



# STATE OF ILLINOIS PROCUREMENT POLICY BOARD

Chairman: David Vaught

Members: Michael Bass, Ed Bedore, Diego Ferrer, Ricardo Morales

## Minutes – July 9, 2009 Meeting

Present in Chicago: David Vaught  
Diego Ferrer  
Rick Morales

Present in Springfield: Mike Bass  
Ed Bedore

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

A motion to approve the minutes for June 12<sup>th</sup> was made by Member Morales and seconded by Member Bedore. The motion was unanimously approved.

First on the agenda was CMS Facilities. In attendance was Nick Kanellopoulos, the Acting Director of Property Management. Mr. Kanellopoulos stated that holdovers are down to 85. Chairman Vaught stated that there were two leases that were not approved at the last meeting and wanted to know what their status was. Mr. Kanellopoulos replied that CMS is trying to re-negotiate those leases for DCEO and would hope to have something to present to the Board very soon.

Mr. Kanellopoulos gave a brief summary on DCFS lease #6276 in Harvey. He stated that CMS bid this lease out and the RFI requested 35,000 sq. ft., which was a reduction from the existing lease. CMS received three proposals and one of those were outside the boundaries and service area for DCFS. The other two proposals were from the incumbent. He also stated that the proposal was incorrect incorporating all inclusive tax payments by the lessor. He stated that correction was made to only be a prorated escalator over new base year. Mr. Kanellopoulos stated that he would take any questions. Member Bedore stated that he wanted to request a full review on this lease. Member Bedore stated that this has been ongoing on for a couple of years. In the past the Board was told that the rate was at \$19.48 and in that was a build-out of \$7.76 that was to be amortized over 10 years. So the base rate is really \$11.72 and not the \$15 or \$19 that CMS has previously reported to the Board. Of that \$19.48, \$7.76 was for build out and the build-out is complete so the base rate is \$11.72. This would be a big increase to go up to the new rate. Member Bedore also stated that he has an issue with the insurance escalation. Additionally, security overhead is high due to the troubled night club next door that requires 24/7 security at a State facility. He is concerned about such expense when alternative social service to places like the boys & girls club is being slashed.

Also, Member Bedore stated that Cook County was supposed to occupy 17,920 sq. ft of space and since they did not move in the lease should be reduced by that entire amount. Mr.

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Kanellopoulos replied that the space was not decreased by the amount Cook County was supposed to take because DCFS has increased the number of employees since that time. They have terminated several leases around the area and have moved into this space and now the headcount is at 123 for this facility and at 35,000 sq. ft it gives them 283 sq. ft per employee. Mr. Kanellopoulos replied that as far as the cost goes the original bids received were over \$20 and was negotiated down to \$15.00, which was submitted to the Board. Chairman Vaught wanted Mr. Kanellopoulos to explain a little more about the insurance escalation in this lease. Mr. Kanellopoulos replied that it is like a property tax. Mr. Kanellopoulos stated that this is not in all their leases, but it is not an uncommon term. No more questions were asked.

Next was DHS lease# 2378 at 11203 S. Ellis Street in Chicago. In attendance was Henry Johnson, Leasing Liaison for DHS. This is a 25,132 sq. ft. lease and has been in holdover for almost five years. It currently has 100 employees and the sq. ft. per employee is 251 sq. ft. The rate starts at \$12.92 for the first year and increases to \$13.98 by the end of the term. Mr. Kanellopoulos stated that this is a good lease and asked the Board for their approval. Member Morales asked to be recused from this vote due to a conflict of interest. Member Bedore asked what the tenant improvement was. Mr. Kanellopoulos replied that because of the growth of the office and increase of cases there is a need for more storage. CMS is reducing the size of the break room and putting in a wall to create storage space and that is the increase for that storage space build-out. Member Bedore asked how close this was to Harvey and explained the rates comparatively at \$12.92 vs. \$15.00 a foot. Chairman Vaught asked about the cost of security being higher than Harvey. Mr. Kanellopoulos responded that based on a square foot rate at smaller facility may demonstrate a higher rate due to the ratios. Chairman Vaught asked if CMS determines the level of security. Mr. Johnson replied that the agency is responsible. Member Bass wanted Mr. Kanellopoulos to explain the structure of the gas payments. It appears there was a base value that the lessor covered and anything above that DHS paid and now it is being budgeted about \$4,000 a year for gas. Mr. Kanellopoulos replied that is an estimate of what their first year gas will be, but that is not locked in. No further questions were asked. Member Bedore made a motion to approve this lease and was seconded by Member Bass. Chairman Vaught stated that the Board should also act on the parking lease that is attached to this lease. DHS lease #3034 which added additional parking for the facility. Member Bedore made a motion to accept the lease and was seconded by Member Bass. Member Bedore suggested that CMS better demonstrate these details to the Board for future reviews.

Mr. Kanellopoulos requested the Board go out of order and review DHS lease #5834 next. DHS lease #5834 at 401 N. 4<sup>th</sup> Street in Springfield is 23,357 sq. ft facility. There are 40 employees at this location equaling 583 sq. ft. per employee. However, this facility has specialized space. In this facility, DHS processes its pharmacy operation. It is the central warehouse for over a half a billion dollars of medications that DHS gets repacked and re-distributed to mental health facilities statewide. Because of the inventory that includes narcotics and anti-psychotic medication, there are a lot of special needs for this facility and is not typical office space. This facility has been certified by the CDC to do the type of work that it does. The base rent is \$13.30. Mr. Kanellopoulos asked the Board for its approval on this lease. Member Bedore wanted to know what the original purpose of this building was since it is so spacious. Mr. Kanellopoulos replied that it is not a State owned building and is owned by St. John's Hospital and is not sure what the previous tenants used it for. Member Morales made a motion to accept the lease and was seconded by Member Ferrer. By a vote of 4-1 the lease was approved. Member Bedore stated he would vote against this lease.

Next was DES lease #3658 at 407 N. Franklin in Danville. Mr. Kanellopoulos stated that this is a 13,200 sq. ft. facility that houses 32 employees, which comes out to 412 sq. ft. per employee. This is one of the busiest offices in the State and traditionally the area has the highest number of unemployment rates in the State for the past 30 years. The proposed rate is \$10.77 and he believes this is a good rate for the facility and requests the Board to approve this lease. A motion was made by Member Bass and was seconded by Member Morales. The motion was unanimously approved.

Member Bedore made a closing statement about the leasing environment. He said that the most recent example of the Board influence was the \$840,000 saving on the Fulton Street lease and that this effort pays off. Chairman Vaught concurred and stated the PPB has played a role in accomplishing this.

Next was DES lease #4136 at 2 Smoke Tree Office Plaza, Building Two in North Aurora. Mr. Kanellopoulos stated that this facility is 11,686 sq. ft. and has 41 employees, which comes to 285 sq. ft. per employee. The initial rate is \$12.67 which is a small increase from the previous rate of \$12.42. It is a good rate for the area and is also well located near I-88 tollway and State Route 31 and is also close to Metra. A motion was made by Member Bedore and was seconded by Member Bass. The motion was unanimously approved.

Next on the agenda was the Small Purchase Threshold. Executive Director Matt Brown stated that the Board had asked for follow-ups from the four CPO's agencies about the administrative rules and increasing the small purchase threshold. The Board is required by law to make recommendations for increases or decreases and implementation proceeds through the rule making process. After the Board made the recommendation in May of last year, the Higher Education CPO instituted rule making and had quick adoptions to those rules. DOT followed-up with that with a more protracted approach through a proposal and a lengthily open comment with JCAR, but has since moved for adoption. Director Brown stated that the Board is still waiting on introduction to that from CMS and CDB and have asked those agencies to explain their delay.

Lynn Carter, Legal Counsel with CMS, stated that CMS has had discussions with the Office of the Governor on this policy and it is a policy decision of the Governor's office at this time that they do not wish to increase the number of no bid contracts or to increase the number of contracts. Fred Hahn, SPO for CDB stated that they had the same discussions with the Governor's office and was told the same thing.

Member Bass wanted to check to see if IDOT was currently working under the new threshold. Director Brown replied affirmatively. Ms. Carter stated that she was told that IDOT withdrew from their rule making process. Director Brown stated that he would not get a notice of withdrawal, but would check into this. Chairman Vaught asked for Director Brown to check more into this and clear up any inconsistencies or to make a further recommendation.

Next on the agenda was legislation. Director Brown stated that the Board was concerned about three pieces of legislation. Those items were term limits for the duration of contracts to not exceed 10 years inclusive of renewals, which has been signed by the Governor into law. The next was the limitation of holdover leases for a period of no longer than six months, which was coupled with a authorization of certificates of participation through Higher Education has been signed into law. And last is SB 51, which is the larger Procurement Reform Bill to which right now the Governor's Office is in receipt of the Bill from the General Assembly. August 18 is the date that the Governor needs to take action by. Director Brown knows there are discussions

under way about its implementation as well as registering concerns that the current CPO has with its application.

The next Board meeting is set for August 13 at 11:30 a.m. in Chicago.

With no other business to discuss Member Bedore made a motion at 1:00 p.m. to adjourn and was seconded by Member Bass. The motion was unanimously approved.