



State of California
Employment Training Panel

Training Proposal for:
Tenacore Holdings, Inc.

Agreement Number: ET09-0191

Panel Meeting of: **July 25, 2008**

ETP Regional Office: **San Diego**

Analyst: J. Davey

PROJECT PROFILE

Contract Type: Priority/SB<100

Industry Sector(s): Manufacturing

Counties Served: Orange

Repeat Contractor: Yes No

Union(s): Yes No

Priority Industry: Yes No

No. Employees in CA: 80

No. Employees Worldwide: 80

Turnover Rate %	Manager/Supervisor %
8%	6%

FUNDING DETAIL

Program Costs	Substantial Contribution	Total ETP Funding
\$151,360	\$0	\$151,360

In-Kind Contribution
\$198,541

TRAINING PLAN TABLE

Job No.	Job Description	Type of Training	Average No. of Trainees	Range of Hours		Average Cost per Trainee	Post-Retention Wage
				Class / Lab	CBT		
1	Priority/SB<100	Business Skills, Computer Skills, Continuous Improvement Skills, Manufacturing Skills, Literacy Skills	80	24-200	0	\$1,892	\$14.02
				Weighted Avg: 86			

Minimum Wage by County: \$14.02 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

\$2.35 per hour may be used to meet the Post-Retention Wage.

Other Benefits: Life Insurance, Short-term Disability Insurance, Holiday, Vacation, Sick Leave.

Wage Range by Occupation	
Occupation Title	Wage Range
Engineer	
Office Support Staff	
Production Staff	
Supervisor	

INTRODUCTION

In this proposal, Tenacore Holdings, Inc. (Tenacore) and its subsidiary, Newport Plastics, Inc. (Newport) seek funding for retraining. The ETP Agreement would be held by and administered by Tenacore on behalf of employees at both corporations (referred to collectively as the Company).

Tenacore designs and manufactures replacement parts, medical devices, and equipment for the medical industry. Located in Santa Ana and founded in 2000, the Company's products and services include replacement parts and equipment such as cable assemblies for monitoring devices, surgical hand pieces, and replaceable plastic components for medical devices. Tenacore is eligible as a manufacturer under the out-of-state competition provisions outlined in Title 22, California Code of Regulations (CCR), Section 4416(d)(1,2).

Tenacore recently purchased Newport which will also participate in this training program. Newport is also eligible as a manufacturer. Newport employs 15 workers at its facility adjacent to Tenacore's Santa Ana headquarters.

A Tenacore spokesperson reports that the Company is a small, but growing manufacturer in the global medical equipment market which is competing against worldwide giants like GE, Siemens, and Baxter. Tenacore repairs equipment and parts from Original Equipment Manufacturers (OEM). Newport manufactures plastic, injection-molded products for the marketing and promotional industries, including plastics items such as whistles, pens, and other novelty items.

As one example of its services, Tenacore's technical support services department repair fetal monitors that measure the heartbeat of a fetus. As OEMs upgrade their fetal monitoring technology, parts, and equipment, Tenacore must also upgrade its technology and then manufacture replacements as lower-cost alternatives. Because the OEMs constantly upgrade their technology, the Company overall must keep pace with new technologies to automate its engineering, design, and manufacturing processes. These continuous changes in technology and the resulting changes to design and manufacturing processes require the company to train its employees.

In the first ETP contract, Tenacore established a training program that provided the necessary skills to bring trainees a primary level understanding of technical and organizational skills to understand basic business processes, company organization, first-level computer skills, and introductory-level quality and teambuilding skills. In addition, Tenacore was able to provide trainees with cross-functional skills that allows them to add a variety of skills that will insure their value to the company. The training in the first ETP contract was a great success, giving trainees improved morale and improving the company's profitability. Training in this new proposal will add to the set of skills most trainees have received and provide new trainees with skills to advance the Company further. (Note: All Newport employees are new trainees, as are some newly-hired Tenacore employees)

In addition, the Company has recently begun the installation of clean rooms to meet more stringent product quality demands and expand its product lines into new markets. Training staff in quality procedures related to this new equipment will be a priority during the new training project. The Company expects to invest in new CNC machining equipment, injection molding machine, Electronic Discharge Machine, new software, printing pad machine, and other equipment. Tenacore plans on investing over \$700,000 in 2008 and early 2009. Training its employees in this new equipment is vital to the company's successful entry into new markets. With the recent acquisition of Newport, Tenacore will need to train 15 Newport employees as well as an estimated 8 new employees projected for the rest of the year.

In the past, the Company supervisors and managers have been responsible for making decisions and problem solving. To remain competitive, the Company must transition to a work environment where each frontline worker will be responsible for making decisions and solving problems. Furthermore, customers continue to demand shorter delivery times, cost reductions, and better quality products and service. This means that it must not only meet these demands, but surpass customer expectations if it is to remain competitive in the market place. By providing this training, the Company's goal is to improve its products and find innovative ways to make new ones. The Company proposes training in the following areas:

PROJECT DETAILS

Business Skills Production, Engineering, Support and Supervisors need to be trained in order processing, communication, decision-making, leadership, customer service, motivation and other business skills to begin the process of understanding the basic operation of the Company,

its processes, and how to improve productivity. The Company will also train frontline workers in skills that will improve team effectiveness, employee morale, loyalty, and productivity.

Computer Skills Production, Engineering, Support and Supervisors will be trained in Microsoft Office, Fishbowl (inventory software) for Quickbooks and MasterCAM (Computer-Assisted Machining Software). The skills are expected to improve productivity and efficiency. As employees become more competent in using the new software skills, their performance levels will increase. Computer skills are the basis for and are essential to learning manufacturing skills.

Continuous Improvement Skills Production, Engineering, Support and Supervisors will be trained in Team Participation, Lean Manufacturing, Quality and Process Improvement, Statistical Process Control (SPC), Productivity Analysis, Teambuilding, Problem Solving, and Decision Making. This training is expected to provide skills that will result in improved operating procedures and process improvement. SPC training will provide improved understanding and ability for Production Staff to use statistical information on production processes that will be used to gain better control over the manufacturing processes. Teambuilding skills will give trainees the skills to be able to work in a team environment. Productivity Analysis skills will provide trainees the skills to update systems, procedures, and processes. Trainees will be able to identify important performance levels and productivity enhancement to make the organization more competitive.

Manufacturing Skills Production Staff will learn the key metrics by which production performance is measured and will gain an increased understanding of their work performance on those metrics. They will learn the key work practices to increase efficiency and improved product quality; how to improve productivity by identifying the sources of lost production capacity and how to eliminate or minimize them. Production Staff will also receive training in areas other than their primary work area so that employees become expert in more than one work skill.

Literacy Skills Production Staff will receive training in Vocational English as a Second Language (VESL) after an assessment has determined that VESL training will assist trainees in better understanding and benefiting from job-specific training. The Company will administer a standard assessment test to determine each individual's ability to read and write English. Affected trainees will receive no more than 45% of their total training hours in literacy skills in accordance with Title 22, CCR, Section 4420.

Commitment to Training

In the past, neither Tenacore nor Newport has had a pre-determined training budget. Current training is unstructured, on-the-job training performed by more senior employees to new employees to learn essential job functions. The Company has never been able to set aside significant resources to conduct a structured, company-wide training program.

Typical mandatory training includes orientation, human resource policies, sexual harassment prevention, and safety training. Tenacore has not had the resources to provide system wide training until its first ETP Contract during the past year.

The Company represents that ETP funds will not displace the existing financial commitment to training. The Company anticipates that the opportunity for enhanced training made possible by ETP funds will encourage an ongoing financial commitment in this area.

The Company represents that safety training is, and will continue to be, provided in accordance with all pertinent requirements under state and federal law.

RECOMMENDATION

For the reasons set forth above, staff recommends approval of this proposal.

PRIOR PROJECTS

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

Agreement No.	Location (City)	Term	Approved Amount	Payment Earned
ET08-0125	Santa Ana	7/3/07 – 7/2/09 <i>(projected to close early)</i>	\$136,500	*\$136,500

** Tenacore projects 100% earnings based on class/lab tracking data. The closeout invoice is expected to be submitted by the end of July. The hours reported on ETP's class/lab tracking system are consistent with Tenacore's projected earnings.*

DEVELOPMENT SERVICES

The Company retained Menzel & Associates in Seal Beach to assist with development of this proposal for a flat fee of \$13,900.

ADMINISTRATIVE SERVICES

The Company also retained Menzel & Associates in to perform administrative services in connection with this proposal for a fee yet to be determined, but not to exceed 13% of payment earned.

TRAINING VENDORS

To Be Determined

Exhibit B: Menu Curriculum

Class/Lab Hours Trainees will receive any of the following:

24 – 200

Business Skills

- Order Processing
- Shipping and Receiving
- Communication Skills
- Purchasing
- Decision Making
- Product Planning
- Time Management
- Presentation Skills
- Customer Service
- Leadership
- Sales & Marketing
- Effective Meetings
- ISO
- Empowering and Motivation

Computer Skills

- Microsoft Office (Intermediate & Advanced Levels)
(Excel, Word, Office, PowerPoint)
- Fishbowl
- Adobe Illustrator
- Adobe Photoshop
- Master CAM
- Remote Access
- Presentations
- Internet/Intranet
- Accounting/Payroll
- Information Security
- Network Management
- System Administration

Class/Lab Hours Trainees will receive any of the following:

24 – 200

Continuous Improvement Skills

- Lean Manufacturing
- Problem Solving/Root Cause Analysis
- Quality Management System
- Quality and Process Improvement
- Statistical Process Control
- Productivity Analysis
- Teambuilding
- Conflict Resolution

Manufacturing Skills

- Manufacturing Process and Best Practices
- Electronics and Bench Processes
- Schematics
- Equipment Operation and Maintenance
- Inventory Control
- Supply Chain Management
- Packaging

***Literacy Skills**

- Vocational English as a Second Language

*VESL/Basic Math cannot exceed 45% of job skills training hours