

Chairman: David Vaught

Members: Michael Bass, Ed Bedore, Ricardo Morales, Larry Ivory

Minutes – July 29, 2011 Meeting

Present in Chicago: David Vaught
Rick Morales

Present in Springfield: Ed Bedore
Mike Bass

Present via Telephone: Larry Ivory

The Board started the meeting by confirming attendance at 10:07 a.m.

First on the agenda was the approval of the minutes from July 7, 2011. Member Bedore stated that he recalled making a comment on the Vendor Assistance Program about working with the State Treasurer that didn't get mentioned in the minutes. Director Aaron Carter replied that the minutes will be corrected to reflect those comments. Member Bedore made a motion to accept the minutes as amended and was seconded by Member Morales. The motion was unanimously approved.

Next on the agenda was CMS Facilities Update and ISP Headquarters/Franklin Life Building. In attendance was CMS Deputy Director of Property Management, Nick Kanellopoulos. Mr. Kanellopoulos stated that for this month for facilities he wanted to update the Board on a few matters. First was the issue of security reductions. In August 2009, CMS started looking at their statewide security contract and started making reductions in security staff. At that time CMS was paying for 14,008 hours of security and under the contract at the time the cost was \$13.2 million. As of July 17, 2011 those hours have been reduced to 9,209 hours, which is a 34.2% reduction in hours.

Chairman Vaught requested a brief interruption to introduce the newest member of the Board. Mr. Larry Ivory was just appointed by Senate President Cullerton's office and will be participating via telephone. Member Bass made a motion to allow Member Ivory to participate via telephone and was seconded by Member Bedore. The motion was unanimously approved.

Mr. Kanellopoulos continued that the cost savings is a reduction of \$8.97 million dollars, or a 32.2% reduction in cost. Chairman Vaught asked if those were annualized costs. Mr. Kanellopoulos replied affirmatively. Mr. Kanellopoulos stated that it does include the 5.5% wage increase from July 14, 2011 in the total cost of that contract.

Next Mr. Kanellopoulos wanted to update the Board on an energy project that CMS is very close to completing. In September 2009 CMS began retro-fitting the Thompson Center and replacing T-12 florescent tube lighting to T-8 florescent tube lighting. This was mainly found in the ring

wall. There are 130 strips per floor with 16 floors. CMS is nearing completion of that project. When this project is completed they will have reduced the energy used by those fixtures by 73%. Not only is there a big reduction in the use, but once the retro-fit was started they discovered that many of the ballasts needed to be updated. Mr. Kanellopoulos stated that this means that CMS will save \$71,000 yearly from just that upgrade at the Thompson Center. In addition, due to the timing of the last floors of the project, CMS was able to take advantage of a DCEO rebate for switching to more energy efficient lighting. In May or June CMS received a check from DCEO for \$17,850 as a rebate for four floors of the project. Mr. Kanellopoulos stated that the entire retro-fit and material cost for all 16 floors was \$32,426 and \$17,850 came back to us. CMS was able to do this project by using in-house electricians and no overtime was paid to do the work. CMS is now trying a different approach to try to save more energy at the Thompson Center in CMS' area on the fourth floor. They have de-lamped the area where they have shut off some of the strip lighting. CMS noticed that when they switched from the T-12 to the T-8 fluorescents there was 60% more brightness than there is required under current standards. CMS is testing de-lamping and it could work. If this is successful then they could shut off 40% of the strip lighting and could save an additional \$67,000 a year in energy cost. CMS should know more in the next couple of months and will keep the Board informed of the results.

Member Bedore wanted to commend Mr. Kanellopoulos for what is being done at the Thompson Center, but wanted to know what was being done for the spaces being leased where millions of dollars are being spent on rent. Member Bedore wanted to know if the State could force landlords to make these types of changes to lessen the energy cost on the State. Mr. Kanellopoulos replied that there are a couple of issues. One is that CMS is working on that sort of thing. In the Thompson Center, CMS used in-house electricians to do the work and no overtime was paid. Everywhere else, even State-owned buildings, CMS would have to hire contractors to do that and CMS does not have enough money to pay that cost even with the energy efficiency rebates. Member Bedore stated that he doesn't believe that the State should be doing it and paying, but when a lease is negotiated that it is put onto the owner and not the State. Mr. Kanellopoulos replied that he is getting to that. The point is the cost would be built into the lease and CMS has been trying to minimize cost and not increase them. CMS recognizes that their leases need to be more energy efficient and are trying to reach a balance, but in their negotiation with landlords CMS tries to reach the lowest cost they can. Member Bedore stated that CMS is not reaching the lowest cost because it is being spent on higher energy that could be obtained if they had these newer fixtures. Chairman Vaught stated that he didn't understand in the report about the energy efficiency committee meeting where they are talking about DCEO and performance contracting. He stated that he doesn't understand the comment and why nothing is being done about it. Mr. Barnes replied that the comment was a conversation that was happening with DCEO and CDB where the performance contract expert is a consultant to DCEO. What Lisa Mattingly from CDB was saying was that she would reach out directly to the consultant and start coordinating on creating an RFP that fits the CDB's design build procurement standards and also integrates the key elements that are important to a performance contract. That statement, with DCEO's blessings, is simply an acknowledgment that DCEO contractually controls that consultant. Chairman Vaught wanted to know "this is to do what"? Mr. Barnes replied that it is to integrate the performance contracting requirements into what would normally be a design-build procurement. Chairman Vaught asked if this was to go into all CDB design-build projects. Mr. Barnes replied that no, just for those where there is a guarantee savings approach being taken. Chairman Vaught wanted to know where that would be taken. Mr. Barnes replied that it would be applied to more initial stages to four Department of Correction sites that have been identified as prime targets. Chairman Vaught wanted to know what sites. Mr.

Barnes replied Centralia, Decatur, Jacksonville and he believes Danville. He will provide a corrected list to the Board.

Chairman Vaught asked Mr. Kanellopoulos why does DHS lease 6401 have a 180 day termination clause. Mr. Kanellopoulos replied the CMS usually does shorter termination clauses. Mr. Kanellopoulos replied that the lease was expiring August 15, 2011 and planned a consolidation with another DHS office, but the boundaries need to be in between those two offices.

Mr. Steve McCurdy wanted to address the energy comment made by Member Bedore. Mr. McCurdy replied that he agrees with Member Bedore's comment 100%. CMS deals with these types of issues with a macro stand point and he is a micro kind of guy. These energy issues are very high on their priority list and the Board is going to see on a monthly basis incremental reports on the changes that have been made and in what buildings. Mr. McCurdy stated that in the beginning the numbers will not be staggering, but it will show the progress that is being made. Mr. McCurdy stated that he knows that the Board has been saying this for a couple of years and the Board will start to see incremental progress that can be tracked on a monthly basis.

Member Morales wanted to know when the last time there was an audit to find cost savings, like communications with phones. Mr. Kanellopoulos replied the he did not know. The other comment was with regards to motivating the building owners/landlords about energy savings. When a bid it put out looking for lease space is preferential points to a building that is energy efficient or is this something that we need to put in as a parameter. Mr. Kanellopoulos replied that their RFI's don't get scored with points. The Procurement Code states that the lowest cost bid gets the lease unless there is a justification not to go there and CMS has not used energy efficiency as a justification to choose a more expensive option, but to be honest CMS has not seen a situation where this would have happened.

Member Bedore appreciates Mr. McCurdy's comments and reminded CMS that Matt Brown and Member Bedore walked through the CFS building and saw all the phones not in use in empty cubicles. Member Bedore suggested that the phones would be a good place to start.

Member Bass asked if the DCEO rebate program is something that could make owners aware of and do that when going into negotiations. Mr. Kanellopoulos replied several landlords have been made aware of it and several in the Chicago area have taken advantage of the program. Mr. Kanellopoulos replied that he could provide a list of the buildings where those have occurred.

Next on the list was State Police Headquarters/Franklin Life Building. Mr. Kanellopoulos stated that CMS has gone through the building very carefully and have been through all the materials. As discussed last month the total square footage of the building is 480,000. Of that, 197,670 is usable for office space. There are three buildings that make up the campus - the North building, the South building, and the Annex, which is known as the 7th Street building. CMS believes that they could vacate ISP entirely from the 7th Street building and move them all into the North and South buildings. The North and South buildings are connected to the 7th Street building by one contact point on each floor. CMS believes that they can secure those points. This will open up 65,000 square feet of office space. This does not include hallways, bathrooms, storage or lunch rooms, but all office space. That equates to roughly about 187,000 of lease space where you are paying for storage, hallways and bathrooms. If you look at Springfield, current rates are roughly \$15.00 sq. ft. today. Potentially CMS could eliminate \$1.7 million in lease costs if they could fill that 65,000 sq. ft. of space. There is also about 35,000 sq. ft. of vault space that could hold high

density filing, which is not entirely being utilized today. Over the next few months CMS is going to put this plan on paper and develop plans that show how CMS is going to fit all of ISP in those two building and sit down with ISP and restack the building. CMS will continue to update the Board as the process moves forward. Chairman Vaught asked what can be done before December 31, 2011. Mr. Kanellopoulos replied that they should have a plan that everyone agrees to and hesitated to say when they will be starting to move ISP, but with the holidays it is hard to say. CMS should have a schedule ready of when they will move out and whatever work needs to be done CMS will have identified who will be going in and the timing of that before December 31, 2011.

Member Bass asked for Mr. Kanellopoulos to identify the State Police person who will be beside him at the meetings as this is being discussed so that in the future there are no misunderstandings and make sure that everyone is on the same page after each Board meeting.

Next on the agenda was Illiana Expressway. In attendance was John Baczek with IDOT in Schaumburg. Mr. Baczek gave a brief history for the Board. Mr. Baczek stated that in Daniel Burnum's 1909 plan for Chicago there was a vision to create an encircling roadway around the Chicago area that passes through this region. Corridors were studied in the 1960's and 1970's by both Indiana and Illinois' regional planning organization at that time. The Illiana project since then has been included in both the region's metropolitan long range planning agencies and long range studies. Most recently some feasibility tests studies for the Illiana corridor were done in 2009. That study included an evaluation corridor from Interstate 65 in Indiana to Interstate 57 in Illinois. In 2010 Illinois amended that study, which resulted in extending the corridor from Interstate 57 all the way to Interstate 55. This is roughly a 50 mile corridor. In June of 2010 the Governors of both States signed a memorandum of agreement outlining the commitment and importance of this project in both States and that same day Governor Quinn established and signed the Public Private Partnerships Act for the Illiana Expressway. It basically allows the use of private sector agreements and funding to develop, finance, construct, manage or operate the Illiana Expressway on behalf of the State.

Mr. Baczek stated that some of the notable aspects of the potential project were outlined in Governor Quinn's press release in June 2011. The project has a potential of creating 14,000 jobs and providing an economic boost to both States while providing access to freight and inner motor centers that really are located in the crossroads of the nation's transportation system. The study itself is going to be led by IDOT because roughly 75% of the project corridor is in Illinois. Indiana is participating financially in this study, but more importantly will provide an upfront leadership of the study on the Indiana side. As far as the actual study process IDOT is going to be preparing an environmental impact statement, which is the more rigorist and comprehensive environmental analysis that IDOT does on corridors. Another very important element of the study or process is developing the frame-work of the financing. Mr. Baczek provided a handout to the Board members with a map of the study area.

Mr. Baczek stated that since it is such a large area being covered, the study is going to be divided into two tiers. Tier One objectives are stakeholder consensus, every reasonable alternative considered, financing considerations and preferred alternative and conceptual level of detail. Tier Two will consist of the preferred alternative details (i.e. geometrics, drainage, environmental, mitigation plan and formal financial plan). The optimal solution will improve transportation performance throughout the region, avoids and minimizes impacts to sensitive resources and important features, meets community goals and objectives in the area and is financially viable. Stakeholder involvement is the cornerstone in this process. They not only want to engage

stakeholders, but want to bring them in and make them part of the process and provide input and help guide and develop the process and project. There are a number of tools and processes in place that will help facilitate that engagement. Newsletters will be provided along with the website launch (www.illianacorridor.org) which will provide announcement as well as data that has been collected and presentations that have been made. Another important part of this process is the development of the Corridor Planning Group and the Technical Task Force. This will involve specialist and technical experts in the arenas of land use, transportation, engineering, financing, etc. They have held a few public meetings, one in Matteson which had 71 attend, and another in Crown Point which had 140 attend. Some of the top issues that have come up in these meetings include this study process to ensure bi-state coordination hand-in-hand with this, existing truck movements, multimodal, and accelerate the process. Congestion and traffic is another issue brought up on I-80, I-57 and I-55. Intermodal issues were raised due to increase of truck traffic throughout the region and the potential of rail connectivity and the South Suburban Airport. There are also several environmental impacts that people are concerned with in the communities, natural areas, farmland, and air pollution. Also, cost and financing was another issue that was brought up with funding, toll issues, cost sharing between states and governances. IDOT is trying to make sure that they reach out to everyone impacted by this and clear up any concerns or issues dealing with the environmental impact it will have. Mr. Baczek stated that the project schedule is a very aggressive process - it is targeted for completion for May 2013, but there has been a lot of interest expressed by stakeholders to come to a conclusion sooner. They are going to look into this to see if there are any opportunities to complete this sooner.

Member Bass asked if the power given in the Act is that a menu of choices that could be developed or is it anticipated that it would be the full complement that said “develop, finance, construct, manage or operate”. Is that a requirement or a menu that can be utilized as you go through this process? Mr. Baczek replied that their understanding is that it is a menu of options. The intent is not to say that the P3 must encompass all of these things, but more importantly P3 could involve bits and pieces and overall as appropriate and viable. Member Bass wanted a little more clarification on square miles of the project. The first report states that an area of 600 square miles and the second reports elevates that to 950 square miles. Was there a re-examination of the footprint that is being talked about? Mr. Baczek replied he wasn't sure where Member Bass got those numbers, but when Indiana did their study their area was limited to I-57 in Illinois to I-65 in Indiana. Then when IDOT picked up the study they amended it to increase it to include I-55. The north-south corridor has been increased to allow for more flexibility and ability to look at all potential alignments through that area. Member Bass stated that whoever develops the legislative reports he would encourage them to be consistent or someone is going to assume that there is an evolution and won't understand why. Member Bass had another question about the South Suburban Airport and wanted to know if those boundaries have been tentatively blocked for that area for configuration or not. Mr. Baczek replied that there is a footprint and that they have met with the South Suburban Airport people on several occasions. They are certainly not looking to preclude their expansion plans. Whatever alignment that may end up being developed, IDOT would anticipate that it would be something they would strive to avoid impacting their area. Member Bass stated that he realizes that they are only in the beginning stages, but when IDOT gets down to the two finalists both this Board and COGFA has some role and appears to him an assessing to the quality of the selection. Is that true? Mr. Baczek replied that he would have to get back to Member Bass on that question. He is not sure how that will work.

Member Bedore wanted to know if there was some type of timeline for completion. Mr. Pete Harmet with IDOT replied that right now it would be in the 2017 time frame, but they are working on getting that shortened. Member Bedore stated that there was a story in the Chicago

Tribune talking about the tolls on the Tollway going from \$0.80 to \$1.50. That is a hefty increase. They stated in the story it was for future construction. So will this be for part of the money for this project? Mr. Harmet replied that he believes in the article that they mention money was set aside for the planning of the Illiana Expressway as part of this Illiana process and is unsure what the future holds. Member Bedore wanted to know if the Tollway is being built to bolster and promote Peotone's airport. Mr. Harmet replied that IDOT sees these as parallel issues. What's in the 2040 regional comprehensive starter airport at Peotone that is built into the population and employment forecasts that they are working with. They are going to look in some more detail, but from their stakeholder meetings the top three transportation issues as they exist today are trucks, trucks and trucks. They have freight issues that they will be dealing with more so than the airport generating enough traffic to create the need for the road. Member Bedore believes they are providing a means to justify a new airport. Member Bedore stated that if they are going to talk about trucking they need to look into reviving the cross-town expressway in Chicago. If IDOT is really concerned about relieving truck traffic the cross-town is number one. All the trucks go through the Kennedy and the Dan Ryan out I-57. So if you are concerned about truck traffic they need to start talking about the cross-town. Member Morales wanted to know how much has been spent to-date on this project. Mr. Harmet replied about \$200,000.

Chairman Vaught has a question about the procurement process like in SB51 and wants to know if they see this process as being a departure from the procurement reforms. Mr. Harmet replied it seems like the way the Act is laid out it is a very open process that is structured into public involvement and is not sure how it relates to SB51. Chairman Vaught said that it seems to be an exception to, is his point. Chairman Vaught is opening it to the Board to hear their thoughts on this. Chairman Vaught read that in Section 20 it states "the department (IDOT) shall not select an offer as a contractor for the Illiana Expressway until it has received and considered the findings of COGFA and the Procurement Policy Board in their report". He does not believe that it is binding. Member Bass agrees. Chairman Vaught would like to hear from IDOT or CPO Bill Grunloh and get his take on this.

Chairman Vaught asked if they have already hired a consultant for Tier One. Mr. Harmet replied affirmatively. Mr. Harmet stated that as they are making progress on this study they will give the Board updates as things progress. Member Bedore stated that he agrees with the Chairman and Member Bass on what the Board's role is in this so there is no confusion down the road of what the Board's role is or should have been. Member Bedore suggested that at the next meeting that they need to set aside with the attorneys or have a special meeting with IDOT and anyone else the Board wants to bring in so everyone understands what the roles are upfront and would like this added to next month's agenda. No further questions or comments were made.

Next on the agenda was CDB Single Prime Project Requests. Representing CDB was Mr. Ron Wright, Construction Administrator and Mr. Josh Weger the new Deputy Director of Construction. Mr. Wright stated that they have two single prime requests to bring before the Board. Mr. Wright stated that Governor Quinn signed the new pilot extension last Friday, which extended their pilot authority subject to CDB, CPO and PPB review. The new authority is four years at \$200 million a year. A list was submitted to their CDB Board last month of their possible pilot projects that represent 25 projects, some number limited to each year over the next four years. The first is the construction of the electrical engineering building (ECE) at the University of Illinois. This is a project being designed by the Smith Group out of Chicago. The project manager is Curt Fernandez. It is a 250,000 gross square footage building, which will be a 5 story lab, reach tower, 3 story class room building with significant landscaping, curbing, and roads modifications to support the U of I campus in Urbana-Champaign and completes the quad

around the Engineering Campus. It is an \$88.8 million mutually funded construction project. In front of this Board is \$82.4 million and change. The new law requires a minimum threshold construction budget of \$15 million and no more than \$200 million in projects at CDB subject to CPO review and this Board annually on a fiscal basis. Thus, CDB is asking to use \$82 million over the new authority just granted to us on this very large project. CDB believes the return on a single prime is very important for the campus. Mr. Wright stated that the CPO office reminded them that CDB owes an annual report which was given in years past on these pilot programs. They gave a memo report card to the CDB on the two projects that are done; the two projects that are on-going have been very successful for them as compared to the average percentage of change orders, schedule issues, and in some instances, claims. CDB requests that this go forward as a single prime delivery method. This project is fully designed and ready to bid. Member Bedore asked how the bid will go out. Mr. Wright replied that they will modify the front end on the specifications and will go to a single prime only if this Board allows it. It is not on the street yet. Member Bedore made a motion to approve the recommendation of the CDB and was seconded by Member Morales. With a 3-0 vote and with Member Bass abstaining, the motion as approved.

Mr. Wright stated that the next project was a single prime request with the same method at Governor State University. Mr. Wright stated that a recent modification of the design was executed on July 22, 2011. This means CDB is ready to move this job to the street so they do not lose the Federal NSF funds. Pursuant to that the construction budget on this 76,000 gross square feet (GSF) job, which has information technology, all visual, fire alarms and security laboratory requirements. This also has a sister companion project of federal money at 52,000 GSF. This is a little bit different, but is integrated and makes it a good candidate for single prime. Also, while construction is going on the buildings will be occupied near the area where work will be done. There is an appropriation budget of \$23.33 million. The construction budget including alternates and contingencies are at about \$17.37 million, which is over the new threshold of \$15 million. CDB's goal is to be using this method as stated in the House, Senate and the two pilots and the two acts of law that allows them to use it to cut their change orders in half, save user requests, make their schedules and reduce their claims. Mr. Wright asks the Board for the approval of this single prime project.

Member Bedore wanted to know if it was going to be possible to have this done before the deadline of September 2011. Mr. Wright replied that CDB specs will not be finished until CDB gets an approval from this Board. When that happens CDB has been looking at bid packages with the minimum amount of days required by law to bid award can happen. Mr. Wright stated that with the Board's permission today they should be out to bid within a week. After the 14 day posting period this will allow the post-award period to be done before the September 30, 2011 deadline. Ms. Tracy Sullivan replied and affirmed that they are on target to be done before the September 30, 2011 deadline. Member Bass asked Tracy Sullivan if GSU needed to obligate the full value of the grant. Ms. Sullivan replied that the contract needs to be enforced and fully executed by the end of September 30, 2011 and that will happen. Member Bedore made a motion to approve this single prime project as presented and was seconded by Member Bass. With a 4-0 vote the motion was approved.

Next on the agenda was the Contract Review of ISAC on Outside Collection Services. Director Aaron Carter stated that this is a sole source contract for outside collection services. It is a sole source and a continuation of the previous contract. The Procurement Policy Board was concerned with the policy of extending contracts via sole source for a transition period at excessive cost when that transition could have occurred during the current contract period. SPO

for ISAC Ms. Vicky Santiago stated that she wanted to give a little background concerning how ISAC came about the sole source procurements. There are actually two separate sole source procurements. One is for \$1.9 million and the vendor is Pioneer Credit Recovery and the second is also for \$1.9 million and that vendor is NCO Financial Systems, Inc. Those are the two incumbent vendors. There were two contracts in place, which were set to expire June 30, 2011 and with no time extensions available. As a result ISAC developed and advertised a new RFP solicitation seeking firms to submit proposals for the outside collection services. During the advertising period of the solicitation it was discovered that the current contracts did not allow a sufficient amount of time in order for the paying accounts to remain with the incumbent vendor and did not allow time for the non-paying accounts to be transitioned over out to a new vendor once the contracts were in place. As a result ISAC requested the sole economically feasible source procurements to allow for the current vendors to continue to collect on the paying accounts with no interruption and payments and also to allow time for the transition of the non-paying accounts to the new vendors. Two one year contracts have been requested for no interruption services. The current RFP has been evaluated and ISAC's team is currently in negotiations with the two top contenders and contracts will be awarded very soon.

Member Bedore stated that ISAC knew when this contract was going to expire and knew what was needed, but yet you didn't account for it. This is just a complete lack of understanding contracts and your duties in this Commission. Member Bass stated that he agreed with Member Bedore's statement, but wanted to know what is considered grossly delinquent that ISAC use to determine when they shift accounts to outside collections. Ms. Karen Salas with ISAC replied that when an account is 356 day in delinquency and that is after they have defaulted after 270 days. Member Bass wanted to know if there was any negative impact on ISAC if they fail to collect on accounts or is it just a wash. Ms. Karen Salas replied that the collections on these student loans are their main source of revenue. Member Bass wanted to know how the Feds determine what your retention percentage is. Ms. Salas replied she was not sure how they determine that, but it is changed by regulation. No further questions were asked.

Next on the agenda was Legislation. Director Carter stated that was no new legislation since the last Board meeting.

The next scheduled meeting for September of the Procurement Policy Board will be set pending Board confirmation.

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

Return from Executive Session to open meeting. Member Bedore made a motion to increase Senior Procurement Analyst Will Blount's Salary to 70,000 annually with future reviews coming annually in the month of August. Motion was seconded by Member Bass and approved by a 3-0 vote, Member Ivory had previously dropped off the call due to a previous engagement and Chairman Vaught abstained from voting on advice from counsel concerning pending litigation in another matter. Member Bedore made a motion to increase Executive Director Aaron Carter's Salary to 90,000 annually with all future reviews coming annually in the month of August. Motion was seconded by Member Bass and Approved by a 3-0 vote, member Ivory had previously dropped off the call due to a previous engagement and Chairman Vaught abstained from voting on advice from counsel concerning pending litigation in another matter. With no further business a motion to adjourn was made by member Bedore Seconded by Member Bass and Unanimously approved.

