

**STATE OF CALIFORNIA
EMPLOYMENT TRAINING PANEL MEETING**

California Environmental Protection Agency
Central Valley Auditorium
1001 I Street
Sacramento, California
June 27, 2002

PANEL MEMBERS

Marsha Kwalwasser
Chairperson

Barry Broad
Member

Tyrone Freeman
Member

Aram Hodess
Member

Robert Lennox
Member

Tom Rankin
Member

Alfonso Salazar
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

Ms. Kwalwasser, Chairperson, called the public Panel meeting to order at 9:38 a.m. Ms. Kwalwasser introduced the Panel's new member, Tyrone Freeman, President of SEIU Local No. 434 in Los Angeles. He was appointed by the Speaker of the Assembly, Herb Wesson, replacing David Brown.

II. ROLL CALL

Members Present

Marsha Kwalwasser, Chair (left at 4:20 p.m.)
Barry Broad
Tyrone Freeman (left at 3:22 p.m.)
Aram Hodess (left at 3:22 p.m.)
Tom Rankin (left at 2:25 p.m.)
Alfonso Salazar (arrived at 10:20 a.m., left at 3:22)

Members Absent

Robert Lennox

Executive Staff Present

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

III. APPROVAL OF AGENDA

ACTION: Mr. Rankin moved and Mr. Broad seconded the Panel approve the Agenda.

Motion carried, 5 – 0 (Mr. Salazar absent).

IV. APPROVAL OF MINUTES

ACTION: Mr. Rankin moved and Mr. Broad seconded the Panel approve the Minutes of May 22-23, 2002.

Motion carried, 5 – 0 (Mr. Salazar absent).

V. REPORTS OF THE CHAIRPERSON/PANEL MEMBERS

There were no reports.

Appeal – Continental Training Center

Aram Hodess reported a publicly noticed hearing was held on May 24, 2002, to hear Continental Training Center's (CTC) appeal for reimbursement on ETP Agreement No. ET6-0104. In attendance at the hearing were Aram Hodess, the Panel's appointed Hearing Officer; Bruce Klimoski, representing Continental Training Center; Susan Bobrow, representing the Panel; and Ada Carrillo and Lisa Douglas, ETP employees.

Mr. Hodess reported Continental Training Center was requesting additional monies for alleged underpayments of fixed rates, underpayments of 8 percent administrative costs, underpayments by reason of changing job classifications, withheld interest in connection with an overpayment, lost revenue from participating employers, and interest beginning on December 26, 1997.

Mr. Hodess reported that Mr. Klimoski agreed to ETP's offer to settle the \$252.82 for withheld interest for overpayment. Mr. Klimoski withdrew his appeal for \$3,229 for underpayments of 8 percent administrative costs and requested the Panel to simplify the methodology used to calculate the 8 percent administrative costs.

The balance of the appeal basically dealt with ETP's rate setting procedure for Agreement ET6-0104. Mr. Klimoski claimed that ETP's fixed-rate setting procedure violated the California Administrative Procedures Act, and that the reimbursement rates for Agreement ET6-0104 were arbitrarily set. Mr. Hodess reported that Section 10200 through 10217 of the California Unemployment Insurance Code establishes and defines the authority of a strategically designed employment-training program, specifically the Employment Training Panel. He added that Section 10206(a)(1) authorizes the Panel to allocate training money for the reimbursement of reasonable training costs and allows the Panel to allocate funds in various ways, including the use of a simplified fixed-fee performance contract, and that the Panel shall periodically adjust the standardized rates to reflect changes in training costs. He stated the Section 10206(a)(1)(C) allows the Panel to modify the specific requirements of paragraph 10206 as they apply to employers or contractors involving the training for a significant number of small employers in the same project.

Mr. Hodess concluded that ETP staff and CTC representatives considered the negotiated rate reasonable compensation for the cost of the training CTC was to provide under Agreement ET6-0104. That project involved training for a significant number of small employers. Mr. Hodess stated that the California Constitution explicitly prohibits payment of extra compensation after an Agreement has been contracted for and completed.

Mr. Hodess recommended that the Panel approve ETP's settlement offer (decision attached) of \$252.82 to CTC for withheld interest for overpayment and accept Mr. Klimoski's withdrawal of CTC's claim for \$2,342 in lost revenue from participating employers, and deny CTC's remaining claims.

ACTION: Mr. Rankin moved and Mr. Broad seconded the Panel approve ETP's settlement offer of \$252.82 to CTC for withheld interest for overpayment, to accept Mr. Klimoski's withdrawal of CTC's claim for \$2,342 in administrative costs, and to deny CTC's remaining appeal claims.

Motion carried, 5 – 0 (Mr. Salazar absent).

Mr. DeMauro thanked Mr. Hodess for his judicious manner in handling this appeal.

SheaHomes

Mr. DeMauro stated that an issue was raised as to what the Panel intended by specifying at the May Panel meeting that SheaHomes would "endorse" its subcontractors having formal training for its employees. Mr. Hodess stated that his intent was to require that subcontractors either have an in-house training program or have employees enrolled in a State approved apprenticeship program. Mr. Broad questioned the quality and proof of subcontractors' training programs and what happens if a subcontractor does not have a training program. Mr. Hodess stated if ETP is providing funding to a company engaged in residential home construction, the Panel needs to leverage funding in order to be assured of quality work. Mr. DeMauro stated that SheaHomes had stated in writing that it would encourage its subcontractors to provide formal training for its employees and would make resources available for implementation of training. He stated staff could work with SheaHomes and closely monitor this project. Ms. Kwalwasser and Mr. Broad were concerned with setting a precedent regarding requirements for contract labor.

ACTION: Mr. Hodess moved and Mr. Rankin seconded the Panel approve funding SheaHomes with the understanding that SheaHomes will encourage its subcontractors to provide formal training for its employees, make resources available for implementation of said training, and provide a summary of its subcontractors' training programs.

Motion carried, 5 – 0 (Mr. Salazar absent).

Ms. Kwalwasser welcomed Tyrone Freeman to the Panel and publicly thanked David Brown for his dedicated service to the Panel. She announced there would be a reception at noon for past member Patricia Murphy for her many years of service to the Panel.

VI. REPORT OF THE EXECUTIVE DIRECTOR

Budget Status Update

Mr. McNamee reported that there are before the Legislature several significant issues relative to making program cuts, raising revenues, or transferring funds from other sources in order to balance the budget. He stated that as of that date, California did not have an approved budget. Unless there is a significant change, ETP will receive an appropriation of approximately \$76 million.

Mr. McNamee added that the Budget Conference Committee has agreed to reduce the total number of approved personnel positions in the State. He stated the number of vacancies in California is approximately 6,000. The Department of Finance has requested ETP to participate in the review of authorized positions and to supply information regarding vacant positions that might be eliminated. He stated he would keep the Panel and public informed of any changes in the budget that might impact contractors.

Mr. McNamee reported that on July 1 the new Labor Agency would go into effect. He stated that there is a trailer bill, SB 1236, before the Legislature that establishes the structure of the Labor Agency.

Mr. McNamee reported that staff is in the process of identifying a contractor to perform a new effectiveness study on ETP programs and the impact that training has on California businesses. He stated that the selected contractor would complete the study within a one-year time period with preliminary findings due in April 2003.

Mr. McNamee reported that ETP received both a letter from Assemblymember Patricia Bates and also an article in the Eureka Times Standard complimenting the Panel on the good work it has done in helping businesses and workers.

Fund Status

Ms. Carrillo reported that all available training funds for fiscal year 2001-02 have been encumbered. She stated the projects approved at today's meeting would be funded out of next year's budget. She stated that start-up letters for approved projects would be sent out with the understanding that training would proceed at the

contractor's own risk. No progress payments can be made until the budget is enacted.

VII. REPORT OF THE GENERAL COUNSEL

Status Report – Entertainment Industry Development Corporation (EIDC) and Bay Area Video Coalition (BAVC)

Mr. DeMauro reported that the Panel had previously approved proposals for EIDC and BAVC at a maximum hourly rate of \$37.50 contingent on each contractor submitting its actual costs for hardware and software and submitting information to finalize the employer contribution amount. He stated BAVC has provided information to substantiate a maximum reimbursement rate of \$30.10, which it has accepted. Staff is still in the process of reviewing EIDC information and will present its findings at a future Panel meeting. Staff has also been unable to verify the in-kind contribution for both contractors due to the fact that training has only recently commenced.

Mr. DeMauro reported that he met with the legal staff at the Department of Labor Standards Enforcement (DLSE) to discuss the issue that was raised regarding whether trainees should be compensated for the time spent in training. The DLSE has agreed to prepare an opinion outlining a general legal test for participating employers to use to determine if the training is mandatory. Mr. DeMauro stated that in the interim, language that contains a presumption that all ETP training is mandatory unless otherwise specified by an employer is being included in all retraining multiple-employer contracts. He stated that staff would closely monitor the training in both contracts.

VIII. APPROVAL OF PROJECTS FOR LESS THAN \$100,000

ACTION: Mr. Rankin moved and Mr. Salazar seconded the Panel delegate to the Executive Director the authority to approve the following proposals for projects that are less than \$100,000:

- KMC Wheel
- Q Microwave, Incorporated
- San Diego Sheet Metal Works, Incorporated
- Golden Star Technology, Incorporated
- L. Kee & Company, Incorporated

Motion carried, 6 – 0.

IX. AGREEMENTS AND AMENDMENTS

Reaching Potentials Educational Institute

Charles Rufo, manager of ETP's Sacramento field office, presented a Proposed Agreement for Reaching Potentials Educational Institute in the amount of \$72,280 to retrain 52 individuals employed full time with participating employers. Reaching Potentials is a private for-profit training agency providing academic and vocational training for electronics and computer technology to adults. Reaching Potentials was denied approval to apply for a second Agreement due to poor performance on its prior contract and a number of complaints by trainees. In lieu of acting on an appeal to the denial, ETP staff and Reaching Potentials agreed to move forward to the Panel as a Proposed Agreement.

In addition to the poor performance on its prior contract and a number of complaints by trainees, staff also has concerns with this Proposal regarding unsubstantiated employer demand, lack of concurrence with the union for the core participating employer, and lack of current authorization from the California Bureau for Private Postsecondary and Vocation Education (BPPVE).

Mr. Rufo stated that if the Panel approves this Proposed Agreement, it would be brought forward for approval as a Final Agreement contingent upon the submission of a copy of a current authorization certificate and/or a current authorizing letter from the BPPVE; final signed Certification Statements (ETP 100E) from all participating employers to show employer demand; a final List of Participating Employers (ETP 100B) listing the initial core group of participating employers and the number of trainees at each employer; evidence that the Electronics Technology curriculum merits the higher rate of \$20 per hour and explanation why they are unable to secure in-kind contributions to pay costs in excess of the standard fixed-fee; a letter of union support from the Communication Workers of America, District 9, AFL-CIO, representing Pacific Bell, the core participating employer; and repayment of \$9,969 in unearned progress payments and interest advanced to RPEI under its prior Agreement.

Mr. Rufo introduced Michael Antwine, Director. Mr. Broad announced that he would not be voting on this project. Mr. Rankin was concerned with confirmation of support from Pacific Bell and the Communications Union. He stated that since Pacific Bell is the major participating company, he suggested this project be held over until receipt of a statement of concurrence with the union, and resolution of the repayment.

Ms. Kwalwasser stated that this project would be held over to allow the contractor time to address the Panel's concerns.

Workplace Hollywood (Techforce)

Diana Torres, manager of ETP's San Diego field office, presented a Final Agreement for Workplace Hollywood in the amount of \$196,060 to upgrade the skills of 146 employees from various entertainment industry studios. This is a Techforce project, brought to the Panel through a joint effort between the Employment Development Department and ETP that supports the Governor's Information Technology Initiative. Ms. Torres stated that all the contingencies have been met and there has been no change in the Agreement since approval as a Proposed Agreement. She stated that additional language was added to the Terms and Conditions of the Agreement to reflect Mr. Hodess' request regarding collection of quantifiable data on lost production and submission of information to ETP. Ms. Kwalwasser stated she approved the project but would like a definition of Associate Director, what that position represents in terms of a job description, and what percentage of the total occupations is in that category.

ACTION: Mr. Rankin moved and Mr. Hodess seconded the Panel approve the Final Agreement.

Motion carried, 6 - 0.

Employers Group

Ron Tagami, manager of ETP's North Hollywood field office, presented a One-Step Agreement for Employers Group in the amount of \$563,390 to retrain 770 current employees of manufactures and other participating companies facing out-of-state competition. The Employers Group, consisting of 5,000 California employers, offers a wide range of services from interpreting complex employment laws to helping employers restructure their businesses to be more profitable and competitive. The training provided through this project is designed to train employees in key skills necessary to maintain jobs and improve long-term opportunities for employment and business growth in California. All training will be conducted on company site, during working hours, and on paid company time.

Mr. Tagami introduced William Dahlman, President and CEO. Mr. Dahlman stated there is no SOST in this training proposal. Mr. Rankin raised concerns regarding wage ranges not reflecting actual wages paid, and managers being paid the same as clerical staff. Mr. Tagami responded by stating that when processing a multiple employer contract, a wage range is provided without specific knowledge of exactly which employers will be participating. Mr. Rankin questioned the number of managers and supervisors being trained and their actual salary range. Jeff Hull, Project Director/ETP Project Coordinator for Employers Group, stated this project includes several participating employers and not all employees have been identified for enrollment into training. Mr. Broad stated, with respect to SheaHomes, Employers Group, and a number of other proposals, the issue is whether ETP's regulation is appropriate and whether the Panel should review the regulation and

consider changes. He stated the issue before the Panel with the Employers Group proposal is whether the Contractor had met ETP's current guidelines.

Ms. Kwalwasser stated that she believed the Contractor has come before the Panel in good faith and the project should go forward. Mr. Salazar and Mr. Freeman were willing to support this project with the condition that ETP receive letters of support from the unions involved. Mr. Broad requested the Contractor provide the Panel with information on the core employees in occupations listed and their wages.

ACTION: Mr. Salazar moved and Mr. Freeman seconded the Panel approve the One-Step Agreement.

Motion carried, 6 - 0.

ACTION: Mr. Broad moved and Mr. Hodess seconded the Panel review Regulation 4415 concerning the limitation on funding training for frontline workers who are supervisors and managers.

Motion carried, 6 - 0.

Ms. Kwalwasser requested staff to provide the Panel with history on the reason for the Regulation, how it has been applied, the trend on the training of frontline workers, and what the procedure is for considering changes. Mr. Freeman requested staff to present recommendations for Panel consideration.

Ms. Kwalwasser announced the Panel would discuss Regulation 4415 at next month's Panel meeting.

RWM Fiber Optics, Incorporated

Mr. Tagami presented a One-Step Agreement for RWM Fiber Optics, Inc. in the amount of \$195,330 to train 34 new hires. RWM Fiber Optics is a private, post-secondary technical school that provides telecommunications training.

Mr. Tagami introduced Mel Weiss, Director, and Charles Miller, Program Manager. Mr. Miller explained the high reimbursement rate and is due to the high number of hours of high-tech training required for this specialized occupation.

ACTION: Mr. Freeman moved and Mr. Salazar seconded the Panel approve the One-Step Agreement.

Motion carried, 6 - 0.

Nursing Care Providers, Incorporated d.b.a. NCP Vocational School

Mr. McNamee had previously recused himself from any review or discussion regarding Nursing Care Providers, Incorporated, and any future projects related to the Governor's Nurse Workforce Initiative.

Creighton Chan, manager of ETP's San Mateo field office, presented a One-Step Agreement for Nursing Care Providers, Inc., d.b.a. NCP Vocational School, in the amount of \$612,750 to retrain 150 employees. Nursing Care Providers provides vocational and short-term training programs affiliated with the nursing industry. The recruitment and retention of Nurse Assistants has become a national concern because of a continuing shortage of trained Certified Nurse Assistants. This project addresses the Governor's Nurse Workforce Initiative and the shortages in the nursing field.

Mr. Chan introduced Nelly Jocson, Executive Director. Mr. Rankin was concerned that there was no support letter from the union and requested this project be held over until ETP receives a letter of support. Ms. Carrillo stated that ETP has never requested support letters from unions on new hire contracts because no employers are on record at the time the projects are being developed. She stated ETP could revise its procedure for future projects. Mr. Rankin stated the whole purpose of union involvement is to ensure the success of training. Mr. Hodess stated the in-kind contribution of \$123,450 does not meet ETP's minimum in-kind contribution requirement of 50 percent. Mr. Hodess requested the project be held over until the Contractor can provide the required 50 percent in-kind contribution.

ACTION: Mr. Hodess moved and Mr. Salazar seconded the Panel approve holding this project over until the in-kind contribution requirement is met.

Motion carried, 5 – 0 - 1 (Mr. Freeman abstained from vote).

The Panel meeting recessed at 12:00 noon and participated in a reception held to honor former Panel member Pat Murphy. The meeting resumed at 1:30 p.m.

San Francisco Bay Area National Tooling & Machining Association (NTMA) Training Center

Creighton Chan, manager of the San Mateo Field Office, presented a One-Step Agreement for San Francisco Bay Area National Tooling & Machining Association (NTMA) Training Center for a program cost of \$502,740. This will be the thirteenth project between NTMA and ETP.

NTMA is a nationwide trade association that provides training in the metal trades industry. On the current contract, they estimate that they will earn only 49 percent of amount encumbered. They credit this to the economic downturn, which heavily affected the Silicon Valley. However, NTMA states that there are signs of improvement in the economy. Member employers are reporting more job offers and more job orders, however NTMA is being conservative in this initial proposal, and they are proposing a new hire project for only 70 new hire trainees with a cost per trainee of \$4,800 for Job 2 and \$9,720 for Job 1.

To justify the high per trainee cost, the Contractor has certified that Job 2 trainees will be placed at a minimum wage of \$12.50 per hour, which is above the ETP minimum wage of \$10.16 per hour for new hires in that area. In Job 1, trainees will be placed at \$11.00 per hour, which is above the ETP new hire minimum and is also higher than the entry-level wage of \$10.80 per hour according to the Employment Development Department's (EDD) statistics. Additionally, these machinists' occupations have the potential to earn up to \$25 per hour.

Mr. Chan introduced Bert Schuster, Executive Director of NTMA. Mr. Rankin questioned the costs per trainee. Mr. Schuster stated that these costs are actually lower than previous contracts. NTMA has developed a shorter new hire program. Mr. Rankin asked, given the cost per trainee, if NTMA would consider a longer retention period. Mr. Schuster stated that it would be very difficult because the term of the contract is limited to a certain number of months.

ACTION: Mr. Rankin moved and Mr. Salazar seconded the Panel approve the One-Step Agreement.

Motion carried, 6 - 0.

Northern California Teamsters Apprentice Training & Education Trust Fund

Chuck Rufo, manager of the Sacramento Field Office, presented a One-Step Agreement for the Northern California Teamsters Apprentice Training & Education Trust Fund (NCTAT) to train 40 new hires in truck driver and construction vehicle driver training for \$127,539. This will be the fourth project with ETP. NCTAT is a joint labor management trust fund established under the terms of a labor agreement, and is operated by a Board of Trustees. Since its inception, 620 students have received training in Class A Commercial Driver Training, Construction Vehicle Training, and various construction safety courses. Under this training program, 40 trainees will receive between 72 and 360 hours of training in the operation of off-road and over-the-highway construction vehicles. The training curriculum is based upon the U.S. Department of Transportation's model curriculum for tractor-trailer drivers and upon the manufacturers' and industry recommendations for construction-specific training equipment.

The total in-kind contribution is \$76,800 based on estimated wages paid during additional training within the 90-day retention period. Eight separate unions support this project.

Mr. Rufo introduced Geoffrey Quinn, Director of the Northern California Teamsters Apprentice Training. Mr. Hodess stated that legislation prohibits funding of apprenticeship programs and asked if these are apprenticeable jobs. Mr. Quinn stated that the Teamsters is not an apprenticeable craft within the State of California.

Mr. Rufo stated that staff contacted the Department of Apprenticeship Standards. The regional contact of the Operating Engineers Joint Apprenticeship Committee submitted a letter to staff stating that, though the programs do compliment one another, they are separate and distinct. There would not be any duplication with its on-going apprenticeship program.

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

Motion carried, 5 – 0 –1 (Mr. Broad abstained from vote).

West Hills Community College District

Mr. Rufo presented a One-Step Agreement for West Hills Community College District for training 46 new hires in truck driver training for \$198,214. West Hills Community College District was established in 1932 and is an accredited community college. The college has previously provided training in truck driving using traditional full-time equivalents funded through the State education budget. Currently, the college obtained a Chancellor's Office grant for truck driver training that will end June 30, 2002. West Hills is proposing a 270-hour class/lab training program to train 46 individuals as truck drivers. The number of proposed hours is consistent with new hire truck driver training projects approved last year by the Panel.

Training will take place at the school's three sites at Coalinga, Lemoore, and Firebaugh, which are located in recognized high unemployment areas of the State in Fresno and Kings Counties, but no wage waiver is requested. Also, this project will be serving small businesses with 100 or fewer employees.

The total in-kind contribution is \$114,700 consisting of \$98,700 in estimated costs for training and wages paid by participating employers during the trainees' retention period. Also, the estimated contribution by West Hills is \$16,000 for program development.

Mr. Rufo introduced Dr. Frank Gornick, Chancellor and Leonard Bass, Transportation Coordinator. Mr. Broad asked if any trainees would be hired as independent contractors and requested assurance that trainees would be hired as employee drivers. He suggested including a condition of the contract that trainees be employee drivers. Mr. McNamee stated that trainees are required to meet the 90-day retention requirement with an employer that is paying the Employment Training Tax.

Mr. Broad questioned the mandatory controlled substance testing in the industry and asked if that was part of their curriculum. Mr. Bass answered that the first step in qualifying for the program is drug testing and participation in its drug program. He stated the Company also enforces its safety requirements.

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

Motion carried, 6 - 0.

**Warner Bros. Studios, a division of Time Warner Entertainment Co., L.P.
(Presented out of order)**

Ms. Kwalwasser recused herself from discussion and action on the Warner Bros. Studios proposal. Mr. Hodess presided.

Ron Tagami, manager of the North Hollywood Field Office, presented a second Amendment for Warner Bros. Studios for a program cost of \$624,260. The initial Agreement was approved in May 2001 as the first part of a four-part plan. The Company is requesting the Amendment to retrain 711 employees at several divisions that are converting to the SAP technologies, and to extend the term of the Agreement to two years.

The Amendment is supported by the Office of Professional Employees International Union, Local 174, which represents 254 trainees.

Mr. Tagami introduced Mr. Dean Hale, Vice President, Program Management and Nuccio Scattaglia. Mr. Hale stated Warner Bros. is investing over \$125 million in a new procurement and financial system for all the studios with locations in Burbank and throughout the world. The predominant employee base is in California with 4,500 employees at the Burbank location.

Mr. Rankin questioned the turnover rate and wages. Mr. Hale explained turnover is mainly from the TV production area. Many seasonal shows the studio signs up for get cancelled resulting in staff reductions.

ACTION: Mr. Rankin moved and Mr. Broad seconded this Proposed Amendment be approved as presented.

Motion carried, 5 – 0 (Ms. Kwalwasser recused herself).

Ms. Kwalwasser resumed chairing the meeting.

MTC Holdings and Subsidiaries

Mr. Chan presented a One-Step Agreement for MTC Holdings and Subsidiaries. This project will consist of regular and SET Frontline Worker funding for a total program cost of \$214,596. MTC Holdings provides shipping continuity, terminal operations, and related cargo handling services for loading and unloading of ships.

The SET portion of this Agreement does not include any superintendents or managers.

Mr. Chan introduced Hal E. Strottman, Vice President of Administration and Human Resources and Monique Pinkney, Lead Training Developer. Mr. Hodess had concerns regarding a potential labor action on the Pacific Coast between Pacific Maritime Association (PMA) and ILWU. Mr. Strottman stated that MTC has a seat on the board of the PMA and is one of 11 members sitting at the negotiating table. MTC does not foresee any significant labor issues. Mr. Hodess requested the Agreement include a letter of support by the ILWU.

ACTION: Mr. Broad moved and Mr. Salazar seconded this One-Step Agreement be approved conditional upon receipt of the union letter of support.

Motion carried, 5 – 0 (Mr. Rankin absent).

X. STRATEGIC PLAN (PRESENTED OUT OF ORDER)

Ms. Kwalwasser stated that ETP is required by California law to submit a Strategic Plan to the legislature by July 1, 2002. Mr. McNamee stated that recommended modifications have been incorporated into the final draft of the Strategic Plan for Panel approval.

Ms. Kwalwasser had concerns with the use of the word “ensure” on page 27. Given ETP guidelines, she asked if ETP has the resources to ensure at least 95 percent of ETP trainees remain employed one year after completing training and retention, and ensure 90 percent of ETP trainees remain employed three years after completing training and retention. Ms. Kwalwasser stated that ‘ensure’ denotes an enforcement capability. Mr. McNamee stated that Strategic Plans, by their definitions, are documents that are goal orientated to pursue the highest possible performance level. Mr. Salazar recommended the wording be changed to read, “The Panel’s intent is at least”

ACTION: Ms. Kwalwasser moved and Mr. Hodess seconded the Panel approve the Strategic Plan for July 1, 2002-June 30, 2003.

Motion carried, 5 – 0 (Mr. Rankin absent).

XI. AGREEMENTS AND AMENDMENTS

Nurserymen’s Exchange, Inc.

Mr. Chan presented a One-Step Agreement for Nurserymen’s Exchange, Inc. Nurserymen’s Exchange produces potted indoor ornamental plants. The Company needs to transition to a high performance workplace to lower operating costs and

shorten their turnaround times while maintaining quality standards. The funding for this project comes from ETP's regular funding category and SET category, Multiple Barriers to Employment. Employees in the SET category have literacy skills, math and reading skills below the seventh grade level, and limited English. While San Mateo County is not designated as a high unemployment area, the area where the employer is located, Half Moon Bay, has high unemployment and lower wages than other areas of the county.

Mr. Chan introduced Neal Kramer, Operations Manager with Nurserymen's Exchange, Inc., and Kelly Greer, President of Strategy Workplace Communications.

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

Motion carried, 5 – 0 (Mr. Rankin absent).

Alexander's Moving and Storage

Ms. Torres presented a One-Step Agreement for Alexander's Moving and Storage in the amount of \$126,614. The Company estimates an in-kind contribution of \$129,000 for trainees' wages paid while in training. Alexander's Moving and Storage provides sophisticated logistics and relocation services for various customers such as America Honda Motors, Amgen, Bergen Brunswig Corp, Farmers Insurance, Fluor Signature Service, MCI Telecommunications Corp, and Nortel Networks. The proposed training will train 143 employees to perform at a level needed to produce higher quality service at a reduced cost and work together as teams to become an integral part of the continuous improvement quality process.

Ms. Torres introduced Donald Hill, President and Chief Operating Officer. Mr. Broad questioned the SOST in Job 2. Ms. Torres clarified that the 720 hours is total for the entire group.

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

Motion carried, 5 – 0 (Mr. Rankin absent).

Adams Rite Manufacturing Company

Mr. Tagami presented a One-Step Agreement for Adams Rite Manufacturing Company for a program cost of \$243,100 to retrain 153 employees in Continuous Improvement, Manufacturing, Business, Computer and Management Skills, and Literacy Skills. The Company is located in Pomona. Adams Rite Manufacturing Company designs and manufactures locks, latches, electric strikes and exit devices for exterior and interior doors. The Company currently has 165 full-time employees.

The Company is located in a high unemployment area and has identified 30 production assemblers as working poor trainees in dead-end jobs with entry-level responsibilities. The Company is requesting a waiver to the ETP minimum wage of \$11.78 per hour. The lowest wage currently being paid is \$7.42 per hour. The contractor states that the wages for the 30 employees in the lower wage range will increase by at least five percent after the end of the retention period.

In addition, the Contractor is requesting a waiver for the 45 percent VESL training, which is allowable for trainees who are in the high employment areas and meet the definition of the working poor.

Mr. Tagami introduced Deon Arnold, Chief Financial Officer and Cindy Goodwin, Manager of Human Resources. Mr. Broad asked that since the Panel was being asked to waive the minimum wage requirement, would the Company be prepared to commit to a 10 percent wage increase upon completion of training and the required retention period. Ms. Goodwin stated they could. She stated that the Company is prepared to move these employees into higher paying positions within the company. The Company has a policy and practice of promoting from within.

ACTION: Mr. Broad moved and Mr. Hodess seconded this One-Step Agreement be approved as amended to increase trainees wages by 10 percent upon completion of training and required retention period.

Motion carried, 5 – 0 (Mr. Rankin absent).

Saint-Gobain Containers, Inc. (Southern California)

Mr. Tagami presented a One-Step Agreement for Saint-Gobain Containers, Inc. in the amount of \$207,848 to retrain 417 employees. The training is supported by the Glass, Pottery, Plastics & Allied Workers Local Union No. 39 and Local 47, and the American Flint Glass Workers International Union Local 139.

Mr. Tagami introduced Yolanda James, Manager of Human Resources, and Hector Sanchez, Representative of Glass, Pottery, Plastics & Allied Workers Local Union No. 39.

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

Motion carried, 5 – 0 (Mr. Rankin absent).

Spectra-Physics Mountain View (Presented out of order)

Mr. Chan presented an Amendment to the Spectra-Physics Mountain View Agreement. Originally the Contractor planned to train employees to become a high performance workplace. The laser technician training was delayed due to technical

problems. The Company reassessed its needs and is refocusing training on Statistical Process Control (SPC). The Company proposes reducing the trainees in Job 1 and transferring them and the funding to a newly created Job 2 for SPC training. The total amount of funding would be reduced by \$304.

ACTION: Mr. Hodess moved and Mr. Broad seconded the Panel approve the Amendment.

Motion carried, 5 – 0 (Mr. Rankin absent).

The Fairmont Hotel San Jose

Mr. Chan presented a One-Step Agreement for the Fairmont Hotel San Jose in the amount of \$432,840 to train 220 employees to a high performance workplace. Thirty trainees will be funded under the Career Ladders category. The Fairmont Hotel San Jose's turnover rate for the previous calendar year was 52.5 percent, which the Company states was a result of the economic downturn due to the events of September 11.

Mr. Chan introduced Linda Moore, Director of Human Resources, and Enrique Fernandez, Business Manager from Hotel Employees, Restaurant Employees Union Local 19.

ACTION: Mr. Hodess moved and Mr. Salazar seconded the Panel approve the One-Step Agreement.

Motion carried, 5 – 0 (Mr. Rankin absent).

Tenaya Lodge at Yosemite

Mr. Rufo presented an Amendment to the Tenaya Lodge at Yosemite Agreement. The Contractor requests redistributing 35 trainees from Job #2 into a newly created Job #3. These trainees will receive literacy skills in addition the curriculum previously approved in Job #2. Tenaya Lodge is requesting a waiver to the ETP minimum wage of \$10.58 per hour to \$8.40 per hour for the 35 employees in Job #3 who are considered working poor because they earn low wages and lack job skills necessary to improve their employment opportunities. Trainees will receive a 5 percent increase per hour at the end of training and completion of the required retention period.

Mr. Rufo introduced Connie Beauregard, Human Resources Manager, and Steve Benson, Consultant with National Training Company. Mr. Freeman asked if the Contractor would be willing to increase the trainee wages to 10 percent upon completion of training and required retention. Ms. Beauregard stated that she did not have the authority to agree to that request. She stated that the purpose of training this population is to give them the opportunity of being able to promote into

higher paying jobs. Mr. Hodess asked if the Company would consider extending the retention period for those trainees in Job #3. Ms. Beauregard agreed to extend the retention period to 120 days.

ACTION: Mr. Salazar moved and Mr. Broad seconded the Panel approve the Amendment increasing the retention period to 120 days for trainees in Job #3.

Motion carried, 5 – 0 (Mr. Rankin absent).

XII. STRUCTURED-ON-SITE TRAINING (SOST)

Mr. McNamee introduced Dr. Richard Moore from California State University, Northridge (CSUN) to present his team's proposed policy options and recommendations on SOST. At the May Panel meeting, CSUN did a presentation on Structured On-Site Training outlining the initial findings on the recent study they conducted at the request of the Panel. Dr. Moore stated that today's presentation would be a more detailed look at possible approaches to improving ETP funded SOST.

CSUN researchers presented the following problem overview: 1) SOST funds often reimburse existing training. 2) Companies use unstructured coaching, mentoring, and trouble-shooting instead of true SOST. 3) Contract administrators focus on billing trainer hours rather than achieving competencies. 4) Reliable monitoring of SOST is difficult. 5) SOST reimbursement is often unrelated to actual costs. 6) "SOST only" projects pay above market prices for one-on-one counseling and generic classroom training.

Researchers presented the following alternatives for consideration:

- 1) Require that contractors have a plan to reinforce classroom training but only fund SOST training that meets new and rigorous criteria for being structured.
 - a) SOST must have five elements of structure: a structured plan; trained trainers; customized to company; delivered on site; and valid skills certification.
 - b) Maintain \$80 a trainer hour, but only if the SOST meets these requirements.
 - c) Eliminate SOST Only projects.

This recommendation would reduce the problems within the system and reduce paying for training that would happen anyway, improve the quality of SOST, and increase accountability. On the other hand, this recommendation would increase complexity and cost of application process, create disadvantages to small companies, and increase monitoring burden for staff and contractors.

- 2) Only eliminate "SOST Only" projects.
- 3) Keep the existing policy regarding SOST.

Mr. McNamee stated that staff would review the issues and recommendations and submit a set of recommendations for proposed policy changes to the Panel within 60 days.

XIII. EXECUTIVE SESSION

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

XIV. ADJOURN

There being no further business and no objection, the meeting was adjourned at 5:18 p.m.