

**STATE OF CALIFORNIA
EMPLOYMENT TRAINING PANEL MEETING**

Hyatt Regency L.A. Downtown
711 South Hope Street
Ballroom D & E
Los Angeles, CA 90017
September 25, 2003

PANEL MEMBERS

Marsha Kwalwasser
Chairperson

Aram Hodess
Vice Chair

Barry Broad
Member

Joan Dean
Member

Tyrone Freeman
Member

Robert Lennox
Member

Tom Rankin
Member

Executive Staff

Peter McNamee
Executive Director

Steven Suchil
Assistant Executive Director

Pamela Haynes
Assistant Executive Director

Peter DeMauro
General Counsel

Ada Carrillo
Chief of Staff

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I. PUBLIC PANEL MEETING CALL TO ORDER

Tom Rankin, Acting Chairman, called the public Panel meeting to order at 9:40 a.m.

II. ROLL CALL

Members Present

Tom Rankin, Acting Chairman
Aram Hodess, Vice Chairman (Via Teleconference)
Barry Broad
Joan Dean (Arrived after Roll Call)
Tyrone Freeman (Arrived after Roll Call)

Members Absent

Marsha Kwalwasser, Chairperson
Robert Lennox

Executive Staff Present

Peter McNamee, Executive Director
Steven Suchil, Assistant Executive Director
Peter DeMauro, General Counsel
Ada Carrillo, Chief of Staff

Mr. Rankin stated that until a quorum is present, the Panel would be acting as a committee of the whole. The Panel members present would listen to projects but without a quorum would not be able to take any action.

III. AGREEMENTS AND AMENDMENTS

Oxman College (Presented out of order)

Ruby Cohen, manager of ETP's Sacramento field office, presented a One-Step Agreement for Oxman College in the amount of \$919,200 to train 120 new hires.

The primary focus of this training program is to prepare trainees to meet the skill requirements for entry level jobs in the medical and insurance industry.

Oxman justifies the high cost of training of \$6,543 per trainee on the basis that 410 training hours are necessary to successfully prepare trainees in the various job skills and competencies. This program was designed to provide graduates with the necessary skills to increase their income through regular wage progressions and promotional opportunities.

Ms. Cohen introduced Terry Edwards, Executive Director.

(Action on proposal was postponed until later in the day when a quorum would be present. Refer to page 6 for Panel action.)

Joan Dean arrived at the Panel meeting.

The Corporation for Manufacturing Excellence (Manex)

Creighton Chan, manager of ETP's San Mateo field office, presented a One-Step Agreement for The Corporation for Manufacturing Excellence (Manex) in the amount of \$1,646,600 to retrain 2,000 in manufacturing skills, continuous improvement, business skills, literacy skills, hazardous materials, and advanced technology. Manex serves small and medium-sized manufacturers. These businesses often have limited expertise in assessing training needs, designing a formal training program, and finding qualified vendors to conduct training customized to their firm's needs. Manex reports that at least 65 percent of these firms are small business employing 100 or fewer full-time employees.

Mr. Chan introduced Sallyanne Monti, Chief Operating Officer. Mr. Rankin questioned union involvement. Ms. Monti stated the unions were involved with the entire process including the initial assessment.

(Action on proposal was postponed until later in the day when a quorum would be present. Refer to page 6 for Panel action.)

Mr. Freeman arrived at the Panel meeting.

Advance School of Driving, Incorporated

Diana Torres, manager of ETP's San Diego field office, presented a One-Step Agreement for Advance School of Driving, Incorporated, in the amount of \$612,800 to train 160 new hires in Class A Truck Driver training.

Advance School of Driving justifies the high cost of training of \$3,830 per trainee on 240 training hours that is the minimum training hour requirement for preparing trainees for

passage of the Class A Truck Driver California license examination that provides entry into an occupation with upward mobility and significant wage progressions.

Ms. Torres introduced Kevin Bither, CEO, and Glenn Bither, President. Mr. Broad and Mr. Hodess had concerns with ETP funding legally mandated training. Mr. Rankin also had concerns with ETP funding truck driving schools in light of the great need for truck drivers but a lack of contributions by individual carriers. Mr. Broad had concerns with the cost of training.

The proposal for Advance School of Driving Inc. failed for lack of a motion.

“The Bridge,” Indian Training Trust Fund

Ms. Torres presented a One-Step Agreement for “The Bridge,” Indian Training Trust Fund in the amount of \$434,095 to train 85 new hires in Business, Commercial, Computer, and Literacy Skills. “The Bridge” representatives state that the proposed training will help trainees overcome barriers to full-time employment and prepare them for long-term jobs in the building and construction trades industry. The \$5,107 cost per trainee was based on a 320-hour curriculum required to provide the necessary construction industry skills. Many of the proposed trainees will not have a high school diploma and may have additional barriers to employment.

“The Bridge” worked closely with labor unions and employers to develop and refine its pre-apprenticeship training curriculum and to develop placement opportunities for its program graduates. The proposed training is a pre-apprenticeship feeder program that leads to union apprenticeship opportunities and is directly linked to employers.

Ms. Torres introduced Will Fulton and Jeffrey Lee Jackson of “The Bridge,” and John Ferruccio and Bob Lamb, representatives from Southern California Pipe Trades District Council No. 16. Mr. Hodess had concerns with placing individuals who have been trained for apprenticeable trades. Mr. Fulton stated that if there are no openings in apprenticeable jobs after completion of training, individuals will be given options to go into other trades.

ACTION: Mr. Broad moved and Ms. Dean seconded the Panel approve the One-Step Agreement.

Motion carried, 5 – 0 (Roll Call Vote: Barry Broad – yes; Joan Dean – yes; Tyrone Freeman – yes; Aram Hodess – yes; Tom Rankin – yes.)

IV. APPROVAL OF MINUTES

ACTION: Mr. Freeman moved and Mr. Broad seconded the Panel approve the Minutes of August 21, 2003.

Motion carried, 5 – 0 (Roll Call Vote: Barry Broad – yes; Joan Dean – yes; Tyrone Freeman – yes; Aram Hodess – yes; Tom Rankin – yes.)

V. PROJECTS UNDER \$100,000

ACTION: Mr. Broad moved and Ms. Dean seconded the Panel approve adopting those proposals in funding amounts of less than \$100,000 including the Small Business Pilot Projects (SBPP) with the exception of Standard Pacific Homes, Northern California – East Bay, which would be considered separately. The following projects were subject to this motion to approve:

Baumbach & Piazza, Inc.....	\$12,480
Golden Capital Network	\$10,736
Shurter, Inc.	\$27,625
Sonoma Metal Products	\$37,200
Casa Sanchez Foods	\$25,000
The Monterey County Herald	\$57,460
VISX, Inc.	\$91,728
KSL Desert Resort, Inc.....	\$93,600
Strand Lighting, Inc.	\$29,380
Architectural Area Lighting	\$43,680
BP West Coast Products (Amendment)	\$20,020
Payroll People, Incorporated (SBPP).....	\$16,000
Western Wood Fabricators (SBPP).....	\$7,960
Dilfre, Inc. d.b.a. Dimensional Inspection Labs (SBPP).....	\$5,460
Gasket Specialties, Incorporated (SBPP)	\$7,600
Santa Cruz Millwork (SBPP).....	\$5,700
Unigen Corporation (SBPP)	\$20,280
Hand’s Electronic Assembly, LLC (SBPP).....	\$2,340

Motion carried, 5 – 0 (Roll Call Vote: Barry Broad – yes; Joan Dean – yes; Tyrone Freeman – yes; Aram Hodess – yes; Tom Rankin – yes.)

VI. APPROVAL OF AGENDA

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

Motion carried, 5 – 0 (Roll Call Vote: Barry Broad – yes; Joan Dean – yes; Tyrone Freeman – yes; Aram Hodess – yes; Tom Rankin – yes.)

VII. AGREEMENTS AND AMENDMENTS CONTINUED

Oxman College

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

Motion carried, 5 – 0 (Roll Call Vote: Barry Broad – yes; Joan Dean – yes; Tyrone Freeman – yes; Aram Hodess – yes; Tom Rankin – yes.)

The Corporation for Manufacturing Excellence (Manex)

ACTION: Mr. Broad moved and Ms. Dean seconded the Panel approve the One-Step Agreement.

Motion carried, 5 – 0 (Roll Call Vote: Barry Broad – yes; Joan Dean – yes; Tyrone Freeman – yes; Aram Hodess – yes; Tom Rankin – yes.)

“The Bridge,” Indian Training Trust Fund

ACTION: Mr. Broad moved and Ms. Dean seconded the Panel approve the One-Step Agreement.

Motion carried, 5 – 0 (Roll Call Vote: Barry Broad – yes; Joan Dean – yes; Tyrone Freeman – yes; Aram Hodess – yes; Tom Rankin – yes.)

CCT Computer Learning (Presented out of order)

Ms. Cohen presented a One-Step Agreement for CCT Computer Learning Center in the amount of \$263,476 to retrain 172 employees. The participating employers in this Agreement are small businesses with fewer than 100 full-time employees worldwide. CCT is proposing this multiple-employer retraining project to provide computer skills training to employees of small companies that do not have the means to provide the training.

Ms. Cohen introduced David Clark. Mr. Hodess voiced concern over whether the proposed training was customized. Mr. Clark stated the curriculum is designed to address individual employer’s needs.

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

Motion carried, 5 – 0 (Roll Call Vote: Barry Broad – yes; Joan Dean – yes; Tyrone Freeman – yes; Aram Hodess – yes; Tom Rankin – yes.)

Comprehensive Training Systems, Inc.

Ms. Torres presented a One-Step Agreement for Comprehensive Training Systems (CTS) Inc., in the amount of \$622,400 to train 100 new hires in Commercial Skills. CTS representatives justify the high cost per trainee of \$6,224 on a 390-hour curriculum that is directly related to the complexity of the work for which trainees are prepared and their lack of background or experience in this work prior to entering into the training program. The majority of trainees will be placed into employment that provides wages in excess of the current ETP new hire minimum wage and into career paths that lead to advancement within each occupation.

Ms. Torres introduced Linda Blair-Forth, President. Mr. Broad and Mr. Hodess questioned apprenticeable building maintenance training. Ms. Blair-Forth stated building maintenance pertains to small appliance repair. Mr. Freeman and Mr. Rankin had concerns regarding cost of training. Ms. Blair-Forth stated the high cost of training is due to the number of hours required to train individuals who have multiple barriers to employment.

ACTION: Ms. Dean moved and Mr. Broad seconded the Panel approve the One-Step Agreement.

Motion carried, 4 – 1 (Roll Call Vote: Barry Broad – yes; Joan Dean – yes; Tyrone Freeman – yes; Aram Hodess – no; Tom Rankin – yes.)

Santa Clarita College District

Dolores Kendrick, manager of North Hollywood's field office, presented a One-Step Agreement for Santa Clarita College District in the amount of \$733,020 to retrain 780 employees in Continuous Improvement, Manufacturing Skills, Computer Skills, Hazardous Materials, Business Skills, Management Skills, and Bio-medical Manufacturing. Implementation of new technologies and manufacturing processes are essential to the long-term competitive standing of local companies who must adapt to new manufacturing philosophies if they are to survive in a global economy. Many local employers will be able to develop a high performance workplace and be more competitive in the marketplace as a result of the skills acquired in this program.

Ms. Kendrick introduced Dena Maloney, Dean of Economic Development, and Pamela Welden, Director of the Training Institute, College of the Canyons; and Daniel Goetz, Vice President for UltraViolet Devices, Inc. There were no questions from Panel members.

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

Motion carried, 5 – 0 (Roll Call Vote: Barry Broad – yes; Joan Dean – yes; Tyrone Freeman – yes; Aram Hodess – yes; Tom Rankin – yes.)

Aerojet – General Corporation a GenCorp Company d.b.a. Aerojet

Ms. Cohen presented a One-Step Agreement for Aerojet-General Corporation a GenCorp Company d.b.a. Aerojet in the amount of \$733,675, to retrain 1,295 employees in Business Skills, Computer Skills, Continuous Improvement, and Manufacturing Skills. Training is targeted to meet the needs for a skilled workforce in the aerospace and defense industry, in which companies face strong competition outside California. This training plan was jointly developed by management and the International Association of Machinists and Aerospace Workers, District Lodge 725.

Robert DePhilippis, Director of Total Quality/Training for Aerojet, and Michael Cook, Chief Steward for International Association of Machinists and Aerospace Workers-AFL-CIO were present to answer any questions. There were no questions from Panel members.

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

Motion carried, 5 – 0 (Roll Call Vote: Barry Broad – yes; Joan Dean – yes; Tyrone Freeman – yes; Aram Hodess – yes; Tom Rankin – yes.)

KPMG, LLP

The proposed Agreement for KPMG, LLP, was withdrawn from consideration at this month's Panel meeting.

Automatic Data Processing, Inc.

Ms. Torres presented a One-Step Agreement for Automatic Data Processing (ADP), Inc., in the amount of \$710,540 to retrain 1,395 employees in skills to implement product upgrades in hardware and software technologies, new systems and business practices, and expand products into new markets. ADP provides computerized transaction processing, data communication, and information services to customers worldwide through four business units. The computing services industry is highly competitive and customers decide on service providers based on service responsiveness, product quality and price. Training is targeted for ADP's Claims Services and Dealer Services units where there is need for a skilled workforce in the computing services industry that faces competition from companies located outside of California.

ADP requested a waiver to include 27 Client Account Managers. ADP representatives state that these employees have no management or supervisory responsibilities and no ADP employees report to them.

Bonny Kamen, Director of Regional Training Employer Services, and Laureen Ball, Human Resources Executive, were present to answer any questions. There were no questions from Panel members.

ACTION: Mr. Broad moved and Ms. Dean seconded the Panel approve the One-Step Agreement.

Motion carried, 5 – 0 (Roll Call Vote: Barry Broad – yes; Joan Dean – yes; Tyrone Freeman – yes; Aram Hodess – yes; Tom Rankin – yes.)

MWB Copy Products, Inc. d.b.a. MWB Business Systems

Ms. Torres presented a One-Step Agreement for MWB Copy Products, Inc., d.b.a. MWB Business Systems in the amount of \$184,600 to retrain 134 employees in new processes and procedures, new product technology, and new consultative sales approaches to move the Company to a high performance workplace. MWB sells and maintains office machines and after-market supplies. MWB has its corporate headquarters in California. Training is targeted to meet the need for skilled workers in imaging services where companies face strong competition from abroad and other states.

Jerry Rollins, CEO, was present to answer any questions. There were no questions from Panel members.

ACTION: Ms. Dean moved and Mr. Broad seconded the Panel approve the One-Step Agreement.

Motion carried, 5 – 0 (Roll Call Vote: Barry Broad – yes; Joan Dean – yes; Tyrone Freeman – yes; Aram Hodess – yes; Tom Rankin – yes.)

Harbor Distributing LLC

Ms. Kendrick presented a One-Step Agreement for Harbor Distribution LLC in the amount of \$187,720 to retrain 361 workers in skills necessary for the Company to move to a high performance workplace. Harbor Distributing, headquartered in Gardena, California, distributes beer for companies located in Los Angeles and Orange Counties. Harbor Distributing has invested in warehouse automation and is in the process of implementing an advanced product sales and distribution system. This system would incorporate a palm handheld device that would enable interactive sales ordering, allow on-site invoicing, and streamline inventory management.

Harbor Distributing stated that its 2002 turnover rate of 21.9 percent is an isolated incident due to the Company's acquisition of Coors Distributing Company in Anaheim which created a redundancy of positions. The Company's turnover rates in 2000 and 2001 were 8.2 percent and 10.3 percent respectively.

Ms. Kendrick introduced Mike Vaca, Vice President of Operations, and Larry Ito, Vice President of Human Resources. Mr. Broad voiced concerns regarding Hazardous Materials training. Mr. Vaca stated the hazardous training provided is minimal and only enhances trainees' skills. Mr. Rankin expressed concerns regarding the turnover rate.

ACTION: Ms. Dean moved the Panel approve the One-Step Agreement. There was no second. The motion failed for lack of a second.

The proposal for Harbor Distributing, LLC, was denied due to questions on Hazardous Material training and turnover rate. Panel members requested the project be returned and reviewed by ETP staff and bring back to the Panel at a future meeting.

Jacobs Engineering Group, Inc.

Ms. Kendrick presented a One-Step Agreement for Jacobs Engineering Group, Inc., in the amount of \$318,500 to retrain 350 workers in Continuous Improvement, Computer Skills, Business Skills, Commercial Skills, and Advanced Technology, skills necessary for the Company to transition to a high performance workplace. Jacobs Engineering Group is a provider of professional technical services in engineering, construction, operations, and maintenance. Its primary markets include automotive, buildings, chemicals and polymers, defense and aerospace, food and consumer products, infrastructure, oil and gas, pharmaceuticals and biotechnology, pulp and paper, refining, and technology. The Company's representative reports that the engineering industry is experiencing dramatic changes in the way it does business. The Company must improve both productivity and effectiveness to remain competitive. The proposed ETP training program will enable Jacobs to implement a company-wide formal training program which would not otherwise be possible due to limited budgetary resources. The Company's current training budget allows for only a minimal number of hours of training per person.

Andrew Kremer, Senior Vice President, was present to answer any questions. There were no questions from Panel members.

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

Motion carried, 5 – 0 (Roll Call Vote: Barry Broad – yes; Joan Dean – yes; Tyrone Freeman – yes; Aram Hodess – yes; Tom Rankin – yes.)

Best Buy Company, Inc. – Dinuba

Ms. Cohen presented a One-Step Agreement for Best Buy, Inc. – Dinuba, in the amount of \$295,880 to retrain 340 workers in Business Skills, Computer Skills, Continuous Improvement, Management Skills, and Manufacturing Skills. Training is

targeted to meet Best Buy's need for skilled warehouse and distribution workers as a crucial component in the Company's retail functions, in order to foster job retention in an increasingly competitive marketplace. The training is designed to enhance the occupational skills of workers in order to prepare them for progress toward a high performance workplace. Best Buy's Dinuba distribution facility was designed to serve as supplier and distributor for Best Buy retail outlets located throughout California, Nevada, Arizona, and New Mexico. The Dinuba distribution facility is expanding to a full-time staff of approximately 350, creating approximately 75 new jobs in Tulare County, an area with an unemployment rate more than double the current statewide rate.

Mir M. Ali, Human Resources Manager for Best Buy Company, and Bill Parker of National Training Systems were present to answer any questions. Mr. Rankin asked for assurance that this project will be successful. Mr. Ali stated the prior contract was for the start-up of the Dinuba Distribution Center. Best Buy Company has hired the services of a third-party administrator which the Company did not do for the prior contract. Ms. Carrillo stated the prior project was with a new Company training new hires. She stated 73.9 percent is a good completion rate for new hire projects.

ACTION: Ms. Dean moved and Mr. Broad seconded the Panel approve the One-Step Agreement.

Motion carried, 5 – 0 (Roll Call Vote: Barry Broad – yes; Joan Dean – yes; Tyrone Freeman – yes; Aram Hodess – yes; Tom Rankin – yes.)

Formica Corporation

The proposed Agreement for Formica Corporation was withdrawn from consideration at this month's Panel meeting.

Agilent Technologies, Inc.

Mr. Chan presented a One-Step Agreement for Agilent Technologies, Inc., in the amount of \$1,365,000 to retrain 1,400 workers in Computer Skills, Business Skills, Management Skills, Continuous Improvement Skills, and Manufacturing Skills to continue its transition to a high performance workplace, stimulate exports, and retain its workforce in California. Agilent Technologies is a manufacturer of products that sense, analyze, display and communicate data for use in the life sciences, chemical analysis, communications and electronics industries. Adverse economic, business, and industry conditions caused a decreased demand for Agilent's products and services which resulted in lowering its revenues and earnings. Agilent is requesting the Panel's assistance to retrain its workers in process improvement, new manufacturing technologies, and computer systems to increase customer satisfaction, control costs, and reduce waste in order to return the corporation to profitability. Agilent has certified that ETP-funded training is only a small portion of the training it offers to all of its employees. The Contract states that it will continue

to offer ongoing training to all employees outside the scope of ETP funding and maintain its current training budget of \$4,960,340.

Nadine Rothermel, Operations Manager, and Wendy Gordon Miller, Senior Director of Talent, were present to answer any questions. There were no questions from Panel members.

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

Motion carried, 5 – 0 (Roll Call Vote: Barry Broad – yes; Joan Dean – yes; Tyrone Freeman – yes; Aram Hodess – yes; Tom Rankin – yes.)

Fair Isaac Corporation

Mr. Chan presented a One-Step Agreement for Fair Isaac Corporation in the amount of \$373,464 to retrain 216 employees on new predictive modeling software and learn new programming skills and new methods of producing mathematical models. Fair Isaac Corporation is the leading developer of credit scoring systems and offers statistics-based predictive tools for the consumer credit, telecommunications, retail, and insurance industries. Fair Isaac's analytic and decision management software and services include applicant scoring for insurers and financial risk and database management systems for financial concerns.

John Martin, Ed.D., Manager of Corporate Learning for Fair Isaac, and William Parker, President for National Training Systems, Inc., were present to answer any questions. Mr. Rankin had concerns regarding manager training. Mr. Martin stated managers are title only. They are project managers and do not have authority over employees.

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

Motion carried, 5 – 0 (Roll Call Vote: Barry Broad – yes; Joan Dean – yes; Tyrone Freeman – yes; Aram Hodess – yes; Tom Rankin – yes.)

KLA-Tencor, Inc.

Mr. Chan presented a One-Step Agreement for KLA-Tencor, Inc., in the amount of \$984,750 to retrain 750 employees in Computer Skills, Continuous Improvement, Management and Manufacturing Skills that will focus on recent advances in chip technology and the change in manufacturing processes. By taking this opportunity to train its staff, KLA-Tencor will be better equipped to respond to customers' new specifications in a timely and cost efficient manner, allowing KLA-Tencor to remain on the competitive edge as the semiconductor industry recovers from the downturn.

KLA-Tencor manufactures machines and software that are used by semiconductor manufacturers for the inspection, testing, and analysis of integrated circuits.

Lynne Stasi, Sr. Director of Corporate Learning and Development, was present to answer any questions. There were no questions from Panel member.

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

Motion carried, 5 – 0 (Roll Call Vote: Barry Broad – yes; Joan Dean – yes; Tyrone Freeman – yes; Aram Hodess – yes; Tom Rankin – yes.)

McKesson Corporation

Mr. McNamee had recused himself from review and discussion on the proposal for McKesson Corporation.

Mr. Chan presented a One-Step Agreement for McKesson Corporation in the amount of \$648,102. McKesson is a national and international provider of medical supplies, information, and care management products and services. McKesson's new initiative in improving customer service centers requires the implementation of a new computer system that will be used by its Nursing Triage Center. Currently, the nurses at the customer service centers type in client medical discussions, questions, and advice that is maintained in the client's medical file. The system will enable staff to handle more calls and improve the level of customer service. As part of McKesson's initial move to a high performance workplace, McKesson plans to retrain 1,187 workers in Business Skills, Computer Skills, and Continuous Improvement Skills.

Susan Penway, Director of State Tax and Assistant Secretary, with McKesson Corporation, was present to answer any questions. There were no questions from Panel members.

ACTION: Mr. Broad moved and Ms. Dean seconded the Panel approve the One-Step Agreement.

Motion carried, 5 – 0 (Roll Call Vote: Barry Broad – yes; Joan Dean – yes; Tyrone Freeman – yes; Aram Hodess – yes; Tom Rankin – yes.)

GKN Aerospace Chem-tronics, Inc.

Ms. Torres presented a One-Step Agreement for GKN Aerospace Chem-tronics, Inc., in the amount of \$331,500. GKN Aerospace Chem-tronics, Inc. designs and builds major components for jet engines for both commercial and military applications. The Company also repairs and reforms large titanium fan blades for jet engines for the aviation industry. Due to increased competition, it is critical that

Chem-tronics maintain the highest quality standards and competitive turnaround time to remain viable in the world marketplace. In addition, the airline industry in general has experienced weak economic activity in the aftermath of September 11, 2001. To remain competitive, the Company must upgrade its obsolete Manufacturing Resource Planning system to an Enterprise Resource Planning system. The new system will require everyone in the organization to re-learn how to perform their job functions. Chem-tronics plans to retrain 510 of its current workforce in Computer Skills, Business Skills, Continuous Improvement Skills, and Manufacturing Skills.

Warren Barnes, Vice President of Finance, was present to answer any questions. There were no questions from Panel members.

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

Motion carried, 5 – 0 (Roll Call Vote: Barry Broad – yes; Joan Dean – yes; Tyrone Freeman – yes; Aram Hodess – yes; Tom Rankin – yes.)

Hartwell Corporation

Ms. Torres presented a One-Step Agreement for Hartwell Corporation in the amount of \$383,032. Hartwell designs and manufactures quick access latching systems in multiple applications to meet a variety of needs in the aerospace and aviation industry. Due to increased competition, it is critical that Hartwell Corporation maintain the highest quality standards and competitive turnaround time to remain viable in the world marketplace. To meet the competitive challenges and successfully support its rapid development efforts, Hartwell decided to transition to a high performance workplace and adopt lean manufacturing practices. After a company-wide training needs assessment, Hartwell is proposing to retrain 254 of its workforce in Continuous Improvement Skills, Advanced Technology, and Literacy Skills.

Francesca Friedenber, Director of Human Resources, was present to answer any question. There were no questions from Panel members.

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

Motion carried, 5 – 0 (Roll Call Vote: Barry Broad – yes; Joan Dean – yes; Tyrone Freeman – yes; Aram Hodess – yes; Tom Rankin – yes.)

Pacific Life Insurance Company

Ms. Torres presented a One-Step Agreement for Pacific Life Insurance Company in the amount of \$558,000 to retrain 2,000 workers in Business Skills, Computer Skills,

Management Skills, and Advanced Technology. Pacific Life Insurance Company provides life and health insurance products, annuities, mutual funds, group employee benefit plans, and a variety of investment products to individuals, businesses, pension plans, and union groups across the United States. Pacific Life proposes a fourth ETP Agreement to retrain its workforce in new computer systems and new work processes designed to increase customer satisfaction and customer trust..

Anthony Bonno, Senior Vice President, and Justine Milberg, Assistant Vice President, were present to answer any questions. Mr. Rankin questioned the performance on the previous contract. Ms. Milberg stated Pacific Life had 100 percent completion on the first two contracts and anticipates 100 percent completion on the third contract.

ACTION: Ms. Dean moved and Mr. Broad seconded the Panel approve the One-Step Agreement.

Motion carried, 5 – 0 (Roll Call Vote: Barry Broad – yes; Joan Dean – yes; Tyrone Freeman – yes; Aram Hodess – yes; Tom Rankin – yes.)

Hutchinson Seal Corporation

Ms. Kendrick presented a One-Step Agreement for Hutchinson Seal Corporation in the amount of \$521,339 to retrain 337 workers in Continuous Improvement, Computer Skills, Manufacturing Skills, and Business Skills. Hutchinson Seal Corporation is a manufacturer that produces rubber and sealing products for the automotive, railroad, aeronautical, and construction industries. The Company reports that with the recent downturn in the automotive industry, Hutchinson Seal has been forced to change the way it does business. The Company is under severe pressure to reduce production costs, increase product quality, and reduce production cycle time. The Company indicates that the ETP funding will allow Hutchinson Seal to become a high performance workplace and retrain its employees in new skills to improve productivity and reduce manufacturing costs.

Ron Yeager, Vice President of Human Resources, Hutchinson Seal Corporation, and Samuel Yocum, President, United Steelworkers of America, Local 171, were present to answer any questions. There were no questions from Panel members.

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

Motion carried, 5 – 0 (Roll Call Vote: Barry Broad – yes; Joan Dean – yes; Tyrone Freeman – yes; Aram Hodess – yes; Tom Rankin – yes.)

Kim Lighting, Inc.

Ms. Kendrick presented a One-Step Agreement for Kim Lighting, Inc., in the amount of \$244,400 to retrain 200 workers in Continuous Improvement. Kim Lighting, Inc., is a manufacturer of architectural and landscape lighting fixtures. The training in this proposal is to develop workers with skills that prepare them for the challenges of a high performance workplace and that promote the retention and expansion of the State's manufacturing workforce.

Present to answer any questions were Wayne Compton, President & CEO, Leilani Wood, Human Resources Manager, and James Valade, KPO Manager. There were no questions from Panel members.

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

Motion carried, 5 – 0 (Roll Call Vote: Barry Broad – yes; Joan Dean – yes; Tyrone Freeman – yes; Aram Hodess – yes; Tom Rankin – yes.)

Northrop Grumman Space Technology

Ms. Kendrick presented a One-Step Agreement for Northrop Grumman Space Technology in the amount of \$1,172,600 to retrain 1,100 workers in Continuous Improvement. Northrop Grumman Space Technology provides advanced-technology products and services for space, defense, and electronics technology to the aerospace, information systems, and automotive markets worldwide. The Company proposes to retrain its workforce in the skills necessary for the Company to transition to a high performance workplace.

Lisa Kohl, Vice President of Six Sigma, and Brian Massy, Business Manager of Six Sigma, were present to answer any questions. Mr. Broad had concerns with ETP funding many projects with the same company.

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

Motion carried, 5 – 0 (Roll Call Vote: Barry Broad – yes; Joan Dean – yes; Tyrone Freeman – yes; Aram Hodess – yes; Tom Rankin – yes.)

Pactiv Corporation

Ms. Kendrick presented a One-Step Agreement for Pactiv Corporation in the amount of \$195,650 to retrain 110 workers in Business Skills, Computer Skills, Continuous Improvement, and Manufacturing Skills. Pactiv Corporation manufactures specialty packaging products such as padded mailers, bubble wrap, paper cushioning products, form and bubble mail bags and sheets used to protect goods and

surfaces. Pactiv's primary customers are packaging products distributors, furniture manufacturers, electronic manufacturers, and agricultural packing houses.

Vernetta McDowell, Regional Manufacturing Manager, was present to answer any questions. There were no questions from Panel members.

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

Motion carried, 5 – 0 (Roll Call Vote: Barry Broad – yes; Joan Dean – yes; Tyrone Freeman – yes; Aram Hodess – yes; Tom Rankin – yes.)

Standard Pacific Homes, Northern California – East Bay Division

Mr. Chan presented a One-Step Agreement for Standard Pacific Homes, Northern California – East Bay Division, in the amount of \$47,580 to retrain 61 frontline workers in Computer Skills, Continuous Improvement, and Business Skills. Standard Pacific Homes is one of the nation's largest homebuilders. Standard Pacific Homes proposes training that will provide skills and prepare its employees for the challenges of a high performance workplace, wherein workers will problem-solve and determine process improvements in a structured team environment.

Mr. Rankin questioned occupational titles that appeared to be management. Mr. Chan stated that the occupation titles of manager are project managers who are frontline workers.

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

Motion carried, 5 – 0 (Roll Call Vote: Barry Broad – yes; Joan Dean – yes; Tyrone Freeman – yes; Aram Hodess – yes; Tom Rankin – yes.)

VIII. REPORT OF THE CHAIRPERSON/PANEL MEMBERS

There were no reports from Panel members.

IX. REPORT OF THE EXECUTIVE DIRECTOR

Mr. McNamee suggested the Panel set aside time at the October 2003 Panel meeting to discuss potential legislation to be incorporated into the Annual Report, and policy changes relative to the fiscal budget shortage.

Legislative Report

Mr. Suchil reported on Assembly Bill (AB) 1061 which makes findings and declarations of Legislative intent requesting ETP to continue its current efforts assisting aerospace and defense suppliers. Mr. Suchil recommended approval of AB 1061 and asked the Panel to direct staff, if the Panel approves, to transmit a letter of support.

ACTION: Mr. Freeman moved and Mr. Broad seconded the Panel approve support of AB 1061 and direct staff to transmit a letter of support.

Motion carried, 5 – 0 (Roll Call Vote: Barry Broad – yes; Joan Dean – yes; Tyrone Freeman – yes; Aram Hodess – yes; Tom Rankin – yes.)

Budget Report

Mr. McNamee stated there are a number of significant budget issues that the Panel faces. Mr. McNamee requested the Panel set aside time at the October Panel meeting to discuss proposals for Legislation. He requested continuing assistance from Panel members to meet with legislators and advocate strongly for the program. Staff will update the Panel monthly on ETP's outreach to legislators and ask that Panel members become increasingly involved in these efforts. As appointees of the State's budget decision makers, Panel members are the most powerful advocates the program has to make ETP's budget case.

Mr. Broad warned the Panel of the possibility of the ETP program being discontinued in another critical budget year. He questioned the legality of legislation taking a special tax designed to fund employment training and moving it categorically to other programs unrelated to worker training. Mr. McNamee stated with ETP's budget cut there is a strong possibility that all funds will be allocated by December 2003 for this 2003-04 fiscal year.

Strategic Plan

Mr. McNamee reported that due to ETP's significantly reduced funding in fiscal year 2003-04, it is recommended that several objectives be deferred this fiscal year and be reconsidered in next year's Strategic Plan update, provided that funding is restored and sufficient staff resources become available. In addition, several objectives included in this year's Plan will need to be scaled back or implemented over a longer period. The following goals and objectives were presented for Panel approval:

Goal #1: Increase the impact of the training provided through ETP funds on California's economy.

Objectives: (1) Target 80 percent of funds approved under the Economic Development category for businesses in the manufacturing, life science, and high technology sectors; (2) Target 10 percent of available Economic Development funds for training and employment of unemployed and under employed workers

in occupations where employer demand exists, for secure employment, and upward job mobility; (3) Target 10 percent of available funds for Special Employment Training (SET) projects to support growth industries without out-of-state competition – i.e., construction and health care, and research and development; (4) Complete independent studies to determine: a) the impact of ETP-funded training on businesses' viability and to assess the level of employer supported training; and b) the effectiveness of ETP-funded Career Ladder training; (5) Target up to \$5 Million to support the Governor's Nurse Workforce Initiative efforts; (6) Increase the number of persons trained under projects that support joint labor employer training ventures; (7) Ensure ETP funds act as a catalyst for continuing workforce training investments by business.

Goal #2: Increase the participation of target industries in ETP and workforce training.

Objectives: (1) Increase participation in employment training through marketing, public relations, and outreach, in coordination with marketing partners and other stakeholders with access to target industries; (2) Convene meetings with ETP's workforce development partners, to share information and targeting strategies; (3) Develop "cluster industry" initiatives involving trainees from multiple industries within an industry sector, or cluster, including all suppliers and handler businesses that support a leading industry with an end product or service. The Life Science (Bio-technology), Aerospace and Defense industries will be targeted for "cluster industry" initiatives.

Goal #3: Reduce barriers to participation in the ETP Program and assist contractors to increase the success rate among projects selected for funding.

Objectives: (1) Complete the SBPP and evaluate its success in cost-effectively facilitating the ability of small businesses with 100 or fewer workers to contract directly with the Panel. Using the lessons learned from the SBPP, integrate a new direct contracting small business strategy into ETP's operation.

Goal #4: Maximize the amount of ETF funds available to support ETP-funded training proposals.

Objectives: Increase the budget act appropriation to the ETP program in the 2004-05 budget year by ensuring that ETF funding is used to fund Unemployment Insurance-linked worker training programs that address, among other things: Critical workforce needs identified by the Labor and Workforce Development Agency and the Panel; Increase employer-labor training initiatives; Expand the number of companies with effective and sustainable workforce development programs

Goal #5: Ensure that ETP funds continue to be invested in projects that target high-wage frontline worker jobs, produce salary increases, and higher job retention rates.

Objectives: (1) Seek to have at least 95 percent of ETP trainees remain employed in the same occupation or industry for which they were trained, one year after completing training and employment retention; and strive to have at least 90 percent of ETP trainees remain employed in the same occupation or industry for which they were trained, three years after completing training and employment retention; (2) Target training funds to employers that endeavor to increase trainees' wages, on average, by at least 10 percent one year after completing training and employment retention; (3) Use ETP training assistance to leverage reduced workforce turnover, with the objective of an overall turnover rate under 20 percent.

Goal #6: Continuously increase the efficiency and effectiveness of the ETP program.

Objectives: (1) Continue implementation of on-line processes, and seek additional methods of improving automation of processes, forms, and procedures; (2) Assess data needs pertinent to each critical function, and ensure that automation processes yield necessary data; (3) Ensure that training funded by ETP is supplemental to training provided by a company during the normal course of business, or funding available through other sources.

Goal #7: Increase the skills and employability of the workforce in areas of high unemployment.

Objectives: (1) Target at least \$15 million of available training funds for workers in high unemployment areas, with a focus on helping the working poor move to higher-wage jobs; (2) Increase the number of high wage jobs for working poor trainees.

Goal #8: Take a leadership role in developing job training programs and in conducting related research in the new Labor and Workforce Development Agency.

Objectives: (1) In order to improve the legislative and budget processes and strengthen ETP's leadership role in the Labor and Workforce Development Agency, assess EDD's administrative support of ETP program, and provide recommendations for solutions, and submit a Budget Change Proposal to establish ETP's own departmental funding code; (2) Partner with California Workforce Investment Board to develop collaborative approaches in support of economic development and workforce preparation; (3) In conjunction with the Secretary of the Labor and Workforce Development Agency and the Secretary of the Health and Human Services Agency, develop a plan for the termination of the allocation of Employment Training Tax monies to DSS for CalWorks, and for the allocation of such funds to ETP, per FY 2003-04 Budget Act language.

ACTION: Mr. Freeman moved and Mr. Broad seconded the Panel approved the revised goals and objectives in order to finalize action plans for implementing the 2003-04 Strategic Plan.

Motion carried, 5 – 0 (Roll Call Vote: Barry Broad – yes; Joan Dean – yes; Tyrone Freeman – yes; Aram Hodess – yes; Tom Rankin – yes.)

Funding Priorities

Mr. McNamee stated if it is determined that action is necessary to ensure optimal use of ETP's remaining 2003-04 funds, the following funding priority restrictions were proposed in addition to continuing the moratoria on the funding of Welfare to Work, Structured On-site Training, and Career Ladder projects: (a) Eliminate funding of non-frontline workers this fiscal year, with the exception of Small Business Pilot Projects; (b) Place a moratorium for the remainder of this fiscal year on funding first-time Training Agencies; (c) Place a moratorium for the remainder of the fiscal year on budget-based contracts; (d) Do not fund any additional marketing and research contracts this fiscal year. Any restrictions adopted will apply to all projects submitted for Panel consideration, beginning in October 2003 and until ETP's standard funding is restored.

Mr. Broad had concerns regarding the training of managers. Mr. McNamee stated that results of studies have showed that involvement of managers and top management is critical to the success of training programs. He stated studies also show that there is a disproportionate investment of training dollars in the private sector in the highest level paid employees. Mr. McNamee suggested, given the limited resources, those companies that are willing to pay for management participating in training should have the highest priority for ETP funded training for frontline workers over those companies that are less willing or able to subsidize management training.

Mr. Broad suggested placing a moratorium to the end of the year on new-hire truck driver training proposals. He stated his concerns regarding the cost of training and private truck driving schools placing trainees with companies not making any contribution to the training. Mr. Freeman suggested a low priority of funding should be placed on the adult entertainment industry. Mr. DeMauro clarified the rationale for prioritizing the adult entertainment industry was due to high profit, pirating issues, and victimization of individuals.

Public Comment

Steve Duscha, Alliance for ETP, stated that the Alliance supports the priority recommendations with the exception to the limitations on management training. He stated that the Alliance recommends the removal of the limitation on manager training from this package.

Mr. Rankin suggested instead of having the recommendation read "eliminate" funding, have it read "restrict" funding to the extent feasible. He stated the Panel would carefully review those projects which include training management.

Hilda Pacheco had concerns with restricting training for management. Mr. Rankin stated the language says “restrict” which should give staff direction that the Panel does not want to do any unnecessary training of management. Mr. McNamee stated that staff will explain to companies when they put projects before the Panel involving managers that the current rules stay in effect, but that their projects are liable to be scrutinized by this Panel on the basis of what kind of training is going to be provided to managers, and that it will be the responsibility of the companies to make a compelling argument to the Panel to persuade them that this is appropriate training for their management team.

ACTION: Mr. Freeman moved and Mr. Broad seconded the Panel approve the recommendations for funding restrictions, in addition to ending the funding of truck driving schools until the end of the fiscal year, and giving the lowest priority to proposals from the Adult Entertainment Industry.

Motion carried, 5 – 0 (Roll Call Vote: Barry Broad – yes; Joan Dean – yes; Tyrone Freeman – yes; Aram Hodess – yes; Tom Rankin – yes.)

X. REPORT OF THE GENERAL COUNSEL

Contract Language

Mr. DeMauro reported on revising a provision in the ETP Training Agreement contract to clarify that full funding of an agreement is contingent upon available funds to read as follows: “The parties acknowledge that total funding of this Agreement may be subject to ETP's ability to use unearned funds from completed or terminated contracts and/or sufficient continued Budget Act appropriation to ETP in ensuing years. In the event that funds are not appropriated by the Legislature and/or are otherwise not available from the Employment Training Fund to fully fund this Agreement, payment shall be determined by the reimbursement rates of this Agreement and shall be limited to the actual hours of training received by specific trainees in the training program at the time that the Contractor receives written notice from ETP that funds are unavailable to fully fund the Agreement in the amount set forth in Paragraph 2(a). Even in the latter event, payment will be limited to available funds.”

XI. EXECUTIVE SESSION

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

XII. ADJOURN

There being no further business and no objection, the meeting was adjourned at 12:25 p.m.