STATE OF CALIFORNIA
EMPLOYMENT TRAINING PANEL MEETING
Oakland Marriott City Center
Jewett ABCD
1001 Broadway
Oakland, California
October 24, 2002

PANEL MEMBERS

Marsha Kwalwasser
Chairperson

Aram Hodess
Vice Chair

Barry Broad
Member

Joan Dean
Member

Tyrone Freeman
Member

Robert Lennox
Member

Tom Rankin
Member

Executive Staff

Peter McNamee
Executive Director

Ada Carrillo
Acting Assistant Director

Peter G. DeMauro
General Counsel

STATE OF CALIFORNIA
EMPLOYMENT TRAINING PANEL MEETING
Oakland Marriott City Center
Jewett ABCD
1001 Broadway
Oakland, California
October 24, 2002

I. PUBLIC PANEL MEETING CALL TO ORDER

Ms. Kwalwasser, Chairperson, called the public Panel meeting to order at 9:44 a.m.

II. ROLL CALL

Members Present
Marsha Kwalwasser, Chairperson
Barry Broad (Arrived after Roll Call – 9:48 a.m.)
Joan Dean
Tyrone Freeman (Arrived at 1:51 p.m.)
Tom Rankin (Arrived after Roll Call – 9:36 a.m.)

Members Absent
Aram Hodess
Robert Lennox

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

III. APPROVAL OF AGENDA

There were no comments regarding the Agenda.

Mr. DeMauro stated that without a quorum, the Panel would be acting as a committee of the whole. The Panel members present would listen to the contractors' presentations but without a quorum would not be able to take any action on the proposals.

IV. APPROVAL OF MINUTES

Ms. Kwalwasser questioned the spelling of the last name of the Vice President of Century Housing. The correct spelling of her name is Ann Marie Hickambottom.

V. REPORTS OF THE CHAIRPERSON/PANEL MEMBERS

There were no reports.

VI. REPORT OF THE EXECUTIVE DIRECTOR

Mr. McNamee reviewed the goals and objectives as stated in ETP's Strategic Plan. Each ETP unit has created its individual extensive plan and detailed initiatives to meet those goals. He stated that staff would be presenting the implementation plan to accomplish each goal and objective to the Panel at the November meeting.

Mr. McNamee reported that ETP is preparing a "Request for Proposal" in a competitive bid process for new ETP marketing contracts. The process will allow ETP to identify contractors to market the ETP program. Mr. McNamee also gave a monthly report on the current marketing efforts. He stated that 75 percent of last month's marketing was directed to manufacturing and high tech companies.

Mr. McNamee reported that the Labor Agency has been holding weekly meetings to discuss what each Department is doing and to develop a Labor Agency Strategic Plan. ETP has been asked to take the leadership in developing a Budget Change Proposal (BCP) to reconcile the current shortfall in the Employment Training Tax Fund with the expenditures that are appropriated to the various other programs. He stated that the Labor Secretary has endorsed and submitted to the Department of Finance a BCP requesting the funds that have been directed to the Department of Social Services for CalWORKS programs and employment service programs be redirected back to the Employment Training Panel. The Panel may need to tighten funding priorities and targeting of training funds.

VII. REPORT OF THE GENERAL COUNSEL

Ms. Kwalwasser announced that the Apprenticeship Policy would not be acted on at this month's Panel meeting due to the absence of interested Panel members. She stated in-depth discussion and action on apprenticeship would be taken up at the November Panel meeting.

Small Business Pilot Projects

Mr. DeMauro summarized the Small Business Pilot Project previously approved by the Panel.

Bill Rash stated there were five small business contracts being presented for approval at the October Panel meeting. The number of employees in these small businesses ranges from 15 to 48 employees. The average amount of funding requested in the five contracts is $8,936. All of the contractors have met the ETP minimum hourly wage for their geographical areas. The average number of training hours per trainee was 23.5 hours at an average cost per trainee of $407.23. These companies were unable to apply for funding in the past because they were unable to release employees for the ETP required minimum of 40 hours of training due to production schedules. Mr. Rash stated that ETP's small business development staff is currently working with approximately eight small business applications and should be bringing them for Panel review in the month of November.

Mr. Rankin expressed concern that more time and money is being spent for administration costs than for the cost of training. Mr. DeMauro replied that it is too premature to evaluate the success of the pilot program.

Apprenticeship Training

Mr. DeMauro gave an overview of the background of the Panel's policy on funding apprenticeship training. The Panel's enabling legislation mandates that the Panel can only fund training that supplements, rather than displaces, and shall not replace, parallel, supplant, compete with, or duplicate in any way already existing approved apprenticeship programs. The Panel adopted a policy to fund journey-level upgrade training and pre-apprenticeship training for trades that have Department of Apprenticeship Standards (DAS)-approved apprenticeship programs. The applicant seeking journey-level upgrade training must be a DAS-approved apprenticeship program or must be participating in a DAS-approved apprenticeship program, and trainees must have completed a DAS approved apprenticeship program or have worked the equivalent number of hours required by the DAS for completion of an apprenticeship in the industry in which they are to receive training. The applicant seeking a pre-apprenticeship training project must be a DAS-approved apprenticeship program or participating in a DAS-approved apprenticeship program, and trainees upon completion of the approved pre-apprenticeship training must be enrolled in the DAS-approved apprenticeship program for work in the industry in which they have received pre-apprenticeship training. Mr. DeMauro stated that, according to contractors, in many cases trainees may be hard-to-serve individuals with no previous work history and, therefore, do not qualify for an apprenticeship program. In order to address this and other concerns, staff recommends that the Panel consider allowing other placements on a case-by-case basis subject to prior Panel approval.

Steve Duscha, Alliance for ETP, stated that the ETP rules for apprenticeship training make sense and are intended to apply to the building trades unions where apprenticeship is the normal entry into the trade. He stated using language such as "all DAS-approved programs" mainly pertains to the building trades. He stated DAS has a lengthy list of non-building trades programs and the Panel should exercise caution that the rules for construction apprenticeship do not "spill over" into the non-construction industries that have apprenticeship programs that are not readily available or are not strictly defined.

Ms. Kwalwasser asked that comments be submitted in writing to ETP for further discussion at the November Panel meeting.

VIII. AGREEMENTS AND AMENDMENTS

The following projects were presented, but due to the lack of a quorum, the vote on each project was postponed until later in the day when a quorum would be present.

Educational Services, LLC, d.b.a. Advanced College of Technology

Diana Torres, Manager of the San Diego Field Office, presented a One-Step Agreement for Educational Services, LLC, d.b.a. Advanced College of Technology (ACT) for a total program cost of $196,720 with an estimated total in-kind contribution of $283, 500.

ACT is a private for profit training school approved by the Bureau of Private, Postsecondary and Vocational Education for the training proposed in this Agreement. ACT is requesting ETP funding as a first-time training agency. Under this proposal, ACT requests ETP funds for two types of Advanced Technology training for manufacturing, information technology and electronics/telecommunications companies. The proposed training will provide 110 Network Administrators and other IT staff with necessary skills to administer servers. An additional 50 retrainees will received training in Fiber Optics and Digital Interconnect training for companies shifting from copper to fiber optics and digital interconnect systems.

All participating employers will meet the Panel's out-of-state competition requirement. ACT requires the active involvement of all participating employers in customizing their curricula to meet the individual employees and retrainees needs. ACT has met the center-based training requirement because the specific training needs of each employer have been assessed and the training and delivery are designed around a discrete industry.

Ms. Torres introduced Bill Burgess, CEO; June S. Montenegro, Admissions & Marketing Director; and Fred Carini, Executive Director of Advanced College of Technology.

(Refer to page 12 for Panel action.)

Long Beach Workforce Development Bureau

Creighton Chan, manager of ETP's San Mateo field office, presented a Proposed Amendment for Long Beach Workforce Development Bureau. Through marketing efforts, the Contractor discovered that the companies interested in the Techforce training are smaller businesses that have between 100 and 250 employees. By increasing the scope of employers to 250, the contractor will be able to meet the demands of a wider range of small companies and increase its market base. This Amendment proposes to add new job numbers to provide additional training to those trainees who had completed ETP-funded training and the 90-day retention period.

(Refer to page 12 for Panel action.)

TriNet Networking & Training Inc.

Mr. Chan presented a One-Step Agreement for TriNet Networking & Training Inc., in the amount of $199,400. TriNet Networking & Training Inc. is a private for-profit training and educational school that specializes in a variety of information technology disciplines.

TriNet is requesting the Advanced Technology fixed-fee rate of $20 per hour for 50 trainees in job numbers 1-5 for training in highly sophisticated software applications and network technologies. In order to become proficient in a specific number of computer disciplines and to pass the certification examinations, the Company states that the trainees must take several 40-hour courses as specified by the manufacturer of the computer software. The trainees in this proposed training will be receiving between 160-200 hours of training at a cost per trainee of $4,000 and $3,200 for Jobs 1 and 2 respectively.

Mr. Chan introduced Karah Melormies, Director of Training. Ms. Kwalwasser questioned the range differential of cost per trainee of $800 to $4000. Ms. Melormies replied that the difference is the cost for the total number of training hours required in each job rather than cost per hour. Mr. Rankin requested jobs be broken down into individual groups in future proposals.

Mr. Rankin questioned why the 8 percent multiple employer contractor support funding was not included in this Agreement. Mr. Chan explained that the 8 percent reflects the cost for recruiting new participating employers in an MEC. In this case, because all employers had been identified, the 8 percent was not applicable.

Mr. Rankin questioned the monitoring of percentages of managers and supervisors to be trained in MEC projects. Ms. Carrillo stated that each participating employer in an MEC is monitored.

(Refer to page 12 for Panel action.)

Westech

The Westech proposal had been withdrawn from consideration at this month's Panel meeting.

Northern California Construction and Training, Inc.

Mr. Charles Rufo, manager of ETP's Sacramento field office, presented a One-Step Agreement for Northern California Construction and Training, Inc. (NCCT). This will be the first ETP training agency agreement with NCCT. This Agreement proposed to train 24 new-hires in a 280-lab hour pre-apprenticeship program in the amount of $107,232.

NCCT seeks new-hire funding under the SET category for training of individuals with multiple barriers to employment. NCCT is a 501(c)(3) non-profit community-based organization that has provided employment training and pre-apprenticeship programs for nearly 10 years in Sacramento, San Joaquin, and Yolo Counties.

The program will consist of 800 hours of classroom and laboratory training over a six-month period. During the course of training, trainees will build homes according to building code requirements. NCCT states that the homes are sold at cost to the public, specifically low-income and first-time homebuyers.

The proposed training qualifies for ETP's definition of laboratory training because it is taking place in a non-productive environment and NCCT is not in the business of building construction and will not benefit by making a profit since the homes are sold at cost. Staff has added language to the Agreement to ensure that these two conditions are maintained during the Agreement term. The applicant will attempt to place the trainees in approved apprenticeship programs for work in the industry which they have received pre-apprenticeship training. However, since the trainees are hard-to-serve individuals with no previous skills or work history, staff recommends that the Panel allow placements on a case-by-case basis.

Mr. Rufo introduced Bill Meehan, President, and Jim Larson, Vice President, Program Development. Mr. Broad asked where the trainees who don't get into the apprenticeship program would be placed. Mr. Meehan stated the trainees not qualifying for an apprenticeship program would be placed in a related field working under the guidance of a journeyman who has successfully completed an approved apprenticeship-training program.

Mr. McNamee stated that this project is targeted at people who have multiple barriers for entering the workforce. Construction is an industry that has a high demand for workers. He stated that this is NCCT's first project utilizing ETP funds. Staff will monitor this project to ensure that ETP is providing every support and

encouragement for NCCT to be successful. This project presents an opportunity to build a workable model that can be replicated and expanded to address populations with multiple barriers to give them trades and providing them with career opportunities.

(Refer to page 13 for Panel action.)

Truck Driving Academy

Mr. Rufo presented a Proposed Amendment for Truck Driving Academy to add 100 new-hires in truck driver training for a program cost of $383,000.

Truck Driving Academy is a vocational training institute located in Sacramento and established in 1985 providing truck driver training. Trainees will receive 240 hours of class/lab training including topics such as Safe Operating Practices, Advanced Operating Practices, and basic driving maneuvers.

Based on Truck Driving Academy's previous placement records, wages for truck drivers have demonstrated a significant wage progression. Within two years of completion of training, Truck Driving Academy graduates earn and average of $13.13 per hour.

Mr. Rufo introduced Charles Grant, Owner, and Dianna Ojeda, Vice President. Mr. Broad asked if the students have guaranteed jobs with the participating employers. Mr. Grant stated that some of the students are already employed with participating employers but each company performs its own review of individual students before hiring.

Ms. Kwalwasser questioned the source of the $455,652 in-kind contribution. Mr. Rufo stated $455,652 is the total in-kind contribution for both phases. The portion for this phase is $196,475, which includes $128,160 for wages and benefits paid to trainees during training from participating employers employing those trainees.

Mr. Broad questioned union affiliations. Ms. Carrillo stated that as each participating employer is added and there is a collective bargaining agreement, a letter of support must come in for that employer to be approved. Mr. McNamee stated that the initial core employer list presented with a MEC proposal to the Panel isn't the end of the process. Additional employers are frequently added to projects following Panel approval.

(Refer to page 13 for Panel action.)

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

Mr. Chan presented a One-Step Agreement for Nursing Care Providers, Inc., d.b.a. NCP Vocational School in the amount of $612,750. This project was first presented before the Panel at the June 2002 meeting. The Panel then voted to hold the project over until the agency met the in-kind requirement of 50 percent of the contract amount. The agency now lists $500,250 in in-kind costs to this project.

This project will support the governor's Nurse Workforce Initiative by training and placing new people into the healthcare industry. This project proposes to train and place 150 people who are either collecting unemployment insurance benefits or have exhausted their benefits within the past 24 months to become employed in Certified Nursing Assistant occupations.

At $4,085 per trainee, the cost per trainee is more than double the ETP average cost per trainee. The agency proposes to place the ETP trainees at the minimum ETP wage of $10.14 per hour, which includes health benefits. This is above the entry-level wage for the San Francisco Bay Area of $7.13 per hour as demonstrated by Labor Market Information Division (LMID) of EDD.

Some of the participating employers have union participation and ETP has a letter of support from the SEIU Local 250.

Mr. Chan introduced Nelly Jocson, School Director. Ms. Jocson stated that she has assisted in the development of the design of its curriculum. They would like to train 150 individuals in response to the training needs of the currently unemployed workers who would become CNAs. This would help ease the staffing shortage and help improve the staffing ratio. These CNAs can be motivated and can move up the career ladder.

One of the Panel members asked that he noticed in the letter submitted with the proposal from SEIU that Dianna Daily stated that she would encourage ETP to expand the list of participating facilities beyond the list that is provided here so that more SEIU members might benefit from the program. The Panel member asked if the contractor had undertaken any effort to pursue that objective.

Ms. Jocson stated that they have, as they have developed relationships with their nurses that are placed with the facilities. They will be expanding their list of core employers as well.

Mr. Rankin stated that NCP is guaranteeing a wage of $10.14 per hour that might include a dollar in health benefits, and asked about the union wage rate.
Ms. Jocson stated that NCP has the data and it can be provided to ETP. There was a survey in terms of the Bay Area facilities including hospitals. The average wage range is from $10 to $15, with a minimum wage of $13, so the wage range in the proposed project is within the range.

Mr. Rankin asked how that works in terms of wages NCP has listed where it is claiming that the average is $7.13 for entry-level. Mr. Chan stated that that information was gathered from a publication from EDD's Labor Market Information Division.

Ms. Jocson stated that for the CNAs that NCP is placing with nursing facilities, the average is about $12.

Mr. Rankin asked if they would have a problem with a longer retention period than 90 days given the low wages.

Ms. Jocson stated that the 90-day retention is something that they have to monitor very closely. They are asking to train 150 people but yet they will probably train from 200-230. Nursing is very hard work and trainees may go through the training successfully, but when actual work starts, then the dropouts increase. She stated it is very high-risk for the contractor. The last project NCP had achieved a 98 percent performance, and the reason for that was that out of the 80 that were approved, they probably trained about 150 nurses. If trainees want to leave, NCP has no recourse other than trainees' moral obligation and their commitment with NCP to stay for 90 days.

Mr. Rankin asked if 98 percent stayed 90 days, what percent remained120 days? Ms. Jocson stated that to motivate the trainees to remain for 90 days, NCP offer the students free for additional training. Probably 50 percent will stay 120 days in the same facility, and the others would probably look for other facilities that would pay higher. Ms. Jocson was of the opinion that the trainees would stay in the same industry.

(Refer to page 13 for Panel action.)

Pac-West Telecomm, Inc. (Presented out of order)

The Panel had a quorum present with the arrival of Tyrone Freeman at 1:50 p.m.

Mr. Rufo presented a One-Step Agreement for Pac-West Telecomm, Inc., for a funding amount of $452,320. Pac-West Telecomm is a provider of integrated communication services throughout the western United States. Pac West was the second company in California to obtain approval to operate as a Competitive Local Exchange Carrier in 1996. The proposed training is planned to provide new and more effective ways to interact with customers and create a culture of service within the company. Pac West seeks training to assist employees in identifying, documenting, and implementing process changes that will result in moving to a high performance workplace.

Pac West is requesting a waiver of the 20 percent turnover rate requirement based on an anomaly in turnover in 2001. In 2001, the turnover was 45.2 percent, which

exceeded the prior year turnover of 16 percent. A staff reduction in 2001 was one of several initiatives used to respond to the weakening economy and position the company for future growth. Pac West had agreed that it would not earn the final 25 percent reimbursement unless the company achieves a turnover rate of 20 percent or less for the last 12 months of the agreement.

Mr. Rufo introduced Scott Hinton, Corporate Training Manager; Nathan Benedict, Senior Corporate Trainer; and Rene Huff, Senior Corporate Trainer. Mr. Rankin had concerns regarding the 45 percent turnover rate. Mr. Hinton stated that prior to year 2001, the turnover rate was 16 percent. The Company had restructured its sales organization and experienced a major layoff in 2001 causing the turnover rate to increase to 45 percent.

ACTION: Ms. Dean moved and Ms. Kwalwasser seconded the Panel approve this One-Step Agreement as proposed.

Motion failed, 2 – 2 – 1 (Roll call vote: Tom Rankin, no; Tyrone Freeman, no; Barry Broad, abstain; Joan Dean, yes; Marsha Kwalwasser, yes.

Cellco Partnership d.b.a. Verizon Wireless (Presented out of order)

Mr. Broad recused himself from discussion and action on the Cellco Partnership d.b.a. Verizon Wireless proposal.

Mr. Rufo presented a One-Step Agreement for Cellco Partnership, d.b.a. Verizon Wireless for the retraining of 1,896 employees for $2,850,146. This Agreement was presented at the September 2002 Panel meeting. At that meeting, Mr. Hodess had requested an extension of the 90-day retention period to a 150-day period due to high turnover within the industry.

Verizon officials state that they would prefer an alternative provision, either the normal retention period of 90 days with a maximum average turnover set at 24 percent for the last 12 months of the Agreement, or extending the retention period to 120 days with no provision in the Agreement to withhold the final 25 percent of reimbursement contingent on the turnover rate. Verizon states that an extension to 150 days would limit the time allowed for training during a contract term fixed at 24 months. A reduction of training time to 19 months could threaten the Company's chances of achieving full success with the proposed training program.

Staff has recommended that the Panel extend the retention period to120 days and require a 24 percent maximum turnover at all participating facilities.

Mr. Rufo introduced Shane Sanders, Director of Finance; and Ed Solomon with Deloitte and Touche. Mr. Rankin stated that he shares Mr. Hodess' concern regarding the turnover rate and asked how an extension to 150 days would limit the

time allowed for training during the term fixed at 24 months. Mr. Sanders stated that extending the retention to 150 days basically allows them less training time within the 24-month contract term.

Ms. Kwalwasser questioned the occupations of those people being trained. Ms. Barber stated the employees to be trained are customer service representatives, who are the frontline workers that are responsible for servicing customers. They have to be extremely knowledgeable about the telecommunications industry technical systems as well as the products and services the Company offers.

Mr. De Mauro asked if ETP were able to construct a contract provision that permitted the most significant part of the retention period outside that two-year term would Cellco agree to the 150-day retention period? Mr. Sanders agreed, stating that would give them some flexibility and latitude.

Panel members had concerns about ETP funds being spent on industries where high turnover rates exist. Mr. Freeman stated ETP had previously added contract language that the contractor will earn the final 25 percent progress payment only if the contractor achieves a turnover rate of 24 percent or less for the last year of the Agreement. Ms. Kwalwasser stated that part of the issue would be the size of the contract and recommended the Panel consult with Mr. DeMauro to work out the legal questions. The Panel consented to putting this project over to the November meeting.

Ms. Kwalwasser revisited the following projects that were presented earlier in the day when a quorum was not present:

Educational Services, LLC, d.b.a. Advanced College of Technology

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

Motion carried, 5 – 0.

Long Beach Workforce Development Bureau

ACTION: Mr. Rankin moved and Ms. Dean seconded the Panel approve the Proposed Amendment.

Motion carried, 5 – 0.

TriNet Networking & Training Inc.

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

Motion carried, 5 – 0.

Northern California Construction and Training, Inc.

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

Motion carried, 5 – 0.

Truck Driving Academy

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

Motion failed, 2 – 2 – 1 (Roll call vote: Tom Rankin – abstained; Tyrone Freeman – no; Barry Broad – no; Joan Dean – yes; Marsha Kwalwasser – yes).

Mr. DeMauro stated that a letter would be sent to Truck Driving Academy informing the Contractor of the Panel's denial of the project because of employer contribution issues.

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

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

Motion carried, 5 – 0.

City National Bank

Mr. Chan presented a One-Step Agreement for City National Bank in the amount of $274,560. Because of competition from out-of-state competitors, City National Bank must lower costs and improve customer service. To accomplish this, City National has purchased new software and has made plans to transition to a high performance workplace. Trainees will be trained in Business Skills, Commercial Skills, Computer Skills, and Continuous Improvement.

Mr. Chan introduced Sarah Davies, Senior Vice President and Tom Kristy, President, VeriLogix.

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

Motion carried, 5 – 0.

The Pines Resorts of California, d.b.a. The Pines Resort and Conference Center

Mr. Rufo presented a One-Step Agreement for The Pines Resorts of California, d.b.a. The Pines Resort and Conference Center. This Agreement is for retraining 125 employees for $127,400. This program will consist of class/lab hours in Continuous Improvement, Business Skills, Computer Skills, and Management Skills. The California Technology Trade and Commerce Agency referred this project to the Panel. This project is seeking funds as a destination resort for its location on the shores of Bass Lake near Yosemite National Park, which is a High Unemployment Area of California in Madera County.

Established in 1977, the Pines Resort and Conference Center is a full-service year-round resort. The resort employs approximately 128 full-time workers from Mariposa, Madera, and Fresno Counties.

The tourist industry in California has taken a major blow since September 11, 2001. Out-of-state tourism in 2002 is down 35 percent from 2001. The Pines resort has been able to maintain staff, even during this difficult time; however, Pines officials have determined that they need to change their traditional business structure to a high performance workplace, in order to attract more out-of-state clients.

The Pines Resort is requesting a waiver of the ETP minimum wage of $11.15 per hour for Madera County to a minimum of $8.91 to $9.96 per hour for 45 working poor trainees. The wage of $8.91 is within the 25 percent threshold of the ETP minimum wage for retrainees. Madera County is recognized as a high unemployment area of California. The contractor states that these retrainees will receive a wage increase of five percent after training and retention have been completed.

Mr. Rufo introduced Donna Davis, Director of Operations and Martha Robichaux, Human Resources Manager. Mr. Rankin questioned the wage waiver. Ms. Davis stated the wage waiver is for frontline workers in Job 3 who are being trained for trainer positions or senior positions and are working in a high unemployment area. Ms. Davis stated that she has been on the Economic Development Commission (EDC) for Madera County for the last two years and has experienced increased difficulty in retaining employees and in recruiting employers to Madera County because of the lack of a well-trained workforce. The Commission has been working with the Workforce Development Board and EDD as well as the EDC to try to change that trend in Madera County.

Mr. Rankin asked if the difficulty in retaining people was due to low wages. Ms. Davis stated that they are competitive in their industry and in the area. Mr. Rankin requested a longer retention period of 120 days be applied to the contract terms. There was no objection from the Contractor.

ACTION: Mr. Rankin moved and Mr. Freeman seconded the Panel approve this One-Step Agreement with the condition that the retention rate be 120 days.

Motion carried, 5 - 0.

Covad Communications, Inc.

Mr. Chan presented a One-Step Agreement for Covad Communications, Inc., for a funding amount of $126,605. Covad is headquartered in Santa Clara and is a national broadband service provider of high-speed Internet and network access utilizing Digital Subscriber Line (DSL) technology. The Company states that increased expenditures by the business sector following the slowdown in the economy has led many DSL providers to go out of business and has forced Covad to restructure its business. The Company must now become a high performance workplace by expanding its markets and creating new and improved processes and services. To achieve these goals, Covad is requesting ETP funding to retrain 262 of its California workers in Business, Continuous Improvement, Commercial, Management, and Computer skills.

Covad experienced a 24 percent turnover rate in the previous calendar year. They state that this was because of the massive restructuring it underwent in the first part of 2000. Representatives state that Covad's turnover rate is now on a downward trend and as of August it was 12 percent. The Company has agreed to a 25 percent withhold of the Agreement amount if the company does not achieve a 20 percent turnover rate during the final year of the Agreement.

Mr. Chan introduced Suzanne Salazar, Director of Leadership Development and Dea Easton, Training Program Manager. Ms. Kwalwasser questioned the low training budget. Ms. Salazar stated that funds from ETP are a supplement to its $100,000 training budget.

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

Motion carried, 5 – 0.

Experian Information Solutions, Inc.

Diana Torres presented a One-Step Agreement for Experian Information Solutions, Inc., for a total program cost of $582,960 with an estimated employer in-kind contribution of $877,080. Experian is eligible for ETP funding as a corporate headquarters retraining employees that provide internal support functions for company facilities outside of California.

In order to continue as an information solutions industry leader, Experian must implement a cultural shift to a customer-focused, solutions provider and develop a Web-based, E-commerce strategy. Experian is requesting ETP funding for a company-wide training program consisting of 30-to110 class/lab hours and 8 to 50 hours of computer-based training in Business Skills and Computer Skills.

Ms. Torres introduced Steve Hellman, Director of the Leaning Center, and Annette Risse, Learning Center Manager.

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

Motion carried, 5 – 0.

IX. APPROVAL OF PROJECTS FOR LESS THAN $100,000

ACTION: Ms. Dean moved and Mr. Broad seconded the Panel approve delegating to the Executive Director the authority to approve projects that are less than $100,000 including the Small Business Pilot Projects (SBPP). The following projects were delegated:

Performance Plastics, Inc.	$89,220
Midiman, Inc.	$95,700
Sunsweet Growers Incorporated	$65,000
Worldwide Educational Services of California, Inc.	$99,681
IMagic, Inc. (SBPP)	$2,280
MWS Wire Industries (SBPP)	$7,340
Promo Unlimited (SBPP)	$17,940
The Castle Press (SBPP)	$14,000
Cypress Grove Chevre, Inc. (SBPP)	$3,120

Motion carried, 5 – 0.

X. AGREEMENTS AND AMENDMENTS CONTINUED

Leiner Health Products

Ms. Torres announced that the Leiner Health Products proposal has been withdrawn from consideration at this month's Panel meeting.

Varco International, Inc.

Ms. Torres presented a One-Step Agreement for Varco International, Inc., in the amount of $293,722. Varco is a manufacturer of automated drilling and handling products. In order to improve efficiency and productivity and lower manufacturing

costs, Varco is re-engineering its entire manufacturing environment to a self-directed, cellular team environment. Varco proposes to retrain 21 managers and 279 frontline workers in Continuous Improvement, Business Skills, and Manufacturing Skills. Company representatives have certified that the Company will invest $513,109 for wages paid to trainees while in training.

Ms. Torres introduced Jama Meyer, Vice President/Manufacturing; and Dave Nagy, Bolero Associates LLC.

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

Motion carried, 5 – 0.

Archer Travel Service, Inc.

Mr. Chan presented a One-Step Agreement for Archer Travel Service, Inc., in the amount of $108,000. Archer Travel Service provides full-service travel arrangements to corporate, leisure, and group clients. Archer Travel Service conducted a needs assessment due to the rapid changes in the travel industry. As a result of the needs assessment, the Company plans to train 42 employees in Business Skills, Continuous Improvement, Computer Skills, and Management Skills to become a high performance workplace.

Mr. Chan introduced Steve Archer, President. Ms. Kwalwasser questioned whether the workforce numbers have changed over the past few years. Mr. Archer replied that due to the change in the travel industry of airlines no longer paying commissions to travel agencies, most travel agencies have cut back on staff. Archer Travel Service reduced its staff a few years ago but has reinvented its business with a different type of product and has increased its staff to where it was previously.

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

Motion carried, 5 – 0.

Automatic Data Processing, Inc.

Mr. Chan presented a One-Step Agreement for Automatic Data Processing, Inc. (ADP), in the amount of $1,019,196. ADP is a provider of computerized transaction processing, data communication, and information services. ADP proposes to train 1,050 employees in its Tax and Financial Services Center in Advanced Technology, Computer Skills, and Business Skills. The Tax and Financial Services Center provides an electronic interface between ADP clients and the federal, state, and local tax agencies. The Tax and Financial Services Center has recently invested over $59 million for new computing technologies and product development.

Mr. Chan introduced Pat Shelton, Senior Director, and Richard Petrosino, Director of Training.

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

Motion carried, 5 – 0.

Seagate Recording Media Operations

Mr. Chan presented a One-Step Agreement for Seagate Recording Media Operations in the amount of $402,792. This project came to the Panel's attention through the marketing efforts of the California Manufacturing and Technology Association. Seagate manufactures hard disc drives and is a producer of media storage products. This is the second ETP Agreement for Seagate at the Milpitas facility. The first Agreement funded training in Six Sigma methodologies specifically for the Company's engineers. In order to move to a high performance workplace, Seagate plans to train 500 production workers in Continuous Improvement Skills, and Manufacturing Skills.

Mr. Chan introduced Reza Mikfar, Executive Director of Milpitas Operations, and Xiao Ming Geng, Training Manager. Mr. Broad questioned whether or not an employer could drop employee health benefits following the acceptance of ETP's minimum wage requirement calculations that include health benefits. Ms. Carrillo stated that staff verifies wages ascertaining that such changes do not occur.

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

Motion carried, 5 – 0.

XI. SERVICE CHARGES

Ms. Carrillo addressed the issue of service charges and banquet tips raised at the July 2002 Panel meeting. She stated the Panel had questioned whether banquet service charges were mandatory or were considered voluntary gratuities, such as tips. She stated staff's research determined that banquet service charges are mandatory charges. Staff recommends that the Panel allow the use of mandatory service charges/banquet tips to supplement a trainee's base wage for the purpose of meeting ETP's minimum wage requirements.

ACTION: Mr. Rankin moved and Mr. Broad seconded the Panel approve allowing the use of mandatory service charges/banquet tips to supplement a trainee's base wage for the purpose of meeting ETP's minimum wage requirements.

Motion carried, 5 – 0.

XII. HIGH UNEMPLOYMENT POLICY

Ms. Carrillo stated the purpose of proposing revisions to ETP's High Unemployment Areas Policy is to address the 2002-03 Strategic Plan objective to explore a limit to wage waivers for "working poor" trainees working in the high unemployment areas at a maximum of 25 percent below the required ETP minimum wage." She stated health benefits could be included in the calculation. In addition to the wage waiver, she stated that the trainee would receive a 5 percent increase in wages exclusive of including health benefits after training and employment retention. Staff proposes the following updates to the HUA policy:

- A 25 percent limit is placed on wage waivers for both working poor retrainees and new hire trainees. This is consistent with the Strategic Plan objective, "to explore a limit to waivers to wage requirements for working poor and career ladder trainees at a maximum of 25 percent below the required ETP minimum wage." (Note that this issue will be addressed separately for Career Ladders at a later date.)
- "Health benefits" are clarified to state that they cannot be included in the calculation of the required 5 percent increase in wages after training and employment retention, which is required for working poor trainees receiving wage waivers. However, they may be included in the calculation of the required pre-training wage, even with a wage waiver.
- The list of approved HUAs is updated, per the most recent unemployment data from the LMID of the Employment Development Department. (The policy currently defines HUAs as counties and sub-county areas that exceed the State average unemployment rate by 25 percent.)
- Other technical revisions to the policy are proposed for clarity.

Mr. Rankin stated the trainees should be given a cost of living increase following completion of training in addition to a 5 percent increase in wages. Mr. Kwalwasser stated she was not comfortable requiring a cost of living increase without a study of trainee status beyond the 90-day retention period. She questioned (1) if a company could afford it, and (2) she did not believe ETP is in a position to add percentages to trainee wages. Mr. Freeman stated the 5 percent increase is meant to be an incentive for employees to remain employed with current employer. Ms. Carrillo stated that ETP does stipulate that the 5 percent increase is to be in addition to a cost of living increase and cannot be used as such. Mr. McNamee suggested clarifying the language to read 5 percent beyond <u>any</u> cost of living adjustment. Mr. Rankin stated he would prefer the increase to be calculated at 5 percent plus whatever the cost of living is during the period the trainee is in training.

Mr. McNamee suggested the Panel could hold public hearings for input from ETP's stakeholders. Ms. Dean recommended the wage increase be more realistically set at 7 percent.

Ms. Kwalwasser called for public comment.

Steve Duscha, representing the Alliance for ETP, stated that he did not have an issue with the 25 percent limit on the wage waiver or with the 5 percent wage increase. He stated the Alliance questions how ETP determines high unemployment areas. He stated last year the City of Los Angeles was considered a high unemployment area with an unemployment rate of 6.5 percent. He stated that, by ETP's formula, today Los Angeles is not considered a high unemployment area, but its unemployment rate has gone from 6.5 percent to 7.4 percent. He also stated his concern regarding the sub-county statistics being based upon the 1990 census. He suggested that this area needs review.

ACTION: Mr. Rankin moved that the Panel approve the proposed revisions with an amendment to the proposal of increasing the wages by 7 percent rather than 5 percent and that the Panel revisit the method of calculating high unemployment areas. Ms. Dean seconded.

Motion carried, 5 – 0.

XIII. MANAGEMENT TRAINING LIMITATION

Mr. DeMauro reported that staff reviewed data from contracts approved over the past two fiscal years. Staff's review of the data indicates that almost 80 percent of all trainees were frontline workers, and the training of managers has primarily been to support a company's transition to a high performance workplace. Mr. DeMauro presented the following options:

1) Maintain the current 40 percent cap on training for managers/supervisors and the current exemptions for high performance workplace training, very small businesses, and SET. Given the available data, it does not appear that employers are training a high percentage of managers in relation to frontline workers. Projects with the highest percentage of managers (above 20 percent) were primarily high performance workplace projects where manager participation is critical to the success of the training.

2) Reduce the 40 percent cap to 25 percent, and maintain the exemptions for high performance work place training, very small businesses, and SET. Reducing the percentage of managers who can be trained per project would only nominally place greater emphasis on the training of frontline workers. However, reducing the limit to 25 percent does not appear necessary because: (1) ETP is currently effectively serving frontline workers (approximately 80 percent of all

trainees are frontline workers), and (2) projects with training for managers (excluding high performance workplace, SET, and small business) typically train no more than 20 percent managers.

3) Maintain the 40 percent cap, providing an exemption for small businesses of 100 or less that contract directly with the Panel, and eliminating exemptions for high performance workplace or SET. Maintaining the 40 percent cap would ensure that the majority of trainees in any project are frontline workers, and at the same time allow flexibility to meet employers' needs for training of management staff, when necessary. Providing an exemption for direct contracts with small businesses of 100 or less is consistent with the Panel's Small Business Pilot Project designed to serve small businesses that are not eligible for Panel funding under ETP's standard contracting requirements. In these small businesses, managers are likely to be working as frontline workers, directly producing or delivering goods or services. The legislative changes to SET in 2000 refocused SET specifically on frontline workers. Thus, an exemption to the 40 percent cap for SET is no longer relevant. Further, eliminating the exemption for high performance workplace training is not problematic, as data revealed that such exemptions were used in only 10 percent of sampled contracts. (Note: This option would require that Title 22 CCR § 4415, Workforce Training, be revised.)

4) Prohibit the training of all managers/supervisors. This option would restrict the Panel's overall ability to meet business' need for trained workers, given that approximately one-half of all projects include some training for managers and supervisors (reflecting employers' need for such training). This option would also greatly limit ETP's ability to serve: (1) employers transitioning to a high performance workplace; (2) very small businesses; and, (3) employers who are difficult to serve under the Panel's regular funding criteria.

Mr. DeMauro stated that staff recommends the Panel adopt Option 3 to (1) maintain the 40 percent cap on training of managers; (2) provide an exemption for small business; however, provide no exemptions for high performance workplace or SET; and, (3) approve the proposed revision to Title 22 CCR § 4415, Workforce Training.

Mr. Rankin supported Option 2. He stated if historically approximately 25 percent of trainees are managers, then why not reduce the current 40 percent cap on training for managers/ supervisors to the more realistic 25 percent cap. Mr. DeMauro stated that the reason for keeping the 40 percent cap is for the high performance workplace projects where manager participation is critical to the success of the training. Mr. DeMauro said this regulation would be open for public comment, and would come back to the Panel for final adoption, at which time these issues could be addressed.

Ms. Kwalwasser called for public comment.

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

ACTION: Ms. Dean moved and Ms. Kwalwasser seconded the Panel adopt Option 3.

Motion carried, 5 - 0 (Roll Call vote: Tom Rankin – aye; Tyrone Freeman – aye; Barry Broad – aye; Joan Dean – aye; Marsha Kwalwasser – aye.)

XIV. EXECUTIVE SESSION

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

XV. ADJOURN

There being no further business and no objection, the meeting was adjourned at 4:00 p.m.