



Chairman: David Vaught

Members: Ed Bedore, Ricardo Morales, Larry Ivory, Bill Black

Minutes – March 8, 2012 Meeting

Present in Chicago: Rick Morales

Present in Springfield: Ed Bedore
Larry Ivory

Present via Telephone: Bill Black

Absent: David Vaught

The Board started the meeting by confirming attendance at 11:05 a.m.

Member Morales made a motion to serve as Member Black via telephone and was seconded by Member Ivory. The motion was unanimously approved.

Member Morales made a motion to have Member Bedore be Acting Chairman in the absence of Chairman Vaught. The motion was seconded by Member Ivory. With a vote of 3-0 with Member Bedore abstaining the motion was approved.

First on the agenda was the approval of the minutes from the February 9, 2012 Board meeting. Member Ivory made a motion to accept the minutes as presented and was seconded by Member Morales. The motion was unanimously approved. There was also a motion by Member Morales to accept the minutes from the February 9, 2012 Pacific Management Contract Hearing and was seconded by Member Ivory. The motion was unanimously approved.

Next on the agenda was the BEP Rules Review. Director Aaron Carter stated that CMS has submitted BEP Rules Title 4 Part 10 with the Business Enterprise Program. These Rules mimic the recent change in statute in overall changes; the State contracting goals are now 20% from 12%. It also increases the sales limitation for applicants to the Business Enterprise Program up to \$75 million from \$31 million. Staff recommendation is support as presented. With no questions or comments a motion was made by Member Ivory for a no objection and was seconded by Member Morales. The motion was unanimously approved.

Next on the agenda was the Chief Procurement Office for General Services Rules. Director Carter stated that this set of rules are on the agenda as an update. The staff's full analysis has not been prepared yet and communication is on-going with the Chief Procurement Office and staff. The Board did provide an initial analysis of some of the questions and concerns they have and the CPO is working on a response to those questions. CPO Matt Brown is available for any interim questions today. Director Carter anticipates a full staff analysis of these Rules for the April meeting. Acting Chairman Bedore asked Mr. Brown how the procedure is going. CPO Matt Brown replied that the process is regulated by the Joint Committee on Administrative Rules and is time regulated so the first 45 days is considered the 45 day public notice period. During that period there are opportunities for interested parties to provide comments to his office as well as to the JCAR. During that 45 day notice period there are 3 scheduled public hearings. At the conclusion of those public hearings and the receipt of comments during the 45 day notice period, the Chief Procurement Office will be in a position to move to second notice. Mr. Brown stated that it is their anticipation they will

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not move on the 45th day, but will wait for the next scheduled PPB meeting and spend that time fully analyzing questions and comments raised by both the Board and members of the public. Mr. Brown stated that ideally once these core rules are established, on-going discussions with affected State agencies and outside parties will lead to yet another round of refinements to follow this set. Acting Chairman Bedore asked when they are anticipating hearings. Mr. Brown replied that public hearings will be held on March 14, 15 and 19 in Carterville, Springfield and Chicago. Member Ivory stated that he knows that there has been some significant conversation as it relates to the CPOs and SB51. Member Ivory stated that he trusts Mr. Brown's opinion and wanted to know from his perspective what some of the biggest hurdles that he thinks will need to be overcome to make this procurement process successful and better for the State of Illinois. Mr. Brown replied that for the process in general, there needs to be some new and modern automation. Most of what is being done now is in electronic form, which is web based, systems based both with an in-house version and a public version, at least in his portfolio, exchange of electronic information between both the vendors they do business with and their State processes that needs an element of modernization, which will add to efficiencies and clarities. The second thing that is needed is a refinement of certain processes in general. Mr. Brown stated that he could speak to some of the conversations on sole source and emergency hearings and how quickly they occur, how effective they are and how decisions relative to those hearings effect timeliness of delivery of the goods or service. We need to stay focused on those at all times and make sure their processes reflect that focus. Thirdly, he believes we need to create some more harmony within the State agencies who are indicating what the State needs to buy. Mr. Brown stated that we need to provide the best level of service possible so when a need is identified it can be delivered on time, on schedule and on price. No further questions or comments were made.

Next on the agenda was CMS Facilities. In attendance was Deputy Director of Property Management at CMS, Nick Kanellopoulos. Mr. Kanellopoulos provided an update to the Board of activities since the last Board meeting. Mr. Kanellopoulos stated that in leasing, the total cost reduction now stands at \$4.38 million, which is an annualized figure. CMS has eliminated 1.93 million square feet of leased space since Governor Quinn took office. This week CMS has unveiled a project where they created a spreadsheet with 26 columns of data on all of their leases. A PDF version is available on CMS' website (cms.illinois.gov) Look for Property Management and click on leasing and it will take you directly to that page. This spreadsheet will be updated monthly. Among the 26 columns of data you will see location, agency, size, FY12 cost data both total and broken down, etc. CMS hopes in the upcoming months if there is feedback they hope to add more data if that is available. There is also ownership information as well. The current version of the PDF is searchable where you could search for a particular agency, city, or street which makes it more user friendly. Acting Chairman Bedore asked of those 26 columns if they provided the power source or who they buy their electricity from. Mr. Kanellopoulos replied no. He said that it would be a large task, but could be done. Acting Chairman Bedore commented that in order to give a real detailed report of where they buy their services from it would be a burden. Mr. Kanellopoulos replied that they would have to go into every individual file. Acting Chairman Bedore stated that he would like to discuss this further later about a bill that is being introduced by Senator Garrett in the Senate. Mr. Kanellopoulos asked if it could be discussed during the legislation part of the meeting. Acting Chairman Bedore replied that would be fine.

Mr. Kanellopoulos stated that he would like to give an update on a couple of snapshots of work that CMS has had done by their real estate consultant Jones Lang LaSalle in the Chicago area. He stated that he would like to give the Board an idea where CMS would be not by the end of the fiscal year, but by the end of summer. CMS expects to achieve about \$6.7 million in cost reductions from their efforts in reviewing the Cook County portfolio and recommendations on how CMS could better utilize State owned buildings in the area, but also one or two of their core facilities in that area. One that has already been talked about is to move the DCFS office in Skokie into the ISAC building in Deerfield. DCFS filed with COGFA and COGFA requested a recommendation from them and believe they have 30 days to do it. Once they file their recommendation it starts the 50 day clock ticking unless COGFA requests a public hearing. The FY12 cost of that facility is \$724,000. The intent is to close this facility. Also, last month CMS re-bid the DCFS lease at 2nd and Emerald in Chicago and by reducing the square footage it reduced the rent CMS will achieve a first year's cost reduction of \$1.24 million off of that re-bid. The Governor also announced in his budget address that CMS intends to close a DCFS facility at 3518 W. Division. That facility will move to a State owned facility in the Chicago Medical District at 1026 S. Damon. CMS also intends to move out of, what is considered the 2nd most expensive lease in the State, which is the HFS lease located at 32 W. Randolph in

Chicago. The FY12 cost of that lease will be \$4.11 million. There are 330 HFS staff in that building. CMS intends to accomplish this in two ways; CMS hopes to move most of the staff to the HFS/DHS headquarters building at 401 S. Clinton and the remaining staff is intended to move to the DES headquarters at 33 S. State. CMS hopes to execute this entire plan by the end of summer. Acting Chairman Bedore pointed out it was the Board who raised this issue when this lease was originally done. He stated that the Board was not happy with it and is glad to see as time goes on that the Board was probably right. Mr. Kanellopoulos replied affirmatively.

Mr. Kanellopoulos stated that Jones Lang LaSalle's next task is to do this same job in Springfield. They have started doing some ground work and are looking at the Hanley Building starting in the next few days. Mr. Kanellopoulos stated that he knows that one of the agenda items is the IDOT lease on Stevenson Drive and CMS intends to close that facility. He is not sure if all of the 109 staff could go to Hanley, but they could be split up between Hanley and the rest of the IDOT staff at the EPA Building in Springfield. Mr. Kanellopoulos stated that he will keep the Board informed as that continues to progress. Acting Chairman Bedore commented that he hopes that Jones Lang LaSalle takes a long hard look at the Hanley Building because the whole center core is records. There are hundreds and hundreds of square feet that are dedicated to paper records. It is a grand building, but those days are over and we do not need a big room to hold proms and other things. Mr. Kanellopoulos stated that he understands and would keep the Board up-to-date with the progress they are making. Acting Chairman Bedore wanted to confirm that CMS was intending to close lease #6348 on Stevenson Drive. Mr. Kanellopoulos replied affirmatively. Member Morales asked what the agreement is with Jones Lang LaSalle. Mr. Kanellopoulos replied that CMS has a contract with them to do many things. One of them is to give CMS a strategic plan on the CMS portfolio. Another thing is to look at properties to determine if CMS should surplus them or utilize them in a different project, but they are taking a look in a lot of areas of the State's real estate portfolio. Member Morales wanted to know if it was on-going for a certain time period. Mr. Kanellopoulos replied that the contract has been in effect for a little over a year and he believes with renewals it is a three year contract, but does not have that information at this time and will forward the correct information to Director Carter. Acting Chairman Bedore asked what the dollar amount was. Mr. Kanellopoulos replied that the strategic plan is at no cost. There are costs, for example, as some of the work in Chicago does require architectural work so that is being paid for. If JLL was to identify buildings and those buildings were to be re-utilized and leases went in there would be a fee structure for that. Nothing has been paid to date on that fee structure. The only thing that CMS has paid for is architectural fees to design the layouts for the re-stack and consolidations that CMS is doing in Chicago. Acting Chairman Bedore asked how the firm was selected. Mr. Kanellopoulos replied through an RFP and he believes that there were three other bidders. No further questions were asked.

Next was an update on the AIG Building. Mr. Kanellopoulos stated that CMS Benefits has been moved into the building. As of today, there are 505 ISP full-time staff and 145 spots for CMS Benefits. Also, Gaming Board is currently in AIG and has 52 staff, which totals 702 staff currently in the AIG Building. Mr. Kanellopoulos forgot to add the 6 staff from the Governor's fiscal staff are also there, which makes it 708. CMS has finalized plans for the Attorney General's office and their 75 staff and the Gaming Board with their 35 additional staff. If all that works out the total will be up to 820 staff. CMS finalized the floor plans for the Attorney General's office and then the Attorney General's office came back with questions regarding asbestos issues in the facility. CMS is currently conducting air quality tests and will also have their vendor give CMS a report regarding when needed improvements are done, to get the AG in there, what abatements might need to be done. When CMS has this report, CMS staff will be ready to present the information to them and the Attorney General's office will make their decision at that time. CMS is currently ready for the Attorney General move and the Gaming Board, but are not ready to pursue any other moves until they get the yes or no from the Attorney General. Acting Chairman Bedore asked if their contract has expired. Mr. Kanellopoulos replied that he believes that they did do an RFI for a lease and have entered into another lease with the current landlord. The lease does allow them to get out at any time in the first year and will use that opportunity to determine if they decide to move into the AIG. Acting Chairman Bedore commented that CMS is negotiating in good faith and they go out and re-sign the lease at the present location. Mr. Kanellopoulos replied that in his opinion the Attorney General's office had to because the lease was in holdover and the six months time period in holdover was running out. It would have been impossible to move them into AIG by December 31, 2011, which is when their deadline was. Acting Chairman Bedore stated that CMS has been working with the Attorney General for the past six months and

they are currently holding things up for you. Shouldn't there be a deadline given to the AG on this? Mr. Kanellopoulos replied that when they present the air quality testing CMS will give them a deadline. Member Morales asked how many staff was in the AIG Building. Mr. Kanellopoulos replied currently 708. Acting Chairman Bedore stated that there are 708 with 35 for Gaming which is 743 and if the AG comes in it is 818. Mr. Kanellopoulos replied affirmative. No further questions or comments were made.

Next was the report on Printer/Electronic Consolidation. In attendance was Will Walker with CMS. Mr. Walker gave a quick re-cap of the digital imaging being done at three agencies. At the Prison Review Board there are 300,000 paper files that they are trying to get digitized. About 150,000 of them are closed inactive files, but those files still need to be gone through and prepped. CMS is looking to partner with an organization called "Gone for Good". They are a disabled work center under the State Use vendor program and are trying to get them to pick up the boxes to be prepped and work with them to ease some of the pain in the process. Currently, they are trying to procure a scanner and the associated support software to begin the process of building a platform so the agency can start digitizing all in-coming and existing files.

CMS also had a meeting with IDOC, PRB, BCCS, CMS, and State Archives, which is a lot of people in one room talking about this process. They realize there is significant overlap of documents and need to figure out which documents are really needed, how to eliminate duplication and how they are going to communicate with each other and are trying to move down this path to reduce some of these redundancies.

The other area CMS is looking into is digital signature format so you don't have to have documents print them, scan them, sign them, scan them and send them to someone else so they can do the same thing.

DHS continues to move along quite well. They are exceeding their document target. So far they have ingested over 1 million documents into Content Manager, which exceeds all expectations. Now they think the savings is going to be in the neighborhood of \$61,000 a month or \$730,000 annually.

Mr. Walker stated that with CMS Benefits they are still trying to procure a scanner and should have that done very soon to start scanning all 22,000 files of theirs and get them started through the process.

Mr. Walker stated that IDOT, as you mentioned before, is a big beast with a lot of paper. CMS sat down and talked to them about what they have and where they are going. As stated before there is 801 cubic feet of material in the IDOT records center. If you look at what they have across the State CMS was able to narrow it down and think they have somewhere in the neighborhood of 25 million pieces of paper to figure out how to put on to a computer. It will take a lot of time, effort and people. IDOT has already retained somebody and put someone in charge of that whole process. They are looking to start in the voucher area and work through that then the payment center. IDOT also wants to look at their blue print process. Right now it is about 25 blue prints they produce for each project and would like to narrow it down to 10 and then hopefully down to just one or two blue prints per project.

Mr. Walker stated that with telecom the savings keep rolling in and there was an increase of 5,500 hours in savings with a grand total of savings at \$432,000 as they continue to eliminate phone lines, cell phones, pagers, air cards, data circuits and miscellaneous service reductions.

Mr. Walker stated that in the area of printer reduction they still continue to work through agencies. They are currently working with Department of Labor, CMS Benefits, Public Health, ISP and DCFS and now have 7120 fewer devices and now with an estimated savings of about \$3.7 million.

In the I-Cycle program there was a 21% increase of paper recycled. They are up to 79 pounds of paper recycled per State employee. Plus, they are no longer paying someone to haul away all of that paper to a landfill they are actually making money on this deal. In this fiscal year, CMS has generated \$83,000 in income by shredding paper, bundling it and have it hauled away. They have taken a system that cost them money and has turned it around into a revenue generating system. They are currently in the process of procuring an industrial sized shredder for the Chicago area and can begin to tackle that monster over the next six months.

Mr. Walker stated that with the electronic recycling program there was nothing to report at the last meeting because they had a system that was being brought up-to-date. Currently they have recycled 88,000 pieces of electronic equipment. This no cost program has saved the State close to \$3.9 million. There is still no update on the GSA program and are still looking at auctions and what is going on with other agencies and should pick up in the months to come. Member Ivory asked if IDOT had a plan or strategy for ridding them of the backlog of documents. Mr. Walker replied that they have just started the process and all they have done so far is identified what they have. Then they are going to look at how much it is going to cost, what they have to secure and how many people they will have to put on this process and analyze how long this process is going to take. In conjunction with that, they are also looking at going forward with putting their vouchers program online so they don't create the paper any more. They do not have a timeline yet, but the conversations have started and have put someone in charge of it. Member Ivory stated that it was an excellent suggestion about using IDOT as a model for bigger agencies. Member Ivory wanted to know if a feel for the massive amounts of paperwork and the saving could be or if they've done an analysis in terms of once this is done what the saving could be. Mr. Walker replied that they are working on a formula right now to try to narrow that down so they can define the savings on how much they will be saving. The standard formula is about \$.04 per piece of paper. However, they are different because they have these huge blue prints and bigger documents and more money involved. They are trying to isolate that because that will be an even larger savings. Instead of taking a standard point of view on how much it is going to cost per square foot in terms of real estate savings and rent savings and how much it cost per sheet of paper. Mr. Walker stated that he could do some calculating and get a number for him at the next meeting. No further questions or comments were made.

Next on the agenda was Legislation. Director Carter stated that there are a couple of specific bills of which the Board asked him to work with a member of the Board and the General Assembly to get the trailer bill to SB1750 regarding University procurements. Director Carter stated that he was able to work with a member of the Board and it was filed in both houses as HB5680 and SB3806. Both of those bills are in committee. Acting Chairman Bedore asked if there was any objection from any group. Director Carter replied that they have not come forward in any committee yet and he has spoken with CPO Bagby again. Since SB1750 has passed, CPO Bagby has procedures in place to work out some of the Board's concerns, but until it has been called in committee in either House he would not know of any opponents unless the Universities want to come forward and specifically tell the Board they didn't like it. Acting Chairman Bedore asked if CPO Bagby had any comment. Mr. Bagby replied not at this time, but did offer to answer any questions anyone might have. The other two bills introduced by Senator Garrett are SB3296, which amends the Code and changes the definition of a subcontractor to include management firms. Specifically, it says the definition of a subcontractor now includes management and service companies that enter into third party facility management service contracts. Senator Garrett also introduced SB3297 on property disclosure, which further heightens the disclosure in the Code for these management companies and any sort of ownership interest within. Acting Chairman Bedore stated when we go out and lease, the contract is between the State of Illinois and the owner of the building. Now if this owner wants to hire ABC Corporation as its management firm isn't that between the owner and the ABC Corporation? If you go out for an RFI and if you grant a lease to this owner it is because it fit all the needs and it is the lowest bidder. Acting Chairman Bedore stated that if he was a building owner and put in a bid for \$9.00 and met all the criteria the State says ok you have the best bid. Then he goes and hires a management company. He asked what if he adds insurance on the building. Isn't that a service contract? He would have to then list his insurance. What is the State going to do - say "no we don't like Allstate we like Farmers?" Electric prices, that's a contract the owner has. With all of these cities now going to opting out of. So should the State then go to the owner and say we don't like Commonwealth Edison we like Joe Brown's Electric Company? There are some leases that go through where it is all new carpeting, which has to be over \$20,000. So what has to be done? Do we have to get the list of the carpet company and all of the owners of that carpet company? Acting Chairman Bedore stated that he understands what the Senator is trying to do, but he thinks that we are going a little overboard. This is going to be such a burden on the State by listing every owner of every entity. Acting Chairman Bedore stated he didn't think that we are a police state yet. Mr. Kanellopoulos replied that at the end of the day CMS' position on these bills is going to stay neutral in the sense that we are just mechanics and their jobs are to execute the policies that the General Assembly passes and the Governor signs into law. CMS does see the difficulties in executing the work that is required by these two bills and in some ways the examples he pointed out are also the simple ones. Mr. Kanellopoulos gave the example of one of the more

difficult ones. If you were going to build a road and he got awarded a contract he would sub with five other people to do different work on that contract. In many of the situations that CMS has the property manager exists long before they submit an RFI. It is usually the management company that submits the RFI. So, under the reading of subcontractors it is questionable whether that relationship should be disclosed because it is pre-existing. They did not get hired to service the contract they were there before. Mr. Kanellopoulos stated that he is not giving a legal opinion just giving his first blush reading of the statute. There are difficulties in the interpretation and there are certainly difficulties. There are janitorial contracts, extermination contracts, smoke alarm contracts, burglar alarm contracts, monitoring contracts, etc. There are lots of services that go into certain buildings and there are a lot of vendors that could pile up. There will be a lot of work to do and at the end of the day vendors already hate the amount of disclosure and the amount of certifications that have to be done to try to be one of the contestants to get a contract with the State. Mr. Kanellopoulos stated that with adding more disclosures it will just lessen competition because there will be some people that think that it is not worth the money or time to try to compete for a State contract especially when the State is behind in paying their bills. At the end of the day CMS is going to do what the General Assembly tells them to do, but it does make the job harder to do and it does lower competition.

Member Ivory asked Mr. Kanellopoulos what his perspective would be on the impact that it will have on how it will affect small vendors in terms of this piece of legislation. Mr. Kanellopoulos replied that most of their landlords will qualify to be small vendors if they choose to get that type of designation. Most of the 400 lease CMS has are fairly small. He believes that the smaller companies that don't have a lot of involvement with State contracts are typically the ones that trip up and fail to disclose properly and it makes it very complicated. On the other hand you have sophisticated management companies, which might be hesitant to deal with smaller businesses that may not be able to properly provide these disclosures or they don't feel confident they could do things or provide certifications necessary. Member Ivory inquired that it could limit competition to some degree. Mr. Kanellopoulos replied he doesn't see how adding a bigger administrative burden doesn't lessen competition. Acting Chairman Bedore stated that he believes that this bill has gone too far and this bill was to get publicity, which it got. He said that we are setting policy here and thinks that it is a burden to the State of Illinois to get all of this. Acting Chairman Bedore stated that he understands the intent, but in his opinion that this bill has gone too far. Member Ivory stated that with his investment banking background we might be overreacting to some degree with current situations in an attempt to balance it out and may have taken some aggressive steps that may be an over-step or over-reach in this situation. Member Morales stated that he doesn't see how either of these bills will benefit the State of Illinois at all – if anything it just creates more difficulty and businesses will not want to do business with the State of Illinois. Member Morales stated that he would be interested in finding out how much more is it going to cost to hire somebody to look into these things after asking for them. Acting Chairman Bedore stated that he didn't know if there was a sense of this Board and would not like to do this without the permanent Chairman being here, but maybe the Board should give direction to Director Carter for testimony. Director Carter stated for the Board's information that these two pieces of legislation are being discussed right now in the Senate Procurement Committee. It is his understanding that the Senate Procurement Committee is going to work on one bill as a whole on procurement matters this spring session. He stated that the Board could act today, but believes that there is still time. No further questions or comments were made.

The next scheduled meeting for the Procurement Policy Board is set for April 5, 2012 pending Board confirmation.

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

The Board returned to open session and a motion to initiate the final renewal of the Board's legal counsel contract was made by member Ivory and seconded by member Morales, the motion was unanimously approved. With no further discussion a motion was made by member Morales to adjourn, the motion was seconded by member Ivory and unanimously approved closing the meeting.