



**Training Proposal for:
Arlon Graphics LLC
Agreement Number: ET15-0262**

Panel Meeting of: August 22, 2014

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: 225	U.S.: 3,000	Worldwide: 4,000
<u>Turnover Rate:</u>	3%		
<u>Managers/Supervisors:</u> (% of total trainees)	16%		

FUNDING DETAIL

Program Costs	-	(Substantial Contribution)	(High Earner Reduction)	=	Total ETP Funding
\$364,500		\$85,050 (Job 1 only)	\$0		\$279,450

In-Kind Contribution:	100% of Total ETP Funding Required	\$459,325
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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	Continuous Impr., Mfg. Skills, Computer Skills, Mgmt. Skills	175	8-200	0	*\$1,134	\$15.98
				Weighted Avg: 90			
2	Retrainee Priority Rate Job Creation Initiative	Continuous Impr., Mfg. Skills, Computer Skills, Mgmt. Skills	45	8-200	0	\$1,800	\$13.32
				Weighted Avg: 90			

*Reflects Substantial Contribution

Minimum Wage by County: Job Number 1: \$15.98 per hour for Orange County

Job Number 2 (Job Creation): \$13.32 per hour

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 in may be used to meet the Post-Retention Wage in Job Number 1 and up to \$1.49 per hour may be used in Job Number 2.

Wage Range by Occupation

Occupation Titles	Wage Range	Estimated # of Trainees
Job Number 1 - Retrainees		
Administrative & Accounting Staff		15
Maintenance Staff		7
Manufacturing Support Staff		27
Production/Shipping/Receiving Staff		74
Sales & Marketing Staff		22
Supervisor/Manager		30
Job Number 2 – Job Creation Retrainees		
Administrative & Accounting Staff		6
Maintenance Staff		2
Manufacturing Support Staff		7
Production/Shipping/Receiving Staff		21
Sales & Marketing Staff		3
Supervisor/Manager		6

INTRODUCTION

Arlon Graphics LLC (Arlon Graphics) (www.arlon.com), a wholly owned subsidiary of FLEXcon Company of Spencer, Massachusetts, is a cast-vinyl film manufacturer. The Company formulates, casts, coats, converts, packages, and sells its products through its own distribution network to customers located worldwide. Products include 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, and film for solar connectors. In addition, Arlon Graphics has recently started manufacturing a new product line – vehicle wrap – in its production line.

Originally located in Santa Ana, the Company has commenced relocation to a new facility in Placentia (Orange County) due to substantial production capacity issues at the Santa Ana facility. The Company will be moved by December 2014. All training under this proposal will be conducted at the new Placentia facility.

This is the third project between Arlon Graphics and ETP. In the first Agreement, the Company provided critical Continuous Improvement Kaizen training to streamline processes and reduce waste and earned 99% of the Agreement amount. The second ETP project targeted Manufacturing Skills training in new product lines, Continuous Improvement training in new work processes, and Computer Skills training in a new Enterprise Resource Planning (ERP) system. Arlon Graphics reports that its ERP implementation system conversion was a massive undertaking and the Company provided substantially more class/lab Computer Skills training than originally planned. As a result, the Company has already documented more training hours than for which it will be reimbursed. Some critical manufacturing Skills training was never delivered.

There will be no duplication of training for the same trainees delivered in prior contracts. In addition, some training funded by ETP under previous Agreements will be provided at Company expense under this Agreement. For example, the Company will now fund previously ETP-funded Kaizen training. Further, any additional Computer Skills training in ERP, previously funded by ETP under the prior Agreement, will now be funded at Company expense, with the exception of newly hired trainees.

Need For Training

Arlon reportedly faces critical new challenges that require staff training. The proposed Agreement targets Manufacturing Skills training in new product lines, Continuous Improvement training in a new Lean Enterprise concept, *Quality at the Source*, and new Management Skills training not previously provided.

Also, the recent addition of Arlon Graphics' new adhesive coating line (vehicle wrap) has helped increase sales by 15%, and the Company is projecting a 30% increase in sales over the next three years. As a result, the Company has moved to a 24/7 production schedule at its new facility, and has added an entire new vehicle wrap production line, at a cost of \$26 million, meet demand.

Further, Arlon Graphics has also adopted a new Lean Enterprise principle throughout the organization to improve production quality and efficiencies. *Quality at the Source* defines that quality output is measured at each step of the production process. To put this concept into practice necessitates a change in company culture that will affect the way Production Staff and Supervisors perform daily jobs. Thus, Continuous Improvement training is essential to ensure frontline workers have the skills to implement *Quality at the Source*.

Retrainee - Job Creation

Arlon Graphics is in the midst of facility expansion and has hired 29 full-time workers in the last 12 months. The Company projects that the new facility will increase its production capacity by 50%. This increased production is partially the result of adding an entire new adhesive coating manufacturing line on the production floor to meet customer demands.

Therefore, Arlon Graphics projects to hire at least 45 additional frontline staff during the term of the proposed Agreement (Job Number 2). Trainee must be hired within the three-month period prior to the Panel approval or during the term of the contract.

Training Plan

The Company has a dedicated Human Resources Director to schedule and oversee all training. ETP project administration, including enrolling and tracking all trainees in the ETP on-line systems will be provided by a subcontractor. Training will be provided in the following types of training:

Continuous Improvement (45%): This training will be provided to all occupations. Trainees will learn *Quality at the Source* concepts and techniques for lean manufacturing, new ways to reduce waste and scraps, learn how to organize and think end-to-end process improvements, and learn how to improve production efficiencies by learning how the product moves. Additionally, trainees will learn how to optimize sales and implement new business strategies.

Manufacturing Skills (25%): This training will be provided to Production, Shipping/Receiving and Maintenance Staff. Trainees will gain the skills and knowledge to operate and maintain equipment to ensure product quality, learn new manufacturing processes and procedures as it pertains to the new Vehicle Wrap production line.

Computer Skills (15%): This training will be provided to Supervisors and Managers, Administrative and Accounting, Manufacturing Support, and Sales and Marketing Staff. Trainees will learn how to respond to customer requests more quickly and to optimize software and systems utilization. Newly hired employees will receive training in the new ERP system.

Management Skills (15%): This training for Supervisors and Managers will provide critical skills in *Quality at the Source* implementation, change management, core management skills and techniques to ensure leaders can successfully lead the organization.

Substantial Contribution

Arlon Graphics is a repeat contractor with payment earned in excess of \$250,000 and a former Substantial Contribution at the 15% level, at the Company's Santa Ana facility, within the past five years (see Active and Prior Project Tables.) As previously stated, Arlon Graphics has started operations at a new facility in Placentia, and will be moved by December 2014. All employees will be or have already moved to the new facility in Placentia, as the Santa Ana facility will be closed. Accordingly, reimbursement for trainees at the Placentia facility in Job Number 1 will be reduced by 30% to reflect the Company's \$85,050 Substantial Contribution to the cost of training.

Commitment to Training

The Company has recently increased its annual training budget to 195,000 a year to adapt to its new facility that has six additional class/lab training rooms. The Company's training includes basic job skills, new employee orientation, Total Quality Management, Standardized Work Processes, Basic Job Skills, Introductory Computer Skills, New Employee Orientation, Interviewing/Hiring Skills, Basic Safety Skills and Regulatory Training.

Arlon Graphics reports that the proposed training will be in new curriculum topics designed to meet its new strategic goals for improving capacity and production, new Continuous Improvement concepts, and helping Managers become strong leaders. In the absence of ETP funding, Arlon would be forced to conduct a much smaller training program with a limited curriculum and fewer trainees.

RECOMMENDATION

Staff recommends approval of this proposal.

ACTIVE PROJECTS

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

Agreement No.	Approved Amount	Term	No. Trainees (Estimated)	No. Completed Training	No. Retained
ET14-0164	\$270,000	9/30/13 – 9/29/15	185	148	144

To date, the Contractor has earned or earned in progress 100% based on the number of trainees retained, which is reflected in ETP's Online Tracking System.

PRIOR PROJECTS

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

Agreement No.	Location (City)	Term	Approved Amount	Payment Earned	
				\$	%
ET12-0280	Santa Ana	2/06/12 – 2/05/14	\$269,830	\$268,702	(99%)

DEVELOPMENT SERVICES

Spectra Consulting, Inc. in Sierra Madre assisted with development for a flat fee of \$7,500.

ADMINISTRATIVE SERVICES

Spectra Consulting, Inc. will also 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:

CONTINUOUS IMPROVEMENT

- Quality at the Source Concepts and Techniques
- Preventing Problems and Waste
- Required Tools and Technology
- End to End Process
- Empowering Employees
- Customer Focus/Partnership
- Optimizing Sales
- Service Excellence
- Effective Planning
- Giving and Receiving Feedback
- Performance Management
- Goal Setting and Motivation

MANUFACTURING SKILLS

- Good Manufacturing Practices
- Inspection Techniques
- Manufacturing Processes and Procedures
- Preventive Maintenance
- Work Procedures
- Troubleshooting
- New Manufacturing Processes and Procedures

COMPUTER SKILLS

- Financial Accounting
- Information Technology
- Inventory Control
- Operating Systems
- Enterprise Resource Planning Application Skills (Newly-Hired Only)

MANAGEMENT SKILLS (Supervisors/Managers Only)

- Quality at the Source Implementation
- Core Management Skills and Techniques
- Management Vision for Success
- Change Management

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