

Chairman: David Vaught

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

Minutes – December 3, 2009 Meeting

Present in Chicago: David Vaught
Diego Ferrer

Present in Springfield: Ed Bedore
Mike Bass

Present via Teleconference: Rick Morales

The Board started the meeting by confirming attendance at 11:15 a.m.

Member Bass made a motion to approve Member Morales participate via teleconference. The motion was seconded by Member Ferrer. The motion was unanimously approved.

Member Ferrer made a motion to approve the minutes of November 5, 2009. The motion was seconded by Member Bass. The motion was unanimously approved.

Next on the agenda was CMS Proposed Rules. Director Matt Brown stated that Matt Hammoudeh with CMS was present and wanted to make a brief statement about the printer consolidation that is ongoing at CMS before proceeding. Mr. Hammoudeh wanted to provide an update to the Board on the printers, copiers and fax machines and their numbers in State offices. CMS has looked at this issue with two components. One from the master contract perspective that when requests for such equipment are made that they are accurately scrutinized and minimized as much as possible, and two, that the high number of machines in some State offices is under a plan to reduce those machines. CMS has been working with the support of the Governor's office and Office of Management and Budget to make significant progress in this area. CMS is currently coordinating to implement an ongoing rationalization of these types of devices that will maximize the State equipment while reducing the numbers of machines in this area, i.e. printers, fax machines and copiers. They have also had the benefit of Director Matt Brown's input on this matter and stressed the importance that the relationship between procurement and surplus is strengthened to ensure when there is under-utilized equipment that the State owns, that it is put into active use rather than going out for a procurement. During the October meeting, Roger Nondorf spoke and gave the Board some numbers about orders there were held or denied and CMS has taken that to another level. In light of their current policy changes, CMS has frozen all orders on printer, copiers and fax machines not only on the master contract, but in general. An agency is not allowed to go outside of the master contract or to acquire these pieces of equipment until the new policy is implemented and issued in total. Mr. Hammoudeh stated that CMS has provided a copy of that memo to the Board for review. Mr. Hammoudeh said that on the property management side Assistant Director Steve McCurdy will review all equipment when an agency moves and find out what the needs of the agency are to try to utilize multifunctional devices and make sure that network devices, with the assistance of BCCS, is the standard to minimize the high number of machines. These new policies will reduce

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the number of devices in State space and ensure that if a viable piece of equipment is in the possession of an agency and being underutilized that it will be redeployed when an agency makes a request for similar equipment. On the surplus side, there is a mechanism in place to quickly capture underutilized equipment from agencies. As CMS finds existing State offices that may have too many devices for existing headcount, they are creating a qualified pool of surplus equipment for redeployment at other agencies. In the near future they will be issuing a directive for all State personnel to reduce these pieces of equipment and under the additional authority of the Green Government Act; this initiative alone should yield millions of dollars in savings. CMS will continue to push for additional reductions of existing devices at other agencies and will update the Board of their progress over the next couple of months.

Member Bass asked that since the order of printers, fax machines and copiers is prohibited; does CMS still have ability to lease these pieces of equipment? Mr. Hammoudeh replied affirmatively. Member Bass asked if CMS has a gross estimate of how much of the activity is leased versus out right procurement. Mr. Hammoudeh referred to Roger Nondorf to answer that question. Mr. Nondorf replied that presently there is not a lease option through master contract for facsimile, printer or copier equipment. The freeze on master contracts at this point would be relevant only to purchases of equipment. There is not a master contract option available today to State agencies to lease any of these devices. Member Bass asked if State agencies lease this type of equipment today. Mr. Nondorf replied that there is equipment in the field today under prior lease agreement but there is no option to renew so those lease agreements would eventually end. Member Bass asked for a percentage of the footprint that is still under lease. Mr. Nondorf replied that he did not have that answer, but could get it to him. No further questions were asked.

Next on the agenda was CMS Proposed Rules – Acquisition, Management and Disposal of Real Property. Director Matt Brown stated that there were two presentations today. The first presentation is on Title 44 Administrative Code 5000 for the specific section dealing with space utilization. This CMS proposed rule was at the request of the Procurement Policy Board several months ago. The original submission was considered by JCAR to be insufficient at the time so CMS agreed to withdraw the rule and come back with a draft. The new draft that was presented addresses the ability to restack a facility in a modern configuration that meets current space standards. The way CMS came to this conclusion is by associated depreciated value of the facility being occupied. A specific condition that has been outlined about this evaluation is that there is no distinction between leases and State-owned property and how that application would differ, as well as the related intervals of when this exercise may occur. It seems practical that one would consider this an evaluation at lease renewal or when leases are put out for competitive selection while moving is being considered; but seems impractical to use this evaluation on an on-going basis. There is a programming issue that is still involved here and is better addressed in additional rule making. Mr. Scott Seder is here to represent CMS on this issue. Also in attendance was State Architect Ron Wheeler to answer technical questions.

Mr. Wheeler stated that he wanted to clarify that this particular rule was put into place so that CMS could establish some definition for sustainable economic practices for their business, but also understands Director Brown's comment that you would like it broadened and like to see their entire due diligence process. Mr. Seder stated that CMS has undertaken separately with the Board's guidance, a complete revision of 41 separate rule provisions that relate to property management. In the course of revision, CMS has received comments from leasing reps, administrative staff and have language proceeding from all the commenters. CMS has contacted Director Brown and gone over orally all the concepts in which he vetted a few of them and CMS is currently chasing down some of the concerns he raised. CMS is now at the stage of providing

language and hope to have actual language if the Board wishes to review prior to CMS submitting to JCAR. The themes in the recommendations are primarily those of affirming CMS' role in control and ownership of these types of property management issues that come before the Board. Setting out standards, updating and revising with current law in addition to putting an agency on notice and the people that do business with the State getting notice about how CMS proceeds whether it is through alternate RFI or RFI. CMS wants to make sure they come up with rules that will allow this Board to hold the agency accountable and provide taxpayers and the public notice. Mr. Seder stated that he would be happy to answer any questions the Board might have.

Member Bedore wanted to know what the recommendation of square footage per person was. Mr. Wheeler replied it is 275 sq. ft. of rentable area for leased property primarily. It is 200 sq. ft for useable space in a State owned facility. Member Bedore stated that a lease here today had a total of 449 sq. ft overall and dialed it is down to 279 sq. ft. Sure you can get it down to 275 sq. ft., but he questioned from the 449 sq. ft. down to the 275 sq. ft. You say that you exclude all conference rooms, break rooms, etc., but maybe the Board has questions about that. Should every floor have conference rooms? Should every floor have a break room? These are legitimate questions from the Board and you come here and say you got the footage down to 279. The Board should question what was actually knocked off, what is it? Do we have standards for break rooms? Do we have standards for training rooms? It seems every lease has training facilities in it. Isn't there a central area for training? There are two training rooms at Churchill Road. Everyone has a training room. So CMS dialed down the training room here and it gets you down to 279 sq. ft. Should every floor have a conference room? Should every floor have a break room? Are there some standards of what the sizes of these break rooms are? Member Bedore stated that he does not see any of that in the proposal. Mr. Wheeler replied affirmatively that the specific issue is not addressed by rule here, but it is addressed when they do project development. CMS has developed information across the portfolio of where CMS has their large training and conference rooms. They have made an internal policy not to duplicate those when CMS creates new space. They do force agencies to seek the use of those existing spaces. When it comes to lease renewals the current proposed rule section 5000-341 does not specifically address renewal leases. The events for rules to apply are when CMS see Capitol funds for deferred maintenance or renovation of a facility they will ensure in that process they maintain a new sustainable standard of 275 sq. ft or 200 sq. ft., whichever applies, for those facilities. And where they seek new lease space where CMS does intend to spend the equivalent of an annual base rent figure; that typically is in their new procurement. CMS will ensure that they meet the new space standard of 275 sq. ft for leases. Chairman Vaught asked if the 275 sq. ft. include break rooms. Mr. Wheeler replied that includes everything except public areas such as files, waiting room, conference rooms and yes it would include break rooms. Member Bedore asked why are all of the leases coming before the Board excluding all of those rooms. Mr. Wheeler replied that most of those leases coming up for renewal do not anticipate an annual base rent cost figure an amortization into those leases which would inflate those costs to reduce those areas. That doesn't mean that CMS does not make the attempt to limit the access area in lease space before they renew it, but don't anticipate wanting to spend the money to further reduce the space by reconfiguring it when they are doing a renewal. Member Bedore stated that none of these rules apply to renewable leases. Mr. Wheeler replied that the specific rule before JCAR today does not. Member Bedore stated that it is 99% of the Board's work currently. Chairman Vaught asked when there will be a rule that will apply to these leases. Mr. Wheeler replied that it is not that they don't apply to leases. They set the standard of 275 rentable square feet, but they qualified that and said they were not going to initiate a process were CMS would spend money to reduce that space and have rules already in place that may or may not be modified in their new proposed

rule making. This allows CMS to not specifically apply these rules at the addition of expenditures that would otherwise need not be made. So there is an economical qualifier on when these rules apply. The specific rule before JCAR today does apply when CMS spends more than 40% of the replacement cost of the building. It does apply when CMS spends more than the annual base rent on leased property. Member Bedore stated in other words this would not apply to any renewal lease that comes before this Board. Mr. Wheeler replied that is correct except for leases where CMS does in fact do a major renovation and cannot tell you whether or not you will see renewable leases where that decision has been made. Member Bedore stated that in all the years he has been on the Board he cannot think of a handful of leases that this rule would apply to. So CMS stands up here and says they now have standards, but that does not apply to 99% of what they are doing, but we have standards.

Member Bass made the comment that CMS is talking about rules, revising rules by bringing them up to date and getting the bigger picture but he is not comfortable when CMS brings forward pieces and parts of a larger picture because it is hard to comprehend the strategy in that piece meal environment. If you are asking the Board to support sections or revisions of parts of the totality of what CMS is looking at; as one Board member he is not in support of this. He wants to see the total package of revisions, so he can assess all of it within a comprehensive view. Member Bedore stated that he agrees with Member Bass and will not support before JCAR the way it is presented to the Board. Director Brown wanted to make a comment from the staff perspective. One of the things that is challenging at the staff level in reviewing the rules as they come forward its very technical nature and he has met with Mr. Wheeler on several occasions. Director Brown knows the professional caliber of the work by Mr. Wheeler and his staff and Mr. Wheeler is intending to accomplish. Director Brown stated that he has to go forward to see how these changes play out. What PPB uses at the staff level is the National Institute of Building Sciences. It is essentially by government for government and works at the primarily federal level. While that is not a body of rules it demonstrates a very wide field of policy and operations that is very similar to the way the State of Illinois operates. That a basis at the staff level we use to understand these things and will continue to have discussions with CMS staff. The PPB has found it to be pretty helpful and drills down on a lot of different things about real property inventories, asset management which is the direction CMS and staff are taking their activities. Director Brown just wanted to share how the PPB is engaged in this process to reach a reasonable outcome. Mr. Seder replied he appreciates all the Board's comments will make sure that Director Brown and the Board sees all the revisions that have been drafted so CMS can constructively work on this current rule and is aware that the nature of these rules promulgated first and then the other rules being promulgated after is not effective to the Board and that was done to get this rule filed on the Board's behalf as quickly as possible. CMS will do everything they can to abate the Board's concerns about the vision and direction that these rules are taking.

Director Brown stated that upon the review of procurement rules the Board has a responsibility to make appropriate comments and share those with the JCAR. These are typically done in concert and prior to the JCAR consideration of moving those rules forward. So at this time the Board will need an official motion on how to recommend action through the JCAR process. Director Brown stated that the Board needs to have their comments into JCAR before December 15, 2009. Member Bedore made a motion to recommend to JCAR that the rules be delayed until the recommended actions are taken and brought back to the Board for review again. Member Morales seconded the motion. The motion was unanimously approved.

Next on the agenda was CMS Facilities. In attendance was Nick Kanellopoulos representing the Bureau of Property Management for CMS. Mr. Kanellopoulos wanted to give some updates.

Upon the approval of the lease on Churchill Road CMS has come up with a plan to re-staff and fill in the vacant workstations that are located in that building. CMS is going to move about 85 additional HFS staff in once the building is re-stacked. The only issue there is that the building being moved out of by HFS staff does not have a favorable termination option. Therefore CMS is going to move another agency into that building and will terminate the DCFS lease that is located at Mendenhall. The net effect of this entire project will be that the building at Churchill will be fully occupied; the termination of the Mendenhall lease will save the State \$1.65 million the first year and also eliminate a lease that is in holdover. Member Bedore wanted to make a comment that Mr. Kanellopoulos said to trust him at the last meeting and Member Bedore told him job well done and the State has saved over \$5 million dollars over a five year contract. Thank you. Mr. Kanellopoulos stated that currently holdovers are at 68, which are 43 leases that are in holdover and 25 leases that will be expiring by June 30, 2010. Mr. Kanellopoulos wanted to update the Board on the security reductions. As of this week CMS has reduced the security contract by \$2.9 million and a 22% reduction in cost at a 2.3% reduction in total amount of hours. CMS will continue to make progress and report back to the Board on a monthly basis. Mr. Kanellopoulos stated he would be happy to answer any questions.

Member Bedore wanted to discuss and open RFI and stated that Public Act 095-0101 that states a historic area of preference the "State of Illinois shall" does not say may, give preference to locating facilities whenever possible or appropriate if economically feasible in historic properties in buildings located in the government-recognized historic district or central business district designated by the local regional planning of the agency. State agencies responsible for leasing, acquiring or maintaining State facilities shall take all reasonable acts to accomplish this. The RFI that went out gave no reference to this and it went city-wide. How are you going to judge these when they come in? Why wasn't that a part of the RFI and shouldn't it be amended? There are also some other comments about things that were omitted from this RFI. Mr. Kanellopoulos replied that CMS is aware of the statute and they intend to follow the law. The fact that they have requested information within the limits of the city of Springfield does not mean they are not going to follow all laws that apply to these procurements including that one. Member Bedore stated that he understands that there are many laws that effect the RFI, but this is a law that is sensitive. It is sensitive to Mayor Davlin of Springfield. You have to understand the sensitivity of what CMS is proposing and he believes there should have been some reference to the historic area. Assistant Director Steve McCurdy replied that it was his decision to do that and did it in order to find the lowest bidder and reduce their cost as much as possible. CMS did not do a press release but responded to inquiries from reporters. Member Bedore says he understands doing this economically but a reference could have been made in the RFI. Director Brown stated he wanted to clarify that the nature of the procurement process is one of transparency and one of disclosure to the maximum extent possible so that the Lessor can understand what they being asked to do. The presumption is that we take for granted as State employees and operators of State Government that these Lessors are aware of these same laws. Yes, they do need to be compliant with the law, but letting a lessor who may not be as experienced as others become aware through your offering that there is such a statute out there cannot hurt anyone and may help prevent grounds for protest. Mr. Kanellopoulos replied that there is a packet that people can request and will soon be provided as an attachment on the Procurement Bulletin and it is what should be done and believes that this would not kill competition. Mr. McCurdy stated that he and Director Brown discussed this issue within the last 48 hours and CMS understands and are not being self-serving and are going to work with Director Brown on this issue. Member Bedore recommends that Director Brown work with CMS and come up with a proposal to amend the RFI that is out on the street today and make that in the form of a motion. Chairman Vaught stated that he does

think his motion is appropriate here, but thinks that your advice and Director Brown's advice has been heard and acknowledged and the validity of it has been expressed. No action was taken.

Next on the agenda was the official review of HFS lease #6132 at 2918 Crossing Court in Champaign. Director Brown stated that this transaction was put under review as identified by the overall cost of the facility. The facility is being posed as a replacement facility for an existing lease. HFS was not happy with their current environment and wanted to move. That cost is approximately \$12 a square foot and is not adjusted to current lease standards or under current lease. However, replacement moves the total base cost to \$21 a square foot which is a compilation of \$14 base rent and a \$7 build-out. The reason for the review was the lack of policy that authorizes such a transaction. As the Board has stated on several occasions the rules need to come current to demonstrate how such considerations are made and what evaluative factors were used and that appropriate due diligence was applied to the decision making. Mr. Kanellopoulos replied that as far as the rules go, the Board is aware of the intensions of CMS moving forward. The terms of this specific procurement are correct. This procedure started when the agency said they wanted to move from this location. The location is not ideal. It is on the second floor of the building that it is in. There are problems with an unresponsive landlord, leaking issues, and there are issues with the way it is laid out. The agency went through the process and a request was submitted. A bid was put together and included boundaries that were provided by HFS. The boundaries were chosen by HFS because the majority of the clientele that they serve is in the area of the Champaign/Urbana region. Also because of the services provided by the office, it was important that the office is located near public transportation. The bid was published and received two proposals. The lease before the Board is the less expensive of the two proposals. Member Morales asked if there was a reason that they only received two responses. Mr. Kanellopoulos replied that it could be because of the type of office this is and receives a lot of clients through the door. In his experience, he has seen that it limits the number of landlords that will propose on a project. Member Bedore wanted to know why it was not open to all of Champaign or Urbana or any other small town near there. Mr. McCurdy replied that it should have been. Mr. McCurdy stated that he has spoken with the Director and CMS is going to withdraw this lease and go back with a couple of alternatives. Member Morales made motion to accept the withdrawal of this lease and was seconded by Member Bedore. The motion was unanimously approved.

Next on the agenda was FPR lease #3082 at 320 W. Washington in Springfield. This lease is a two year lease that CMS is putting into place in order to get this lease out of holdover while a bid is out on the street for Department of Insurance and FPR gets restacked. The end result of this lease before the Board reduces the area occupied by both these agencies by 27,156 sq. ft. and that reduction comes from the fact that FPR moved out of 500 E. Monroe and into 320 W. Washington. In the first year, this lease will save the State \$332,000 based on the reduced square footage. Mr. Kanellopoulos requests that the Board approve this lease. A motion was made by Member Bass and was seconded by Member Morales. By a vote of 4-1 the lease was approved. Member Bedore abstained.

Next on the agenda was DES lease #3530 at 837 S. Westmore in Lombard. Ken Sharkey with CMS and John Rogers with the DES were in attendance. Mr. Sharkey stated that DES has leased this location since 1997 and has been in holdover since 2002 with no rental increase since 2001. The current base rent is \$5.75 per foot and the proposed base rent for the first year is \$6.50. The lease allows for a 3% increase in years 2-5 with a lease ending base rate of \$7.32. This lease has a 90-day cancellation notice. Member Bedore made a motion to accept this lease and was seconded by Member Bass. The motion was unanimously approved.

Next on the agenda was DES lease #5133 at 1515 East 71st Street in Chicago. Mr. Sharkey state that DES has leased this space since 1993 and has been in holdover since 2005 and there has been no rental increase since 2000. The proposed five year lease term has a 36 month termination option. The first year base rent is at \$18.81, which is down from the current rate of \$19.18. Years 2-5 allow for a 2% increase each year. There is a reduction of one guard while one guard remains as part of the lease going forward.

Member Bedore wanted to refer everyone to the Governor Quinn's memo on cost-cutting. Governor Quinn has pledged to genuinely reduce spending and hiring. Expected by all SPOs and their procurement personnel at the agencies will apply with vigor to determining the appropriateness of all procurement in light of the financial circumstance we as a State are facing. These measures are effective immediately. Then there is a memo from James P. Sledge Chief Procurement Officer that says... "recognize the State is under fiscal hardship and requires a very thorough level of scrutiny of procurement activities to carry out the principles articulated by Governor Quinn. All agencies leasing staff involved in review of these procurements should use utmost diligence and take a critical detailed look prior to advancing procurements under their responsibility taking time to document within the PBC the suitability of this procurement". In light of all this, the Governors memorandum, the Director of the Budget talking about State agencies having to cut and outside agencies such as caregivers outside the State are being asked to cut 15-25%. Yet these landlords are being recommended for 3-5% increases and in this lease before the Board we pay for everything. Member Bedore stated that we should follow the Governor's memo and quote him by saying "reduce spending". These leases should be cut by the same amount we are asking outside agencies to cut. Member Bedore made a motion to reject this lease as presented and was seconded by Member Bass. The motion was unanimously approved.

Next on the agenda was DHS lease #4068 at W. Chicago Avenue in Chicago. Mr. Sharkey stated that DHS has occupied this space since 1986 and has been in holdover since 2001. The lease may be terminated anytime after the 36th month with a 120-day termination notice. The proposed base rent is \$11.92 and in years 2-5 an additional 1.5% increase. Member Bedore made a motion to accept this lease and was seconded by Member Bass. The motion was unanimously approved.

Member Bedore asked the Chairman to put lease #5050 on East 47th Street in Chicago on a 30-day review. Chairman Vaught stated that it can be put under review at the staff level and does not need a motion. Member Bedore replied that was fine and made the request.

Next on the agenda was Legislation. Director Brown gave a brief update. He stated the Board has been discussing the implementation of SB51 and there was an introductory meeting on the subject with all four Chief Procurement Officers. Task forces within each agency have been assigned to better articulate the needs of the existing organizations. Those task forces will cover the following areas: conformity and application of contract documents, the nature of the application of exparte communications and subcontracting, disclosures as well as the compliance functions of public hearings on sole source transactions and emergencies. By the next meeting the committee is hoping to have some conclusions that could be represented to the General Assembly on the in progress.

Member Bedore stated that a couple of months ago, Mr. Kanellopoulos was requested by the Board to report on energy costs and give a monthly report. The Board has not seen anything in the last couple of meetings and wanted to know if there has been any progress. Donald Barnes with CMS replied that the Energy Efficiency Committee has been meeting on a regular basis.

They are taking on a number of activities in terms of involving energy efficiency and the renovation of State owned properties as well as accessing the communities to increase the energy efficiency in the lease portfolio. There are a number of other activities on-going and as they come into question they will be keeping the Board updated. Member Bedore asked if they could submit a written report to the Board regarding leasing. Some of the leases that were approved today did not have a mention of improving lighting and light sensors that the landlord should be installing with no additional cost to the State. Member Bedore requested a report on this to see where CMS is going and why Mr. Kanellopoulos had not put this into all leases that have come before this Board. Mr. Barnes replied that they will provide a written report each month to the Board.

The next Board meeting is set for January 7, 2010 at 11:30 a.m. location to be determined.

With no other business to discuss Member Bedore made a motion to adjourn at 1:10 p.m. and was seconded by Member Morales. The motion was unanimously approved.