



RETRAINEE - JOB CREATION

Training Proposal for:

Arlon Graphics LLC

Agreement Number: ET16-0408

Panel Meeting of: March 25, 2016

ETP Regional Office: San Diego

Analyst: K. Campion

PROJECT PROFILE

Contract Attributes:	Retrainee Priority Rate Job Creation Initiative	Industry Sector(s):	Manufacturing Priority Industry: <input checked="" type="checkbox"/> Yes <input type="checkbox"/> No
Counties Served:	Orange	Repeat Contractor:	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No
Union(s):	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No		
Number of Employees in:	CA: 243	U.S.: 2,500	Worldwide: 3,000
<u>Turnover Rate:</u>	4%		
<u>Managers/Supervisors:</u> (% of total trainees)	6%		

FUNDING DETAIL

Program Costs	-	(Substantial Contribution)	(High Earner Reduction)	=	Total ETP Funding
\$409,920		\$185,760 (50% Job 1)	\$0		\$224,160

In-Kind Contribution:	100% of Total ETP Funding Required	\$459,000
-----------------------	------------------------------------	-----------

TRAINING PLAN TABLE

Job No.	Job Description	Type of Training	Estimated No. of Trainees	Range of Hours		Average Cost per Trainee	Post-Retention Wage
				Class / Lab	CBT		
1	Retrainee Priority Rate	Computer Skills Continuous Impr. Mfg. Skills Business Skills	215	8-200	0	\$864*	\$16.51
				Weighted Avg: 96			
2	Retrainee Priority Rate Job Creation Initiative	Computer Skills Continuous Impr. Mfg. Skills Business Skills	20	8 - 200	0	\$1,920	\$13.76**
				Weighted Avg: 96			

*Reflects Substantial Contribution

Minimum Wage by County: Job Number 1: \$16.51 per hour for Orange County; Job Number 2 (Retrainee Job Creation): \$13.76 per hour for Orange County.

Health Benefits: Yes No This is employer share of cost for healthcare premiums – medical, dental, vision.

Used to meet the Post-Retention Wage?: Yes No Maybe

Up to \$4.15 per hour for Job Number 1 and up to \$1.39 per hour for Job Number 2 may be used to meet the Post-Retention Wage.

Wage Range by Occupation		
Occupation Titles	Wage Range	Estimated # of Trainees
JOB NUMBER 1		
Administrative/Accounting Staff**		25
Maintenance Worker		5
Manufacturing Support Staff**		35
Production/Shipping & Receiving Staff**		115
Sales/Marketing Staff		20
Supervisor/Manager		15
JOB NUMBER 2		
Administrative/Accounting Staff**		1
Maintenance Worker**		1
Manufacturing Support Staff**		3
Production/Shipping & Receiving Staff**		13
Sales/Marketing Staff**		2

**It will be made a condition of contract that trainees will never be paid less than the State or local minimum wage rate as in effect at the end of retention (Final Payment) regardless of the wage expressed in this table.

INTRODUCTION

Arlon Graphics LLC (Arlon) (www.arlon.com) is a cast-vinyl film manufacturer. The Company formulates, casts, coats, converts, packages, and sells its vinyl film through its own distribution network to customers located worldwide. In addition, Arlon designs and manufactures materials that meet specific customer needs which includes visual impact for graphics, special laminates used as electrical insulators in motors and generator gaskets, weather stripping and window glazing, durable paper, thermal shields, adhesive systems for medical products, films for solar connectors, and vehicle wrap products for automobiles. Arlon's sole California manufacturing plant is located in Placentia, the site of the proposed training.

PROJECT DETAILS

This is the fourth project between Arlon and ETP in the last five years (see prior and active Project tables). For each of its prior ETP Agreements, the Company targeted specific training needs:

- ET12-0280: Continuous Improvement, Kaizen training in the 2012 Agreement
- ET14-0164: Computer Skills, ERP system
- ET15-0262: Continuous Improvement, Lean Enterprise, Quality at the Source, and new Management Skills training for leaders

The focus of this proposal (75% of proposed training) is on new and critical training modules in the Company's ERP system. The Company's ERP system – SAP – (Systems, Applications & Products in Data Processing) was initially implemented in 2013/14 but has recently been redefined. SAP provides end-to-end solutions for financials, business management, product planning, materials management, manufacturing and service delivery, marketing and sales, inventory management, quality management, and shipping and receiving. The SAP training will focus on the integration of the system with every department within the Company to the core business processes. All employees must be retrained in how to integrate specific modules of the SAP system.

Additionally, Arlon reports that its market is highly competitive and is characterized by rapidly changing technology and evolving industry standards. To remain viable and competitive, all employees must learn to work as a team and continuously improve to incorporate new technology and changing product lines. For instance, the Company recently implemented a new vehicle wrap product, Chrome vehicle wrap, which requires slower production line speeds, higher temperatures, and more attention to details. All production processes are affected and will require training for Production/Shipping & Receiving Staff.

This proposal offers courses that have been offered in past ETP Agreements. However, only newly-hired trainees (Job Number 2) will be offered these courses.

Retrainee - Job Creation

Arlon reports that it has hired 46 (21 workers hired into net new jobs) new workers in the last year and a half due to expansion of its production line in 2015. To support the aforementioned expansion of its existing business capacity, it will continue to add newly-hired employees to a existing functions. Arlon will commit to hire and train 20 new workers during the term of the Agreement (Job Number 2). Trainees will be hired within the three-month period prior to the Panel approval or during the term of the contract. These trainees will be hired into "net new jobs" as a condition of contract. As a feature of this program, the Substantial Contribution requirement will be waived for Job Number 2.

Training Plan

All training will be conducted via class/lab.

Computer Skills (75%) – This training will be provided to all occupations. The ERP training will focus on the integration of the system within every department. For example, Production Staff/Shipping & Receiving Staff will learn an entirely new planning and material scheduling module of SAP; Administrative/Accounting Staff will learn report writing capabilities and how to capture new payroll and HR systems for capturing labor costs.

Continuous Improvement (10%) – This training will be provided to all occupations. Training will focus on Process Improvement, Preventing Problems and Waste, Quality Control, End to End Process, Change Management, Effective Planning, and Performance Management. Training will focus on newly developed procedures, processes and strategies.

Manufacturing Skills (10%) – This training will be provided to Maintenance Workers, Production/Shipping & Receiving Staff, Manufacturing Support Staff and Managers/Supervisors. Trainees will receive training on topics such as New Manufacturing Processes and Procedures, Core Basics, Department Operations/Techniques and Equipment Skills. The training will emphasize Arlon's most current processes, procedures, and techniques.

Business Skills (5%) – This training will be provided to all occupations based on job functions. Trainees will learn Logistic procedures, Product Knowledge Skills and Project Management Essentials.

Substantial Contribution

Arlon is a repeat contractor with payment earned in excess of \$250,000 under prior ETP Agreements within the last five years at the same facility. Previously, Arlon was assessed a Substantial Contribution (SC) at the 15% level (ET14-0164). It was assessed a 30% SC on its subsequent Agreement (ET15-0262). See Active and Prior Project Tables for details.

Arlon is again subject to a SC for the proposed Agreement based on earnings in excess of \$250,000 under ET15-0262. Per Title 22, California Code of Regulations, Section 4410, a subsequent substantial contribution of not less than 30%, but not more than 50% must be applied toward the cost of training (Job Creation excluded). Accordingly, a 50% reduction in cost of training reimbursement (\$185,760) will be applied as shown on page 1 of this proposal.

Arlon has earned a total of \$818,152 in reimbursement from ETP within the last five years. (\$125,000 was earned for Job Creation which is not subject to SC.) Thus, Job Number 1 is assessed a 50% SC on this project.

Commitment to Training

ETP funds will not displace the existing financial commitment to training. Safety training is, and will continue to be, provided in accordance with all pertinent requirements under state and federal law. The Company spends approximately \$475,000 annually on training which includes basic job skills, new employee orientation, OSHA-mandated training, sexual harassment prevention, general safety training, environmental hazardous awareness training, introductory Computer Skills, and interviewing/hiring skills.

The proposed training will be in new curriculum topics designed to meet Arlon's strategic goals for improving its Computer Technology systems and for training in new processes associated with new products.

The Company has a dedicated Human Resources Director to schedule and oversee all training. The majority of the training will be conducted by in-house instructors, and any necessary training vendors will be determined at a later date. ETP project administration, including enrolling and tracking all trainees in the ETP Online Systems, will be provided by an administrative subcontractor.

RECOMMENDATION

Staff recommends approval of this proposal.

ACTIVE PROJECTS

The following table summarizes performance by Arlon under an active ETP Agreement:

Agreement No.	Approved Amount	Term	No. Trainees (Estimated)	No. Completed Training	No. Retained
ET15-0262	\$279,450	9/02/14 – 9/01/16	220	185	184*

*The Contractor has thus far submitted Final invoices for 184 retentions (83% of planned). To date, ETP has processed and approved 122 retentions equivalent to \$165,838 in ETP earnings. The remaining 62 retentions are in ETP review. Arlon projects to earn 100% of the Agreement amount when the Final closeout invoice is processed by ETP (\$198,450 for incumbent workers and \$81,000 for Retrainee Job Creation).

PRIOR PROJECTS

The following table summarizes performance by Arlon under an ETP Agreement that was completed within the last five years:

Agreement No.	Location (City)	Term	Approved Amount	Payment Earned \$ %
ET14-0164	Santa Ana/Placentia	9/30/13 – 9/29/15	\$270,000	\$270,000 (100%) (Incumbent earnings - \$227,500; Job Creation earnings - \$42,500)
ET12-0280	Santa Ana	2/06/12 – 2/05/14	\$269,830	\$268,702 (99%)

DEVELOPMENT SERVICES

Arlon retained Ethos Training Solutions, LLC (formerly Spectra Consulting, Inc.) in Sierra Madre to assist with development for a flat fee of \$10,000.

ADMINISTRATIVE SERVICES

Arlon also retained Ethos Training Solutions, LLC to perform administrative services for an amount not to exceed 13% of payment earned.

TRAINING VENDORS

To Be Determined

Exhibit B: Menu Curriculum**Class/Lab Hours**

8 – 200

Trainees may receive any of the following:

COMPUTER SKILLS

- ✚ ERP/SAP Application Skills
- ✚ Fixed Asset Upgrade
- ✚ Cross Functional Responsibilities
- ✚ Materials Management
- ✚ Quality Management
- ✚ Human Resources
- ✚ Customer Service
- ✚ Operations Software Skills
- ✚ Plant Maintenance
- ✚ Production Planning
- ✚ Help Desk System
- ✚ Sales Operations and Planning

CONTINUOUS IMPROVEMENT

- ✚ Process Improvement
- ✚ End-to-End Process
- ✚ Change Management
- ✚ Effective Planning
- ✚ Performance Management

MANUFACTURING SKILLS

- ✚ New Manufacturing Processes and Procedures
- ✚ Core Basics
- ✚ Department Operations/Techniques
- ✚ Equipment/Tools

BUSINESS SKILLS

- ✚ Logistic Procedures/Functions
- ✚ Product Knowledge
- ✚ Project Management Essentials

Note: Reimbursement for retraining is capped at 200 total training hours per trainee, regardless of the method of delivery.