



Chairman: David Vaught

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

Minutes – May 16, 2013 Meeting

Present in Springfield: David Vaught
Ed Bedore
Larry Ivory

Present in Chicago: Rick Morales

Present via Telephone: Bill Black

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

Member Bedore made a motion for Member Black to participate via telephone and it was seconded by Member Morales.

First on the agenda was the approval of the minutes from the April 11, 2013 Board meeting. Member Bedore made a motion to accept the minutes as printed and was seconded by Member Morales. The motion was unanimously approved.

Chairman Vaught stated that they are going to adjust the agenda to accommodate the University of Illinois who has a conflict and cannot attend the entire meeting.

Item IV on the agenda was the University Pouring Rights in Procurement. Director Carter stated that this was the policy that the Board Members came to a quasi-agreement on at the last meeting and the Board Members asked the University of Illinois to reach out to the other Universities. Mr. Scott Rice, General Counsel for the University of Illinois, reached out to the other respective counsels in the mean time and there were no objections to the policy that was provided to the Board in their meeting packet. Legal counsel for the Board and Mr. Rice were available for any questions.

Todd Turner, Legal Counsel for the Board, stated that he has worked with the U of I and the other Universities to come up with the policy. There is a little bit of difference on how much language should be given to protect the small vendor. The Board's language was a little stronger in the protections for the small vendor, but in order to get a policy in place he believes that the policy before the Board today is an acceptable interim policy agreement.

Member Bedore stated that he agrees with the Board's counsel that a policy does need to be in place. He agrees that the Board's policy is a little stronger and a little better, but for the sake of getting a policy in place he would go along with the U of I's policy. In saying that, he would hope that we would still move forward with legislation to really spell out in detail where we are at and to have legislation clarify this and to set it once and for all so there is no confusion. Member Bedore would also like to comment that it is being referred to as the pouring rights, but he would also hope that the universities are not doing this same type of policy, their old policy of requesting vendors to give money to the athletic fund regarding other products not just pouring rights. He hopes that the U of I and all of its sisters out there understand that this really should apply to everything and not just pouring rights, but as far as food, fruits, vegetables, etc. There shouldn't be a pay to play in any of those contracts who have the exclusive right to supply fruit to the University of Illinois at Chicago for example. Member Bedore stated that he does not look at this as strictly only pouring right and hope the legislation would address everything. This money goes to the athletic fund, it goes to the sporting news whatever it has to be. There is no audit. I mean there is the athletic board that

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reviews everything, but I am a little leery of all of this and would hope that there would be a stop to all of that to pay to play no matter if it is for food or beverages and he thinks it should be zero. Mr. Rice stated that he was not aware of anything. Member Bedore replied that he is just saying in case there is and believes that this should apply to everything. Mr. Rice replied that the principles of Section 20-50 of the Code are general and we should treat them that way.

Member Black asked if this addresses the situation that had occurred at Southern Illinois University when somebody wanted to bid and he was told prior, and didn't think there was any constructive notice that he was aware of, that the vendor was supposed to pay \$50,000 to submit a bid. Does this address that? Mr. Turner replied that this particular offer that he looked at did contain some language regarding what sort of exclusivity that you can offer and how much you are willing to pay for that exclusivity. This policy does go to try to address that to make sure that there is a nexus between if you are paying an amount on an exclusive right that there is consideration and it is not just a bold-faced pay to play payment. That if there is something that you are paying such as, in this case, if you are providing money to the University that it is related to something such as the purchase of such as an exclusive right and we have tried to clarify that, which has been difficult in the language but the University has been cooperative and has been trying to come up with language to show that if there is a sharing of revenue with regard to vending machines or other payment for an exclusive right that the payment is being made for value and not just a payment that has to be made to get your foot in the door to be eligible for a contract. Member Black stated that it was a concern that many of the Board members had and he would side with Member Bedore that legislation may be necessary to clarify what kind of contracts would be under pouring rights. He understands the pouring rights at a major venue, such as the football stadium at the University of Illinois. What I know about contracts and for requests for proposals makes it very clear that your bid should include what you are willing to share-either profits or a simple fee for the exclusive rights if you are awarded the contract. As long as everybody knows at the same time what is expected of a bidder under such a proposal I am not overly concerned with that, but if it gets to the point where somebody wants to put in an organic foods counter or vending machine and approaches the University with a goventory counsel saying that they want this soy milk and the vendor can do that. Then the University says that would be great, but that would require a \$50,000 donation to our foundations or wherever. Member Black stated that to him this is a whole different issue.

Mr. Turner replied that he would agree and think that the policy in place and the situation you just described where it wasn't in the contract in the beginning and somebody comes in and tries to say, "oh by the way you have to make a \$50,000 contribution". Mr. Turner believes it would be in violation of this policy.

Chairman Vaught stated that the language in the last paragraph is very general in regard to small vendors. I don't think the Board disagrees with it, but it is just general and he thinks that is an area where it might need legislative clarification. Chairman Vaught asked the Board if they wanted to adopt this policy as written at today's meeting. Member Bedore made a motion to accept the University of Illinois' draft of the policy with the stipulation that he is not personally happy with it, but for the sake of advancing it and getting a policy on the books and with the idea that the Board will pursue legislation to clarify this so there isn't any confusion in the future. Member Ivory seconded his motion. With a 5-0 vote the policy was adopted.

Next on the agenda was CMS facilities. In attendance was Deputy Director of Property Management, Nick Kanellopoulos. Mr. Kanellopoulos updated the Board on activities since the last Board meeting. The Board may or may not be aware that one of big transactions for CMS is moving OEIG in Chicago out of 32 W. Randolph where they have been for numerous years. CMS did an Inter-Governmental Agreement (IGA) with Cook County to move OEIG's office to 69 W. Washington and in the process give them additional work stations they needed, while reducing the overall cost. Mr. Kanellopoulos stated that by the end of May CMS will have completely moved DHS out of the lease in Springfield known as Hay-Edwards, which right now is the 10th most expensive lease in the State of Illinois at \$1.6 million. The staff at Hay-Edwards will be consolidated into the DHS headquarters at the Harris Building.

Chairman Vaught stated that since it is an IGA what is your view on if it's a procurement or not? Mr. Kanellopoulos replied that it is a procurement, but it is exempt from the Procurement Code. Chairman Vaught stated that he has avoided his question a little bit. He understands that the Code does not apply to

IGA's, but if we have an IGA being used to replace or to not go through a procurement doesn't that put it into a little different perspective? Mr. Kanellopoulos replied no, because it is exactly what is exempt from the Code. Chairman Vaught stated that if you evade the Code that's ok. Mr. Kanellopoulos replied that is not what he is saying. Inter Governmental Agreements are exempt from the Code and this is an Inter Governmental Agreement for space and it is exempt from the Procurement Code. Chairman Vaught commented that Mr. Kanellopoulos was just repeating the statute he and was not satisfied with his answer, but to continue. Mr. Kanellopoulos replied that the statute does not use words like evade or things like that. This is a deal with a sister government that was in the best interest of both the State and the Agency involved and he thinks that it worked out much better than any existing options. Chairman Vaught stated that since it worked out so well does CMS have plans to move other State agencies into that building. Mr. Kanellopoulos replied that at this point none of the leases in or around the loop are expiring any time soon. Also, he is not entirely sure what other additional space is available in that building.

Member Bedore asked what building it was in Chicago? Mr. Kanellopoulos replied it is what used to be called the Brunswick building or the County Administration Building. Member Bedore asked if the County owns it. Mr. Kanellopoulos replied affirmatively.

The next item on the agenda was the BOMA Rates. At last month's meeting the Board asked information regarding how leases at CMS that were rebid and re-negotiated compared to published BOMA benchmark rates for Chicago and the rest of Illinois. The question was whether the BOMA survey had any information about square footage per employee rates. For the buildings surveyed the average came out to 318.39 square feet per employee. Member Bedore asked what the State came out to be. Mr. Kanellopoulos replied that it will take quite a bit of work unfortunately because the information that he does have is not overall square footage, but the personal space is something that CMS tracks. Member Bedore asked if the BOMA rates overall or is that personal space. Mr. Kanellopoulos replied that it is overall. CMS does not track overall with current headcount because it would require them to create a new report and would take some time. He would be able to have that for the next meeting.

Next on the agenda was DHS Offices Statewide. Mr. Kanellopoulos stated that CMS did provide the Board with a lot of information last month and wasn't sure if the Board had any additional questions to ask. Chairman Vaught asked what kind of space allocation policy you have here with DHS. There are a number over very small offices with 5-6 employees and a number with very small case loads and then on the other side you have offices with 100,000 cases. Is there a policy of what the objective is for this space? The report does not show the square footage of the space it just shows the case loads and staffing. Do you have an overall approach to this? Chairman Vaught stated that it seems to him that they clearly had an approach over the last few years as State employee headcount went down by more than 20% around the State that we have reduced space by a couple million square feet and he thinks that when you look at these BOMA figures and then look at these spreadsheets on DHS you ask yourself did we achieve any efficiencies in that change, but if all we have done is just catch up with the decline in headcount is that our only policy for allocation of space. Mr. Kanellopoulos replied that CMS provided the spreadsheet like the Board asked for, which was case loads per office and if you go through and divide case loads per headcount you do see there is a wild fluctuation between the offices, but there are a couple of things going on. One, if you look at the office name at the end it is either DRS or FCRC. DRS is Rehabilitative Services and FCRC is basically a public aid office where people come in for food stamps. That is their main function. The FCRC's have huge case loads per employee and the DRS offices have much lower and that is just the function of the programmatic need at DHS. A lot of the DRS staff goes into the field for their work whereas the FCRC staff people come in. As far as programs like food stamps people can be on that for their entire lives and therefore they are a case. It doesn't mean they are coming in the door monthly or at all, but they are an active case and are receiving active services. They never need to physically appear or maybe one or twice a year depending on the program they are on. Mr. Kanellopoulos stated when you look at the spreadsheet, the Board asked about efficiencies if you look at the address for many of these you will see that the FCRC and the DORS office are at the same address. CMS has already merged many of the offices in the past several years, which has been a big program of theirs. CMS has been working very hard with DHS. When they were separate programs and separate agencies there were many counties that had separate DRS and FCRC offices and CMS is trying to eliminate that and merge those offices together because in many cases clients received services from both offices.

Member Morales stated that the problem with that is the Board had no way of knowing that unless it is brought to their attention. What the Board wants to know if CMS is tracking efficiencies? If so, what are those efficiencies you are tracking such as what you just mentioned? In addition, the Board would be interested in knowing the per employee square footage that they would be looking at. Mr. Kanellopoulos replied that CMS can provide what was requested again and revise the spreadsheet and provide the square footage and the averages of these offices. Member Morales stated that it is something that CMS would want to keep track of and know where the improvements are. Mr. Kanellopoulos replied definitely.

Chairman Vaught stated that the Board understands that there are differences, but he is more interested in an approach of what policies, in terms of allocation and efficient space utilization we are seeking to implement. Then what are the measures that show if you have or have not achieved that. This would be like the square feet per employee Member Bedore asked about earlier. It is a measure that shows one way to measure that efficiency, but you say that there are great differences in case load. If you look at Mt. Vernon, it has 207 cases per staff versus Blue Island with 767 cases per staff. It appears there is not much consistency here and I am not comparing DRS to FCRC. I am comparing comparable offices here. I am sure that one of them is in a rural part of the State and one of them is in the city, but do they have a common policy or not. Mr. Kanellopoulos replied do they have a common policy? Chairman Vaught asked how much space they need to use in their service delivery model. Frankly, I don't understand their service delivery model and have asked about it for years. I know it is very paper-oriented and I know we are paying to store millions of pieces of paper for them, which appear to be a very inefficient services delivery method, but that relates to how much space they need. Do we have a policy to have a more efficient service delivery model from DHS where we don't have to store so much paper on-site at offices? That would have an impact on space we are going to acquire, where it is and what it costs. Mr. Kanellopoulos replied that as far as a policy, as he told the Board before, one policy CMS is moving forward on with DHS is to eliminate the bulk of the files at all of these offices. For example, at Blue Island CMS eliminated all but the most critical files from that office and now are looking at opportunities to use the space that has opened up for other consolidation opportunities. Their overall policy is to continue to eliminate the number of offices statewide and to more efficiently use the space we already own or lease and eliminate leases space where we can. Chairman Vaught stated his concern is that all of these antidotes are very good and we have heard them as individual leases and it is clear that there has been a great deal of progress, but it seems to him that after the elimination of two million square feet of space around the State it would be helpful if you could give the Board these other key policies and just list them for the Board in terms of what CMS is trying to achieve in their lease acquisition process and then some appropriate metric about to what extent that has been done or is still being done. The Board knows that this is a big job and it takes time. This big policy view would help the Board instead of picking around at individual leases and being concerned about them. Chairman Vaught stated that he is just trying to add clarity here. Last year DHS closed about 25 offices. How many will DHS close in the next year's budget? Mr. Kanellopoulos replied he does not know. Chairman Vaught stated that he would like to know. If the policy is that CMS is going to consolidate offices it would be nice to know how many are going to be consolidated. Mr. Kanellopoulos replied to be honest he is not sure how helpful it is for us to sit here and plan out long term, which has so many variables and involves so many agencies around the state. The approach has been case by case to look at opportunities and survey space and have people go out and look and see where opportunities exist and discuss those with agencies and do the work. It takes a ton of work before you can get things green lighted in consolidation. So, to sit down with paper and say this is our plan over the next 12 months is virtually impossible and he is not sure if that information would be very helpful because there are so many variables that just won't work out. Chairman Vaught stated that he was not asking for a plan, but would be nice if you had one. I meant to ask what the policies are that are driving your decisions in the current metrics. It seems to me that we are pretty close to having a metric that compares square feet per employee to the BOMA standard. What else are we trying to achieve besides that. Chairman Vaught knows that a plan is much harder, but having a metric that just shows where we are and where we have come from may be something that guides decisions a little bit. That is the point he was trying to make. Mr. Kanellopoulos replied that CMS will work to provide that information to the Board. No further questions were asked.

Next on the agenda were the Fairview Heights Revenue and Lottery leases. Mr. Kanellopoulos stated that both of these leases were posted as leases under 10,000 square feet and under \$100,000 per year. The

history is pretty simple. There is an existing lease at Fairview Heights with the Department of Revenue that expires September 30, 2016, which was entered into in 2006. A couple of years ago the Lottery split off from the Department of Revenue. Also, the Department of Revenue is subjected to a much higher IRS standard over that period of time as well, which requires them to segregate their operations and provide a high level of security in their operation Statewide. We have run into that at the Thompson Center in Chicago and in the Willard Ice Building in Springfield and in some other locations. Mr. Kanellopoulos stated that CMS has this lease and both agencies had to be segregated. CMS did an RFI in January 2012 that covered Madison and St. Clair counties and the only response they received was from this landlord and what was offered was expensive. Since that time CMS has looked at consolidation opportunities throughout that area and continued to negotiate with the landlord and in the end the best deal for the State and the only opportunity CMS has was to do two separate leases. The two agencies are completely being segregated within the space. Lottery is storing ticket dispensers and unused tickets in their space so CMS is giving them some warehouse space at a reduced rate with climate control that they need, which added a couple hundred square feet of space to this lease. Also, to segregate this space each agency is going to pay \$19,000 for the improvements that are needed. The difference between the existing lease that goes to 2016 and this lease is the additional 976 square feet of space that Lottery needs at \$5.50 and the \$19,000 of per agency cost as their share of the improvements.

Chairman Vaught stated that if the policy is to reduce square footage by 2 million square feet over the last two years and we are changing the policy to give agencies more space. Mr. Kanellopoulos replied that it is CMS' goal to give agencies the space they need and in a lot of cases with existing leases CMS is able to accommodate agencies with reduced space, but in some cases it isn't possible and this is one of those cases. Chairman Vaught stated that we privatized the Lottery and a private firm takes over most of the operations and suddenly we need more space since we privatized out the whole function. Something is not adding up here. Mr. Kanellopoulos replied that one key function that remains with the Department of Lottery is that the Lottery still has to go out and collect unused tickets Statewide and then until those tickets can be shipped to be destroyed. There is also some other administrative functions that they still continue to oversee. Chairman Vaught stated, but for this lease after, for instance DHS closed 25 offices last year leaving all of those landlords with those vacant buildings and none of them wanted to bid to store lotto tickets. Mr. Kanellopoulos replied that CMS published an RFI and the boundaries were Madison and St. Clair counties. Chairman Vaught asked why CMS was restricting the boundaries when this is a Statewide function. Mr. Kanellopoulos replied that it is done in regions. They don't have one office to drive to throughout the State to pick up tickets. This office handles that region so it does need to be located within the two county radius. Chairman Vaught asked if it was a two county region. Mr. Kanellopoulos replied that in that area most of the people live in those two counties. Chairman Vaught stated that he is well aware of the population of the State, but is it a two county region. Mr. Kanellopoulos replied that he doesn't believe it is a two county region, but the farther away you move them from these counties you spend a lot more money in driving back and forth from where most of the people are. It works best to put them where most of the locations are and most of the people are.

Member Morales asked if it was the IRS that required them to split up. Mr. Kanellopoulos replied no, it was done statutorily or by executive order. Revenue's requirements that their operations have heightened security requirements and their requirements would be completely segregated from other State operations has been a recent development.

Member Bedore wanted to confirm that this was for two counties. Mr. Kanellopoulos replied no, what he is saying is that when CMS published the RFI the boundaries where CMS wanted to locate this office within these two counties. Member Bedore asked how many offices does the Lottery have for this operation throughout the State. Mr. Kanellopoulos replied that he would have to get back to the Board with that answer. He can only think of three, which is central, southern and northern locations. Member Bedore replied that he would really like to see a report on that and the number of people at the next meeting.

Member Ivory commented that when the Chairman mentioned the two counties and CMS wanted to make sure that it was in those two counties is what I am understanding. Is that correct? Mr. Kanellopoulos replied affirmatively. Member Ivory stated that the surrounding counties you mentioned that the lease costs were fairly high and you were not happy with that. How do you estimate, from my perspective, how do you

estimate by moving it slightly out of that area that it would still be cost prohibitive if you could find some leases that are substantially less than some other location. Do you put a number on that to try to come up with a basis to say at this point in time if you would go 15 miles outside of this radius it becomes cost prohibitive or is it something that you just estimate in your head? I am just curious. Mr. Kanellopoulos replied that the only bid that was received was from the incumbent landlord and as I stated earlier CMS felt that the bid that was submitted was cost prohibitive. CMS has a staff member who is an engineer who looks at the improvements that are submitted with the proposal and he does a fair and reasonable review. That is one way it is determined whether or not a bid is cost prohibitive. Is what we are getting fair and reasonable. Another thing is sometimes to comply with the requirements of the RFI landlords put things in that CMS feels is not needed so a lot of time bids are cost prohibitive because the way the landlord sought to comply with the requirements and sometimes they do more than CMS feels is necessary so the costs just escalate. Mr. Kanellopoulos replied that he does not know the specific situation here, but it was the improvements CMS felt would be too expensive to go with the offer that was submitted at the time. Chairman Vaught asked what the states of these were. Director Carter said that it is still under the 30-day review.

Mr. Turner stated that these leases are in the 30-day review and the Board could make recommendations but it would not be a binding recommendation because they don't need the approval of the Board to proceed.

Member Ivory asked if CMS could have done a direct bid since the current bidder was too expensive. Mr. Kanellopoulos asked if he was referring to directly negotiate with the vendor. Member Ivory replied affirmatively. Mr. Kanellopoulos replied yes, which is the approach that was done in the end to directly negotiate with the incumbent Revenue landlord to give Lottery the additional space they needed and to do the additional improvements needed to segregate both agencies. They were already housed in this location. As long as CMS stays under 10,000 square feet and under \$100,000 in annual rent CMS can negotiate directly with that landlord. Member Ivory asked if there was a difference between a direct bid and a direct solicitation. Mr. Kanellopoulos replied that CMS does not use terms like that in leases. They either negotiate with that vendor because they feel the lease that they are trying to procure comes under one of the seven exceptions to having competitively bid it with a request for information or they have to do a request for information, which is CMS' version of an RFP which is competitive bid.

Member Bedore wanted to ask Mr. Kanellopoulos about a different lease not on the agenda, the DVA Veterans Affairs office in Forest Park. The rate is \$25 and is going up to \$28 per square foot and I realize it includes gas, electric, water, etc., but that normally is \$3-\$4 per square foot. So take the \$4 off the \$25 and that gets you down to \$21. Isn't that rate a little high for Forest Park, Illinois? Also, why is the State paying \$10,000 for repairs, which come out to \$3.52 for the next five years? When you add that on it will be well over \$30 a square foot in Forest Park. Is there an explanation or justification for the price? Mr. Kanellopoulos replied that this is a brand new building in Forest Park. CMS is only being charged for the actual office space being used. They are not being pro-rated for common elements being used like bathrooms that are typically being charged for in buildings. The \$10,000 is not for repairs it is to construct the two office areas, the reception area, the server room and it is zero interest over the life of the lease. The main reason this lease is going in this building is because this is the location for the Federal Veterans Affairs office and the State Veterans Affairs office came to CMS and requested that they be moved into that facility because their veterans utilize services from the Federal Veterans and it would be extremely helpful that the two offices be co-located at that location since a lot of veterans seek and receive services from both agencies typically at the same time. Member Bedore stated that it sounds reasonable. Do you know what the Federal Government is paying? Mr. Kanellopoulos replied that he does not, but if it is a lease he could easily find out and provide that to Director Carter. Member Bedore stated that it is amazing to him that the State is going to be giving this landlord \$300,000 over the life of this lease and yet we are being charged \$10,000 for putting up a couple walls. I think a little better negotiation should have been done here since we are paying this type of rate. Granted it is a new building, but it is still Forest Park, Illinois and you are going to wind up with over \$30 a square foot. Mr. Kanellopoulos replied not only does the agency get what it is looking for, but it is a new building and is going to be much more efficient. It is 48% smaller than the current office that they are in and a 30.3% reduction in the cost of the lease which they are currently paying. Member Bedore stated that CMS was paying \$20 a square foot and in the first year here is \$25. Mr. Kanellopoulos replied that CMS was paying for 11,037 square feet and now we are paying for 500 and change. Member Bedore stated that is all well and good and is where it probably should have been all along.

All he is looking at is you are going up \$5 plus you are going up \$3.52 to put up a couple walls and then you are going up to \$29. No further comments or questions were made.

Next on the agenda was the Department of Revenue. Director Carter stated that on the staff level review this procurement had a couple of items that were flagged because of some Board members' prior concerns including the application and use of the BEP goals as well as the State's subsidization of the cafeteria services at the Department of Revenue. Staff thought it would be best to bring it before the Board to get an idea and to have Board members have pose questions to Revenue about what they are doing and how the process went. Chairman Vaught asked for Director Carter to go into more details. Director Carter stated that the Board had concerns about the BEP goal because the original solicitation was posted with no BEP goal attached. After the pre-bid conference a 20% goal was later applied and they then had one respondent to the solicitation and they did not achieve the goal. There were concerns that there were four vendors at the pre-bid conference before the goal was applied and two weeks before it was due Revenue applied the goal and the winning submittal did not submit a goal on it. Director Carter stated that on the State subsidy side of this is that it is a zero dollar contract, but the State does pay for all utilities, cafeteria upkeep, electric and that kind of thing. The figures on past contracts over the last 6-7 years is about \$300,000. Chairman Vaught asked in value over what period. Director Carter replied since 2006.

Angie Oxley, Program Administrator for Administrative Services with the Department of Revenue, stated that they typically follow the BEP goals very closely and are thankful to have a very high BEP percentage at the Department of Revenue and they take it very seriously. When this bid was first done and because it was a zero dollar contract Revenue put it through the PBC process and they honestly didn't think about the BEP goal because they focus on the \$250,000 or above. When it was done the second time after the bid was posted and Revenue was planning to have the vendor conference someone from CMS contacted them and asked why there was no BEP goal. They looked through it and ran with the information from the model at CMS and the closest model was under food service, which recommended a 20% goal. Revenue talked with the SPO in the CPO's office about whether to pull the solicitation, start over or to just do an addendum for the 20% goal. Revenue came to the conclusion that because it was already bid once they were in a 90-day extension period and the cafeteria would close. They were going to do an addendum to all of the vendors and ask them to meet the goal. When the bids came in there was only one bid and they did not set a goal. In talking with them they are willing to work with the Department and try to work on some sort of a goal. It's a vendor who has a long standing relationship and are a regional/national company that already has vendor contracts that they have commitments to, but are willing going forward in the next 5-10 years to look towards meeting some type of BEP goal, but they could not submit a goal in that time frame. Chairman Vaught asked how the subsidy issues affect all of this. Ms. Oxley replied as to the subsidy they are in a Secretary of State (SOS) facility, so all of the utilities and electric are paid by the Secretary of State's office. We can't meter them separately so we don't know the amount that comes into the utilities. As far as the cafeteria maintenance and equipment the Department of Revenue in the past had vendors put money into a fund and used that fund to pay for some of the equipment. As the Department of Revenue's headcount has gone from 1950 to 1750 in the Willard Ice Building the revenues received by the different vendors have reduced and they were either canceling contracts or not meeting the needs of the Department of Revenue. In the last cycle the Department took on the maintenance costs, which are typically \$13,000 - \$15,000 a year. The reason they have been so high in the last 7-year cycle that Director Carter is referring to is that they are in a building that was built back in 1984. The refrigerator/freezers are the originals ones from 1984 and they needed to be replaced along with ovens and other different things to bring the building up to code when the Public Health Department came in under this new vendor. The last vendor did invest \$40,000 of their own money to remodel the counters and the customer service areas to be nicer, which the Department of Revenue and the State would benefit from going forward whether they stay or not.

Member Bedore stated that this is in a State building. The air conditioning, the heating, the lighting is all paid for the by the Secretary of State. Most of the equipment is provided and maintained by the State of Illinois. This vendor comes in gets all this benefit and doesn't share one penny with the State of Illinois. How can that be? How can that vendor not share in the profits or profit sharing or whatever you want to call it. To me, besides the BEP problems and this other it makes no scenes. Why should I as a taxpayer for the State of Illinois subsidize MCL. Can you answer that? Ms. Oxley replied that she could not. Ms. Oxley stated that in speaking with MCL they have all their net sales numbers, all of their net income figures

because of the population and the headcount at the Department of Revenue has dropped so drastically and because of 1075, the IRS publication requires that they are a closed facility. The population of people available to eat in the Department of Revenue cafeteria has diminished greatly over the last six years. MCL actually, from a cash flow perspective, and net income basis they are \$15,000 in the hole for FY13. Member Bedore stated that the Secretary of State pays for all utilities and we maintain the equipment and they are still losing money. Do you know what that is telling me? You close the cafeteria. Ms. Oxley replied that the cafeteria for the Department of Revenue was built into the facility. The facilities plan...Member Bedore said that so was the cafeteria for IDOT and that cafeteria is closed. The number of people going are going down plus State employees are bringing their own lunches and you now have restaurants and fast food places all along Jefferson, which you didn't have years ago. There is no way in the world you could justify this. Unless the people of the State of Illinois wants to subsidize MCL and subsidies the State employees instead of bringing their lunch or going out to the local vendors. There is Maid Rite and all of these other places right down Jefferson. The argument for IDOT years ago was that it was so isolated and there were no restaurants within miles. Well that closed on its own and this should close on its own unless we want to continue subsidizing MCL and the State employees.

Member Morales stated that he agrees with Member Bedore and the reason the Department only has one bid is because you are right. MCL is losing money and the other vendors saw that and didn't want to go in. This again goes back to Member Bedore's point they are losing money because there are not enough people going to the cafeteria. Member Morales wants to know what is being spent annually to keep the cafeteria open and for how many people. Ms. Oxley replied that their average annually maintenance spending is \$12,000 to \$15,000. In this latest solicitation Revenue asked for the vendor to take on some of the expenses that they had not been paying in the past, which should reduce expenditures to under \$10,000. Member Bedore commented that Revenue didn't know what their operating costs are. Ms. Oxley replied affirmatively. Member Bedore stated that the number you are giving the Board is the low number-it has to go up. Ms. Oxley replied that the way the facility is set up is that it is an open environment. It is something that is valued greatly as an employee and she believes and the Director is also very passionate about the cafeteria that the State taxpayers receives more, than a \$10,000 a year benefit from the productivity of the Department of Revenue because while we are eating lunch we are meeting, solving some of our problems and having discussions. If we are increasing their productivity and solving problems they are having a more open comradery type of environment and you have better employees who are doing better work. You can choose or suggest that it is not a benefit to the State and the taxpayers and I will understand that, but from our management perspective our director is in our cafeteria three out of five days a week when he is in Springfield and that seems valuable to the 1,100 employees and the Union. The cafeteria has been closed for the past two weeks and there are a lot of people that have been negatively impacted from a lunch hour perspective or were used to getting together and talking about problems and now everyone is going their separate ways and are not doing that.

Member Morales asked if buildings that don't have cafeterias don't perform as well. Ms. Oxley replied that she did not know the performance of other agencies. Member Morales replied that was your point, correct? Ms. Oxley replied that she is suggesting that it is possible that the Department of Revenue's longevity of employees and the happiness of employees and the fact that they stay with the Department a very long time is because they enjoy the Department and they like the atmosphere that they have produced at the Department of Revenue.

Member Black wanted to clarify if she was suggesting that this cafeteria was a part of a bargaining process or subject to bargaining. Ms. Oxley replied their labor Director is afraid that they will get a grievance since it has been a benefit to those employees for 20 years. One thing that I didn't mention is that there is a statutory obligation to provide alternative work schedules to their employees through the bargaining unit. They are supposed to offer flexible hours, 9 day schedules, 4 day schedules wherever possible and a lot of that includes a 30 minute lunch period and the cafeteria offers that benefit to a large number of Union employees at the Department of Revenue. Member Black asked if the cafeteria is not in any contractual arrangement. Ms. Oxley replied correct. Member Black asked if they looked at operating cost and compared them with other food applications. In other words, is MCL emerging enough to meet their objectives to eliminate the subsidy? Ms. Oxley replied that they have been working on this project for over a year. The contract was set to end in January and they did a 90 day extension to do the second solicitation. Last year

before the solicitation was started she spoke with friends in equal positions at Horace Mann and Wells Fargo here in town. She went to see their operations to pick their brains because Revenue was wondering if they could get someone better than MCL. They each have a different company. In dealing with and finding out all of the specifics of those companies not only do they not give a percentage to those companies they subsidize those companies for space, electric and everything that we subsidize. They provide all of the equipment and they give them \$50,000 to \$100,000 a year to operate those cafeterias in those corporate settings because in the corporate environment those cafeterias are a benefit of productivity. I realize in State Government we don't have the opportunity to be Google or Horace Mann or any of those places that can do those types of things. I did find that we did have a reasonably decent arrangement with MCL even though we were frustrated with them at the time.

Member Morales stated that you can't compare corporate dollars with tax dollars. Ms. Oxley replied absolutely not. She was just doing the research to see if there were any other vendors out there. At the request of their SPO in the second solicitation they sent to the Chamber of Commerce and to all of the large cities in the entire State of Illinois their RFP and asked each Chamber of Commerce to send out their RFP to businesses, restaurants and retailers who might be interested hoping there would be another MCL type of environment versus Compass who is Wells Fargo and Horace Mann provider who is a corporate cafeteria. They were hoping to have another restaurant type of company come in, which they have had in the past. Member Morales said going back to his point that they are the only one that bid and there has been some turnover obviously because it is not profitable for those companies and is also because the employees are not spending the money they used to or not going to the cafeteria. Ms. Oxley replied that the average ticket is comparable to the consumer price index from eight years ago to now. The only difference is that the Department of Revenue staffing has dropped 650 people. So they are leaner and meaner and trying to do everything that they can do to provide health food options that the Department of Revenue would like and still be able to make the prices reasonable. You talk about the fast food restaurants, which are right there in front of them, but there are a lot of people who don't want fast food. They enjoy the home style food environment that MCL provides.

Member Bedore asked what percent would you say bring their lunch. Ms. Oxley replied she has no idea. Member Bedore stated that besides the down turn number of employees isn't that one of the reasons the majority of State employees bring their own lunch. Ms. Oxley replied that she wasn't sure if they bring their own lunch. Revenue did a survey three or four years ago asking people what they thought about MCL and what could they do to make it better and things that they would like to see and asked how often they eat there. They received about 300 responses and of those 300 only a few percentage brought their lunch, but that didn't necessarily mean that those people were interested in filling out the survey because it was not mandatory. There are a lot of people who leave the building regularly so I am assuming that they did not bring their lunch and are going to some other facility to eat or going home, which I think some people do. Member Bedore asked if Revenue would not have MCL or any other vendor the cafeteria will still be there and operates, correct? Ms. Oxley replied that they can still sit there and eat at the tables. In the last two weeks since it has been closed they went from having 75-100 at any given time to about 15. They are not choosing to come up and bring their lunch and sit around and have the same conversations like they used to. The second issue they have with that is signs have been posted asking for people to clean up after themselves and throw their trash away. SOS is their janitorial service and they have agreed to cover picking up the trash and stuff for the cafeteria for the short term, but in their minds they don't have any interest in doing the janitorial, the carpet cleaning or anything else for that cafeteria space if MCL is not going to be there to do it because right now MCL does it. Ms. Oxley is not sure what the value of that space will be if that cafeteria is not there. Member Bedore asked if there were any vending machines there. Ms. Oxley replied that they do. They have a blind vending program that serves the agency. In the third floor and on various floors there are vending machines where people can buy different things like sodas, some chips and they do have an ice cream machine. There is a contract where MCL is not allowed to provide or compete against the vending. Revenue tried to go out to blind vending first hoping they would be able to use that statute to give that benefit to a blind vending company and there were not any interested in meeting that solicitation.

Member Morales asked if they have meetings in the cafeteria. Ms. Oxley replied that there are impromptu meetings. Member Morales stated that he has to say a lot of times what happens with these types of benefits

is that people, after a while, feel that it is an entitlement. I am not saying that this is not a good idea. I am just saying that we need to look at it not just from an entitlement standpoint, but from a business standpoint and that is what this Board does it is try to look at what is best for the taxpayers of this State. I am just trying to get all of the facts here and what I am hearing is that is that it would be really nice to have a cafeteria in every building for every employee of the State in any organization, but that is not something that is always doable. Ms. Oxley replied that she understands and completely appreciates that.

Member Ivory commented that it was stated that there was not a BEP goal attached to it and the reasons for that was because....what was the reason for that again. Ms. Oxley replied that typically they try to put BEP goals on things from a crosswalk. Normally they focus by the way the Rules are on contracts that are over \$250,000. Since this was a zero dollar contract it kind of slipped through their BEP thought process because it was a zero dollar value. Then when CMS came said that they need to look at the net value to the vendor. MCL's net sales are \$370,000 and you should run this through. Ms. Oxley stated that since they had already been through one solicitation and are half way through their second the agreement with the CPO's office and CMS was that they would post an addendum to put the 20% goal that CMS calculated out for the vendors. Revenue didn't receive any questions about the goal and expected requests to delay the due date to make the goal, but never received any questions for feedback. Also, Revenue didn't get a protest when they posted the award. Member Ivory asked for Ms. Oxley's opinion if there was any issues that could have been done different that would have made other vendors take a look at it. Ms. Oxley replied that the original solicitation had a short deadline. Member Ivory wanted Ms. Oxley to elaborate. Ms. Oxley replied that she can't remember fully, but it might have gone out late November early December with a due date of 2-3 weeks later. Only one vendor submitted a bid and they didn't give them a good proposal and Revenue came to the conclusion that since it was December and since they didn't receive a good proposal that it would be in the State's best interest to re-bid so they entered into a 90-day extension that is allowed to keep them on board for another 90 days. As it was explained before Revenue went out to all of the Chambers of Commerce in all of the different cities asking them to volunteer and send out this bid so hopefully other restaurants...In the second solicitation they did have four vendors come in for the non-mandatory conference. Two of them do local food service on other State contracts I believe and one of them was just a local restaurant. When the vendors looked at the numbers the understanding that Revenue got back was that they didn't feel like it was a profitable new adventure. Member Ivory stated that the reason he is saying this is because he is on the BEP Council and sees some of the issues that come up on procurements and knew that this solicitation was extremely short and thinks the three week time frame is incorrect. Member Ivory stated that his other problem is that when you said that you went out to the Chambers of Commerce and reached out to them did you do that a week before, 10 days before, 5 days before. It sounds like a great idea, but if you would have gotten to the Chamber of Commerce as a rule of thumb, I know that you did not reach out to the Black Chambers of Commerce because I sure didn't get a contact and none of his members got a contact and we have Chambers throughout the State. Member Ivory asked how much time did you give them to respond to your request to help you out. Ms. Oxley replied that when Revenue first sent it out it was within a week or so when they were getting ready to publish the solicitation. Member Ivory asked so then they had about three weeks? Ms. Oxley replied affirmatively.

Chairman Vaught stated that there is a volume problem here when you went from 1,759 to 1,150, doesn't that mean you have 650 employee spaces that some other department could be using in the building. Ms. Oxley replied that they do still have Lottery, which is still housed in the building, although the employees are not counted in the 1,150 anymore. Chairman Vaught commented that he asked that question because of the experience with the Illinois State Police, who have had similar concerns about security in the Franklin Life Building and with a lot of discussion they do now share space in the Franklin Life Building, but they don't have a cafeteria though. Ms. Oxley replied that the reaction to the 1,750 to the 1,150 is that in the past Revenue had a significant number of temporary employees that came in for tax season. They were in very small cubical spaces. Revenue has out-sourced that service in the last few years. That is one reason for the reduction. They are not located in the Department of Revenue any more. They are at their vendor locations doing the work for us cheaper than what they could do it under the temporary personnel that they had before. From a 1075 perspective Revenue is working really had now to get funds and use some of the CDB funds to implement some of the security requirements. Part of that is so that Lottery can continue to reside in the building and use the cafeteria and other facilities without violating any of the security. Revenue used to allow other agencies surrounding the Willard Ice Building to use the cafeteria. When the 1075 audit came

about they had to stop that and are hoping that once they implement some of the 1075 security measures that they would be able to keep people focused and not be able to get off the floor of the cafeteria and would be able to open it back up to all of those agencies and employees again. MCL's perspective is that they are still giving jobs to people even if they stay even and are paying taxes to the State so in the end if their net income is close to zero everyone is still winning.

Member Bedore stated that you have a firm like MCL and they know what they are doing and how can they turn in a lose with all of these subsidies. Is it because CMS set some prices? Ms. Oxley replied that Revenue doesn't set the prices, MCL sets their own prices. What it is, is volume purchasing and the main reason they are willing to stay is only because they have another store in town and so they can share economies of ordering and delivering to the Springfield location otherwise they might have pulled out a long time ago. From their perspective food and employee costs are 85-90% of sales and there is a cost benefit where eventually the employees and the volume will start making an income. They would like to see 100 more customers per week, which would make them a lot more profitable on volume. The vendor has been a very good partner with the State in this endeavor. Member Bedore asked if Revenue had done anything with architecture firms to figure out a way of sectioning the cafeteria off. Ms. Oxley replied that Revenue does have on contract a firm that has experience with 1075 requirements and are working on ways to implement security barriers to keep the public and other people from coming in. Member Bedore asked if Revenue had funding for their 1075 and looking at the building. Ms. Oxley replied that they have a small amount from CDB as a special project fund and have a capital request in to provide funding to do the rest of it at the Thompson Center and in all of their other locations.

Member Morales stated that moving forward would he be wrong in making this statement: that we have no idea annually what it would cost annually to keep the cafeteria going? Ms. Oxley replied that Revenue estimated that it would be the average of the \$13,000 - \$15,000 that was spent less the \$2,700 in expenses that MCL is willing to take on. We could continue to evaluate those expenditures and find ways that they could talk to the CPO's Office and see there are other things they could reduce with the vendor or us just reduce some of the things we do. Member Morales stated that the cap-x expresses that they don't know what they would be. For example new tables and chairs needed maybe in a year or two or if equipment breaks down we would have no idea until it is needed, correct? Ms. Oxley replied affirmatively. In the \$12,000 - \$15,000 they have spent that is what their budget is typically and so they don't spend more than that. The years that they have had to go over and above has had to be a special request to the budget office to get those extra things twice.

Member Bedore stated getting back to the capital needs is there anything the Board can do to help get the Capital Development Board (CDB) to take a serious look at your needs. Ms. Oxley replied that CDB has submitted their proposal as part of their Capital Plan. What they really need is the legislature to pass the Capital Plan and allocate some of that capital money to the Department of Revenue for the 1075. CDB has been working really closely with Revenue and understand the value of what they are asking for. With no other questions or comments Member Bedore made a motion to put this under further review and was seconded by Member Ivory. With a 4-1 vote the motion passed with Chairman Vaught voting no.

Director Carter asked Ms. Oxley that on other procurements if it has a goal and the goal is not achieved then that vendor is then deemed non-responsive-can you tell me why that wasn't the case here? Ms. Oxley replied that she was not present at the meeting between the CPO's office and the BEP group and the Department of Revenue group. It was her understanding as presented that the BEP programs set it as a goal and it is the agency's discretion if the goal cannot be met and there is only one vendor. Then the decision is whether to re-bid to meet a goal or to try to work with the vendor to try to meet a goal. MCL is willing to work with Revenue, but can't set an immediate goal without going back and looking at the State's list of BEP vendors and looking at their current contracts. Director Carter stated that it was just a different practice then what they are used to seeing and was just curious. No further questions or comments were made.

Next on the agenda was Department of Corrections Commissary Update. Director Carter stated that this is just a monthly update. In attendance was Chief Financial Officer for DOC, Brian Gleckler. Mr. Gleckler stated that DOC continues working towards an updated and revised and much better solicitation to issue in the near future. He anticipates most of the nuts and bolts work of the new solicitation to be completed

within the next days and then it would be the matter of finalizing the terms and specifications of the final solicitation before being issued.

Member Ivory asked if he could give the Board a highlight of what they are going to fix to make this procurement better and how it will ensure that we don't have another issue moving forward. CPO Matt Brown replied that he would like to answer the question. CPO Brown stated that he has talked with Mr. Gleckler previously and wasn't sure where those lines might exist and how to answer a question like that and not divulge details on how the procurement is being developed. CPO Brown stated that they are looking at making sure that they have a great deal of clarity on what the supply chain relationship looked like to start with. In general, that deals with vendor relationship, that deals with handling the commodities that are found in the commissaries and how we ship it, and from a security standpoint how do we handle it once in the facilities and where things were operationally concerning to the Department of Corrections. They also have an emphasis on creating opportunity in this State and know there are concerns with diversity that are very important in this transaction they and are going to be very expressive in the transaction on how to meet those goals and what sort of relationships can exist and what sort of relationships they can promote that might not already exist to improve those things. CPO Brown stated that he cannot speak to the changes of the Department of Corrections is making with relationships as far as operations in that Department, but I can tell you that they are going to be recognizing how those relationships should be respected in the procurement so that vendors who are working with the Department of Corrections will know how and who to relate to once they have a contract if there are any issues or concerns.

Chairman Vaught asked if he knows a time frame. CPO Brown replied that he was excited to hear that Mr. Gleckler's response was in the next couple of days. From a drafting concept they use templates so they are not creating a 40 page document from whole cloth. If the CPO's office gets the series of specifications from the Department of Corrections there are dedicated team members who are set to review and to make sure that they are intact and whole and properly placed within the document. Pending all of that going on pace within weeks no more than two it is a possibility to be back on the street. Member Ivory asked if there will be a mandatory pre-bid meeting. CPO Brown replied that his office has not had the chance to talk with the Department of Corrections regarding that element. His expectation is that they would have a pre-bid conference and would expect vendors to be there so they understand the relationship they would have to have with the Department of Corrections. For operational reasons alone that is necessary in secured facilities. No further questions or comments were made.

Chairman Vaught stated that the CDB Single Prime request will not be heard today and will be postponed to the next Board meeting.

Next on the agenda was the Statewide Emergency Purchases. Director Carter stated that at the Board's request this was an update from a previous discussion on emergency purchases. Board's staff provided to the Board a couple of forms; the Board's staff has one page on the whole environment of procurement and the emergency situations through the end of April for this year. There are also totals for all State agencies as well as Universities and a combined total. Additionally, you will also see a form provided by CMS that goes over just CMS emergencies. Please note that the report does not show other agency emergencies in which CMS leads. It is just the ones CMS is procuring solely. There were some disagreements specifically on where CMS lead procurements are and that have caused some disagreement. Director Carter stated that CPO Brown was here to tell the Board of some of the advancements that have been done since the last Board discussion.

Chairman Vaught said that he wants CPO Brown to comment, but he knows this document says the why in general terms; process related, BEP or real emergency. If the distinction can be made then are the process related procurements really emergencies if they are not real emergencies and how are we going to deal with that because this is a ballooning problem. CPO Brown replied that there are emergent situations, which are those that are unexpected and are typically characterized as life, safety and welfare issues where someone is in immediate danger. While others are forecasted and for what they are looking at in with the analysis you have is very few of those emergent immediate dangers situation because thankfully, except for natural disasters, our State doesn't incur too many of those at least in General Services. All of those things do have the common thread of being emergent and really have public safety concerns. These other areas that are

more forecasted are really about shortfalls in resources. What happens if we run out of a commodity? What happens if a service needs to stop for some reason? Who relies on those services and who relies on those commodities within the State? They may not be emergencies today where someone is at risk, but the absence of that supply could create an emergency. That is where we find ourselves today in many of these and those are almost always the subject of emergency extension hearings because we are trying to, through a forecast, prevent a life safety situation from occurring or a public interest from being harmed. CPO Brown stated that one of the things that he does is ask for what mitigation is in effect in the agency to take forecast down to say that they are no longer preparing for some disruption and have covered that and it is usually through a competitive selection. Where they find challenge in that is the procurement process has not been reliable enough for those agencies to come up with a short-term forecast. Instead of what might be a reasonable two month extension and I often hear extensions for six months and I have recently heard extensions for a year. I can give them emergency authority so that they can at will buy a supply or service in order to prevent that forecasted shortfall. CPO Brown stated that he is remiss to grant that. I often times reduce those requests based on where it is in a procurement and if a procurement has a likelihood of success he will bring a request from six months down to 60 days and see if that is enough time to get this done and get them in an effective contract and then in a competitive procurement mode so when you need it two years from now they will be prepared to do that under the competitive jurisdiction of the Code. That is helping a little, but it is not curing some of their other process questions about how are agencies prepared to buy these goods and services in anticipation and how are they relating to other agencies and the policies of the State. We are having a lot of conflict there. One of the things that have been recently mentioned was what effect does BEP goals have on that. CPO Brown stated that they are working very hard through that relationship to try to figure out when to say when with the agencies. This is enough effort and we need to look at an alternative. They do have some choices, but agencies have growing concerns about their shortfalls and their risk that their constituents might come into. It would be great to be able to say I know we could get this fixed if I just shut that off and didn't give them that service any longer, but in many cases those risks are too great. In his tenure so far he has only had three circumstances where he has fully denied a request for a contract because it was inappropriate and their need is not warranted and we do hundreds a year. That is the impact of the emergency process right now and he thinks it is part of a process they are trying to change and trying to get adherence to all of the State's policies and along the way see if they could change some attitudes. There are opportunities in emergency procurements as well as in emergency extensions hearings where he asked the participants to go back and re-think. There are 45 days and your solution is not good enough and they have come back with some great ideas that have mitigated those emergencies to move them away from extensions, but that initiative alone won't carry the day to make all of these go away. There needs to be a much shorter process and a process where on a procurement lifecycle agency need is recognized much sooner in the process. That is paramount.

Member Bedore commented that he stated months ago he thought it would be a simple program to have a red flag that would go up six months before the end of the contract so you could go through and start the process to make sure you have the goals and everything in there instead of waiting until the end and putting out on the street and vendors not meeting the goals so now we have an emergency. If this process was started six months earlier maybe you wouldn't have that problem. CPO Brown replied that it is textbook procurement lifecycle they try to institute in every agency they have. State Purchasing Officers are expected to maintain not only a contract inventory, but a weekly status meeting as well as a calendar target to make all of those things happen. What they struggle with sometimes with the SPO's is that they constantly remind the agency that their deadline is approaching. They also issue a Statewide memo every year with a time ticker that says to look at all of your needs and plot it on a graph. They provide a graph with an X and Y axis that says if you want procurement this year and need it on June 30 here is when you need to start. Member Bedore asked if he gives them a list of their contracts and when they are coming due and when they should be put out on the street. CPO Brown replied that is something that they do not do because they do not have ownership of the contracts and that is one of the unique things in this relationship in the State of Illinois is that the procurement office hands over jurisdiction of those executed contracts. They still work with them to understand future procurements, but the jurisdiction is with the State agency. They are bound to the performance on one side of the relationship and not the CPO office. So when they pass that contract over to the agency and tell them it is alright to execute, do with it what you will. It is still in the CPO's Office inventory and we can say we know it is coming due and going to expire do you need it again? Do you need the service? Do you need a different service? Do you need to discontinue this service because it is

no longer a benefit to the State? They go through those exercises. It is not often that the agencies meet those timelines and answer those questions. There are many agencies that do it very well and would consider them textbook, but those are also smaller and less complex agencies. That is part of the struggle. There are agencies with very little staff that do it well and then there are agencies with a lot of staff that don't. Member Bedore asked if CPO Brown had any recommendations of how they could get at that. CPO Brown replied that the solution is a modernized procurement system. We have old systems in this State. It needs to be a stakeholder based system. We recognized the agency needs and the policy involvement that is necessary for any particular procurement. Identify the decision makers within the CPO's office and outside an agency and make sure the checkbook has money in it from the Office of Management and Budget. We have a system that is designed to do that right now, but it is a slow system. It is not a system that moves on its own. One of the things that he suggested very early on to the PBC system that we have today is create some auto approvals if something is sitting stagnant with somebody for too long we just move it to the next gate. It doesn't mean it can't get stopped ultimately it just means enough time has passed for the decision to be made. If nobody objects it moves. It means that they don't just use an undue amount of time to get it done.

Chairman Vaught asked about his ideas on to what extent incumbent vendors are either influencing these emergency extensions or benefiting in some way by the emergency extensions in the procurement process. CPO Brown replied that there is a lot of opportunity for vendors who provide services to the State of Illinois. In an incumbent fashion, sole source fashion or in an emergency fashion where there is no competition are vendors who make their living off of government services or selling to government as compared to having private sector relationships really are interested in this. In my opinion they have more lobbyists in this universe than we ever had, which is new in this environment. Then there are vendors who feel that they want to be good social stewards and besides providing a good or service they should help opine on policy and have a lot of vendors who think that and they say if the State's policy were only this business over here would be much better, which is not necessarily a bad thing as long as it is someone other than a vendor saying it. It is too easy to self serve, which can't be done. There has to be other interested parties in recognizing what policies need to change in the State without the vendors assisting. Chairman Vaught asked if any of this is driving this increase in emergency procurements. CPO Brown replied that it can in particular emergency vendors. There are some vendors who specialize in emergency construction services and they are firms that are in and out like patching a hole in a roof. Go in, fix the roof and are done. Then there are firms that come in with an appreciation to patch that hole on the roof, but want to transition to not just fixing the hole in the roof, but replacing the whole roof and while they are at it there might be an infrastructure issue and need to re-do a chiller. Those vendors would like to grow their business on the back of that initial emergency. We also have that occur in IT, where vendors in IT are not trying to propitiate the growth of something, but find they have entered into State service and under the terms of an emergency and find that they like it and want to stay put and take non-emergent business and just continue to do work, but they can't do that and have to follow the normal procurement process. Chairman Vaught asked if it increases the ultimate bidder base in a positive way or is it having a negative impact. CPO Brown replied it is a tug of war question. You can certainly help business grow and prosper. One vendor has never worked for the State and has the good fortune of providing services to the State of Illinois and does so in good fashion and now understands it better and realizes that he should be bidding on State business. Alternatively it is not a healthy thing to have vendors go to their clients and not just try to sell them their wares, but see if they could look in their back office and affect those decisions. That is not healthy.

Rosey Murton with the University of Illinois wanted to share an experience with the Board. They had a situation in December where a vendor refused an emergency purchase. They were not willing to go through the terms and conditions for 90 days and it involved a very convoluted service, which provided background checks given the Penn State situation, and had the incumbent say I am not doing anything for 90 days and received a notice they were done on December 31. The University had one week to find another vendor who was willing to come in and work with them and they couldn't turn it over that fast given all of the State background checks and things that are required. So we have had the opposite happen. CPO Brown stated that he concurred with that and has had similar situations where the vendors were offered a limited or shortened opportunity and declined. Chairman Vaught stated that this is an area that needs to have some work done to it.

Member Bedore stated that there seems to be under SB51 a problem with various agencies regarding vendors or lobbyists talking to people. One agency will say I can't talk to you, it is off limits, and then another agency you can. Have you found that there is inconsistency in the way SB51 is being implemented? CPO Brown replied that he has seen inconsistency in the communications area and also inconsistency in some of the more technical applications. All CPO's try to address that with a common theme and that is training, education and re-education. They visit a lot with their client agencies. Recently they put out a process to help interoperate what is good communications reporting and what is not a good communication. Asking if they were ready to have another talk about what you can say, what you shouldn't say and what your risks are and how to handle that. There were three agencies that came back and wanted to have that conversation again. Member Bedore stated that shouldn't the CPO be putting something out in printed form to these agencies. As I have been told some agencies are interpreting it differently. CPO Brown replied that one of the challenges with that is a jurisdictional issue. It is very unclear from the way SB51 is written who had a responsibility to deliver exactly the message you are talking about. For example, a written document of here is how you are going to behave. One of the first things they have encountered is that the CPO's office not empowered with that kind of authority and as a result of that there was a determination made and is not sure it is the best way, but it was a responsibility given to the agencies' Ethics Officer. CPO Brown stated that they regulate the environment, but don't control the personnel. The CPO office does have a presence in a lot of those conversations when they are aware of it. They send Compliance Monitors and SPO's and let me sit there and have them start talking freely and if they feel that are getting too close to the danger zone they will take you back and re-route them a little bit, which they do offer to the agencies. He also knows that the Ethics Officers who work with the Ethics Commission have some very specific conversations about this. It is part of the annual Ethics Officer training and that all Ethics Officers participate in and there are reflections of what is appropriate communications in the individual testing that the Executive Inspector General does for every State employee. The network is out there to communicate but is the ability to help somebody implement it and do it the right way.

Chairman Vaught asked if there has been any discipline on this from the Executive Inspector General or others. CPO Brown replied that he didn't know if he could answer that and would like to research that to see what has been done. Chairman Vaught stated that when they have disciplinary cases those end up in the training. CPO Brown replied that they do and depending on their size goes unrecognized. If they are of certain size then there are published. If it is a modest amount of discipline most people are not aware that it has occurred.

Member Ivory wanted to get CPO Brown's opinion on if there is something that the agencies are not doing that are just simply not watching the procurement or being on top of their game that is creating most of these problems or are most of these problems systematic. CPO Brown replied that it is not people not doing their job. There are very few instances where they have encountered someone who is recalcitrant or wants to refuse. If they do have someone who has divergent opinions they sit down and work those out and decide whether one opinion is right or wrong and often need legal counsel to help navigate that, but there are very few time where they find someone who is just recalcitrant. In those cases they just say, "We're sorry we disagree and you don't have procurement authority until you come around to this way of thinking". That is an easier thing to correct. What we have here is a change management issue. State agencies forever have been able to effect and execute contracts in a certain manner and when SB51 came along most of those processes were no longer effective and viable. It is getting all of those parts that made those other processes disengaged from those processes and plugging them into this process more than it is anything else. We are endeavoring through a change management strategy to continue to redirect as many of the resources into how this process works today. Member Ivory stated that when SB51 was introduced there was a great degree of uncertainty with agencies where they didn't feel that they could have a conversation about anything. They were completely shutting down. Now I am seeing agencies are getting far more comfortable and understanding the parameters in which they can work and are beginning to have meaningful dialog that really helps the State to enhance their procurement and make procurement better. Member Ivory stated that it was his observation that it is very natural and as time goes on we will become far more efficient at this. This is just a process that we are going to have to go through and examine where we have weaknesses and continue to move forward.

Member Bedore commented that it would be a big temptation for an agency to say, “oh we can’t talk to you because of SB51”, but yet they can talk to somebody else. CPO Brown replied that the advice they have given agencies is that one-on-one conversations are appropriate. They are not the best way to handle this because it allows the opportunity you just mentioned to rise. They ask them to have RFI opportunities and have joint meetings to have published statements rather than informal or oral statements that might be directed to a vendor. The other thing we ask for is to make sure that there are enough people in the room and enough record of the meeting. Use written agendas and ask your vendors to participate in the conversation on your terms. Member Bedore replied that he hopes that this topic will come back. Chairman Vaught stated that it should keep coming back until we get a handle on it. CPO Brown replied that one of the expectations for this Board should be is for him to provide something statistical that represents some improvements to see how they are trying to get away from this repetitive fashion.

Next on the agenda was Legislation. Director Carter stated that he didn’t have any specific Bills to report on and staff have started following HB2416 on Board request. Between the last meeting and today there have not been any changes or movement to that Bill he and will continue to watch it until the end of session. Member Bedore stated that after today the Board had a couple questions on some leases that the Board really can’t do anything about. He would hope the Board staff would take a look at legislation where the Board would have something to say about these leases. They may not meet the total amount or the total square foot, but you still have a lease that is \$28 a square foot that needs to be looked at seriously. In his opinion the Board needs to look at where the Board’s level of review is and maybe that level should go down a little. Director Carter stated that he would work on a draft and distribute it in the next few days in case Members want to ask for a last two week favor. Chairman Vaught stated that in a long- term sense we need to be thinking as the Board talks about the emergency procurement area and whether that needs some work too. Clearly the intent of SB51 was to try to reduce emergency procurements and they are not reduced. Member Bedore asked when SB51 was passed. Director Carter replied that is was passed in 2009, but was effective on July 1, 2010. No further questions or comments were made.

The next scheduled meeting for the Procurement Policy Board is set for June 12, 2013 pending Board confirmation.

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

A motion was made by Member Bedore and Seconded by Member Black to return to open session. The motion was unanimously approved. With no further business before the Board Member Black made a motion to adjourn and was seconded by Member Ivory.