PPB STATE OF ILLINOIS
PROCUREMENT POLICY BOARD
Chairman: David Vaught
Members: Michael Bass, Ed Bedore, Ricardo Morales

Minutes – June 14, 2011 Meeting

Present in Springfield: Ed Bedore
Mike Bass

Present in Chicago: David Vaught
Rick Morales

The Board started the meeting by confirming attendance at 12:17 p.m.

First on the agenda was the approval of the minutes from May 5, 2011. Member Bedore made a motion to approve the minutes and the motion was seconded by Member Morales. The motion was unanimously approved.

Next on the agenda was CMS Facilities/Printer Consolidation Initiative. In attendance was Director of Property Management Nick Kanellopoulos. Mr. Kanellopoulos stated that as of May 2011 and since Governor Quinn took office CMS has had re-bid and re-negotiated 179 leases and consolidated 113 leases. CMS has eliminated almost 1.6 million square feet of leased space statewide and there has been a cross reduction from those leases of roughly $33.7 million. Chairman Vaught asked if that was an annual savings. Mr. Kanellopoulos replied that would not be entirely accurate. Most of that is annual savings, but there are lease increases within that. With no further questions Mr. Kanellopoulos continued with the printer consolidation initiative.

At the September 16, 2009 meeting of this Board CMS gave a presentation on some procurements that were on-going dealing with copier/faxes and multi-functional devises. The Board, at that time, was interested in CMS's effort to control agencies ability to buy off that contract and also how CMS could verify that the agencies really needed those devises. This was also around the same time that the Board visited to one of the agencies and notice that there were several areas throughout the facility that seemed to have copier, printer, scanner, and fax machines in an area. That type of setup existed in multiple locations in a fairly large facility. At that point CMS, working with the Board, took on the initiative to start resolving that issue. Since that meeting CMS has recycled over 61,000 pieces of electronics (i.e. printers, copiers, scanners, fax machines). These did not all come out of offices. A lot of these were being stored from different agencies in warehouses. There has been a pretty substantial savings from the time this initiative began. CMS did have a contract to recycle with a private vendor, but terminated that contract. CMS then contracted with two State use operations with the State that employee developmentally disabled individuals to do the recycling and there is no cost to the State to recycle with these vendors. Mr. Kanellopoulos stated that the estimated cost if CMS continued with the previous vendor would have cost the State $2.22 million to recycle those electronics versus using the State use contractors to do the work. Mr. Kanellopoulos stated that he will continue to update the Board on this continued initiative. Mr. Kanellopoulos stated that he would try to answer any questions the Board might have.

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Member Bedore asked of the 61,000 recycled electronics how many of them were active. Mr. Kanellopoulos replied that he is not sure, but he would find out and let the Board know. Mr. Bass wanted to know if on the energy saving was a part of the equation being looked at going through. Mr. Kanellopoulos replied affirmatively. No further questions were asked.

Next on the agenda was DNR Lease 3527 at 1660 West Polk Avenue in Charleston. Mr. Kanellopoulos stated that this is a district office for DNR. This lease was bid out with only one response from the incumbent. The lease in place had a renewal option, which was cheaper of than what was submitted by the incumbent landlord. CMS determined that they would exercise the renewal option instead of accepting the new bid, which cancelled the RFI. The rent stays the same the first year of the term with small increases over the term of the renewal. Mr. Kanellopoulos asked the Board for an approval on this renewal. Member Bedore made a motion to approve this renewal as presented and was seconded by Member Morales. With a 4-0 vote the motion was approved.

Next on the agenda was HFS Lease #5071 at 1114 Taylor Street in Rockford. Mr. Kanellopoulos stated that this renewal was also bid out and received four offers from three proposers. CMS determined that none of the offers worked and decided to exercise the renewal option in the lease. There is a termination clause with 90-days prior notice. This will be re-bid again in the future. Mr. Kanellopoulos asked for the Boards approval for this renewal. Member Bedore asked about the 295 sq. ft. per employee and what CMS was going to do about the space standards. Mr. Kanellopoulos replied that CMS advertised for smaller space, but didn't get any viable responses back. Member Bedore wanted to know when CMS was going to go back out for bid. Mr. Kanellopoulos replied that he wasn't sure, but would get back to Director Carter next week after he talked with HFS. With no further questions asked a motion to accept this lease as presented was made by Member Bedore and seconded by Member Bass. With a 4-0 vote the motion was approved.

Member Bedore asked Mr. Kanellopoulos about the Franklin Life building on coming up with some way to secure floors in order to get more people into that location. He stated that after touring the facility that at least 100-150 more people could be moved into underutilized space. Mr. Kanellopoulos replied that his point is well taken and CMS will work with ISP to better utilize that space. Chairman Vaught stated that it was suggested that the Board invite ISP to attend a Board meeting to discuss this issue further. Mr. Kanellopoulos replied that he believes that there is a new director and other higher ups that don't even know that this issue exists. No further comments were made.

(40:40)Next on the agenda were Health Maintenance Organization (HMO) Plan Administration Review and Self-Funded Open Access Plan (OAP) Administration Review. PPB Director Aaron Carter stated that PPB reviewed the HFS procurement of the HMO and the OAP plans for State health insurance and the PPB staff found no issue with the procurement. In attendance for Chief Procurement Officer Matt Brown was Margaret Vandijk SPO with the EEC, and SPO Brett Cox. Ms. Vandijk gave a brief background of the healthcare issue. Ms. Vandijk stated that in September and October of 2010 two separate RFP were posted with regard to health services for State employees and retirees. The first one was posted in September 2010, dealt with the OAP plan and the seconded one posted in October 2010 dealt with HMO. Those procurements were posted for approximately 6 weeks. After responses were received HFS as well as their consultant Mercer went through the process of reviewing those responses and determining both price and technical response and arriving at a conclusion in terms of the bidders with the best respondents of the RFP. The notice of intent to award was posted to the IPB on April 6, 2011. Protests were

received from two of the losing vendors, Health Alliance and Humana Health Care. Pursuant to the protest process the CPO's office allowed additional time in order to insure there were competent protests in front of them and, view all of the information necessary to make their arguments with regards to the protest. The CPO's office granted additional time to both sides for those protests to be supplemented. On May 24, 2011 the CPO issued his decision as to the protest. Those protests reviewed all of the allegations that were made by the parties. Under the rules a protest may be granted if there is a violation of the Procurement Code, the Procurement Rules, the salutation itself or some other law. After thorough review of the arguments made by the losing vendors and the response from HFS, CPO Matt Brown denied those protests. On May 25, 2011 COGFA met and a resolution was made to not allow the State of Illinois to enter into any expansion of self-insured programs for group health insurance. There was a question that was asked of the Attorney General Office in April 2011 as to whether or not COGFA could approve specific contracts. The Attorney General's Office responded to that inquiry that COGFA was without specific authority to approve specific contracts that have had a general policy review as to whether or not self-insurance should be allowed in the State of Illinois. There was a question to whether or not the decision made by COGFA was binding upon the State. Litigation was filed by Health Alliance and Humana and was heard by a Sangamon County judge for two days last week. Friday of last week there was a stay issued by Sangamon County judge Brian Otwell disallowing HFS from entering into the contracts for the OAP that were awarded on April 6, 2011.

Chairman Vaught clarified that there is still pending litigation. Ms. Vandijk replied affirmatively. Ms. Vandijk stated that the State of Illinois is appealing that decision. The Attorney General's Office has asked the court to expedite that appeal, but it has been anticipated that it will take up to a month. COGFA is meeting right now on what to do on a short term basis. As of right now the options for health insurance are the Quality Care Health Insurance and two plans from Blue Cross/Blue Shield, which are only offered in 38 counties. Member Bass wanted to know how many people are being forced into QCH. Chris Owsley replied that there are roughly 100,000 to 150,000 between the Healthlink and Health Alliance. Member Bass asked what COGFA can do with what they are trying to do today. Ms. Vandijk replied that it is an open question to what COGFA's jurisdiction is. There is disagreement between the State and COGFA members on it. One of the things that they could do is allow the State of Illinois to enter into a new contract for self-insured programs. The other question is under the Procurement Code that emergency contracts can be entered into for 90-days and after a public hearing that may be extended providing the terms are met. Ms. Vandijk stated there is a situation where we have the Procurement Code however superimposed also with the State Group Health Insurance and Employees Act and the two don't necessarily consider each other. Under the COGFA statute CMS or HFS has to provide information as to the contracts to COGFA before the director of those agencies can sign the contract and COGFA has a 30-day review process of those contracts, but the question is with emergency contracts does that 30-day review apply or may a waiver be issued by the Executive Director or by COGFA itself. Those are some of the issues being discussed in COGFA's hearing today. Member Bass asked if an emergency contract can be done on current contracts. Ms. Vandijk replied that the current contracts are 10 years and as you know that under the Procurement Code contracts may not exceed 10 years so it is the position of the CPO that new contracts would be entered into with vendors, but they would not be an extension of the old contract.

Chairman Vaught commented that Member Bass stated that State employees were now being forced. Chairman Vaught stated that it was his understanding that in the procurement system we are not dealing with a competitive bidding system, but are instead dealing with a non-completive

system of exclusive arrangements that essentially prevents competitive bidding the forcing was already in place. This is not a situation where they are now being forced into a limited set of choices, but believe in that in effect people where already being forced into an exclusitive (53:20 when David starts) in completive arrangement. Chairman Vaught stated that he would like to hear what Mercer has to say about the anti-competitive and anti-trust implications about this situation. In attendance for Mercer was Senior Associate Tyler Garcia. Mr. Garcia replied that during their protest period Mercer uncovered that Health Alliance does have some exclusive arrangements with certain providers in the central Illinois region. That has been reviewed by the Attorney General throughout the country and in some cases it does create anti-competitive practices. However, procurement aside, if you look at the way the scores and where they were ranked and viewed overall with those contracts in place they came in with a higher price. It makes you wonder how they would have better prices in these areas and be a higher cost provider at the same time.

Chairman Vaught stated that he is more interested in this general policy question. How do we deal with situations like this? (56:00) Chairman Vaught stated that say there is a real estate situation that went out for bid and only had one bid that would not be very competitive. Isn't this the same as what we are in now with one bidder locked everyone up because they have an exclusive relationship and therefore forbidding competition? Mr. Garcia replied that it was a good analogy and it is something that defiantly needs to monitor and try to keep it as fair and as much of a free market as they can. Marilyn Thomas, representing HFS, stated that they wanted to make the Board aware that HFS is drafting a round of new contracts and want to make it very clear to the vendors that are contracting with the State that they need to refrain from those exclusive arrangements in contracting and put specific language in those contracts. That is something that would be required from all the vendors. Chairman Vaught asked if that was for any new contract. Ms. Thomas replied affirmatively. Ms. Vandijk stated that there is also a provision under the Procurement Code that provides that when any agency becomes aware of any anti-competitive practice that they are required to report that matter to the Chief Procurement Office and to the Attorney General's Office. Chairman Vaught stated that COGFA seems to very interested in an area where things have been, attempted to be, competitive bid, but they have some jurisdiction in self-insurance plan. Aren't self-insurance plans a very common way to give the national market that you create cost savings in healthcare. Mr. Garcia replied affirmatively. Mr. Garcia stated that generally in large employers, like the State, over 95% of them will self fund their contracts. It is very common in the market place to see about 4% savings because you are assuming the risk as an organization as opposed to having an insurer do it. They don't take on that risk for free. Chairman Vaught asked why COGFA had interest in denying or getting involved in an area of procurement that on average saves 4% by the self insurer. Mr. Garcia replied that he could not answer that question. Ms. Vandijk replied that she believes that members of COGFA disagree with that assessment. They are of the opinion that HMO's are more cost efficient for the State. Chairman Vaught clarified HMO's as opposed to self-insured plans. Ms. Vandijk replied affirmatively.

Member Bass stated that he agrees with the Chairman and is for competition. He stated that the reality of it is that there is one default choice. It is not that the procurement was bad; it is where we are today. Member Bass wanted to know if there is going to another benefit choice period if so does that mean there will be revision going on with the plan, like Blue Cross/Blue Shield going to cover more territories so more people have HMO's or are they allowed to do that. Ms. Vandijk replied that there will be an additional benefit choice period with regard to this particular issue. Given the court's ruling and today's COGFA's hearing as of right now that the June 17th date has not changed, but that could be dependent on today's COGFA hearing. Member

Bass wanted to understand the numbers better. Is it 10 years $7 billion or 5 years $7 billion of which 6.6 billion is HMO, is that true? Brett Cox with HFS stated that the HMO is a fully insured product and that price that we pay the vendor includes all of the individual claims for any of the members that go to a doctor as well as the administrative fees that are included in that. So in the open access plan the money that is going to the vendors that you are seeing is a significantly lower than the HMO only includes those administrative fees because of a self-insurer the State is paying the claims. Member Bass wanted to know what the savings of this self-insurer will save us? Mr. Cox replied that the comparable amount that you are looking for would be adding an addition to the administrative fees for the open access plan and also add in the projected bid claims cost then you would have what is expected to pay total payout from the State for those plans and then you could compare it to the HMO. Whereas the HMO is easier to project because it would just be a set per number, per month fee and could extrapolate that by the number of people and would know exactly how much that State is going to pay. On the self insured open access plan that would be based on an estimate are what the claims are projected to come in, which is where Mercer came in to come up with those projections.

Chairman Vaught wanted have clarification if the OAP plan is more expensive than the HMO plan and he thought he just heard Mercer say the opposite, which is $400 a month for the HMO and $180 a month for the OAP. Is there a misinterpretation of the facts or did he just misunderstand. Mr. Garcia replied that there is a misperception of the facts. The $400 per person and the $180 is the cost of administering the plan. When you talk about the RTA for the OAP plan versus the HMO you want to put them on a consistent basis. The insurers are charged more to fully insure and as opposed to self insurers. Mr. Garcia believes that COGFA's understanding is because in the budget information for the FY12 the OAP plan as of today costs more than the HMO plan. That figure was developed before the procurement process was done so it was historical information trending forward without accounting for the fact that things were going to change. Chairman Vaught stated that they looked at the factual pages differently even though it has not been adjusted during this procurement. Mr. Garcia replied affirmatively.

Member Bedore wanted to know how the savings will be tracked. Ms. Thomas replied that HFS would like Mercer to respond to the question. Ms. Thomas stated that right now it is a very fluid process and don't have their contracting arrangements finalized yet and think that after the hearing this afternoon might get some clarity on where they go with the contracting. That is a big issue because if they only move with emergency procurement they are looking at 90-day contracts and they still have the resolution of the lawsuit that will impact what direction to go with these contracting arrangements. Mr. Garcia replied that health care is very complicated and have lots of vendors in there and fully insured plans and self insured plans. Mr. Garcia stated that Member Bedore is correct that it is very hard to track the savings. Mr. Garcia stated that you are going to set your budget rates off of what the outcome of this moving forward and will have to compare it to the budget. Did actual expenses come in lower or higher than the budget and that is the best way to determine if you get that savings. Member Morales asked is the savings was based on assumptions. Mr. Garcia replied affirmatively. No further questions or comments were made.

Next on the agenda was CDB – GSU renovate E & F Wing Modification Review and CDB on GSU. In attendance were CDB CPO Fred Hahn and Higher Education CPO Ben Bagby in Springfield, Executive Director of CDB Jim Underwood, CDB Legal Counsel Chris Flynn and Contracts Administrator Don Broughton in Chicago. Director Aaron Carter stated that this was a CDB project to renovate the E & F wings of GSU. The Board is concerned with the policy of the receipt of services without proceedings or posting the protest to the Procurement Policy Board

proposed contract review requirements of the Procurement Code. Director Underwood stated that the design phase of this project began in 2002 and after funding delays which began in 2004 placing the project on hold. It was restarted in early 2010 and clearly staff made errors in starting this project. This included allowing work to restart in updating the 2002 design. Knowing completion of that work would necessitate an approved modification. Unfortunately internal delays and completing that modification while work was on-going and being compensated from incorrect line item in architects original contract and recently the failure to report on the PPB's website certain communications regarding this contract. CDB will continue to share all information they have on this with the PPB staff and with the CPO in hopes of an ultimate resolution acceptable to all parties and allows this project to move forward. Chris Flynn stated that he wanted to briefly talk about the issues of failing to report on the Procurement Communication Reporting that was brought to their attention. This brought in a number of questions and change in rules and guidance. There have been training sessions and in April the new Rules were adopted. Sometime later Director Carter facilitated a meeting with CDB and the EEC, which led to some further direction that was shared with staff. Since then that has been an increase of overall proportion in frequency in CDB. Mr. Flynn stated that he has tracked down the communications that he believes are subject to the reporting requirement and with the exception of a few it will be completed soon. He believes that these steps have made some progress.

CPO Fred Hahn stated that he would speak to the structure of the procurements. Mr. Hahn stated that CDB has been working very extensively to identify what happened and how it can be fixed. It has been identified that the fixes probably are to continue to review the compensation in the modification. Determine that the compensation is reasonable and appropriate and then enter the modification, send it over to the Comptroller with an explanation of what happened and request that an exception to 20-ADD of the Procurement Code to allow payment to be processed to the vendor. That assumes, of course, that the vendor puts in a payment request and the Comptroller and Treasurer will agree to that request. In 2010 there was a contract option where there was a 10 year limitation on contracts that was put into place. Mr. Hahn thinks that a better fix to this is to get going with this project after the modification has been remedied and to have the architectural firm LCM go into constructional administration and then put out a request for additional services under a sole source mechanism. Mr. Hahn believes that this is the best avenue to go at that point and thinks there is a recognition LCM and performing those services is probably the sole economical feasible source to continue and conclude that work. Right now CDB is waiting on the final review of the compensation modification. CPO for Higher Education Ben Bagby stated that he has been working with Mr. Hahn and have both came to the same conclusion and agreed with the methodology for going forward.

Member Bedore stated that at the last meeting he was going after Governor State for this issue and wants to apologize to them that is wasn't their fault, but the blame really belonged at the Capitol Development Board. Member Bedore also wants to know how this will affect the national science foundation grant of $2.3 million, which expires September 30, 2011. Mr. Hahn replied that they don't believe that it will. This is something that could be remedied and the structure could be put into place to continue with the procurement and allow the obligations of money to contract that includes and allow GSU to obligate to monies before the September 30 date. Member Bedore recommended that this item be put back on the agenda to see where they are regarding this grant and how far they are in encumbering the funds. Member Bass asked if the design relating to the NSF grant, the same AE as the larger project and ready to be bid. Mr. Hahn replied affirmatively. Member Bass asked if it was integrated into the project. Mr. Hahn replied that he really didn't know that. Mr. Hahn stated that in terms of being integrated into the

contracts it looks as it is not. The project that CDB is doing is almost a wing of a building, which he called GSU science building. The NSF grant is air mark to work in laboratories within those confines. There are some thoughts that GSU believes that they may be able to sole source contracts based on CDB procurement, but they are also looking into competitively bidding those which would be a better way to go. They are ready to bid and are just waiting for CDB to bid first, which goes back to what he said about structuring the procurement. Member Bass asked if they could start work on that smaller project without the building being dealt with by CDB. Mr. Hahn replied that there is some indication they could, but there are some questions on how effective or efficient that would be if they do so. Member Bass wanted to go over how they are dealing with LCM and that situation. Mr. Hahn replied that CDB is going to get LCM a modification that addressed them performing the design services they already did to re-design and bring this up to code. They will continue on with the contract as written for oversight of construction after it has been bid and we will run into the 10 limitation in about 16 months from now. The proposal is that before hitting that period CDB put out a sole source and advertisement and retain them to finish the construction administration services. No further questions or comments were made.

Next on the agenda was Potential Conflict of Interest – CDB – Juneau Associates, Inc. Todd Turner Legal Counsel for the PPB gave a brief description of potential conflict. Mr. Turner stated that under the Procurement Code section 5-5 sub H states the PPB has the power to recommend voiding a contract in the case of an existing conflict of interest and the conflict of interest section is 50-35 of the Procurement Code which defines what a conflict of interest is. What the Boards role is if they are presented with a potential conflict of interest the Board has the right if it so chooses to look at it and believes that there is a conflict of interest it takes a $3/5^{th}$ vote to recommend voiding a contract. In the alternative any time if the Board believes there has been a violation of the Code they can refer that to the Executive Inspector General's Office. The Board's obligation is to discuss it and decide whether it wants to take any action.

Director Aaron Carter stated that the Board staff received a potential conflict of interest from CPO Fred Hahn for the selected vendor Juneau Associates, Inc. for the relocation of sewage pipes for the IDOT in the Highland area. The potential conflict centers around Juneau Associates contract to JAR Consulting, Inc., which is a two person operation. One is James A. Reimer Sr. the former CDB Director. Mr. Hahn stated that when he initially reviewed this that he noted in the disclosure forms that had been filed by Juneau Associates they answered affirmatively to the question to being a former employee or having been employed by a registered lobbyist. What they put on their disclosure form is wording to the effect that they retained JAR Consulting, Inc. to lobby for them and the lobbying was to promote veterans preference benefits in procurement. Mr. Hahn stated that he did have some correspondence with the firm about exactly what their answers meant and did some research into JAR Consulting and some research into the selection. Based on what was there and the fact that the firm did get selected and is proposed for a contract shortly after the former director became their lobbyist Mr. Hahn stated that he sent it over to Aaron Carter and Will Blount.

Member Bedore stated that it went out to bid when Mr. Reimer was still there correct? Mr. Hahn replied that yes it went out the last few days of his tenure as executive director. Member Bedore stated that when the bid came back he had already retired and there were two firms that were rated higher than Juneau is that correct? Mr. Hahn replied that there is a prescreening process that screens out however many submit them by score and yes there were two other firms that were higher than Juneau. The number one firm he cannot recall their name, but the number two firm was URS and the number three firm was Juneau. Member Bedore stated that number one

was rejected because they already received some other contract. Mr. Hahn stated that it was his understanding, yes. Member Bedore asked if that was a disqualification Mr. Hahn replied he would have CDB answer that question. Contract Administrator for CDB and QBS Chairman Don Broughton stated that he oversees the selection process of architect and engineers at CDB. In response to Member Bedore's question on scoring there is actually a two part process, which is the pre-screen scoring done by professionals at CDB who are versed in that particular discipline that the project is related to. They score the firms based on relevant project experience as well as the qualification of their chief personnel. That is added together with a previous evaluation score the firm has done work at CDB before. That comprises a pre-screen list and that is really the first step in the selection process. The second step is the selection committee itself; evaluating the results of the pre-screening, and the firm's 255 forms, which is their submittal forms and coming up with their recommendation. The pre-screen process is not the end all of the number one ranking of the firm, but it is the first step. The QBS act does guide an agency in the selection of a firm to deal with may sorts of factors one of those being workload and the capacity to do workload for an agency as well as prior experience and team personnel, etc. When the selection committee met one of the factors that they looked at with the first firm was that they have been selected recently (within the last few months) for a project at CDB. The Board at CDB made it very clear that they want to see CDB with firms who are in the same or equal qualifications footing to be considered for projects and not to select the same firms over and over again. With that being said when looking at your top nine or ten firms the scoring is so close that he believes it is fair to say that they are all very qualified to do the work. From there what other factors would there be to come up with one firm being recommended over another. So, the workload and the previous selection criteria is what led to the number one firm on the pre-screen list not be recommended for selection. Member Bedore wanted to know how much was the contract that the first firm received a couple of months ago. Was it a large contract? Mr. Broughton replied it was not a large amount. Member Bedore stated that since it was not a large amount their workload really couldn't be compromised could it. Mr. Broughton replied that the direction their Board has given them is in relationship to the number of projects that CDB has available. In past years when there was a lot of work going on when there was a very strong capitol bill in place CDB would have anywhere from 15-30 projects going to a particular Board meeting for recommendations. Member Bedore asked if when they had that where some of these firms given more than one contract. Mr. Broughton replied that you would tend to see the interval of what CDB would look at shorten up, but now what they have been taking to the Board they have been seeing anywhere from one to six or seven projects going to a particular Board. There was one meeting today and Mr. Broughton stated that he only took four projects for selection. You are tending to see fewer projects available the more the time period is spread out on the previous selections.

Member Bedore asked if it was a policy of the CDB that you don't take firms out of state. Mr. Broughton replied that it is not a policy that they do not take firms, but when they look at the appropriateness of the project; there were two things in mind here. The first one is when there is not much work available CDB looks along the lines on contractors where you want to employe workers from the State of Illinois as much as possible and keep it in step with this. They tend not to recommend to the Board an out of state firm for those small projects if there are a good supply of equally qualified Illinois firms in the same area for that project. When they have very large projects certainly the out of state firms are given those ample opportunities. It is not a clear cut policy that they don't give out of state firms, but will look at that very closely. Member Bedore stated that it is an arbitrary thing. You may on certain cases. Mr. Broughton replied that on this particular case the out of state firm has a St. Louis office and they also have a Chicago, Illinois office and chose to work out of their St. Louis office because of the location of this project in the

metro area. That particular firm is a very large firm. They are an enormous engineering construction type conglomerate and this was a $100,000 project that depending on how it bids out it could end of being anywhere from a $100,000 – $150,000 depending on how they design it. You try to match those opportunities to the appropriate firm so if there was a $10 million project and with the capabilities of URS the discussion of that firm would have played differently in that particular case. Member Bedore stated that CDB ignored the number two ranked firm because they were out of town even though they had a Chicago office, so they are in Illinois and you passed them up because they are St. Louis and the project was in the St. Louis area. Member Bedore wanted to know if he was missing something and asked Mr. Broughton to walk him through it again. Mr. Broughton replied that CDB has each of the firms branch offices are pre-qualified on their own merits and so the firm chose to submit on this project out of their St. Louis office instead of the Chicago office. Juneau Associates are located right in the metro area also, so both firms are located almost in the same distance from the project. Again with the size of this project it looked better for the Illinois firm in this particular case. Member Bedore stated that it didn't cross anyone's mind that the former director of CDB is a lobbyist for this firm. Mr. Broughton replied that he would address this in two ways. The history of this project and the submittal and also will address what Mr. Hahn was referring to on the disclosure form where they identified lobbyist firms. The disclosure form that is used was developed by CMS and took it word for word and used that. There is a place in there where you fill out on the disclosure form if you use a lobbyist firm to help in this specific procurement. Then there is a second line after naming the firm is how much you compensated that firm for helping procure that. Mr. Broughton stated that CDB has noticed that more than once, wouldn't say that it is frequent, where a firm has listed a lobbyist and a zero dollar amount. Mr. Broughton knows that being the QBS Chairman that CDB was not contacted by the lobbyist firm and the CPO's office has checked in that situation what the vendor to find out what is going on and they confuse the form and simply listing that they do retain a lobbyist for doing business with CDB, but that lobbyist was not used for that particular procurement. Mr. Broughton believes that there is a confusion going on with some of these firms. Mr. Broughton stated that he has been working with CPO Hahn on looking into revising the language to make that more to on what to report and make sure that it is accurate. Member Bedore stated that CDB took their word that they didn't lobby for this contract. Mr. Brought replied that in the QBS process there is no knowledge that they lobbied for this because the QBS process and the selection committee and how it works at CDB is very atominous from the executive level and operates independent of that. What happened in this particular case is that project was advertised in their professional service bulletin volume 161 on December 23, 2010. This was right at the time of their last week of Director Jim Reimer Sr. being at CDB before he retired. The bulletin when it is put together it is done in conjunction with the programming staff, which comes up with projects they would like to advertise. Then Mr. Broughton's staff puts together the bulletin to advertise it and at that time the director is not involved in any way of reviewing, approving or disapproving of anything in that bulletin. It is put out independent of the director and himself, so Jim Reimer had no involvement whatsoever in the development, review or approval of the bulletin. Member Bedore wanted Mr. Broughton to clarify that no one at the CDB knew that Reimer Jr. was involved with this consulting firm. Mr. Broughton replied that he is not saying that, but that JAR did not play any role in the QBS process for this firm for this project. Nor has he ever seen JAR Consulting accompany Juneau to visit CDB on any matter.

Member Bedore stated that everyone doing the review knows that Mr. Reimer and his son were involved with this firm, whether they were lobbying for this project or not. Is that correct? Mr. Broughton replied that the pre-screeners and the selection committee are CDB staffers and not management. So they are not aware of this and are looking at it on the merits of the 255

submittal itself. Member Bedore stated that over the years that no one knew that Mr. Reimer's son had this firm. Mr. Brought replied that he could not speak for the knowledge of the staff at CDB, but again the non management level they are generally not knowing that and not involved in that. Following-up with the selection process the submittals by the firms were due on January 6, 2011. CDB does not know who is going to submit until they submit that day it is not like a construction bid where you issued a plan and you know maybe two weeks in advance that you issued plans to them. The submittals came in after Jim Reimer retired and the selection committee met on February 3, 2011 to come up with their final recommendations after all of the pre-screening was done and then this action was taken to the Board March 17, 2011. Again in all that time period there was no contact with Juneau, no contact with JAR or Jim Reimer Sr. or Jr. in regards to this. The firms submit their 255's and the next time they ever hear anything from CDB is if they contact them after a Board meeting to let them know they have been selected. Mr. Hahn asked to add to that. He did take a look at everything he could find with respect to JAR Consulting, Inc., which is Reimer Sr. and Reimer Jr. It appears that JAR Consulting was formed in March 2011 with Mr. Reimer Sr. registering as a lobbyist on March 30, 2011. Member Bedore commented that JAR was formed this March 2011. Mr. Hahn replied that it looks like JAR Consulting is a new company involving both Reamers'. Reimer Jr. had previous lobbyed with two other gentleman under a firm named Governmental Consulting Solutions, he believes. Member Bedore asked when was the selection made. Mr. Broughton replied that it was made at CDB's March 17, 2011 Board meeting. Once that selection is made then a letter is issued to the firm. It is a selection award letter with intent to negotiate a contract with them. Member Bedore stated that JAR formed this corporation before CDB picked Juneau. Mr. Broughton replied probably on or about that time. Member Bedore commented that there are a lot of coincidences. Chairman Vaught asked Mr. Hahn that in his letter Mr. Reimer registering to be a lobbyist on March 30, 2011, is that correct. Mr. Hahn replied it is and that is what he just spoke of. It appears to be Mr. Reimer Sr. initial registration and a register lobbyist. Chairman Vaught stated that in the third paragraph of his letter that Juneau answered the question yes in its submission, which was before March 30, 2011, he presumes. It said that they were represented by JAR, Inc. as a lobbyist prior to his registration. Mr. Hahn replied that he doesn't remember the date, but the Chairman was not misinterpretating his letter. Member Bedore stated that he believes that the last paragraph Mr. Hahn talks about is that James Sr. filed as a lobbyist. The Jr. was already a lobbyist with JAR. Member Bedore stated that it looks like JAR was incorporated first and then Sr. got around to filing as a consultant March 30, 2011. Mr. Hahn stated that this is just some personal information and is aware that Mr. Reimer Sr. winters in Florida. Mr. Hahn stated that it was his belief that the firm was incorporating and on his return back to Springfield he was going to be ready to lobby and that is why he registered on March 30, 2011. Mr. Hahn added that he has had staff sitting in on AE selections since the independent CPO's office was established. There is enough concern about this selection process to make the selection process better, to make it more accountable that he has had a small team of CDB people to go over the process to improve the process and to ensure that when they have AE selections they end up with the best qualified firm and possibly contracting with that firm for their services. That effort is still on-going and will take a few more months before they can conclude that effort to re-structure this whole process.

Member Morales commented that he does not disagree with the process of trying to look at State of Illinois companies when choosing to award contracts. Because he believes it is a good idea to keep the money in State and has no problem with that. Member Morales stated that looking at these matter two things come to mind; first were procedures followed. From his understanding they were and second was there a conflict of interest. Judging from what he has heard today it cannot be proved either way other than to say there was no wrong doing as far as they can see.

That being said did CDB choose the best qualified firm for this project is what it has come down to. As long as no conflict of interest has been seen or proven he doesn't see why the project couldn't move forward. This is just based on the comments that were made today. With all due respect Member Morales agrees with all of the comments with the exception of looking at in state firms over out of state firms. Member Bass said that there was a statement in Mr. Hahn's letter and wanted to know if Juneau submitted before to CDB? Mr. Hahn replied that they did have work several years ago; this was back in 1997 and 1998 on a couple small projects. Mr. Hahn stated that what they do is when the Board wants to look at what their previous selections what do they consider. CDB goes back five years. When they are very equal on their qualifications and what separates them out. There can be a lot of factors, it can be workload, or whether they are a new firm to CDB, whether they have not been selected for a while, how are they utilizing diversity on their team, which is MB FBE consultants. Juneau in CDB's mind is a relatively new firm because they have not been selected for many years, but believe that the last contract that they had completed was in 2001. Member Bass stated that he was asking a little different question. In the last five years has Juneau submitted and not gotten past the screening? Have they made solicitations to CDB solicitation submittals? Mr. Hahn replied that he did not have that information in front of him, but he does believe that he has seen their name from time to time, not a regular submitter. The reason why is because this project is predominately a civil engineering type project. The vast majority of the work that is done at CDB is building construction. So, firms like Juneau you tend to see them submit, as far as a consultant, to a prime so they are usually generally of a team in a particular area. They are not what he considers as a frequent submitter at CDB.

Member Bedore stated that on the surface that this really doesn't look right. There are too many situations that he just said just doesn't look right and too many unanswered questions. Member Bedore stated that he is not accusing anyone, but he believes there are too many circumstantial things that the former director went out when he was there. Juneau firm didn't have State business, hire a lobbyist JAR firm, which is the former directors son and he joins the firm roughly at the same time that they are anointed for the work on this project. Mr. Turner wanted to go over a few things that are new in the Code. Mr. Turner stated that under section 50-35 if the Board believes that there is a conflict of interest what happens at that point if chosen a written recommendation to void would go to the CPO. Then the CPO would hold a hearing and then determines whether or not to go forward with the award. That is the procedure if the Board does recommend a void. Chairman Vaught wanted to clarify that the Board has to take action one way or the other. To either allow or void the contract. Mr. Turner replied affirmatively that the Code uses the word "shall" and based on this section there should be a recommendation to allow or void the contract. Member Morales wanted Mr. Hahn to clarify that proper procedures were followed. Mr. Hahn replied that he would agree with that. Mr. Hahn stated that as Member Bedore pointed out there are some interesting coincidences, but yes he believes that procedures were followed. Mr. Turner stated that the question was raised about a referral to the Executive Inspector General. For the Board to do that they would have to a ledge that under section 5-5 of sub I there was an actual violation of the Code to refer to the Executive Inspector General. Mr. Turner summarized that a potential conflict of interest has been brought to the Procurement Policy Board. Under section 50-35d the Board has an obligation to either recommend that the contract be void or that the contract be allowed or if they want to a ledge a Code violation the alternative would be to the Executive Inspector General. Mr. Turner stated that the Code requires that certain disclosures be made and those disclosures are for the CPO's and the Board can look and try to determine if there is a conflict of interest. There is not always an automatic conflict of interest. You are supposed to look at the disclosures and then make a judgment call at the time. The types of conflicts and the types of disclosures that are supposed to be made generally

categorize them as: contracts with family members, which are disclosures that are made with potential areas of conflict. Then there are categories of contract with self, which have to be disclosed in areas where conflict of interest can arise. Then you have the revolving door policy where someone who has just left State Government and obtaining a contract. Then you also have disclosures pertaining lobbyist. Currently the way the Code is written when you talk about lobbyist the disclosures require that your lobbyist be disclosed if they helped you in getting the procurement. Then if they were not involved in pertaining the procurement then the way the disclosures may have been written there may have not even been an obligation to disclose the lobbyist in this situation. Mr. Turner asked Mr. Hahn if that was how it was written in this contract or disclosure. Mr. Hahn replied that he believes that is correct. He believes that the firm misinterpreted the question. The question asked about employment having been or are you with a registered lobbyist firm. There is a separate question on that form that asks about involvement of a registered lobbyist. Mr. Turner asked in that particular disclosure what was the response about the involvement of a registered lobbyist or did they make a disclosure? Mr. Hahn replied that he believes they did not. Mr. Turner asked from that you would determine that they did not use a registered lobbyist to obtain the contract. Mr. Hahn replied affirmatively. Mr. Turner stated that what the Board has before them and the only statement that has been made at this point be that lobbyist were not used in this procurement so there was not an obligation to disclose, which they did not use, in this procurement. This does not preclude the Board from this conflict of interest, but Mr. Turner thinks the Board should be cognizant of how the current disclosure requirements are written. Member Bass asked Mr. Hahn if he could talk with his fellow CPO's on the issue of this. Member Bass believes there is some confusion out there from vendors that assume that if they have or engaged a lobbyist, in whatever fashion that they are required to disclose. Mr. Hahn replied that the CPO's have been talking about that. There are a couple other questions that seem to trip up vendors and there are some misunderstandings. It is not a good form and is currently working on a new form. With no further questions or comments Member Morales made a motion to allow the contract to move forward and was seconded by Member Bass.

Member Bass stated that from his point of view that it has been identified through the CPO and had a lot of conversation here and would say that this one from a public perspective is a tough one because what has driven most of the change in procurement around here at times has been perceptual not a rampant abuse of what we procure. Member Bass stated that on its face his is ambivalent but the facts right now seem to support an allowance. Member Bedore stated that he agreed with Member Bass that the perception here is not good and what the State has gone through the last many years before this administration he believes that this is the reason that this Board is here. This goes back to three other Governor's and thinks that this was a poorly handled process and raises a lot of suspicions in his mind and don't agree with the motion. Chairman Vaught stated that he also does not agree with the motion and inclined to vote "no" for three reasons. One is in section 50-35 that requires that if the Board makes a recommendation not to allow the contract then what happens is the CPO has to have a public hearing. It seems to him that the different facts and different matters could use a little more airing and more investigation. Chairman Vaught believes that the hearing might advance the process and that is what this action would result in. Second is that there has been a couple mentions of appearance and his understanding is that conflict of interest can be very specific where there is a clear conflict and in other areas where there is just an appearance of conflict. Both of which are defined as a conflict of interest. Chairman Vaught stated that he believes there is an appearance of conflict of interest here and a public hearing would help make it clear. Finally, Chairman Vaught stated that he is troubled by the definition in 50-30 with the revolving door prohibition that says that effective persons and believes that the former director of CDB is an effective person. Chairman Vaught stated that they are expressly prohibited for a period of two years from engaging in any

procurement activity related to the State agency. Any procurement activity is a very broad phrase and for that reason he will vote "no". Member Morales re-stated that his motion was based on what he is reading and being presented and not on assumptions. Member Bass stated that it appears to him that the motion cannot prevail so he is withdrawing his second and would make a motion to void. Chairman Vaught clarified that Member Bass was withdrawing his second and make another motion to recommend void the contract. Member Bass replied affirmatively. Mr. Turner stated that the person who made the original motion would have to withdraw his motion or keep his motion and require another member to second. Member Morales made the motion to allow the contract to move forward, but no second was made. Member Bass made a motion to recommend voiding the contract and was seconded by Member Bedore. On the second motion of voiding the contract and a vote of 3-1 the motion was approved.

Next on the agenda was the Vendor Assistance Program. Due to a conflict in their schedule CMS as if they could postpone their presentation to the next meeting.

Next on the agenda was PPB Policies in Conjunction with Public Act 96-1521 (HB1450). Director Carter stated that at the last meeting the last paragraph stated roughly that the Board would put a stay on the 30-day running clock in the statute until all information was provided. The Board as a whole didn't feel it was acceptable. Working with Mr. Turner they put the five day period in there to mimic section 5-30 that already in the statute, which allows if CMS does not provide any requested materials within a five day window then the clock would say until the materials were provided. That is the only change to the 1450 memo provided by Mr. Turner and is open for discussion. Chairman Vaught stated that the Board had the draft and if they wanted to discussion it, revise it or adopt it. Member Bedore made a motion to accept the rules and proposed and was seconded by Member Morales. With a 4-0 vote the motion was adopted.

Next on the agenda was Legislation. Director Carter stated SR261 expanded the procurement bidding that was discussed in SR118. There are also a handful of bills that were sent to the Governor and are some new proposed goals, veteran's goals as well as small business goal. Also there is a bill that any one vendor receiving State business to have an address that is in the State. Director Carter wanted to update the Board on the CDB bill making addition to the single prime. The only changes of that were instead of $5 million threshold they up it to $15. They wanted $20 and go $15 but to has been sent to the Governor. There were no actions or recommendation made by the Board.

The next scheduled meeting for the Procurement Policy Board will be set for Thursday, July 7, 2011 pending Board confirmation.

Member Bass asked Director Carter if he has heard anything from President Cullerton's office regarding the appointment of a new Board member. Director Carter replied that he has spoke with his Chief of Staff and at this time do not want to fill the position. Member Bedore wanted to know if the Director Carter would draft a memo and that the Board will sign to send to President Cullerton's office regarding the appointment of the new Board member.

With no further business to discuss a motion to adjourn was made by Member Bedore and was seconded by Member Morales. The motion was unanimously approved.