



STATE OF ILLINOIS
PROCUREMENT POLICY BOARD

Terrence Healy, Chairman

Members: Michael Bass, Ed Bedore, Ricardo Morales, Carmen Triche-Colvin

Minutes – August 27, 2008 Meeting

Room 9-036 at the James R. Thompson Center in Chicago

Connected via video to

Room 115 at State Capital Building in Springfield

Present in Chicago: Rick Morales
Carmen Triche-Colvin

Present in Springfield: Ed Bedore
Mike Bass

Present via Teleconference: Terry Healy

The Board started the meeting by confirming attendance at 11:30 a.m.

Through the Open Meetings Act a formal motion was made by Member Bass to acknowledge that Chairman Healy would participate via teleconference and was seconded by Member Bedore.

Approval of the minutes of the July 23, 2008 meeting was moved by Member Bass and seconded by Member Bedore. The minutes were unanimously approved.

Next on the agenda was CMS with Space Request Policy and Procedures – In attendance was Marcia Armstrong who is the new Deputy Director of Property Management. Ms. Armstrong stated that at the last meeting she distributed a draft of CMS's revised space request template and was willing to answer any questions the Board members might have regarding this. Ms. Armstrong did want to clarify up front that it does say space request policy but this is not intended to be all inclusive. They have referenced some of their statutes and administrative code. CMS is working to make their statutes and administrative code consistent with their updated space planning standards. Member Bedore made a comment that the draft of the space standards was very detailed, but questioned that the policy was not a part of this. Ms. Armstrong replied that CMS will refer back to the existing rules and will clarify the sections, but will have to go into their administrative code and update those through JCAR and insure they are consistent with their new planning standards. Member Bedore wanted to know if CMS will come back to this Board before they go to JCAR. Ms. Armstrong replied affirmatively. Member Triche-Colvin wanted to concur with Member Bedore's comments and agrees that the report that was submitted was put together well and she looks forward to its implementation.

Member Bass wanted to go back to how Ms. Armstrong opened and that CMS didn't want to refer to it as the space request policy. She replied that at the top of CMS's template it does say space request policy, but wanted to clarify that this is not their entire policy and considers their policy to be more fully outlined in the Administrative Rules. Member Bass stated that before an agency engages in looking or wanting to reevaluate their space does the agency come to CMS.

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Ms. Armstrong replied affirmatively. Member Bass asked if it recalibrates the leverage of the lease negotiation. Ms. Armstrong again replied affirmatively. Chairman Healy asked if there was a timeline for finalizing space standards tool. Ms. Armstrong replied that their intent is to have this finalized within the next two weeks and CMS will be sending this out to all of the agencies and moving forward will be conducting training with them. Member Bass asked about the space utilization evaluation and if CMS considered an agencies unique request. Ms. Armstrong replied affirmatively and stated CMS will work with the agencies to understand their programmatic needs and work with them on any specialized needs that might not be outlined in the space request template. CMS also had discussed dedicating more of their leasing reps to work directly with the agencies to better understand their needs. Member Morales asked what is this going to do to the process of renewals when CMS finds out that agency space has not been utilized properly? Ms. Armstrong replied that they are anticipating that and CMS's intent is to renew leases for short terms between 1-3 years to give them more time to accurately plan and prepare for a longer term strategy, which may include bidding out, restacking a building, and/or consolidating operations. So the intent is to pursue short term leases and stagger them so they do not have twenty 364 day leases come due all at once.

Chairman Healy asked why the Harvey lease for DCFS was not on the agenda. Ms. Armstrong replied that she did submit information separately as requested at the last meeting and it is not on the agenda because it is not complete and ready to post. CMS did go back to the landlord and make a counter offer that has not yet been accepted. Member Bedore stated that the negotiation with this landlord goes back to the beginning of this year and he does not know what it takes to get this resolved. He believes that Mr. Cacciatore does not want this resolved because he is making extra money. Member Bedore also stated that he really has problems with this whole scenario. He said that a couple of meetings ago the Board was told that Harrisburg, which was done by IDOT and maybe should be doing CMS's work; IDOT said they could purchase this building in Harrisburg and do the build-out, do everything for 140 employees for about \$2 million. Harvey was started in 1999/2000 for 124 people for \$2.4 million in the year 2000. Then on top of this the landlord contracted with the State to build-out and bring everything in and he's going to charge you \$2.4 million to do that and then on top of that charge you 9½ % interest on that money. So the State of Illinois paid \$3.8 million to Mr. Cacciatore, who did all the hiring of the contractors. Who knows what the real price should have been? The State did not review it and did not do their construction bidding with the State. Then Mr. Cacciatore ends up with a building now that is completely wired and parking for 275 cars paved and then he charges the State interest on top of it. Chairman Healy wanted to know when CMS anticipated that something would be complete on this lease. Ms. Armstrong replied that they hope to have to have it posted for next month's meeting. Member Bedore wanted to make a motion that CMS starts the process of looking for a new building in Harvey with less square footage. Chairman Healy stated that the Board does not go out looking for that building. All the Board can do is to recommend to CMS to look for another facility. Member Bedore corrected his motion to record termination of this lease in 14 months with a recommendation that CMS go out and find a location in the Harvey area with less square footage. Ms. Armstrong stated that CMS did do a site visit and clarified that there is not 19,000 sq. ft. of vacant space. The staff numbers were misrepresented on the white paper and this agency has a lot of contractual staff. CMS identified almost 160 headcount and verified that there is only about 4,000 sq. ft. of vacant space. Member Bedore begs to differ with her and stated that the contractual staff does not each need a separate desk and that he has done many site visits in the past and has dealt with these types of field people. Chairman Healy wanted to know why, with Cook County anticipated being in that 19,000 sq. ft., does this agency need the additional 15,000 sq. ft. Ms. Armstrong replied that the agency did move more headcount into the facility than anticipated. They have more teams there

and are serving a higher number of clientele. There is another building in the area that has more vacancy than this building, which is about eight miles away but this would be better for re-bidding than Harvey and some of those people will be able to relocate to the building DCFS has in Harvey. Member Bedore wanted to know if Ms. Armstrong was referring to DES. Ms. Armstrong replied that it was DCFS on Emerald St. and she was not sure of the specific lease number. Member Bedore wanted to know if it was in Harvey. Ms. Armstrong replied that it was in Blue Island, which is about eight miles from Harvey. Member Bedore stated that was what he was hoping; that someone would come back to the Board with something like this. Member Bedore stated that he changed he motion and Member Triche-Colvin seconded as amended. Since Chairman Healy is not present in person, Director Brown stated for the record that all Board members were in favor of the motion.

Next on the agenda was lease #3016 IDOT 300 W. Adams St., Chicago, Illinois. Ms. Armstrong stated that this lease is being re-negotiated in a short term in anticipation of a longer term strategy. CMS has been looking at leases in the Chicago area and are working to reduce their overall presence in the Chicago loop area. This lease does have a 180 day out clause at any time and re-negotiating for IDOT for 22,951 sq. ft of office space. The space standards appear to be exceeded, however there is a large amount of space for a lobby, law library, mailroom, large file rooms and several conference rooms. While there is no vacant space there is a lot of common space that could be reduced in the future. The base rent is a 1.75% increase from the existing rate, which was negotiated down from their original offer of \$25.00. Everything is included in the price except for electricity. In addition, security is an additional \$1.59. The total direct cost for this space is \$24.53. Chairman Healy inquired about the comment that Ms. Armstrong stated CMS hopes to eliminate some of the space on this particular lease. Member Bedore inquired wouldn't it be at the time of negotiations to do that rather than a few years down the road? Ms. Armstrong replied that CMS hoped to re-configure the space for negotiations and was not able to get a reduction of space on the existing lease. Member Bedore requested a motion to have this lease postponed until the next meeting so that IDOT can come to the next meeting to explain why they need this space. The motion was seconded by Member Triche-Colvin.

Next was lease #3173 for DHS at 220 S. Bowman Ave., Danville, Illinois. Ms. Armstrong stated that this is a lease for a 60 month term with 10,950 sq. ft. The budgeted headcount is actually reduced from the actual headcount, which is currently is at 34. The landlord has agreed to install floor tile and replace the carpeting. This will be done with completion of six months of the lease and the lessor is paying for that. This is a 36 months firm with a 120-day notice. DHS has been here since 1978 and their active cases have grown 9.7% since last year and have an average of 100 client visits per day. This rate is extremely low at \$9.88 and the total estimated direct costs are \$13.39. The increase in the first year is 8% and the last time there was a rate increase was in 2002, which is part of the reason for the 8% increase in the first year. Member Bedore made a motion to accept this lease and was seconded by Member Bass. The motion was unanimously approved.

Next was lease #3861 for DCFS at 8 East Galena, Aurora, Illinois. Ms. Armstrong stated that CMS has negotiated a reduction in square footage of 1,540 sq. ft. The term is five years and the rates are \$12.77 years 1-2 with a 2% increase in years 3 and 5. There are no improvements associated with this lease at this time and believe that this building has been well maintained with the using agency needs. This lease has been in holdover since 2006 and has had no rental increase since January 2005. In addition CMS will only pay electricity at about \$.48 per sq. ft. and a total estimated direct cost of \$13.25. Chairman Healy made the comment that each of the leases that have come up that CMS is over the sq. ft. per employee. Ms. Armstrong stated that

most of the leases up today are human service agencies providing services to clientele and this is an exception to the rule typically a bigger mix of leases. Member Bedore stated from some of the pictures that there needs to be some work done in some areas and there are no improvement costs associated with this lease. Ms. Armstrong replied that Helen Cashman is in Chicago and worked on this lease. Ms. Cashman stated at the time when those pictures were taken the landlord had agreed to make all of those changes and that is why it was not written into this lease. Member Bedore stated that with the documentation that was sent to the Board it states that there are no improvement costs associated with this lease. Ms. Armstrong replied that the improvements were done under the existing lease and so they do not need to be outlined in this lease. CMS will update those photos and make a note if improvements that have been done on the existing leases. Member Morales wanted to clarify that these are old pictures with a new lease. Ms. Armstrong replied affirmatively. Ms. Armstrong stated that they will update the pictures accordingly and repost. Member Triche-Colvin made a motion to move this lease to the next Board meeting and get the updated information to the Board and was seconded by Member Bedore. The motion was unanimously approved.

Next was lease #5395 for DOC, including the Healy school and a parole section, at 100 N. Western Ave., Chicago, Illinois. Ms. Armstrong stated that this is a non-consolidation lease that is paid directly by the DOC. In the longer term, CMS is looking at consolidating the parole offices and have been working on a bid in the Chicago area. This is a very attractive rate and for the time being CMS proposes renewing this. It is firm for 36 months with 120-day written notice. You will notice that CMS has agreed to pay for carpet on the parole portion of the facility due to the fact that the clientele has caused the carpet to not reach its useful life. The rate on this is a 4% increase this year, but the base rent is only \$8.08. In addition they pay gas, electric, water/sewer and janitorial and the total estimated direct cost is \$11.81. Chairman Healy stated for the record that the Healy program and Healy school here is no relation to the Chairman. Member Bass wanted to know if the parole office and the school are operated by CPS. Ms. Armstrong replied that she believes it is operated by DOC. Member Bass wanted to know if it is an alternative educational setting or is it strictly related to juvenile coming into the correctional system. Does CPS move students into Healy or it strictly juvenile program? Ms. Armstrong replied that they are not able to be placed in a normal school setting. It may be a little of both, but she is not positive. Member Bedore made a motion to accept this lease and was seconded by Member Triche-Colvin. The motion was unanimously approved.

Next was lease #5534 for DCFS at 107 N. Third St., Rockford, Illinois. Ms. Armstrong stated that this is another lease which has a lot of common space. The white paper has an outline of their common space issues. This particular lease has a 1,550 sq. ft. conference room, 500 sq. ft. of observation rooms, 1,200 sq. ft. of commodities storage which is storage for commodities that the clientele needs and also has 1,500 sq. ft. dedicated to Northern Illinois University that is a partner with DCFS at this location. That brings the sq. footage to 9,855. This is a five year term. The base rate starts at \$14.24 with increases in years 3 and 5. The lessor is repairing and replacing damaged carpet and sealing and striping the parking lot. The using agency has been in this location since 1998 and this lease has been in holdover since 2003 with no increase. The proposed term is for five years, but does have a 90-day termination option. CMS pays for gas, electric, janitorial and also snow/ice removal and mat service for a total estimated direct cost of \$17.65. Chairman Healy wanted to know what was stored in the commodities storage area. Ms. Armstrong replied it is commodities for clientele for example car seats or toiletries. It is to meet the needs of client services there. Member Bedore wanted to know in the future if CMS would ever consider looking into a better filing system for some of these agencies like micro-media, micro-film, CD's or computer program and not keep so many hard copies. Ms. Armstrong stated

that they have talked with DCFS about their file needs and they are required to keep their files on site until the case are closed and their file storage needs are a little longer term than other agencies would be. CMS has also been working with archiving to discuss new protocols around needing storage. Unfortunately CMS is still required to keep things in hardcopy form although they might be scanned, but are working with shared services to try to negotiate with archiving to provide consistency across the board archiving protocol that would include electronic media, but they are not there yet.

Member Morales stated that the Board might see a lot of this because when looking for a new facility that meets their space requirements and the conference rooms and file rooms are secondary and we never get the exact sizes they need without building a new facility. Director Brown stated that for the next Board meeting the PPB staff will prepare a comprehensive workup on document management. Not only do they see file storage issues when the Board considers lease renewals, but also have several contracts from all venues that the Board works with on document imaging, document storage, retention and off site storage and delivery needs. Member Triche-Colvin asked how many leases are currently in holdover. Ms. Armstrong stated that after the leases today were posted CMS was down to 139. So depending on the final number today they will be at about 143. Chairman Healy wanted to know if the Board could get a list of the 143 leases on holdover currently and a time frame of the age of them and how soon could the Board get this. Ms. Armstrong replied yes and stated she'd have that readily available and could send that to Director Brown when she returned to her office. Member Triche-Colvin wanted to know how many leases they anticipate bringing to the Board at each month. Ms. Armstrong replied that CMS goal is a minimum of 10 every month. In the first two weeks of August they posted 11, which are more than the previous three month combined. Their goal is to get the number under 100 by the end of the calendar year. Director Brown wanted to let the Board know that some of those holdover leases would not come under formal review and approval by the Board because of the requirements of size and value. We will be able to identify which would be Board agenda items from the list Ms. Armstrong provides. Since no further questions were asked a motion to accept this lease was made by Member Triche-Colvin and was seconded by Member Bass. The motion was unanimously approved.

Next was lease #5853 and #5854 for DES/DHS at 1307 N. Mattis Ave., Champaign, Illinois. Ms. Armstrong stated that leases #5853 and #5854 are at the same facility. DES has 7,100 sq. ft. of office space and DHS has the same square footage. This is a shared facility between the two departments. The re-negotiated terms are three years firm with 120-days out clause. The term is for five years beginning October 1. This lease is through Parkland College and not sure why it was done through an alternate RFI, but it was originally bid out and it was the way it was presented in the past. There is an increase of 8% in the base rent for the first year of \$14.32 with a flat rate for the remainder of the term. The two agencies share the common space so the reduction overall is almost 5,000 sq. ft. due to lobby, conference room, and also the resource room which has computers available for clients to use for job opportunities. So the overall sq. footage per person is greatly reduced. Member Bedore wanted to know if these were two separate buildings. Ms. Armstrong explained that this was just one lease and since CMS was trying to track more specific space needs they broke it down into two leases and they are in the same facility. Member Bedore wanted to know what the total sq. ft was. Ms. Armstrong replied it would be \$14.32 for 20,200 sq. ft. Member Bedore wanted to know if they share a conference room. Ms. Armstrong replied that yes they share the conference room, the resource area and waiting area. Member Bedore made a motion to accept lease #5853 and was seconded by Member Bass. Member Bedore made a motion to accept lease #5854 and was seconded by Member Bass. Both leases were unanimously approved.

Member Bass wanted to make sure he understood correctly that in the future additional rational or more common rational would be coming with these renewal requests. Ms. Armstrong replied that the leasing rep that does such a good job on the write ups is now going to be their quality assurance person and will be doing training with other leasing reps and making sure they are on the same format. Member Bedore stated that after seeing these costs put on these various leases and wanted to know if someone at a future meeting could get a recap of what an annual source of income is going to CMS from the various agencies for servicing these leases. Chairman Healy wanted to know if he was talking about the total income to CMS from these agencies. Member Bedore replied affirmatively regarding leases.

Next on the agenda was University of Illinois – Specification Standards – In attendance was Bob Baker, Chief Executive Officer, IPHEC, Cathy Reisner, Associate Director of Purchases for the University of Illinois, Urbana-Champaign and Tony Clements is the Director of Campus Recreation. Mr. Baker stated that the particular transaction resulting in this agenda item for the University of Illinois specification standard were centered on the purchase of six portable back stops, which was initiated by the UIUC Division of Campus Recreation for installation for the intramural physical education building. For this particular transaction of critical importance in choosing and specifying the backstops was the ease of use and safety, due to its various users, and must be safe to use under any circumstances. Originally the department of campus recreation did an extensive market study of the various manufacturers of portable backstops and concluded that the Schelde Company had the best equipment in order to optimize ease of use for the users as well as safety. Specifically the Schelde backstops, which were superior to those of their competitors, for the ease of rising and lower the baskets and the backboard design which minimizes the so called shatter and the thickness of the pad. Based upon their informal market review Campus Recreation then submitted a requisition and a letter of justification for requesting the purchase of six backstops from Schelde as a sole source. The Urbana Purchasing Division agreed with the analysis by campus recreation and then posted a sole source notice to the Higher Education bulletin. Staff of the PPB took issue with the sole source process and requested a competitive bid process be followed instead. Subsequently, the sole source was canceled and an IFB was developed utilizing specifications, which included the characteristics already stated for ease of raising and lowering the baskets the backboard design minimizing shatter and the thickness of the pad. Following the public bid opening on June 17, 2008 five bid were received including Schelde and a detailed analysis by Campus Recreation showed that the four other proposals failed to meet the specification standards, which were available from Schelde. On receipt and review of the letter of recommendation from campus recreation evaluating all five bids and recommending the award to Schelde the Purchasing Division concurred with their recommendation and posted the award to the Bulletin. The staff of the PPB chose not to grant a waiver and the University of Illinois waited 30 days following the posting and executed the contract. The delivery was made by Schelde and the backstops have been installed. The University of Illinois acknowledges that the development of the specifications was not ideal and the specifications should have been approved according to those requirements which were essential, those which were desirable, but not essential and those which were non-critical. The University of Illinois recognizes the deficiencies in the development of the bid specifications for this purchase and will correct those deficiencies for future bid and RFPs by separating specifications according to categories in order to better communicate to the bidders. This information will be shared with the buyers at the University of Illinois and also with the purchasing offices with the other State Universities.

Director Brown stated that he agreed with Mr. Baker's comments regarding the transactions. It has always been the PPB policy that specifications should be drafted as openly as possible so that it doesn't inadvertently create restrictive environments as well as identifying in express fashion that alternative proposal will be accepted and will continue to work with the Universities and agencies to help them meet that goal.

Next on the agenda was legislation. The six month holdover proposal will be postponed until the next meeting. A motion was made by Member Bedore and was seconded by Member Morales. Director Brown gave a brief statement about the Governor's veto. In response to the Legislature's proposal to limit contract duration on leases and contracts for goods and services expressly to 10 years inclusive of renewal provisions, the Governor has sought to include through amendatory veto a proposal that would allow for purchasing of good services and facility related items through installment purchase contracts. That methodology would be employed over a period of twenty years using a 120% average value to help determine the economic life of the improvements and facilities being purchased over that duration of time. The history of this proposal was circulated during legislative committee action at that time it was determined by sponsors in the House and Senate that they would not like the amendment to be included as it moved forward to the body of the House and Senate and it was not. The Bill itself passed unanimously out of each chamber. No further comments were made.

Director Brown wanted to recognize that this next agenda item is proposed to be part of the Board agenda moving forward. What we would like to do is have a brief opportunity at each meeting to elaborate the efforts the staff has undertaken to deal with specific issues that don't rise to the level of agenda items, but are note worthy. The first item that he would like to discuss was the late posting of renewal contracts. Over the last month there were several contracts under various circumstances that were not posted in a timely fashion to the procurement bulletins. The staff evaluated each transaction and worked with the purchasing agencies to determine why the late posting occurred. The PPB staff was able to conclude that the majority of them were late and not the result of negotiations occurring outside the renewal period that would lead to something other than the pre-negotiated renewal. The second issue in dealing with DOT, this is specifically with billboard advertising, which is relative to a specification issue. We worked with them to try to establish better processes for how they develop their specifications. It was a little ambiguous in their specifications on what terms they were seeking from the vendors. In this particular situation many of the vendors were deemed non responsive, but as we investigated it was not just for this issue, but other issues in non compliance. Member Bedore wanted it stated for the record that IDOT seems to be the number one agency that is always heading the list of tardy and late on posting.

Next on the agenda was the discussion of the next meeting during the week of September 22. Chairman Healy stated he would be available on the 24th in the afternoon and on the 25th.

As no other items of business were to be considered, a motion was made to adjourn at 12:50 p.m. by Member Bass and was seconded by Member Bedore. The motion was unanimously approved.