



**STATE OF CALIFORNIA
EMPLOYMENT TRAINING PANEL MEETING**

New City Hall – Sacramento
915 I Street
Council Chambers, Room 1103, 1st Floor
Sacramento, CA 95814
December 4, 2015

PANEL MEMBERS

Barry Broad
Chair

Janice Roberts
Vice-Chair

Gloria Bell
Member

Sonia Fernandez
Member

Leslie McBride
Ex-Officio Member

Edward Rendon
Member

Sam Rodriguez
Member

Executive Staff

Stewart Knox
Executive Director

Maureen Reilly
General Counsel

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I. PUBLIC PANEL MEETING CALL TO ORDER

Chairman Broad called the meeting to order at 9:33 a.m.

II. ROLL CALL

Present

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

Absent

Janice Roberts

Executive Staff Present

Stewart Knox, Executive Director
Maureen Reilly, General Counsel

III. AGENDA

Chairman Broad asked for a motion to approve the Agenda.

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

Motion carried, 6 - 0.

IV. MINUTES

ACTION: Ms. McBride moved and Ms. Bell seconded the motion that the Panel approve the Minutes from the November 5, 2015 meeting.

Motion carried, 6 - 0.

V. REPORT OF THE EXECUTIVE DIRECTOR

Stewart Knox, Executive Director said, good morning Panel members, applicants and stakeholders. Following the last Panel meeting in November, we have a smaller Panel meeting today with approximately \$8.5M in projects with an additional \$1.6M in Delegation Orders for a total of just over \$10.1M. I will also give you an update on how we are doing on funds for the Fiscal Year 2015/16.

Today we have a mix of single employer and multiple employer projects. Regional Office Managers Diana Torres, Creighton Chan, and Willie Atkinson are here today to present those proposals.

Regarding the budget for Alternative Fuels in partnership with the California Energy Commission, we started off this year with \$2.8M. Should the Panel approve all of today's projects, we will have about \$438,000 remaining in this FY. The \$2M of drought funding (RESPOND) has been completely encumbered, and we were not allocated additional funds for the new FY.

In regards to the CORE funding for the FY 2015/16, to date, the Panel will consider an additional \$8.5M in projects with another \$1.6M approved by Delegation Order. Should the Panel approve all the projects today, the Employment Training Panel (ETP) will have approximately \$31.8M for the remainder of the FY 2015/16.

Under the Delegation Order, all project proposals would be capped at \$100,000 to be approved by the Executive Director on a continuous flow basis, and as of today, we have approved 34 projects totaling over \$1.6M.

For the FY 2015/16 program funding, to date, we have approximately 590 projects submitted in the first and second round; some of the projects are still in the pre-application stage with a value of just over \$95M. The Panel has already approved over \$59M. Financially, we look very strong with just over \$31M remaining this FY.

In regards to the FY 2015/16 Fund Status Report, there are no changes or difference in the amounts. The results are about \$4 million more in revenue, which is about what we anticipated, and there is \$31.8M available. As I mentioned at the last meeting, revenues for this FY are looking good, and we also have increased our appropriations by \$10M. We will monitor this closely, since the appropriations are higher than last year, to make sure each year we are not dipping to the funds at a high rate, and when the economy lapses, we still have funding to smoothly ease off, rather than have a drastic cut.

Regarding applications for contracts that are still in the regional offices: Single Employer Contract requests are at \$40M in demand; \$20M in allocations. Multiple Employer Contract (MECs) requests are at \$8M in demand; \$2.8M in allocations. Small Business has \$3.5M in demand; \$4.1M in allocations. Critical Proposals are at \$619,000 in demand; \$2.2M in allocations. Apprenticeships are at \$4.1M in demand; \$3.2M in allocations. Overall demand is approximately \$55.8M. The demands are very high, and we have over 100 new pre-applications that came in from the previous month.

Regarding the number of projects remaining in the regional offices today: Single Employers 120, MECs 13, Small Business 81, Critical Proposals 2, Apprenticeships 5; total of 221. AAU by category: Single Employers 64, MECs 19, Small Business 62, Critical Proposals 0, Apprenticeships 15; total of 160. Total number of projects left: 381. The Panel has already funded 209 projects to date with a total of 590. Staff is currently working very quickly to get those projects out of the Applications and Assessment Unit (AAU) and out into the regional offices.

In regards to the legislative update, there is nothing new to report since our last meeting.

Mr. Knox said, please make note that we have an amendment on our Consent Calendar for one of the projects this month, BAE Systems San Diego Ship Repair, Inc. (BAE-SDSR), in the amount of \$63,800. The amendment will add additional funding for Veterans Job Number 3 for 29 trainees. Given the Panel’s inquiry on the subject of hiring Veterans, staff reached out to BAE-SDSR to add a veteran component to the ETP Agreement. I also would like to point out that TriWest Healthcare Alliance Corp., which is included in the single employer proposal, has a veteran component. Staff has been very diligent about working with the Veterans and people with disabilities, so you will see more proposals in the future that will have these components.

VI. MOTION TO ADOPT CONSENT CALENDAR PROJECTS

Mr. Knox asked for a motion to adopt Consent Calendar Items #1 through #11.

Anritsu Company.....	\$173,875
BAE Systems San Diego Ship Repair, Inc. (Amendment).....	\$63,800
Farmers Group, Inc.....	\$186,400
Greater Oxnard Economic Development Corporation.....	\$186,690
Hospital of Barstow, Inc. dba Barstow Community Hospital.....	\$243,810
Lumileds LLC.....	\$182,160
PVH Corp.....	\$145,728
The Cheesecake Factory Bakery Incorporated.....	\$244,000
Unison Comfort Technologies, LLC, a Division of Greenheck Fan Corporation.....	\$161,100
University Rx Specialists dba University Compounding Pharmacy.....	\$174,150
Weber Metals, Inc.....	\$196,220

ACTION: Ms. McBride moved and Mr. Rodriguez seconded the approval of Consent Calendar Items #1 through #11.

Motion carried, 6 – 0.

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

Mr. Knox asked for a motion for the Panel to delegate authority to the Executive Director to approve Proposals and other action items on the Agenda in consultation with the Panel Chair or Vice Chair.

ACTION: Mr. Rendon moved and Ms. Fernandez seconded the approval to delegate authority to the Executive Director in event of loss of quorum.

Motion carried, 6 – 0.

VIII. REPORT OF THE GENERAL COUNSEL

Maureen Reilly, General Counsel, said, following what Mr. Knox just mentioned about our Veterans Campaign, I'd like to call your attention to the fact that we do have a proposal with training for Individuals With Disabilities (IWD) this month, Karma Automotive, LLC, which is out of the in the San Diego Regional Field Office, and as Mr. Knox noted in regard to the veterans, we are also adding the IWD training for two companies approved last month: Northrop Grumman Systems Corporation and Lockheed Martin Space Systems Company.

We are promoting the IWD aspect of the new **No More Barriers** program, although we know that the number of trainees may be small; with Karma Automotive, LLC, it's only eight trainees. The IWD are not grouped into a separate Job Number for confidentiality reasons. However, you will see the write up under a separate subject heading matter under the ETP 130. In this proposal and others, the Employment Training Panel (ETP) will also be funding training for employees who are involved in the company's efforts to recruit, hire, train, and retain IWD, such as human resources staff, affirmative action staff, coworkers, or managers. You will see this reflected in Exhibit B: Menu Curriculum, under a separate subject matter heading.

There are many large companies, especially federal contractors that have ongoing recruitment efforts for IWD as well as Veterans. They have clear training goals and objectives that are already developed, and we're here to fund that training. As Mr. Knox mentioned earlier, we are going to be adding **ETP Salute Feature** to our website, and recognize companies that have a Veterans Training and IWD aspect to their proposal. This will become a regular feature under **What's New** in our website to recognize those companies.

Mr. Broad said that is a great idea.

IX. REVIEW AND ACTION ON PROPOSALS

Single Employer Proposals

Alta Hospitals System, LLC

Diana Torres, Manager of the San Diego Regional Office, presented a Proposal for Alta Hospitals System, LLC (Alta) in the amount of \$665,080. This is Alta's second ETP Agreement.

Ms. Torres introduced Keith Levy, Administrator, and William Parker, President and CEO National Training Systems.

There were no questions from the Panel.

ACTION: Ms. Bell moved and Mr. Rendon seconded the approval of the proposal for Alta Hospitals System, LLC in the amount of \$665,080.

Motion carried, 6 – 0.

Applied Technologies Associates, Inc.

Ms. Torres presented a Proposal for Applied Technologies Associates, Inc. (ATA) in the amount of \$296,298. ATA designs and manufactures oil industry technology products. The Company was founded in 1986 and is located in Paso Robles.

Ms. Torres introduced Sarah Kennedy, Senior Human Resources Generalist.

Ms. Bell asked, how did you hear about ETP? Ms. Kennedy said, I have served at the Local EAC Board, WIB, and Human Resources. This is a new company for me; I have been with them for a year, and they have not utilized the funds in the past.

Ms. Bell said, if you need assistance, please reach out to our staff. Ms. Kennedy said, I have utilized Angela Jones with TGII, she is unable to be here today, and we are leaning on her for assistance.

Mr. Rodriguez asked, can you tell me a little more about your company? Ms. Kennedy said, our company manufactures the drilling and surveying instruments that go down into the ground for measurement of oil and gas.

Mr. Rodriguez asked, do you provide the machine and instruments to oil and gas companies? Ms. Kennedy said, yes. Mr. Rodriguez said, thank you.

ACTION: Ms. Bell moved and Mr. Rodriguez seconded the approval of the proposal for Applied Technologies Associates, Inc. in the amount of \$296,298.

Motion carried, 6 – 0.

Big 5 Sporting Goods Corporation

Ms. Torres presented a Proposal for Big 5 Sporting Goods Corporation (Big 5) in the amount of \$358,440. Big 5, founded in 1955 and headquartered in El Segundo, is a sporting goods and outdoor retailer with 438 locations spread throughout 11 western states. The Company has multiple locations in California participating in this ETP Agreement, but most of the training will be provided at the Company's locations in El Segundo and Riverside.

Ms. Torres introduced Dan Shultz, Regional Supervisor Northern California, and Judith Kreisman, President of Judith Training Services.

There were no questions from the Panel.

ACTION: Mr. Rodriguez moved and Mr. Rendon seconded the approval of the proposal for Big 5 Sporting Goods Corporation in the amount of \$358,440.

Motion carried, 6 – 0.

L-3 Communications Electron Technologies, Inc.

Ms. Torres presented a Proposal for L-3 Communications Electron Technologies, Inc. (ETI) in the amount of \$741,000. ETI designs, manufactures, and tests electronic products used in communication satellites. ETI is best known for its top performing traveling wave tubes (TWT), electronic power conditioners, and fully integrated traveling wave tube amplifiers (TWTA). This will be the first ETP Agreement for L-3 Communications ETI's Torrance facility.

Ms. Torres introduced Glenn Grindstaff, Vice President of Human Resources and Administration.

Mr. Broad said, you were more involved in the previous project that underperformed. Please tell us what would be different with this proposal. Mr. Grindstaff said, the other company was a much smaller organization that had 160 employees. The current proposal is nearly 3 times that size. Revenue wise, we're about a \$200M division of L-3, so were about five times the size in revenue. The smaller division in Folsom went through a lot of management changes at the time. There were three presidential turnovers that took place in a two year period which made it very difficult to keep the training a priority because they kept changing the regimes. The timing and the delivery of the training that we had intended and anticipated was pushed aside. I don't anticipate that challenge with this organization. We have a very stable tenure workforce with a very mature and seasoned leadership team that has been there for a while. I don't expect the same kind of turnover challenges that we had in the past.

Mr. Broad said, the amount requested has doubled. I would like to ask the staff about right-sizing this project. Due to their previous performance, I would like to suggest that we reduce the funding in half. Once you have shown performance, then you can return for the other half of the funding that you have requested. Typically, what the staff does is right-size the amount for the project, which is to move it down to what you have earned from the previous contract. An Amendment is relatively an easy process, and this allows you to demonstrate that your performance is on track. We want you to earn the full amount of funding, that's the point

here. Would that be an issue for you? Mr. Grindstaff said, I certainly understand your consideration. The differences between the two divisions are two completely separate entities that have two different product lines and two different leadership teams. I do not anticipate the challenges we had before, as I had mentioned, for the training that we'll be providing the employees. In fact I would not be surprised if we would hit the requested amount during the first year of the contract given the aggressive training and continuous improvement schedules that we have set forth. We would prefer to have the full amount, but I will leave that to your judgment.

Ms. Torres said, in looking at their training plan, they have a high weighted average so that would be easy to bring the agreement down to whatever the Panel think is reasonable, and we would still leave the same number of trainees. Once they show initial performance, it would be very easy to add the additional monies.

Mr. Broad said, so what you're saying is we can reduce the program cost. Ms. Torres said we can back it down to the proposed dollar amount. Mr. Broad said, that would work for me. Ms. Torres said, we can right-size the amount to whatever number the Panel decides. Mr. Broad said, \$350,000.

Mr. Broad said, Mr. Grindstaff, is that an agreeable amount? Mr. Grindstaff said, yes.

Mr. Rodriguez asked, you mentioned that there are different divisions, but is it the same company? Mr. Grindstaff said yes. L-3 is a large decentralized company; it's like a holding company. They have a lot of different companies that they have acquired over the years.

Mr. Rodriguez asked, was your previous contract under a subsidiary, or a division of the company? Mr. Grindstaff said, it was a division of the company. Mr. Rodriguez asked, so this proposal is a division, not a subsidiary of the company. Mr. Grindstaff said, that is correct

ACTION: Ms. Fernandez moved and Mr. Rodriguez seconded the approval of the proposal for L-3 Communications Electron Technologies, Inc. in the reduced amount of \$350,000.

Motion carried, 6 – 0.

Michael Kors (USA), Inc.

Ms. Torres presented a Proposal for Michael Kors (USA), Inc. (MKors) in the amount of \$503,520. MKors produces a range of products by or under the signature of designer Michael Kors. The Company manufactures and sells Michael Moore's labels that include the Michael Kors collection and MICHAEL.

Ms. Torres introduced Patricia Vincent, Process Engineering Training Specialist, and Rick Grenig, Director of Processes Engineering.

Mr. Broad asked, we have had an ongoing set of questions about the temporary hire to permanent employees. What we're mostly concerned with is the arrangement of temporary hire to permanent employees which exists in some industries, particularly in the warehouse

and logistics, and some other industries where essentially there is temporary hire to permanent employees for years. Companies that have developed this hiring strategy, in which they use a temporary agency to place the employees, and really end what would be a short probationary period, when they would become full time employees of the company. I just want to ask you, what is your model? Ms. Vincent said, we do not have any timeframe or probationary period with the temporary associates. With our quick growth, we are converting our temporary associates. We do have a plan in place to hire 300 associates, and that is just forecasting; that happened to us before, were we had to go bigger. There are positions available, we go back to our Veteran associates, hiring them first, and then bring on as tenured associate.

Mr. Broad asked, does this mean that some of the people that are receiving this training have been temporary employees for a long time? Ms. Vincent said, they have been, but we did not forecast this much growth, and so now we're bringing them on as a full-time associate. We did not realize how quickly the company would grow in a three-year period.

Mr. Grenig said, with the more developed supply chain, one of the things we have done as a culture, we brought in technology, systems, and systemic efforts. We are more diverse as far as what we can do, and we are culturally strong. What we're bringing on is a population of up to 60% of our hourly associates as full time Michael Kors employees with dedicated medical insurance and retirement benefits. We do have a lot of volatility in our performance with the ups and downs of the market in retail, wholesale, and E-commerce. Because of the volatility, the population of temporary employee will go in and out as a temporary service based on our needs, but 60% of our population will be full-time dedicated Michael Kors employees.

Mr. Broad asked, are those people receiving the training? Mr. Grenig said, yes, those people are getting the training. Even though we will be providing the training to the agency associates as a benefit to Michael Kors organization, it doesn't mean we will be asking for funds for that training. Mr. Broad said, we would not fund that training.

Mr. Broad asked, Ms. Vincent mentioned that you are bringing on 300 new employees, are you hiring them directly, will they answer an advertisement for Michael Kors, or will it be through a temporary agency? Ms. Vincent said, they are currently in place now through our temporary agency, so they are within our facility.

Mr. Broad asked, do all of your hourly associates start out as temporary employees? Mr. Grenig said, majority of them do, but we do hire from outside and we do have our internal HR organization that does the recruiting for specific reasons, mostly for general labor population to start as sales associate and move up.

Ms. Bell asked, do you run a 24 hours seven days a week operation? Mr. Grenig said, we're relatively close to a 24-7 operation. Obviously this time of year we are; other operations are two shifts, seven days a week, and the two shifts is now a three shifts operation.

Mr. Rodriguez asked, is your 133 company stores nationwide, or is it just in California? Mr. Grenig said, the 133 stores is a growth map, and so the stores nationwide are approximately 500. Again, that's the retail aspect of our business, and also half of our business is wholesale, which is Macy's and other department stores.

Mr. Rodriguez asked, how many retail stores do you have in California? Mr. Grenig said, I'm not sure, we're not representing the California retail stores; we're just representing our distribution facility. I don't have that number offhand. Mr. Rodriguez said, I'm trying to understand where in the chain do you guys sit in the retail industry, can you expand on that? Do you consider yourselves wholesalers, manufacturers, or distributors? Mr. Grenig said, manufacturing is conducted primarily overseas for us, mostly in the Asian market. The manufactured product is brought into the port of Los Angeles or Long Beach. Our distribution facility is the key hub nationally in the United States for all the retail stores, and all wholesale stores. The wholesale stores would be the department stores that we supply.

Mr. Rodriguez asked, are you supplying clothing and accessories? Mr. Grenig said, that is correct. Mr. Rodriguez asked, do you own your E-commerce function or do you have a third-party? Mr. Grenig said, it is ours now, up until August of this year, it was through a vendor out of Columbus Ohio. We decided that we can do the business better ourselves, so we brought it internal and expended \$3M to bring it into a brand new facility, and that warehouse is at our Whittier campus.

Mr. Rodriguez asked, in that brand-new facility, are the employees being hired through the company, temporary agency, or a combination of both? Mr. Grenig said, because of the growth, it's a combination of both. It's mostly leadership, lead associates, and clerks that are hired directly into Michael Kors. The general labor population and equipment operators are hired through the temporary agency.

Ms. Fernandez asked, when the temporary employees are hired, do they receive benefits through the temporary agency that hires them, and once they become permanent employees, is there a waiting period before they receive benefits? Ms. Vincent said, the temporary employees are offered benefits through the temporary agency and when they become permanent Michael Kors employees their benefits begin on the first of the following month. Ms. Fernandez said, thank you.

Mr. Broad said, we really don't have a policy in place, and we have to develop one for temporary hire to permanent; this is problematic. A company can show up here and say because of the nature of our business, we have temporary employees. We would like to train the temporary employees and hire them as permanent employees, but some of the temporary employees have been there for years. If this is happening in your company, this could be viewed as a negative social consequence in the workplace. This feels to us like we are using the ETP training funds for temporary employment. Our funding isn't meant for temporary employment. The temporary employees are holding on to the possibility that they will become an actual employee of the company, and then the company comes in to ETP and collects the employment training dollars.

Mr. Broad said, I understand the seasonal business concept where you would need to hire temporary employees during Christmas or the holiday season in order to fulfill and juggle the amount of orders that you might have had in July; that totally makes sense. There are a lot of businesses, especially in retail, that have seasonal fluctuation and need temporary employees. The issue here is, the temporary employees really don't know when or if they will become permanent employees of the company. It's the lack of a systematic nature that seems wrong in some sense, and it sounds like you have a mixture of all that, and you have

a situation of massive growth in addition to that. Correct me if I'm wrong, in which you're actually not at your final system because you've had a lot of growth; you've responded at different periods. I don't know how to treat this proposal. Maybe we should say that we'll fund the training for employees who have been there for six months or less, because that seems to be the main concern. This is a major issue, and I want to see how you would respond.

Mr. Grenig said, I appreciate your concerns greatly. As a young supply chain, we grew up throwing bodies, basically laborers, at the task, and now that we have become more systemically stable in our organization with training in place, standard operating procedures, investment of HIRS Systems, labor management system (LMS), and improved warehouse management (WM) systems, those are the kind of things that we have developed now that we are more level. We are more predictable in what we do so we feel comfortable bringing in associates to Michael Kors because we do have base functionality that is in place, and we can grow those associates. We can't grow the associates without additional training, and we see additional training is needed. We feel that we're holistically void of training at times, and now we're trying to make up some ground in this training to grow associates internally to not only be regular Michael Kors associates but also Michael Kors leaders in the future.

Mr. Broad asked, the 700 employees that were talking about here, how many of those employees been in the company for six months or less? How many employees would be removed out of the 700? Mr. Grenig said, my guess would be based on normal population, and the rate of turnover, 60% would qualify.

Ms. Torres asked, out of the 240 trainees in the job creation, can you give us an estimate of how many would fit into the parameters? Mr. Grenig said, it would be 50 to 60%.

Mr. Broad said, I don't know the perfect number; it could be 3 to 6 months. That's a policy decision that the staff is going to have to determine. Obviously, you can train anybody else you want on your own nickel anytime you want. We are not asking you to change your system. It's really a question of what we philosophically believe is appropriate to pay for. What I'd like to do for this proposal is to exercise our discretion and propose six months. It's going to affect some numbers of those temporary employees, but I think it's going to reinforce what we intend here, which is that were not supporting temporary to permanent structures. I would like to make a motion to approve this proposal with the limitation that the temporary employees receive the training within six months after beginning their employment.

ACTION Mr. Broad moved and Mr. Rodriguez seconded the approval of the proposal for Michael Kors (USA), Inc. in the amount of \$503,520

Motion carried, 6 – 0.

PennyMac Financial Services, Inc.

Ms. Torres presented a proposal for PennyMac Financial Services, Inc. (PennyMac) in the amount of \$331,000. PennyMac is a mortgage lender and servicer headquartered in Moorpark. The Company's goal is to provide clients with innovative mortgage solutions that make it easier to purchase or refinance a home.

Mr. Torres introduced Nick Shauer, Executive Vice President of Human Resources, Candice Shehorn, Director of Training and Development, and Paul Johnson, President, COO Expert Resource.

Mr. Broad said, it's obviously clear that you are responding to the poor performance from your previous contract. What steps have you taken this time to make sure that you earn all the funding you have requested? Mr. Shauer said, in August 2014, we were two and a half years younger, the Company was only in its 5th year of existence, and we were very much growing up then. We're still growing, and we still have a lot of growing to do. At that time, our budgeting and planning process was nowhere near as sophisticated as it is today. We are now in a better position to predict what can happen in the future. In August 2014, we did not realize that the federal government was going to increase the interest rate, and that affected our market; we were very susceptible to the interest rate fluctuation. Only a couple weeks after that, the federals announced that the interest rates were going to increase; it never did but the market reacted anyway. That affected the volume of business coming our way.

Mr. Shauer said, I hope we are all investing wisely. Without a question, we were very aggressive with the growth expectation last year, which didn't contemplate the potential of interest rate fluctuation such as now, we are very aware of what to expect going forward. In addition to that, the size of our organization, our growth expectation is in the line with what we have experienced in the past when we experienced changes in the macroeconomic condition.

Mr. Broad said, let's say the federal government increases the interest rate, and that has a depressing effect on the housing market, and the volume of loans that you can write gets reduced. Is your proposal right-sized enough to respond to the changes and anticipate layouts? Will you come back to us, and say we only have 62% performance after we received the funding, because the interest rate went up, and there was a general slowing down of the housing market. That leads to the second question for staff. If a business that is sensitive to market conditions, like this, and their profit and loss depends on extraneous events that they can't control, can they come to us and then later on return and say we don't need this much money, or ask for an amended amount so they could still continue the training with fewer trainees?

Ms. Torres said, we used to do that in the past, but it also depends on how you want to look at it. It's called an amendment to performance, which gives you the ability to gauge how much amount to request. Mr. Broad said, I get the point exactly because you are trusting their reasons but you can't really judge the motive then because there is no performance gauge.

Mr. Broad said, given the current scenario, do you anticipate that you would be able to fully perform on this proposal given the possibility that there might be an interest rate increase? Mr. Shauer said, I'll go back to our budgeting process. We rely heavily on estimations made by the US Mortgage Bankers Association (MBA), and they are the industry trade organization that works closely with the federal organizations. They look at the data and predict what the business volume is expected to be for the industry and the amount of loan originations and

amount of refinances that may take place over time. They can predict what can happen in the secondary market, which we play heavily in, and so we examine all that information and we use that budget going forward. In the last two years, the average amount of funding that has taken place has been about \$1.3 trillion in the United States. It's predicted to be a little over \$1.2 trillion in the next couple of years. So it's almost flat; a little bit of a drop. We interconnect that expected business volume increase which we are going to share more highly in, in terms of our market share. We've increased our market share notably year after year. We expect that to continue, and we interconnect that information with the fact that we already have a lot more staff on hand, so we are building our percentage growth rate on that. Our actual amount of new employees, as well as re-hires that we'll have to make here and there for a relatively low turnover rate, will justify the need for the amount we are asking today. A big part of our training is career pathing for our employees. We build a career path framework and our module will allow people to grow their career overtime. We are just rolling this out next week, so it's a very attractive feature. Mr. Broad said that is a good point, which is what we'd like to hear.

Mr. Shauer said, we have an electronic solution for this and build off of that through an organization called Cornerstone On Demand. We have a roll out process over the next six months to make sure that everyone in the leadership position in our company has scheduled conversations to ensure that everybody in the company knows where their career can go, what trainings are available to grow their careers, perform rate on the job, and seek people to come into the business to fit the pathing mode.

Mr. Rodriguez asked, Ms. Torres, what did you see from this proposal that's different from the last one that allowed recommendation of approval from staff? Ms. Torres said, looking back, it was a very large agreement amount. Initially, in their prior agreement that began in 2013, it was supposed to be the start of the recovery. They had huge initiatives. Mr. Shauer said, the previous project was a Critical Proposal. Ms. Torres said, typically that dollar amount would not have been proposed. This proposal is more in line with the volatility of business and one of the things that we look at is that people have huge training needs. We can't argue with the training needs, but how they can fit it into the ETP Agreement, given all the changes in business with the ups and downs, and so forth. Sometimes when you're too busy, you're not able to train, and sometimes when you're not busy enough, then you lose people, and then the people that remain have to do more work and can't be released for training. All those things typically fit into a proposal that we can negotiate back and forth with, and I think what happened is, when we're comparing the last contract to this one, it's not a good comparison because the last one was an isolated situation where it was part of a Critical Proposal and in line with the economy. We were expecting a recovery at that time. This proposal, if you ask me, is more in line with all of the variables that we take into place.

Mr. Rodriguez asked, what percentage of the secondary market do you plan to compete in 2016? Mr. Shauer said, we have three different plans on competing with the secondary market. The first one is the correspondence base. In this industry, the correspondence play means that the developed relationship with community banks, credit unions, small originators of loans, who never intended to own those loans, as they're going through the learning process, and they are required by law to do this, they tell the borrower that their first payment is going to somebody else because they are going to sell your loan to a larger player in the secondary market. We're the third largest acquirer of those loans in the United States,

behind Wells Fargo and US Bank. That business is going to continue strongly; we've increased our market share. When we were here 28 months ago, we were about 7% of the market, now we are about 13%, and we expect to be 50 and 60% next year. Mr. Rodriguez said, that answers my question. Thank you.

ACTION: Mr. Rodriguez moved and Ms. Fernandez seconded the approval of the proposal for PennyMac Financial Services, Inc. in the amount of \$331,000.

Motion carried, 6 – 0.

The Procter & Gamble Paper Products Company

Ms. Torres presented a Proposal for The Procter & Gamble Paper Products Company (P&G – Paper) in the amount of \$493,020. P&G – Paper is a division of the Procter & Gamble Company in Cincinnati Ohio. This multinational corporation operates two facilities in California.

Ms. Torres introduced Juvernardo Ramirez, Education and Training Pillar Leader, and Justin Burklander Operating Department Leader, Oxnard Logistics.

There were no questions from the Panel.

ACTION: Ms. Bell moved and Mr. Rendon seconded the approval of the proposal for The Procter & Gamble Paper Products Company in the amount of \$493,020

Motion carried, 6 – 0.

WWF Operating Company

Ms. Torres presented a Proposal for WWF Operating Company (White Wave) in the amount of \$430,720. White Wave is a consumer packaged food and beverage company that manufactures, markets, distributes and sell branded plant-based foods and beverages, coffee creamers, frozen desserts, premium dairy and organic products.

Ms. Torres introduced David Voorhees, Operations Site Leader.

ACTION: Mr. Rendon moved and Ms. Bell seconded the approval of the proposal for WWF Operating Company in the amount of \$430,720.

Motion carried, 6 – 0

Esterline Technologies Corporation

Ms. Torres presented a proposal for Esterline technologies Corporation (Esterline) in the amount of \$440,226. Esterline is a global manufacturer principally serving aerospace and defense market.

Ms. Torres introduced Diana Bourcier, Vice President of Human Resources, and Paul Johnson, President, Cal Training Inc.

Mr. Broad asked, is Esterline a holding company? It seems like each of these manufacturing plants have a separate company name. Ms. Bourcier said, Esterline has been around for many years. We prided ourselves in the past of being a strand of pearls where every single organization was a pearl in the necklace. That did not work well for us as we've grown over \$2B. We needed to look at ourselves as one company, although they all are subsidiaries of Esterline technologies. They all have their own specific names; names that people recognize. We have kept the names that are popular or marketable in the business landscape.

There were no further questions from the Panel.

ACTION: Ms. Bell moved and Mr. Rodriguez seconded the approval of the proposal for Esterline Technologies Corporation in the amount of \$440,226.

Motion carried, 6 – 0.

Illumina, Inc.

Ms. Torres presented a proposal for Illumina, Inc. (Illumina) in the amount of \$575,000. Illumina develops and manufactures equipment and instruments for genetic analysis, sequencing, genotyping, gene expression, and protein analysis. These products are widely used in the pharmaceutical, biotechnology, academic, and government fields. This will be Illumina's third project in the last five years.

Ms. Torres introduced Tanya Larabee, Leadership and Professional Development Specialist, and Lorie Chapa, Senior Manager Leadership and Professional Development.

Ms. Reilly said, Mr. Broad has recused himself from this proposal due to his direct financial interest, and that's according to the Political Reform Act requirement. The gavel has been passed to Ms. McBride to act as Chair, and Mr. Broad will return right after the decision has been made.

Ms. McBride said, I have visited your facility, and your campus; it's amazing and the culture there is really unique and interesting. Thank you for being here.

Mr. Rodriguez asked, what are the types of occupations do you hire for your company; can you give us a snapshot? Ms. Chapa said, it varies from administrative staff, manufacturing, engineers, scientists, and PhD's; it's a pretty mixed population.

Mr. Rodriguez asked, do you consider yourself a biotechnology company? Ms. Chapa said, we consider ourselves as a bioscience company.

Mr. Rodriguez asked, do you have laboratory technicians on staff? Ms. Larabee said, yes we do. We're really at the intersection between biology and technology. A lot of that technology goes into the instrument, but then we have people working on things like microfluidics and

biochemistry, so it's not only the sequencing instruments that get manufactured, but we engineer and create all of the chemistry that go into the flow cells that we are able to amplify and replicate the DNA; it's a pretty complicated process.

Mr. Rodriguez asked, do you hire students from community college? Ms. Chapa said, yes we do. We hire a little bit from everywhere and we have a phenomenal internship program, and we have an MBA program as well. Mr. Rodriguez said, thank you.

ACTION: Ms. Bell moved and Mr. Rendon seconded the approval of the proposal for Illumina, Inc. in the amount of \$575,000

Motion carried, 5 – 0. (Mr. Broad recused himself.)

Karma Automotive, LLC

Ms. Torres introduced a proposal for Karma Automotive, LLC (Karma Auto), formerly Fisker Automotive and Technology Group, LLC in the amount of \$835,218. This project has been designated as a Critical Proposal by the Governor's Office of Business and Economic Development (Go Biz) based on Karma's planned business expansion and commitment to adding new jobs in California.

Karma Auto is passionate about hiring veterans and feels they will bring a unique set of skills and abilities to the company. As such, the Company is including a separate Veteran Job Number for training 15 newly hired Veterans.

Ms. Torres introduced Rod Hanks, Vice President of Human Resources, Julianna Kirby, Training Funding Partners.

Mr. Broad said, we really appreciate your commitment to veterans. That's a major priority for our Panel. Mr. Broad asked, are you starting to manufacture cars, or have already manufactured cars? When are they going to be available in the market? Mr. Hanks said, the first vehicle, or job one, is scheduled to roll out of the assembly line in late 2016. Karma was created as a result of an acquisition from Fisker Automotive, our parent company, Wanxiang, which is a Chinese Corporation, had previously acquired a battery company, A123 Systems, located in Livonia, Michigan, who looked into getting into the car business and acquired Fisker. Fisker had been acquired in 2013. We acquired the assets at an auction, which means we got the tools, fixtures, and intellectual property. Included in that, are a number of vehicles that we're using for prototyping and development of the next generation platform. The vehicle is iconic; it's regarded throughout the vehicle design community as one-of-a-kind. It's world-class and configured as a luxury brand. It will be a low-rate production, but it will be highly crafted. The goal is to take that to market in 2016.

Mr. Broad asked, is it a smaller electric vehicle or a hybrid? Mr. Hanks said, it is a hybrid. Mr. Broad asked, is it a plug-in hybrid? Mr. Hanks said, it's a hybrid 4-door sports vehicle. When the vehicle was first designed, it was designed as a head-on competitor to Tesla. Tesla has more of a sedan configuration. We are more of a 4-door sports car kind of configuration.

Mr. Broad asked, is it like a Chevrolet Volt hybrid that you plug-in; is it in the plug-in hybrid category? Mr. Hank said, yes it's a plug-in and gas electric. The gas generator in our vehicle charges and the battery runs off of that, which makes our vehicle unique. We also have solar panels installed on the roof that run the microprocessors on board the vehicle as well.

Mr. Broad asked, how long of a charge does it have? Mr. Hanks said, a full charge can go up to 30 miles without recharging. Over all range, if we use it combined with the motor, it could go approximately 300 miles.

Ms. Fernandez said, I really like your proposal. I am also a Marine Corps Veteran and also a mother of a disabled child. It's nice to see opportunities, for those with disabilities, because they're usually not taken into account. I am really excited about your proposal and that you would be bringing jobs into an area where they are much needed. I would like to make a motion to approve.

ACTION: Ms. Fernandez moved and Mr. Rendon seconded the approval of Karma Automotive, LLC in the amount of \$835,218.

Motion carried, 6 – 0.

International Business Machines Corporation

Creighton Chan, Manager of the Foster City Regional Office, presented a Proposal for International Business Machines Corporation (IBM) in the amount of \$388,378. IBM provides information technology (IT) products and services worldwide.

Mr. Chan introduced Stephen Dodd, IBM Certified Project Executive, and Rob Sanger, CMTA.

There were no further questions from the Panel.

ACTION: Ms. McBride moved and Ms. Bell seconded the approval of the proposal for International Business Machines Corporation in the amount of \$380,370.

Motion carried, 6 – 0.

Foster Poultry Farm (Withdrawn)

TriWest Healthcare Alliance Corp.

Willie Atkinson, Manager of the Sacramento Regional Office, presented a Proposal for TriWest Healthcare Alliance Corp. (TriWest) in the amount of \$391,200. Triwest, founded in 1996 and headquartered in Phoenix, Arizona, manages health benefits. The Company is currently contracted by the US Department of Veterans Affairs (VA) to manage and administer the Patient-Centered Community Care (PC3) Program and Veterans Choice Programs.

Mr. Atkinson introduced Robert Wolpert, Vice President and Controller, and Jeanne Ong, Vice President Human Capital.

Mr. Broad asked, so in terms of the temporary to permanent employees, you probably heard our discussion earlier. If we put a limit that they have been temporary to permanent employees for no longer than six months, would that be problematic for you. Ms. Ong said, no, not at all. And just for us to take that step back, I've been with the company for 12 years and Mr. Wolpert has been with the company for 10 years. Our temporary to permanent strategy is just a short-term strategy that we had to adopt to meet the immediate needs of the growing client volume that's coming our way. So we've always done permanent hiring as a strategy. We see the pros and cons, and we are definitely investing the same resources and training in our contract and to our employees as we do the permanent employees. So it's in our best interest to convert them as fast as possible. Our target date is about 90 days.

ACTION: Ms. Fernandez moved and Ms. Forrest seconded the approval of the proposal for TriWest Healthcare Alliance Corp. in the amount of \$391,200.

Motion carried, 6 – 0.

Multiple Employer Proposals

Northern California Plasterers' Joint Apprenticeship Training and Trust Fund

Mr. Chan presented a Proposal for Northern California Plasterers' Joint Apprenticeship Training and Trust Fund (NorCal Plasterers JATTF) in the amount of \$169,820. NorCal Plasterers JATTF was created in 2014 as a result of a trust merger between the Bay Area Plastering Industry JATC and the Northern California Plasterers JATC.

Mr. Chan introduced Robert Nato, Program Administrator and Jan Borunda, California Labor Federation.

There were no further questions from the Panel.

ACTION: Ms. Fernandez moved and Mr. Rodriguez seconded the approval of the proposal for Northern California Plasterers' Joint Apprenticeship Training and Trust Fund in the amount of \$169,820.

Motion carried, 6 – 0.

X. PUBLIC COMMENTS

There were no public comments.

XI. MEETING ADJOURNMENT

Mr. Broad adjourned the meeting at 11:28 p.m.