

**STATE OF CALIFORNIA
EMPLOYMENT TRAINING PANEL MEETING**

State Capitol
10th and L Streets
Room 112
Sacramento, CA 95814
December 8, 2005

PANEL MEMBERS

Barry Broad
Acting Chair

Bob Giroux
Member

Robert Lennox
Member

Janice Roberts
Member

Tyrone Freeman
Member

Scott Gordon
Member

Executive Staff

Ada Carrillo
Acting Executive Director

Susan Bobrow
Acting General Counsel

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I. PUBLIC PANEL MEETING CALL TO ORDER

Barry Broad, Acting Chair, called the public Panel meeting to order at 9:35 a.m.

II. ROLL CALL

Members Present

Barry Broad, Acting Chair
Scott Gordon
Janice Roberts
Bob Giroux (arrived at 10:15 a.m.)
Robert Lennox

Members Absent

Tyrone Freeman

Executive Staff Present

Ada Carrillo, Acting Executive Director
Susan Bobrow, Acting General Counsel

III. APPROVAL OF AGENDA

ACTION: Mr. Lennox moved and Ms. Roberts seconded the Panel approve the Agenda.

Motion carried, 4 – 0.

IV. APPROVAL OF MINUTES

ACTION: Mr. Lennox moved and Mr. Gordon seconded the Panel approve the Panel Minutes of October 28, 2005.

Motion carried, 4 – 0.

V. REPORTS OF THE CHAIRPERSON/PANEL MEMBERS

Mr. Broad appointed Jan Roberts as Acting Vice-Chair, in his capacity of Acting Chairperson.

VI. REPORT OF THE ACTING EXECUTIVE DIRECTOR

Ms. Carrillo stated there would be ample funds available for the remainder of the fiscal year.

Request Motion to Delegate in Event of Loss of Quorum

Ms. Carrillo asked for a motion to delegate to the Acting Executive Director the authority to approve projects for which a quorum does not exist in consultation with the Panel Chair or Vice Chair.

ACTION: Mr. Lennox moved and Mrs. Roberts seconded the Panel delegate to the Acting Executive Director the authority to approve projects for which a quorum does not exist in consultation with the Panel Chair or Vice Chair.

Motion carried, 4 – 0.

Ms. Carrillo asked for a motion to approve those single employer contracts that have been placed on Consent that are less than \$250,000 and do not present any unusual or controversial issues.

Consent Calendar Projects

Mr. Broad asked for a motion to remove Verdegaal Brothers, Inc., Tab 24, from the Consent Calendar for further discussion.

ACTION: Mr. Lennox moved and Mr. Gordon seconded approval of the Consent Calendar with the removal of the Verdegaal Brothers proposal.

Motion carried, 4 – 0.

Acro Electric, Inc.	\$7,200
Arbor Vita Corporation	\$9,600
Architectural Area Lighting.....	\$41,860

Borba LLC.....	\$33,120
Cliffstar Corporation.....	\$95,550
Cubic Defense Applications, Inc.	\$213,850
Dairy Farmers of America, Inc.	\$212,940
Decade Software Company, LLC	\$10,560
Galaxie Universal Corp. Inc., dba Gamco Industries ...	\$5,000
Innovative Engineering Group	\$35,840
Korean Air.....	\$165,360
LA-Z-BOY West.....	\$166,816
Micro Analog, Inc.	\$88,803
Odyssey Innovative Designs.....	\$7,200
Perillo Industries, Inc., dba Century Electronics.....	\$36,000
Petersen Brothers Construction, Inc.	\$116,480
PracticeXpert Inc.	\$29,120
Quebecor World (USA), Inc.	\$34,944
Korea Radio, Inc., dba Radio Korea	\$195,000
Smurfit-Stone Container Corp.	\$207,740
Solid State Stamping	\$150,960
Svensen's Boat Works, Inc.	\$34,680
Vallejo Boat Works	\$3,200

Mr. Broad referred to the memo regarding Verdegaal Brothers, Inc., under Tab 24 from Rosa Hernandez to Ruby Cohen, Manager of the Sacramento office. He stated that Verdegaal Brothers, Inc., is a firm that is training truck drivers and other employees in hazardous materials training. Mr. Broad stated that typically, any hazardous materials training would be mandated by law. Mr. Broad said this company was bringing this function in-house. He stated that the Panel was making an exception to a general rule regarding hazardous materials training. Ms. Carrillo clarified that ETP had taken this into consideration upon reviewing the contract. She said that what was being proposed was over and above legislative requirements. She stated the memo from staff was part of ETP's internal process during the contract review process and ETP had not intended on including the memo in the Panel packet. She said ETP had the same concerns as Mr. Broad upon reviewing the memo. Mr. Broad agreed to the approval of Verdegaal Brothers adding that it should not become a pattern to fund mandatory training.

ACTION: Mr. Lennox moved and Ms. Roberts seconded the Panel approve the Small Business Agreement for Verdegaal Brothers, Inc., in the amount of \$10,240.

Motion carried, 4 – 0.

Ms. Carrillo announced Susan Bobrow's retirement and thanked her for her dedication and contributions to ETP during her term of employment. She said she was a pleasure to work with and appreciated her support on both a personal and professional level. Mr. Broad stated his appreciation towards Ms. Bobrow and said they had worked closely together on a number of issues and that she was a consummate professional. Mr. Lennox also

thanked Ms. Bobrow and said she was wonderful to work with and was very knowledgeable. He said it was an honor and pleasure working with her.

VII. REPORT OF THE ACTING GENERAL COUNSEL

Ms. Bobrow announced that Maureen Reilly would be Acting General Counsel as of January 1, 2006. She mentioned FPPC requirements upon retirement from State service. She distributed information to Panel members regarding FPPC requirements so they would be informed as to the expectations from FPPC upon their term expirations.

Ms. Bobrow thanked Panel members for their tenure on the Panel. She extended her thanks and appreciation to Ada Carrillo. She also thanked both the contractors for their commitment to training employees and also the consultant community for promoting the ETP program. She conveyed her appreciation of ETP staff for their fine work during her employment with ETP over the last seven years.

VIII. REVIEW AND ACTION ON AGREEMENTS AND AMENDMENTS

Critical Proposals

Best Air Holding, Inc., dba Virgin America

Creighton Chan, Manager of the S.F. Bay Area Office, presented a Critical Proposal for Best Air Holding, Inc., dba Virgin America (Virgin America) in the amount of \$10,003,632. Mr. Chan said the Proposed Agreement for Virgin America was approved by the Panel at its December 17, 2004 meeting. He stated the Final Agreement had been prepared for the Panel's approval because Virgin America planned to begin hiring and training frontline workers in early 2006. All the contingencies for approval have been met including the submission of the curriculum and documentation of the training cost for pilots.

This project is a "Critical Proposal" because it is part of an economic development effort that involved numerous state and local agencies including the California Business Investment Services (CalBIS), SAMCEDA (the economic development entity for San Mateo County), San Francisco International Airport, and various cities including San Francisco and the City of South San Francisco. This highly collaborative effort and the availability of Panel funding for customized training of its California workforce led to the decision by a new airline called Virgin America, to locate its initial airline operations in the San Francisco Bay Area.

Mr. Chan introduced Todd Pawlowski, Vice President of Airports and Guest Services; Brian Clark, Vice President of Planning and Sales; and Spence Kramer, Vice President of Marketing and Communications.

Mr. Lennox commented that the Virgin America project epitomized one of the core missions of the ETP. He said there were several high-paying, good benefited jobs and noted that in

the application it stated that Virgin America was committed to hiring local workers who had been laid off from other airlines and commended the company for this.

Mr. Lennox moved approval of this project. The second was delayed as Panel member questions surfaced.

Ms. Roberts asked if Virgin America was part of the British company, Virgin Atlantic. Mr. Clark said it was not part of Virgin Atlantic. He stated that Virgin America would be based in the United States, and would be a U.S.-controlled entity. The Virgin brand would be licensed from the U.K.-based company. Ms. Roberts asked if the flights would be domestic or international. Mr. Clark said Virgin Atlantic intended to be a focused U.S. domestic flyer. Ms. Roberts asked about retrainees and how they were sourced. Mr. Clark stated they were new employees. Ms. Roberts asked if the new employees had a general knowledge of operations and asked what types of training would be included in this project. Mr. Pawlowski said the FAA required Virgin America to have retrainees complete Virgin's unique Airbus A320 aircraft program, regardless of the number of hours of previous flying experience in the same aircraft. He said the A320 program required over 40 hours of flight simulation time, over 80 hours of classroom and another quasi-simulation. He estimated the cost of each retrainee to be approximately \$25,000. Ms. Roberts asked when retrainees would be hired. Mr. Pawlowski said Virgin America was presently preparing for hiring and said they would enter into a massive hiring campaign in the early part of next year. Ms. Roberts asked about the length of this agreement. Mr. Pawlowski said it was a two-year agreement. Ms. Roberts asked about Virgin's experience with administering ETP contracts in the past. Mr. Pawlowski said he personally had not, but had worked closely with Creighton Chan and Diane Woodside of the S.F. Bay Area Office and had become more educated as a result. He said Virgin America intended to introduce computer software applications which would help them track the training required by the FAA.

Mr. Gordon asked about the current stage of development for the company. Mr. Pawlowski said that they have employed subject matter experts who have been very successful in implementing training programs previously. Mr. Pawlowski said it was a combination of the aircraft manufacturer, FAA standards, and the previous experience of the subject matter experts. Mr. Gordon asked if they were developing the training staff to implement the proposed curriculum. Mr. Pawlowski indicated they were, and added they would be developing and purchasing some of the expertise as well. Mr. Gordon asked if training would be outsourced. Mr. Pawlowski said that Virgin America had plans to break ground on a training facility in California. He said the location had been identified but that California did not currently possess flight simulators for the type of aircraft purchased. The flight simulators are presently located in Miami, Florida. He said that management pilots have been sent to Miami and have already completed the training programs. Mr. Pawlowski said that until California had flight simulators, they would continue to use Airbus.

Mr. Gordon asked Creighton Chan about the contingencies in the prior contract. Mr. Chan stated the contingencies were the submission of a curriculum and also a review of the costs. Mr. Broad asked if Virgin America expected training to be completed over the

two-year term. Mr. Clark stated they expected to be well into their training at the levels outlined in the application in the two year period. It was expected that within 12 months they would be flying approximately 15-17 airplanes. He stated there were firm orders from Airbus for 33 airplanes that Virgin America would be taking during the next several years. Mr. Broad asked ETP staff about the dollar amount for this project in relation to past ETP projects. Ms. Carrillo said it was probably the largest proposal funded by ETP in recent history. She pointed out that while the contract value was 10 million, in order to manage funds, ETP would start off with a 20 percent encumbrance level. Based on performance, more monies would be made available, which would maximize the use of funds.

Mr. Pawlowski stated that Fred Reed, the CEO of Virgin America, had hoped to be present at the December Panel Meeting. He said Mr. Reed was currently in Washington and had just announced the formation of Virgin America with U.S. investors, and had submitted the application to the Department of Transportation for Virgin America to become a formal airline and had announced that not only would they relocate their principal operations base in the San Francisco Bay Area in California, but that the headquarters would also be based in the bay area, instead of New York. He stressed Virgin's commitment to the state of California.

ACTION: Mr. Lennox moved and Mr. Gordon seconded the Panel approve the Critical Proposal for Virgin America in the amount of \$10,003,632.

Motion carried, 4 – 0.

Produce Container LLC

Ruby Cohen, Manager of the Sacramento Office, presented a Critical Proposal for Produce Container LLC (PCLLC) in the amount of \$776,000. PCLLC is building a new manufacturing facility to produce high quality corrugated packaging in Madera, California. Company officials anticipate that the facility will be operational by June 2006 and are expecting to hire 97 employees as early as March 2006.

Ms. Cohen introduced Edward C. Rathbun, President; Robert O. Nagle; and Cindy Smith, Human Resources Manager.

Ms. Roberts asked if PCLLC had existing plants in California. Mr. Rathbun said there were 16 distribution centers with 14 located in California. He said they were in Lodi to the north extending to Marysville and in every other agricultural area with centers in Salinas, Escondido, Fresno, Dinuba, Lamont and Guadalupe. Ms. Roberts asked if the manufacturing facility was currently located outside of California. Mr. Rathbun said it was not. He said they provide different types of products other than only corrugated boxes, such as wood pallets and plastic clamshells for strawberries. He said they are a distributor and have been purchasing corrugated containers and struggling to get them for the last three years as the industry moved towards this type of packaging. Mr. Rathbun stated PCLLC was going from a distributor to a manufacturer in doing it themselves. Mr. Lennox noted the importance to invest in California communities and workers to ensure good jobs

for the future. He commended Mr. Rathbun in keeping the company in California and investments into the equipment and job creation.

Mr. Lennox moved to adopt the proposal.

Mr. Broad had another question before proceeding with a second to the motion. He noted that in the Agreement it stated there were 5 employees and asked if it was a new company. Mr. Rathbun replied that PCLLC was a new business, operating independently. Mr. Broad asked if the facility would be operating seasonally. Mr. Rathbun said the facility would operate all year long with the production of strawberries and lettuce. Mr. Broad asked if PCLLC intended to ship out of state. Mr. Rathbun stated PCLLC's intent was to ship to 16 different distribution centers. Mr. Broad asked if there was a second.

ACTION: Mr. Lennox moved and Ms. Roberts seconded the Panel approve the Critical Proposal for PCLLC in the amount of \$776,000.

Motion carried, 4 – 0.

Single Employer Contractors

Aetna Inc.

Diana Torres, Manager of the San Diego Office, presented a One-Step Agreement for Aetna Inc. (Aetna) in the amount of \$592,956. Aetna operates in three divisions. The Health Care division offers Health Maintenance Organizations (HMOs), Preferred Provider Organizations (PPOs), Point-of-Service (POS) plans, and traditional indemnity coverage, along with dental, vision, behavioral health, and Medicare plans. The Group Insurance division sells life, disability, and long-term care insurance; and the Large Case Pensions division offers pensions, annuities, and other retirement savings products. The Health Care division is the subject of this proposal.

Ms. Torres introduced David Fares, Head of ASG Learning, Performance and Quality.

Ms. Roberts asked if any of the trainees included trainees that did not receive training in previous projects. Mr. Fares did not agree. He added that none of the new training requested under the proposed contract related to previous contracts. He stated this was new training based on new systems, processes and products. Ms. Roberts asked about Training Funding Partners and the proposed amount to be paid. Ms. Carrillo clarified that ETP did not fund the third party services and said that the \$45,000 was covered by the contracting entity's own funds. Mr. Giroux asked about the 18.8 percent turnover rate. Mr. Fares said that what made a considerable difference was that in the first contract there was a 25.5 percent turnover rate, noted that more employees were retained, and the change in economy. Mr. Fares said that every year they conducted employee surveys in order to receive employee input.

ACTION: Mr. Lennox moved and Mr. Giroux seconded the Panel approve the One-Step Agreement for Aetna Inc. in the amount of \$592,956.

Motion carried, 5 – 0.

(Mr. Giroux arrived at 10:15 a.m.)

Econolite Control Products, Incorporated

Ms. Torres presented a One-Step Agreement for Econolite Control Products, Incorporated (Econolite), in the amount of \$190,905. Econolite manufactures traffic control signal lights, ranging from mechanical components to sophisticated electronics that include traffic and master controllers, LED signs and signals, systems software, video vehicle detection and radion preemption systems. Econolite's primary customers are government entities, including various states, counties and cities. The company has distributors worldwide and ships its products to all 50 states plus Mexico, Philippines, China, Trinidad, Puerto Rico and Canada.

Ms. Torres introduced Wayne Hagewood, Vice President of Operations. There were no questions from Panel members.

ACTION: Mr. Lennox moved and Mr. Giroux seconded the Panel approve the One-Step Agreement for Econolite in the amount of \$190,905.

Motion carried, 5 – 0.

Invitrogen Corporation

Ms. Torres presented a One-Step Agreement for Invitrogen Corporation (Invitrogen) in the amount of \$2,008,890. Ms. Torres noted the correction on page 7 of the Agreement under Third Party Services. The amount stated for the flat fee is \$100,000; the correct amount is \$30,000. Invitrogen provides life science products and services to public and private research institutions, biotech and pharmaceutical companies. Headquartered in Carlsbad, the company employs 4,750 worldwide, with 1,500 in California.

Ms. Torres introduced Brian Hebert, Manager of Process Improvement.

Mr. Giroux asked for further clarification on Invitrogen products. Mr. Hebert stated the company provided liquids, cells, research tools and kits for large pharmaceutical companies as well as academic research institutions. He said that Invitrogen was the catalog for companies that conduct drug discovery. Mr. Giroux asked about the diversity of Invitrogen's workforce. Mr. Hebert said that Invitrogen was the most diverse company he had worked for and that they followed all rules and regulations of an equal opportunity employer. Mr. Giroux requested that Invitrogen submit information to Panel members regarding diversity outreach and retention.

Mr. Giroux moved and Mr. Lennox seconded, but more questions arose from the Panel.

Ms. Roberts asked if this was Invitrogen's first contract. Mr. Hebert said he was unaware of any previous contracts in his term of employment with the company. Ms. Roberts asked about the flat fee for administration and asked if it was based on the amount earned versus the amount awarded. Mr. Hebert said the flat fee in the amount of \$30,000 was to set up and develop the contract and training program. He said Invitrogen would be paying 15 percent of the amount awarded to the California Training Coalition. Ms. Roberts wanted to ensure that the amount was based on the amount earned and said she would like to see it in writing.

Mr. Giroux asked about the 10 percent figure that would go to the California Training Coalition in Upland, California. Ms. Torres stated that amount was for the administration of the Agreement, such as inputting and tracking all training and invoices. She stated that contractors are free to do the administration themselves, or a portion of it, and that they can also subcontract all or a portion of the administration. Mr. Giroux asked for further clarification. Ms. Torres gave examples such as submitting invoices to ETP, tracking training and submitting training rosters. Mr. Giroux commented on the high cost. Mr. Carrillo said that by statute, 15 percent of the contract amount could be used for contract administration. She said there were several requirements imposed by ETP to ensure contract compliance and that the monies are earned. Ms. Carrillo stated that the contracting entity has the ability to subcontract for performance of administrative processes. Mr. Broad was concerned with the amount of work increasing in order to keep up with the rising training cost.

Mr. Giroux moved with the request that Invitrogen staff follow up on administration costs. Ms. Carrillo said the contracts were monitored on a quarterly basis and audited. She said ETP ensured that administration activities were carried out and the subcontracts were in conformance of ETP requirements.

ACTION: Mr. Giroux moved and Mr. Lennox seconded the Panel approve the One-Step Agreement for Invitrogen Corporation in the amount of \$2,008,890.

Motion carried, 5 – 0.

Kirkhill-TA Company

Ms. Torres presented a One-Step Agreement for Kirkhill-TA Company (Kirkhill-TA) in the amount of \$825,620. Kirkhill TA's products serve the engineered elastomer or aerospace clamping needs of commercial and military aviation, space and defense, medical/pharmaceutical, electronics, building and construction, sporting goods, house and garden, and automotive industries. According to company representatives, Kirkhill-TA is the largest custom-engineered elastomer manufacturer in the Western United States and one of the largest in the world.

Ms. Torres introduced Steve Lautenschlager, Vice President of Human Resources; Ed Andino, Human Resources Manager; Lupe Rodriguez, Human Resources Manager; and Raul Rodezno, representing the Amalgamated Local 179 UAW (United Automobile – Aerospace – Agricultural Implement Workers of America).

Ms. Roberts asked if the last contract included the Brea, California plant. Mr. Lautenschlager agreed. Ms. Roberts commented on the 29 percent completion rate and the inability to provide SEA training. She asked for clarification of SEA training. Mr. Lautenschlager said SEA was the Supplier Excellence Alliance which was a group of aerospace suppliers that had been formed in the last few years to consolidate a coordinated lean enterprise system training across aerospace suppliers. Ms. Roberts asked if SEA was the only company that provided a lead management program to the aerospace industry. Mr. Lautenschlager said there were other lead programs but SEA had developed a common language of lean enterprise system. Ms. Roberts asked who administered the previous contract. Mr. Lautenschlager said the first contract was administered by California Training Coalition and that Kirkhill-TA had much success in that contract.

Mr. Gordon acknowledged that the representative from the UAW was present and asked him if he received adequate member feedback and support regarding competencies and curriculum. Mr. Rodezno stated his support of the contract and said he believed it would be beneficial to the membership as it had been presented to the union members, and that he fully supported the project. Mr. Broad asked if there were two unions at the plant. Mr. Lautenschlager said the Machinists Union was at the Leach facility and that UAW was at another plant. Mr. Broad said that the Panel received a letter of support from IAMAW, but needed to receive a letter from the other union also. Ms. Torres said that for the facility in this project that there was the necessary union support.

ACTION: Mr. Lennox moved and Mr. Gordon seconded the Panel approve the One-Step Agreement for Kirkhill-TA in the amount of \$825,620.

Motion carried, 5 – 0.

AIG SunAmerica, Inc.

The AIG SunAmerica, Inc. proposal was withdrawn from consideration at this month's Panel meeting.

Designed Metal Connections

The Designed Metal Connections proposal was withdrawn from consideration at this month's Panel meeting.

Georgia-Pacific Corporation

Dolores Kendrick, Manager of the North Hollywood Office, presented a One-Step Agreement for Georgia-Pacific Corporation (GP), in the amount of \$680,394. GP is a manufacturer of tissue, packaging, paper, building products, and related chemicals. GP is in the process of instituting new business initiatives to bring about higher levels of product quality, delivery and reliability. GP plans to introduce two recently acquired system upgrades: a Maintenance and Procurement Sequenced Package Exchange System; and a Production Control System. The Maintenance and Procurement system is designed to make GP's purchasing functions more efficient and the Production Control System will be used to control workflow throughout the entire plant.

Ms. Kendrick introduced William Yeager, Regional Manager of Human Resources.

Ms. Roberts congratulated Mr. Yeager on VPP status. Mr. Lennox added this was an excellent company.

ACTION: Mr. Lennox moved and Ms. Roberts seconded the Panel approve the One-Step Agreement for GP in the amount of \$680,394.

Motion carried, 5 – 0.

Mr. Broad commended GP for their performance and low cost of training.

Western Federal Credit Union

Ms. Kendrick presented a One-Step Agreement for Western Federal Credit Union (WFCU) in the amount of \$252,720. WFCU is a full-service credit union headquartered in Hawthorne and Torrance. The company also has other locations in California, Arizona, Arkansas, Colorado, Texas, Utah, Virginia, and Washington.

Ms. Kendrick introduced Lisa Tichadou, Training and Development Manager.

Ms. Roberts asked about the subcontractor, Omega Performance, and if they would be implementing the training. Ms. Tichadou said they would supply materials and hold a few sessions while conducting a train-the-trainer session so that training could be brought in-house. Ms. Roberts asked if the administration was done in-house. Ms. Tichadou affirmed that it was.

ACTION: Ms. Roberts moved and Mr. Lennox seconded the Panel approve the One-Step Agreement for WFCU in the amount of \$252,720.

Motion carried, 5 – 0.

Bon Appetit Management Company

Mr. Chan presented a One-Step Agreement for Bon Appetit Management Company (Bon Appetit) in the amount of \$122,460. Bon Appetit markets and sells fresh, high-end cafeteria food made from ingredients purchased directly from local farmers and artisan producers. Bon Appetit has cafes in 27 states (including 26 cafes employing 2,651 persons in California). Bon Appetit continues to expand, serving more than 55 million meals a year at companies, public venues, and universities. The firm's headquarters are located in Palo Alto, California. Bon Appetite's parent company is Compass Group Company.

Mr. Chan introduced Diane Elaine Paisley, Director of Employee Services and Kelly Greer, President of Strategy Workplace Communications.

Ms. Roberts inquired about the 18 percent turnover rate and asked if the rate may decrease after training the frontline workers. Ms. Paisley stated she was hopeful of this result and added that upon improving English skills, there would be advancement opportunities. Ms. Paisley said that the average turnover rate in the restaurant industry was 100 percent, so they were proud of their turnover rate. Mr. Broad noted the high wage level and the low training costs. Ms. Paisley agreed.

ACTION: Mr. Giroux moved and Mr. Lennox seconded the Panel approve the One-Step Agreement for Bon Appetite in the amount of \$122,460.

Motion carried, 5 – 0.

Dole Fresh Vegetables, Inc.

Mr. Chan presented a One-Step Agreement for Dole Fresh Vegetables, Inc., in the amount of \$452,140. Dole Fresh Vegetables, Inc. is a wholly-owned subsidiary of Dole Food Co. Inc., a 154-year old company best known for its pineapples. According to the applicant, Dole is the world's largest producer and marketer of fresh fruit, fresh vegetables, and fresh-cut flowers. This proposal is a request to retrain the workforce at the highly automated Soledad plant of Dole Fresh Vegetables, Inc., which produces approximately 25 percent of the bagged salads sold in North America. At this facility, lettuces and other vegetables such as carrots and cabbages are cleaned, cut, and mixed into salads and then bagged to be sold as ready-to-eat products. There are 1,050 Californians employed at the Soledad site.

Mr. Chan introduced Lourdes Uranday, Human Resources Manager; Deborah Pace, Operations Manager; and Steve Duscha, Alliance for ETP. There were no questions from Panel members.

ACTION: Mr. Giroux moved and Mr. Lennox seconded the Panel approve the One-Step Agreement for Dole Fresh Vegetables, Inc., in the amount of \$452,140.

Motion carried, 5 – 0.

HSBC Card Services, Inc.

Mr. Chan presented a One-Step Agreement for HSBC Card Services, Inc., in the amount of \$1,496,339. HSBC Card Services, Inc. (Card Services), headquartered in Salinas, California, with 1,430 employees, is an issuer of MasterCard/Visa credit cards in the United States. Its principle programs include GM Card and the AFL-CIO Union Plus card. Under the Household Bank and Orchard Bank brands, Card Services credit cards are offered to consumers underserved by traditional providers in the United States. Representatives state that in order for Card Services to maintain market share in a fiercely competitive market, it must improve efficiencies, implement technology advances, develop and provide new products that set them apart from the competition, and improve customer service.

Mr. Chan introduced Cynthia Stormer, Director of Learning & Development and Dave Bigham, Manager of Learning & Development.

Mr. Giroux asked what HSBC stood for. Ms. Stormer said the company started as a Hong Kong Shanghai Banking Corporation in Hong Kong in 1865 and was changed to HSBC in 1999.

Mr. Giroux stated that Card Services was a client of his future employer and therefore, recused himself from review, discussion, and action on the proposal.

ACTION: Mr. Lennox moved and Ms. Roberts seconded the Panel approve the One-Step Agreement for Card Services in the amount of \$1,496,339.

Motion carried, 4 – 0 – 1 (Mr. Giroux recused)

Pacific Coast Producers

Ms. Cohen presented a One-Step Agreement for Pacific Coast Producers (Pacific Coast) in the amount of \$202,800. Pacific Coast is a private label food processor and distributor of canned and pre-packaged food products with production and canning facilities at various locations throughout the state. Pacific Coast is requesting to train and upgrade the skills of 78 of its Oroville employees with the goal of improving employee skills that directly relate to increased operating efficiencies, reduced operating costs, and improved quality.

Ms. Cohen introduced Niraj N. Raj, Plant Manager.

Ms. Roberts asked about the investing of funds towards equipment in prior contracts at other facilities. Mr. Raj said that there were three separate independently run facilities with three different facility managers. He added that each facility produced different products and therefore the technology was different, the monies allocated for the plants was separate and the company attempted to divide the monies equally among the three facilities. Ms. Roberts asked if this was a start-up operation. Mr. Raj said it was not and that the Oroville facility had been in place for a number of years and was requesting training to keep up with technological changes. Mr. Broad said this was a positive project

overall, however, noted that resources had to be allocated fairly and suggested that contractors should not rely solely on ETP for training funds and continually request ETP funds.

Mr. Lennox moved and the second was delayed due to another Panel question.

Ms. Roberts asked if the 78 retrainees were full-time or seasonal workers. Mr. Raj said they were full-time workers.

ACTION: Mr. Lennox moved and Ms. Roberts seconded the Panel approve the One-Step Agreement for Pacific Coast in the amount of \$202,800.

Motion carried, 5 – 0.

R. Lang Company

Ms. Cohen presented a One-Step Agreement for R. Lang Company (R. Lang) in the amount of \$253,800. R. Lang is located in Visalia, California, and is a manufacturer of home improvement and building products, including screen doors, screen frames, screen roll goods and components, greenhouse windows, door grills, skylights, and storm and security doors.

Ms. Cohen introduced Nathan Faulkner, Controller.

Ms. Roberts asked about the lack of a substantial contribution. Ms. Cohen said that when an application was received it was determined what the earned amount was, and when this application was being developed, the contractor had not reached the \$250,000 threshold amount for substantial contributions. Ms. Roberts asked about the dollar amounts listed under the comments section of prior projects and said she would like to see substantial contribution wording added to state that if the amount was met, then there would be a substantial contribution for the amount earned. Mr. Broad asked Mr. Faulkner if he would accept Ms. Roberts recommendation. Mr. Faulkner agreed. Ms. Roberts asked about the high turnover rate. He said R. Lang was working to improve company processes so that more income was earned and had recently started an incentive program. Mr. Faulkner thanked the Panel and ETP for the funding it had received in previous contracts which had allowed the company to grow dramatically over the years.

ACTION: Mr. Lennox moved and Mr. Gordon seconded the Panel approve the One-Step Agreement in the amount of \$253,800.

Motion carried, 5 – 0.

Special Employment Training (SET) Contractors

Adir International, LLC dba La Curacao

Ms. Kendrick presented a One-Step Agreement for Adir International, LLC dba La Curacao (La Curacao) in the amount of \$428,281. La Curacao is an inner-city retailer that sells consumer goods such as electronics, furniture, and appliances and also offers credit services with its "La Curacao Private Label". La Curacao also has an export operation that allows California customers to purchase goods here for delivery to residents living in Mexico and Central America. The company's six retail stores and one distribution center are located in Southern California.

Ms. Kendrick introduced Mike A. Ledezma, Senior Vice President of Retail Operations and Magda Andrade, Training and Development Manager.

Mr. Gordon asked about company expansion, employee retention, and promotions. He also asked about wages. Mr. Ledezma said that the majority of employees begin at the \$7.00 per hour wage and, as a policy, the company wants to ensure that the wage progresses to \$8.00 per hour within nine months of employment. Mr. Gordon asked if evaluations were done as employees promoted. Mr. Ledezma said evaluations were done at 30, 60 and 90 days and added that there was a new mentor program in place. He stated the company was growing tremendously and thanked the Panel and ETP for past funding of prior projects.

ACTION: Mr. Lennox moved and Ms. Roberts seconded the Panel approve the One-Step Agreement for La Curacao in the amount of \$428,281.

Motion carried, 5 – 0.

Regional Medical Center of San Jose

Mr. Chan presented a One-Step Agreement for Regional Medical Center of San Jose (Medical Center) in the amount of \$464,646. Medical Center is a general acute care hospital with a licensed bed capacity of 204. It offers an array of inpatient and outpatient surgery, pediatric services, critical care and general medicine services. The Medical Center employs 1,400 Californians at its facilities in San Jose. It was recently designated as a trauma center for Santa Clara County. This project will provide registered nurses and other healthcare professionals with the specialized skills needed as the Medical Center transitions to a more complex level of patient care.

Mr. Chan introduced Ann Huntsman, Director of Education and Steve Duscha, Alliance for ETP.

Ms. Roberts commented on the positive proposal presented. She asked about employee mentoring and recommended that Medical Center use caution when documenting training versus critical care. Ms. Huntsman said the point was well taken and that the more

complex the procedure, the more careful staff needed to be about validating competency before allowing trainees to complete the procedure independently.

ACTION: Mr. Gordon moved and Mr. Lennox seconded the Panel approve the One-Step Agreement for Medical Center in the amount of \$464,646.

Motion carried, 5 – 0.

Medamerica Billing Services, Inc.

Ms. Cohen presented a One-Step Agreement for Medamerica Billing Services, Inc. (MBSI) in the amount of \$500,175. MBSI provides coding and billing services including custom electronic submission of claims, auditing, accounts receivable management, physician coding and documentation education, and custom data analysis and reporting services. Customers include emergency medicine, urgent care, skilled nursing facilities, physical therapy, and family practice. Currently, MBSI serves 62 client locations in California with a volume of 1,500,000 patients per year.

Ms. Cohen introduced Stephanie Montanez, Human Resource Manager.

Ms. Roberts informed Ms. Montanez that, depending on the company location in Modesto in Stanislaus County, companies in Modesto had been designated as an Enterprise Zone as of November 16, 2005. She mentioned that there were certain tracks and credits available to companies outside of the ETP funding program.

ACTION: Mr. Lennox moved and Mr. Gordon seconded the Panel approve the One-Step Agreement for MBSI in the amount of \$500,175.

Motion carried, 4 – 0.

(Mr. Giroux departed the meeting at 11:55 a.m. and was absent for the vote.)

UAW Labor Employment & Training Corporation

The UAW Labor Employment & Training Corporation proposal was withdrawn from consideration at this month's Panel meeting.

Leadership Training and Education Fund

Mr. Chan presented a One-Step Agreement for Leadership Training and Education Fund (LTEF) in the amount of \$451,440. In June 2000, SEIU, Local 1877 and over 30 janitorial companies in Northern California created the LTEF to retrain their largely immigrant workforce. The training of security officers has been added to this training contract. This training would assist janitorial staff using high-tech equipment and a team of problem-solving skills. This instruction has been designed by clients who need guards being adept

at problem-solving, providing better customer service and responding professionally to emergencies. Additionally, this training plan is based upon one that is being offered on the East Coast known as New York Safe and Secure, which is a 24-hour training program developed in response to the events of September 11. Mr. Chan noted that in reference to the chart on page 3, under Hourly Wage after 90 Days, the asterisk should be removed. He said that essentially what had happened was that both janitor and security staff officers who completed this training would receive either a raise of 25 cents per hour or a bonus of \$500.00.

Mr. Chan introduced Alison Ascher Webber, Executive Director; Andrew Gross Gaitan, Regional Coordinator of SEIU Local 187; and Doug Bloch, Researcher of SEIU Local 24/7.

Mr. Broad commented on the average training cost and compared it to the next contract to be presented (Computer Tutor Business and Technical Institute). He stated LTEF's average training cost was \$792.00 and Computer Tutor's was \$5,745.00, LTEF's prevalent hourly wage was \$13.62 and Computer Tutor's was \$9.27, and LTEF had completed 100 percent in a multi-employer contract. Mr. Broad stated he was particularly proud of the job they had done, as both the employer and the Union had come together to improve the skills of people that are often forgotten in our society.

ACTION: Mr. Broad moved and Mr. Lennox seconded the Panel approve the One-Step Agreement for LTEF in the amount of \$451,440.

Motion carried, 4 – 0.

Computer Tutor Business and Technical Institute

Ms. Cohen presented a One-Step Agreement for Computer Tutor Business and Technical Institute (ACCSCT) in the amount of \$229,800. Located in Modesto, California, ACCSCT is a vocational business school and software training company, offering training in skills that lead to employment. ACCSCT officials state that long-term, successful relationships have been established between the school and area businesses, including medical and accounting businesses that are in the process of hiring.

Ms. Cohen introduced George Rawe, Director.

Ms. Roberts asked about the prior contract and placement of approximately 93 percent completion. Mr. Rawe said that in the current contract they had completed training all 40 individuals and 25 of the individuals had been placed and were continuing to place the other 15. Ms. Roberts asked Mr. Rawe to name some companies in the Modesto area where employees had been placed. Mr. Rawe named Vicom, CBS (a medical billing facility), eye centers, doctor's offices, chiropractic offices and back offices of various companies doing accounting work. Mr. Broad said it was his understanding that there had been previous discussions between Mr. Rawe and ETP staff regarding possible increase of the wage rate and asked if this was correct. Mr. Rawe agreed.

Mr. Broad asked if he had declined the wage increase. Mr. Rawe stated he did not decline but noted a reason as to why he thought the increase was inappropriate. He said that ACCSCT offered a significant in-kind contribution. Mr. Rawe said that on a 92 percent success rate they trained 40 employees and were successfully able to retain 37 employees in the 90-day placement rate with a single employer. He mentioned it was at times difficult to place an individual at a higher rate, but were seeing the wage progression move forward. Mr. Rawe stated the reason for declining was that the institute would possibly end up training individuals and not receiving any compensation and said it was difficult to run an institution with no funds. He said they were improving the wage progression but do not want to face a situation where funding is not earned if after 90 days the trainees are not earning \$10.00 per hour. Mr. Rawe said it may take employees anywhere from 6-14 months to reach the \$10.00 amount.

Mr. Broad asked if ACCSCT could meet a minimum wage of \$10.00-\$10.25 if ETP extended the retention period to 6 months. Mr. Rawe said it was possible. However, Mr. Rawe stated the factor not being taken into consideration was that the Institute did not bill for anything for the 3 months of training and the 3 months of retention. He said the company would not see any funds for 6 months and it was difficult to operate a program on no funds or cash flow funds. Mr. Broad said he was sympathetic to the problems of small business; however, it was the goal to see that the taxpayers of California get the most for their money. Mr. Rawe stated that ACCSCT had proven to ETP with the last contract to be very successful. He said they train up to 175 individuals in a given year and they would still be able to train the individuals who could afford an education, but that this proposed training was for individuals who could not afford it. Mr. Broad asked if ACCSCT would agree to a \$10.00 per hour wage with a 120-day retention period. Mr. Rawe declined, stating that they were located in a poverty area, and that the median income for Stanislaus County was \$43,000 per year which is significantly lower than the state average. Mr. Rawe referred the Panel to the MEC support cost amount of \$13,800, and offered to withdraw their request for this cost reimbursement. Mr. Broad suggested raising the post-retention wage to \$9.50 per hour, up from \$9.27. Mr. Rawe asked if this included loss of the MEC support costs. Mr. Broad affirmed removal of those costs. Mr. Rawe requested that if the post-retention wage is increased to \$9.50 per hour, that they be allowed to include medical and dental benefits of up to \$1.50 per hour. Mr. Broad indicated his agreement with the request. Mr. Rawe accepted.

ACTION: Mr. Lennox moved and Ms. Roberts seconded the Panel approve the One-Step Agreement for ACCSCT in the amount of \$216,000, which reflects removal of \$13,800 in MEC support costs.

Motion carried, 4 – 0.

IX. DISCUSSION/ACTION, 2004-2005 ANNUAL REPORT

In the absence of Mike Rice, Planning and Research Manager, Ada Carrillo presented the Annual Report with reference to the report itself, included in full as part of the Panel Packet.

Ms. Carrillo said ETP was required on an annual basis to submit a report to the legislature by November 30, reporting on the prior year's activities. She highlighted the following areas. She said that ETP had the least amount of funding ever available in the history of the program but continued to accomplish a great deal. The Panel approved 208 new contracts to train over 66,000 trainees and continued to target manufacturing and high-tech industries; however, there was a decrease in funding for manufacturing. The percent of manufacturing projects in the prior year was 61 percent and this year it decreased to 53 percent. Economic development projects increased by adopting a regulation on critical proposals targeting companies locating in California and creating jobs. The Panel approved 13 million for 26 economic development projects creating approximately 5,000 new jobs. Also during the year, the small business program was institutionalized which increased direct contracts with small business by 25 percent. There were 64 new projects in high-unemployment areas in the amount of 11.3 million.

Ms. Carrillo stated there were 212 completed contracts and that the average cost per trainee was \$1,038. She said the wage was excellent and substantially exceeded the ETP minimum wage. The new-hire wage was \$12.72 and retrainee wages were \$27.11.

She said that 65 percent of the funds in completed contracts were earned by manufacturing and high-tech firms and that the manufacturing employers only represented about 30 percent of the employers served. She suggested the Panel look at the reduction in manufacturing in the upcoming year since it was mandated to focus on this industry. Ms. Carrillo stated that more service sector employees were funded. The Panel continued to fund small business projects and 74 percent of the businesses served were 250 employees or less; however, noted that 61 percent employed 100 employees or less and 47 percent employed 50 employees or less.

Further details about the Annual Report are set forth in the Panel Memo on that subject, included in the Panel Packet. In this Memo, staff recommends Panel approval.

Ms. Carrillo asked the Panel members if there were any questions regarding the Annual Report. There were no questions from Panel members. Ms. Carrillo then noted the previous delegation of authority to take action in finalizing the report in the event of lack of a quorum. There was no action taken by the Panel on this Agenda Item, based on the understanding that Ms. Carrillo would take action as authorized by said delegation and consistent with staff's recommendation.

X. ACTION ON REGULATION

Mr. Broad stated that, due a revision in proposed amendments to the Out-of-State Competition Regulation at Section 4416, there was a 15-day additional comment period that was currently ongoing and stated a vote would not be taken today. He said that public testimony would be heard today, but the Panel would not hear public testimony at the January Panel Meeting. Mr. Broad stated that written testimony could be submitted through the completion of the 15-day comment period which runs through December 16.

He noted that at the next Panel meeting, the Out-of-State Competition Regulation would be added to the agenda for a vote only.

Staff Counsel Maureen Reilly clarified that the written testimony must be on the revision itself, and not on the entire regulatory action that was originally noticed many months ago. During the original public comment period, she said, comments had been received from the Alliance for ETP. She said the revision to the proposed amendment was based on an Alliance comment, and she referred everyone to the Panel Memo which explains why there were no further revisions.

Ms. Reilly directed the Panel's attention to Attachment B of the Memo, which contains the text of the regulation. She clarified that this is the text of the regulation as it would be amended, if adopted. She noted the only change in text was at Section 4416 (h) under the Call Center heading. The annual call volume which must originate from outside California was revised from 50 percent to 25 percent. Ms. Reilly reiterated that this revision was based on the comment received from the Alliance for ETP, to the effect that the restriction on call centers was too severe.

The Alliance comment also included a request to add more North American Industrial Classification System (NAICS) classifications to those deemed to have out-of-state competition. However, staff is not proposing a revision to this part of the proposed amendment. Ms. Reilly stated that staff had originally reviewed the NAICS manual to determine which types of industry typically faced out-of-state competition. She stated that staff considered several new industry sectors and decided not to include them in Section 4416 (i). Mr. Broad asked about the reasoning behind determining to leave out specific sectors.

Ms. Reilly referred him to Attachment C, of the Memo: Specific Response for 27 Industries. She said the Response contained a fairly detailed explanation as to why the new sectors did not face out-of-state competition to such an extent as to justify further revisions. Ms. Reilly stated that including particular industries under the NAICS classification at Section 4416 (i) means they are automatically deemed to have out-of-state competition. She said this does not mean that there could not be a finding that other industries meet the out-of-state competition requirement under the threshold analysis in the earlier subsections of this regulation.

Ms. Reilly asked the Panel members if there were any questions. There were no questions from the Panel. Mr. Broad directed staff to bring Section 4416 back to the Panel for its final consideration at the January meeting. He clarified that only public comments on the specific revision proposed at Section 4416 (h) would be considered under the 15-day notice procedure.

XI. PUBLIC COMMENT FOR OUT-OF-STATE COMPETITION REGULATION

Mr. Broad asked that public comments be reserved to the proposed revision at Section 4416 (h) and invited comments before the Panel.

Mr. Duscha, representing the Alliance for ETP, said this issue was important because it was the gateway to 90 percent of ETP funding. He stated that if applicants did not qualify under the out-of-state regulation, that they had to go through the Special Employment Training (SET) process which was much more restrictive. Mr. Duscha said he would like to see the system more simple, predictable and understandable. He proposed that the list of NAICS codes at Section 4416 (i) should be reviewed with the intent on making it more clear and defining what parts of the codes worked. Mr. Duscha also said the proposed definition of Call Center at Section 4416 (h) is too restrictive. He said the proposed regulation was flawed because it does not define Call Center. Mr. Duscha stated the primary problem is that it excludes from training any call center that cannot show it receives more than half its calls from outside of California. He added that he was engaged in a study for the U.S. Department of Labor on the customized training programs like ETP around the country and believes that ETP is exceedingly complex in comparison to other programs.

Mr. Broad asked ETP staff person Robert Meyer to answer questions regarding the NAICS classifications. Mr. Meyer stated that most of the expansion into the “ancillary industries” was not exactly manufacturing but rather product-based industries where the idea under NAICS was to ensure that the companies which were previously eligible, would continue to be eligible. He stated that as companies apply and as new industries emerge, there may be a need to go into greater classification detail, but at present there has been insufficient experience with many aspects of these emerging non-manufacturing industries that have come to ETP. Mr. Meyer stated he has worked with Mr. Duscha on a continuous basis on the subject of out-of-state competition. He stated the goal was to consistently determine company eligibility. In regard to Mr. Duscha’s comment regarding comparisons of other programs to ETP, Mr. Meyer said many of the other programs are grant programs where there is more focus on economic development. Mr. Meyer asked if the Panel had questions on a specific sector.

Mr. Broad asked if Mr. Meyer was involved in developing the proposed call center definition, and asked him for his response to Mr. Duscha’s point. Mr. Meyer said he was part of the discussions, and that the use of call volume was more effective for this type of business because it was often the aspect of the business that was not directly associated with revenue. He said that call volume is a commonly maintained and utilized measure of call center function. Mr. Gordon commented on Mr. Duscha’s mention of model availability and asked if the models were available for review. Ms. Carrillo suggested that Mr. Duscha was describing other employment training programs throughout the nation and said there were approximately 45 other states with similar programs to ETP. She said the difference was that ETP is performance-based, and while ETP may have the most stringent performance requirements of any state, this is the reason it is effective. Ms. Carrillo said that something to keep in mind in regard to the out-of-state competition issue was the gateway to funding. She stated it was prudent to have scrutiny when necessary for the Panel to make the determination on out-of-state competition.

Ms. Roberts said she had experience with inter-state contracts and that California has the most lucrative contracts, but she did not agree that ETP’s program was more stringent than other states. She gave examples from the states of Illinois, Oregon, Washington, and

Hawaii. Ms. Roberts expressed interest in Mr. Duscha identifying the states with less stringent requirements.

Ms. Reilly pointed out that when referring to the definition of the call center, the definition also clarifies the Panel's policy against funding telemarketing companies, which is currently only a policy that needs to go into regulation. Mr. Broad asked if there were any other public comments regarding the regulation. There were no other questions. Mr. Broad emphasized that this regulation would be on the agenda for "vote only" at the next Panel meeting, with no further public comment. Ms. Reilly stated that the 15-day comment period was still open and that if Mr. Duscha submitted a written comment on the subject matter of the call center, ETP would respond to it as part of the Panel presentation in January.

XII. GENERAL PUBLIC COMMENT

Mr. Duscha suggested that ETP publish precedents for past approval of projects instead of code definitions. Mr. Broad said this could constitute an underground regulation, and he could not support that suggestion.

XIII. EXECUTIVE SESSION

There was no Executive Session at this month's Panel meeting.

XIV. ADJOURN

ACTION: Ms. Roberts moved and Mr. Lennox seconded to adjourn the meeting at 12:55 p.m.

Motion carried, 4 – 0.