

Chairman: David Vaught

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

Minutes – January 14, 2010 Meeting

Present in Chicago: Diego Ferrer

Present in Springfield: David Vaught
Ed Bedore
Mike Bass

Absent: Rick Morales

The Board started the meeting by confirming attendance at 11:45 a.m.

Member Bedore made a motion to approve the minutes of December 3, 2009. The motion was seconded by Member Bass. The motion was unanimously approved.

Next is CMS Facilities. In attendance was Nick Kanellopoulos, representing the Bureau of Property Management for CMS. Mr. Kanellopoulos wanted to update the Board on their holdover leases. As of today CMS has a total of 51 holdovers. There are 36 that are currently in holdover and 15 that will expire between now and June 30, 2010. CMS also wanted to update the Board on their statewide project to reduce security costs. As of today, the total annualized cost is \$9.9 million at capturing a 25.1% decrease and represents a \$3.3 million dollar savings. CMS has also reduced total hours on the contract by 3,600 hours.

Next on the agenda was Energy Consumption/Programmable Thermostats and Lighting. Mr. Kanellopoulos stated that a memo was submitted to Director Matt Brown yesterday that outlined the action that CMS is going to take in this area. Mr. Kanellopoulos stated he would make comments on a few points. In the area of procurement, CMS has locked in electricity prices and beginning in May 2010, this will reduce prices over 3 years by 17%. This should represent a 3-year savings of \$20 million compared to our current prices. Another area is temperature management, which has been in effect for the past several years. CMS actively monitors conditions in the facilities for which they have direct property management control by taking periodic readings and working with landlords to resolve compliance problems. CMS also works cooperatively with facility managers at sites for which CMS has delegated day-to-day property control to develop the specific temperature requirements based on guidelines governing their programmatic needs and constituent composition. Mr. Kanellopoulos stated for capital expenditures to improve energy efficiency, CMS has initiated a few projects. One is the Bilandic Building in Chicago and the data has shown a decline of about 14.9% in total energy use. A full winter would be able to give a more accurate energy savings, but that is where CMS is at right now. Mr. Kanellopoulos further stated in the area of lease contracts, CMS is making some progress. One DCFS facility in Chicago, the lessor, at his cost, installed a master switch which will shut down all but essential light at night and will provide energy savings to the State. They are also looking into motion censored switches and high efficiency lighting. Member Bass asked regarding the section titled Temperature Management Policies, there is a paragraph in the first

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section that talks about mandates for office buildings, was that done internally or did external consultants come in to do that? And what does “mandate” actually mean? Mr. Kanellopoulos replied that the policy started before he came to CMS and he believes they did hire consultants. Each facility manager has the infrared devices and on regular basis, takes the temperature in the buildings to help regulate the temperature to stay in range. Member Bedore asked Mr. Kanellopoulos where CMS was on asking landlords to switch to motion censored lights. Mr. Kanellopoulos replied that CMS has been looking at the issue. Mr. Kanellopoulos stated that in some situations it will work extremely well, but CMS has looked at different studies and found that the continuous turning off and on of the lights damaged some ballasts and they are about \$500 to replace. So, there is still research being done to determine if installing motion censored lights would be beneficial for the State.

Chairman Vaught asked about CMS’s ability to comply with PA 95-0559 which requires quarterly reporting of energy efficiency monitoring and action plans as well as the submission of a statewide reporting of an action plan to overdue to the General Assembly as of January 1, 2009. Mr. Kanellopoulos responded that he is aware of the overdue report and CMS is on the verge of an implementation plan for this Act. Chairman Vaught suggested they enhance their efforts.

Next on the agenda was an update on the Concordia lease. Mr. Kanellopoulos stated that CMS is fairly certain that they will be executing a lease posting for review by the Board for next month’s meeting. No additional comments were made.

Chairman Vaught asked if there was an update on rules. Mr. Kanellopoulos replied that CMS took the Board’s comments to heart and intend to file Rules updating all the administrative rules that apply to leasing property management at one time so the Board and others can see what is being done. It is the goal of CMS to get those to JCAR before the next meeting.

Next on the agenda was the official review of DES lease 5050 at East 47th Street in Chicago. Mr. Kanellopoulos stated that the Board put this lease under review at the last meeting. Since then, CMS went back to the lessor to re-negotiate the lease. The lease that was put under review had a 1.35% rent increase in year 1 from \$18.50 to \$18.75. Through further negotiation with the lessor CMS was able to reduce that from \$18.50 to \$15.72. This would be a 15% reduction in the base rent. Mr. Kanellopoulos stated that he would answer any questions the Board might have. Member Ferrer asked what the 45% occupancy meant. Mr. Kanellopoulos replied that the agency does not occupy the entire building, only 45% thereof. The other 55% is occupied by other entities. No further questions were asked.

Next on the agenda was DES lease #5133 at 1515 East 71st Street in Chicago. Mr. Kanellopoulos stated that this lease was on the agenda last month and was rejected by the Board. CMS went back and entered into further negotiations with the lessor and did achieve a 15% reduction in the rent from \$19.18 to \$16.30 per square foot and also a reduction of security from two full time guards to one. Another issue that was brought up was the condition of the carpeting and the lessor will replace the carpeting at the facility. Member Bedore made the comment that approved leases elsewhere have as many as 90 parking spaces and then this re-negotiated lease has 38 parking spaces. Member Bedore stated that CMS has come before the Board fighting for parking spaces for clientele and now this lease has 31 employees and there are 38 spaces. CMS states that there are between 250-350 clients per day and you only have 7 parking spaces to serve them. In Harvey, CMS came before the Board stating that they needed the extra 250 spaces for clientele and now in this lease you only need 7 spaces for 350 clientele. Mr. Kanellopoulos replied that

there is a difference between Harvey and Chicago. Chicago has more public transportation around the building and Harvey does not. Also Chicago does have on street parking and Harvey does not. In Chicago, CMS is renting 100% of the facility and has a parking lot with 38 spaces, which is a part of the lease. Member Bedore next wanted Mr. Kanellopoulos to explain lease 2436 DHS. This lease is within a mile of the lease we are discussing now and their rates are \$13.46 and this is \$16.30. Mr. Kanellopoulos replied that some of these facilities the State has been in for many years. Cottage Grove is a very large and busy location and the State was able to negotiate a better rate. It is impossible for CMS to negotiate the same rate at all locations, but they try to achieve a good rate at all locations. CMS is just not able to achieve the best deal in every case. Member Bedore commented from the last meeting where CMS stated that this lease was a good lease and the Board objected and you come back and were able to get a 15% reduction in the rate. Mr. Kanellopoulos replied that when the Board rejected the lease, the lessor was present at the meeting and the rejection of the lease helped CMS re-negotiate a better rate. Member Bedore does not believe that everything was achieved in this lease that could have been.

Member Bass made the comment that the way he sees it is that CMS needs the Procurement Policy Board to reject a lease in order to help CMS negotiate a better deal. In this economy, as much as everyone needs business, the State should be able to re-set lease rates. People have lived a long time on this process and if a re-set cannot be done now then it will never be done. Member Bass further stated that he would rather say through Board action that CMS has done their job and executed the most economical, efficient lease for the State without the Board having to do object to your terms. Then the Board can support CMS in what you are trying to do. With no further comments, a motion was made by Member Bass for approval of this lease and was seconded by Chairman Vaught. With a 3-1 vote the motion was approved. Member Bedore voted no.

Next on the agenda was DES lease #5506 at 107 N. 3rd Street in Quincy. In attendance was Ken Sharkey leasing rep for CMS. Mr. Sharkey stated that DES has been at this location since 2000. The base rent of \$11.00 has been maintained the past 10 years of the lease. This is a five year full service lease with a five year renewal option and a 120-day prior written termination option. The lessor will be installing new carpet and painting throughout during the second year of the lease. A motion to accept this lease was made by Member Bedore and was seconded by Member Bass. The motion was unanimously approved.

Next on the agenda was DCFS lease #5593 at 107 N. 3rd Street in Quincy. Mr. Sharkey stated that it is in the same building as lease #5506 and has the same lease terms. Member Bedore made a motion to accept this lease as presented and was seconded by Member Bass. The motion was unanimously approved.

Next on the agenda was DCFS lease #5535 at 500 N. Green Bay Road in Waukegan. Mr. Kanellopoulos stated that this is a 14,743 sq. ft facility. CMS recently terminated a DCFS lease in Lake Beach with 19 employees. Those employees will be moving into this location in Waukegan. This lease does have a 1% increase in the first year. This lease has had the same rent rate since 1999. The total direct cost is \$19.29. This facility is located near the court house in Waukegan. Member Bedore stated that this goes back to what Member Bass stated earlier; that this looks like a good rate and probably is, but with these hard economic times he believes that any of these leases in the \$14-\$15 range should all be taking a reduction. With the Governor's speech yesterday about cutting everywhere we can; this would deserve that effort. It is a good lease, but Member Bedore believes in these times the State should be looking at reducing and not increasing the rates. And when rates are in the \$15-\$16 range CMS should make a real effort to

reduce the rate on every lease. Member Bedore further stated that he understands that this lease is within the market rate, but also understands the position the State is in. Instead of cutting the care givers, pharmacies and other places, why aren't we cutting lease rates? Member Bedore made a motion to reject this lease. Member Ferrer agrees with Member Bedore and said that he would also vote to reject this lease to see about negotiating a better deal. A motion was made to reject this lease by Member Bedore and was seconded by Member Bass. The motion was unanimously approved.

Next on the agenda was DCFS lease #6058 at 5th and Washington in Springfield. This building currently houses two DCFS leases and CMS will be consolidating both leases into one. There are 116 employees at this facility with 152 sq. ft per employee. CMS has negotiated a \$16.00 full service which reduces the rent by 13.6% and also that this is a two year lease. The intent is to get these leases out of holdover, go back and negotiate a better rate and work with DCFS to determine their needs. This lease can be terminated at anytime with 120-day prior notice. A motion to approve this lease was made by Member Bass and was seconded by Member Bedore.

Next on the agenda was HFS lease #4128 at 313 N. Mattis Avenue in Champaign. Mr. Sharkey stated that this lease was under review by the Board last month and CMS withdrew this lease for further consideration. The original plan was to relocate this agency to a new location. CMS solicited this offer and only two proposals were received and the most competitive was selected. CMS has some reservations about the overall cost on this lease and decided not to pursue the original plan submitted to the Board at the last meeting. CMS is now proposing a two year lease at the same location with a 90-day termination option. The rental rate will remain the same for the term of the lease. Member Bass made a motion to approve this lease and was seconded by Member Bedore. The motion was unanimously approved.

Next on the agenda was DHS lease #2436 at 8001-05 South Cottage Grove in Chicago. Mr. Kanellopoulos stated that this is an extremely busy office for DHS. This office opens at 7:30 a.m. every day to help accommodate their clients. This is a five year lease with a rate of \$13.46. There has been no rent increase since 2003. Mr. Kanellopoulos stated that there was a typo on the white paper for security. The proposed security should read \$2.78 instead of \$1.78. Also the security is going to be reduced by 5 hours a week, which will be a 12% reduction at the facility. A motion to accept this lease was made by Member Bass and was seconded by Member Ferrer. The motion was unanimously approved.

The next Board meeting for February 4, 2010 at 11:30 a.m. will be rescheduled to a later date due to scheduling conflicts.

With no other business to discuss Member Bass made a motion to adjourn into executive session and was seconded by Member Bedore at 1:00 p.m. The motion was unanimously approved. Executive session was adjourned at 1:30p.m.

Member Bass moved, seconded by Member Ferrer to adjourn the meeting. The motion was unanimously approved.