



# STATE OF ILLINOIS PROCUREMENT POLICY BOARD

Chairman: David Vaught

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

## Minutes – March 5, 2009 Meeting

Present: David Vaught  
Ed Bedore  
Rick Morales  
Carmen Triche-Colvin

Absent: Mike Bass

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

A motion to approve the minutes was made by Member Triche-Colvin and seconded by Member Morales. The motion was unanimous.

Member Bedore made a resolution to thank Terry Healy for his service as Board Chairman and was seconded by Member Morales. The motion was unanimous.

First on the agenda was CMS. In attendance were the Director of CMS, James Sledge and Acting Deputy Director for Property Management, Nick Kanellopoulos. Mr. Kanellopoulos wanted to report that since the last meeting, CMS has terminated three leases, one in Chicago and two in Springfield worth \$1.9 million in first year savings. One of these leases is the DHS lease at 1642 S. Ninth St. in Springfield and DHS will be leaving that facility. Since Director Sledge has become Director CMS has terminated over 20 leases and first year savings of those leases total about \$3.8 million.

Member Bedore asked on the 20 leases that were terminated, have new leases been written? Mr. Kanellopoulos replied that some did have new leases written, but most did not. Member Triche-Colvin wanted to get a better understanding of the philosophy as leases are viewed and how it is determined which ones to terminate. Mr. Kanellopoulos replied that CMS has a lot of excess space in State owned and State leased facilities and have been negotiating for a long time with Agencies to get them to move from State leased facilities and fill in vacant space at State owned facilities or other leased facilities. Member Morales asked of the twenty leases what departments/agencies they were. Mr. Kanellopoulos replied that he did not have that information, but could provide it at the next meeting.

Next was RFIs. Mr. Kanellopoulos stated that there are 12 RFIs currently pending. If all these generate proposals that go to a lease it will eliminate 15 holdovers. Several of these also consolidate multiple facilities into one lease. Also, Mr. Kanellopoulos wanted to add that CMS has posted 11 leases, all of which are holdovers since the last meeting. The current holdover count is at 108. Chairman Vaught asked the age of the holdovers. Mr. Kanellopoulos replied that he could provide a list of holdovers that have been in holdover less than six months. Member

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Bedore wanted to know when combining different agencies into one facility is there a cost with remodeling? Mr. Kanellopoulos replied that there would be some type of build out, but with different agencies sharing common space CMS hopes to achieve a savings to the State. Member Bedore asked for example what the square footage per employee is on 60,000 sq. ft. of consolidation, has there been a policy adopted on average square feet per employee? Mr. Kanellopoulos replied that 300 sq. ft per employee is CMS's standard and they like to stick to that. Most of those leases are DHS leases and those happen because they have large waiting rooms, large file rooms, and sometimes more conference space than some agencies. Member Bedore stated that being one who has been on site visits to DHS and DCFS know that they need waiting areas, play areas for children and storage rooms for children's clothes and understands that need. But also understand that going into the facilities that they have a conference room on every floor and are all hooked up electronically. Member Bedore stated that he did not understand why they needed this technology in every conference room and why there is space not being utilized by employees that are in the field and not in the office. Member Bedore wanted to know if they are going to these places and verifying these buildings. Mr. Kanellopoulos replied affirmatively. They are going to the facilities and verifying headcount and space utilization. Chairman Vaught wanted to see a more detailed discussion on the question of space standards and whether the Board should be seeing some changes or improvement in the standards. Member Morales asked if it was Mr. Kanellopoulos' department that works on those standards. Mr. Kanellopoulos replied affirmatively. They have a space planning department headed by the State Architect, Ron Wheeler. Member Morales asked if a change needed to be made on space standards and who approves those standards. Mr. Kanellopoulos replied that there are published rules and if there were any changes to be made they would have to go through the JCAR process and CMS would initiate those changes to the published standards. Member Bedore requested that any leases that come to the Board that are over the space standards that CMS provides the justification. Also, Member Bedore asked if CMS could break down who is in the office and who is out in the field. Mr. Kanellopoulos replied that they could provide that to the Board prior to the monthly Board meetings.

Member Bedore wanted to know if CMS has a status report on the Fulton Street lease. Mr. Kanellopoulos stated that the Board made it clear that wanted to see a lease for the 32,000 sq. ft. at \$9.73 and have negotiated that, however due to some delays CMS does not have the executed lease in hand to post and provide to the Board and that will be the lease the Board will see.

Next on the agenda was CMS Indirect Cost Presentation. In attendance was CFO for Bureau of Property Management, Bill McCarty and CFO for CMS, Paul Romiti. Mr. McCarty gave a brief presentation on the indirect charges that CMS applies to their billings and their client agencies. The cost of the property management program includes two components. The main component is the direct operations of the building, which includes janitorial services, utilities, etc. The smaller component is the administrative component. This administrative component was invisible to agencies because it was co-mingled with other operations. On the handout that was provided, at the bottom were some of the divisions within the Bureau; different services that they provide to CMS clients. The rates that CMS has developed are in line with federal circular A87 guidelines and are audited not only by the Attorney General, but also the Federal Government annually. In order to be eligible for federal reimbursement, CMS has to stay within those guidelines otherwise there would be State reimbursements at risk. Chairman Vaught asked how much it is per square foot. Mr. McCarty replied that he could not answer that, but he could say that this particular year CMS is billing \$210 million in total expenses - of that only \$16 million or so is indirect, which comes to about 8% of the \$210 million. Chairman Vaught wanted to get a better understanding of what the primary issues are on the federal audit and the State audit. Is that

really about the allocation of funds between federal and State sources? The federal government's main concern is CMS sticking to the approved methodology. If not, CMS puts themselves at risk.

Member Bedore stated that the problem with the revolving fund is that things can be done without going through the normal process. You could take on projects that are not approved by the General Assembly. Mr. Romiti believes that many people have the misconception that all agency money is given to them on a project specific basis and that is not true. It is given on a line item basis and within that line item there are all kinds of projects and an agency thinks they will do these 10 projects for \$1 million, but when the fiscal year end is coming they end up doing some other projects for \$1 million. Not as part of the revolving fund.

The next discussion involved high density storage systems. Mr. Kanellopoulos stated that high density file system manufacturers claim that you can cut your file storage space by a third by using a high density system. Generally it can be true, but there are huge upfront costs for putting this type of system together. These systems are floor to ceiling and are very heavy. You must have engineering to make sure that the building can take the load. There is also an issue of the agencies that have a lot of files, for example DHS, that are federally regulated to by HIPPA and other rules. CMS space requests give agencies an option to request a high density system if they want them, but it is only for State owned facilities. Member Bedore stated that in the future they will need to be looking at systems like this.

Next on the agenda was legislation. Director Brown gave a brief summary. He stated that there is a summary of all legislation affecting procurement in the meeting packet. Since this analysis was drafted, there have been some additional pieces of legislation. The first two bills Director Brown referenced are HB1200 and HB1201. They are initiatives of the Procurement Policy Board. In November the Board voted to request those Bills to be put on the legislative agenda as stand-alone pieces of legislation. HB1200 passed the previous General Assembly, which limits the duration of contracts to 10 years inclusive of proposed renewals and was vetoed by the Governor and has been put back on the legislative agenda. HB1201 limits the duration of holdover to no more than six months once a lease has expired. As it is drafted it has an effective date of July 1, 2009 and last week the House State Government Administration Committee requested an amendment be put on that Bill that would require the Comptroller not to pay for those lease as they expire the six month time frame. Member Bedore wanted to know in the discussion of the House committee was there talk of a 30-day holdover limit. Director Brown stated that there is another piece of legislation out there, HB4103, which has an implication that 30 days is the limit before a contract must be executed before its expiration. Member Bedore stated that it is really not workable as far as leases are concerned. It is only workable after the backlog is cleaned up. Member Bedore would like to recommend that the date be changed to July 1, 2010. Member Triche-Colvin stated that she agreed in principle with the legislation that is being put forth but does not agree with the phase-in implementation. There needs to be some consideration taken for those leases that are already in holdover. Member Morales stated that in the last couple of months he has noticed that CMS has really tried cleaning up the holdover issue and commended them for their efforts and knows that they are working hard, but there are still a lot of them out there. Member Bedore asked Mr. Kanellopoulos how long it would take to clean up the back log. Mr. Kanellopoulos replied that it is hard to be accurate but believes it would be close to a year to 18 months to clean up the current back log of holdover leases. Director Brown stated that with concurrence of the Board he would be happy to continue to pursue amendments to this and discuss with Representative Wait the 30 day issue and explain to him what the implications are.

SB47 is a bill that required the Comptroller and the Procurement Policy Board to participate in a manner that would create more disclosure for procurements. As it is being held right now, it will probably not pass in its current form, but there is a great deal of interest in the General Assembly for transparency and disclosure that some form of Internet based search capability into procurements and contracts and possibly more is coming soon.

SB206 is a preference bill. In the past, the Board has not generally taken a position on preference bills, but this one specifically deals with providing preference for qualified disabled veterans so they may receive State contracts.

SB1481 and 1482 are our bills in the Senate for contract duration and six month holdover. A few bills that are not on the list because of their recent introduction are HB4102 which puts the power of determining whether a contract should be void or voided in the hands of the Procurement Policy Board. That power currently exists with the Chief Procurement Officers. Member Triche-Colvin is interested if Director Brown has any thoughts on this subject. Director Brown replied that the legislation specifically puts the Board in a position to determine whether contracts were void or voidable and to review much more than policy aspects. The Board would be looking at the actual contract administration, level of compliance that occurred with the Agency and the vendor and the Board have to vet every transaction in that way. The work load would dramatically increase and the Board is currently not staffed for that. Member Triche-Colvin stated that she would like to see some communication about that if this went forward, what would be required from a personnel perspective to have this executed in a proper manner. Director Brown replied that he would provide that information. HB4103 deals with 30 day aspect of holdover leasing and finally HB3919, which is cooperative purchasing for CMS. The Board has seen in the past, several versions of cooperative purchasing proposed. This particular version limits cooperative purchasing to State-to-State agreements. It requires that a State be the lead entity and not a private industry participant and it allows for the lead State's Procurement Code to be applicable. The law requires that redundant publications occur on our Bulletins if we allow another State to be the lead participant in this joint purchasing agreement. With concurrence from the Board, Director Brown would be happy to provide support of the Bill. The Board is in concurrence. Staff was also encouraged to see if language could be created to make these contracts available for local governments.

Director Brown stated that Higher Education would like to propose the idea that the Professional & Artistic Services limit that exists in the Procurement Code currently at \$20,000 be increased to \$50,000. This Board participated in increases several months ago for small purchases and construction thresholds. The Board has the authority under the Procurement Code to recommend that those thresholds be increased by Administrative Rule. However, the status of Professional & Artistic Services is expressly limited to \$20,000 in statute with no amendatory authority by Administrative Rule. The Board would have to recommend the increase of that threshold and seek legislation to accomplish it. Higher Education would speak about this at the next Board meeting. No further comments were made on legislation.

The next Board meeting is set for April 2 at 11:30 a.m. in Springfield.

With no further business Member Morales moved to adjourn, seconded by Member Triche-Colvin. The motion was unanimously approved.