support of providing healthier food choices.

**Action Item:** Delegate Begian recommended obtaining a list of what is considered "healthy" for vendors to reference and as an initial guideline. Mr. Friesen will forward information on the contact from the Health and Human Services as a useful resource when developing the plan. It could prove beneficial to the CVPC if the committee could initiate a relationship with the DHHS.

## **DISTRICT REPORTS**

### **District 5 – Recommended Actions**

No Discussion on Motion 2006.055.

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**MOTION 2006.055.** Moved to change the medical payment by all vendors to be raised from \$5 per month to \$250 per month. Starting June 1<sup>st</sup> 2007.

**Moved:** Delegate Hatch (on behalf of vendor in his district)

**Seconded:** No second

**Vote:** No vote taken

**Absent:** Delegate Martin-Hanlon  
Delegate Adams

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Chair Hatch remarked that the DOR's current policy on collecting delinquent fee payments already includes vendors who have missing MORs. Currently, if a vendor is missing several MORs, DOR will try to create a best estimate on the payment amount. The purpose of the motion is to ensure all the letters are sent out particularly to those vendors missing MORs by June 1<sup>st</sup>.

All delegates agreed that the motion does not need to be passed because the DOR is already proceeded with their collection efforts and have included those vendors missing MORs.

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**MOTION 2006.056.** Moved to require BEP to send notices to all vendors that are missing MOR's and have funds owing to the program. This notice is to be mailed by June 1<sup>st</sup>, 2007.

Those failing to provide MOR's and full repayment of owed funds shall have their vendor licensing revoked as per law.

7213.2. Grounds for Termination or Suspension of License.

(i) Failure to pay set-aside charges, scheduled loan repayments or penalty charge on delinquent set-aside charges and/or repayments for more than 90 days.

(l) Failure to provide records or financial reports requested by BEP.

**Moved:** Delegate Hatch (on behalf of vendor in his district)

**Seconded:** Delegate Murphy

**Vote:** Failed Unanimously

**Absent:** Delegate Martin-Hanlon  
Delegate Adams

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Chair Hatch confirmed that the program is receiving commissions from federal prisons but not all commissions.

Delegate Murphy remarked that this motion is a result of the frustration expressed from the vending community wanting the DOR to proactively pursue the vendors' priority in federal prisons. Mr. Friesen responded that vendors could file a grievance against the DOR.

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Michael Dowling's main goal in authoring the following motion was to get the DOR to respond and act. He feels the program should be making a better effort to expand into the federal prisons. After the program has initiated and established federal prisons as BEP locations, the next objective should be state universities. Mr. Dowling feels that this is the opportune time to approach state colleges because of the political environment. State universities may want to revisit the idea of working with the program.

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**MOTION 2006.057.** The CVPC moves to demand all legal rights to all Federal prisons within the State of California. And that BEP immediately file with GSA for our rights to all Federal prisons within California, showing the CVPC copies of all filings and all responses from GSA within 5 business days.

### **§ 395.31 - Acquisition And Occupation Of Federal Property**

(a) Effective January 2, 1975, no department, agency, or instrumentality of the United States shall undertake to acquire by ownership, rent, or lease, or to otherwise occupy, in whole or in part, any building unless it is determined that such building includes a satisfactory sites or sites for the location and operation of a vending facility by a blind vendor.

**Moved:** Delegate Hatch (on behalf of vendor in his district)  
**Seconded:** Delegate Murphy  
**Vote:** Passed Unanimously  
**Absent:** Delegate Martin-Hanlon  
Delegate Adams

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### **DISTRICT REPORTS**

**District 1** – No report given.

**District 2** – Delegate Murphy reported that there has been quite a bit of discussion regarding the status of the rising health care costs and its effect on the set aside fund. He would like to see a motion developed to address this issue and to present it at the next CVPC meeting. Some vendors are concerned about the dramatic increase

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in health care payments but realize the set-aside fund as to address a well.

**District 3** - no report.

**District 4** - Delegate Griffith reported there was a breakfast meeting held for 2 districts. 16 people attended. The main purpose of the meeting was to review the Regulations. Some vendors new to the program expressed their opinions about the current selection committee process. He was pleased to see vendors wanting to participant in the program and get involved.

**District 6** - No reported

**District 7** - Delegate Begian expressed his condolences to the family of Bob Catron who passed away recently.

He also reported that vendors are greatly concerned about the potential increases to their health insurance premiums.

**District 8** - No report.

**District 9** - no report..

**District 10** - Chair Hatch reported that Doug Daly, a former BEP training classmate, has died. Mr. Daly won the first location when he graduated the vendor training class and he remained at that location up until his death.

Janis Friesen reported that David Stalcup lost his wife to her long battle with lupus.

## **NEW BUSINESS**

Chair Hatch reported that there will be a selection committee scheduled for the Coalinga Roadside Rest Area location which has been combined with the Coalinga Hospital. There will be no interims in District 5. There is a vendor in District 5 that has been operating a location as an interim for over 10 years. The DOR elected to change the location profile from an interim to a permanent location.

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## OPEN FORUM

Mr. Friesen noted that there was no administration present which is a clear sign of indifference toward trying to work together toward a common goal. He feels it is a blatant sign of disrespect toward the work of the CVPC. Some delegates left early. He is afraid that the CVPC will have to work extremely hard to regain the respect of the vendor community as well. He gave some historical overview of when the CVPC was deeply involved politically and addressed legislators and the Director of DOR with some hard questions and issues. He reiterated that it is important to be aggressive and to be keenly aware of what was going on politically.

Mr. Friesen also commented that he agreed with Delegate Begian in selecting three top priority items that is important to the CVPC. The CVPC would concentrate on these agenda items and ensure everything is done to accomplish those 3 goals within the CVPC term. It is important to ask the Director what is their strategy for addressing some of the major issues affecting the program, including the budget. CVPC should also push for active participation in the selection process of the next Program Manager and ask some tough questions before they come on board.

Delegate Begian fully agreed with Mr. Friesen and he also expressed his frustrations with a certain situation that he has been involved in on behalf of a vendor. The DOR has been non-responsive to the situation. There has been repeated phone calls with no follow-up or action. He also would like to see the CVPC agree on a few priority items to pursue aggressively and thus accomplish. The CVPC has to make the DOR accountable for their actions **and inactions**.

Delegate Murphy expressed his disappointment with how the administration presents important program issues to the CVPC often on the day of the meeting when there is no time to review the items. Often important initiatives have to be delayed to the next CVPC meeting. It does not seem like they are prepared for these meetings.

Mrs. Friesen reported that she has not received requested reports since March 30<sup>th</sup>. She has made several attempts to obtain the reports from their point person who indicated that she does not even receive the reports. Obtaining the reports for the CVPC's review has been a frustrating, challenging process.

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## ADJOURNMENT

Mrs Friesen indicated that the next CVPC meeting will be in San Diego tentatively on Thursday, August 2<sup>nd</sup>. The date will be confirmed by the Executive Committee later once availability of space has been determined.

**MOTION 2006.058.** Moved to adjourn at 3:30 p.m.

Moved: Delegate Began  
Seconded: Delegate Collins  
Vote: Passed Unanimously  
Absent: Delegate Martin-Hanlon  
          Delegate Adams

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