Minutes – June 12, 2009 Meeting

Present in Springfield:	David Vaught Ed Bedore Diego Ferrer
Present in Chicago:	Rick Morales
Present Via Teleconference:	Mike Bass

The Board started the meeting by confirming attendance at 11:00 a.m.

A motion to approve the minutes for May 7th was made by Member Bedore and seconded by Member Ferrer. The motion was unanimously approved.

The Board presented a resolution for Member Carmen Triche-Colvin to thank her for her past service. Member Triche-Colvin was one of the original Board members from its inception in 1998. A motion to approve this resolution was made by Member Bedore and was seconded by Member Bass. The motion was unanimously approved.

Next on the agenda was CMS – FY08 Audit. In attendance was Director of CMS James Sledge, and Deputy Director of CMS Procurement, John Donato. Mr. Donato stated that one of the audit findings was an emergency procurement that was entered into with Hewlett Packard. The finding stated that CMS entered into the procurement process by submitting an IFB and then changed their approach to a sole source procurement. Mr. Donato stated that the IFB was never published to the Bulletin. In the beginning it was originally going to be an IFB, but after review by Mr. Donato it was determined that it fell under a sole source procurement. CMS did have discussions with HP and they sent a letter stating that they were the most economically feasible offering for the State. After discussing their options with BCCS, CMS determined that the sole source procurement was the way to go. The audit finding is because CMS had discussions with a potential bidder after the procurement process had already started. Mr. Donato stated that he would be happy to answer any questions the Board might have. Director Matt Brown stated that the Procurement Policy Board has followed this transaction and did provide a waiver for this based on the transactional need for compatibility purposes for connectivity and how those pieces of the network relate to one another. This transaction did go through a sole source vetting process before the Board performed its function. Chairman Vaught made the comment that a proposal that has passed the legislature engages procurement reform and sole source is being addressed there by having a public hearing required on all sole sources under that standard. No other questions were asked regarding this finding.

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Nick Kanellopoulos, the Acting Director of Property Management, stated that CMS received three facilities audit findings. One is dealing with procurement on the number of holdover leases and that numerous leases have been in holdover for more than five years. With 28% of leases in holdover this leads to ineffective utilization of space. Mr. Kanellopoulos stated in response that CMS will continue to reduce the number of holdover leases and have developed tools to better utilize State owned/leased space. Mr. Kanellopoulos stated that he would answer any questions regarding this finding. Chairman Vaught stated that the audit points out on December 31, 2008 $12.5 million of unpaid receivables existed to the facilities management revolving fund. In the response the department says they have no control over agency payments into FMRF and the statewide cash shortage is the primary contributor to the late agency payments. How does this affect the ability of the department to address the holdover and other property management issues? Mr. Kanellopoulos responded that CMS fiscal people gave a presentation on how FMRF worked and CMS does not have appropriation authority, it is given expenditure for it. CMS can pay the bills for consolidated property and then bill the agencies using that property for reimbursement. There is some money in the account from GRF to get it going, but CMS's ability to pay is directly related to agencies reimbursing them. When there it a cash shortage CMS does not have the cash to pay quickly as needed in some situations. Chairman Vaught replied that it is overstated and when these problems arise there is an expectation that CMS take the lead and solve it. Member Bedore stated that during the presentation from the fiscal people it was never mentioned that CMS was $12.5 million out of balance. Why was this issue not raised? Mr. Kanellopoulos replied that CMS raises the issue all the time, but did not think it was the proper forum to raise that issue. Director of CMS James Sledge stated that this is an ongoing systematic problem with CMS with their user agencies. This is an issue that is discussed weekly with the Governor's office and perhaps it should have been mentioned during past meetings, but if the Board wants, CMSs fiscal people could come back and talk in depth about how the cash flow works at a future meeting.

Member Bedore stated that he still has a problem with the relationship that CMS has with the operating agencies. Member Bedore stated that CMS has the leasing power over these agencies and does not know why CMS doesn't use it or care. This issue has been brought up time and time again and CMS states that it's because the agency wants it. Member Bedore wanted to know why Director Sledge just signs off on anything because the agency wants it. Director James Sledge replied that he respectfully disagrees with that statement and does not just blindly sign off on things because an agency requests it and also respectfully disagrees with the notion that CMS does not care about what their relationships are with other agencies. If the Board wants to have a discussion on the role of CMS as an administrative agency Director Sledge would be willing to have that discussion at a future meeting and talk about their relationships with other agencies. It is a little bit of a mischaracterization to say that CMS does not care nor is in a position to have a discussion with other agencies and the Governor's Office before a decision is made. Member Morales asked if it would be beneficial to have a discussion on what has happened, what has changed, what is improving and what needs to improve. Director Sledge replied affirmatively.

Next on the agenda was CMS facilities. Director Matt Brown made a brief statement. One of the subjects the Board has been interested in for some time is the nature of RFI's for leased property and how those RFI's are structured geographically. It has brought the question of types and locations of spaces that come forward in responses as well as the competition. One of the suggestions has been that RFI's be issued in larger geographic areas that include larger blocks of forecasted need be issued so that a broader spectrum of properties are presented at one time. Director Brown knows that the Board has been asking about how those processes are moving forward and at this point there have only been background conversations. It is appropriate at this time to bring it forward in the public forum to find out where that initiative might be and what kind of results might occur.

Nick Kanellopoulos stated that CMS has had a lot of procedural and policy changes within Property Management even before he became acting director. Several of the major initiatives that have been taken recently have been the development of the SPAT tool, which gives CMS a snapshot of where they are at with their current properties, both State-owned and State-leased. Another one that is relatively new is a property management business case, which allows CMS to follow from beginning to end to track the term of the lease on one document that includes all the information going forward so better decisions are made. Although in theory, going out for blocks of space at one time to get a large grouping of bids in makes some sense, but on the other hand the way the process works now each one CMS goes to bid on is vetted so that each individual RFI is the best bid it could be put out on the street that leads to a better size lease for the agency.

Director Brown wanted to respond that the Board is aware that CMS receives offers for space that has been come available that the State has not solicited. All lessors want to have their building occupied and many times those offers are attractive and appealing, but if there is no RFI open there is no opportunity for the State to consider that space. The Board is not considering this one methodology to changing the RFI landscape and it is not designed to be a full solution. It is an alternative to what they do now and if it yields appropriate space in lieu of the process CMS uses now it may satisfy a portion of their need. Mr. Kanellopoulos replied that things difficult to predict are actual headcounts at those facilities closer to the time they go out for bid. That is the main thing that trips CMS up and going forward, those numbers can change and smaller leases small changes lead to large changes like square foot per employee ratio. CMS is not rejecting it out of hand, but with the staff that is available and the issue of reducing holdovers CMS has chosen a particular path by creating the property management business case, have more staff involved in the procurement process.

Currently, CMS has 89 holdovers that need to be acted on. Two leases were terminated one in Springfield for the Dept of Public Health and one in Chicago for the Dept of Criminal Justice reducing square footage by 38,000 sq. ft. and the total cost of those two leases is about $900,000. Member Bedore wanted to know where the agencies were moving to. CJA is going to be moving to the Bilandic building in Chicago. The DPH lease is confusing. At 500 E. Monroe there are two leases, a DFPR lease with 40,000 sq. ft. and a DPH lease for 16,000 sq. ft. However, within the FPR lease DPH utilizes 13,000 of the 40,000 sq. ft. of space. FPR will be moving out of that building and consolidate them into another existing lease location and DPH is going to remain in that facility. When done, CMS will have 29,000 for DPH at that location.

Chairman Vaught asked Mr. Kanellopoulos to update the Board on the space standards before going to JCAR. Mr. Kanellopoulos replied that CMS has a draft of those space standards circulating to some people throughout the agency and believe they will have a completed draft by Friday of the following week. No further questions were asked.

Next on the agenda was HFS Modification and Employer Related Services. Director Matt Brown gave a brief synopsis of the review. The Procurement Policy Board received notice of the intended award. The PPB evaluated the process in which the contract was solicited and realized as a component of the solicitation, there was requested an additional fee for service component that would be made by the awarded vendor, but was not requested as an evaluated part of the RFP. The Board took note in that and indicated in its recommendation that the agency did not incorporate these add-on services as part of the RFP and those items should be bid and evaluated as part of the RFP in the related services methodology. It is permissible to not award or to designate as not guaranteed over the term of the contract. The add-ons did not appear to have an impact on the evaluations. Vendors were evaluated and must be ranked as appropriately for the services they provide. Tom Sestak, the Acting State Purchasing Office of HFS, and Administrator of Child Support and Enforcement, Pam Lowery were in attendance. Mr. Sestak stated that HFS agreed with the Board's recommendation to not include add-on services in any future solicitations. But the motivation of this solicitation was more a product of budget constraints that everyone is feeling at this point. No questions were asked.

Next on the agenda was DCEO lease# 3911 at 620 E. Adams, Springfield. Mr. Kanellopoulos stated that this is the DCEO headquarters in Springfield. This is a 108,000 sq. ft. facility. The materials that were submitted to the Board had an error and that there are 260 employees that are working in that facility, which means that 415 sq. ft. per employee. However, that number is a little misleading. This facility has serviced as DCEO's headquarters in Springfield for a long time and it is self-contained all of their operation. 7,000 sq. ft. of the facility is storage space, 4,000 sq. ft. is conference rooms, and the auditorium is 2,000 sq. ft. and there is a lot of common area which comes down to about 83,000 and is 319 sq. ft per employee. The lease rate starts at $16.65 in years one and two, which is a 7.4% increase over the holdover of $15.50. When you look at the total cost there is a 3% reduction in the cost of the lease. Mr. Kanellopoulos believes this is a good lease and asks the Board for their approval. Member Bedore stated that he is not comfortable with the square feet and the price of the base rent. Member Morales stated that when the Board turns down a lease and CMS goes back and re-negotiates the lease they come back with better numbers. Why can't this be done in the first place? Member Morales believes that the rate on this space could be better. Chairman Vaught asked Director Sledge what his priority is in terms of this lease and all leases in terms of the need to move some leases along even though they are not ideal in order to reduce the holdover count as opposed to the priorities of achieving savings and consolidation and better adherence to the space standard. Director Sledge replied that his number one priority is to save the tax payer's money. CMS is looking for the best deals that they can possibly get to save money and to consolidate space for agencies to use. CMS is not simply focusing on holdovers without realizing there is a need to save money and a need to consolidate space. A motion to reject this lease was made by Member Bedore and was seconded by Member Morales. The motion was unanimously approved.

Next on the agenda was HFS lease #4299 at 201 South Grand Ave. East in Springfield. Mr. Kanellopoulos stated that this is a proposed 60 month lease. This 180,300 sq. ft. facility houses 703 staff, which comes out to 256 sq. ft per employee. This is the headquarters for HFS in Springfield. Included in this lease over the first six months is to have the carpet replaced, re-painted and the bathrooms renovated. The initial lease rate is $16.75 per sq. ft. Mr. Kanellopoulos believes this is a good lease and asks the Board for their approval. A motion was made to approve this lease by Member Bedore and was seconded by Member Ferrer. The motion was unanimously approved.

Next on the agenda was DCFS lease #4962 at 2900 N. Oakland Ave. in Decatur. Mr. Kanellopoulos stated that this is a 13,245 sq. ft. facility. There are 40 employees working out of that facility which come to 331 sq. ft per employee. The initial rate is at $7.50 per sq. ft. The lessor will replace the carpeting through-out the building within the first six months. Mr. Kanellopoulos believes this is a good lease and asks for the Board's approval. Member Bedore asked since records need to be kept for 50 years wouldn't this be a prime candidate to microfiche or put on a computer or something. Cindy Mills, the liaison for DCFS, replied that with retention laws, they are required to keep hard copies. Member Bedore made a motion to accept this lease and was seconded by Member Morales. The motion was unanimously approved.

Next on the agenda was DCFS lease #5181 at 628 E. Adams in Springfield. Chairman Vaught stated that this lease is next door to lease #3911 and has the same issues with square footage and base rent rate. Member Bass made a motion to reject this lease and was seconded by Member Bedore. The motion was unanimously approved.

Member Bedore asked about the status on the lease in Harvey. CMS reported that they were close to posting it. Member Bedore stated that he would withhold his questions until the next agenda.

Next on the agenda was legislation. Director Matt Brown provided a brief update. He also provided the Board with a packet and status of legislation that was approved in the General Assembly and been sent to the Governor. Many pieces of legislation are still on a motion to reconsider, which requires that they sit in the GA and not be forwarded to the Governor at this time. SB51, which is Procurement Reform was updated to the Board. Director Brown stated that he has been in contact with all of the CPO organizations and have begun conferences with each of them so they can talk about how the implementation of SB51 will impact their procurement operations, what areas will be folded into current practice and what areas will require new or additional procedures to be implemented. Those meetings and conferences will start next week. Member Bedore made a motion to pass a resolution on SB51, which addresses important issues regarding the State procurement process. The Board knows that they have much more responsibility and looks forward to fulfill its expanded role in the process. To meet its obligation under this new legislation the Board respectfully requests the General Assembly fully fund the Procurement Policy Board in a manner that allows the Board to properly fulfill its expanded responsibilities. Member Bedore made a motion to pass this resolution and was seconded by Member Ferrer. The motion was unanimously approved.

The next Board meeting is set for July 9 at 11:30 a.m. in Chicago.

With no further business the Board adjourned into executive session for personnel matters at 1:00 p.m. and returned at 1:15 p.m.

Member Bedore moved to adjourn, seconded by Member Morales. The motion was unanimously approved.