



STATE OF ILLINOIS PROCUREMENT POLICY BOARD

Terrence Healy, Chairman

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

Minutes – September 24, 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
2:00 p.m.

Present in Chicago: Terry Healy
Carmen Triche-Colvin

Present in Springfield: Ed Bedore

Present via Teleconference: Mike Bass
Rick Morales

The Board started the meeting by confirming attendance at 2:10 p.m.

Director Matt Brown conducted roll call and stated the requirement to have two members participate by phone is to have at least three members in person or via video. A motion was made to approve the telephonic attendance by Member Bedore and was seconded by Member Triche-Colvin. The motion was unanimously approved.

Approval of the minutes of the August 27, 2008 meeting was moved by Member Triche-Colvin and seconded by Member Bedore. The minutes were unanimously approved.

First on the agenda was CMS with the Document Management agenda item – In attendance was Acting Deputy Director of Procurement, Rick Hughes. Director Brown gave a brief summary regarding the request from Member Bedore at last month's meeting. Member Bedore requested CMS to address the cost of document storage/document retention as it relates to leases. Director Brown stated that part of the Procurement Policy Board staff mission over the last two years has been collecting copies of transactions related to document management. Not only for warehouse and paper, but for imaging as well (i.e. microfiche and digital imaging for computers). What the PPB has come to believe is that this is a significant responsibility the State of Illinois which has also a high cost associated with it. Multiple solicitations and procurements are used yielding a variety of awards and storage solutions for the mass of these documents whether in digital or paper form. The purpose of this agenda item was to get this conversation started with the participants of each CPO office and will hopefully result in a coordinated effort to come up in the short term with some document management solution for agency users and a long term enterprise-wide solution the State might be able to employ to address this need.

Mr. Hughes stated that this discussion topic should generate ideas. He agreed that this is an issue that needs to be addressed. Mr. Hughes said he would also like to hear what the Universities think about this topic. Bob Baker, Chief Executive Officer, IPHEC was present and offered his

thoughts. Mr. Baker stated that the State Universities are organized individually so each university establishes separate policies for archiving documents for different lengths of time, different processes for copying documents, storing them, and disposing of them. It would be useful to talk about developing some commonality. The State Universities are looking at developing an RFP and ultimately a contract for contract management software and consulting services and might have a document management component to it which may be one in which the universities could use to develop a common system. Chairman Healy stated that there should be some uniformity between the Universities when possible. Mr. Baker replied that each University establishes their own systems for document storage along with different time periods for archiving and disposal of records. Member Bedore commented that this is a good step towards resolving this issue and with input from the various Universities, various departments, the Board and CMS that some standards can be developed. The State of Illinois is a very large corporation and he would sure hope that some standards could be developed rather than have every department do their own thing.

Director Brown wanted to elaborate that the State Records Commission created rules effective FY08 that recognize digital records, electronic micro-imaging and electronic storage media. The commission establishes standards for quality and accountability in conversion of records to a digital form and related disposal of the original records. The commission did not establish guidelines in selecting service providers or formats that a provider could utilize or document products or services. That is something that they are certainly a part of, but stopped short of identifying products due to the magnitude of the project. Director Brown has been in contact with that office and they are aware of the Board's interest in this and would, at a minimum, be an equal partner in this. Chairman Healy asked Mr. Hughes for the next meeting to give an estimated date and a more detailed report of when he feels this might get started. No further questions were asked.

Next was the Administrative Rule for Domestic Products – Director Brown stated that this is a consideration of administrative rule change related to the Domestic Products Act. A year ago the Domestic Products Act was amended to require pre-qualification lists to be established in advance of procurements. These lists are designed to recognize a domestic product status for vendors who would like to participate in the procurement. It has been a long time developing these rules because the process for determining how that would work was challenging. The suggestion at the time by CMS was to cross-reference other pre-qualification rules. In analyzing that, the PPB has come to the conclusion that those pre-qualification rules do not support the Domestic Products Act, but serve a different function. The suggestion Director Brown has made is that CMS withdraw this rule and begin anew as this rule-making is about to hit its one-year expiration, open the relevant sections and bring forward a new rule that addresses the subject in its entirety. Chairman Healy asked if CMS would like to make a comment.

Ben Bagby, legal counsel for CMS, stated that they are at second notice right now on this particular rule and not sure they agree with an opinion from JCAR that these rules are not adequate to address the issue. On the other hand, CMS can also see JCAR's point and also see the Board's position on this that the basic rule on pre-qualification is dated and is about 10 years old. CMS can go back and look at that and in conjunction with the Domestic Products provision alter pre-qualification to come up with a better rule that addresses all of these in a more comprehensive fashion. CMS is not opposed to withdrawing the rule. A motion was made by Member Bass and was seconded by Member Triche-Colvin to withdraw the rule. The motion was unanimously approved.

Next on the agenda was lease #3016 – 300 W. Adams St., Chicago – In attendance for CMS was Deputy Director of Property Management, Marcia Armstrong and James McDaniel and Ken Murphy from IDOT. Ms. Armstrong gave a brief summary of the lease and terms. This lease is 60 months with 23,836 sq. ft. The beginning rate is \$22.75 for a total rent value of \$542,269.00. The rate includes everything except for electricity and the security needs at that location. Termination option for this lease is 180 days at any time by either party. The total direct cost of it is \$24.53. Member Bedore stated that they really need to look at the square footage per employee, which to him is 434 sq. ft. per employee. That is outrageous. Member Bedore stated that 37% of this lease is for lobby, conference rooms and file rooms. Over 1/3 of this lease is for that type of activity. Member Bedore also had an issue with the rate. He stated that there are other places in the Chicago area for less than \$22.00 per sq. ft. Member Bedore stated opposition to this lease because of the 434 sq. ft. per employee, over 1/3 is being used for lobby, conference rooms file rooms and lunch rooms and the rate. Member Morales wanted CMS to expand the rationalization on the square footage. Ms. Armstrong stated that the personnel space in this building does equal about 15,000 sq. ft, which would be about 245 sq. ft per person and the remaining space is lobby, library, mailroom, large file room and several conference rooms. A recent site evaluation revealed no apparent vacant space and Ms. Armstrong asked that James McDaniel explain more on that. Mr. McDaniel, the Acting Director and Chief of Business Services at IDOT, stated that IDOT is open to looking at any other opportunity that might exist as it relates to the space at this location. One of the things that CMS and IDOT have discussed recently is the idea of minimizing the need for people who need to be in the loop area. Mr. Murphy stated that the Director would be willing to take a look at staff and view their activities and see if they are able to move to another location. Chairman Healy asked why the idea of relocating was not considered and researched before the lease came to the Board. Mr. Murphy agreed with Chairman Healy and stated that IDOT was always open to the idea, but did not feel or know that it was a possibility as far as IDOT actually moving. Chairman Healy wanted to know the percentage of space used for conference rooms. Mr. Murphy replied that there is a lot of conference space because of the nature of the previous tenants who held public hearings in the large conference room.

Ms. Armstrong stated that this location also housed the Criminal Justice Information Authority and they had worked out an agreement with IDOT to share some conference space. Also to note that there is a termination clause in this lease of 180 days. The intent was to move forward in the short term to renew this lease and get it out of holdover. At this point CMS is working with IDOT on a revised space request, which looks at the need for staff and the location to be downtown, but also look to the legal staff to see if there is any co-habitation or other efficiencies CMS can drive. Chairman Healy asked if there was still a need for an open meeting where you would need the conference space. Mr. Murphy replied that they would not have the type of public hearing that would require that much space. Member Triche-Colvin stated that she understands why they want to get this lease out of holdover, but she also stated that this Board has been here before and the space request and requirements that we are talking about are major components of leasing. The whole situation of the large conference room, the large lobby areas and the conversation about previous agencies sharing the space; in the process of taking or re-negotiating this lease, it appears that none of that was taken into consideration. It only appears that it is being taken into consideration when it comes before the Board and we start asking questions about space requirements. Ms. Armstrong stated that this lease was at a much higher rate initially and CMS was able to negotiate it down by \$2.25 per sq. ft. and stated CMS is in a difficult situation and they have a lot of grandfathered issues that they are working to improve upon. However, CMS is also in a situation where they are at risk for eviction in the shorter term and have had a lot of pressure to reduce holdover leases and not have them be longer than six

months in holdover. Chairman Healy asked over the past 10 years how many leases were terminated after the termination opportunity was available. Ms. Armstrong replied that she didn't know how many have been terminated, but could find that information out and forward it on to the Board. No further questions were asked by the Board. A motion was made by Member Triche-Colvin to accept this lease, but no second was made. Chairman Healy asked if CMS would like to pull this lease off until next month. Ms. Armstrong replied yes.

Next was DCFS lease #3861 at 8 E. Galena, Aurora, Illinois – Ms. Armstrong introduced Bill Schmidt from DCFS to discuss any questions regarding the lease. From the last meeting there was a photo of broken tiles in a restroom and since then, the photo have been updated. An addendum was distributed today to confirm that CMS had gone back and looked at the site visit information and since they did not include that there were improvements as a condition of the lease CMS wanted the Board to know that improvement had been performed prior to the negotiation of this lease. They included roof improvements, interior painting, miscellaneous toilet repairs, updating tile in the restrooms, replacement of stained and damaged ceiling tiles and in addition the HVAC has been balanced to help maintain even temperatures throughout the facility. CMS's understanding is that the staff at DCFS believes that the building is well maintained and the lessor is very responsive and Mr. Schmidt can elaborate on that if necessary. A motion for approval of lease #3861 was made by Member Triche-Colvin and was seconded by Member Bedore. The motion was unanimously approved.

Next was DHS lease #3395 at 610 W. Root St., Chicago, Illinois – This lease was asked by CMS to be put on the agenda as an emergency item. Ms. Armstrong stated that the last lease was negotiated in 1996 and CMS wanted to avoid any potential eviction and wanted to show the landlord that they are trying to work in good faith to re-negotiate this lease. CMS does realize that this lease has vacant space of about 9,000 sq. ft. and are working to field verify and more closely work with DHS on solutions for this building as well. As of right now, the budgeted headcount is 99 and the square footage is 39,162. CMS has re-negotiated a three year term with 120-day notice at anytime after the 12th month. This rate has been at \$9.75 since 1996 and while the increase may look a bit large at 22.5% CMS has negotiated extensively with the landlord and have gotten it down to \$11.95. This would equate to less than 2% increase every year since 1996. Chairman Healy wanted to know how much vacant space was there. Ms. Armstrong replied that it is about 9,000 square feet. Chairman Healy wanted to know why they are going to be leasing vacant space. Ms. Armstrong replied that CMS wanted to renew this in the short term and is going to look at re-locating office staff and is working towards filling up the space and just wanted to get it out of holdover. CMS believes this is a good rate over all and would like to hold on to the space in lieu of reducing more expensive space somewhere else. Chairman Healy wanted Ms. Armstrong to go over the 2% increase in holdover. Ms. Armstrong replied that the request was to negotiate if it lapsed into holdover again a 2% increase for every year that the lease was in holdover and CMS had negotiated a 2% increase as a holdover rate if it lapsed into holdover.

Member Bedore stated that he would not approve this lease with this provision in it. He also wanted add that the Board take a hard look at the year 2010, which is at \$12.43 and compare it to the last lease at \$13.02 in Aurora. Member Bedore wanted to have the Board keep these rates in mind for next months meeting when discussing the Harvey lease. Member Bedore stated he knows the area well at 41st and Root St. because he lived at 32nd and Root St. The landlord is only charging CMS \$12.43 per sq. ft. and CMS did an outstanding job negotiating this rate down and hoped they would do that for other leases.

Chairman Healy stated that he does not agree with this increase and the fact that they are leasing vacant space. Ms. Armstrong wanted to clarify that the reference to vacant space is based on their new head count space standards and is not vacant, but might have a 500 sq. ft. office and they could put two people in that office. CMS has stricter standards, they are downsizing and need to remix it overall and get more people into that space, which may require some build out and additional cubicles. Ms. Armstrong stated that the space is not vacant, but needs to be better utilized.

Director Brown made a comment that statutes specifically require under the subject of rent without occupancy that, except when deemed by the Procurement Policy Board to be in the best interest of the State, no State agency may incur rental obligations before occupying the space rented. The concern is that a particular space is identified as vacant and there is no demonstration that occupancy is occurring gives this Board pause to make sure that it is in fact fully utilized space. It might not be utilized to its potential but is in fact utilized. Chairman Healy stated that looking at this lease, he is not happy with the amount of square footage per person and he understands that CMS is trying to work towards changing that and would go along with this lease with the rate that is there, but not the 2% holdover escalator. Nick Kanellopoulos, legal counsel for CMS, stated that the landlord for the property attended the meeting and heard the comments and is willing to accept that rate of \$12.43 in holdover and take out the 2% penalty for holdover. Member Triche-Colvin wanted to make a motion as amended with the 2% penalty taken out for lease #3395 and was seconded by Member Bedore. Member Bedore wanted an assurance from CMS that other people are going to be moving into this building. Mr. Kanellopoulos stated that CMS would not be ready by next meeting, but in two months come back to the Board with a solution. The motion was unanimously approved.

Next on the agenda was the Capital Development Board on a project request to construct Transportation/Technical Center at SIUC – In attendance was Ron Wright, Construction Administrator, Jim Underwood, Deputy Director of Construction and Marcie Garrett with the Project Managers Office. Mr. Wright stated that they are bringing forth for the Board's consideration, a project delivery method not new to CDB, but new in the size of the project that has been done. CDB has done projects similar to single prime but at the time they were called "protected sub-contractors" like the IEMA Center here in Springfield. That was a specific act of law. The second project was the four-phase Capitol Construction Project on the HVAC mediation. Phase one has already been contracted in that manner. That being said, this public act gives CDB the opportunity from the legislature and Governor to move over a three year period \$100 million a year for projects no less than \$20 million in construction project value. These bids go on the street, a single prime contractor must identify the four other major subdivisions of work in the current 30-30 section of the Procurement Code. They must identify the price and the name on the day of bid. CDB will double check that in writing with each of the four major subs; traditionally that is general mechanical, electrical, ventilation and fire protection and cannot be terminated without CDB's written permission. The project in which CDB is asking the Board's permission on is the construction of a technology and education center for SIUC. This is one of several projects CDB will bring before the Board over the next few years. The University has given their support of this project delivery method. Three buildings will provide classrooms with ample space for automobile training, mechanical for aircraft training, and a very popular program for SIUC. The estimated total construction cost is \$54.5 million. When they award, with the Board's permission, will be 24 months from the inception of the contract award. They will meet all the MFBE goals as CDB does and will report annually to the legislature and Governor's Office and would be happy to answer any questions the Board might have. Chairman Healy asked if this still falls under the State prevailing wage. Mr. Wright replied affirmatively. A

motion was made for approval by Member Bedore and was seconded by Member Triche-Colvin. The motion was unanimously approved.

Next on the agenda was the Six Month Holdover – Director Brown made a brief statement. Director Brown stated in short, about two years ago the legislation was introduced to the General Assembly that would limit expired leases issued by the State of Illinois to exist in a holdover period for no longer than six months. That legislation was brought forward in various forms in previous years and none of those bills passed. They were much larger pieces of legislation that many considered ethics issues. The six month holdover provision was not part of the ethics package passed by the General Assembly. The purpose for the agenda item today is to reconsider the subject whether it should be moved forward as an item for the Board in the next General Assembly. Member Bedore and Member Triche-Colvin expressed that the Board needs this piece of legislation. Chairman Healy stated that he would like all Board Members present to put it to a vote and believes that Member Bass has disconnected suggested this could be put on the agenda for the next Board meeting.

Next on the agenda was the discussion of the next meeting. Chairman Healy wanted the staff at the PPB to work with each of the Board members and get the next three meeting scheduled.

As no other items of business were to be considered, a motion was made to adjourn at 3:50 p.m. by Member Bedore and was seconded by Member Morales. The motion was unanimously approved.