

**STATE OF CALIFORNIA
EMPLOYMENT TRAINING PANEL MEETING**

Holiday Inn on the Bay
1355 N. Harbor Drive
San Diego, CA 92101
April 26, 2007

PANEL MEMBERS

Barry Broad
Acting Chair

Bob Giroux
Member

Scott Gordon
Member

Edward Rendon
Member

Janice Roberts
Acting Vice-Chair

Johnathan St. John
Member

Executive Staff

Michael Saragosa
Executive Director

Maureen Reilly
General Counsel

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I. PUBLIC PANEL MEETING CALL TO ORDER

Barry Broad, Acting Panel Chair, called the public Panel meeting to order at 9:35 a.m.

II. ROLL CALL

Members Present

Barry Broad
Scott Gordon
Edward Rendon
Janice Roberts
Jonathan St. John

Members Absent

Bob Giroux

Executive Staff Present

Michael Saragosa, Executive Director
Maureen Reilly, General Counsel

III. APPROVAL OF AGENDA

ACTION: Ms. Roberts moved and Mr. St. John seconded the Panel approve the Agenda.

Motion carried, 4 – 0.

IV. APPROVAL OF MINUTES

ACTION: Mr. St. John moved and Ms. Roberts seconded approval of the Panel Minutes of February 23, 2007.

Motion carried, 4 – 0.

V. DISCUSSION/ACTION ITEM

EcoTerra Appeal

Barry Broad, Acting Chair, reported on the EcoTerra Appeal. He said that a hearing was held regarding EcoTerra's alleged failure to pay employees' wages and therefore meet the standard of employment and retention under our regulations. He wrote a proposed decision for the Panel that is attached to the Memorandum. In December, a settlement agreement was reached between the Panel and EcoTerra and they agreed to pay employees the wages that were due plus any interest or penalties. He said they have not paid the wages and therefore, the settlement agreement is not fulfilled and the decision is now before the Panel. Mr. Broad pointed out some minor grammatical errors for correction on the record.

Mr. Broad explained the several options that the Panel had: 1) Adopt the proposed decision in its entirety; 2) Change or otherwise mitigate the amount of the overpayment; 3) Make technical and other minor changes to the proposed decision and adopt it; 4) Reject the proposed decision and send it back to him for additional evidence; or 5) Vote to reject the proposed decision and issue a different ruling with or without additional evidence. Mr. Broad opened up the topic to the Panel for discussion and said it is his recommendation that the Panel adopt the proposed decision as corrected today and issue it.

Mr. Saragosa said staff will continue to work with the Department of Labor Standards and Enforcement to see that the employees are paid their wages.

ACTION: Ms. Roberts moved and Mr. Gordon seconded to adopt the proposed EcoTerra decision in its entirety.

Motion carried, 4 – 0.

VI. REPORT OF THE EXECUTIVE DIRECTOR

Legislative/Budget Report

Michael Saragosa, Executive Director, said if all of the proposed contracts are approved today, ETP will have encumbered \$39.6 million of the \$43.3 million available for new training projects. This results in under \$2.7 million remaining to encumbrance for the current year. He said this will allow ETP to fund approximately \$8 million in projects at the May meeting, resulting in a zero balance for the remaining fiscal year. If a budget is not in place by the June Panel meeting, ETP will continue to approve contracts for that budget year; however, contractors will have to proceed at their own risk pending the Governor signing the 07/08 budget.

The Governor's proposed budget for ETP for 07/08 is \$56.3 million - a \$2.9 million, or 5 percent increase over the current year appropriation. He said coupled with the \$14 million estimated from disencumbered funds, that would provide \$70.3 million to the Panel in the budget year. He said he was unsure whether or not ETP will receive another \$2.4 million from an adjusted EDD tax-sharing ratio.

Mr. Saragosa said the Senate and Assembly budget hearings have taken place. The next step is to go to conference committee after the May revise. Mr. Broad said they will have the opportunity to return back during the conference committee to have the Panel and stakeholders revisit funding sources.

Mr. Saragosa said there has been continued interest in the welfare-to-work program by the Legislature. He informed the Legislature that ETP is in the early stages of assessing the outcome of welfare-to-work projects, although initial readings are positive.

Proposed Legislation

Mr. Saragosa presented legislation items that do not directly affect ETP, but that have some ancillary effects.

AB 232 - Price: The Housing and Community Development Economic Opportunity Initiative Program. This would require the Business, Transportation and Housing (BT&H) Agency, to enter technical and partnership assistance agreements with economic development organizations including ETP, to conduct a study on the impact of the program and report the results back to the Governor and Legislature.

AB 1427 - Krekorian: This is a training pilot program within the Department of Social Services which will have a member of ETP as one of the representatives on the Board.

AB 1722 (Jobs, Economic Development, and the Economy Committee) CA International Trade and Investment Act - Secretary of Business, Transportation and Housing Duties: This bill would require BT&H to report to the Legislature on findings on international trade and strategy. They would be required to conduct business with ETP, reviewing past funding appropriations.

SB 765 - Thomas: Economic Development and California Partnership for Urban Communities. This bill creates a partnership and would coordinate and improve government efforts for at-risk urban communities, and a representative from ETP would sit on that partnership and appropriate \$1 million to BT&H to start this project. So far, the \$1 million is not coming from ETP funds.

Mr. Saragosa said there are a couple of bills that affect the Bureau of Private Post-Secondary Vocational Education. ETP will continue to track these bills as they affect many of the contractors that will ultimately sign contracts.

Request Motion to Delegate in Event of Loss of Quorum

Mr. Saragosa asked for a motion to delegate to the Executive Director the authority to approve projects, in consultation with the Panel Chair or Vice Chair, if a quorum does not exist.

ACTION: Ms. Roberts moved and Mr. St. John seconded the Panel delegate to the Executive Director the authority to approve projects for which a quorum does not exist in consultation with the Panel Chair or Vice Chair.

Motion carried, 4 – 0.

Request Motion to Adopt Consent Calendar Projects/Action

Mr. Saragosa asked for a motion to adopt Consent Calendar items #1 through #46.

AAA Plating & Inspection, Inc.	\$20,280
Advanced Systems Integration, Inc.	\$15,600
Aero Turbine, Inc.	\$67,340
Arrowpoint Corporation.....	\$21,600
Avail Medical Products, Inc.	\$173,808
Aviation Repair Solutions, Inc.	\$45,292
Biogenics, Inc.	\$4,680
Blow Molded Products, Inc.	\$46,800
Brower Mechanical, Inc.	\$47,520
Capo Industries, Inc.	\$49,348
Cirtech, Inc.	\$49,920
Crown Valley Precision Machining	\$46,800
DBHB LLC dba Direct Buy of Long Beach	\$49,280
Docusource, LLC.....	\$111,320
Elder Options, Inc.	\$39,600
Envivio, Inc.	\$49,348
5 th AXIS CNC, Inc.	\$20,280
Gekko Engineering, Inc.	\$31,200
Goodwill Industries of Ventura & Santa Barbara Counties, Inc.	\$162,765
Hi Tech Electronic Manufacturing, Inc.	\$49,920
Holly Yashi, Inc.	\$39,600
Innovative Nitrogen Systems, LLC	\$31,200
Intec Video Systems, Inc.	\$20,202
ISOMatrix, Inc.	\$5,280
Kadium LLC.....	\$40,920
L-3 Electron Devices	\$248,040
LASCO Bathware, Inc.	\$137,088
Lighting Control & Design, Inc.	\$49,140
McLellan Equipment, Inc.	\$214,200
Means Engineering, Inc.	\$49,842
On-Site LaserMedic Corporation	\$49,324
Pacific Handy Cutter, Inc.	\$48,360
Plastikon Industries, Inc.	\$246,240
Polycomp Administrative Services, Inc.	\$49,500
Precision Swiss Products, Inc.	\$195,000
Rabbit Semiconductor, a Division of Digi International	\$103,500

Refrigerating Engineers & Technicians Association (RETA)	\$89,740
Regal Art & Gift.....	\$14,630
Sacramento Valley Sheet Metal Workers Joint Apprenticeship and Training Fund Committees (JATC)	\$136,774
Shea Homes Limited Partnership	\$49,842
Sierra Pacific Orthopaedic and Spine Center Medical Group, Inc.	\$187,500
Tanfield Engineering Systems (US), Inc.	\$14,976
Tenneco Automotive.....	\$14,688
3 Par Data, Inc.	\$48,600
Tustin Chamber of Commerce.....	\$73,120
Windsor House Investments, Inc., dba Colortone Graphics	\$23,760

ACTION: Ms. Roberts moved and Mr. Gordon seconded approval of Consent Calendar Items #1 through #46.

Motion carried, 4 – 0.

VII. REPORT OF THE GENERAL COUNSEL

Maureen Reilly, General Counsel, had nothing to report.

VIII. ACCESS TO NONTRADITIONAL, HIGHER PAYING JOBS FOR CALIFORNIA WOMEN

Kim Smith, Assistant Director, reported that Inez Gonzales, Director of the National Hispanic Media Coalition, was not yet present at the meeting. Mr. Broad said the Panel would proceed in reviewing projects until Ms. Gonzales arrives.

IX. REVIEW AND ACTION ON AGREEMENTS AND AMENDMENTS

Single Employer Contractors

Chevron Products Company

Creighton Chan, Manager of the ETP Foster City Office, presented a funding proposal for Chevron Products Company (Chevron), in the amount of \$1,777,575. He explained Chevron produces gasoline, jet, diesel fuel and other lubricants from more than 240,000 barrels daily of crude oil feed received from around the world via tanker shipments.

Mr. Chan introduced Greg Anderson, Training Specialist; John Reed, Manager of Learning & Development; Dennis Lacy, Chairman/Vice President of Local 22 Richmond I.U.P.I.W. and Dennis Steward, representing USW 5 Committee Local United Steel Workers.

Ms. Roberts asked about anticipated turnover with upcoming company retirements. Mr. Anderson said Chevron expects a 5-10 percent turnover in the next year. Ms. Roberts referred to page 4, of the proposal: "In order to implement the new worker training and

minimize its impact on productivity, Chevron will employ workers to cover trainees' shifts while training is being delivered during the 300 hours of coursework. Mr. Anderson said they have a 24-7, 365-day operation and anytime they have to take an employee offline to train they need to hire additional employees to fill in. Ms. Roberts asked for further clarification. Mr. Anderson said they have a base number of individuals, training is continuous, and that new-hires typically require a lot of training. Mr. Anderson said they always hire 25 percent above the number of needed employees.

Mr. Broad asked if the surplus employees are hired from the union or directly by Chevron. Mr. Anderson said they hire many directly from high school and local colleges. They have partnered with a program involved with the high schools to help to prepare students.

Ms. Roberts was concerned about the large dollar amount of this project and asked about administration. Mr. Anderson said they have a full-time administrator to oversee this contract.

Mr. Gordon asked about the administrative staff. Mr. Anderson said they currently have a staff of 15-20 people full time that includes classroom instruction, administration, coaching and mentoring.

ACTION: Mr. Gordon moved and Mr. St. John seconded approval of the funding proposal for Chevron in the amount of \$1,777,575.

Motion carried, 4 – 0.

Electronic Interface, Inc., dba Applied Engineering

Mr. Chan presented a funding proposal for Electronic Interface, Inc., dba Applied Engineering (Applied Engineering), in the amount of \$269,620. He said that Applied Engineering is a small business that provides custom precision metal products for domestic and international manufacturers in the automotive, semiconductor, chemical, and medical industries.

Mr. Chan introduced Karin Buehler, Chairwoman of the Board.

There were no questions from the Panel.

ACTION: Ms. Roberts moved and Mr. St. John seconded approval of the funding proposal for Applied Engineering in the amount of \$269,620.

Motion carried, 5 – 0

(Mr. Rendon arrived at 10:05 am and was present for the remainder of votes)

Miller Breweries West LLP

Dolores Kendrick, Manager of the ETP North Hollywood Office, presented a funding proposal for Miller Breweries West LLP (Miller), in the amount of \$1,277,100. She said that Miller is a producer of packaged beers.

Ms. Kendrick introduced Susan Gray, Human Resource Manager and Brian Leonard, Brewery Controller.

Mr. Gordon asked how many instructors are on staff. Ms. Gray said they have two in-house trainers and are hiring an additional three controllers, one for each of the three business units and retirees. Mr. Gordon asked for further information on the scope of training. Ms. Gray said corporate offices assist in the development of the curriculum. She said that once the first training class is completed, they audit the training classes. Mr. Gordon asked how competencies and curriculums are developed. Ms. Gray said some were developed in corporate engineering and some are developed locally.

ACTION: Mr. Gordon moved and Ms. Roberts seconded approval of the funding proposal for Miller Breweries in the amount of \$1,277,100.

Motion carried, 5 – 0.

Sedgwick Claims Management Services, Inc.

Ms. Kendrick presented a funding proposal for Sedgwick Claims Management Services, Inc. (Sedgwick), in the amount of \$657,000. She explained that Sedgwick is a third-party administrator of workers compensation and other insurance claims on an out-source basis for self insured clients. The company representatives indicated that they have lost claims volume to competitors that use third-party administrators located out-of-state to provide both client specific and overflow claims processing.

Ms. Kendrick introduced David Scott, Vice President.

There were no questions from the Panel.

ACTION: Ms. Roberts moved and Mr. Rendon seconded approval of the funding proposal for Sedgwick Claims in the amount of \$657,000.

Motion carried, 5 – 0.

BAE Systems, San Diego Ship Repair, Inc.

Diana Torres, Manager of the ETP San Diego Office, presented a funding proposal for Bae Systems, San Diego Ship Repair, Inc. (BAE SDSR), in the amount of \$350,892. She said that BAE SDSR manufactures, repairs, renovates and modernizes marine vessels for the United States Navy, United States Coast Guard, cruise ship owners, and other commercial or civilian companies.

Ms. Torres introduced Thomas Bright, President of Quality Training Systems; Robert Kilpatrick, Vice President & General Manager and Donn Yover, Director of Human Resources & Community Liaison.

Ms. Roberts was concerned about the high turnover rate. Ms. Torres explained the Panel is consistent in that when there is a singular increase in the turnover, 25 percent is not withheld. Ms. Roberts asked about the employees who were laid off. Mr. Kilpatrick said work was down due to lost funding and limited ship-in-dry dock ship availability. For the future, they foresee a revival of work under a Navy modernization program that they were successful in being awarded. Overall, they anticipate a projection for manpower increasing over the next four years which represents a “cycle time” for ship repair and restoration. Ms. Roberts asked if they foresee a cycle time in 2007-2008 for layoffs. Mr. Kilpatrick said they did not. He said contracts with the Navy are five-year for cruisers, and the destroyers will be modernized starting in 2010. With this trend in mind, he said, they recalled the entire workforce that was laid off in the previous year.

Mr. Gordon asked if employees are taken “offline” to train over the course of employment. Mr. Kilpatrick said they work 40-hours a week and are pulled “offline” for four/eight-hour sessions. Mr. Gordon asked how employees are scheduled for training. Mr. Kilpatrick said they begin with a train-the-trainer schedule. He said there is a variation in workflow because when ships depart, the company has an opportunity to conduct training.

Mr. St. John said it appears BAE SDRS was significantly impacted by Navy cutbacks. He asked what percentage of business relies on the Navy. Mr. Kilpatrick said it was approximately 90 percent. Mr. St. John asked if their business model has changed. Mr. Kilpatrick said San Diego is the mega port for the Navy. Mr. Broad asked if BAE SDRS is unionized. Following the Iraq surge overseas in 2005, the 90 percent figure is again stable. Mr. Kilpatrick said the ship repair firm in San Diego is non-unionized and they work with NASCO, which is a union shop located next to them. He said they team with them and pay competitive wages to the union market in San Diego.

ACTION: Mr. St. John moved and Mr. Rendon seconded approval of the funding proposal for Bae Systems in the amount of \$350,892.

Motion carried, 5 – 0.

Bordiers Nursery

Ms. Torres presented a funding proposal for Bordiers Nursery (Bordiers), in the amount of \$356,832. She said that Bordiers is a wholesale grower of landscape bushes, flowers, shrubs, and trees that sells to retailers such as WalMart, Home Depot, and Lowe’s throughout the southwestern United States.

Ms. Torres introduced Robert Sands, President.

There were no questions from the Panel.

ACTION: Mr. Gordon moved and Ms. Roberts seconded approval of the funding proposal for Bordiers in the amount of \$356,832.

Motion carried, 5 – 0.

Edwards Lifesciences LLC

Ms. Torres presented a funding proposal for Edwards Lifesciences LLC (Edwards), in the amount of \$1,738,800. She said that Edwards is a medical device company that focuses on developing innovative technologies for the treatment of cardiovascular disease, specifically in the areas of heart valve therapy, cardiac surgery, vascular therapy, and critical care.

Ms. Torres introduced David Hanson, General Manager of Surgical Heart Valve Manufacturing and Claudia Thair, Manager of Leadership Development.

Mr. Gordon asked how many full-time instructors they have. Mr. Hanson said there are approximately 30 trainers for manufacturing training and they have three or four trainers at the corporate level. Mr. Gordon asked how many hours the 30 trainers spend a year in continued education. Ms. Thair said they are certified in all training they conduct. She said Edwards uses external trainers for leadership development, teambuilding and customer service training. Mr. Gordon asked how many hours employees receive of training each year. Mr. Hanson said that when a new product is developed, frontline staff spends several weeks learning about the product and standard operating procedures.

Ms. Roberts asked about the dollar amount reduction on the proposal. Mr. Hanson said he understood that due to limited ETP funding, they were unable to request the original amount they had desired. He explained that in their first contract, they were able to utilize approximately 70 percent of the ETP funds and expects the same success rate in the proposed contract. Ms. Torres explained if Edwards returns for a second phase of funding, staff will consider current performance and project it over the amount of time left in the 21-month training period.

Mr. Broad asked if a company must abide by the substantial contribution requirement if it returns to the Panel requesting a large amendment. Ms. Torres disagreed and deferred the question to Maureen Reilly, General Counsel. Ms. Reilly said the requirement only applies to the funding "earned" at that particular training facility in a prior contract. She said staff is currently reviewing the substantial contribution regulation to see if the requirement can be implemented more evenly across-the-board. She said staff anticipates a proposed regulation for the Panel shortly. Mr. Broad said if it was the will of the Panel when a repeat contractor came back, they could deny the request for more funding as an amendment and require a new project. If there was a substantial contribution requirement, it would kick in. Mr. Broad said they want to get companies into the substantial contribution as soon as possible.

ACTION: Ms. Roberts moved and Mr. St. John seconded approval of the funding proposal for Edwards in the amount of \$1,738,800.

Motion carried, 5 – 0.

ExpressJet Airlines, Inc.

Ms. Torres presented a funding proposal for ExpressJet Airlines, Inc. (ExpressJet), in the amount of \$1,388,400. She explained that ExpressJet is one of the world's largest operators of regional aircraft.

Ms. Torres pointed out some items in the proposal, at pages 4 and 5. She said that ExpressJet initially requested a funding amount over \$500,000 but agreed to reduce the amount. She said ExpressJet plans to request an amendment for a second phase of SET funding to reach the remaining workers, after it demonstrates performance in the coming Fiscal Year. Ms. Torres said ExpressJet also requests the Panel approve an out-of-state training vendor, Air Training of Tucson, Arizona to provide Commercial Skills and Advanced Technology training for 50 maintenance workers and inspectors.

Ms. Torres said they this type of training had been approved by the Panel in the past in other airline proposals. She said that ExpressJet is requesting that the Panel approve a 25-hour workweek as full-time employment for Pilot and Flight Attendant trainees. She explained that their work shifts are regulated by Federal Aeronautics Administration at 25 hours per week.

Ms. Torres introduced Frederick Cromer, Vice President and Chief Financial Officer and Jill Phillips, Senior Manager of Resources and Administration.

Mr. Rendon asked why the turnover rate was not listed in the agreement. Ms. Torres said they do it by facility, and given that it is a start up, there was none.

Ms. Roberts asked about Air Training of Tuscon, as to whether they also provide training for the trainers. Mr. Cromer said all Air Training of Tucson will take place out-of-state. Ms. Roberts asked if any training would be sourced. Mr. Cromer said training has been sourced in the past.

Mr. St. John asked about operating under Continental Express and if it is a separate operating unit. Mr. Cromer said that under the FAA guidelines they had their own operating certificate so they were managed and operated as a completely separate airline, although wholly-owned by Continental Airlines until the Spring of 2002.

Mr. Rendon asked if ExpressJet will be based in California. Mr. Cromer said corporate headquarters are in Houston, Texas but flight crews will be based in several California cities. The largest base will be in Ontario, which will include maintenance operations.

ACTION: Mr. St. John moved and Ms. Roberts seconded approval of the funding proposal for ExpressJet in the amount of \$1,388,400.

Motion carried, 5 – 0.

ACCESS TO NONTRADITIONAL, HIGHER PAYING JOBS FOR CALIFORNIA WOMEN (presented out-of order)

Inez Gonzales, the Director of Media Policy for the National Hispanic Media Coalition spoke on behalf of the Women's Policy Institute. She said the Institute is a program of the California Women's Foundation. She said 30 women are selected from California for the Institute each year, to express the interests of low-income women and children.

Ms. Gonzales said the focus of this year's Institute is on training low-income women receiving CalWORKS benefits in the skills needed to acquire non-traditional jobs. She identified these jobs as having better wages and the opportunity for self-sufficiency. She said they have met with several stakeholders including ETP, Labor and Workforce Development Agency, Department of Social Services (DSS), elected officials and advocates. She said they found ETP is less bureaucratic, has more autonomy and is already set up to promote non-traditional training through apprenticeship and other programs. She said the welfare-to-work pilot program is very promising and could be a model for DSS.

Ms. Gonzales said the average hourly income for a CalWORKS participant in 2005 was \$7.23 per hour, compared to projected wages for the ETP welfare-to-work pilot program at \$8.25 to \$16.62. According to self-sufficiency standards for California in 2003, a single parent with a pre-schooler requires a median wage of \$12.50 per hour to pay for basic household costs. In urban areas, she said, a single parent must earn at least \$18.00 per hour to meet the family's basic needs. She said these statistics illustrate that the average CalWORKS income keeps women living in poverty, while the ETP hourly wage offers a potential for self-sufficiency.

Ms. Gonzales said the Institute has started lobbying State Legislators in support of the ETP budget. She said they have attended Assembly and Senate Budget Committees and testified as well as sent letters to Legislators. She said their message to Legislators is simple: It does not make sense for the State to continue to invest in job training programs that keep women living in poverty and there has never been a better time to train women for non-traditional careers. She said it is projected that 144,000 new construction workers are needed to build the \$50 billion dollar statewide infrastructure projects in the next 10 years, yet women currently make up less than 5% of California's construction workers. She said they strongly believe CalWORKS participants, with the majority being single mothers, deserve to be recruited, trained, and supported to enter into high-wage, high-skilled careers.

With reference to the current ETP pilot program, which requires outreach to CalWORKS recipients at 20% of a new-hire training project, Ms. Gonzales asked for a 30% commitment. She said Women's Policy Institute fellows are asking for ETP funds not only to continue welfare-to-work training, but also to encourage and support trainers to prepare women to enter the male-dominated skilled-trade occupations. She said ETP has the potential of creating a greater positive income impact than other statewide programs, in the effort to train CalWORKS recipients in non-traditional jobs.

Mr. Broad asked if there were any questions from the Panel.

Ms. Roberts asked if she has tracked any of the welfare-to-work training projects that the Panel has funded in the last year and if she knows of any women trainees who have moved into higher paying jobs. Ms. Gonzales said she did not know any of the women, but they have seen the potential of women placed in non-traditional jobs to earn a much higher wage than with CalWORKS.

Ms. Roberts said education is very important in addition to training. She noted that many community colleges have technical programs and suggested the importance of promoting both education and training to the women. Ms. Gonzales agreed and said ETP's welfare to work pilot programs could become a model for DSS and community colleges.

Mr. Broad asked if Ms. Gonzales had specific suggestions on moving forward with the program and said he would be very receptive. He said that ETP contracts with training organizations to place individuals, and invited them to participate. He said there is a truck driving school in both Northern and Southern California that will be starting up soon that is a collaborative effort between the labor and community groups and the cities. He said it is specifically aimed at recruiting individuals from local communities into jobs to service the maritime trucking industry. Mr. Broad said there is a severe shortage of qualified drivers and individuals can move from welfare-to-work in a \$15.00 per hour job in four weeks.

Mr. Broad said the Panel will be moving forward with a continued emphasis on welfare-to-work projects. He explained the importance of earning an amount that would realistically allow the women to support their families. Mr. Broad thanked Ms. Gonzales for her presentation and invited her to continue advocating for the welfare-to-work pilot program.

REMEC Defense & Space, Inc.

Ms. Torres presented a funding proposal for Remec Defense & Space, Inc. (REMEC), in the amount of \$656,208. She said that REMEC is dedicated to the design, development and manufacture of custom radio frequency (RF), microwave and millimeter wave products, including filters, multipliers, amplifiers and integrated microwave assemblies.

Ms. Torres introduced Nyla Marson, Senior Human Resources Manager.

There were no questions from the Panel.

ACTION: Ms. Roberts moved and Mr. Rendon seconded approval of the funding proposal for Remec in the amount of \$656,208.

Motion carried, 5 – 0.

TAMCO Steel

Ms. Torres presented a funding proposal for Tamco Steel (TAMCO), in the amount of \$323,910. She explained that TAMCO is the only small steel mill in California that recycles scrap metal and mills it into reinforcing bar (rebar) for the construction and building industry.

Ms. Torres introduced Charlie Perry, Vice President of Human Resources; Ruby Romero, Human Resource Administrator; and Kirk Aguiar, Safety Technician.

There were no questions from the Panel.

ACTION: Mr. St. John moved and Ms. Roberts seconded approval of the funding proposal for Tamco in the amount of \$323,910.

Motion carried, 5 – 0.

Toys “R” Us, Inc.

Ms. Torres presented a funding proposal for Toys “R” Us, Inc. (Toys “R” Us), in the amount of \$349,920. She explained that Toys “R” Us is one of the leading retailers of toys and related products that sells toys, stuffed animals, games, bicycles, sporting goods, movies, electronic and video games in its stores and Internet sites.

She introduced Jim Reid, General Manager; Jim Cavezza, General Manager of the Stockton Distribution Center and Nick Vyas, Regional Director of Operations.

There were no questions from the Panel.

ACTION: Ms. Roberts moved and Mr. St. John seconded approval of the funding proposal for Toys R Us in the amount of \$349,920.

Motion carried, 5 – 0.

California Pretzel Company, Inc.

Ruby Cohen, Manager of the ETP Sacramento Office, presented a funding proposal for California Pretzel Company, Inc. (California Pretzel), in the amount of \$260,100. She said that California Pretzel produces and distributes hard pretzels, bread sticks, snack mixes, peanut-butter filled pretzels and sourdough bread chips.

Ms. Cohen introduced Ed Desrosiers, Vice President of Operations.

Mr. St. John asked if California Pretzel was the largest private label. Mr. Desrosiers said it was with facilities in both California and Pennsylvania. He said they produce in excess of 80 percent of the private or store brand labels throughout the country, including products for other labels.

Mr. Rendon asked how long it takes the production/shipping employees to move up the wage scale. Mr. Desrosiers said the 12 employees are unskilled labor, tiered on an incentive five-year plan to encourage long-term employment. He said they automatically increase wages by \$1.00 per year until they earn what the rest of the group earns.

ACTION: Mr. Gordon moved and Ms. Roberts seconded approval of the funding proposal for California Pretzel in the amount of \$260,100.

Motion carried, 5 – 0.

Safety-Kleen Systems, Inc.

Ms. Cohen presented a funding proposal for Safety-Kleen Systems, Inc. (Safety-Kleen), in the amount of \$870,102. She explained that Safety-Kleen is a provider of industrial waste management, oil recycling services and parts cleaning.

Ms. Cohen introduced Billy Ross, Vice President of EHS North American Facilities and Nahid Toossi, Senior Environmental Health & Safety Manager.

Mr. Broad asked if the high turnover rate was because of the high cost of living in Oakland and San Jose. Mr. Ross said it was more attributable to the demands of the job. He said the service representative's job is a complex mix of sales and technical upkeep.

Mr. Ross said that the enhanced training program would be instructor-led. In the past, they have focused on self paced, self-learned training. Mr. Broad asked what is entailed with parts washing. Mr. Ross said they manufacture, distribute, sell and service parts washers. They place the washer, and come back every six weeks to tune it and refresh solvent. Mr. Broad asked if there was one particular industry that is serviced more than others. Mr. Ross said the automotive industry makes up 35 to 40 percent of their business and they are also found in machine shops and manufacturing plants.

ACTION: Mr. Rendon moved and Mr. Gordon seconded approval of the funding proposal for Safety-Kleen in the amount of \$870,102.

Motion carried, 5 – 0.

Special Employment Training (SET) Projects

Dolores Kendrick, Manager of the ETP North Hollywood Office, explained the commonalities of the five hospitals included under the SET projects. She said they qualify under SET for frontline workers earning at least the state average hourly wage, the training for these projects is reimbursed at the priority industry rate, and the projects are all supported by the Governor's nurse education initiative. In consideration of ETP's limited available SET funds, the amount of funding originally requested was reduced for each of these agreements with the understanding that each contractor may request an amendment within the agreement term to increase funding based on achieving significant performance and the availability of

SET funds. The five hospitals are all requesting funding to address nursing shortages and upgrade the skills of incumbent registered and/or licensed vocational nurses.

Mr. Broad asked who the applicant is for the five hospitals. Ms. Kendrick said they are all independently-owned hospitals. Mr. Broad asked if there were representatives present for each of the five hospitals. Ms. Kendrick said they were all present.

Mr. Broad asked if there was some distinction between any of the proposals. Ms. Kendrick said all five hospitals have the same consultant, but they are individual projects. William Parker, Consultant for National Training Systems, said that the hospitals were all single-employer applications.

Mr. Broad asked if the training is the same for all five hospitals. Mr. Parker said they share many common aspects of training. He said that East Los Angeles Doctors Hospital had experienced financial difficulties and Century City Doctor's Hospital is the newest acute-care hospital in Los Angeles. He said they have a lot of technological ability, but due to the nursing shortage, they are having trouble finding trained nurses and have had to rely upon contract labor, traveling nurses and registry nurses that are very costly.

Mr. Rendon asked if the five hospital projects could be consolidated and voted on as a group. Mr. Broad agreed with consolidating all five hospitals and said that after discussions, the motion will include all five hospitals and voted on as a group.

Mr. Broad asked if any of the hospitals are requesting waivers. Ms. Kendrick said Tab #64, USC University Hospital, requests a waiver to the turnover rate. She said the 2006 turnover rate was 22.67 percent turnover and stated it is an isolated incident due to one unit manager that contributed to the departure of several nurses. Since that person left, morale has improved and turnover rate has declined. Ms. Kendrick explained that the other waiver is to request the 200-hour class/lab cap for 22 recent graduate nurses receiving training in the Versant program. Mr. Broad asked if they are being held to the 25 percent retention. Ms. Kendrick agreed and said the 25 percent retention language is included in the agreement.

ACTION: Mr. St. John moved and Ms. Roberts seconded approval of the funding proposals for the following five hospitals, Tabs 60 through 64: Brotman Medical Center, in the amount of \$297,882; Century City Doctors Hospital LP, in the amount of \$298,080; East Los Angeles Doctors Hospital, in the amount of \$298,080; Olympia Medical Center, in the amount of \$299,484 and USC University Hospital Inc., a California Corporation, dba USC University Hospital, in the amount of \$294,548.

Motion carried, 5 – 0.

Brotman Medical Center

This proposal was approved under the consolidated Panel vote for the five hospitals included under the SET projects, in the amount of \$297,882.

Century City Doctors Hospital LP

This proposal was approved under the consolidated Panel vote for the five hospitals included under the SET projects, in the amount of \$298,080.

East Los Angeles Doctors Hospital

This proposal was approved under the consolidated Panel vote for the five hospitals included under the SET projects, in the amount of \$298,080.

Olympia Medical Center

This proposal was approved under the consolidated Panel vote for the five hospitals included under the SET projects, in the amount of \$299,484.

USC University Hospital Inc., a California Corporation, dba USC University Hospital

This proposal was approved under the consolidated Panel vote for the five hospitals included under the SET projects, in the amount of \$294,548.

Multiple Employer Contractor

Integrated Management Systems Marketing, Inc., dba Integrated Management Trade Association

Mr. Chan presented a funding proposal for Integrated Management Systems Marketing, Inc., dba Integrated Management Trade Association (IMTA) in the amount of \$868,925. He said that IMTA is a trade association supporting small to medium sized California manufacturers, distributors and suppliers in various industries. He explained that member industries include semiconductor electronics, plastics and injection molding, coating and plating, metals, biotechnology, food processing, software/IT, aerospace, defense and other industries.

Mr. Chan introduced Sallyanne Monti, Senior Consultant.

Ms. Roberts asked if there were several managers to be trained on this project. Mr. Creighton said managers would be trained, at up to 40 percent of the total population. Ada Carrillo, Deputy Director, said the regulatory cap allows the Panel to fund up to 40 percent although the Panel has historically set the cap at 20 percent unless additional manager training was needed to assist frontline workers. Ms. Carrillo said this project is proposing to go up to 30 percent for manager training. Ms. Monti said IMTA did not need to train 30 percent of managers and suggested reducing it. Mr. Broad reduced the training of managers to 20 percent.

Mr. Gordon asked about curriculum and instructor development. Ms. Monti said they assess the trainee skills at the beginning and then help the company develop a customized curriculum. She said they monitor the training during the course with questionnaires and surveys. Mr. Gordon asked how Ms. Monti is evaluated on her job performance. Ms. Monti is evaluated by ETP and monitored by the company. Mr. Gordon asked if they have a board of trustees. Ms. Monti said they have a five-member board, of which four trustees are manufacturers.

ACTION: Mr. Rendon moved and Ms. Roberts seconded approval of the funding proposal with the modification to reduce the amount of training managers to 20 percent for Integrated Management in the amount of \$868,925.

Motion carried, 5 – 0.

Silicon Valley Workforce Investment Network

Mr. Chan presented a funding proposal for Silicon Valley Workforce Investment Network (SVWIN), in the amount of \$385,000. He said that SVWIN was created to administer the Workforce Investment Act (WIA) in Santa Clara County. SVWIN is a consortium of eight cities (and balance of county) in Santa Clara and is one of two workforce investment boards (WIB) in Santa Clara County.

Mr. Chan introduced Jeff Ruster, Executive Director of Work2Future and Brian Sager, Vice President of Corporate Development for Nanosolar.

Mr. Broad asked what Nanosolar manufactures. Mr. Sager said they intend to manufacture the world's most inexpensive solar panels. The idea is to use an electronic ink to print onto a metallic foil substrate, much like newspaper is printed in a printing press, except it results in a functional electronic product. He said this is a very different approach than the traditional solar industry which uses a semi-conductor method that is more prevalent for computer chips. Mr. Sager said the compound and growth rate for the solar panel industry worldwide is very much greater than in the United States. He said American leadership in the solar panel technology manufacturing has been slipping for more than a decade and Nanosolar aims to reverse that trend.

Ms. Roberts asked if there were other employers utilizing SVWIN. Mr. Ruster said they are a Workforce Investment Board located within the Office of Economic Development for the City of San Jose. Ms. Roberts asked if Nanosolar is sourcing training. Mr. Ruster answered in the affirmative.

Mr. St. John asked about the printing method and its functional electronics. He said the ink is similar to India ink that was used in fountain pens, but this ink absorbs light and harvests electricity.

Mr. Broad asked if Nanosolar is agreeable to the reduction of manager training from 30 to 20 percent. Mr. Sager agreed.

ACTION: Mr. Rendon moved and Ms. Roberts seconded approval of the funding proposal for SVWIN with the modification that manager training is reduced to 20 percent in the amount of \$385,000.

Motion carried, 5 – 0.

The Corporation for Manufacturing Excellence dba MANEX

Mr. Chan presented a funding proposal for The Corporation for Manufacturing Excellence dba MANEX (MANEX), in the amount of \$750,990. He said that MANEX was formed to promote the creation of jobs in California and helping manufacturers and distributors gain a competitive edge in the global market. MANEX helps companies by providing advisory and implementation service to increase growth, productivity, and quality enabling the companies to compete globally. MANEX provides services in corporate strategy and planning, marketing strategy, training and development, lean manufacturing, supply chain and logistics, Six Sigma, ISO, and performance management systems.

Mr. Chan introduced Michael Honeycutt, Chief Operating Officer.

Mr. Broad asked about past performance. Mr. Honeycutt admitted they had poor performance, and explained that it was due to changes at the executive level that have since been resolved. He said the current management team has been in place for a couple of years. He said MANEX reduced its funding request to approximately \$750,000 because it is more practical and reasonable. Mr. Broad suggested a further reduction. He suggested reducing the amount to \$500,000 with a proviso that MANEX could seek additional funds by way of amendment after it has had a chance to demonstrate performance. Mr. Honeycutt was agreeable.

Mr. Gordon asked about trainee assessment. Mr. Honeycutt said they approach companies to discuss manufacturing processes and tailor training needs. Mr. Gordon asked if language barrier programs are offered. Mr. Honeycutt said that they do not have an in-house resource for VESL training, but use outside trainers in this area.

ACTION: Mr. Rendon moved and Ms. Roberts seconded approval of the funding proposal for MANEX with the modification that manager training is reduced to 20 percent and the contract amount is reduced to \$500,000.

Motion carried 5 – 0.

NTMA Training Centers of Southern California

Ms. Kendrick presented a funding proposal for NTMA Training Centers of Southern California (NTMA), in the amount of \$2,000,852. She explained that as the training arm of the

machining industry in Southern California, NTMA provides training to employees of small and medium-sized machine shops in the metal trade industry.

Ms. Kendrick introduced Michael Kerwin, President and Norma Meza, ETP Coordinator.

Ms. Roberts observed that an active contract which is running concurrently, and asked what is different with the proposed contract. Ms. Meza said the active project is for new-hire training and the proposed project is for retraining. Mr. Kerwin said they are a nationally accredited school and have a 720-hour program for new-hires. Ms. Carrillo said that on the 720-hour program, WIA is funding the first 400 hours and ETP is funding the latter part. She said NTMA has positive past performance, usually 90 percent for retraining.

Mr. Broad said past NTMA projects amount to \$5.5 million. He was concerned about NTMA projects making up a large percentage of ETP's entire budget. Ms. Carrillo agreed, with the exception that ETP only encumbers 35 percent of the contract awarded.

ACTION: Mr. St. John moved and Mr. Rendon seconded approval of the funding proposal for NTMA in the amount of \$2,000,852.

Motion carried, 5 – 0.

Southern California Operating & Maintenance Engineers Apprenticeship Training Trust Fund for Local 501

Southern California Operating & Maintenance Engineers Apprenticeship Training Trust Fund for Local 501 was withdrawn from consideration at this month's Panel meeting.

Mr. Broad asked about the status of this project. Ms. Kendrick said it is now ready to move forward and will most likely be included on the May agenda. Mr. Saragosa said ETP staff is fully prepared to have the project ready for the May meeting and it was a timing issue.

UAW Labor Employment and Training Corporation

Ms. Kendrick presented an Amendment for UAW Labor Employment and Training Corporation (UAW LETC), in the amount of \$93,786. She said that UAW LETC is a labor-centered workforce development corporation that operates customized training programs for businesses and unions.

Ms. Kendrick introduced Audrey Holmes, Vice President and Chief Operating Officer and Eric Huelsman, President/CEO of Studio Arts.

There were no questions from Panel Members.

ACTION: Mr. St. John moved and Ms. Roberts seconded approval of the UAW Amendment in the amount of \$93,786.

Motion carried, 5 – 0.

West Covina Chamber of Commerce

Ms. Kendrick presented an Amendment for West Covina Chamber of Commerce (WCCC), in the amount of \$215,460. She explained that WCCC has approximately 375 business members from a wide variety of industries including manufacturing, financial services, healthcare, insurance, communications, hospitality,

Ms. Kendrick introduced Gary Lawson, Executive Director.

There were no questions from the Panel.

ACTION: Ms. Roberts moved and Mr. Rendon seconded approval of the Amendment for WCCOC in the amount of \$215,460.

Motion carried, 5 – 0.

Franklin Career College

Ms. Torres presented a funding proposal for Franklin Career College (Franklin), in the amount of \$796,230. Franklin is a public training agency that provides training and placement services to the public.

Ms. Torres introduced Ali Bayrami, President/CEO and Rose Hernandez, Chief Operating Officer.

Ms. Roberts asked if a moratorium was placed on welfare-to-work training. Ms. Carrillo said the Panel imposed the moratorium in the instance that the proposal was solely welfare-to-work but they are continuing to fund new-hire training in this area for up to 20 percent of the project's population.

ACTION: Mr. Rendon moved and Mr. St. John seconded approval of the funding proposal for Franklin in the amount of \$796,230.

Motion carried, 5 – 0.

X. DISCUSSION/ACTION ITEM

PEO Guidelines

Amend T.22 CCR Section 4427, Retained in Employment with a Temporary Agency

Staff Counsel Spencer Kenner reminded the Panel that it discussed this issue at its meeting on January 26, 2007 at which time it decided to permit employers using a Professional

Employer Organization (PEO) to apply for ETP funds. At that time, the Panel directed staff to return with guidelines. He said the guidelines were outlined in the Memorandum to the Panel in this month's packet.

Mr. Kenner said one of the issues the Panel was concerned about was the distinction between a PEO and a temporary staffing or leasing agency. The distinction, he said, is that a PEO supplies services such as payroll and human resources, but primarily acts as a third-party administrator. The temporary agency supplies workers, not services.

Mr. Kenner said the guidelines addressed two primary Panel concerns. First, Unemployment Insurance (UI) tax manipulation, where an employer will either dissolve or reorganize as a different entity to obtain a lower UI tax rating. He said this problem had been largely resolved by new "anti-SUTA dumping" legislation at the state and federal level. Second, the Panel was concerned about job security. Mr. Kenner said this was only an issue when new-hire trainees are placed with a temporary agency, unlike co-employment between a PEO and its client company where trainees remain co-employed by the ETP contracting employer or participating employer.

ETP would only contract to fund training with the client company, not the PEO. That company would need to be eligible for funding, and satisfy performance requirements such as full-time employment retention. Thus, the co-employer model provides the same degree of job security (retention) as other retraining projects under a standard single-employer or multiple-employer contract.

Mr. Kenner emphasized that this is a pilot project, subject to future modifications. He said no major changes would occur to ETP eligibility standards and performance requirements. He explained that the ETP legal office would review PEO service agreements on a case-by-case basis during the initial stages of the pilot. This review would determine if a co-employment model is in place, if the client company controls working conditions, and if the PEO is responsible for making UI payments.

Ms. Reilly explained that the Panel must take action today on a related matter, to approve a proposed regulation amendment that would clarify the distinction between a PEO and a temporary agency. She directed the Panel's attention to the strikeout-and-underline text of proposed amendments at Title 22, California Code of Regulations Section 4427.

At present, she said, this regulation restricts the placement of new-hire trainees with a temporary staffing or leasing agency. It would be clarified by reference to the definition of "temporary agency" in UI Code Section 606.5. That definition requires a temporary agency to control working conditions, making it distinct from a PEO where the right of control is held by the client company. Thus, the restriction on new-hire placements in Section 4427 would not apply to an employer that retains the services of a PEO.

Ms. Reilly explained that Section 4427 would also be amended to allow retraining to start while trainees are on payroll with a temporary agency, so long as they are hired into a full-time permanent position by the contracting employer for purposes of retention and related

performance requirements. This “temporary to permanent” hiring model would be reviewed by the Panel and approved on a case-by-case basis for a single-employer contract.

Ms. Reilly directed the Panel’s attention to the ~~strikeout-and-underline~~ text for the proposed amendment, attached to the Memorandum to the Panel. Mr. Broad asked if the Panel could revise the text at this stage of the process. She said it could, since the proposed amendment had not even been noticed for public comment. Mr. Broad asked for a revision to make it clear that the “temporary to permanent” hiring model could be approved by the Panel under both a single-employer and Multiple Employer Contract (MEC). With a MEC, the participating employer would hire temporary staff into a permanent, full-time position for purposes of retention and related requirements.

Ms. Reilly agreed to make this change, if approved by the Panel, before the proposed amendment was noticed for a 45-day public comment period. Afterward, absent comment, the proposed amendment would go to the Office of Administrative Law for review before it could be enacted as a regulation. She said this was typically a three to six month process.

Ms. Reilly read the language revision by Mr. Broad for the record, prior to the Panel vote. She said the text at new subsection (c) would read “hired by a single employer under a single employer contract, or by a participating employer under a multiple employer contract.” Mr. Broad agreed to that revised text. He said the labor market has a component where people find permanent jobs by signing up with a temporary employer, and he proposed moving forward to amend Section 4427.

Mr. Broad asked for a motion to approve staff’s recommendation in the Memorandum to Panel Members dated April 26, 2007 thereby authorizing staff to process applications and develop proposals for employers that use a PEO or payroll company under pilot program guidelines, and to amend Section 4427 as revised on the record.

ACTION: Ms. Roberts moved and Mr. Rendon seconded the motion, with the revised proposed amendment to subsection (c) of Section 4427, Temporary Agency.

Motion carried, 5 – 0.

XI. PUBLIC COMMENT

There was no public comment.

XII. ADJOURNMENT

ACTION: Mr. St. John moved and Ms. Roberts seconded to adjourn the meeting at 12:39 p.m.

Motion carried, 5 – 0.