



**STATE OF CALIFORNIA
EMPLOYMENT TRAINING PANEL MEETING**

California Environmental Protection Agency

1001 I Street

Sierra Hearing Room, 2nd Floor

Sacramento, CA 95814

June 27, 2014

PANEL MEMBERS

Barry Broad
Chair

Janice Roberts
Vice-Chair

Gloria Bell
Member

Sonia Fernandez
Member

Kish Rajan
Member

Edward Rendon
Member

Sam Rodriguez
Member

Executive Staff

Jill McAloon
Acting Executive Director

Maureen Reilly
General Counsel

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I. PUBLIC PANEL MEETING CALL TO ORDER

Chairman Broad called the meeting to order at 9:38 a.m.

II. ROLL CALL

Present

Gloria Bell
Barry Broad
Sonia Fernandez
Leslie McBride
Edward Rendon
Sam Rodriguez

Absent

Janice Roberts

Executive Staff Present

Jill McAloon, Acting Executive Director
Maureen Reilly, General Counsel

Mr. Broad said we have a lot of Panel projects to look at today and consider with many difficult issues that we will be deciding. We will also be taking up immediately, this question about what to do with this impending shortage of money that we are facing; which we need to bring up, talk about, hear from you and decide today. This is not an issue that can wait, we have to make a decision today, we have a staff recommendation, but I think given the subject of what we are discussing, we need to hear from any and all of you who wish to comment and propose whatever you wish to propose.

III. AGENDA

Chairman Broad asked for a motion to approve the Agenda.

ACTION: Mr. Rendon moved and Ms. Bell seconded the motion that the Panel approve the Agenda.

Motion carried, 6 – 0.

IV. MINUTES

ACTION: Ms. Bell moved and Ms. Fernandez seconded the motion that the Panel approve the Minutes from the April 25, 2014 meeting.

Motion carried, 6 – 0.

V. REPORT OF THE ACTING EXECUTIVE DIRECTOR

Jill McAloon, Acting Executive Director, said my report is going to be long today. I'll try to make it as brief as possible, but I'd like to work through the report before we take questions please. Today we have both our standard mix of multiple employer and single contracts. Two of our regional office managers, Diana Torres and Gregg Griffin, are participating today by teleconference and Rosa Hernandez and Creighton Chan are here today to present projects. Also, joining us for the first time is Kulbir Mayall, our replacement for Rosa Hernandez, when she retires in a few months. He will be in charge of the Northern CA operations as well as the fiscal unit.

We do have a mega Panel Packet today and some other items on the Agenda. Maureen Reilly will provide a preview response to public forum comments and also revised guidelines for Productive Lab (PL); the Panel subcommittee will report on its drought recommendations; Peter Cooper will review guidelines for the Drought Pilot; and Mario Maslac will be presenting the Strategic Plan and updating everyone on our new data management system. Regarding legislation, nothing new has really changed since last month, so we will move forward.

Ms. McAloon said the Panel members have before them today, the Fund Status Report (FSR) and a Memo from me outlining proposed funding caps for the new year. You also have a sheet showing the effect of those caps on today's proposals. You will see that we have a complicated issue before us, and as I said, if you could just bear with me until we get through and then I'll entertain your questions.

The report today is really difficult to make, because staff is recommending significant cuts to project caps for the Fiscal Year (FY). We are proposing cutting caps in half, excluding small business. This action, if approved, would reduce funding for five proposals that are on calendar for today, it would also affect remaining 30% of funding to be presented next month, resulting from project reductions that we took in April. I take full responsibility for this late hour decision, and I do apologize to our stakeholders for the hard and unexpected cuts. That being said, it is the result of several years of trying to fund projects in a current FY, at the expense of the following year. That's exactly what happened in April, and it's happening again in June. We are reaching into next year's money, a pattern that we have been repeating for way too long. We are always trying to keep funding up to the level of demand. So, in consultation with my executive staff, thank you Maureen and Peter, I've decided it really is necessary to balance the books. The driving force behind the limited training funds this year is the high amount of prior contract liability that's being pushed forward from the past three years; that's \$24M. This is primarily the result of record-high project performance due to the Panel's diligent efforts to right-size projects over the last couple of years. Projects are performing at record-high rates. On average, the last 12 months performance has been about 76%, and we are seeing it trend up to 81% and even 100%. This is in comparison to a

historical average completion rate of 60%, taking into consideration the 72% encumbrance rate that we were using to project obligations at the year end. So the high project performance is excellent. It's great for the program and for our stakeholders. But it also consumed a lot of money which means we have less money available this FY.

We kept trying to meet the full demand in June and July, and moving forward until the middle of this week when two spending indicators were fully realized. The first one involves an all-time high in invoicing. We've had more progress payment invoices (P1 payments) this FY than in any of the last five years. There is an accelerated invoicing processing occurring and it may be due to our antiquated MIS system which has been crashing. Contractors are anxious to invoice, concerned that the system is going to fail. Also with anticipation of the new management system and the announcement that we were going to cancel the August Panel meeting, we understand that contractors were trying to process their invoices before we moved to the new system.

This month we have a mega Panel packet, and in July the proposals are valuing about two times that of the usual amount for the start of a FY. We are looking at another \$15M in contract value for next month. That is \$30M committed as we enter the new FY. Again, this appears to be in response to the announcement that August Panel would be cancelled, and the volatility of not knowing what's going to happen with the new system and future Panel meetings. We understand that. We know that applicants are pushing to get their projects to the Panel before August.

All told, after today's meeting, we will have \$43M in contract value for the remainder of the FY. If you subtract the estimated \$15M for July, that leaves us \$28M to stretch to the end of the FY, which isn't much. While we sometimes stretch available funds, reducing the level of encumbrances so we can meet demand, in my opinion, this is part of the reason we are in this situation right now. It has led to the high prior year liabilities that we have, and we cannot continue the pattern. It's time to balance the books. So, moving forward, staff is going to take steps to mitigate risk so we are not in the same funding situation next year, and we won't have to suddenly announce a drastic change in funding caps. In addition to the proposed funding caps, which I will go through in a minute, staff will be more conservatively and consistently encumbering projects at a much higher level than we have in the past, which, of course, will mean there will be less money available to approve projects. We are also going to adjust our performance metric higher than in the past. We've been assuming a performance rate of 72%; we are going to increase that to 75%. We are also going to establish better controls so we can balance funds, demand, and performance. We are confident, that our new system will help us do this.

This also includes a current assessment of demand. ETP is receiving pre-applications currently at a phenomenal rate. We are getting about 30 per day compared to about 3 per week. There's a lot of business coming to us, which is great. But we don't have funds to support the demand. So if we look at the number of projects that we have in June, estimated for July and all of the pre-applications that are in various stages of development in the field offices now, we are already at maximum contracting capacity with our funds. So we need to be prudent with the funds that we have left; we need to impose a deadline for applications for this FY; and, further restrictions may be necessary.

Ms. McAloon referred the Panel to the Fund Status Report. Our budget appropriates \$63.2M to the Employment Training Fund, and with the reductions and adjustments applied, we have \$60.6M available for this FY, which is actually \$10M more than we had last year. There are further reductions that include program administration; EDD support; marketing & research; pro rata – program 50; the Employment Training Management System; and the prior year contract liabilities. Through our incremental encumbrance, we can take that \$24.6M and that will equate to approximately \$64M in contracting value. We are going to have to maximize our core funding and it's really prudent that we reduce caps. I realize this is a hard cut, and I sincerely apologize for the lack of prior notice. I take full responsibility for that, but I don't see how this can be avoided. I think caps are necessary. The caps that staff is presenting are a baseline. The Panel can make adjustments based on feedback, but this is where staff is starting, just for the point of discussion.

She referred the Panel to page three of the Memo and provided an overview of the proposed reduced project caps, which would be reduced by 50%. She said in our alternative funding, those caps would not be applicable. We would consider those projects on a case-by-case basis. She said with Amendments, funding for active contracts may be increased, in conformity with these caps, on a case-by-case basis depending on performance. Projects funded in April 2014 that were reduced 30% and are subsequently scheduled for a 30% increase at the July Panel, may be amended up to the project caps only.

This is a very hard decision to make. It is an issue that the Panel will have to address today. In summary, we have a high demand for funds at the beginning of the FY and we have limited training funds because of the high prior year liabilities. So the Panel will need to make some decisions to manage the remaining funds, balancing that with the acknowledgement of our stakeholders who came to April and June and submitted projects for July with the full expectation of being funded per our existing caps.

Ms. McAloon said before going into further discussion, I'd like to present two action items.

VI. MOTION TO ADOPT CONSENT CALENDAR PROJECTS

Ms. McAloon asked for a motion to adopt Consent Calendar Items #1 through #56, with the exception of Tab #46, Roll Global LLC, which was withdrawn from consideration.

Agraria San Francisco, Inc.	\$32,760
Aleia Corp. dba Surplus Services	\$18,200
Alioto's Garage, Inc.	\$49,456
ALLDATA, LLC	\$144,000
American Technical Molding, Inc. dba Accellent, Inc.	\$97,000
Anderson Brothers Auto Wholesale, Inc. dba Anderson Bros Body Shop	\$36,762
Autoland, Inc.	\$49,896
Bakman Water Company	\$7,986
Barton Brands of California, Inc.	\$94,900
Bell Brother's Heating and Air, Inc.	\$154,584
Belshire Environmental Services, Inc.	\$45,188
Berg Lacquer Co. dba Ellis Paint Company	\$114,408
BP Lubricants USA Inc.	\$50,616

Bridport-Air Carrier, Inc. dba Amsafe Bridport	\$68,400
Calmont Engineering & Electronics Corp.	\$35,412
Claude Laval Corporation	\$122,442
Color-Box, LLC	\$65,940
Compass Components, Inc.	\$122,400
CTP Transportation Products, LLC.....	\$126,060
CU Enterprises, Ltd.	\$14,040
Deluxe Media Inc.	\$37,000
ENGEO Incorporated	\$102,400
FormFactor, Inc.	\$148,500
Fountain Valley Regional Hospital & Medical Center	\$168,354
Guittard Chocolate Company	\$90,216
HigherGround, Inc.	\$70,720
Hunter Technology Corporation.....	\$81,000
Inland Metal Industries dba Inland Metal Technologies, Inc.	\$48,600
Innovative Engineering Group, Inc.	\$37,440
Jadra, Inc. dba Plastics Packaging, Inc.	\$28,860
KMC Acquisition Corporation dba Kirkhill Rubber	\$91,104
Lili Mirtorabi, D.D.S., a Professional Corporation	\$87,700
Mitchell's Transport Refrigeration Company dba Valley Transport Refrigeration	\$42,570
National Community Renaissance.....	\$49,980
National Link, Inc.	\$49,874
Noushig, Inc. dba Amoretti	\$69,784
P2S Engineering, Inc.	\$106,600
Penn Air Control Inc.	\$67,120
Perillo Industries, Inc. dba Century Electronics	\$41,470
Petits Pains & Co., L.P.	\$22,464
Platinum Engineering Solutions Inc.	\$8,320
Price Pump Manufacturing Co. dba Price Pump Co.	\$12,896
Q C M, Inc. dba Veris Manufacturing.....	\$30,160
RBF Consulting	\$99,000
Reindeer, Inc.	\$80,000
Roll Global LLC	WITHDRAWN
Selane Products, Inc. dba Space Maintainers Laboratory	\$43,030
Sinclair Systems International, LLC.....	\$26,460
Sky One, Inc. dba Vertex China	\$26,208
Sukut Construction, Inc.	\$55,760
Superior Foods, Inc.	\$60,480
Technicote, Inc.	\$32,760
The Brownie Baker, Inc.	\$76,440
The Rocher Group A.P.C.	\$6,600
Ultimate Formulations, Inc. dba Best Formulations	\$110,040
Wintec Industries, Inc.	\$27,872

Ms. Reilly said on the Consent Calendar there are some projects that would be reduced by the cap and the motion should anticipate that possibility. Mr. Broad said yes, so the motion would be to approve the Consent Calendar consistent with the decision we make with regard to funding that would affect them if we waited to approve that motion.

ACTION: Mr. Rendon moved and Ms. Fernandez seconded approval of Consent Calendar Items #1 through #56, with the exception of Tab #46, Roll Global LLC, which was withdrawn from consideration. The motion also includes approving the Consent Calendar consistent with the decision the Panel makes with regard to funding that would affect the proposals under the Consent Calendar.

Motion carried, 6 – 0.

VII. REQUEST MOTION TO DELEGATE IN EVENT OF LOSS OF QUORUM/ACTION

Ms. McAloon asked for a motion to delegate in event of loss of quorum.

ACTION: Mr. Rendon moved and Ms. Bell seconded approval to delegate in event of loss of quorum.

Motion carried, 6 – 0.

Mr. Broad said first of all let me apologize to all of you as well. Obviously, in retrospect when we raised the caps not that long ago, it seemed like a very different world. We were having trouble pushing enough money out the door, but at the same time we also knew that contract performance was really increasing. Well, that normally seems like a good thing. It appears however, that it was more of a perfect storm. That is to say, in the ebb and flow of life, the proposals came roaring back in at the higher caps. You all are performing exceedingly well and at much greater levels than ever historically, and that does not seem to be an anomaly; it seems to be a more permanent change. So, the whole system that we've had since the Panel's inception, and certainly since I've been here for about 14 years – where we essentially bet on the average performance and approve more in spending than we have in cash - is a practice that is no longer viable and needs to be reconsidered. There is no question that we have to do something, and we have to do something today, and we have to take a haircut. What is at stake right now is staff's proposal to apply reduced funding caps to today's projects, and to the projects approved in April, and to all projects going forward.

After I'm finished speaking and any other Panel members who have comments, I'm going to take public testimony to hear what your ideas are. There is a lot of ways to do this haircut. We could say everyone that shows up here gets their proposal cut by 20%; we can adjust it several different ways and cut in several ways. As Ms. McAloon mentioned, the proposal today affects about 10 or 11 projects.

In the end, at the 30% level, the choice is between being able to approve more projects in the next FY or fewer projects in the next FY. If we don't apply these reduced caps to the projects today, given the current trend, we are going to be out of money by the end of the year. Which means for half the FY we are not going to be meeting, unless it is for alternative funds. So that is the choice; take it out now and not have anything for later, or spread the money out. That is what we are looking at.

There are many ways to do this and we are open; staff has suggested one way, it's not the only way. I certainly have not made up my mind. So with that, I would ask people who have public testimony on this matter, to come forward.

Steve Duscha, Consultant

Mr. Chair, thank you very much. I think you have framed the argument and I come down very strongly on the side of ETP should keep the promises it's made to date, ETP should spend its money even if we are out in December, there are good strategic and political reasons to show that you need more money and if you are giving money out through the whole FY, nobody will think you need more money. In this political atmosphere in which ETP lives, it's a good thing to run out of money; ETP should be growing, not dribbling along at its current rate. I'm in favor of running out of money and that will incentive everyone to go out and find more money for ETP and incentive the Governor and Legislature to try and make this program grow.

I was dismayed when I began to hear about these proposed changes two days ago. Yes, I have a personal interest and financial interest in this, but I have more of an interest in ETP and in the reputation of ETP and reputation of government. I consider myself a good liberal who supports and thinks government can help, but frankly the way this was done, makes me almost want to sign on with the tea party. I want to talk fairness, numbers and strategy. I want to reluctantly follow the Chairman's suggestion and offer an alternative, because I'm not sure we need an alternative, but if we do I'll welcome it. It's kind of a basic thing that we ought to keep our promises. It's not fair to lead ETP's customers through a four to six month process, tell them on Monday everything is fine and on Wednesday tell them they have to cut their projects in half, that's not the way to run a business. Furthermore, it's not fair to go back and say you are not going to keep the promises you made in April to fully fund contracts because "we did some accounting in the end of June and we don't know how much money we have now and we think we don't have as much as we used to". You've got to give notice, we all know this.

Mr. Duscha said in regards to the numbers, I think everyone in this room has a right to question, to be skeptical about these numbers. A year ago Mr. Chairman, you remember that you were begging us to bring in more projects. Then suddenly, prior to the April Panel meeting, we were out of money but were going to have plenty of money come July 1. Now, we don't have money; so the switching back and forth should make us skeptical. We should also be skeptical of any recommendations that are based on the bulk in applications that you are seeing right now and certainly the bulge in invoices you are seeing right now. It was last month that you were going to shut the program down to turn on the new computer system. Everyone who heard that, who was thinking about an ETP project any time in the near future, knew that they had to submit invoices. That tells you the effect, announcing that you are shutting down, is going to have. It tells you nothing about what the demand is for the year, or what your projection should be for the year, because it is all artificial and frontloaded - because you told us to frontload. So I remain very skeptical of the numbers. The last data ETP published in the Annual Report showed that contracts ending prior to July 1 of last year were completed at 73% of the contract amount. Yes, that was high and much higher than it has been. But to say today that a 76% rate is suddenly discovered, and is very different - well it's not.

Mr. Broad responded by saying ETP was operating on the theory that performance was still 60%, for budget purposes. He asked Ms. McAloon to confirm. She said that was correct, insofar as ETP didn't assume that the upward trend would become the new average. She added that ETP now realizes 76% is the new average, and trending towards 81% to 100%.

Mr. Duscha said there is data in the Annual Report on contracts that ended a year ago, on July 1, 2013, were at 72%. Mr. Broad said the point is well taken, you are absolutely correct, we get it.

Mr. Duscha said, there is nothing wrong with running out of money in December, I think it's good. I think it shows that ETP's budget is too small, it needs to grow. This allows everybody to go out and say ETP needs more money. If you give everybody a little bit of money over a long time then it looks like ETP is just fine, it's a little program that has enough money. ETP has been tarred for many years, sometimes correctly, with having more money than it could spend. Last year, when there were discussions about passing a U.I. reform bill that could have had the effect of increasing ETP's budget substantially, everybody said "Oh, we can't do that because ETP doesn't spend its money". That's an example of why it is good for ETP to spend its money now.

So if you feel you need to do something, here is what I recommend. First of all, keep your commitments that were made in April, in this month and in July. Those July applications were submitted in good faith a month ago, they have all been processed by your field offices, they are done essentially. To pull the rug out from under those at this point, is simply not fair. If you feel you need to have new caps, start them in August but cut the caps 25% below the existing level not 50%, which is what staff is recommending. Third, promise some stability in the program for at least the next six months. That means pledge that the ETP processes will not go dark for the new computer system until at least January 1, 2015. Let us know what is going to happen, otherwise you will keep getting jammed. We will all go back and push as much stuff at you as we can, as quick as we can. So leave things in place through July and make the cuts 25% instead of 50%, and don't be afraid of running out of money.

I want to read an excerpt from an email I received yesterday from Eric Huelsman, President of Studio Arts, an ETP contractor who provides software training for technical people in the entertainment industry. His proposal was on the April agenda and they are now proposed not to get their 30% remaining as promised. He said he was confused and outraged when he learned yesterday that this was happening. Although he received funding for the first 70%, they already purchased the software and hardware and completed in-process training started in April, May and June. The outrage comes from the fact that there was no notice about possible cutting, and he already committed to the purchases that the 30% was meant to cover. He said he stands to lose some money but worse yet, the reputation of Studio Arts. It is everybody's reputation that is hurt by activities like this; yours, mine and the programs. You have good staff with a difficult job to do and they do it well, but they made a mistake and I urge you to reject their proposal.

Oscar Meier, Los Angeles Unified School District

I told my people to jam, get the money in before you went dark. I told them to do that because I was afraid we would have a down period and things would lapse and money would not flow. I also have twelve contracts with agencies out there through LA Unified for

apprenticeship and journeyman training. I do multi-year contracts and try to have a steady flow of funding. I think some of your regular contracts should be extended over a longer period of time.

Phil Herrera, Consultant

I just want to share one observation about funding commitments based on a GO-Biz event that I attended with Leslie McBride a couple weeks ago. The whole presentation was that it was a competition between applications. They did actually spend all \$30M in that one period. So, I think funding less and making good on your commitments, is a much better approach. I would follow Steve's recommendations to keep the commitments you made through July, and then go forward with the new policy. Mr. Broad asked if he thinks ETP should fundamentally change, and view proposals as in competition with one another? My response is that, I do. As with the GO-Biz economic development initiatives, where we are finding projects that have a bigger multiplier effect to the state than others. There is limited funding, so it is just wise to move forward on those projects and potentially not fund others. It is a competition for limited funds.

Mr. Rodriguez observed, GO-Biz offers a tax credit, the California Competes Initiative. Mr. Herrera said correct. Mr. Rodriguez said they compete, it's not oranges and apples, so in other words it's not Samsung and Safeway, but it's by industry cluster.

Mr. Herrera said either way it is a level playing field. If you look at the amount of money you are investing in equipment, and in compensation for new hires, this is really Job Creation they are funding. There is this ratio that they calculate, and they compare the written narrative which is really where the magic is, and the impact that it would have on the local economy. Mr. Broad said the difference is, ETP ultimately benefits workers who get training, and we are not distinguishing between good workers and bad workers. Sometimes we say "this is a high training dollar cost for a low wage job", that's one way we do look at impact. But we've trended away from turning down training for people based on the broader economic effect in a particular industry sector. So in other words, if we changed to the economic impact point-of-view, a company that is paying people \$32 per hour to produce high-level manufacturing of some widget in healthcare, that costs \$12 billion, will get funded; but a hotel paying people \$10-\$12 per hour, training in a new computer system will make the hotel more efficient, will not get funded. So we could redesign the whole system to do that; it's something to think about. But it may not work with us; I don't think we are set up as a competitive grant program. We are more of an "application in, money out" program. If people meet basic standards, we make the cut in terms of how much they get, and how often; that's how we allocate scarce resources. Mr. Herrera said he had one last observation, in working with the staff on this electronic management system. I hear there was a bulk of invoicing but I have noticed the program is more efficient now and that's why the performance is up, so that's a big shout out to the Panel members who right-size projects and to staff who has made the program work. That's why it's not 60% anymore; it's closer to 80% and for my projects is closer to 100%. Thank you.

Kim Holland, Glendale Community College

I strongly feel that ETP should be honoring the commitments that they have made and I agree with Steve and Phil. We have obtained employer certification statements, done assessments, and even started training before any of this all begun. We've all heard and

realize that something needs to be worked out to deal with the future Panel funding but I believe it's critical that ETP honor the commitments made here today and remain a business-friendly partner. With that said, we do have a stake in your decision being made here today, as we have an amendment on the Agenda. The participating employers we are working with, requested additional hours of training for specific trainees, many who are recently hired veterans that need 40 more hours to obtain skill certification in CNC machining, Six Sigma and Lean operations. We submitted this amendment in February and we were scheduled for the April Panel meeting. We were requested by staff to wait until the June Panel meeting because funds for 2013-14 were running out. Since this amendment was not adding trainees, it was simply increasing some trainees from 40 to 80 hours, this amendment would be retroactive. We had our Panel prep call on Monday morning, everything was fine and we were ready to go. That is until Wednesday evening. That's when we were informed that new caps were going to be presented to the Panel and because we were over the new cap limit, our amendment could be withdrawn. These trainees have all been in training since March and April, and are one step closer to obtaining certification skills that will help CA businesses thrive. We are asking for your support today with this amendment, and to honor the commitment made back in April.

Julianna Kirby, Training Funding Partners

I too, agree with the fiscal responsibility in keeping your commitments to employers for all prior commitments this year. I happen to represent the other amendment that was pulled from the Agenda yesterday. This employer has 100% Job Creation. They had prior ETP contracts and each time they came to the Panel they got caught at a time where projects were being reduced by 50%. Each time they came back for their amendment, they earned 100% of their money. They too, were ready to go to Panel in April with their amendment; decided to come to June Panel; had a prep call earlier in the week, and were told be prepared to be cut in half; got a call yesterday to "cancel their flight" and don't come because they were not being funded. So a good CA employer adding hundreds of jobs, 100% prior performance was told the day before to cancel the flight. I understand there are serious issues and you want the money to be spread around, but I came here today because I want to understand what happened and what's going on. I have to be able to explain it to them and I don't like to hear comments from the employers that I work with: "what is going on up there"? I need to be able to tell them something and I had no information. My comments are about the last minute nature of this decision. Of course we all knew people were going to start performing better, because for a couple of years now you have been right-sizing people down to what they earned before. Then everyone started invoicing because you were going to go dark. The potential closure of the program has a lot of unknowns for a lot of people. We don't know what the new application is going to look like, or how long it will take. So yes, everyone is going to do their best to get in line and hold their ticket and be ready to go. I also have a project that has been submitted for July that has been reworked already for the new PL rules that came down mid-month in between Panel meetings. Employers work very hard to get the application submitted, and then many times go through one, if not two reworks; before they even get to the Panel because they are always subject to the changes even though they submitted under rules that were in place before. So, it seemed like this was a crazy week and what was going on seemed like a knee-jerk reaction. I don't know that the numbers Steve mentioned have any meaning for me yet; we just saw them they day before yesterday, just seeing the budget information today. It's too early to make a recommendation other than to try not to have a knee-jerk reaction. I realize you have to come up with a

decision today because you have business to conduct, but maybe we can take another month to study the situation and come up with caps at the July meeting, that is the real first meeting of the FY. There are things in the pipeline that would have to go through a lot of re-work and that is an imposition on the employers that are trying really hard to do their best. My last comment would be about the closure, many companies I work with don't get to close for two months while they implement their system. So if that is your best way for your business plan to work to implement the system and it looks like you are going to have down months anyway because the funding will run out at some point, I would agree with Steve that you postpone any closure until you are out of funds naturally anyway and everything has been booked for the year. That way you are not putting anyone in an unnatural position, and you have time to do what you need to do, and get everybody trained.

Bill Parker, National Training Systems

I'd like to say that I highly recommend that you stay the course for just a little while. I think after the August Panel you'll be able to discover where you are really at. There has been a tremendous rush of invoicing and applications that need to be filed. I myself was just completing several yesterday and now I hear we may not have an August Panel. I just think it's very bad for ETP and it's going to get out somehow and it could really affect the long-term health of ETP. I'd rather see the Panel run out of money in December than do your down time then. Thank you.

Mr. Broad said I am opening this up for Panel discussion. Let me say first of all I'm persuaded by this. Anything that we have approved already in April, I think that is a contract that we've entered into, I'm not even sure it's legally sound to do so. Let's take that off the table. We are not going to reduce any proposals that were already approved. So we are talking about whatever we are going to do here, we are going to do here, will it be for this Panel meeting or only going forward. Ms. Reilly said ETP did look at how many of the April contracts would have been affected by new cuts against 30% funding. She said it was only five, and it was under \$200,000. So, there is no reason to do that. I wanted to hear all of you and I hadn't made up my mind, because when something like this happens, I think it is important to listen to the public. Government works best with the consent of the governed and it does seem like we're zig-zagging around and I think that is a point well taken.

Mr. Broad said I want to ask the staff if they know, to tell us what would happen if we simply imposed these caps for everything after this Panel meeting, and then where we would be financially, if we imposed it after the next Panel meeting. What would happen with a 50% reduction and what would happen with a 25% reduction? We need to have a sense of what the financial impact will be so that we can tell everyone this is what we are voting on. So I'd like you to think about that while we are discussing it and we can move to another agenda item, this will give staff time to workup calculations and we can take it up later in the day and complete this discussion. He asked for other Panel member input.

Mr. Rodriguez said we are not going to entertain caps on the April projects, correct? Mr. Broad said that is correct. Mr. Rodriguez was concerned about the recommendation to reduce caps by 50% without a budget analysis. He said usually in governance, we take phase in approaches when there is a fiscal impact on budgets whether it is within one or two Fiscal Years that we want to control the spending of budgets. I am curious if those considerations were taken into account before this recommendation was presented by staff.

Ms. McBride asked if we were to take action today per the staff's recommendation, the fast-track projects would be eliminated, correct? Mr. Broad said no, I do not think so; there are no fast-track projects in today's Panel packet binder, we are eliminating the fast-track process for the future.

Ms. Reilly said there were several fast-tracks and they are actually Single Employers at or under \$100,000, as compared to small business. She said the fast-track process really doesn't mean that much anymore because it's not a delegation order. She said there was no need to cut fast-track in half from \$100,000 to \$50,000, since as a Single Employer the new cap was much higher, it's a cap of \$425,000. Ms. McBride thanked her for the clarification. She said I appreciate the comments they are very helpful and also help the Panel in making this decision going forward. It is rather surprising I think to all of us, the 50% cap is a little hard for me to swallow at this point, not knowing the analysis on the 25% alternative. I also feel strongly that the current projects today came forward with the understanding of the current funding. I'm glad to hear it seems to be shared that going backwards is not a good idea. I would prefer to go forward with the analysis that the Chairman suggests, at a future Panel meeting. This would be more of my preference because of the message we are sending to our businesses. We are trying to create a friendly business environment and I think this goes against the grain of what we have been trying to do. But I understand our budget position.

Mr. Rodriguez said I concur and I think we should pull back a bit. We don't have to look at this within a one-year paradigm. We have the authority to look at this within a two-year fiscal paradigm. The 25% is part of the consideration but we can look at a two-year phase in approach with caps reduced by anywhere between 10% and 25%; we don't have to go 50% or 25%. We should really look at this from a fiscal management perspective as employers do. Basically, we are managing cash flow. Mr. Broad said no, we can't phase-in because we get a one-time appropriation.

Mr. Rodriguez said they are sending invoices both actual and projected; they are sending invoices on projected monies encumbered. I don't agree with Mr. Duscha completely with going to zero funds because I think that's bad policy and bad governance in my opinion. But I do believe, in terms of fiscal management, we can be much more in line with employer concerns because that is the mission of our program. Mr. Broad said everyone in this room will vote for "don't cut my project down". The people that aren't in this room and thinking about coming to the Panel in January 2015, they are not here and if they were here they would want us to save money for January. We have to balance that out. We have to think about whether we really do simply want to run out of money. I'm not sure I necessarily agree with Mr. Duscha that the Legislature and Administration will perceive running out of money as a good reason to send us more money. It might work quite the opposite, it is much more likely that the message received by the Legislature is that were mismanaging our money, spending it too quickly, and maybe they ought to cut our program and give the money to somebody else. That is just as likely to be their response and I'd like you all to think about that.

Mr. Broad said I think it's probably appropriate to reduce the funding caps in half in the sense that it is fundamentally unfair to harm people, settle expectations upon which they have

detrimentally relied, and that is the line that I think we cannot cross. I don't exactly know what that line is temporally. It seems like because we are fairly predictable that once you get to the Panel you are going to be approved, we almost never disapprove something. I have a feeling people begin spending money anticipating of the Panel saying yes. They are sometimes jumping the gun, doing the training, and they figure they will get paid later. So to kind of say it won't work out, is fundamentally unfair, I just don't think we can do that. I'm not comfortable with running out of the money half way through the FY and I think that's bad policy and a bad management practice. So we need to find that sweet spot and find it at some point today.

Mr. Rodriguez said I took notes, I think it would be helpful for the Panel if we get a better understanding in terms of projects that have been submitted for new Job Creation, and projects that are for ongoing incumbent training, as a separation. Mr. Broad said that is included in the Panel packet with each one. Mr. Rodriguez agreed, as to each one; and said there was no distinction in the aggregate.

Mr. Broad said I would like to have some estimate of 50% and 25% cutback, effective this Panel meeting or at the next meeting in August, or doing it after August forward. That is about six options to weigh. Ms. Reilly said, in anticipation of some questions, we would save about \$2M in contract value if we impose the caps effective this Panel. Looking forward, because we have very large MEC proposals already in, and the proposals are still coming in, the deadline is Monday for the August Panel. Mr. Duscha said to be clear, contractors had to submit their contracts a month ago. Mr. Broad said I understand.

Ms. Reilly said we have five very large MEC proposals for August and would have about \$3.2M savings if we impose the caps in July, only on the MECs. Mr. Broad asked what would be left if we were to act on the proposals today, without a cap reduction. Ms. Reilly said if we started next month, we would have about \$48M in contracting capacity, as I understand it. She said next month, we can reasonably predict because of these large MECs, that if we do not impose the new caps, it will cost \$3.2M. Mr. Broad asked about the cash flow issue, with all of the invoices being submitted, are we slowing down payment or do they all have to be paid next month.

Kulbir Mayall, identified on the record as the ETP fiscal manager, responded. He said, this is my first time speaking to the Panel and I want to congratulate everyone in making ETP a successful program. I know demand is there. Also, the Budget Act funding appropriation is trending upward. If you look at it from previous years, this FY the appropriation is up by \$11M. But we do end up with prior-year liability, with approval of contracts in high volume where invoicing is pushing forward. Mr. Mayall said I wanted just to say one thing about what Mr. Rodriguez pointed out, as for fiscal management. We do like to keep it at a standard encumbrance level of 35% because of all of the invoices that came in at various payment points. Lately, we are experiencing accelerated payment and that can lead to a shortage because you only have a limited fund based on the appropriation. If you are approving more contracts, then you need to be encumbering at a lower rate. To encumber at a lower rate means pushing the caps down every FY. In prior 2013-14 FY, we were encumbering at a 20% average but we should have been encumbering 35% at least.

Mr. Broad asked so is part of this proposal where staff can manage this money in such a way that we are assuming that we have to encumber much more than we did before? Ms. McAloon said yes, because we dropped it down to 10% to 15% in prior Fiscal Years, for those months where we were out of money and demand was really high. Usually in years where our demand goes up and down, it sort of self-fixes. But that's not happening now, it couldn't fix itself. Mr. Broad said okay, we need to cut things further. Ms. McAloon said yes, that is why we are saying that we need to cut the funding caps. If we are going to be fiscally responsible and encumber at least 35% - actually the Fund Status Report for this month was figured at 36%. Mr. Broad asked if we go to 35% as the encumbrance level, will we be back here in a year saying it has to change again. Is that an appropriate number or should it even be higher? Mr. Mayall said I believe it should be higher and the initial encumbrance should be at 40% to 45% because contracts are performing at a higher success rate and you have to accommodate for that early on.

Mr. Broad said we can't do this over and over again; we can't put the people through this. It's like the state cutting its budget; they had to really make the cuts and the cuts were really painful. This is going to be painful and we don't want to do it now and then do it again. So if it is supposed to be at 40% to 45%, I think that is what we should do. Ms. McAloon said we will have much less money to work with. Mr. Broad said yes, but we will have a crisis in a year again. Ms. McAloon said yes, if everything goes as planned, you are going to be looking at almost the same amount in contract liability next year. So, it's an issue and we shouldn't be having Panel meetings and approving projects that are going to be funded out of the next FY, like we did this past April. In retrospect, we probably shouldn't have had the April meeting or this month's meeting either. We should be spending our money when we have it.

Mr. Broad said okay, let's do that. I think we just need to encumber the right amount, whatever the caps are. We can't deficit spend.

Ms. Bell said I agree, I think it goes to fiscal management. In the short term, this is hitting us now, but we're not thinking long-term. Mr. Broad said I think we should put ourselves in a place where we make a decision that will be sustainable. It's better to say we've got more money again and we can raise the caps, then to be back here in a year with this same problem again.

Ms. Reilly asked Mr. Mayall if he had figures of what would be the remaining amount of money on a 37% encumbrance. Ms. McAloon said I have it. Mr. Broad said I am prepared now to figure out that question of encumbrance because that, I think, we should start today. In any given month, we are going to be holding more money in reserve than we did before and handing out less. We had a system built on basically handing out the maximum that we could get out the door. Obviously, that is not working very well. Mr. Broad asked if that is something we have voted on in the past, the rate of the encumbrance, or if that was an internal policy. Ms. McAloon said it is internal, and we are trying to manage the money. She said usually the demand isn't high all year long. In fact, we started out the year thinking we weren't going to have enough projects in. She said staff looked at encumbering at the rate of 35% to 38% for the coming year, and it does make a difference.

Mr. Mayall said based on the proposed cap reductions, if you encumber at 38%, then we would be at \$47M for the remaining FY in contracting capacity as opposed to encumbering at

36%. Ms. McAloon clarified that it's a couple of million dollars less in contract capacity, for each percentage higher in the encumbrance level. Mr. Broad said, then if we didn't make these cuts today or next month, we would be subtracting a further \$5M is what I'm hearing, so then we would be down to about \$30M for the entire FY. We could run out of \$30M in a month and a half at the rate we are going, without the new funding caps. Ms. McAloon said the likelihood is that we are already at contracting capacity, with everything that is in the application pipeline. Mr. Broad said which means we have to tell people to stop applying. Ms. McAloon said yes, we would develop what we have right now. Ms. Reilly said we are overcommitted right now, if we changed the encumbrance level.

Mr. Broad asked about the idea of spending the money before launching the new system, there seems to be some rationale to that. Ms. McAloon said we don't have total control over when that goes live, but we are certainly going to try to time the cancellation of Panel meetings for budget reasons, with the cancellation that is needed with the new system. She said the new system launch is probably going to be happening at the end of the year. Ms. Reilly said yes, we have not cancelled the August Panel meeting, as initially anticipated for the new system. We are under the oversight of the Department of Technology. We are at the tail end of a multi-year IT initiative that was mostly under the Employment Development Department. Right now, the tail is wagging the dog. ETP was at a point in time where the oversight agency told us to launch the project by the end of August; they were not giving more extensions of time for the full initiative. Now that the EDD phase has finally launched, some of the pressure has lifted and ETP has been informed that we can go beyond August. Now, we are deliberately building more time into our schedule, for testing and training. However, we are not sure how much of an extension we are going to get from the oversight agency. We are still seen as one IT initiative that is many years late in launching.

Mr. Broad said I am very sympathetic to where you are all at. I find this whole thing is just aggravating and embarrassing and really a problem. He said you need to encumber at the rate that you really think you need, not at the lowest amount that you can. You have to be conservative, right? This is not something we vote on, but we can't be back with the bad news again here in six months or a year. I think we need to have some stability for everyone. If that means encumbering at a higher rate because that is really what you need, then do so.

Mr. Rodriguez said I don't disagree, but I'm a little confused. Your current unencumbered balance is what as of today? Mr. Mayall said I would say it is anyone's guess and let me follow up with why. We have two-year contracts but the payments can span over three fiscal years. It depends on each individual contractor and how well they succeed. But we can estimate an average success rate at 72% or 76% or higher. We have 722 active contracts now. Are you asking for the unencumbered balance for this FY or future years? Mr. Rodriguez asked, do we calculate quarterly encumbered and unencumbered balances internally, as budget controls? Mr. Mayall said no, we basically encumber the approved contract amount at 35%. Because of the demand, we had to lower the encumbrance rate. Mr. Rodriguez said so you have been using 35% as an internal control, different from the amount approved. He asked if billing is a first in/first out in terms of payment. Mr. Mayall said invoices are processed as submitted. Mr. Rodriguez asked if there were peaks and valleys to the invoicing. Mr. Mayall said yes, that is what we experienced in April; there was an influx in invoices. We knew that the trend was upward, but we had to encumber at least another \$6M to pay for the influx, which was higher than the trend. Mr. Rodriguez said he

understood, so in slang terminology: we had an artificial run the bank. Mr. Mayall said yes. Mr. Rodriguez said it sounds like we have been withdrawing more funds than are in the bank. Mr. Mayall agreed. Mr. Rodriguez said the employers were responding or reactive to what we've been communicating. They were encouraged to act in that behavior to encumber their invoices and to apply as quickly as possible, i.e. turning off the old management information system, correct? Mr. Mayall said correct.

Mr. Broad said staff is going to put together some figures, so we can take action today on this issue. Ms. Fernandez asked if the calculations are going to be made going forward, not going retroactive. Mr. Broad said yes, we are not going to make it retroactive. He said we are going to basically look at it 50% or 25% reductions to the caps, with three start dates: today, next month, and going forward. Ms. Bell said so today we draw a line in the sand. Mr. Broad said yes, today we are going to make a decision. I think we should have an estimate of what we are looking at, so that we are discussing it publicly, and everyone understands how much money we are going to have left. Every percentage point of encumbrance up from 36% means \$2M less in contracting capacity; does everyone understand? Mr. Broad suggested taking a break, and to take up the drought subcommittee recommendations upon return, before coming back to the issue of new caps and encumbrance levels.

VIII. REVIEW AND ACTION ON GUIDELINES FOR DROUGHT PILOT (RESPOND) AND ON DROUGHT SUBCOMMITTEE RECOMMENDATIONS

Peter Cooper, Assistant Director, said in the Spring ETP received \$2M in General Fund money as part of the omnibus drought bill. This General Fund money is intended to help workers and employers in areas of the state that have been most impacted by the drought. We have developed guidelines to govern how to spend the money and they have been posted on our website. A drought subcommittee was formed to review the guidelines and this funding stream in more detail. The subcommittee met on May 22 and developed recommendations for the \$2M. The subcommittee members were Gloria Bell, Sam Rodriguez and Sonia Fernandez. He referred to a table in the drought guidelines included in the Panel packet that references the funding streams and said this is a good representation of how these dollars will be used. In addition to the \$2M in flexible general fund money, we can use some of our core funding for projects that will be coming to the Panel that are related to water conservation, efficiency and the drought. For the purposes of our discussion, we are focusing on flexible general fund money.

Mr. Cooper said the subcommittee made some recommendations about how to use the funds. He said the \$2M will be bifurcated so that \$1M would be used for an Interagency Agreement (IA) with the California Community College Chancellor's Office. The reason for this is it is a way to encumber those funds fairly quickly, get the dollars out the door and get it to those that need it the most. One of the restrictions of the \$2M in general fund money is that it must be encumbered within the 2014-15 FY. The \$1M that is not part of the community college IA falls under our alternative funding category. Those dollars will have some added flexibilities for employers that wish to come in for contracts, including the use of a portfolio model for new-hire training. In lieu of our normal retention for reimbursement, we are looking at ways to use a flexible model for some of these funds. A portfolio model was used with WIA funds a number of years ago by the Panel and it allowed contractors to earn a portion of the funds upon completion of the training. In the WIA model, they received 70% of their funds for the training and then got the rest of the 30% upon placement. One of the

concerns that we saw with the WIA funds was that with the training that did take place, there was frequently not job placement. So this is a concern if you are looking at job placement and the Panel should consider whether we want to replicate exactly what we did with WIA with a 70/30 split or whether we might look at a different split. 50/50 or 60/40, a way to support training that does lead to jobs in the end.

Last week LWDA provided me with a list of 24 counties most impacted by the drought. This is a list that is based on the unemployment rate in those counties, and I know the administration is interested in having drought funds focused in these areas. The discussions that we had at the subcommittee meeting focused on the San Joaquin Valley and Tulare Lake Basin regions, which are the areas most severely impacted by the drought according to a new UC Davis study of the economic impact and these regions fall within the list of the 24 counties where the drought has had moderate or severe impacts. The list of 24 counties will be posted to our website.

Regarding the IA with the Chancellor's Office, I've had a number of discussions with the Chancellor's Office sector navigator for agriculture and environmental science, Nancy Gutierrez. We have worked with six community colleges in the San Joaquin Valley Tulare Lake Basin area and are developing a possible scope of work for the IA that would provide training not only in irrigation and the ag sector, but also in areas that are likely to lead to employment and that would be accessible to limited English speakers.

These are some of the recent developments with the drought funding. Additionally, we have a proposal that will be provided to the Panel in the next coming weeks with the Cal Poly Irrigation Technology and Research Center. I'm excited about that one especially because not only do they have a well-known training program and are well recognized in the Central Valley, they also are working together with the CA Department of Food and Agriculture, that has a program for farmers that need some training with their irrigation systems.

Mr. Rodriguez reiterated the urgency of the state to respond to workers that have the most barriers to employment, those workers that are out of work, and also to balance it with the industry and the sector in the county impacted, with mostly the growers and farmers. We have learned that there is an enormous amount of literacy skill training that has to be done with this opportunity and really to focus in on the training aspect in the hopes that come fall and winter, there will be rain and folks will go back to work. Given those urgencies, we felt that the \$1M to be encumbered to the community colleges should happen right away and focus on those regions most impacted which are in the San Joaquin Valley and Tulare Lake Basin, and there should be a focus on these workers receiving some level of certification from the providers. We also agreed with the advice of the general counsel, that we are very comfortable with the 70% training and the 30% placement. Regarding the other \$1M for Single Employer or MEC contracts, we are very comfortable with the guidelines that have been recommended. He asked if there were any questions from the Panel or the public.

ACTION: Mr. Rendon moved and Ms. Fernandez seconded approve the recommendations of the drought subcommittee and request staff to meet and develop an Interagency Agreement with California Community College Chancellor's Office and staff report on progress at the next Panel meeting.

Motion carried, 6 – 0.

IX. REPORT OF GENERAL COUNSEL

Maureen Reilly, General Counsel, said I would like to provide a summary of where we are at on the public forum comments and also briefly on Productive Laboratory (PL) guideline revisions.

On the public forum comments, staff has done a full review of all the comments that were received at the two public forums in January and February 2014. This includes the verbal comments before the Panel and the subsequent submissions that came in through the "What's New" page on our website. We will present a matrix of all the public comments, along with staff responses, at the July Panel. Many commenters suggested program changes. Some of these have already been accomplished, such as the reduction in minimum hours from 24 to 8 across-the-board, which was accomplished at the last Panel meeting. Also, streamlining the process for determining out-of-state competition, which we accomplished through what we are calling the "Unity of Enterprise" approach for Single Employers at the time of pre-application.

As for other requests for change, the matrix will show whether regulatory action would be needed, which is time-consuming. I must caution, however, that any change may need to wait until the new data management system is launched. We are done with our specifications for programming. Every change we make now has a time and cost associated with it. So we are going to have to put a hold on pilots or new programs if it requires any change at all to our management of data. Once we finish the programming and we are in the new system, then we can make further changes that will be on a flow basis. All of this must be taken into consideration when we come forward next month with the comments, staff's responses, and whatever Panel action ensues.

Ms. Reilly moved to another topic. She noted that the Panel has been asking staff for recommendations on Productive Lab (PL) as a delivery method. With PL we are recognizing a trend toward more hands-on training in demand by the employers, as a shift away from traditional classroom training.

PL is actually still a Pilot that started in January 2011. When it started, our emphasis was on justifying the need for PL as a method of delivery. Typically, PL was used in manufacturing or bio-medical industry sectors for a company that was buying new equipment. Also, when there were newly hired employees using complex machinery. We allow a trainer-to-trainee ratio of 1:10; that's up to 10 trainees per instructor. This ratio was by analogy to the ratio for Advanced Technology training; there was no other basis. The curriculum for PL was very macro, sometimes only naming the piece of equipment or the machine that would be used in the training. She continued; there had to be a dedicated instructor, meaning you couldn't just have a supervisor be designated as the instructor. And that was about it. There was no cap on hours other than the usual 200 for retraining. Earlier this Fiscal Year (FY) we had a few very sizeable requests for PL, representing 100% of the hours per trainee and the requests were coming from the non-manufacturing industry sectors. PL is now being requested by employers in agriculture, warehousing, construction, and the service sectors. Small business is also routinely asking for PL as a delivery method. The Panel's concerns, as staff understands it, is finding a way to measure when PL is hands-on training for job skills, and

when is it moving beyond that into something like quality control or safety, or other ancillary objectives that may be very worthwhile on the employer's part but aren't necessarily training. Ms. Reilly said this is very hard to judge on the merits. Ultimately, it does become a subjective determination.

Ms. Reilly said ETP does need to have guidelines. We believe the best approach is to evaluate PL using objective features such as the trainer-to-trainee ratio, the hours of training and even the curriculum itself. As you will see in the proposals this month, we have been successful in limiting the number of trainees per instructor. No more than one instructor per five trainees and even then, only with strong justification. Many proposals have ratios of 1:1, 1:2 or 1:3. This is the reality of most actual PL training plans, as we found out when we asked companies. With an outside edge of 1:10, most employers said sure, we will take that ratio. But when we asked "what are you actually doing", it really was more like 1:1 or 1:2 ratio. A cap on the total training hours per trainee is more difficult. As a baseline this month, we limited PL to no more than half the hours of training; that is, half of the hours as capped in each job number. So, if you have 200 hours in a job number, that's 100 hours of PL. Even so, a particular trainee could get 100% of PL. She said it's much more difficult to cap the percentage per trainee, partly because of our current data management system. So what you'll see this month is a cap on 50% of the hours in the job number, no more than 100, given the 200 standard cap for retraining.

We are also attempting to limit the training curriculum, with a more robust review during development. We are requesting the training instructor's "checklist of competencies", which is roughly analogous to the syllabus in a classroom setting. Certainly, in order to deliver hands-on training, there must be some check off on whether the trainee achieved competency in a skill set. Every employer uses something of this nature. They do vary, but we are looking at them to screen out topics that are not something we will fund, such as orientation or general safety. The process of screening also helps to cap hours. You'll see that some hours are capped at less than 50% per job number, this month. However, the Exhibit B curriculum does not reflect details from the "checklist of competencies", rather; the PL topics are though we are summarized in the ETP130.

In summary, she said, this is what we propose in going forward. In addition to the existing parameters in the PL pilot guidelines, staff is proposing as follows:

- 1) Cap the ratio at 1:3 going up to 1:5 only with strong justification, nothing over 1:5;
- 2) Cap the hours at 50% of the training hours per job number;
- 3) Expand on topics of training in the curriculum based on staff's review of "checklist of competencies" or whatever other tool is used.

We believe this is a good place to start, as we continue to monitor and evaluate the effectiveness of this delivery method for ETP funding. Further limitations may be identified in moving forward. Ms. Reilly asked the Panel if they had any questions.

Mr. Broad said yes, I have many questions. I'm not buying this whole Productive Lab concept at all. I think we pay for showing somebody how to do something, but we don't pay for them to get good at it. I don't buy 80 hours and I don't buy 50%. You teach somebody how to do it, you watch them do it once, and then it's on your nickel. I don't think it should be

50% of hours; and I think maybe 1:2 is the right ratio. If we want to stretch out our money, let's train more people. I'd like staff to come back with something much more limiting than what was just outlined by Ms. Reilly. I don't know what the other Panel members think, but I'm not buying it.

Ms. Bell said, I agree with you as well. The whole concept is kind of like Groundhog Day; when do you stop? So yes, I have an issue with the percentage as well, it needs to be lowered; I'm not comfortable with 50%. Mr. Broad said of course the employer community has a high-demand for this, but there is a line we are crossing. This is when taxpayers are paying companies to watch their workers work, and then decide whether to fire them or not. That is not what the taxpayers want to pay for. Mr. Broad said he realized that PL differs by companies, such as a medical device manufacturer, where the actual training is very involved with multiple hours. However, he said, even in complex aircraft manufacturing to military specifications, there can be PL training, but you can't watch them make five planes. You need to watch them make every single plane and make sure it's perfect, but we don't have to pay for that after maybe the first go-around. I think we have to put the brakes on it. If we have a money shortage especially, let's get to the core training of training people to do something that they don't know how to do. I'd like staff to come back with tougher recommendations. I will be looking at proposals that include PL today. I don't know what we are going to do about this programmatic issue, and asking questions. I want to hear a justification, because this is getting out of control.

Mr. Broad asked if this requires a Panel vote. Ms. Reilly said no, we can take your notes to come back with something tougher. She said there are about 30 proposals that have an element of PL, even under the Consent Calendar. Mr. Broad said the proposals under the Consent Calendar are low cost, and we already approved those. He asked, how can 80 hours of watching somebody do their job, ever be acceptable? Is there anyone in the audience who has a defense of that?

Mr. Duscha said yes, the scenario that you proposed does happen. But there's another scenario; take for instance the Haagen-Dazs ice cream factory in Tulare. When a new employee is hired there, they spend a couple of months' not learning proficiency, but just learning the skills of how to run that machine. Part of the time they are watching, that is not PL under ETP definition, that is regular laboratory training. Part of the time, they are beginning to touch the controls and work on it. Those are skills that do develop over a couple months' time. Most important, it is 1:1 training. They are not making a penny off ETP for this; they are not even recouping their costs because they have a dedicated trainer who is doing nothing but training one person. Mr. Broad asked if the PL ratio should be 1:1. Mr. Duscha said yes, I would argue that you should reduce it to 1:1 and then leave it alone, and then you cannot be ripped off. He said you could be ripped off at 10 trainees per instructor, which was the old Structured On-Site Training (SOST). Limit 1:1 and then you are safe.

Mr. Broad said but 80 hours of it? Mr. Duscha said yes, they do that much PL training sometimes. Mr. Broad said maybe we could go up to 80 hours if somebody justifies it, but as a standard practice, shouldn't it be much lower?

Mr. Duscha said I don't want somebody making my ice cream that has only had 40 hours of training. Mr. Broad said I'm more concerned about someone making nuclear bombs. Mr.

Duscha said think about what happens if someone get sick from the ice cream. They take this very seriously and precision is important. Mr. Broad said I understand that, but it seems 80 hours is a long time. Maybe you're right, maybe a 1:1 ratio is what we should do. Mr. Duscha said yes, but with a 1:1 ratio I think there's no possibility of getting ripped off because the employer is paying two or three times what you're paying.

Anthony Sisneros, General Manager of Benchmark Electronics, Inc., spoke next. He said, said I basically manage a machine shop, and we work with many different alloys. They are very expensive, exotic alloys in the semiconductor business and so we are looking for a huge skillset for CNC programming and CNC machines. I wish I could just show them once; I really do, that would be an ideal world. He said his company's request isn't 80 hours, so it doesn't constitute that much for PL. Mr. Broad said okay, I'm not saying this type of training isn't justifiable in some situations. What you are describing is complex alloys, complex machining processes, and incredible tolerances. I get the need for PL with this kind of advanced manufacturing. But we are seeing requests for PL in agricultural packing sheds. Maybe we have to limit PL to complicated industries with processes that are very sophisticated, where a mistake has major consequences. But with most jobs, there are relatively simple things we are training people to do, where the consequence of error is low. So you are the complex-process and you are saying you don't need 80 hours; what do you need? Mr. Sisneros said I'm looking at 60 hours of PL per person. Mr. Broad said so the outside, if 60 hours of PL is okay for you or another medical device company, on an aircraft production company, then with everything else, it's got to be much less. Mr. Sisneros said to some degree, yes. I've had the opportunity managing various businesses from a call center service center, to aircraft jet engines, to very exotic machines. Honestly, the one that took the most amount of time was the call center. You'd be surprised because the ability to train that interface detail was a nightmare. Mr. Broad said that's because you have people dealing with the public. Mr. Sisneros said yes, exactly, but in all of those jobs there are details, and it is possible they will take a lot of time in training.

Mr. Broad suggested bringing this back next month for discussion. Ms. Reilly said certainly, I have your notes and we'll make our best effort to come within the direction given here. Eventually, it will mean a forma revision to the guidelines.

Mr. Broad said I have had a request for a presentation for someone that has a flight for Tab #71. I'd like to take it up now and if we are going to make a motion, the motion is going to be to hear it to approve it and it would be consistent with with whatever we decide today as a general proposition with regard to proposals for today. So if it's affected by it, and if we approve it, that would be applied.

X. REVIEW AND ACTION ON PROPOSALS

Bergelectric Corp. (presented out-of-order)

Creighton Chan, Manager of the Bay Area Regional Office, presented a Proposal for Bergelectric Corp. (Bergelectric), in the amount of \$423,792. Bergelectric provides large scale industrial electrical contracting nationwide. Headquartered in Los Angeles, Bergelectric provides new electric design/build services, construction and remodel; data and telecom

backbone infrastructure installations; fiber-optic communications; photovoltaic and wind generation systems and other electrical construction services.

Mr. Chan introduced Kyle Swafford, IT Director.

Mr. Broad said so basically what happened was that the area that you needed to train on, you didn't get the software that you needed to do the training so you couldn't proceed is that correct? Mr. Swafford answered in the affirmative.

ACTION: Mr. Rendon moved and Ms. Bell seconded approval of the Proposal for Bergelectric in the amount of \$423,792.

Motion carried, 6 – 0.

AHMC Healthcare, Inc. dba Monterey Park Hospital LP (presented out-of-order)

Rosa Hernandez, Manager of the Sacramento Regional Office, presented a Proposal for AHMC Healthcare, Inc. dba Monterey Park, Hospital LP (Monterey Park Hospital), in the amount of \$235,360. Monterey Park Hospital's core services include an emergency room, a surgery department, critical care services, diagnostic services, rehabilitation programs, medical/surgical services, and a maternity ward.

Ms. Hernandez introduced Evelyn Ku, Chief Nursing Officer.

There were no questions from the Panel.

ACTION: Mr. Rendon moved and Ms. Fernandez seconded approval of the Proposal for Monterey Park Hospital in the amount of \$235,360.

Motion carried, 6 – 0.

Live Nation Worldwide, Inc. (presented out-of-order)

Ms. Hernandez presented a Proposal for Live Nation Worldwide, Inc. (LNW), in the amount of \$700,000. LNW is a subsidiary of Live National Entertainment, Inc. LNW is the world's leader in live entertainment and eCommerce; comprised of market leaders such as Ticketmaster.com and Live Nation. As an event management company, LNW is responsible for concert promotion for various artists and operates approximately 148 venues worldwide.

Ms. Hernandez introduced Felicia Zigman, Director of Organization and Talent.

Mr. Broad said because you are a new ETP applicant and the merger is new, do you have staff resources to get everyone to this training? Ms. Zigman said yes; when I say new, it's my new. It was in 2010 that all of this came together. They have built an infrastructure for really streamlining and making sure there is consistency in software, in the processes and in the development, but they haven't had someone there to make sure that it is running smoothly. So yes, the infrastructure is there, but I'm really there to make sure it is really carried out in the way it needs to be carried out. Mr. Broad said because we want people to earn the

money that we give them and when we hear proposals like yours where there is a new structure in place in a company and new people in the training department, we usually like to say think about how much money you are requesting, and whether you can do the training that you are requesting. Sometimes what happens is, people try to take on too much and something to think about.

Ms. Bell asked where the 11 locations are located. Ms. Zigman said they are located throughout California in San Diego, up to San Francisco, and there are about five in Los Angeles, and it ranges from very small to larger offices. Their corporate headquarters are in Beverly Hills. Ms. Bell said because there is much coordination involved with multiple locations and especially with tracking the training. Ms. Zigman said this is the second time I've been before the Panel, as she previously received funding for SpaceX. So, I'm now working for Live Nation and have a lot experience with the ETP program. We have ambassadors in each area that will be trained by her, so they really looked at that infrastructure, because she learned on the job.

ACTION: Ms. Bell moved and Ms. McBride seconded approval of the Proposal for LNW in the amount of \$700,000.

Motion carried, 6 – 0.

California Plumbing & Mechanical Contractors Association (presented out-of-order)

Mr. Chan presented a Proposal for California Plumbing & Mechanical Contractors Association (CPMCA), in the amount of \$198,816. CPMCA represents the Mechanical Contracting Industry in Southern California, serving members engaged in the installation and service of heating, ventilating, air conditioning, plumbing, and piping equipment. CPMCA represents contractors in collective bargaining with the Southern California Pipe Trades District Council 16; works to expand union work in the pipe trades industry; and provides training for supervisory and administrative workers within the industry and in related fields.

Mr. Chan introduced Marta Martin, Director of Education and Steve Duscha, Consultant.

There were no questions from the Panel.

ACTION: Ms. Fernandez moved and Mr. Rendon seconded approval of the Proposal for CPMCA in the amount of \$198,816.

Motion carried, 6 – 0.

Southern California Healthcare System, Inc. dba Southern California Hospital at Culver City (presented out-of-order)

Ms. Hernandez presented a Proposal for Southern California Healthcare System, Inc. dba Southern California Hospital at Culver City (SCHCC), in the amount of \$513,984. SCHCC is a 420-bed community hospital serving Culver City and West Los Angeles communities. SCHCC offers a wide range of inpatient and outpatient services such as bloodless medicine and surgery, cardiac and vascular services, imaging, orthopedics, and pulmonary services;

outpatient diabetes program, bariatric center, rehabilitation services, psychiatric care and chemical dependency. The hospital has a 24-hour emergency room staffed by board certified emergency physicians and nurse specialists.

Ms. Hernandez introduced Theresa Berkin, Associate Chief Nursing Officer.

There were no questions from the Panel.

ACTION: Ms. Bell moved and Ms. McBride seconded approval of the Proposal for SCHCC in the amount of \$513,984.

Motion carried, 6 – 0.

Northrop Grumman Technical Services Inc. (presented out-of-order)

Ms. Hernandez presented a Proposal for Northrop Grumman Technical Services Inc. (Northrop Grumman TS), in the amount of \$327,257. Northrop Grumman TS is best known for manufacturing aircrafts and other systems used by government customers for intelligence, strike operations, electronic warfare, missile defense and space science/exploration. The U.S. Department of Defense is a primary customer.

Ms. Hernandez introduced Bob Ollerton, Quality Assurance Manager and Mimi Moore, Quality Analyst & Training Manager.

Mr. Broad said let me focus on this question of Productive Lab because you have 50 hours. What is your actual training ratio going to be? The proposal says not to exceed 1:3, is that really what it is? Ms. Moore said no, it's 1:1. Mr. Broad said okay, so you will accept that it would be 1:1 as part of this and do you really need 50 hours? Ms. Moore said yes, we do need 50 hours. Mr. Broad asked if this is for all of these jobs or only mechanics. Ms. Moore said it is for the trades' helper's occupation. Mr. Broad said I will accept that modification of 1:1 with 50 hours for that job classification.

ACTION: Mr. Rodriguez moved and Mr. Rendon seconded approval of the Proposal for Northrop Grumman TS in the amount of \$327,257 with the modification of a 1:1 trainer-to-trainee ratio and 50 hours of Productive Lab training in the trades' helpers' occupation only.

Motion carried, 6 – 0.

General Dynamics NASSCO (presented out-of-order)

Mr. Broad recused himself from participating in discussion/voting on the NASSCO proposal.

Mr. Chan presented a Proposal for General Dynamics NASSCO (NASSCO), in the amount of \$361,800. NASSCO is the largest shipyard on the West Coast of the United States and is the largest heavy industrial manufacturing employer in San Diego County. NASSCO designs and builds large ocean-going vessels for the U.S. Navy, as well as provides maintenance and repair of U.S. Navy amphibious classes of ships home-ported on the West Coast.

Additionally, NASSCO designs and builds oil tankers and cargo carriers for commercial markets, including ships with a variety of propulsion plants such as steam turbine, gas turbine, geared diesel, diesel-electric and slow-speed diesel ships.

Mr. Chan introduced Donald Dame, Vice President of Human Resources; Michael Jury, Manager of Employee Development; and Robert Massey, Director of Safety and Employee Development.

Mr. Rodriguez asked why the proposal includes a waiver of the Substantial Contribution (SC). Mr. Chan said they are requesting the waiver because the business is expanding. Mr. Rodriguez asked if the waiver was suggested by staff or was it requested by the applicant. Mr. Chan said he did not know. Ms. Reilly said part of it came from staff because the proposal includes Job Creation and by Panel policy there is no SC for that program. As for the remainder, she said, this proposal has been designated as a Critical Proposal, and the regulations also allow the Panel to waive the SC on that basis. Ms. Reilly indicated that when NASSCO was before the Panel previously, they also had a waiver of SC based on their status as a Critical Proposal, although she thought the company pledged to continue to deliver training at its own cost equivalent to the amount of a SC. A company representative said they exceeded the amount of ETP funding by their own training. Mr. Rodriguez thanked him for the explanation.

ACTION: Ms. McBride moved and Ms. Fernandez seconded approval of the Proposal for NASSCO in the amount of \$361,800.

Motion carried, 5 – 0 – 1 (Mr. Broad Recused)

Mr. Rodriguez departed the meeting and was not present for the remainder of votes.

California Manufacturing Technology Consulting (presented out-of-order)

Mr. Chan presented a Proposal for California Manufacturing Technology Consulting (CMTC), in the amount of \$1,249,997. CMTC's mission is to provide services that sustain and strengthen California manufacturers. CMTC serves as the U.S. Department of Commerce's Hollings Manufacturing Extension Partnership Center for Southern California, and has recently been awarded a cooperative agreement as a national Manufacturing Technology Acceleration Center to address supply chain technology gaps. Over the past year, CMTC and MANEX have been founding members of the California Network for Manufacturing Innovation, which has been named as a Go-BIZ statewide manufacturing innovation I-Hub.

Mr. Chan introduced Cheryl Slobodian, Director of Operations and James Watson, President and CEO.

Ms. Slobodian said we have probably contributed to the conundrum today because we have had 100% performance over the last seven to ten years. I did want to mention as a multi-employer contractor, we serve customized onsite training for small manufacturers. We don't do consortium training and so there are a lot of small manufacturers that are depending on us. We will be in your conundrum when we go home today, to decide who won't get to go forward, so we understand the wait because it will roll down to us too. Mr. Broad said what

will happen as a practical matter, is if we are approving contracts for you that are at a lower amount, then you will be back more often, at a lower amount, and then that will allow us to determine whether we can afford to fund all of the MECs at a lower amount. They are a little different than the Single Employer contractors because in a sense, we are sort of a permanent funding source for you, so if we lower your amount it is just that fewer people get trained each round. Ms. Slobodian said I understand that, this is really for the benefit of the companies; this is not the primary income for our center. Mr. Broad said I completely understand. There are for-profit and non-profit MECs that vary in quality and what sort of work they do, but tend to be very expensive projects in the total amount. Ms. Slobodian said we are large in size, but we also administer to a lot of very small companies.

ACTION: Mr. Rendon moved and Ms. McBride seconded approval of the Proposal for CMTC in the amount of \$1,249,997.

Motion carried, 5 – 0.

Soitec Solar Industries, LLC (presented out-of-order)

Mr. Chan presented a Proposal for Soitec Solar Industries, LLC (Soitec), in the amount of \$979,800. Soitec manufactures and installs Concentrated Photovoltaic (CPV) modules and related equipment. CPV converts concentrated sunlight directly to electricity via a photovoltaic effect (the creation of voltage or electric current in a material upon exposure to light).

Mr. Chan introduced Jamie Simpson, Director of HR and Paul Johnson, Consultant.

Mr. Broad said let's focus on the Productive Lab now. It states you are going to have up to 80 hours with a 1:3 ratio for incumbent workers, but for newly hired workers, a 1:5 ratio. Now, that seems counter intuitive to me. You know what our problem is: we are not paying you to watch the new workers to see whether you want to fire them or not, because they are not very good at the job; we are paying you to see that they reach minimal competency. Can you live with a 1:1 ratio with this? Ms. Simpson said that would be very difficult because they must be trained by senior people and they have staff limitations. Also, we are running production while we are doing this training, so we have a limited time frame. We are also trying to train people on different pieces of equipment, so they really are a small team moving from one piece of equipment to another. Mr. Broad said so in other words, you don't contemplate that any of this training in any way slows production? What is really going on here? Ms. Simpson said there's a very specific set of skills that the new staff must qualify for. There are four different modules that each trainee must go through to get certified. Some of it starts out in a simulated lab with instruction. Then they move on to hands-on or Productive Lab, and then it takes time before they are really qualified to run the equipment. Mr. Broad said here is what I don't understand. When they are operating the equipment and there's a 1:5 ratio, is the one guy looking at five people that are fifty yards apart from one another, or are they right next to each other? Are they on the same machine? Ms. Simpson said they are on the same machine. Mr. Broad said so it's like a production line and they are all on the same machine putting some part on. Ms. Simpson said yes, but they are learning how it works; now to load it or fix it. Mr. Broad asked if the instructor would be talking to all five of them at once, or watching each one separately. Ms. Simpson said they talk to them all and

then they watch them all. She said there are follow-up group questions, and then the new-hires also will have to operate the equipment. Mr. Broad asked if it will really take 80 hours to do this. Ms. Simpson said no, it's up to 80 hours, some areas do not take that long and others take longer. Mr. Broad asked what is the most that it is going to take really. Ms. Simpson said some of them would take up to 80 hours. Mr. Broad asked which one. Ms. Simpson said a machine they have, that is bigger than this room, has many parts and is a complex piece of equipment that one definitely could take that long. There are some areas that may only take 20 hours; it depends on what they are assigned to and what equipment they are learning on.

Mr. Broad said here is a question for staff. When we are evaluating Productive Lab, how do we determine if they are requesting money for something that only takes five hours and for something that takes 40 hours? How are we protecting ourselves from paying too much? Mr. Chan said one of the things we look at is, how the company came to these hours, what assessments they did, is this training in something they have always given. So we go by that and if it has always taken 40 hours, then they show us that previously that is what it took for this training. Ms. Hernandez said we also ask for the list of the tasks, for each of the occupations. We ask them to identify the specific tasks they are going to instruct in, and the hours estimated for how long it will take. So we are assessing based on what they give us, the occupations, the training tasks, and the hours related to the tasks.

Mr. Broad said so when you are doing Productive Lab and you are watching someone work on the large machine referenced, and let's say for the sake of argument you need 80 hours of Productive Lab. Does that mean the trainer is standing there for 80 consecutive hours of work, or an hour here and an hour there? Ms. Simpson said it's usually an hour here and there, over at least a two-month period. Mr. Broad said I am inclined to go along with Mr. Duscha's suggestion, in order to make this work for us so that we are not spending vast amounts of money on Productive Lab that we can't really control, to go to a 1:1 ratio when we take this issue up next month. What I'm not convinced about, is why it is a 1:5 ratio for new employees and 1:3 for incumbent employees. That seems completely counter-intuitive to me. It seems like you would want more intense quality of Productive Lab when you have a new employee, who presumably doesn't know as much as an incumbent. What is the rationale for that? Ms. Simpson said it was 1:5 for all employees at first, and we modified the ratio for incumbents later. Mr. Johnson said it started out as a 1:5 ratio for both and then they asked us to modify it down, so we did.

Mr. Broad said remember that the issue here is not do you need to have someone watching them for 80 hours, it's whether ETP will pay for 80 hours; maybe we only want to pay for the first 10 hours, for example. My inclination is we really need to clamp down because it is showing up in a lot of proposals, and costing a great deal of money. The first half of your previous proposal was for \$300,000, and the second half was \$1,000,000. There is a lot of potential money dedicated to Productive Lab. It seems like there ought to be some relationship between how much time it actually takes to do the training, and what we pay for of Productive Lab. I don't know what that is and obviously we need benchmarks here.

For this proposal, I am going to ask that Productive Laboratory is at no more than a 1:3 ratio; and is limited to 50 hours, unless there is an extraordinary circumstance for a job where maybe we would go up to 60 hours with real justification, but that is it. So for today we're

going to do a 1:1 ratio for the people that can really do it. We are going to make it 1:3 for you and 50 hours if you really make a case to staff, is that agreeable to you? Ms. Simpson said yes, it is.

Ms. Bell asked about the company's hiring practices with temporary to permanent hiring. The 240 trainees are hired by how many temporary agencies? Ms. Simpson said there are two and we receive the resumes from them, interview, and basically put them through the training. Ms. Bell asked when they come on board. Ms. Simpson said they are hired after training, if they pass all the criteria. Ms. Bell asked if they start being trained with ETP funds. Ms. Simpson said yes, but the ETP funding is earned after they are hired. Ms. Bell said so from the time someone is hired, is there a qualifying probationary period? What is that time factor? Ms. Simpson said it is based on what is happening in the business, but tends to be between three and five months. Ms. Bell asked what their turnover rate is, with the temporary individuals who are hired. Ms. Simpson said probably around 10% to 15% maximum. Mr. Broad said so basically what it is, if you hire someone through a temporary agency, we won't pay you unless they are a permanent employee and are retained as a permanent employee. So we are never going to be paying for temps; that is not going to happen here. But they can hire people through a temporary agency; they just have to become permanent employees for purposes of ETP funding.

ACTION: Ms. Fernandez moved and Mr. Rendon seconded approval of the Soitec Proposal in the amount of \$979,800.

Motion carried, 5 – 0.

XI. REVIEW AND ACTION ON FUNDING PROJECTIONS FOR FY 2014-15

Kulbir Mayall, Fiscal Manager, referred to the Fund Status Report (FSR) projected on the overhead screen. He said the FSR reflects the ETP appropriation of \$24.6M with a 38% encumbrance level, and the result is \$64.7M in contracting capacity for FY 2014-15. He provided the following contracting capacity amounts based on three different encumbrance levels: 36% encumbrance rate results in \$46.7M contracting capacity; 38% encumbrance rate results in \$43.1M contracting capacity; and 40% encumbrance rate results in \$39.9M contracting capacity. Mr. Mayall also projected a secondary document that compared cap reductions of 50% and 25%.

Mr. Broad asked about the level of cap reduction. Mr. Mayall said the cap level does not make a difference in the amount of funding, although it will affect the number of contracts. Mr. Broad asked his opinion on a 38% versus 40% as the encumbrance level. Mr. Mayall suggested a 38% encumbrance level to start, so long as ETP assesses available funds on a regular basis and adjusts to a higher encumbrance level as needed. Mr. Broad asked if that was something that could be done any time mid-year. Mr. Mayall said yes, it could.

Mr. Broad said he thought a lot of the comments made earlier are fair. He suggested approving the staff's recommendation of a 50% cap reduction, but said it should be made effective at the August Panel meeting and going forward, with the expectation of the MECs to be reduced by 50% beginning in July. The reasoning for this is, a lot of money goes out through the MECs. Some of them are very expensive proposals from \$3M to \$4M. With the

new cap, they will simply train fewer employers, and we understand they will be back. We will see if we can afford to fund them at the level requested when they come back. In summary, he said, the new caps go into effect starting with the August Panel meeting with the exception of the MEC proposals to begin in July.

Mr. Broad said in the document that was handed out this morning, there are a couple of issues that have been brought to my attention. There actually was a proposal on here for Single Employer Job Creation only, and it would be capped at \$350,000. I would suggest that it stay at the \$425,000 level that would be proposed. Is that correct, do we have that category? Ms. Reilly said yes, it is left over from when Job Creation was a pilot; it doesn't make sense anymore. The cap of \$425,000 is inclusive. Mr. Broad said I want to make this very clear; we have a cap for Single Employer with both retraining and Job Creation. It was \$750,000, but I want to make it clear that we are now capping the retraining element at \$425,000. It can go up \$750,000 but only on a pro-rata basis. It's not like if you are hiring one new guy, it goes to \$750,000. In other words, you could reach the maximum at \$425,000 with incumbent workers, and then add Job Creation. If the new-hire training costs \$2,500, then the cap will go up to \$427,500. It would increase by \$2,500 not by \$250,000. Does everyone understand? There were no questions from the Panel.

There is one other thing that has been pointed out to me, which is that the Single Employer with multiple facilities is capped at \$750,000 and the MEC is at \$625,000. Actually, staff wanted to recommend the reverse. That is \$625,000 for Single Employer multiple facilities and \$750,000 for MECs, which makes more sense.

Ms. McBride had a question with regard to the motion. When you first started talking about it, you said it was for this upcoming meeting and the August meeting, if I understood you correctly. Mr. Broad said no, it's for the August meeting with the exception of MEC proposals which would begin in July. Ms. McBride said she understood. Mr. Broad said in his last comment, a math error was made and they inverted numbers.

ACTION: Mr. Broad moved and Ms. Bell seconded approval of approving cap reductions by 50% as outlined in the staff recommendations effective August 1, 2014 with the exception of MEC proposals to become effective July 1, 2014. With the \$750,000 cap for Single Employer and Job Creation, \$425,000 is the retraining cap and \$325,000 is the Job Creation cap with \$750,000 for MECs and \$625,000 for Single Employer multiple facilities.

Motion carried, 5 - 0.

Mr. Broad noted that the motion also applies to the Consent Calendar, if there are any projects applicable to the motion made earlier, on any projects approved earlier today.

Ajit Healthcare, Inc. dba Westlake Convalescent Hospital

Ms. Hernandez presented a Proposal for Ajit Healthcare, Inc. dba Westlake Convalescent Hospital (Westlake), in the amount of \$357,138. Westlake is located in Los Angeles and has been under the direction of Dr. Jasvant Modi since 2004. Dr. Modi also oversees a second facility, Virgil Rehabilitation and Skilled Nursing Center (Virgil) also located in the city of Los

Angeles. Both Westlake and Virgil provide services to individuals recently discharged from a hospital and not in suitable condition to return home. Patients are referred by doctors, hospitals, insurance companies, family members, medical groups, and word-of-mouth. Patients stay for short-term rehabilitation or long-term care. Services include nursing and medical services, rehabilitation services, social services, dining and dietary/nutrition services and therapeutic recreation.

Ms. Hernandez introduced Beth Austria, Accounting Manager and Ann Urban, Tax Consultant.

There were no questions from the Panel.

ACTION: Mr. Rendon moved and Ms. McBride seconded approval of the Proposal for Westlake in the amount of \$357,138.

Motion carried, 5 – 0.

Mr. Broad said before proceeding with proposals, we need to address the rush of pre-applications. He said there is \$93M worth of pre-applications chasing \$35M of funding available, so we need to shut off the pre-application process. He asked if this requires a motion. Ms. Reilly said we have done it various ways in the past, but given the amount of focus on this, I would suggest a motion. Mr. Broad said I am going to give folks until Friday July 18, 2014, to submit any further applications and I would I will make that in the form of a motion.

ACTION: Mr. Broad moved and Ms. Fernandez seconded that pre-applications can be submitted through July 18, 2014 and after that date there will be a moratorium on accepting pre-applications until further notice.

Motion carried, 5 – 0.

Bottling Group, LLC dba Pepsi Beverages Company

The Bottling Group, LLC dba Pepsi Beverages Company proposal was withdrawn from consideration.

Cardinal Health, Inc.

Ms. Hernandez presented a Proposal for Cardinal Health, Inc. (Cardinal Health), in the amount of \$770,616. Cardinal Health manufactures and distributes a wide variety of products and services for the healthcare industry. The company's business is divided into two segments: pharmaceutical and medical. The pharmaceutical segment distributes branded and generic pharmaceutical products, over-the-counter healthcare products, consumer products and also offers a full complement of supply chain services to its customers. The medical segment manufactures its own line of surgical and medical products; and also distributes and assembles its products to third party distributors, hospitals, healthcare facilities and laboratories.

Ms. Hernandez pointed out a clarification on the ETP 130 of Page 5 of 5. Under the Development Services, I want to clarify that the Development Services with KPMG in Woodland Hills is for a fee of \$31,694.

Ms. Hernandez introduced Rita Shareroock, Manager of Performance Consulting and Brooke Perez, Senior Manager of Tax Services with KPMG.

Ms. Shareroock mentioned that they do have a Productive Lab component in their proposal. Mr. Broad said I'm not concerned about the Productive Lab in this proposal because yours are capped at 40 hours and at a 1:1 and no more than a 1:3 ratio, which is in a reasonable range. He asked what happened in their previous proposal. Ms. Shareroock said that is a project that was going on a time when Cardinal Health was going through a period of change, where they sold part of their medical business. Another factor was that their staff did not realize what it would take to track the training. So most of the training happened and I couldn't get rosters to validate that the training was done. Mr. Broad asked if she will oversee the ETP proposal. Ms. Shareroock said Brooke will do much of the work and they have identified ambassadors at each facility that will track those rosters and make sure they are submitted.

ACTION: Ms. Bell moved and Mr. Rendon seconded approval of the Proposal for Cardinal Health in the amount of \$770,616.

Motion carried, 5 – 0.

CFHS Holdings, Inc. dba Marina Del Rey Hospital

Ms. Hernandez presented a Proposal for CFHS Holdings, Inc. dba Marina Del Rey Hospital (MDRH), in the amount of \$144,630. MDRH is a short-term acute care facility with 145 Joint Commission accredited beds. The hospital offers medical and surgical services, 24/7 emergency care, diagnostic imaging, nuclear medicine, and numerous outpatient surgical services. In addition, MDRH has two advanced technique clinics: the Marina Spine Center and the Marina Weight Loss Center.

Ms. Hernandez introduced Paulette Heitmeyer, Senior Nursing Officer and Bill Parker, Consultant.

There were no questions from the Panel.

ACTION: Ms. McBride moved and Ms. Bell seconded approval of the Proposal for MDRH in the amount of \$144,630.

Motion carried, 5 – 0.

HealthSouth Corporation

Ms. Hernandez presented a Proposal for HealthSouth Corporation (HSC), in the amount of \$261,324. HSC is the parent corporation of multiple subsidiaries that include two California facilities; HealthSouth Bakersfield Rehabilitation Hospital LLC dba HealthSouth Bakersfield

Rehabilitation Hospital and Western Medical Rehab Associates LP dba HealthSouth Tustin Rehabilitation Hospital. Both hospitals offer inpatient physical rehabilitation services for post-acute patients recovering from neurological issues, stroke, orthopedic conditions, lower extremity fractures, debility, brain injury, knee/hip replacement, cardiac conditions and spinal cord conditions.

Ms. Hernandez introduced Amy Scroggs, Chief Nursing Officer.

There were no questions from the Panel.

ACTION: Ms. Fernandez moved and Ms. Bell seconded approval of the Proposal for HSC in the amount of \$261,324.

Motion carried, 5 – 0.

Mr. Broad said he received a question about how amendments are to be handled, based on our earlier conversation. Amendments being considered today and those that will be presented at the July meeting are not subject to the cap reductions. Beginning August 1, amendments will be subject to reduced caps. Ms. Reilly asked if even for amendments, if MECs would be held to the cap. Mr. Broad said a MEC amendment would be held to the cap in July.

House of Blues Los Angeles Restaurant Corp.

Ms. Hernandez presented a Proposal for House of Blues Los Angeles Restaurant Corp. (House of Blues LA), in the amount of \$294,650. House of Blues LA is a live entertainment and restaurant company founded in 1992 and is home to live music, original folk art and delta-inspired cuisine.

Ms. Hernandez introduced Sean Imitates Dog, Human Resources Director.

There were no questions from the Panel.

ACTION: Ms. Bell moved and Mr. Rendon seconded approval of the Proposal for House of Blues LA in the amount of \$294,650.

Motion carried, 5 – 0.

Levlad, LLC

Ms. Hernandez presented a Proposal for Levlad, LLC (Levlad), in the amount of \$229,440. Levlad is a manufacturer of personal care products and a subsidiary of Arbonne International, LLC. Products manufactured include cosmetics such as skin, facial and hair care, and other all-natural health and beauty aids. With an onsite micro lab, Levlad provides regulatory compliance reviews, quality control and product development.

Ms. Hernandez introduced Maythe Herrera, HR Manager and Bill Parker, Consultant.

There were no questions from the Panel.

ACTION: Ms. Bell moved and Mr. Rendon seconded approval of the Proposal for Levlad in the amount of \$229,440.

Motion carried, 5 – 0.

Lockheed Martin Aeronautics Company, a Division of Lockheed Martin Corporation

Ms. Hernandez presented a Proposal for Lockheed Martin Aeronautics Company, a Division of Lockheed Martin Corporation (LMAC), in the amount of \$524,880. LMAC is engaged in the research, design, development, manufacture, integration, sustainment, support, testing, and upgrading of advanced military aircraft. This includes combat and air mobility aircraft, unmanned air vehicles and related technologies.

Ms. Hernandez introduced Jon Gustafson, Economic Development Lead of Workforce Partnerships & Incentives.

There were no questions from the Panel.

ACTION: Ms. Fernandez moved and Ms. Bell seconded approval of the Proposal for LMAC in the amount of \$524,880.

Motion carried, 5 – 0.

Victor Valley Hospital Acquisition, Inc. dba Victor Valley Global Medical Center

Ms. Hernandez presented a Proposal for Victor Valley Hospital Acquisition, Inc. dba Victor Valley Global Medical Center (VVGMC), in the amount of \$241,128. VVGMC is a 101-bed acute care facility that has been serving the needs of the high desert communities since 1967. VVGMC provides a full range of services including primary acute care, highly specialized regional services, outpatient services and wellness education programs.

Ms. Hernandez introduced Bonita Veal, Chief Nursing Officer and Mary Ransbury, Director of Clinical Operations.

There were no questions from the Panel.

The Panel quorum was temporarily lost as Mr. Rendon exited the room, so the Panel Chair deferred action on this proposal until his return.

XII. REVIEW AND ACTION ON STRATEGIC PLAN

Mario Maslac, Planning & Research Manager, provided a brief overview of the proposed Strategic Plan for 2014-15. He said we have updated the Plan this year with very few minor revisions and it incorporates the established funding priorities and limitations. The Plan includes vision and mission statements; introduction/overview/accomplishments; economic

overview; priority industries; workforce trends; strategic initiatives; strategic alliances; administrative strategies; and goals and objectives.

ETP's priority industries include agriculture; allied healthcare; biotechnology and life sciences; construction; green/clean technology; goods movement and transportation logistics; information technology services; manufacturing; multimedia/entertainment; and technical services.

The Plan includes the following workforce trends: on-the-job training; special populations such as veterans, middle-skill workers, and at-risk youth; sector strategies and partnerships. Our strategic initiatives are drought relief; alternative funding; healthcare; renewable fuel and vehicle technology program; green technology; career technical education; apprenticeship training pilot; veterans; and small business.

ETP's alliances include state and local WIBS, marketing contracts, the apprenticeship training pilot, Job Creation and retention and revitalizing HUAs. Administrative strategies include information technology modernization, consolidation and maximizing funds. To maximize its limited funding, ETP will continue to incrementally encumber training funds; incentivize retraining for newly-hired employees; apply high earner reductions to repeat contractors; apply substantial contribution levels; adjust funding priorities/limitations; and adjust funding caps, which is what we have done today. When I created this document, we were going to cut them half; it still shows it as being cut in half so this screen shows all of the funding caps and are correct now. The only thing that needs revising and it's in the Strategic Plan is again, for the caps on a MEC and on a Single Employer with multiple facilities. Those numbers need to be reversed in keeping with the Panel's earlier action.

In order to maximize funding in FY 2014-15, the following funding limitations will be imposed:

• Single Employer	\$425,000
• Single Employer: Job Creation Only	\$350,000
• Single Employer: Job Creation-Retrainee	\$750,000
• Single Employer: Multiple Facilities	\$625,000
• Multiple Employer	\$750,000
• Small Business	\$ 50,000
• Apprenticeship Training: Per Program Sponsor	\$225,000
• Critical Proposals	\$750,000

Lowest priorities will be assigned to retraining for employees of training agencies; for-profit training schools; new-hire truck driver training; new-hire security guard training; and all training in the adult entertainment industry. A moratorium is imposed on first-time training agencies.

Mr. Maslac presented the six goals and objectives of the Strategic Plan:

- 1) Enhance the Visibility of the ETP Program through Partnerships
- 2) Target California's Key Industries
- 3) Continue Support for Small Businesses
- 4) Support Hard-to-Serve Populations through Pilots and Initiatives

- 5) Enhance ETP's Impact on Job Creation and Retention
- 6) Increase the Efficiency and Effectiveness of the ETP Program

In conclusion, staff is recommending Panel approval of the FY 2014-15 Strategic Plan, with direction to staff to incorporate any requested changes and delegation of authority to the Acting Executive Director for final approval, prior to submitting it to the Administration and Legislature. Again, I want to mention that the Multiple Employer cap and the Single Employer with Multiple Facilities cap will be changed before submittal.

Mr. Broad asked how long the moratorium has been in place for first-time for-profit training agencies. Ms. McAloon said it has been in place for about four or five years as a result of when our funds were very low. Mr. Broad suggesting getting rid of that moratorium and letting competition back in. Basically, what it means is that the only for-profit entities that can apply for multi-employer contracts are for ones that have gotten them in the past. Not that we have a large amount of money, but I think that is no longer supportable. He suggested removing the moratorium on first-time training agencies. There was no Panel objection.

ACTION: Mr. Rendon moved and Ms. Bell seconded approval of the Strategic Plan with the modification of the approved funding caps, and the removal of the moratorium on first-time training agencies.

Motion carried, 5 – 0.

Victor Valley Hospital Acquisition, Inc. dba Victor Valley Global Medical Center (voted on out-of-order)

As a quorum was now present, the Panel returned to vote on the Victor Valley Hospital Acquisition, Inc. dba Victor Valley Global Medical Center (VVGMC) Proposal.

ACTION: Mr. Rendon moved and Ms. Bell seconded approval of the Proposal for VVGMC in the amount of \$241,128.

Motion carried, 5 – 0.

Yahoo! Inc.

Ms. Hernandez presented a Proposal for Yahoo! Inc. (Yahoo), in the amount of \$1,402,604. Yahoo is a global Internet brand and a premier digital medical company. Yahoo began as a student hobby and evolved into a global Internet brand that has changed the way people communicate, access, share, and create information.

Ms. Hernandez introduced Michael Hyatt-Evenson, Senior Director of Learning.

Ms. Bell said with the 600 employees in CA, you mentioned expansion, what does that look like? Mr. Hyatt-Evenson said the expansion has to do with recruiting engineering talent particularly in the Bay Area. He said they believe a strategic advantage is making it an appealing place to work for people who come and grow their careers, and in the Bay Area is

where we want to do that because frankly that has some of the best technology talent in the world.

ACTION: Mr. Rendon moved and Ms. Bell seconded approval of the Proposal for Yahoo in the amount of \$1,402,604.

Motion carried, 5 – 0.

GHM Management dba Meritage Healthcare, LLC

Mr. Chan presented a Proposal for GHM Management dba Meritage Healthcare, LLC (Meritage), in the amount of \$450,540. Meritage was founded in 1999, headquartered in Orange County and owns and operates four affiliated skilled nursing and rehabilitation facilities in CA: 1) Anberry Nursing and Rehabilitation Center in Merced County; 2) Anberry Physical Rehabilitation Center in Merced County; 3) Horizon Health and Subacute Center in Fresno County; and 4) CA Park Rehabilitation Hospital in Butte County. Meritage provides care to patients who no longer require acute hospitalization but have ongoing medical needs at the skilled nursing level. The facilities specialize in providing short-term and long-term care and rehabilitation services (physical, occupational and speech therapy). The facilities are certified by Medicare, Medi-Cal and various Health Maintenance Organizations.

Mr. Chan introduced Terry Sheets, Chief Compliance Officer.

There were no questions from the Panel.

ACTION: Ms. Bell moved and Ms. McBride seconded approval of the Proposal for Meritage in the amount of \$450,540.

Motion carried, 5 – 0.

Hixson Metal Finishing

Mr. Chan presented a Proposal for Hixson Metal Finishing (Hixson), in the amount of \$86,022. Hixson provides manufacturing services to the military, aerospace, and commercial aircraft communities. Hixson offers more than 85 finishing processes in its 40,000 square foot production facility including anodizing, plating, non-destructive testing and metal painting. The company provides “one-stop” processing for the Aerospace and Defense Industries (A&D) and is a supplier to most major aerospace companies, including Boeing and Lockheed.

Mr. Chan introduced Douglas Greene, President.

There were no questions from the Panel.

ACTION: Ms. Fernandez moved and Ms. Bell seconded approval of the Proposal for Hixson in the amount of \$86,022.

Motion carried, 5 – 0.

Integrated Healthcare Holdings, Inc. of California dba Western Medical Center Santa Ana

Mr. Chan presented a Proposal for Integrated Healthcare Holdings, Inc. of California dba Western Medical Center Santa Ana (Western Medical), in the amount of \$475,900. Western Medical is a 282-bed facility and one of only two acute care hospitals located within the City of Santa Ana and one of three designated regional trauma centers located in Orange County. The hospital is designated as a burn center, neurosurgical receiving center, stroke receiving center, paramedic base station and receiving center, and open-heart surgical center that provides emergency and scheduled neurosurgical care and cardiac surgical services to economically depressed area populations. The hospital also maintains intensive care units for adults and pediatrics and a neonatal intensive care unit. The hospital has approximately 750 physicians and 1,450 nurses and support staff.

Mr. Chan introduced Joan Roderick, Nurse Educator and Sally Stave, Director of Neonatal Intensive Care Unit.

There were no questions from the Panel.

ACTION: Ms. Fernandez moved and Ms. Bell seconded approval of the Proposal for Western Medical in the amount of \$475,900.

Motion carried, 5 – 0.

Kimberly-Clark Worldwide, Inc.

Mr. Chan presented a Proposal for Kimberly-Clark Worldwide, Inc. (KCW), in the amount of \$275,440. KCW is a manufacturer of various personal and home consumer products. These products include facial tissue, diapers, baby care products, bathroom tissue, wet wipes, industrial wipes, paper towels, feminine hygiene products and medical supplies (gowns, gloves) with manufacturing plants located throughout the world.

Mr. Chan introduced Felix Vicino, HR Manager; Annette Magdaleno, HR Specialist; and Melissa Rivera, Training Coordinator.

There were no questions from the Panel.

ACTION: Mr. Rendon moved and Ms. McBride seconded approval of the Proposal for KCW in the amount of \$275,440.

Motion carried, 5 – 0.

REMEC Defense & Space, Inc. dba Cobham Defense Electronics

Mr. Chan presented a Proposal for REMEC Defense & Space, Inc. dba Cobham Defense Electronics (REMEC), in the amount of \$327,600. REMEC is dedicated to the design,

development and manufacture of custom radio frequency, microwave and millimeter-wave products including filters, multipliers, amplifiers and integrated microwave assemblies.

Mr. Chan introduced Mina Shams, Director of HR.

Mr. Broad asked what the company makes. Ms. Shams said they make components that go in radars. The biggest one they have now is about a \$2 billion contract in the next 25 years that will make a lot of digitized high technology secret products. Mr. Broad asked how they administer Productive Lab. Ms. Shams said they have classified and non-classified products. Much of the training is on boards with microscopes and a tool that resembles tweezers, and they have to sit and make the product; this takes a couple of weeks for it to go through quality and get tested. So the training is really critical and time consuming. They tried to digitize some of it but a lot of the custom work is manual labor.

ACTION: Ms. Fernandez moved and Ms. Bell seconded approval of the Proposal for REMEC in the amount of \$327,600.

Motion carried, 5 – 0.

Boehringer Ingelheim Fremont, Inc.

Mr. Chan presented a Proposal for Boehringer Ingelheim Fremont, Inc. (BIFI), in the amount of \$249,388. BIFI researches and produces human and animal pharmaceuticals and employs over 42,000 people worldwide in 15 countries, including the U.S. and Canada. The Fremont facility is a contract pharmaceutical manufacturing business offering customers the entire drug product manufacturing chain comprising of filling, visual inspection, labeling and packaging. BIFI produces commercial products such as colon cancer drugs and numerous other pharmaceuticals for phase I and phase II clinical trials.

Mr. Chan introduced Alfonso Perez, Quality Systems Manager and Phil Herrera, Consultant.

Mr. Broad asked if the company produces a new drug or an existing drug. Mr. Perez said they produce new drugs. Mr. Broad asked if there are many new drugs in the pipeline. Mr. Perez said yes, a couple of them now are very promising and many clients come into our plant and want our services.

Mr. Broad said the Productive Lab hours are quite high but you have the 1:1 ratio, so I am agreeable to it; but that won't train everyone, correct? Mr. Perez agreed because the harvesting of the cells takes a very long time. He said the staff switches schedules around so they can get the complete training on the harvesting of cells. It is critical because once you reach a peak in the harvesting of cells if you are not careful, all the cells die and you must start all over again and have invested a great deal of money.

ACTION: Ms. McBride moved and Ms. Bell seconded approval of the Proposal for BIFI in the amount of \$249,388.

Motion carried, 5 – 0.

Mr. Herrera said I'd like to say that this is the last project that Diane Woodside developed. I worked with her for over 30 years and she was by far the best analyst across the state; thank you Diane. Mr. Chan said I'm glad you mentioned that. You'll notice in this Panel Packet that there were three proposals written by Diane Woodside and Teresa Teles. They worked hard to get these projects out before their retirement. So even after leaving, they are still working for us.

E.A. Machining, Inc.

Mr. Chan presented a Proposal for E.A. Machining, Inc. (EA Machining), in the amount of \$10,400. EA Machining is a small female/minority-owned machine shop specializing in high precision, high-quality machined parts. The company markets to customers in the aerospace, semiconductor manufacturing equipment, test and measurement and electronics industries. EA Machining designs, engineers, and manufactures parts from customer specifications using Computer Numerically Controlled (CNC) turning and milling centers. Its customer base includes Icore International; Creative Pathways; SPEC Equipment; Apigy and APT. The company is also subcontracted by Millteck, Magnum and M3D for parts manufacturing.

Mr. Chan introduced Ann Marie Amaro, President/CEO.

Mr. Broad said the only reason you had to come before the Panel is because of your poor prior performance. This is a very small contract amount so we want you to earn all of the money. He asked what went wrong in the last proposal and if they anticipate earning it all this time. Ms. Amaro said initially they had a consultant on board and unfortunately they had some personal issues and dropped the ball, so they ended up having to interview a new consultant. By the time that happened, that was already months into their contract. They were able to train in that smaller portion of time because they were told it takes about two years to complete and they did it in about seven to eight months. They stayed focused on the first phase, which is why as a result they identified areas they still need to work on, hence phase two.

Mr. Broad said without Panel objection, I will substitute the roll call. EA Machining was approved in the amount of \$10,400.

Pacific Scientific Energetic Materials Company (California) LLC

Mr. Chan presented a Proposal for Pacific Scientific Energetic Materials Company (California) LLC (PSEMC), in the amount of \$234,800. PSEMC designs, develops and manufactures energetic materials, ordinance, electronics, lasers, pyrotechnics and non-lethal vehicle "capture technologies". Principle customers are in the aerospace, defense, oil and gas and law enforcement industries. The company has two locations in California in Valencia and Hollister.

Mr. Chan introduced Sandra Stimson, HR Manager and Lynda Munoz, Sr. Training Specialist.

Ms. Stimson addressed the Productive Lab component and said they have no problem in complying with the 40 hour maximum and the 1:1 ratio and that is what they already expect. Mr. Broad said ETP will modify the proposal to make that change.

Ms. Bell asked where they are located in Hollister. Ms. Stimson said it's between Hollister and San Juan Bautista, near the San Juan golf course, between the Silicon Valley and the Monterey Bay.

ACTION: Ms. Fernandez moved and Ms. Bell seconded approval of the Proposal for PSEMC in the amount of \$234,800 with the modification to reduce the number of Productive Lab hours to a maximum of 40 with a trainer-to-trainee ratio of 1:1.

Motion carried 5 – 0.

Bay Alarm Company

Ms. Hernandez presented a Proposal for Bay Alarm Company (BAC), in the amount of \$270,000. BAC is the largest independently owned and operated security company in the United States. The company offers a full range of security systems to approximately 100,000 residential and commercial customers across CA, including burglar and fire alarm systems, access control and video surveillance.

Ms. Hernandez introduced Rebecca Volokh, Training and LMS Administrator.

Ms. Volokh said she reviewed the Productive Lab curriculum and their actual ratio is 1:2. While their project sales occupations state 40 hours for Job No. 1 and 50 hours for Jobs 2 and 3, they are agreeable to a 40 hour maximum for all groups. Mr. Broad said ETP will modify your proposal to that effect.

Mr. Broad said without Panel objection, I will substitute the roll call. BAC was approved in the amount of \$270,000 with the modification of a maximum of 40 hours of Productive Lab for all three job numbers.

Benchmark Electronics, Inc.

Ms. Hernandez presented a Proposal for Benchmark Electronics, Inc. (Benchmark), in the amount of \$197,100. Benchmark provides integrated electronics manufacturing, design and engineering services worldwide. At its ISO-certified facilities Benchmark creates and produces advanced electronics-based products. The company also provides product development to regional printed circuit board builders (including system level assembly and sourcing) in the United States, Mexico, Europe and Asia. Its client base includes the semiconductor, medical and aerospace business sectors.

Ms. Hernandez introduced Anthony Sisneros, General Manager and Francesca Modesti, Human Resources Generalist.

Ms. Bell asked if this is their first ETP application. Mr. Sisneros said it is Benchmark's first application but he has handled two other applications in other states. Ms. Bell asked if he was then familiar with the tracking. Mr. Sisneros said their original application was for a significantly higher amount and based on staff's recommendation, they reduced the initial proposed amount by about 40%. Ms. Bell asked who will own this project. Mr. Sisneros said he will own it and administer some of the training because people will do the best they can with the tools they have and his goal is to give them the tools. They have two different facilities in Fresno and Concord and Francesca will assist him at both of those sites. He also has a quality manager, supervisors and designated individuals that will help with tracking.

Mr. Broad said without Panel objection, I will substitute the roll call. Benchmark was approved in the amount of \$197,100.

Bottling Group, LLC dba Pepsi Beverages Company

The Bottling Group, LLC dba Pepsi Beverages Company proposal was withdrawn from consideration.

FPI Management, Inc.

Ms. Hernandez presented a Proposal for FPI Management, Inc. (FPI), in the amount of \$180,000. FPI is a property management service firm which provides maintenance and upkeep to more than 350 properties in California. Customers include developers, property owners and financial institutions.

Ms. Hernandez introduced Johanna Gillespie, Director of Training; Julie Brawn-Whitesides, Executive Vice President; and Mike Snead, Sierra Consulting Services.

Mr. Broad asked if they manage residential properties or commercial properties. Ms. Gillespie said they manage 100% residential multi-family apartments.

Mr. Broad said without Panel objection I will substitute the roll call. FPI was approved in the amount of \$180,000.

L-3 Communications Sonoma EO, Inc.

Ms. Hernandez presented a Proposal for L-3 Communications Sonoma EO, Inc. (Sonoma EO), in the amount of \$183,330. Sonoma EO designs, produces, and provides after sales support for high performance, stabilized Intelligence, Surveillance and Reconnaissance (ISR) turrets and systems. The company customizes solutions and provides services to the U.S. Government and its allies to maintain global security. Sonoma EO is a subcontractor on programs for the Department of Defense, select U.S. Government Intelligence agencies, foreign governments and aerospace and defense prime contractors and manufacturers.

Ms. Hernandez introduced Robert McAleer, Director of Quality and Operations.

Mr. Broad asked if this is their first ETP proposal. Mr. McAleer said this is our location's first but corporation's second as they had a previous proposal in Sacramento. Mr. Broad asked

how they did in their first proposal. Mr. McAleer said they did quite well. Mr. Broad asked why the first project performance was not included in the ETP130 materials. Ms. McAloon said because it was not within the last five years.

Mr. Broad said without Panel objection I will substitute the roll call. Sonoma EO was approved in the amount of \$183,330.

Southern California Surveyors Joint Apprenticeship Committee

Mr. Chan presented a Proposal for Southern California Surveyors Joint Apprenticeship Committee (SCSJAC), in the amount of \$153,700. SCSJAC was established in 1960 providing apprentice and journeyman surveyors' education programs throughout 12 counties in Southern CA. It is administered jointly by the Southern California Association of Civil Engineers and Land Surveyors, and the International Union of Operating Engineers, Local 12.

Mr. Chan introduced Duane Friel, Business Representative and Susanne Pando, Office Manager.

There were no questions from the Panel.

Mr. Broad said without Panel objection I will substitute the roll call. SCSJAC was approved in the amount of \$153,700.

Southwest Carpenters Training Fund

Mr. Chan presented a Proposal for Southwest Carpenters Training Fund (SWCTF), in the amount of \$1,172,884. SWCTF provides multi-site training for journeymen and apprentices in various carpentry fields throughout Southern CA and five other states. The SWCTF is an "umbrella trust" also created through collective bargaining between the United Brotherhood of Carpenters and Joiners of America, in affiliation with the Southwest Regional Council of Carpenters; and, four employer trade associations. There are multiple union locals located across 12 Southern CA counties. There are thousands of signatory employers organized under the following four trade associations: 1) Associated General Contractors of America (Southern CA Chapter; 2) Building Contractors Association of California, Inc.; Engineering and Grading Contractors Association, Inc.; and 4) Home Builders Association of Los Angeles, Orange and Ventura counties.

Mr. Chan introduced Jamie Robison, Educational Services Coordinator and Thomas Rooney, Coordinator.

Mr. Broad asked if this is their first ETP proposal and if we have had any carpenters proposals in the past. Ms. Robison said the Northern Carpenters previously had an ETP proposal.

Mr. Broad said without Panel objection I will substitute the roll call. SWCTF was approved in the amount of \$1,172,884.

Bay Area Video Coalition

Mr. Chan presented a Proposal for Bay Area Video Coalition (BAVC), in the amount of \$607,265. BAVC is located in San Francisco and it is a non-profit organization that provides vocational advanced technology media training to digital media professional web and graphic designers, producers, editors, programmers, IT support, communications and office administrators. These occupations work in industries that have communication needs and/or a web presence. BAVC's participating employers include small and large businesses in priority industries with out-of-state competition ranging from video post-production facilities, publishers, broadcasters, design firms, software manufacturers and developers, construction firms, health care providers, manufacturers and scientific research labs.

Mr. Chan introduced Carol Varney, Executive Director; Mindy Aronoff, Director of Training; and Matt Hemmerich, Enrollment Advisor.

Mr. Broad asked what the film production tax credit would do, if it passes. Ms. Varney said there are a lot of things happening in San Francisco right now and HBO and Netflix are merging, which is pretty exciting.

Mr. Broad said without Panel objection I will substitute the roll call. BAVC was approved in the amount of \$607,265.

Northern California Construction Inspectors Joint Apprenticeship Committee

Mr. Chan presented a Proposal for Northern California Construction Inspectors Joint Apprenticeship Committee (NCCIJAC), in the amount of \$239,520. NCCIJAC is a joint labor-management committee made up of representatives from the inspection and testing industry through its trade association, The Council of Engineer and Laboratory Employers. The JAC was established in 2005; however, the current apprenticeship standards were only enacted in 2012. Labor is represented by Operating Engineers Local 3 and training will be conducted at the Operating Engineers' Rancho Murrieta training center in Sacramento County. NCCIJAC provides training for employees of third-party inspection and testing contractors (employers) in 46 Northern CA counties.

Mr. Chan introduced Lisa Clark, Grant Program Manager; Sherry Chapin, Training Director; Joan Thornton, Administrator; John Rector; OE3 Business Agent; and Steve Duscha, Consultant.

Mr. Broad asked about the need to have a retention modification. Mr. Chan said for the construction trades, where it is not customary for workers to be employed for 90 consecutive days with one employer, the Panel may substitute hours worked for retention. The modified retention period must be no less than 500 hours with 272 days with more than one employer.

Mr. Broad said without Panel objection I will substitute the roll call. NCCIJAC was approved in the amount of \$239,520.

Carpenters Training Committee for Northern California

Ms. Hernandez presented a Proposal for Carpenters Training Committee for Northern California (CTCNC), in the amount of \$1,191,549. CTCNC is the educational organization

that provides pre-apprentice, apprentice, and journeyman training services for union carpenters across 46 northern CA counties. CTCNC is governed by a joint labor and management trust board, as agreed to in collective bargaining. Its apprenticeship training programs have been established for many years as approved by the Division of Apprenticeship Standards, Department of Industrial Relations. CTCNC governs the training trust on behalf of workers represented by the United Brotherhood of Carpenters & Joiners of America.

Ms. Hernandez introduced Paula Resa, Director of Training Services and Steve Duscha, Consultant.

There were no questions from the Panel.

Mr. Broad said without Panel objection I will substitute the roll call. CTCNC was approved in the amount of \$1,191,549.

Los Rios Community College District – Small Business Development Center

Ms. Hernandez presented a Proposal for Los Rios Community College District – Small Business Development Center (Los Rios), in the amount of \$21,632. Los Rios was established in 1989 through the cooperative efforts of the U.S. Small Business Administration, California State University Chico Research Foundation, and the Los Rios Community College District. Los Rios serves the El Dorado, Placer, Plumas, Nevada, Sacramento, Sierra and South Yolo counties. It utilizes a network consisting of resource partners, business development program and professionally trained consultants. The consultants identify specific needs and provide guidance and up-to-date information on issues that impact small businesses to assist them in achieving profitability and long-term sustainability.

Ms. Hernandez introduced Panda Morgan, Director of SBDC.

Mr. Broad said you are asking for a very small amount of money and we hope you earn it all.

Mr. Broad said without Panel objection I will substitute the roll call. Los Rios was approved in the amount of \$21,632.

Amendments

Automobile Club of Southern California

Mr. Broad recused himself from participating in discussion/voting on the Automobile Club of Southern California Amendment.

Automobile Club of Southern California (Auto Club) offers travel, motorist and insurance services to its members in CA and a growing number of other states. The company also provides travel planning, auto pricing, buying and maintenance services, as well as 24-hour

roadside assistance. Members can also renew vehicle registrations, license plates and stickers at approximately 79 club district offices throughout CA.

Ms. Hernandez introduced Julianna Kirby, Training Funding Partners.

There were no questions from the Panel.

As a Panel quorum was lost with Mr. Broad's recusal, the motion to delegate in event of loss of quorum taken earlier in the meeting goes into effect. This Amendment will be considered later by the Vice Chair in consultation with the Acting Executive Director.

Glendale Community College Professional Development Center

Glendale Community College Professional Development Center (GCC) provides customized, job-specific training for businesses and workers. GCC is funded by ETP as a training agency and participating employers are primarily small businesses and priority industries in manufacturing, aerospace and defense. GCC determines the participating employers' specific demands for training based on a pre-training structured assessment and screening process. Its core curriculum has been developed over the last 30 years and is continually being revised according to the demands and feedback of participating companies.

Mr. Broad said this is an Amendment and noted they are currently earning 98%. Kimberly Holland, Executive Director, said actually to date, they are beyond that. They started training in April and the Amendment was supposed to be retroactive so they are at \$163,000 now, and there is no doubt that they will earn that.

Mr. Broad said without Panel objection I will substitute the roll call. The GCC Amendment was approved in the amount of \$280,800.

XIII. FULL STATUS UPDATE ON NEW DATA MANAGEMENT SYSTEM

Maureen Reilly, General Counsel, discussed the new data management system. She said the good news is ETP will hold a July and August Panel meeting as posted on the website. She said the bad news is we cannot predict with any certainty at this time when we will actually launch the new system. This is due to a range of issues, running from requirements from the State Department of Technology, to negotiations with the software vendor for certain enhancements, to our use of ETP staff resources as necessary for testing and training.

However, she continued, we must also consider the launch date in light of the Panel meeting schedule. After July, even with the MEC reductions, we will have less than \$30M in contract value. After August, even with reductions, we will have less than \$20M in contract value. As such, we have about two Panel meetings left. If we "frontload" all of the Panel meetings prior to launch of the new system, we will have nothing to work with in real-time, as a full cycle of proposal development. Staff will come back to the Panel next month with some information on the launch date but also some information on how to best schedule the Panel meetings going forward in the remaining eleven months.

XIV. PUBLIC COMMENTS

There were no public comments.

XV. MEETING ADJOURNMENT

Mr. Rendon moved and Ms. Bell seconded meeting adjournment at 3:24 p.m.