

**STATE OF CALIFORNIA
EMPLOYMENT TRAINING PANEL MEETING**

Hilton San Jose & Towers
Almaden Ballroom
300 Almaden Boulevard
San Jose, California 95110

Teleconference Site
Law Offices of Barry Broad
1127 11th Street, Room 501
Sacramento, California 95814

April 25, 2002

PANEL MEMBERS

Marsha Kwalwasser
Chairperson

Barry Broad
Member

David Brown
Member

Aram Hodess
Member

Robert Lennox
Member

Patricia Murphy
Member

Tom Rankin
Member

Executive Staff

Peter McNamee
Executive Director

Ada Carrillo
Acting Assistant Director

Peter G. DeMauro
General Counsel

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I. PUBLIC PANEL MEETING CALL TO ORDER

Marsha Kwalwasser, Chairperson, called the public Panel meeting to order at 9:00 a.m. Ms. Kwalwasser announced that, due to conflicting schedules and quorum problems, portions of this Panel meeting would be held via teleconference per Government Code Section 11123(b).

II. ROLL CALL

Members Present

Marsha Kwalwasser, Chairperson
Barry Broad (via teleconference – Sacramento)
Aram Hodess
Pat Murphy
Tom Rankin (via teleconference – Sacramento)

Members Absent

David Brown
Robert Lennox

Executive Staff Present

Peter McNamee, Executive Director
Ada Carrillo, Acting Assistant Director
Peter DeMauro, General Counsel

Ms. Kwalwasser presented two resolutions regarding the conducting of business in the event there is a lack of a quorum. In the first resolution, Ms. Kwalwasser proposed that the Panel delegate to the Executive Director, or his designee, continuing authority to approve Agreements to fund training projects in amounts up to and including \$100,000. The Executive Director would provide the Panel a list of proposed Agreements in the Panel's monthly agenda. The Executive Director would proceed to approve the proposed Agreements after the monthly meeting unless a Panel member requests that a specific proposal be considered by the full Panel. Mr. Rankin requested that Panel review SheaHomes Southern California, which is a SET Agreement in the amount of \$99,840.

Mr. Rankin stated his concern regarding the current vacancies on the Panel, he expressed his view that it is inconvenient to conduct business when quorum issues arise with frequency.

ACTION: Mr. Rankin moved and Mr. Broad seconded the Panel approve the delegation to the Executive Director of authority to approve those contracts for \$100,000 or less, with the exception of Shea Homes Southern California, which will be presented and considered separately.

Motion carried, 5 – 0 (Roll call vote: Mr. Broad – yes; Mr. Hodess – yes; Ms. Murphy – yes; Mr. Rankin – yes; Ms. Kwalwasser – yes).

Projects approved:

Boone International, Inc.	\$86,320
L&L Custom Shutters	\$17,600
George Rice & Sons	\$51,064
Lightconnect, Inc.	\$49,900

In the second resolution, Ms. Kwalwasser proposed the Panel delegate to the Executive Director the authority to approve projects, in consultation with the Chairperson and/or Vice Chair, for which a quorum does not exist at this meeting. Mr. Rankin stated he did not want to delegate authority to only some of the Panel members with the Executive Director making the final decision. He suggested consultation with all the Panel members. Mr. DeMauro stated such consultation would be considered a seriatim meeting under the Open Meeting Laws and is not permitted.

ACTION: Ms. Murphy moved and Mr. Hodess seconded the Panel approve the resolution.

Motion carried, 3 – 2 (Roll call vote: Mr. Broad – no; Mr. Hodess – yes; Ms. Murphy – yes; Mr. Rankin – no; Ms. Kwalwasser – yes).

III. APPROVAL OF AGENDA

Ms. Kwalwasser announced that Michael Bernick, Director of Employment Development Department, would not be making a presentation at this meeting.

ACTION: Ms. Murphy moved and Mr. Hodess seconded the Panel approve the Agenda.

Motion carried, 5 – 0 (Roll call vote: Mr. Broad – yes; Mr. Hodess – yes; Ms. Murphy – yes; Mr. Rankin – yes; Ms. Kwalwasser – yes).

IV. APPROVAL OF MINUTES

ACTION: Ms. Kwalwasser moved and Mr. Rankin seconded the Panel approve the Minutes of March 27, 2002.

Motion carried, 5 – 0 (Roll call vote: Mr. Broad – yes; Mr. Hodess – yes; Ms. Murphy – yes; Mr. Rankin – yes; Ms. Kwalwasser – yes).

V. REPORT OF THE EXECUTIVE DIRECTOR

Mr. McNamee announced the Governor appointment of Marsha Kwalwasser as Chairperson of the Employment Training Panel.

Mr. McNamee reported that the “Revise to the Governor’s Budget” is due to the Legislature by May 14, 2002. He stated the Legislative Analyst projects there will be approximately a \$22 billion shortfall in next year’s State budget. He commented that lawmakers in the administration are under immense pressure to make further program cuts and stressed the importance of informing legislators of the benefits of ETP funding. He thanked The Alliance for ETP, the California Labor Federation, the Chamber of Commerce, and the California Manufacturers and Technology Association for the supportive letter sent to the Governor and the legislative leadership expressing priority for ETP funding in the upcoming year. He also recognized the efforts of Tom Rankin and Marsha Kwalwasser in obtaining the support from ETP’s partners.

Mr. McNamee stated that he hopes ETP will to receive the same budget appropriation as last year. However, if the May Revise to the Governor’s Budget reduces ETP’s 2002-2003 budget, the Panel could address funding options at the Panel’s Strategic Planning offsite meeting scheduled for May 22. ETP has contacted MGT of America, Inc., a consulting firm whose expertise is in developing strategic plans, to facilitate the discussion on May 22. He stated a strategic plan is the critical foundation document for any budget change proposals that the Panel may want to submit for budget year 2003-04. He stated that a recent economic study by the Center for Continuing Study of California’s Economy noted that the California economy, during this decade, is projected to have a substantial increase in growth. The Center projects growth to be 22 percent in this decade. He stated that would mean adding about 3.5 million new jobs to California’s economy. He said it would be critical for the Panel to take this opportunity, in the strategic planning effort, to re-scale the Plan to address its mission of fulfilling, as the State’s lead retraining program in the private sector, the greater demand for workforce development training programs.

Implementation Plan Update

Ms. Carrillo reported that if the Panel approves all of the projects being presented at today's meeting, \$82 million in available training funds would be fully encumbered.

Ms. Carrillo stated ETP has invited several presenters to attend the May 22 Strategic Planning Meeting to assist the Panel in brainstorming and facilitating the planning session. Staff will be providing Panel members with a draft of the Plan prior to the meeting. Ms. Carrillo stated Dr. Rick Moore, California State University at Northridge (CSUN), will be attending the May 23 Panel meeting to present the findings and recommendations of the SOST study. ETP's presentation on the fixed fee rate has been postponed to the June Panel meeting. Panel discussion of the Tips issue and the ETP Minimum Wage has been deferred until the May Panel meeting. Ms. Carrillo reported ETP is planning to initiate a study on the effectiveness of ETP funded-training. Mr. Hodess requested broadening the study to include the benefit and effectiveness of employer funded training in general. He stated since ETP has limited training funds, California employers need to be impressed with the value of training and the importance of working with the school districts, etc., to help fund training for their employees. Mr. Hodess asked when the issues regarding apprenticeship training were going to be addressed. Ms. Carrillo stated the CSUN study would include a report on the effectiveness of training. She said the concerns regarding apprenticeship-type training could be addressed in June. Mr. McNamee commented that, with the creation of the new Labor Agency, ETP would be included in an organizational structure with a more effective partnership with entities such as the Department of Industrial Relations. He suggested allowing some time to adjust to the new relationships before adopting any pre-apprenticeship policies. Mr. McNamee stated that Steve Smith, Director of the Department of Industrial Relations, is in charge of a taskforce to look at developing a strategic plan for the new agency.

VI. REPORT OF THE GENERAL COUNSEL

Mr. DeMauro reported the Panel's Career Ladder regulation previously submitted to the Office of Administrative Law which has been in effect as an emergency regulation, has been approved as a permanent regulation.

Mr. DeMauro stated staff would present to the Panel at its May meeting recommendations on ETP's participation in the Governor's Nursing Initiative.

Mr. Hodess requested staff discuss with the Labor Commissioner's office the law regarding the payment of wages to employees while attending training. Mr. Hodess stated his concern regarding a previous proposed project, Orange County Electrical Joint Apprenticeship and Training Trust, that was withdrawn because of an interim obligation placed on all MEC contracts by the Panel, where all retraining under ETP Agreements is mandatory and wages must be paid to trainees while attending training. Mr. DeMauro stated this issue has also raised questions from staff and that

he would be meeting with the Labor Commissioner's staff. He read an excerpt from the Department of Labor Standards Enforcement Policy and Interpretation Manual stating that the Labor Commissioner considers the time spent by employees attending training programs, as voluntary on the part of the employee only: (1) if attendance is outside regular working hours; (2) if attendance is voluntary; (3) the course, lecture, or meeting is not directly related to the employee's job; and (4) the employee does not perform any productive work during such attendance. He stated there are some exceptions, such as, if an employer establishes a program of instruction for the benefit of its employees, which corresponds to courses offered by independent bona fide institutions, as an example, English as a Second Language, and Literacy training.

VII. AGREEMENTS AND AMENDMENTS

Foundation for Educational Achievement

Ms. Kwalwasser recused herself from the discussion and action on the Foundation for Educational Achievement project and turned the gavel over to Mr. Hodess.

Diana Torres, Manager of the San Diego Field Office, presented a One-Step Agreement for the Foundation for Educational Achievement (FEA) for a total program cost of \$3,078,996. FEA cites a significant demand from employers for new hire trainees in the specialized occupations of PC Support Technician, Help Desk Specialist, and IT Technical Staff. Assessments of current employer training needs have identified the need for computer, continuous improvement, business, and management skills.

The proposed training plan includes training for 300 new-hire trainees eligible to receive unemployment insurance benefits and 1,360 incumbent workers from various eligible participating employers. The curriculum and delivery has been designed to ensure that the training of incumbent workers is customized to the specific needs of the employers.

The in-kind contribution is estimated at \$1,857,242 for the retraining component and \$901,141 for the new-hire component for a total contribution of \$2,758,383.

Staff recommends the Computer Skills and the New Hire curriculum be approved, and also recommends that approval from the Panel for the retrainee component for the soft skills, such as Continuous Improvement Skills, Management Skills, and Business Skills be contingent upon FEA receiving certification from Bureau for Private Post-Secondary and Vocational Education (BPPVE).

Ms. Torres introduces Dr. William Pickins, President and CEO; Rand Stallings, Dean; Donna Parrot; and Jim Durbin. Ms. Murphy asked what the timeframe is for receiving the BPPVE certification. Ms. Parrot stated that they have certification for

all curricula except for one component, and they expect to receive certification for that component within 30 days. Mr. Pickins stated that he doesn't foresee any problem in getting approval, but if that should happen, FEA would continue with the remaining proposed training. He stated FEA would not be allowed to provide training for that component without approval from BPPVE. Ms. Parrot stated that even though it is an important component it is a very small portion of FEA's goal.

Mr. Hodess questioned lost production time as opposed to company downtime. Ms. Torres stated that staff could closely monitor the training.

Mr. Hodess stated the Panel could not act on FEA's proposal at this time because a quorum does not exist. Pursuant to the motion previously approved, the project would be delegated to the Executive Director to approve the project, in consultation with the Chairperson and/or Vice Chair.

Ms. Kwalwasser resumed her authority.

Orange County Electrical Joint Apprenticeship and Training Trust

The Proposed Agreement for Orange County Electrical Joint Apprenticeship and Training Trust has been withdrawn from consideration at this month's Panel meeting.

California Manufacturers & Technology Association Service Corporation (CMTA)

The Proposed Agreement for the California Manufacturers & Technology Association Service Corporation (CMTA) has been withdrawn from consideration at this month's Panel meeting.

Fountain View, Inc.

Mr. Ron Tagami, Manager of the North Hollywood Field Office, presented a One-Step Agreement for Fountain View, Inc., for a funding amount of \$127,400. The Company operates long-term care facilities with 27 centers in California. Company representatives state that employees must be trained in computer skills because all the centers and the corporate headquarters will be electronically connected to each other. Two hundred and forty-five employees will receive 40 hours of Computer Skills training.

Fountain View is requesting a waiver to the turnover rate provision of the Panel's regulation. The Company had a turnover rate of 29 percent for the last calendar year. Company representatives state that the industry turnover rate for year 1999-2000 was 67.88 percent. SEUI Union Local 434B supports the training even though no trainee is represented by the Union.

Mr. Tagami introduced Shella Snukal, Chief Operations Officer, and Jada Brown, Director of Advertising and Promotions. Ms. Kwalwasser questioned the turnover rate and whether former employees remain within the industry. Mr. DeMauro commented that there currently are studies being completed addressing that question. Results of that study will be presented to the Panel at a future date.

Mr. Hodess was concerned about the high cost of training and high turnover. He asked Ms. Snukal if Fountain View would accept a 30 percent turnover cap and an extended retention period. Ms. Snukal stated that they would. Mr. Hodess stated that he would move to require a maximum turnover rate of 30 percent and a 180-day retention period. Ms. Murphy questioned the turnover rate in the job classification of those being trained and the need for a 180-day retention for classifications that do not have high turnover. Mr. Tagami stated that for the classification being retrained, the turnover rate is 12 percent. Ms. Carrillo commented that the retention period has to be done within the term of the contract. In order to extend the retention period to six months, training hours would have to be reduced. Mr. Hodess agreed to require a 120-day retention period.

ACTION: Mr. Hodess moved and Ms. Murphy seconded this One-Step Agreement be approved amending it to a 120-day retention period and 30 percent turnover rate cap.

Motion carried, 5 – 0 (Roll call vote: Mr. Broad – yes; Mr. Hodess – yes; Ms. Murphy – yes; Mr. Rankin – yes; Ms. Kwalwasser – yes).

US Foodservice, Inc.

The Proposed Agreement for US Foodservice, Inc, was withdrawn from consideration at this month's Panel meeting.

Taylor-Listug, Inc.

Ms. Torres presented a Proposed Amendment Number One for Taylor-Listug, Inc. d.b.a. Taylor Guitars. Taylor proposed to amend its current Agreement by increasing the number of training hours from 100 to 132. This increase in hours in topics of Advanced Communication and Coaching Skills would increase the Agreement amount by \$19,552 bringing the total Agreement amount to \$83,148. The in-kind contribution would also increase as a result of the wages paid to trainees during the additional training hours.

ACTION: Ms. Murphy moved and Mr. Broad seconded the Panel approve the Amendment as presented.

Motion carried, 5 – 0 (Roll call vote: Mr. Broad – yes; Mr. Hodess – yes; Ms. Murphy – yes; Mr. Rankin – yes; Ms. Kwalwasser – yes).

CCL Plastic Packaging

Mr. Tagami presented a One-Step Agreement for CCL Plastic Packaging for a funding amount of \$738,392 to retrain 415 employees at the Compton facility in Continuous Improvement, Business, Computer, and Management Skills, and Literacy Skills. The Company designs and manufactures packaging products primarily for the cosmetic and personal care industry. Company representatives state that they want to increase employee involvement in processes throughout the organization. CCL Plastic Packaging employs 516 workers in California and 7,500 employees worldwide. The Compton facility is located in an area of high unemployment and is requesting wage and literacy waivers for 275 trainees.

After the retention period, wages of these trainees will increase by at least 5 percent and the wages will range between \$7.88 and \$11.02 per hour.

Mr. Tagami introduced Roger Vanderlaan, Vice President, Operations, and Judy Carson, Director of Human Resources.

Mr. Hodess stated that the Panel needs to revisit its funding priorities. The Panel has exceeded the \$15 million goal of funding projects in high unemployment areas of the State by 50 percent. He stated the Panel needs to adopt a policy of when to stop funding contract proposals that meet a goal because it impacts the Panel's ability to fund other areas. He also stated that he had a concern with Vocational English as a Second Language and Literacy Skills being generic training. He stated there are other public educational opportunities that contractors need to explore, such as the community college system and adult education systems, which provide this training.

ACTION: Mr. Broad moved and Ms. Murphy seconded this One-Step Agreement be approved as presented.

Motion carried, 5 – 0 (Roll call vote: Mr. Broad – yes; Mr. Hodess – yes; Ms. Murphy – yes; Mr. Rankin – yes; Ms. Kwalwasser – yes).

Ms. Kwalwasser commented that it would be helpful if the Panel knew when funding goals are close to being met. The Panel would then have the option of determining if they want to continue approving projects in that category. She suggested that the Panel consider revisiting these goals for the Strategic Plan.

Mr. Hodess commented that the Panel needed to explore whether Vocational English as a Second Language is a generic skill and whether it can be provided more affordably through other entities such as adult schools or community colleges. Ms. Carrillo stated that Panel funding for literacy skills is directly related to the job.

Mr. Rankin suggested that the Panel review companies' health benefits, what they cover, and what are the shared costs. Ms. Carrillo stated that if health benefits are

used to meet the ETP wage, they have to be solely employer paid. ETP staff verifies that when they review the wages and the health benefit documentation that the employer submits. Mr. DeMauro reiterated his previous comments that the Legislature allows the Panel to consider the dollar value of health benefits. Ms. Kwalwasser stated that she doesn't want the Panel to be in the position of having to "judge" health benefits. She recommended the Panel continue discussing health benefits at a future date when there is a full Panel.

General Security Service, Incorporated

Ron Tagami, Manager of the North Hollywood Field Office presented a One-Step Agreement for General Security Service, Inc., in the amount of \$161,280. This project was brought to the Panel by the California Manufacturers and Technology Association. General Security Service is a small business with 86 employees; the Company provides security services to both the private and the public sectors.

The contractor is located in a high unemployment area and is requesting a wage waiver. The wages after the retention period will range between \$7.64 and \$12.60 per hour, which includes a five percent wage increase and health benefits.

The Company is asking the Panel to accept a higher turnover rate. The turnover rate for the last calendar year for the Company was 35 percent.

This project was deferred from the March Panel meeting to resolve and negotiate issues. The contractor has agreed to the following changes: The training retention period would be increased to 120 days. The contractor agreed that the final 25 percent progress payment would be denied unless the turnover rate for the last 12 months of the Agreement is reduced to 30 percent. Health benefits would be provided to trainees after the retention period.

Mr. Tagami introduced Brian Hanhart, Chief Executive Officer.

Ms. Kwalwasser stated the Panel could not act on the proposal for General Security Service at this time as Barry Broad had to leave the Sacramento teleconference site and a quorum did not exist. Pursuant to the motion previously approved, the project would be delegated to the Executive Director to approve the project, in consultation with the Chairperson and/or Vice Chair.

Pelican Products, Inc.

Mr. Tagami presented a One-Step Agreement for Pelican Products, Inc. The Company is located in Torrance, and manufactures high tech flashlights and watertight cases to protect equipment. The Company representative states that for the Company to remain competitive and increase productivity and efficiency, employees must be retrained. The Company is requesting Panel funds to retrain 140

employees. All retrainees will receive 80 hours of training in Continuous Improvement with a focus on LEAN manufacturing.

Mr. Tagami introduced John Hoven, Vice President, Operations and Engineering, and Dana Brooks, Assistant Manager, Human Resources.

Ms. Kwalwasser stated the Panel could not act on the Pelican Products, Inc., proposal at this time because a quorum does not exist. Pursuant to the motion previously approved, the project would be delegated to the Executive Director to approve the project, in consultation with the Chairperson and/or Vice Chair.

VIII. SMALL BUSINESS WORKGROUP PRESENTATION (TAKEN OUT OF ORDER)

William Rash, Section Chief of ETP's Sacramento Special Projects, presented the findings and recommendations of the Small Business Workgroup. The focus of the workgroup was to determine whether there was a feasible way to increase the number of small businesses consisting of 100 or fewer employees that contract directly with ETP. Currently, the majority of small businesses served by the Panel participate in ETP training through multiple-employer contracts (MECs). While serving small businesses through the MECs has been successful, there remains the issue of those small businesses that are not geographically located near MECs or for which the MECs cannot effectively serve. In addition to establishing small business specialists in each ETP field office to assist and serve employers of small businesses, ETP has entered into marketing agreements to assist in marketing to small businesses and increase the number of small businesses that apply directly to ETP each year. All of the workgroup's proposed recommendations would be tested in a one-year pilot project.

Mr. Rash presented the following findings based on the workgroup's research and survey of prior contractors: (1) The Panel approves approximately one in three applications for Panel funding from small businesses with fewer than 100 employees who have been determined eligible and apply directly to the Panel for assistance; for eligible small business with 50 or fewer employees, this approval rate is only one in four. For all eligible contractors in general, the Panel approves one contract for each two eligible applicants who apply for Panel funds. (2) For the calendar years 1998, 1999, and 2000, the Panel authorized an average of 2.2 percent per year of all Panel funds for small businesses of fewer than 100 employees who applied directly to the Panel for assistance, small businesses of 50 or fewer employees the percentage of total funding was less than 1 percent per year. (3) The Panel's current contracting process is too complicated for a majority of small business with fewer than 100 employees to apply directly for Panel assistance without the help of an outside consultant or organization. (4) ETP's minimum 40 hour training requirement is one of the leading reasons why small businesses with fewer than 100 employees do not complete the application process and/or do not earn funds at the end of the ETP contract. (5) ETP's record keeping requirements prevent many small

businesses who apply directly to the Panel from following through with their application or completing an ETP Agreement. (6) Forty-four percent of small businesses with fewer than 100 employees chose not to pursue direct funding because ETP's fixed fee reimbursement rate did not fully cover the cost of training and administration.

(7) The current application development process for small employers with fewer than 100 employees is to protracted and inhibits the expedited processing of Agreements.

The Small Business Workgroup recommended developing a one-year Small Business Pilot Project for businesses with fewer than 100 employees with the goal of increasing the total number of direct small business contracts by at least 50 percent. Mr. Rash stated the current ETP program is not designed for small businesses, and the following recommendations should be tested during the Small Business Pilot Project: Establish a goal to assign a Small Business Specialist to each field office with responsibility for contract development and monitoring for all small businesses with fewer than 100 employees; develop and test a prototype system whereby small business contractors directly seeking training funds up to \$25,000 will receive approval and receipt of a final agreement no later than 10 working days after submission of all required documents to the local Small Business Specialist; during the Pilot Project, combine the current Request for Eligibility Determination and Application into one document for the small businesses, and combine the orientation and project development site visit; field test revised versions of the ETP contract and invoice documents designed and developed by staff for use with contactors participating in the Small Business Pilot Project; test the feasibility of developing an on-line payment system that ties into the revised on-line tracking document for training delivery; field test a single fixed-fee reimbursement rate for training; limit pilot project participation to those meeting the out-of-state competition criteria; limit the range of training hours from a minimum of 8 hours to a maximum of 40 hours; allow small business owners to participate as trainees; allow a small business with 50 or less employees up to a 50 percent turnover rate with justification that training will reduce future turnover rates; field test a maximum of two payments, payment one at 50 percent and final payment at 50 percent; test strategies that allow monitoring to the maximum degree possible, after the initial visit, to be done via the internet and/or over the phone. Businesses not participating in the pilot would still be eligible to use the existing ETP process.

Mr. Rash acknowledged the Southern California Training Council, California Hispanic Chamber of Commerce, Nova Workforce Investment Board, Manex, California Chamber of Commerce, and California Manufacturing Technology Center for their input, which was incorporated into staff's recommendations. Mr. McNamee thanked the workgroup for addressing the Small Business concerns.

Steve Duscha stated that even though he subscribes to the 40 hours minimum training requirement and supports multiple employer contracts, he basically supports

the recommendations presented by staff. He suggested applying the recommendations more broadly, not just to small businesses.

Maria Solano, Executive Director of the Latin Business Association Institute, stated the Institute has a problem getting small businesses to apply for ETP funding because of cash flow problems. Small business owners have a problem paying up-front for training fees and then waiting for reimbursement. She stated electronic payment does work, is faster, and creates less paperwork. Ms. Solano presented letters of support for the Small Business program from Senator Escutia and Assemblymember Cedilla.

Bruce Klimoski, Executive Director of Continental Training Center in Concord, stated he is in favor of reducing the minimum 40 hours training requirement. He stated software companies are beginning to upgrade their programs every eight months. The upgrade training, which is integral to keeping employees trained in current technologies, does not require a full 40 hours of training. He stated many small businesses do not have the ability to provide training. He recommended having subcontractor registration. The subcontractor would be responsible for filling out the paperwork and signing off with the State.

Kay Reynolds, Vice President of Member Services with CALED – The California Association for Local Economic Development, stated CALED is a marketing partner with ETP serving the rural, high unemployment areas throughout California. She recommended reducing the amount of reading material for the small business owner and only incorporating the basic information for a particular request, i.e., for a single employer, remove all multiple employer information. She stated the local economic development professionals are more than willing to assist in serving the rural, high unemployment areas.

Mr. Hodess stated his concern regarding the small business employer not having the capacity or ability to train employees. He suggested the small business specialist in each field office work as a “consolidator” with the small businesses, grouping them into similar industries for a consortia-type of training program. Mr. Hodess also voiced his concern over the 50 percent turnover rate for small business and said a 50 percent turnover rate is usually an indication of internal problems, and eight hours of training is not going to remedy that condition. Mr. McNamee explained that small business turnover rates are more of a “sizing” issue. If an employer has only four or five employees and two or three leave, the rate is astronomical; the smaller number of employees in a company, the more risk of a higher turnover rate. Mr. Hodess suggested the Pilot program focus on a discrete industry within a discrete geographical area and work with a budget limit.

Mr. Murphy stated the Governor is planning to hold a Small Business Summit in October in Los Angeles. He will be looking for ways to “showcase” new initiatives for small business. She stated ETP’s idea of transforming the focus of small business

would be of interest to the Governor. Mr. Hodess requested staff to present the proposed pilot project at the July Panel meeting.

IX. LABOR AGENCY

Ms. Kwalwasser introduced Steve Smith, Director of the Department of Industrial Relations. Mr. Smith stated Governor Davis proposed the creation of the Labor and Workforce Development Agency in his State of the State speech in January. This agency will include four existing State entities, the Employment Development Department (EDD), the Department of Industrial Relations (DIR), the Workforce Investment Board (WIB) and the Agricultural Labor Relations Board. He stated the Governor recognizes that the most important asset the State has for continuing its economic development is its workforce. He added in order to have a strong workforce, the workers have to be healthy and safe on the worksite, they have to be educated, and they have to be trained. He stated there is a big difference between educated and trained. The State needs to provide both. There are several different training programs available in the State of California. The new Agency will focus on the employment/career related programs that are available through EDD and the DIR and coordinate those programs under the new Agency. The Governor has also created a taskforce that will focus on training issues that will increase coordination and accountability in those training programs.

The new Agency would include labor law enforcement and research components. The databases in EDD and the DIR will be combined to create a more efficient tracking system providing better protection for business. The combined databases would also be a more efficient means of collecting data for the purpose of focusing on what careers need to be developed, what training programs are needed, and what areas of the State need economic development. The future of ETP will not change in terms of its basic mission. California expects to have a superior infrastructure with a trained and skilled workforce.

Mr. Smith reported that the Labor Agency proposal is currently being reviewed by the Little Hoover Commission. A positive recommendation is expected within the next three weeks. Barring any unforeseen circumstances, the State of California will have a Labor and Workforce Development Agency by July 1, 2002.

Ms. Murphy asked about the estimated cost of the new agency and its funding. Mr. Smith responded that the cost is approximately \$2 million. It will be internally funded primarily from EDD and DIR, and from the Workforce Investment Board.

Mr. Hodess stated the \$2 million would be monies well spent would actually increase State revenue. He stated there would be better coordination through an improved common database between EDD and DIR. Increased audits and coordination of efforts should generate more employment for California businesses and eliminate many businesses operating illegally.

Mr. Hodess stated he was concerned about apprenticeship programs and trainees not being paid while in training. Mr. DeMauro stated there are some issues in labor law that raise the issues in regards to ETP waiving the wages in those situations. He stated there are several training fund requests for journeyman upgrade programs that will be presented to the Panel in the near future. Mr. DeMauro stated he would meet with the Labor Commission's staff to discuss the Panel's concerns.

X. AGREEMENTS AND AMENDMENTS (CONTINUED)

SunAmerica Inc.

Ron Tagami, Manager of the North Hollywood Field Office, presented a One-Step Agreement for SunAmerica Inc. for a funding amount of \$1,387,770. The Company is a diversified financial service company providing services in five major areas: annuities, mutual funds, institutional investment products, affordable housing, and asset management. The Company is seeking Panel funds to retrain 744 employees who work in the Century City, Woodland Hills, and San Diego facilities. Trainees will receive from 40 to 200 hours of training in Business and Computer Skills.

The proposed Business Skills training will train workers in process, quality, and communication techniques. The Computer Skills training will enable trainees to use SunAmerica's latest proprietary computer systems.

Mr. Tagami introduced Ms. Ann Franklin, Senior Vice President, Human Resources.

ACTION: Ms. Murphy moved and Ms. Kwalwasser seconded this One-Step Agreement be approved as presented.

Motion carried, 5 – 0 (Roll call vote: Mr. Broad – yes; Mr. Hodess – yes; Ms. Murphy – yes; Mr. Rankin – yes; Ms. Kwalwasser – yes).

Kraft Foods, Inc. - Modesto

Ms. Kwalwasser recused herself from discussion and action on the Kraft Foods, Inc. – Modesto project and turned the gavel over to Mr. Hodess. Mr. DeMauro stated that he, too, had recused himself from any review or discussion regarding any Kraft Foods, Inc., proposal.

Charles Rufo, Manager of the Sacramento Field Office, presented a One-Step Agreement for Kraft Foods, Inc. - Modesto to retrain 167 employees for \$177,648. He stated the correct turnover rate for 2001 was 3.4 percent not 12.5 percent.

Kraft Foods is eligible for ETP funding as a manufacturer of food and kindred products. All training will take place at the Modesto facility, which will be the second

ETP agreement at this facility. The General Teamsters Local Union #386 supports this project.

Kraft Foods of Modesto manufactures and distributes cereals that include Honey Comb, Raisin Bran, and Grape Nuts and Kool-Aid products throughout the United States and internationally. Kraft is faced with direct out-of-state competition from other large cereal and drink companies. These companies compete with Kraft Foods in terms of cost, quality, and type of product manufactured. The Company believes that in order to remain competitive in California, equipment effectiveness must be increased. Kraft has determined that additional training in continuous improvement and computer skills is necessary to address these needs.

Over the last two years Kraft Foods of Modesto has incurred costs of \$2 million for new equipment, production lines, a new warehouse, and building expansions. The prior ETP training project at this facility was canceled due to an unforeseen production increase and a lack of internal administrative support and staff commitment to ensure success. This proposed project has been thoroughly assessed and has strong management and labor commitment to help ensure that this project will be successful. All training conducted under the prior Agreement was paid for by the Company.

Mr. Rufo introduced Humberto Villanueva, Plant Manager; Sue Frueh, Human Resources Manager; and Patti Reiswig, the Chief Steward for Teamsters Local 386.

Mr. Hodess stated the Panel could not act on Kraft's proposal at this time because a quorum did not exist. Pursuant to the motion previously approved, the project would be delegated to the Executive Director to approve the project, in consultation with the Chairperson and/or Vice Chair.

Ms. Kwalwasser resumed her authority.

SWF Companies

Mr. Rufo introduced a One-Step Agreement for SWF Companies to retrain 184 employees for \$415,340. The Technology, Trade and Commerce Agency brought this project to the Panel's attention. SWF Companies is eligible for ETP funding as a manufacturer of packaging machinery. SWF was the first manufacturer to develop machinery for the construction of wooden fresh produce boxes for the Central Valley agricultural industry. Over the past 50 years, it has become one of the largest companies in the nation to construct machinery with the ability to package goods for shipping. Over the last decade, the industry has experienced massive consolidation, resulting in the need for more sophisticated machinery. Following the mergers of small businesses into SWF Companies, there was difficulty integrating the practices of the small operations into a "world class" organization. The Company has assessed the workflow and efficiency of its processes and identified a need for a formalized and structured training plan as a means for moving to a high performance

workplace. The Company has developed a Menu Curriculum including Business Skills, Computer Skills, Continuous Improvement, Manufacturing and Management Skills, and Advanced Technology training. The Contractor requests the Advanced Technology fixed-fee rate of \$20 per hour for 36 engineers. These trainees must learn to create three-dimensional engineering drawings through “SolidWorks” engineering software. This instruction involves a class size of less than ten trainees per instructor.

Mr. Rufo introduced Lance Spears, Vice President of Finance, Terry Holcomb, Vice President and General Manager, and Judy Turner with Deloitte & Touche.

ACTION: Ms. Murphy moved and Mr. Broad seconded this One-Step Agreement be approved as presented.

Motion carried, 5 – 0 (Roll call vote: Mr. Broad – yes; Mr. Hodess – yes; Ms. Murphy – yes; Mr. Rankin – yes; Ms. Kwalwasser – yes).

Monterey Mushrooms

Creighton Chan, Manager of the San Mateo Field Office, presented a One-Step Agreement for Monterey Mushrooms for a funding amount of \$184,080. Monterey Mushrooms produces mushrooms for customers such as Albertsons, Safeway, Ralphs, Trader Joe’s, Costco, and Sysco Corporations. The Company is facing competition from out-of-state growers that are producing higher quality mushrooms at lower prices. The Company plans to improve production by moving decision-making to the frontline workers. This training was developed in cooperation with the United Farm Workers of America, AFL-CIO, and United Food & Commercial Workers International Union, Local 1096.

Mr. Chan introduced Peter Jensen, Vice President of Western Region and Efrin Berajas, Second Vice President, UFW.

ACTION: Mr. Rankin moved and Mr. Hodess seconded this One-Step Agreement be approved as presented.

Motion carried, 5 – 0 (Roll call vote: Mr. Broad – yes; Mr. Hodess – yes; Ms. Murphy – yes; Mr. Rankin – yes; Ms. Kwalwasser – yes).

Victron, Inc.

Mr. Chan presented a One-Step Agreement for Victron, Inc. in the amount of \$391,380. The Company manufactures printed circuit boards and provides prototype research, design, testing, assembly, contract manufacturing, and engineering services. To remain competitive against out-of-state companies, Victron has developed state-of-the-art manufacturing equipment and computer systems and has made a commitment to become a high performance workplace. Victron’s

employees will receive training in Manufacturing Skills, Computer Skills and Continuous Improvement.

Mr. Chan introduced Chris Lee, Vice President of Finance and Administration, and Jeanne Lim, Director of Administration.

ACTION: Mr. Rankin moved and Ms. Murphy seconded this One-Step Agreement be approved as presented.

Motion carried, 5 – 0 (Roll call vote: Mr. Broad – yes; Mr. Hodess – yes; Ms. Murphy – yes; Mr. Rankin – yes; Ms. Kwalwasser – yes).

SheaHomes Southern California Division

Ms. Torres presented a One-Step Agreement for SheaHomes Southern California Division for a total program cost of \$99,840. SheaHomes is requesting ETP funding under the Special Employment Training Fund category, which supports training for frontline workers in occupations that pay at least the state average hourly wage in businesses difficult to serve under the Panel's standard project format. The proposed training is for frontline workers, which include project managers, superintendents, customer service, sales, purchasing, land acquisition, marketing, field operations and design associates. The above job functions are directly responsible for producing and delivering goods or services to customers.

The proposal includes a training plan that will deliver 40 hours of class/lab training to 192 frontline workers. The menu curriculum includes Continuous Improvement, Business Skills, and Computer Skills. The curriculum contains no construction trades skills. The proposed training is designed to meet Shea's need to move to a high performance workplace. The contractor has certified in writing that no senior policy executives will be enrolled in the ETP funded training. Further, project superintendents and managers included in the proposed training plan meet the Panel's definition of frontline workers whose primary job responsibility is directly delivering goods and services.

The Contractor states that each division of SheaHomes functions as a separate entity. Each division is individually responsible for its performance and operating budget. The Contractor further states the past performance of other divisions within Shea should not serve as an indicator of Shea's ability to perform on this project. To ensure a successful project, SheaHomes has asked for a minimum number of class/lab training hours without Structured On-Site Training. Further, SheaHomes stated that there is no planned reorganization for senior management, which negatively impacted the performance of previous SheaHomes' projects in other divisions. Senior level executive staff have expressed their total commitment to ensuring the success of this requested ETP funded training.

Ms. Torres introduced Sam Sanchez, representing Alpha Itec as the agent for SheaHomes. Mr. Rankin had concerns about the prior contracts being terminated, and questioned how the Company planned to succeed with this contract. He also questioned the role of its frontline workers. Ms. Torres stated that staff analyzes the functions for frontline workers in every SET proposal to determine how the frontline worker produces goods or services. Staff reviews organizational charts and the job descriptions for the frontline workers. Ms. Torres stated the Panel has funded similar proposals with similar job descriptions and determines that the trainees were frontline workers.

Mr. Hodess questioned why SheaHomes did not meet Panel's out-of-state competition requirements. Ms. Torres replied Shea's out-of-state competition was not significant enough to meet ETP's definition of out-of-state competition.

Mr. Hodess questioned the non-performance on the 1999 and 2000 contracts. He stated the housing market was doing very well in December 2000 and 2002 and that he would prefer hearing directly from SheaHomes before voting on this project. Ms. Murphy agreed with Mr. Hodess and stated when there is a question on past track records, a company should be present to articulate on the reasons for past non-performance and the plan the Company has developed to succeed on its proposed project. Ms. Murphy also questioned the number of subcontractors.

Ms. Kwalwasser stated the Panel would take no action at this meeting and deferred this project to the next Panel meeting.

XI. PUBLIC COMMENT

There were no members of the public who wished to comment at this time.

XII. EXECUTIVE SESSION

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

XIII. ADJOURN

There being no further business and no objection, the meeting was adjourned at 1:50 p.m.