

Chairman: David Vaught

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

Minutes – September 16, 2009 Meeting

Present in Chicago: David Vaught
Ed Bedore
Diego Ferrer

Present in Springfield: Mike Bass

Present via Teleconference: Rick Morales

The Board started the meeting by confirming attendance at 11:50 a.m.

A motion to approve the minutes for August 13 was made by Member Bedore and seconded by Member Bass and a motion to approve the minutes for August 20 was made by Member Bedore and seconded by Member Bass. The motions were unanimously approved.

First on the agenda was Bureau of Strategic Sourcing and Procurement (BOSSAP). In attendance was John Donato, Deputy Director for BOSSAP. Mr. Donato wanted to give the Board an update on what BOSSAP has been engaged in recently. The most recent has been preparing for Senate Bill 51 becoming law and to reduce spending on procurements and to make sure they are necessary. Mr. Donato also wanted to go over some recently awarded procurements that have been published. One was waste and recycling services – a master contract was established with an estimated value of three million dollars saved annually. Another large procurement where a master contract was established was the fleet fuel card. All State employees that traveled used a fuel express card when traveling and the estimated value of that contract was \$200 million. Mr. Donato stated that another master contract that was established was the truck fleet overflow repair with an estimated value of \$34 million. In addition, a contract was awarded for rock salt. It is currently \$140 million including joint purchasing communities and yielded a weight average price of \$60.35 per ton. Mr. Donato wanted to bring up some solicitations currently in process or recently awarded. One was on temporary staffing services for the Chicago region. This procurement is estimated at \$12 million. Another one just published last week was for copiers and multi-function devices and is estimated at \$17 million. Also another one that is familiar to the Board is for cellular services and is estimated at \$60 million and CMS realizes it has been on-going for long time regarding copiers and faxes. Member Bedore wanted to know if BOSSAP has done any type of survey or analysis of who should have machines ahead of time. Mr. Donato replied that it is an issue and BOSSAP is going to investigate some of their agencies and see what makes sense to make sure they are getting to correct number of copiers.

Member Bass stated that when identifying a strategy going forward and identifying numbers a question to ask is how obsolete is your equipment. Why do people need three things when you can get multi-functional units that can handle 7-8 offices? He continues stating people don't think enough about the drain on energy consumption and if your strategy is tied to multi-functional units that provide a legitimate reduction in energy consumption and square footage where 40 units might have been used because those units are always on. Chairman Vaught asked if this should be a policy established before procurement begins so we are not buying blind. We are interested in this policy question. Steve McCurdy stated that there is a \$10,000 review threshold but below that is off the radar. It may call for further review of this subject statewide. Member Bass state that a policy on deploying multi-functional devices should exist under CMS control. Member Bedore asked for some follow-up on CMS standards that set controls. He suggested use committees on machines. Mr. Donato replied that he agreed. Member Bedore wanted to know where CMS stands in situations like this. Director of CMS James Sledge replied that they stand in the forefront and have put out CPO notices to all agencies about their spending. There is a PBC system in place where agencies are to go through to make purchases and diligently follow that mechanism. Director Sledge stated that when agencies make purchases against master contracts there are safe guards in place in CMS. If those safe guards are not followed by agencies then it is incumbent on CMS to take measures to reject those purchases CMS then goes to the Governor's Office and to the agencies and correct the problem. Member Bedore asked if there are any standards set up for copies, scanner, and fax machines. Director Sledge replied affirmatively. Member Bedore requested to see a copy of that.

Regarding cell phone contracts Mr. Donato stated that it was a long process that has required emergency extensions to continue the service. Member Ferrer asked why an emergency was necessary. Mr. Donato responded that it was a stop gap for 9 months. CMS already exceeded their 90 day extension authority. Member Ferrer asked why the lack of timing. No further questions were asked. Lynn Carter, Legal Counsel for CMs responded that this has been underway for 2 years but a protest occurred and was forwarded to OEIG for review who themselves took 9 months to review. Returning to a question on the vetting process for equipment orders it was asked if a copy of rejected purchase orders could be provided for the next meeting.

Ms. Lynn Carter, Legal Counsel for CMS gave a brief statement on SB51. Ms. Carter stated that they have been having weekly meetings regarding the implementation of SB51 and have also put together a BCCS team to work on systems issues that would be related to SB51. There are also a lot of process and document issues being done plus updating of templates. CMS has written a procedure for the new sole source hearings and have conducted a test. Ms. Carter stated that CMS is trying to shake out and resolve any problems that come up before the law goes into effect. Chairman Vaught asked about training for procurement staff. Director Matt Brown stated that a training function will exist depending on the outcome of the amendatory veto. The alternatives being PPB participates in either developing the program entirely or developing a program collaborating with the Executive Procurement Officer. The rationale for this training program is expressed in statute by requiring that individuals holding CPO and SPO positions be accredited in this profession and this training will be a mandatory function not only for those individuals, but also for their staff.

Next there was a request from a lessor for 300 W. Adams in Chicago to address the Board. Jeff Annenberg is the lessor of the building at 300 W. Adams in Chicago where Criminal Justice Authority is located. Mr. Annenberg stated he went through the bidding process and in the end believes he was awarded the contract. Mr. Annenberg was sent a letter from CMS in the first part

of April, which he thought included the final executable lease and signed his portion of the contract and sent it back to CMS. He got confirmation that they received it and they were going to approve it and thanked them for their time. He stated he never received a return copy of the executed lease and contact to Mr. Nick Kanellopoulos who responded that it was going through the process and was told that someone was objecting to the lease. During this time Mr. Annenberg had another opportunity to lease the space out for 10 years and passed because he believed that had a contract with CMS to stay in the building. About a month ago Mr. Annenberg received a termination letter from Director Sledge that CMS will be leaving the space at 300 W. Adams. Mr. Annenberg stated that he was surprised CMS had done this. Mr. Annenberg stated that CMS told him that it was up to CJA to decide whether they wanted to stay in the building or move. Mr. Annenberg went over what rates were negotiated with CMS and the termination clause. Chairman Vaught thanked Mr. Annenberg for his comments and told him that the Board was not a legal body and couldn't make legal advice or remedy for this. Mr. Annenberg asked what to do next. Chairman Vaught replied to that it is up to his legal department. No further questions were asked.

Next on the agenda was CMS Facilities. In attendance were the Acting Director of Property Management Nick Kanellopoulos and Assistant Director of CMS Steve McCurdy. Mr. McCurdy wanted to make a few comments before starting. Mr. McCurdy stated that the Penta Building lease has been terminated and DPH will vacate the space by December 2009, due to questions that were raised by the Board regarding this lease causing CMS to review the lease again and resulted in terminating the lease. The training facility will be relocating to the DNR State owned facility at the fairgrounds. Mr. McCurdy wanted to clarify the Bellville lease. This lease came to the Board as a 10 year lease with a cancelation in the sixth year, but after discussions with Director Matt Brown CMS was prepared to withdrawal the lease because it was not a five and five year renewal lease, however, the lease was changed a few days ago to reflect five and five. Another issue to point out is that there was an error on the Alzina building the headcount. It was higher than the original count that the white paper reflected.

Mr. Kanellopoulos wanted to give a few updates. Mr. Kanellopoulos stated that as of July 1, 2010 the IOC will not pay on leases that are in holdover for more than six months. CMS will not only be dealing with holdover leases, but also leases that will be expiring between now and June 30, 2010. The total number of transactions needing action on is at 115 of which 78 are in holdover and 37 others that will be terminating between now and June 30, 2010. CMS goal is to get that 115 down to zero by June 30, 2010. On the question asked at the previous meeting about what CMS is paying for in utilities on the Penta lease they need the landlord, CMS and CWLP at the facility to do a test and power down each meter and test what it metered to see if CMS is being properly billed and hope to have an answer by the October meeting. Mr. Kanellopoulos stated that there were questions raised on two leases not on the agenda for the DES lease in Marion and Chicago and is prepared to answer any questions. Member Bedore wanted to know more about the reduction in square footage and the 25% increase in rent. Mr. Kanellopoulos responded that although it appears that way, because it went from 8,000 sq ft. 7,265 sq. ft. the rent went up from \$8.40 to \$10.50. When you look at the total annual cost it went from \$113,000 estimated to \$180,000. The issue was that the rent rate of \$8.40 dates back to 1996 and when negotiated CMS settled on \$10.50, which is well below market rate for the area. CMS did not attempt to even things out.

Member Bedore made a comment that in August 2009 the National Association of Realtors reported that office rent will likely fall 14% this year and 10% next year. Also commercial properties have fallen 25% since peaking in October 2007. He stated that it is true nationally, but

he has not seen any drop for the State's rent. Member Bedore asked CMS to consider this decline in its business plan. Mr. Kanellopoulos stated the next lease in question was DES lease in Chicago, which was moving into a new building soon. Member Bedore stated that he was satisfied with that.

Mr. Kanellopoulos stated that Executive Order 7 2009 established energy efficiency bidding that includes CMS, CDB and DCO had their first meeting last month. The next meeting will be tomorrow. The Board has brought up various issues in the past and although the first meeting was long it dealt with critical timely issues having to do with funding and grant requests, but were not about to get into specifics. One of the issues was getting motion detectors for lights at State facilities. As CMS moves forward and certain critical issues are resolved they will take on those issues like rebates and grants. The money from those types of programs will be able to fund this type of initiatives, but some of those are pending. In the coming months CMS will update the Board and intends to take the issues brought up and move on them. Member Bedore stated that in the previous minutes CMS was to give more information about the rebate and grants. Mr. Kanellopoulos responded that the grant requests are still pending and will continue to report on its progress. Member Bedore stated that in their minutes from the meeting that it is mentioned that some of the programs you pay up front and then get a rebate. Mr. Kanellopoulos responded affirmatively. Member Bedore asked if any thought was given about the owners providing new carpeting, new lighting. Can the owners be required to install motion switches in the buildings? Has any thought been put into getting them put into the leases? Chairman Vaught stated that there needs to be a better way of measuring the cost of utilities especially when they are included in one lease and not in the other and in the third there is an HVAC update, but no decrease in utilities. Mr. Kanellopoulos stated that State Architect Ron Wheeler will do a short presentation on the property management business case designed to identify this.

Ron Wheeler, State Architect and Acting Manager of BOSSAP, stated that he came to present to the Board this property management business case because of questions related to that award and what that was. Mr. Wheeler stated that what CMS intends that property management the lease process includes the due diligence process that included space request, going into site evaluations, doing vacant space due diligence, etc. What was created was a standardized format in an Excel spreadsheet where CMS can collect all the information in a similar format and use that not only to approve a space request, but to capture all information about a lease prior to beginning the process of negotiating a lease by the leasing rep. No questions were asked.

Next on the agenda was the Administrative Rules. Mr. Kanellopoulos stated that CMS filed Rules regarding space standards and received comments from an attorney at JCAR suggesting that CMS withdrawal the rules and re-write and re-submit them. The main suggestion was that the rules appeared to be written by an architect and language that he felt was not appropriate for administrative rules. It should be written in more plain English. Chairman Vaught asked when CMS would re-file. Mr. Kanellopoulos replied that CMS hopes to get them done in the next two to three weeks. Chairman Vaught asked if there was a second point being that JCAR suggested a rewrite of the entire part. Mr. Kanellopoulos stated he believed it would take much longer to do this revision given all the competing priorities CMS has with holdovers and other issues. Chairman Vaught responded that the Board was expressing impatience on this issue and to keep in mind this has been asked about previously.

Next on the agenda was DHS lease #2344 at 100 North First Street in Springfield. In attendance were Henry Johnson and Drinda O'Connor representing DHS. This is a 122,421 sq. ft. office lease and there are 583 employees, which comes out to 210 sq. ft. per employee. Mr.

Kanellopoulos stated this space services the Division of Rehabilitative Services for DHS. This is a full service gross lease and he believes that this is a good lease and asked the Board for their approval. Chairman Vaught stated that this was a large lease and wanted to know if the lease was bid out in smaller increments could you get a better rate. Mr. Kanellopoulos replied yes. Member Bedore asked if there was a security guard at this facility. Mr. Kanellopoulos replied currently yes, however, all agencies have been sent a notice that CMS is going to be cutting security guards at various facilities. DHS replied and stated that they did not want to lose their security guard. Member Bedore asked who has the final say. Mr. McCurdy replied that he has the final say. If an agency requests to keep their security guard it will be reviewed to see if the services are genuinely needed before any decisions are made. Member Bass asked if the Alzina building still only had two tenants. Terry Schierholz with CMS replied affirmatively. Member Bass asked if any comparison had been done against the other tenants; State Board of Education. Mr. Kanellopoulos replied that it had not. No further questions were asked. Member Bedore made a motion to approve this lease and was seconded by Member Ferrer.

Next was HFS lease #5602 at 2200 Churchill Rd in Springfield. Mr. Kanellopoulos requested that this lease be pulled at this time and put on the October agenda. The Board agreed.

Next was DES lease #6240 at 4519 W. Main St. in Belleville. Mr. Kanellopoulos stated that this lease was changed to a five and five year lease to be consistent with PPB requirements. Also the headcount was updated and the total number of employees is at 37, which brings down the sq. ft. per employee to 283. The square footage at this facility was reduced and the rent rate was reduced from \$11.67 per sq. ft. to \$10.50. Mr. Kanellopoulos believes that this is a good lease and asked the Board for their approval. Member Bedore asked the question when the white paper was prepared, where did the extra employees come from, where they there or was it to make the square footage look better. Mr. Kanellopoulos replied that he and John Rogers had a meeting just before this meeting to go over the leases and Mr. Rogers discovered that the lease rep took information off of numbers that were included on the DES annual plan which was wrong. In the process it was never corrected and Mr. Rogers confirmed the numbers to be what was just provided to the Board. Member Bedore asked if anyone ever really checks. Mr. Kanellopoulos stated that field verification is done by the leasing rep or the facilities manager. Mr. Kanellopoulos stated he knows where the numbers came from, but not sure where the error occurred. Mr. McCurdy stated that CMS will work with Director Brown on developing a process. Mr. McCurdy stated that the white paper was not sent to the agency to confirm the number and that is where the mistake was made. Chairman Vaught commented that somewhere in this process when the leasing rep didn't know how many employees where there someone made the decision to reduce the square footage from 13,273 to 10,500. How did that happen? Mr. Rogers replied that the square footage when the leasing rep when there found there was an office the partners rented in the basement and had been abandoned and the leasing rep took off that square footage. There has been an influx of partners in and out of that building over the last couple years and when they moved out DES didn't want the space and it was taken out of the overall square footage. Chairman Vaught asked CMS what is the process. Mr. Kanellopoulos replied that the current process in any lease is there is a field verification where either the leasing rep or facility manager or both go to the site and confirm the headcount at the facility to see if it is consistent with what is on the annual plan and what was submitted on the space request and get more updated numbers to go on. Member Bedore asked at the previous meeting that the lease reps name be put on the white paper. Mr. Kanellopoulos stated on the white paper the leasing reps name is on the second line. Member Bedore suggested the forms should probably be signed by the reps to validate this work. Mr. McCurdy stated that CMS would work with Director

Brown on this issue. With no further questions asked a motion was made by Member Bass and was seconded by Member Bedore. The motion was unanimously approved.

Next on the agenda was Legislation. Director Matt Brown made a brief statement that the amendatory veto was already discussed on SB51. The legislation topic is always open for comments considering the signature of bills and implementation into law and no additional comments were received or prepared for this meeting.

The next Board meeting is set for October 8th at 11:30 a.m. in Chicago.

With no other business to discuss Member Bedore made a motion to adjourn at 1:55 p.m. and was seconded by Member Ferrer. The motion was unanimously approved.