



Chairman: David Vaught
Members: Ed Bedore, Ricardo Morales, Larry Ivory, Bill Black

Minutes – August 8, 2013 Meeting

Present in Chicago: David Vaught
Rick Morales

Present in Springfield: Ed Bedore
Bill Black
Larry Ivory

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

A motion was made to approve the minutes from the July 18, 2013 Board meeting as presented by Member Bedore and was seconded by Member Black. The motion was unanimously approved.

Next on the agenda was CMS Facilities Nick Kanellopoulos, Deputy Director for Property Management at CMS. Mr. Kanellopoulos stated that the Chairman asked a couple of months ago if CMS could put together historical data on square footage per person ratios. Mr. Kanellopoulos stated that CMS does not have the ability to do this at this time because they don't have complete sets of data in which they could calculate that kind of information. It's pretty difficult to do now as we always have to go back and check and get additional data from agencies just to do it properly. Chairman Vaught stated that he had a meeting with the former Assistant Director of DHS recently for breakfast and she said wouldn't it be nice if the State had an IT system. Chairman Vaught said she tends to think that we don't even have one. Chairman Vaught stated that this is an example in which we don't have data which is a common problem, and not just at CMS.

Next on the agenda was the DES/DVA lease #3658 at 407 N. Franklin in Danville. Mr. Kanellopoulos stated that he knows that there are questions from a couple of months ago. The main question at that time was centered on the square footage per employee and there were comments that the ratio might be wrong. CMS was asked to double check that and their calculations are correct. Mr. Kanellopoulos stated that he would request the approval of this lease. There is no change in the square footage, but it will reduce the total cost of occupancy for the agencies by 7½% due to a rent reduction. It's a very good deal for the agencies and it's in the best interest of the State and he would respectfully request that the Board approve this lease.

Member Bedore stated that when you look at the overall employee square footage it is 574 and personnel space is 539. He thinks what has happened over the years is that there was other functions in this office that are no longer there. If you take an average of what you have done in the last year or two, for example, DES in Chicago, Kankakee, and in Springfield, the average there is 351 and 242 compared to 574 square foot and 539. Then if you take just the DVA office it is 400 and 250 and combining them the average is 380 square foot and yet you come before the Board with this lease of 574. Member Bedore stated that he could never vote for a lease like this. He understands the owner has reduced his price per square foot and it's a good office, but we have to take another look at this. Does CMS want to move somebody else in there? Also before the Board is a lease in Danville for DHS. CMS has a complex there in Danville why wouldn't you move DHS in with these people? He understands that it will cost some money in remodeling the building to accommodate it, but he believes it can be done. How can this Board, when we're trying to shoot for 250 sq. ft per person, approve a lease for 539 sq. ft. person? Member Bedore stated that he could never vote for this and never will. Particularly when there is another lease before the Board with DHS that could be moved in or they could get into a building near this one. He is sure Member Black would have some comments since he knows this area better than he does.

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Member Black stated that Member Bedore's concerns are well founded based on his experiences on this Board. Member Black stated that Member Bedore is right, when DES went into this building he thinks this was built for a State lease sometime ago. As he recalls DES, at that time, was going to be a one stop shop. He thinks that they had a GED classroom, they had several computers and desks where people were being taught how to do job searches and all kinds of things on the computers. Those two functions are no longer carried on in there. The thing that Member Black likes about this complex is that DES and DVA, DCFS and Social Security are all within about 500 feet of each other on a bus route and very near the downtown area. He was talking to Member Bedore about if CMS could get DHS, which is probably 2 ½ or 3 miles from this location in Danville, you would literally have every State office within a 650 foot radius of each other, you would truly have a one stop shop. He wished he could say that they didn't need an Employment Security Office in Danville, but they have the second highest unemployment rate in the State. If DHS could move in there, he is not familiar with the internal workings of that building, but has had DHS employees tell him that it is not an optimal building and not in an optimal location. He can't confirm that since he has not been in the building in years. He knows they have a lot of security in the DHS building in Danville so it's certainly food for thought, but the reason he would favor this lease, is that it is saving us money and offers some opportunities down the road. Member Black stated that he doesn't know if CMS could re-examine their pending lease with DHS, but it is one thing that they should look into. Every month that goes by and the lease is not approved, we are spending more than \$2,000 a month of taxpayers' money we don't need to spend. If the Board approves this lease it is a cost reduction and offers some options for CMS down the road.

Chairman Vaught asked about the Workforce Investment Board. Do they have facilities in Danville? Mr. Kanellopoulos replied he doesn't know. Chairman Vaught stated that often it is co-located to do the kind of computer training that Member Black was referring to and it receives has a lot of federal funding and gets a fair amount of oversight from the Department of Commerce. He knows that the Director of DES would very much like to see a co-location with that operation, because you have work force training closely associated with the people applying for unemployment. That may have been the partner in the past, but is no longer there. Mr. Kanellopoulos replied that there is a partner there now. Chairman Vaught says that he would assume there has been a reduction in partners. Mr. Kanellopoulos replied that there are several partners there now, but he just doesn't know what group or if it is the Workforce Investment Board or not. Mr. Kanellopoulos said in response to various questions that have come up, CMS tried to consolidate all of the offices in Danville into one location to try to reduce square footage. DES was not part of that because the current lease in place doesn't expire until July 3, 2014 so it wouldn't work. CMS published a RFI that had to consolidate the DCFS, DHS Human Capital Development Office (HDC), and the DHS Rehabilitative Service Office (DRS) in Danville together. The lowest cost offered, if he remembers correctly, and the only responsive offer CMS we got would only house the DCFS office and the DHS/DRS Office. It was a much lower cost than what they had. CMS did an analysis and saw that if they renewed the HCD Office, which is the one that Member Bedore just mentioned, and took the offer for the DCFS and the DRS office it was still the lowest cost option available to them. In November 2012 CMS published an award for the DCFS and the DRS office. This lease takes care of the DHS Human Capital Development Office. He agrees with Member Bedore that we should always try to consolidate offices, but the places that they are trying to create a one-stop shop is where DHS is, not where DES is. There will be three offices there at that location under two different leases. The DES office has no option to get out of the lease or do anything under the current lease, which expires in about a year. By approving this lease before the Board we do receive a rent reduction. Mr. Kanellopoulos stated that he was wrong before, the total cost reduction is 14% and saves about \$30,000 dollars a year, but it also gives CMS an option to get out of that lease anytime with 30-days notice. With the approval of this lease and the ability to get out, CMS can look at potentially moving the DES office in with the other offices. CMS can check to see if there is expansion space and if we can provide a better foot print at a better price to create kind of a one-stop shop there. He understands and agrees that the square footage person employee ratio is not good, but not doing anything with this lease means that we are stuck with that for at least another year, at least at a higher cost. He believes the best option for the State is to approve this lease.

Chairman Vaught stated wanted to ask a follow-up question about DHS because it doesn't look like they have consolidated down any either, they had 10,950 square feet and they still have 10,950 square feet. Who moved in with them? Mr. Kanellopoulos replied that this is a renewal option. Chairman Vaught replied that he is talking about lease 3173. Mr. Kanellopoulos replied that it is a renewal option. Chairman Vaught asked who moved in with them. Mr. Kanellopoulos replied nobody. Chairman Vaught said there was no consolidation to

DHS. He said you know his opinion on this that DHS has way too many offices and way too much space and even this lease has got 438 square feet per person overall. That's not as bad as the DES lease, but if they haven't consolidated anything into Danville he thought that they were getting rid of the DHS office in Danville? Mr. Kanellopoulos replied that the consolidation involved DCFS and the DRS office. Chairman Vaught said he is talking about Human Capital Development and DHS who has more offices than anyone in this State and in his opinion doesn't need them. Chairman Vaught stated that he is biased and has an opinion here and it's a long held opinion and he sees now that this lease that didn't get consolidated with the Human Capital Development lease, the DES lease, and it didn't get consolidated with any other town surrounding that has a small office surrounding Danville, correct? Mr. Kanellopoulos replied that CMS attempted to consolidate. CMS does agree with him that Danville had too many offices and DHS agrees with Chairman Vaught. CMS created this RFI which was #6464 that would consolidate the HCD, DRS and the DCFS office in Danville. CMS published that RFI three times and the third time the only option... Chairman Vaught interrupted saying that the private real estate sector in Danville does not want to help the State consolidate space? Mr. Kanellopoulos replied that what he is saying is...Chairman Vaught interjected that CMS had that problem with Corrections in Springfield as he recalls with Concordia. You know how that problem was solved? This Board turned the leases down until the private landlord finally started coming forward with better approaches. Is that not what happened at Concordia in Springfield? Mr. Kanellopoulos replied yes. Chairman Vaught asked if the Board needs a Concordia approach in Danville to start getting bids and start consolidating offices that are not consolidated like this HCD office and the DES office. Mr. Kanellopoulos replied that he doesn't think it is a safe bet. Chairman Vaught stated that CMS is not getting good bids and CMS is renewing leases with the same exact amount of space without reducing the space. In both cases, DHS and the DES, CMS is bringing the Board leases with no reduction in space and no consolidation at all. Mr. Kanellopoulos replied that they save a lot of money. Chairman Vaught replied \$2,000 a month. CMS has done a lot better than that historically. Mr. Kanellopoulos replied that they were small leases. Chairman Vaught replied he knows. Mr. Kanellopoulos stated that after CMS published three RFI's in an attempt to consolidate the lowest cost option was to do this renewal and not to do the new lease for DCFS and DRS as part of that because it was the same landlord at the two locations that CMS negotiated the reduction of the DES lease. Chairman Vaught stated that he understands his responses.

Member Bedore said that looking at consolidating DHS into this lease with DES they have 13,200 square feet. If you were to go with the average of all your DES buildings across the recent leases it is 351 square feet per person. If you take the 351 square feet per person that would give you 8,000 square feet. If you took the new DHS lease that's coming forward to the Board and applied the standard of 250 square feet per employee that would give you 6,000 square feet. So you have 6,000 and 8,000 if he remembers correctly, that's 14,000. That is pretty close to the total square footage in the DES building. All Member Bedore is asking is why can't they remodel this building and move it in. There is obviously way too much space and there is no consolidation even being considered. He agrees that we are saving money, but we're not saving money because we're paying \$9.00 per square feet for at least 6,000 more square feet than we need, so we're losing money. He doesn't think his argument of saving any money holds any water at all. This lease is costing the State additional money because of the square footage and you can't cut it any other way. Why can't we spend some money and remodel this space and move DHS in. It is a fit. The square footage is going to come out to 350 square feet per employee overall. There's nothing wrong with that.

Member Morales asked why they couldn't just reduce the space. Mr. Kanellopoulos replied that CMS would have to come up with some plan to determine whether or not they could combine the two offices. Member Morales stated that no, he's talking about why can't we just reduce the space? Mr. Kanellopoulos replied because in this case it would be a cost to try to get rid of the resource room, the waiting room or the training room that is there. The layout doesn't allow them to simply eliminate 3,000-4,000 sq. ft. and keep the operation the way it is without the cost of remodeling. Also there is the issue of the remodeling will be happening around the employees and what the cost would be. CMS would have to pay for all that and remodeling is very expensive especially when you divide it over very few square feet In terms of why CMS hasn't looked into consolidation they have spent 2 ½ years looking at every potential opportunity.

Chairman Vaught stated that you spent 2 ½ years putting up with DHS resisting every consolidation that has ever been proposed and their attitude is getting worse he believes. Mr. Kanellopoulos replies that he doesn't believe that is accurate. Chairman Vaught said that you are saying that DHS hasn't resisted. He is the one

who had the conversation with the Director and she said she needed more offices not less. That is a resistant attitude Mr. Kanellopoulos and it is reflected in the Department. We disagree about this he understands. Mr. Kanellopoulos continued that CMS spent 2 ½ years looking at every opportunity to consolidate offices through RFI's. The leases in front of the Board are the best opportunity to reduce costs today. CMS tried to look at every other option.

Member Bedore stated that the point he is trying to make is you have a couple thousand dollars in savings, but if you went back to the average for DES and DVA and just put the average out there CMS would be saving over \$500,000 over the life of this lease. So you spend a couple hundred thousand dollars in remodeling you are still going to be ahead. He doesn't think that anybody took a look at that. Member Morales asked how CMS would answer the question, as asked before, why we are paying for more space that we don't need. Mr. Kanellopoulos replied it is simply because the number is high on the page doesn't mean that it is true. He knows a couple of months ago Member Black stated that in his experience personally going to that office he doesn't believe that there is space there that isn't being used properly. So what's on the page isn't always what's happening in real life. He would tell that person to go to that office on an average day, and see what's going on and come back and say that the space isn't being used properly. There is a training room there and resource rooms for people to utilize. Not every DES office in the State has those functions, this one does and they take up space that people aren't working in so it inflates the overall square footage.

Chairman Vaught replied he wanted to ask two follow-up questions. What was just said is also a function of the Workforce Investment Board and if you don't have an answer about whether they are doing this duplicate function in Danville because it is a part of their responsibility to do that function. It is very often co-located with DES and in this case it's not. Secondly, this DHS and the DES offices both have substantial amounts of space and it's not personnel space, which includes a lot of waiting room space. It hasn't been answered and Member Bedore made the point that if you consolidate the two offices the use of those shared facilities would be a part of where you would receive part of the reduction because they both need a waiting area room. Aren't there some efficiencies that we are missing here for these extra spaces although they may have uses that can be communally used? Mr. Kanellopoulos replied yes of course and that is what they were attempting to do when they did the RFI's.

Member Ivory stated that he would like to find a reason to vote with you on this, but is having a hard time based upon the facts that he is listening to and would like to mention the fact that you don't have a long term commitment on this lease and some flexibility that we could perhaps do something a little different. He thinks they are going to call this thing for a vote soon. Based upon the comments of Member Bedore, Chairman Vaught, and Member Black he wants to give him a chance to summarize why he thinks this makes sense. He would like to listen to it because if the Board called for a vote right now he would have to vote against this lease due to all of the evidence and all of the information that he has heard thus far. Mr. Kanellopoulos replied that his final comment would be this: without approving this lease CMS doesn't get the opportunity to do anything else, because they are going to be in the current lease until end of July 2014 under the current rent rates. Chairman Vaught asked if there was no termination clause. Mr. Kanellopoulos replied no. Mr. Kanellopoulos stated that the amendment gives CMS the flexibility at either moving this office or moving another office around and to achieve what the Board and what CMS would want to try to do to consolidate more offices. Approving this lease gives CMS a rent reduction right now and gives them the flexibility to continue to find an opportunity to consolidate and he would assure this board that with approving this lease in 60 days he can come back to the Board and give them a detailed analysis of whether or not we can do that.

Chairman Vaught asked if he can insert one thing that is new. It was just found out from one of our wonderful staff who researched what CMS was not aware of. Director Carter stated that the Illinois Workforce Investment Board is apparently housed at 407 N. Franklin Street, the lease in question. Chairman Vaught stated so the question that he raised about the Investment Board they really are there? Director Carter replied affirmatively. Member Bedore wants to go back to Mr. Kanellopoulos's comments when he said, they don't know what really goes on in this office. They may be different on average, but let's look at other offices. There is one in Joliet, Bloomington, Kankakee, Springfield, Chicago Heights, Murphysboro, and Forest Park. These are all recent leases and it comes out to 351 square feet and personnel spaces are 242. Maybe this office in Danville is standing on their heads and they're doing something different than Joliet, Bloomington, Kankakee, Springfield, Murphysboro, Forest Park, and Chicago Heights and they come out to be 242 square

feet per employee and under our goal of 250. Yet CMS wants the Board to approve a lease at 439 square feet and without considering moving this other lease in Danville into this. Sure it is going to take some remodeling, but the overall savings is a half-million dollars compared to your \$2,000.

Member Black stated that he wanted to point out that he wished that he didn't have to say this, but since 1996 Danville and Vermillion County has lost 15,000 manufacturing jobs. The General Motors plant closed, a Hister Lifter Truck Manufactory plant closed, Bone Heat Transfer Refrigerator closed and he could go on and on. Danville probably has a higher head count of people using the office than most and the office was built to do things that it no longer does, but we do have a cancellation clause that's has been put in here. The DHS lease is not imminent and he thinks that it could be done in the next few months and in the spirit of transparency. He knows the owner of this building and he doesn't want to sit here and tell you that he doesn't. He does know him and he has no financial interest in this facility whatsoever, no ownership interest, no hidden interest, no interest at all. He wishes he had an interest and he could resign, go home and cash the checks, but he has no such interest in the lease, but knows the community. Unfortunately, Danville needs the DES building and the DVA building where they are home to the largest employer to a Veteran's Admission Medical Center. So they do have a large veteran population. They are also the only county other than Cook that has their own Job Training Partnership Act single county service delivery area. They are the only one in the State other than Cook county. The lease before the Board is necessary in his opinion and he would certainly defer to the judgment of those who have been on this Board much longer than he, but he does think that there is time with the DHS lease to see what the landlord might be willing to do, or what CMS could do and could go from there. He would hate to see the Board not approve this and continue to pay a higher monthly cost than we have to do. Danville just lost 120 jobs last week, a Citi Group call center dealing with mortgage questions, foreclosures, refinancing. Citi Group said in its infinite wisdom, well we think that the crisis is over so we will close that call center in Danville and that's another 120 that are permanently laid off they are not going to call any of them back. This lease is important and he makes no bones about that to the people in Vermillion County and Danville which is the County Seat. Member Black stated that he is certainly not averse to working with this Board or anybody else to see if can see if we can do further consolidation. One of the things we have tried to do at this location is to come up as best we could with a one-stop shop. He thinks that they should pursue that. They made certain that they were on the bus route and are convenient to public housing and are very convenient to people that need their services. They are not out in the country and quite frankly the DHS building is on the far, far southern edge of city of Danville, which is very close to Interstate 74. Member Black stated that is his point and he would certainly vote to accept the lease, but at the same time he is certainly not averse to seeing what they might be able to accomplish. With the termination clause CMS has he would assume the landlord would be very willing to discuss any and all options.

Chairman Vaught wanted to clarify that the current lease has no termination clause and the new lease does. Mr. Kanellopoulos replies correct. So the landlord has given CMS a termination clause that's giving CMS the flexibility. The landlord has reduced his rent. Plus you're saying in other parts of the community on other leases CMS has made more progress on the one-stop shop, not here but in some other co-location, correct. Mr. Kanellopoulos replied affirmatively. Chairman Vaught stated that he just wanted to make that it clear. Member Morales asks on the last two comments that were made if the Board doesn't approve the lease, this agency doesn't go away the service is going to continue. Mr. Kanellopoulos replied affirmatively. Member Morales stated that he just wanted to make that point clear that the Board knows that the service is needed and will continue. We're not going to be paying more we're going to pay what we've been paying. Mr. Kanellopoulos replies affirmatively. Member Morales stated that this will give CMS time to research about consolidating during those 11 months? Mr. Kanellopoulos replied yes, but by approving this lease with the termination option we get the flexibility. Member Morales replied that he understands that, but we also have to put your feet to the fire and say it has to be done. Mr. Kanellopoulos replied that he would say he doesn't need his feet to the fire to reduce square footage that State agencies are leasing throughout the State. In his tenure at CMS as Deputy Director they have eliminated 159 leases that have moved into other existing State owned space or State leased space. Here they have worked for several years to do the best we could to do, and this is the end result of this work. Although he appreciates the Board's input and he appreciates the advice, but to simply say that because of numbers on two sheets of paper that one office can fit inside another office with a little remodeling. They looked at all that and it is impossible. Member Morales asked what the cost of that would be. Mr. Kanellopoulos replied that the problem isn't simply the cost, the problem is the two offices have two completely different functions. Just because you have people sitting in a waiting room, waiting to

get a State service doesn't mean they can sit in the same waiting room and you can mix the employees up. It doesn't mean that this building is wired for data and phone for the number of work stations it has and to double the employees you're basically talking almost a complete gut job. To try and double the amount of people working there when things are spread apart in work space, training rooms, resource rooms all that has to be redone. Member Morales stated that they did look at it and CMS is not planning on consolidating? Mr. Kanellopoulos replied that what he is saying is that CMS can look at it again, but also it gives CMS the opportunity to pull together the existing leases and try to go out, for example, on another bid, but they didn't have the termination option. This gives them the flexibility to try to do that and they didn't have that opportunity before. CMS couldn't do anything with the DES office because were locked into the lease for a year. To do what the Board is asking CMS to do the Board should approve this leases that is step one. Member Morales asked if the occupancy was 79% of the building. Mr. Kanellopoulos replied they occupy 79% of the building, correct. Member Morales stated then 21% of the building is unused? Mr. Kanellopoulos replied no they occupy 79% of the building and they don't have anything to do with the other 21%.

Member Bedore stated that he just made a statement, which he finds extremely disturbing; approve this and that will be step one. He agrees with that back tracking what he had been saying, but agrees it would be the right thing to do. Approve this lease and go forward and then CMS would come back with a recommendation, but you went on to say that CMS looked at this and it's impossible to do this. So what are you saying the first step is, because the second step you just said is impossible. Why are you saying the first step because the second step is impossible? Why are we playing games here? Mr. Kanellopoulos replied that the Board's recommendation was to see if the DHS office could fit into this office? Member Bedore replies correct and it was stated that was impossible. Mr. Kanellopoulos replied that what he is saying is that won't work. What CMS needs to look at is getting the termination option for this office to see if this office can potentially be consolidated into the existing offices, but they can't even look at that under the current structure. CMS already looked at what they could do with this lease because we were already stuck there until July 2014. CMS needs the flexibility of moving this office in order to look at consolidation opportunities is what he is saying. Member Morales asked what happens in these 11 months if we don't approve this. What happens at that point if the Board votes to leave it as is? Mr. Kanellopoulos replied then they would have to put it out for a bid. Member Morales asked during those 11 months having that out clause do you really think that action will be taken using that clause? Member Bedore commented on how that can be since it was just said it was impossible. Mr. Kanellopoulos replied he said it is impossible to move an office into this one. CMS would look if they have the ability to do it and if they can do it they will.

Chairman Vaught stated that he wanted to add to the response to the feet to the fire comment. He thinks that this Board holding some feet to the fire has been pretty useful. Now that has generally not been CMS, but mostly they have done it with landlords and other departments. That is very different from CMS when you play an inspective role on a routine basis, but don't take our holding your feet to the fire personally even though it is still necessary.

Member Ivory stated that he thinks he understands what he is saying that CMS cannot move DHS into that office, but we can perhaps move them out of another place and consolidate and do something creative and that the termination clause gives them some flexibility to do that at some time in the future and CMS will examine what all of our options are just like they have done in the past to make sure that the State is getting the biggest return on their investment that they can possible get. The Board can talk about this for another hour, but he thinks they ought to move on to the other parts of the agenda. He is not the Chair that's just his opinion.

Chairman Vaught asked if the Board is ready to vote on this. Member Bedore asked for a little clarification. Mr. Kanellopoulos was talking about possibly moving DES out and Member Bedore was talking about moving DHS into this lease. He doesn't know where CMS is going here and he is confused. Mr. Kanellopoulos replied that what he is saying is CMS took a hard look at consolidating agencies into this office and nothing they looked at worked. CMS needs to look at the potential of consolidating this office into other State offices. They knew that there was no termination option in this lease so they had to stay and when they were formulating the RFI that went out three times before they did any of that they looked at the potential to move people into this office and weren't able to get that done. The only option they have, which they looked at is the potential of consolidating this office into other existing State offices in the area. Member Bedore stated that listening to Member Black that this is in an ideal location, the building is in great shape the

only problem is that they have lost some services and they have a lot of extra space. He is still confused on why they wouldn't be looking to move DHS in. Maybe it is because you're getting a lot of static from DHS. Don't you stand up for what is right or is CMS going to listen to DHS? Their square footage is too high also. Why would you move out of this building? Why wouldn't you move DHS into this building? He knows it is going to cost remodeling and you're worried about the phones, you've got 23 employees that really can't be that difficult to move 23 phones and wire. He is totally confused and very concerned about the comment that was made about it is impossible to move anybody in here and CMS wants to move these people out.

Member Black asked when CMS plans on bringing the Danville DHS lease to the Board. Will it be next month or is it already here because he doesn't have it in his packet. Mr. Kanellopoulos replied that the Danville DHS lease was posted July 11th and it's a renewal so there are 60 days between the posting of a renewal and when they can execute it. He believes that it does not formally come on the Board's agenda unless it's put under review. Member Black asked if CMS intends to put a cancellation clause on the DHS lease. Mr. Kanellopoulos replied that it has cancellation clause. I think there are some possibilities given the cancellation clauses on these leases before the Board. He hates to be provincial, but given the closure of Citi Group last week Danville can't afford to be without a DES office for any period of time so in the interest of saving a little money on the lease cost he moved that the Board accept lease 3658, which is before the Board. The motion was seconded by Member Ivory. Member Bedore commented and all he can say is that we are all in agreement this office is needed, but is still disturbed with Mr. Kanellopoulos's comment that they are probably going to move these people out of here and moving somebody into them is impossible. In other words, CMS is not going to come back to the Board with anything except for closing this office. The motion passed 4 to 1 with Member Bedore voting no. Member Bedore asked to place lease 3173 under review. Chairman Vaught asked if that was the DHS lease. Member Bedore replied affirmatively. Chairman Vaught stated that it will be put under further review. Member Bedore also made a motion that Mr. Kanellopoulos come back next month with a full disclosure on what can be done with these two facilities. He knows it may be a mission impossible, but would really like to see it. Chairman Vaught asked if he is making that as a motion. Member Bedore replied affirmatively. The motion was seconded by Member Ivory. Chairman Vaught stated that it has been moved and seconded that Mr. Kanellopoulos come back to the Board with further plans that hopefully are not mission impossible. With a vote of 5-0, the motion passed.

Next on the agenda was DHS lease #6373 at 100 S. Grand Avenue in Springfield (Harris I). This is an amendment for the DHS headquarters in Springfield, which is comprised of two different leases. This amendment was done in order to re-do some space in the building so they could complete consolidation of closing the DHS lease at the Hay Edwards School and move the majority of those employees into the Harris building. Basically, the end result of all this is that CMS eliminated a lease that was about 43,000 square feet and the total cost reduction was about \$1.3 million per year.

Member Bedore stated that he had a few comments if Mr. Kanellopoulos is finished with his explanation. He sees this lease is on the agenda, but doesn't believe it is on it for approval. He thinks it is on the agenda for review of an amendment of a lease and is not requesting anything on this. Director Carter stated that this was put on for the agenda under Board member request. Member Bedore said that he knows they went over this once before regarding the electric charge, which is \$5.90 per square foot. The Board just approved a lease at 33 S. States Street in Chicago, which was \$1.40. Commonwealth Edison – higher rates and \$1.40. In Kankakee we just approved a lease at \$1.04. In Danville the Board just approved that lease at \$1.13. The DHS lease in Danville is \$1.17. How do we get \$5.90? What's happening over there? They have a lot of little mice running on treadmills or what? Mr. Kanellopoulos replied that he cannot completely answer that. He was not aware the Board would be asking that and is not prepared to answer that so he doesn't have a complete answer for that question. He knows that they have servers in that building and there are a lot of employees working in that building and it is very tight space. Also, CMS is not paying ComEd or Ameren rates we're paying CWLP rates in Springfield. He can provide a more detailed analysis or information to the Board after this meeting, but without knowing the question in advance he doesn't have that answer in front of him.

Member Morales asked if part of the modification is to increase the electric. Mr. Kanellopoulos replied no, but in comparison to what other offices cost, this building has servers that other buildings don't have and they use a lot more power and there are a lot more people. Member Morales asked if the current lease is \$5.80 and it is going to \$5.90. Mr. Kanellopoulos replied affirmatively. Member Bedore asked if he was saying that

CLWP is a lot higher than Commonwealth Edison. He doesn't believe that. Mr. Kanellopoulos replied that what he is saying is that we can provide that information after the meeting. Member Bedore asked if he was saying that maybe they are bringing people into this building to get good square footage and other places you don't so you don't need as much air conditioning. He is sure that at 33 S. State Street they have servers and everything else don't you? Don't you have it in Kankakee and Danville? It is so far out of line than \$1.40 in Chicago, \$1.04 in Kankakee and \$5.90 here in Springfield. That is \$4.85 difference. Member Morales asked if he would be able to provide more information at the next meeting. Mr. Kanellopoulos replied affirmatively. Member Bedore stated that the CMS indirect cost is \$5.09 for a CMS salary. Are we going back to the old Blagojevich days of burying employees by charging for various services and they're offline in the budget? Mr. Kanellopoulos replied no, he doesn't even know what that is. The explanation for the indirect cost is that in the past couple years there have been employees housed at Harris, CMS employees, property management, that have been spending their time re-stacking Harris. Breaking down and building cubes, like when the Hay Edwards moved here so these are actually 5 building and grounds laborers whom 20% of their time is spent at the Harris Complex. Basically, on all the re-stack projects both when CMS redid the Harris I lease and when they redid the Harris II lease and reduced the square footage. He thinks they reduced Harris I by eliminating tens of thousands of square feet. He doesn't have the information right in front of him and they then moved Hay Edwards in. It is these people who did all the breaking down and setting up of the cubes. So 20% of their time was assigned to Harris for this fiscal year hence the extra cost and there was also a facility manager for whom this building is one of his facilities and 20% of his time is allotted to this facility hence that is where those costs come from, the 20% of those 6 employees. Member Bedore stated that he always thought on their leases they had CMS indirect cost. Now we're putting in \$5.00 a sq. ft. per this lease for the next 10 years. Mr. Kanellopoulos replied no. This is the estimated first years cost of the lease. They are not trying to say that they charge \$11.85 for 10 years that the gas is going to be \$.24 for the next 10 years, and that this indirect cost is going to be \$5.09 for the next 10 years. This is either what we know what the rent is going to be or their estimation on what the utilities are going to be or what the indirect cost is going to be for the first year of the lease. Those numbers change as different employees get assigned to different buildings for different projects and their time and wages change as well so those numbers change on a yearly basis. The problem is that we set the rates a year at a time and have to estimate so before this fiscal year began, we assigned the percentages of those employees to this building based on their estimate of the work that would be done over that time.

Member Black stated that this charge back sounds like, looks like, and perhaps smells like the old charge back costs that we got into about 5 ½ years ago. He remembers an IDOT building in Paris that had been paid for 20 years and then all of a sudden we were paying, I think it exceeded this amount, \$6 or \$7 per square feet in charge back to CMS for managing the building, repairing the computers, etc. It was finally gotten rid of and it looks very familiar to something that I thought we had gotten rid of. Mr. Kanellopoulos replied CMS property management operates out of a facility management revolving fund that was created by the General Assembly, Assistant to the Treasury. CMS does not get an appropriation for the most part to do the work that they do. They get expenditure authority so they have the ability to pay agencies' rent, pay utility bills, pay these employees who work in the State buildings and then they bill the agencies for that work. In order to do that, rates are developed based on the costs they know in their estimation of things like potential repair. He is talking about State owned buildings like the Thompson Center where he is. CMS has to estimate what they think the cost will be to create a rate structure and then they bill the agencies based on their square footage in the building. CMS pays for their space just like everyone else pays. That is how the revolving fund works. CMS doesn't get the money and the advantage of the revolving fund, if the Board wanted CMS to simply go in the building to do this work, then the General Assembly would have to give them GRF every year to do it. By CMS being able to bill agencies for the work they do for them, there are many agencies that are able to pay out of federal funds or other funds so the GRF portion of their operation is a lot lower. There are federal funds for a lot of this so in the end it is a better deal for the State to go through a revolving fund, but it does require us to bill the agencies and this so called charge back. He knows IDOT has complained in the past about paying so-called rent in their building. They are reimbursing CMS for the cost in that building. Mr. Kanellopoulos stated that CMS doesn't make any money out of this, they run at a huge deficit every year because they don't get paid everything they bill out. There is no money being made here, there is no rent. That is how it works and it is a big advantage to the State to be able to do that. The IT department also runs on a revolving fund about your comment on fixing computers. He thinks that there are several other revolving funds around the State, but that's the reason for them, to get federal funds and other funds other than pure GRF to run the State. Member Black stated that if he heard him correctly you said CMS doesn't

always get this money, where then does it go? Mr. Kanellopoulos replied agencies are having trouble paying a lot of their bills. A lot of times we get paid towards the end of the line of getting paid. So at the end of fiscal year or at the end of a lapse period there are a lot of times where CMS hasn't gotten the money they need that they paid out, but they haven't gotten the reimbursements on a timely basis. Member Morales states that he thinks he meant more collecting? Mr. Kanellopoulos replied affirmatively, collecting from the agencies and agencies are having problems paying CMS just like they are having trouble paying a lot of bills.

Chairman Vaught stated that the State had at one point a couple years ago and is not sure if Member Ivory was on the Board then or not, but Paul Romiti, CFO from CMS, came in and give the Board a more detailed explanation of that whole process and gave the Board a chance to ask questions about it and believed most of the Board members thought that was constructive, do you remember that? If the Board needs to do that again for the new members the Board can vote a lot more detail to the person that actually works through these allocations and numbers. Mr. Kanellopoulos stated that he thought he did a pretty good job. Chairman Vaught agreed, but sometimes there are questions and since the Board has done that in the past if they feel like they would want to supplement that. Member Black thanked Chairman Vaught because he does remember when it started and is certainly not trying to get anyone in trouble, but there were indeed many, many complaints from State agencies. He knows IDOT was very concerned about it. Some of the State Police posts were very concerned about the charge back because some of them ended taking some of that money from operations budgets, which then impacted the ability to do their jobs. He doesn't want to beat the horse, but it always seemed very complicated to him and knows that when he was in the General Assembly, he wasn't the only one that got these complaints. There were a number of agency complaints about that charge back for everything from janitorial services to you name it, but the most important question is the item before the Board does not meet current statute and the Board was not given their thirty day review. He thinks House Bill 1415 (P.A. 096-1521, which amended Section 40-20 of the Code) that it is over 10,000 sq. ft. and over \$100,000 dollars the Board is supposed to have a 30 day review period and it appears that they have not had that, correct? Mr. Kanellopoulos replied that he does not know...Chairman Vaught asked if Director Carter wanted to respond to that question. Member Bedore stated that it was postponed from last meeting because no one from CMS was here. Director Carter replied that the move was completed before the Board had notice. Mr. Kanellopoulos replied correct. CMS didn't post the amendment until after the move had occurred. There were issues completing the lease contract so they could get it posted. Chairman Vaught asked how they are going to resolve it. Mr. Kanellopoulos replied that the process has been followed and believes whatever decision the Board would make or whatever comments the Board would make at the end are advisory on this issue of a contract under review. There is no vote because it is an amendment. Chairman Vaught asked if he was saying the Board can't object on an amendment. Mr. Kanellopoulos replied that what he is saying is that it doesn't come under that section of the code. Chairman Vaught asked if that is that why it was filed late. Mr. Kanellopoulos replied no. It was filed late because we had trouble getting the completed contract executed by all parties to post the award or executed by the landlord to post the award. That is why it was late and they had to get out of Hay Edwards by the end of May. They were under a deadline there, but on this side CMS had trouble getting the contract completed. Chairman Vaught asked a hypothetical question or maybe our legal counsel can tell the Board. Setting aside the ideal on whether an amendment applies, if this 30 day review period applied, you in a sense are saying it doesn't, but if it did apply. Mr. Kanellopoulos replied, no it does apply. Chairman Vaught responded but what if it did apply and it wasn't complied with does it call into question the validity of the lease. If the lease was improperly procured, why is the lease valid? Mr. Kanellopoulos replied he doesn't believe that it was improperly procured he thinks CMS posted an amendment. Chairman Vaught stated that he was talking about a statutory violation and if it's a statutory violation you're saying that's not an improper procurement. Mr. Kanellopoulos replied that he doesn't think there was a statutory violation. Chairman Vaught asked because of the amendment thing or because of the timing? Mr. Kanellopoulos replied because of the timing. Chairman Vaught stated that he is a little confused and he doesn't know if other Board members are or not. Member Morales asked if the filing was cut short because of the timing or because it was an amendment or both. Mr. Kanellopoulos replied he thinks the only issue here is that they posted the contract late. That does not nullify the contract. That creates problems for CMS that they have to do late filing affidavits with the Comptroller to explain what happened, but that does happen from time to time with State contracts and there is a process for that. This was posted June 25th, which is the date that he has on the white paper coming to the Board and thinks it was posted before that. The CPO's office reviewed this procurement. This procurement has been before the Board for over a month and he hasn't heard anyone bring up any issue and other than the fact that we should have filed this on a timely

basis if there is an issue with this...Member Morales interrupted stating that it was missed it up until now. Mr. Kanellopoulos replied that he is not saying it was missed everyone knew actually what occurred here, but what he is saying is that if the process was followed it should have been done on a timely basis, of course. He can't remember the last time CMS filed a lease and it wasn't on time. Chairman Vaught stated that his concern is that this got filed late, but if the Board had questions and wanted to object CMS wasn't here last month and you want the Board to go ahead and object because you're not here? In other words, if you don't come to the meeting the Board waives their right to object? Mr. Kanellopoulos replied no. He thinks there was a confluence of events. Chairman Vaught replied that he understands there was a confluence of events, but they are working under 30 day deadlines. You're not the only employee at CMS. Mr. Kanellopoulos replied he understood. Chairman Vaught stated that the Board delayed this because nobody was here, so if the Board delays it because nobody was here you seem to be saying that we have waived our right to object? Mr. Kanellopoulos replied no. The Board can put the contract under review at any time and this contract is under review and you're answering questions. Chairman Vaught stated that you are using the word review and the Board is using the word object. He thinks they have the right to object to a contract under review because if the Board objects when it's under review we think that raises into question whether you can execute the lease, is that not correct? Do you have a different interpretation of the law than the Board does? Mr. Kanellopoulos replied that he would have to look at it. Chairman Vaught replied maybe the Board should look at it too. If we are having a difference of view in interpreting the law there is a remedy to that, it's to amend the statute, we'll make it real clear, but usually trying to work something out first so it doesn't jump to that conclusion. He is talking about procedural issue not the merits of the lease the Board understands it is a good lease. Mr. Kanellopoulos stated that he can see the procedural issue should have not occurred and unfortunately several things happened all at once and he wasn't here last month. Member Morales stated that he couldn't take any time off? Chairman Vaught replied he didn't take off he was working. Mr. Kanellopoulos replied that unlike Danville this lease saves \$110,000 a month. Chairman Vaught stated that it is a big savings and thought you were going to beat on the table and say \$1.3 million. That's the difference between the two old leases at \$3.1million and this one is \$1.8 million and \$1.3 million a year right and you couldn't multiply that number by 5, 10. That's an annual savings? Mr. Kanellopoulos replied the \$1.3 is the first year's savings. Chairman Vaught stated yes, but that one is a lease you can project forward. Chairman Vaught said nobody else mentioned, which he is mentioning because it is talked about so much, is that this number results in 186 square feet per employee. Mr. Kanellopoulos replied affirmatively. Chairman Vaught stated that the Board has to say good things occasionally too. Mr. Kanellopoulos replied just in case you expect to see this in other leases... Chairman Vaught interjects saying it is a really big lease. Mr. Kanellopoulos also added there are also a lot of cubes and the executive staff is on another lease so the offices really aren't included in this lease so it's very efficient.

Member Bedore stated that he thinks there some confusion here regarding new leases and renewals. There is some confusion that may need a change in the State statute if CMS is interrupting it one way. He thought the Board had review over all of them, but Mr. Kanellopoulos is saying on the renewals we don't object. He would like the Board's counsel to explain what he thinks is going on. Todd Turner stated that looking at Section 40-20 in Subsection (e) it talks about Board review and when there is a lease of 10,000 or more square feet or \$100,000 dollars or more in rent the statute gives the Board the right to object within the 30 days. Then if the Board doesn't object then the lease goes forward. He thinks it must be that CMS looks at that section and says, well that only applies to new leases and does not apply to amendments or renewals. That is what he thinks CMS is saying. He asked if he was characterizing that correctly. Mr. Kanellopoulos replied that he would have to defer to their attorney's, but his thought is that, which he thinks he is right, is that this is not a new lease or a renewal. Mr. Turner replied correct because if it was a renewal it would fall under the alternative RFI under 40-15, which again gives the Board the right to object within the 30 days. Are you're saying this is an amendment? He understands that you are not counsel and is just trying to help understand what is going on so then if it is an amendment then it doesn't fall under either one, because it's an amendment is that what you're saying? Mr. Kanellopoulos replies correct. Also, the original lease had an expansion option. The original lease that this Board saw had an expansion option that allowed CMS to take additional space in the building and that is the provision under which we amended this lease.

Member Morales stated that it is not the question that the lease isn't intact it's the contract that occurred for the amendment to expand it because it was not done in a timely fashion. Mr. Kanellopoulos replied it should have been posted earlier. Member Morales stated then it wasn't right. Mr. Kanellopoulos replied no, it wasn't

posted right, correct. Morales asked if the lease got changed. Mr. Kanellopoulos replied that the lease adding more space pursuant to an expansion option that existed in the lease. CMS amends leases all the time and are not on the agenda. They amended this lease pursuing a provision in the contract and he doesn't think that any part of that lease that then puts it within the section Mr. Turner read. Chairman Vaught stated that he thinks that he disagrees with you along with Member Bedore. This statute is pretty broad it uses the word "any" so to speak and you are saying that an amendment is not a lease. Member Bedore stated that months ago he asked if CMS had a lease that said 5000 square feet or whatever it was and then it had an option to expand to 10,000 sq. ft. and it was said that CMS could just put that in because it will never come to the Board. He remembers very clearly that you said "oh no if there was an expansion to take up that option it would amend the lease it would definitely come to this Board." He stated that he could go back and get the minutes and is positive that is what was said. Mr. Kanellopoulos replied that here he is and here is the lease. Where we differ is the provision that Mr. Turner read it – doesn't apply to this lease. Member Morales stated that you know of, but you're going to check with counsel or are you definite. Mr. Kanellopoulos replied that he'll check to make sure, but he is pretty definite. What he is saying is that CMS wouldn't take an expansion option without amending a lease and the Board would see that amendment and here he is and here it is. Chairman Vaught stated that he would defer to both counsels on this, but it appears we have a difference in opinion on the meaning of the statute. If we have a difference of opinion we either need to clear it up by practice, like you saying this and coming here or we should clear it up by statutory amendments. That is an issue we're going to have to consider going forward. Mr. Kanellopoulos replied that he will ask his counsel to call Mr. Turner and they can discuss it and see by the next meeting where they are. Member Morales asked that in the meantime do these come back for review or do we just move forward right or is it on the timeliness of the posting. Mr. Kanellopoulos replied that or what the discussion of what the process is for amendment.

Director Carter stated that this lease would have not been on to the agenda on its own, it was actually requested by a Board member. There are a lot of leases like that that fall under the threshold that don't automatically come and by request we bring it and the Board can ask questions. There are a lot that fall under that category and this is one of them. Chairman Vaught asked if the Board can still object. Director Carter replied right-under different thresholds the Board does different things. Some of the Board's objections are kind of big. Member Bedore asked why it didn't come here because it is 72,000 square feet. Chairman Vaught replied that he believes it is here and the Board has questioned the timeliness of this procedure, but he believes it is here he is under the opinion that they could still object to this right, or is that wrong? Chairman Vaught asked Mr. Turner if he is wrong. Has the Board lost their ability to object to this? Mr. Turner replied the way the statute is written the Board has 30 days so the issue is has the 30 days passed. His interpretation is that they could object to this lease that is how he read Section 40-20 (e) as we sit here now. However, he thinks the 30 day timeline should have been stopped in the sense that it wasn't covered in the last meeting and we didn't have any chance to exercise review within the 30 days. Member Bedore stated that the Board should have objected to it at the last meeting, but there was nobody here so we just passed over it. Chairman Vaught stated that he thinks that it was a courtesy the Board is extending to CMS. That is the way he views it. Director Carter stated that just so everyone is clear, Mr. Kanellopoulos agreed to stay anything from the meeting because of the conflicts, so he would have stayed any clocks running. Mr. Kanellopoulos replied that he is not going to avoid a meeting just to get past the 30 days. He believes this lease is a great deal for the State and could the process have gone smoother, yes. Does he disagree regarding the application of that statute to this amendment, yes. Chairman Vaught stated the Board understands that, but their counsel is going to talk with your counsel, right? Mr. Kanellopoulos replied affirmatively. Chairman Vaught stated that it will be resolved one way or another in terms of the matter of process. Mr. Kanellopoulos replied that he thinks that they have always agreed to a process. Chairman Vaught asked if the Board has any objections to this lease. He doesn't think that there is an objection. Whether the Board has the right to object is one question, but assuming we do have the right to object does the Board have an objection? Member Bedore replied it's a great lease for the State it's no question about it. The square footage and Mr. Kanellopoulos can dance around, but the square footage of 186 is still a great lease. Wish it could be applied to Danville and it would solve this whole issue. He still has some question about the \$5.90 for electricity. Nobody from Chicago to Kankakee to Danville to Springfield he doesn't think pays \$5.90. Expect we are paying \$5.90 in this building. He doesn't care if we got have servers and would assume that other buildings have computers, servers, and air conditioning just like they have here. He doesn't know how CMS could pay in Chicago \$1.40 per square foot, \$1.04 in Kankakee, and a \$1.13 in Danville and pay \$5.90 here. This doesn't make sense the overall rate is great the square footage is great and is a big savings to the State. He just has the question on electricity and it

doesn't seem like Mr. Kanellopoulos can answer it. Chairman Vaught stated that didn't Mr. Kanellopoulos agree to come back to the next meeting and have that on our agenda for response? Mr. Kanellopoulos replied that CMS can provide that answer to the Board this week and can discuss it at the next meeting. Chairman Vaught says anything else on these leases then that we're either going to continue or have attorneys discuss or whatever? If the Board takes no action this just moves on right? Member Bedore replied that no it will be approved. No other questions or comments were made.

Next on the agenda was Rules Review for the Executive Ethics Commission (EEC) on Exparte Communications. Director Carter stated that at Board's request he reached out again to Director Fornoff with the EEC and supplied all the members with his latest response. To sum it up, basically he said if the Board had any more concerns with the functional aspects of the rule the Board could do so in writing or he has graciously invited the Board to come before the Commission itself to discuss the Boards concerns, but he wouldn't be in front of the Procurement Policy Board. Chairman Vaught asked if there was a date on that. Director Carter replied no date of their next meeting. Chairman Vaught asked if Director Carter could find that out for the Board. Director Carter replied that he would. Member Bedore asked if the two Chairmen talked to each other yet. Chairman Vaught replied yes, they have just briefly on the telephone and are going to get together as soon as they finish scheduling it. Chairman Vaught stated that he thinks that the Board should take them up on going to their meeting and that invitation was for all of us right, all the staff? Director Carter replied affirmatively. Member Bedore stated that he doesn't know how the Board can talk about their rules if they're not here to discuss it so he recommends that the Board just move on as we have for a couple months. Director Carter stated he thought it would be best if the Board would supply a letter to JCAR and explain the Board's feelings about where the Board is in the process and some concerns that the Board has about this rule in actual practice and how it affects State employees. That way they have some bearing on where the Board is since we weren't able to talk to the Director personally. Chairman Vaught stated that he thinks it is a good idea. Does the Board have a problem with that? We will let the Executive Director do that promptly and circulate a letter if it's fine with the Board I think that's what we should do and then inform the Board of when the meeting will be.

Next on the agenda was the Rules Review for the Department of Transportation. Director Carter stated that Bill Grunloh, Chief Procurement Officer for the Illinois Department of Transportation as well as Ellen Bryon with the Department's Legal Counsel is present to discuss some adjustments they made to the rules on member request. If you look in your packets the first page underneath the IDOT Illiana Rules is the changes that they've made, based on Board comment and Mr. Grunloh and counsel are here to answer any questions.

CPO Grunloh thanked the Board for the opportunity to come before you and discuss the rules and will try to make it short. Ellen Bryon with the Office of Chief Counsel is with me as well. He believes that the two concerns that were raised at the last meeting were by Chairman Vaught. One of them is to address 6.925 subsection 2 and the question raised was about alternative financing as well. They have added the last sentence there that innovative financing concepts will be encouraged. The second comment that was received was about the makeup of the selection community for the Public Private Partnership Team and even added that paragraph B that states the Department will take into consideration multifaceted nature of this procurement and related procurements in performing proposal in selection team members and understanding the Public Private Partnership we do require with some members with having at a minimum expertise in private, public financing, construction, and engineering. They believe that those addressed the two concerns that the Board had and they are available to answer any questions the Board might have.

Chairman Vaught stated that he is happy he raised a question and is very happy with the amendments and appreciates their making the amendments to satisfy his concerns. Member Bedore stated that he thinks that IDOT has been very responsive as compare to other agencies. Member Bedore made a motion to recommend to JCAR the approval of all of their rules. Member Ivory seconded the motion. With a vote of 5-0 the motion passed. No further questions or comments were made.

Next item on the agenda is the CMS - Veterans Rules. In attendance was Michelle Jackson, Deputy General Counsel for the Business Enterprise Program at CMS. Ms. Jackson summarized that 30 ILCS 545.57 is the Veteran rule enabling statute for small business program and CMS has put forward a first notice for the rule which is 44 Ill. Adm.20 and essentially the program is to mirror the BEP Program. It is for service disabled

veteran small businesses and also for veteran owned small businesses. Pursuant to statute it is a set aside and it is no less than a 3% goal on all State contracts.

Member Bedore stated that he hoped this would not happen, but can it be anticipated that there will be more emergency orders in the future by things being held up in order to get this 3% on contracts. It states here subject to the goal all contracts funded in whole or in part with funds appropriated by the General Assembly are subject to the goal. How many vendors are there that have been certified as veterans? Ms. Jackson replied as of right now there are only 36 vendors certified in their database. They have received comments from IDOT, JCAR and a comment from the CPO's office that they have been addressing and anticipate scheduling a meeting with those entities. The primary concern has been on the construction or highway contracts and so while the enabling Act says all State contracts, they are looking to see how or anything they can exempt from that would be the best interest of the State of exempting. For example, contracts that may be federally funded that would be similar to what is done with BEP. Additionally, there are contracts that are not just by virtue of the goals that are contracts of expenditures that are detailed that would be exempted from having a goal placed on a contract. Ms. Jackson stated that they are still working through that and accepting comments from the various entities that have stake in this. Member Bedore stated that there are 36 certified, as it was just stated, and one of the Board members at the last meeting said the group that formulated this was being pushed very hard by Veterans Affairs to get the number at 3%. He knows there is a big fan fair as what happens here in this administration. You do a press conference you announce it and then it falls flat and nobody cares. What has been done to get us these certified vendors? What has the Department done to get more than 36? The way this is working and the lack of certified vendors this if going to guarantee a lot of confusion, a lot of delay, and getting contracts through CMS and all the various departments. Member Bedore stated that he can see it coming now the emergency purchase orders are going to go through the roof again just because they're going to delay it until you can get some certified vendors. There are thousands of contracts that go out every year and you have 36 vendors. He doesn't know how this is going to work and we are just looking for a disaster. What is the Department doing besides a press conference and patting themselves on the back saying look we got this passed for you, you great veterans. Now it will fall flat on its face. Ms. Jackson replied to direct your comment as to the potential delay it is not the intent of the Department that this will cause a delay in any procurement that would be subject to the 3% goal. In fact they are working on how they can ensure that this process will not hinder any procurements that are moving forward. Secondly, as it pertains to the outreach and how they are getting vendors certified. They are doing this jointly with the Department of Veteran Affairs in that they will be outreaching and attempting to recruit or solicit vendors such that we would then use CMS certification and administer the program, but it is definitely a joint venture and then we also have reciprocity and are working with the City of Chicago, she believes, and the Feds and who they have certified so that we can also cross certify those vendors in an attempt to increase the pool. Member Bedore asked when this amendment became law. Ms. Jackson replied that she is sorry she doesn't know the exact answer to his inquiry. Member Bedore asks if Director Carter knew. Director Carter replied that there were changes effective January 25, 2013. Member Bedore stated that was in January and now you are saying we are going to be working the city of Chicago and other veterans groups. What have you done besides the press conference since January? Ms. Jackson replied she was not here at the time that this was enacted into law. She apologizes she was not aware of what else has been done by either IDVA or by CMS.

Member Black stated that under the recommended action in the Board's packet since it indicated 28 certified vendors and she mentioned it was 36 as of June 25th. It appears that the goal is required on every procurement, which due to the limited vendor pool that Member Bedore was just talking about will cause considerable delay for agencies and universities if they are required to obtain a waiver exemption from the 3% veteran vendor goal on every procurement that is in excess of 6,500 transactions with a 3% goal. An option may be for CMS to remove the mandatory goal requirement in Section 20.130 until such time as there is a sufficient pool of vendors available to meet the goal. He assumes that is what she wants the Board to approve and just simply waive the percentage and if the Board doesn't it appears Member Bedore will be correct and almost every transaction will have to request a waiver. Ms. Jackson replied universities are not subject to this goal. The enabling statute didn't include universities. Chairman Vaught stated that they should change that. Ms. Jackson replied that they should change that. It says State agencies and it refers to the definition of State agency in the BEP enabling Act, which the definition is separated. That is one issue put aside regarding the universities. As it pertains to whether or not she is here today to seek that you allow CMS to simply remove 20.100 the goal on State contracts until we increase the vendor pool in this area. That is not what she is here

today to do. Member Black stated that Member Bedore corrected him because he misspoke and misread. It appears that this recommendation of the Procurement Policy Board staff and I would either defer to either counsel or our Director should we in fact do that. He doesn't get too involved with press releases having served in the General Assembly for 25 years there are people who send out 100 press releases a day in the General Assembly. Probably more now that they can do it digitally. What he wants to avoid is a situation that Member Bedore just talked about. If we maintain the 3% and you don't have a vendor pool anywhere near the number to actually bid then there will have to be a waiver and then there will have to be emergency contracts or purchase orders, which is what we like to avoid. Member Black asked Director Carter what he suggests the Board do in this case. Director Carter replied that for the staff recommendation he would have to look to the Board to supply their opinion or the Board's no objection on the rules that are presented. From the Board's standpoint of the staff is with the amount of certified vendors being so low and the amount of contracts that will still be left after the exemptions that the counsel talked about here there are still going to be a lot of difficulty in the process to waive these things and what it comes down to that we will rely on efficiency of State government to have either a slow down or a smooth process. That could become very difficult until there are hundreds of vendors and there are different categories and so forth. He doesn't know where these 36 vendors are. They all could be truck drivers for all I know, but it becomes very difficult with so many categories in the State that's why he said that the rules themselves seem acceptable, with the exception of placing it on every State contract. Ms. Jackson stated there are currently 3 vendors in the northern region, 29 in metro Chicago, and 4 in southern. Of that the breakdown is 18 services disabled veterans owned small business, and 18 veterans owned small business. They are diligently working to work through a process that will not impede the efficiency of the procurement process. CMS has that at the forefront of their minds and she is working on it as Paul Cerpa was prior to his leave diligently. She thinks at this moment in time if the Board could give CMS, and the CPO, and IDOT office and whatever other entities that have these concerns the ability to sit down at the table and work through these difficulties rather than simply saying that were not going to enforce the goal that the statute currently requires that we do.

Member Ivory stated that he wanted to make a quick comment. He was a part of the task force that the Governor selected when they took a serious look at this goal and they had a lot of Veteran Affairs and a lot of people in the public forum, hearing and everything else. The one thing that he remembers clearly is that the Veteran Affairs and leadership of people who are veterans realized they had a sufficient problem in terms of getting more people certified. Then he thought there was a great deal of synergy years ago to really do some creative outreach and that the Veteran Affairs who had a vested interest in this and everyone decided that they were going to do a much better job of making sure that happened. He is surprised that there is still only have 36 certified people who are veterans. He doesn't know if this is going to slow up procurement. He knows when they have the minority goals some people say that it has slowed up the process, but he is not certain that this will create a problem because once people understand the facts its only 36 and the people that will deal with the waiver he thinks they will act quickly and prudently because you're not dealing with 300, 400, 500 you are really dealing with 36. He doesn't think we are going to see the type of hold that some may think we are going to have. He thinks that the waiver process works its course. He is always in conversations about waivers and they know that's a very important part of my conversation, but he doesn't see that this is going to create such a big problem from his prospective in terms of the reality that CMS and BEP Council and others will understand that it's only 36 people. The real question today is how we will as Illinoisans and Americans work to help get more veterans involved in being certified and he think that's where infancies and would recommend to CMS and others that to do stronger outreach to get more of them involved and so veterans who have served this country have the opportunity to participate because its a real legitimate opportunity, but until that time he thinks that this perhaps won't be as big as problem as it is seen at this point because of the lack of number of veterans who are certified from my perspective. Ms. Jackson replied that just to clarify the process as it reads, as it does mirrors the BEP is an exemption process if they don't have enough vendors it is an exemption process at the beginning before RFP or the IFB ever goes out to hit the street. Though it is not the same as the waiver process, which is the process after a RFP or an IFB has already gone out and bids are coming in. They would be looking at exempting if necessary particular procurements based upon the lack of numbers at the beginning not in the midst of. Ms. Jackson stated that she agrees with Member Ivory that the anticipated delay will not be such you know or people think.

Member Bedore stated that she is saying that they are going to give exemptions before the bid goes out? Ms. Jackson replied that is what is being discussed and the rules provides. Member Ivory stated that in

procurement process even in order to do this you have at least several people in that category in order to set some type of goal even if it's one person you cannot set a goal it can't have that goal. Is he correct in that or is he over reaching? He knows that happens sometimes when you're doing other procurements when you're doing BEP procurements if you only have one person. He thinks three is the number if I'm not mistaken, then you can automatically get a waiver because you're not going to have a goal on it from the very beginning. Member Ivory asked if he is correct in that or is he wrong? Ms. Jackson replied that three is generally the number for there to be a competitive bid and they need to include that in the rule and so that is one of the things that they are looking to do when they sit down with IDOT and the CPO. It's been recommended by the CPO's and she has discussed it with CMS as well with IDVA. They seem to be walking down the same path on that line of thinking there are some nuances that they need to work out, but that is what we're looking to do so as you stated. If they don't have a competitive marketplace then there would not be a goal.

Chairman Vaught asked if she is saying that you are going to work out additional language and then bring it back for the Board's action next month or thereafter. Ms. Jackson replied affirmatively. Chairman Vaught stated that it was indicated that you were not there when the statute passed and a lot of your statements are about intent, which is fine. The problem that the Board is seeing here at the procurement process is not about intent it's about effect and it's often a problem in all these areas in goals in the, but the effect the Board is concerned about is distortions in the procurement process and those already exist. One of those that the Board is concerned about is the Board asked...didn't we ask Director Weems to come and talk about emergency procurements today and he told us no. Director Carter replied that no, he didn't make the request. Chairman Vaught stated that he didn't come here last month either, but his answers have not been very satisfying on these emergency procurements to the questions the Board has had so there is this effect of growing emergency procurements. Does this rule do anything to deal with emergency procurements differently than regular procurements? Ms. Jackson replied that to her knowledge no. Chairman Vaught asked what if you simply said if there was an emergency this doesn't apply. Because now one of the effects we're having is the process is not working smoothly in some cases in the regular procurement process and people are concerned those that quickly get thrown over to the emergency procurement process, which somehow you can get things done there that you couldn't get done on the normal process and there is a potential for abuse in that. That is the concern whether it is true or not we will see if the auditors audit all these things. That is the concern so if you have an insufficient number today of certified vendors and somehow the process does not work well and it doesn't get done in the normal process why do you want to extend this into that emergency process and make that emergency process even more troublesome to people? Ms. Jackson replied that she will have to take under advisement. From what she has read and she has gone through the enabling statute and the rule has gone out on the first notice and all of the recommendations and comments and she has not seen emergency procurements addressed, but understands the concern that the Board is speaking of that potentially we would have this backlog on a regular procurement and emergency one if we were to have the goal on each of them so she will take the under advisement and review that. Chairman Vaught stated that they only have two general exemptions here besides the university exemption, right. The general exemptions there are some more specific ones when you get into Section (a) there are only two? Ms. Jackson replied yes the federal reimbursement and contracts not subject to federal reimbursement. Chairman Vaught stated that then there are some specific categories? Ms. Jackson replied that there are categories. The ones that are listed in here that pertain to the universities are no longer at issue because the universities are not included, but contracts are payments of other governmental entities, employee wages, and salary petition things of that nature. Payments of money to individuals or groups in the nature of reimbursement/settlements on behalf of those that are in need, grants, and public utility contracts, real estate. The one that has come up now as an issue is construction. It is the one that has been raised to us that is all State dollars and is not subject to federal reimbursement. That is where they are looking to sit down. They have one or two ideas on how to resolve this issue and we are looking to sit down with IDOT, Tollway and CDB to resolve it. Unfortunately, they were unable to have that meeting prior to this date. Chairman Vaught asked if this would apply to the Tollway a great deal because they don't use federal funding. Michelle replied affirmatively. They have informed us the issue of the timeliness of their contracting and of their letting of their procurements. Ms. Jackson stated that she is learning a great deal about construction contracts at this time. Chairman Vaught asked if there are any other questions. The Board understands there is going to be a redraft and are going to come back. Does that mean the Board has to do anything today? Director Carter replied no.

Member Bedore stated that he believes that our veterans deserve better than what they are getting here. The Board hears of all these promises. It was quoted by Ms. Jackson, “we are looking forward to sitting down with IDOT. We are looking forward to sitting down with CMS”. Where has Veteran Affairs been for months, 8 months, and a year? Member Ivory just stated that they talked about this a couple years ago so where is Veteran Affairs? So where is Veteran Affairs? They didn’t show up at the last meeting so another month went by. Why haven’t you got a real program to reach these vendors? He is tired of hearing “oh we’re going to do this we’re going to that” and really we’re looking forward to sitting down with CMS and IDOT. Why haven’t you already sat down with IDOT and CMS? Why haven’t you sat down with every Department? Why haven’t you gone out to every veterans group in this State? Why haven’t you gone to American Legions, Veterans of Foreign Wars? Why haven’t you gone to these groups? 36 this is a disaster, “but were looking forward” to sit down with these various agencies. Well, he hoped you look forward to getting the job done and getting out there and getting some vendors.

Member Black stated he wanted to echo somewhat under your leadership Chairman Vaught when you were in the Office of Management and Budget and particularly your leadership with the Department of Commerce and Economic Opportunity. There are a number of entities and agencies and Chairman Vaught revitalized these Small Business Development Centers around the State certainly the one in Vermillion County. They have a cracker jack director and she would love to put on more seminars, dealing with veterans reintegration from military to civilian life and would be glad to help you or anybody in your agency who wants to come to Danville and work in our Small Business Development Center, work with our VA Medical Center, which are seeing thousands of veterans every month because of the draw down of the military and the draw down of the conflicts they’re treating many of them for post traumatic stress, but many of them are having a hard time re-adjusting to civilian life. He knows they will speak with you and see how they can cooperate with you to get some of these veterans certified and if there is anything he can do to help you with the Danville Veteran’s Administration Medical Center or Small Business Development Center or any of our veterans post let him know. They will welcome you to Danville anytime and he knows you can replicate that anytime in cities across the State. Member Black stated that there are people all over the State whether they are members of the Legislature or members of this committee who would welcome an opportunity to bring people into their community. Having lived in Danville he is very familiar with the Veteran’s Administration Medical Center that has about 1,400 employees and sees thousands of veterans every month. Bringing them into our Small Business Development Center to see what kinds of specialized programs we can put on specifically doing outreach to veterans we have an excellent veteran’s council that he knows he can set up meeting with. He thinks Chairman Vaught and Member Bedore hit the nail on the head. It is time that we really do the outreach because many of these veterans are not going to come to us. They’re just having a little bit of a problem acclimating to civilian life and we’re going to have to go after them and there are places that we can do that and people who are willing to help you do that he would hope that we set a goal of far more than 28 or 36 certified vendors. He thinks that we can do that very easy, but we are going travel and going have to go to some places around the State. Meeting with people who are on the front lines Veterans Administration personnel, Small Business Development Center directors, veterans groups that are all over the State and anything he can do to help he will be more than happy to. Ms. Jackson replied thank you. Chairman Vaught stated that those are good comments and he appreciates his complementary things as well. While we were in break he gave her contact information at the Department of Commerce that can get her into contact with all those Small Business Development Centers. They have a number of good people in that operation around the State and have a huge volume of small businesses that are in contact with them already.

Member Ivory stated that he thinks that being on the BEP Council he will surely bring this up and help it become a priority because he thinks that some of the responsibility lies with the BEP Council in terms of possible outreach and Paul Cerpa and some other people. He would be more than happy Member Black and anyone else to really kind of help lead the charge because he is really surprised that there are only 36 and will bring that up at the next BEP Council meeting and ask to put some emphasis and really make sure from his side that there is some form of outreach and some form of comment on the BEP Council side to persuade our members. He thinks that the Council members will be more than happy to but emphasis on it. He thinks it is appropriate and will personally from his side work on that to improve that and do some more outreach and talk to the Director as well as some of the other BEP Council members to help to see what we can do to improve the numbers. Ms. Jackson replied thank you.

Member Bedore stated that he wanted to go back to the comment about we won't need waivers we will do it before it before the bid goes out. How is that going to work? Ms. Jackson replied that she didn't mean to potentially lead you to believe that we won't need waivers. She was simply trying to clarify that it is two difference processes. There is the exemption, which we speak to if there is not a competitive marketplace or whatever other reason that an agency who is submitting a procurement could say we don't believe that this particular procurement should have a goal for whatever reason. There is that process and that would be more along the lines are that being discussed at this table in regards to there being a low vendor pool. The waiver process is once a goal has been set on a particular procurement when it comes back the vendors that are bidding would then, if they wanted to, felt they couldn't meet the goal that was placed on the contract then they would seek a waiver of that percentage. Maybe they can't meet a 3% goal maybe they can only meet a 1% goal. She just was giving that clarification just so there would be a better understanding and that the minutes would accurately reflect the two processes. At least the process we were specifically speaking of the exemption. Member Bedore stated that he understands the waiver process. He doesn't understand this other process and how long will that delay be for somebody to determine that there isn't a veteran-owned company out there that could bid? Are you just not going to go out there and say, oh we don't believe there a veteran's contractor for this bid. You're going to have to investigate and that is going to take time. Ms. Jackson replied that they would have to look in the database. The rules, as she stated, on the first notice rules they have now received the comments and are working on the second notice, but one of the comments that we received is that they would like the process to work, from the CPO's office, for the process to work very similar as it does with BEP and they now require for BEP that any potential subcontractor has to be certified at time of bid and not time of award. If you were a vendor bidding and you wanted to be included you have a goal to meet you're looking at a subcontractor that have already been certified. You are not going out doing outreach looking for someone and them submitting them for certification you would only have a database that is an online database to look at and find a vendor who is available in the commodity code or service code for which your contract applies. It would be a very easy and quick process, it would not be an all out Statewide outreach it would be going to one website and putting in whatever you are looking for whether it's a Northern Region, Southern Region, Chicago Metro, or for a particular commodity code. You would pull those vendors and that database is already up and running via the State of Illinois website. No further questions or comments were made.

Next on the agenda was Emergency Purchases. Director Carter stated that after having some conversations with some Board members, staff took a look at some emergencies from FY13 and broke out the numbers by agency. It was supplied in the packet to the Board and one of the things in talking to some of the members was we were going to bring in some of the agencies to discuss where some of the shortcomings might be. Today we have asked the Department of Corrections (DOC) to be here. Mike Knauer, Sourcing Manager for DOC and DJJ was in attendance along with CFO, Jared Brook. Mr. Knauer started by commenting that Director Carter asked us to come and talk about DOC's FY13 emergencies. The majority of DOC emergencies for FY13 were basically in two different categories. The first one was facilities based. That is where they had roof repairs, boiler repairs, heating, air conditioners and those types of things. The other category was where they had to procure commodities and raw materials mainly for Industry divisions so they could continue producing food and clothing and the different things they do for their shops.

Member Morales asked if they have noticed the large number increase in transactions. Was that because of onetime items this year compared to other years? Mr. Knauer replied that most of the facilities based emergencies were no surprise. Most of their facilities are getting older and as things break down we did have to replace them or fix them or repair them. What they did see an increase in is the commodities that are used. There are 19 different Corrections Industries programs throughout our 26 adult prisons and many of them produce food for inmates and actually for other agencies to purchase. A lot of those commodities items were previously bid by CMS for us due to the size and money amounts per the Code. Those were not as available as they were in years past so without the contracts in place we were forced into an emergency situation to purchase those raw goods.

Member Bedore asked if it was a surprise that you need milk or flour. Why would that have to go as an emergency? Mr. Knauer replied that there were contracts in place so when the need arose they had....Member Bedore interrupted asking whose responsibility was it to get the contract out. Mr. Knauer replied he believed that CMS is responsible for all commodities purchases exceeding the small purchases

limit and we use such large quantities the amounts that we utilize certainly exceed the small purchase amount. Member Bedore stated that you are saying that CMS didn't get these contracts out in a timely fashion. Mr. Knauer replied that when they needed the product there were not contracts in place, correct. Member Bedore stated that he doesn't think that it is anything new. Chairman Vaught asked what is the breakdown then with CMS you are all working for the same State you all have telephones. What's the breakdown? Mr. Knauer replied he was not sure. Member Morales asked how much time you usually have when stuff like that happens to contact CMS is it a matter of 30 days or weeks. Mr. Knauer replied that as far as the food and Industries commodities that are used, most of those shop personnel are in communication with the CMS buyers on a regular basis. He knows that there is a lot of communication back and forth between them. ICI asking CMS if this contract is going to be in place so on and so forth. He can't tell exactly what the run down was, but at the time the products were needed by ICI the contracts weren't executed and in place so to keep food production up and the Industry programs up and running the emergencies were done to procure the items. Member Morales stated that it has become more of an issue the last 3 years. Mr. Knauer replied he would say over the last 2. Member Morales stated that you are still not sure other than the breakdown between your area and CMS? Mr. Knauer replied that he could not tell you exactly what the reason were for that not happening. Chairman Vaught asked Mr. Brooks that as CFO, do you think that these emergency procurements give you better prices then a regular procurement system? Mr. Brooks replied not in all cases. He stated in a few select incidents, not speaking from the ICI perspective. That is a true statement, but more often than not he doesn't believe so. Chairman Vaught stated that he is saying that this \$25 million, if you count DJJ and DOC out of \$135 million in FY13 he can't do that percentage math in his head as quickly as he should, but that is a pretty significant amount \$25 million out of \$135 million. How much of that was ICI? Mr. Brooks replied he doesn't have a full breakdown in front of him, but we can provide that to the Board. Mr. Brooks stated that with the ICI procurement he just wanted to say to the extent that they could they purchased while the contract was still in place and filled their inventory up as much as they could, but because it was perishable it didn't go very far. Then they therefore had to go on emergency. Mr. Knauer stated that \$7 million dollars was for the medical emergency for DJJ and approximately \$6 million was for electronic monitoring day reporting for DOC. For the medical the Department Healthcare and Family Services uses to be in charge of procuring medical services for both agencies. At the time there was an executive order switched by the Governor and then that switch from HFS back to DOC and DJJ so at the time HFS was getting ready to bid out that large medical contract for Juvenile Justice and then it got switched back to us they had to go into a emergency situation until we could get the RFP fully developed and then get it back on the streets so that \$7 million dollars there that really couldn't be helped. With the electronic monitoring day reporting they were rolling those two contracts together in a new RFP, which they are evaluating right now and they are stretching those contract end dates to match so they could bid both out at the same time. That was an explanation for a few million there. Member Bedore asked what the explanation was for, if he remembers correctly, trays made out of foam. Mr. Knauer replied that they actually did a few of those. The master contract for foam trays was not in place. Any time a prison goes on lock down the inmates can't ... Member Bedore stated we understand why we need it. Mr. Knauer replied that there wasn't a contract in place so they had to go...Member Bedore interrupted and said that he understands that they are needed. Mr. Knauer replied that there wasn't a contract in place so they had to go to an emergency to purchase those trays to feed the inmates. Member Bedore asked why there wasn't a contract in place. Mr. Knauer replied that he had no idea. Member Bedore asked if that went through CMS. Mr. Knauer replied affirmatively. Member Bedore stated that you are saying you have seen an increase in the emergencies due to the fact in the last couple of years from CMS. Mr. Knauer replied that would be true. Member Bedore stated that he has been saying for quite some time we have a problem at CMS for the last couple of years and now we're getting the Department saying the same thing.

Member Ivory stated his apologies for being late, but he would like to make a comment with the Department of Corrections. He has done a lot of homework on you guys and when it comes to minority participation your track record is awful and he knows that it's a serious problem in the Department of Corrections, in terms of minority participation. In spite of what the Governor said everyone went in and no one left out. Now you can say CMS created the problem and that's why you have a lot of emergency contracts that's fine that's your opinion, but he thinks his opinion stems from the fact when he takes a look at all the procurements that are happening in DOC that of all the agencies he has encountered their track record is probably one of the worst he has ever seen. He wishes someone could explain to him why that's the case because even if it was slowing down procurement you seem to have a lack of sensitivity in terms of inclusion. Mr. Brooks replied that they

put a BEP goal...Member Ivory stated that he has seen the BEP goals and has fought for the BEP goals on it and then DOC fights to tear them down and they simply have no inclusion so he is a little surprised. Especially with the number of minorities that are incarcerated by the corrections system and yet even when it comes to even legitimate opportunities to help resolve some of the problems because the problem is that you have a revolving door back and forth and people don't have the opportunity. He thinks that DOC should assume some responsibility for that in my honest opinion. Mr. Brooks replied that they will look into that.

Member Black asked if they could put a percentage, there is a Correctional Center in his home town, and he doesn't want to get anybody in trouble, but he often talks to people who work there and they were telling him that some of the emergency contracts are created by the State's inability to pay bills in a timely fashion. That some people who might have a contract or may be on your list will show up to deliver something and says excuse me my boss says that they are supposed to pick up a check or they are not going to delivery this and if the people aren't pulling my leg that happens more often than I would ever believe that some vendors that you have had on contractual for years are just saying, no we're not going to deliver because we're into you already for \$200,000. We have to have some money before we make this delivery and if they don't get the money and if they don't deliver, he doesn't know what the contractual terms are, then he assumes that you have to go out or ask CMS to make an emergency contract because our normal suppliers say they're not going to deliver because you owe them too much money. Mr. Knauer replied that he thinks part of that case was true with the foam tray vendor at one point. They did refuse to ship based on late payment from the State so he is not here to blame CMS. They certainly encounter many things that they do also and that's true that when you do have a master contract set up with a vendor and when they do refuse shipment to other agencies it's certainly not CMS' fault. You're right, DOC has encountered that. Mr. Brooks stated that for any of those vendors he will say that ICI controls their own cash flow and they try to take care of those vendors quicker than the GRF backlog, but for those who are GRF backed they do work with the Comptroller's Office to get them paid as quickly as we can and they also refer them to the CMS Vendor Assistant Program.

Member Morales stated for example, DOC went from 2010 \$48 million 81 transactions to 2011 to \$24 million 186 transactions, 2012 \$101 million 288 transactions this year, \$136 million 346 transactions and you had no control over that, right. Mr. Knauer replied that 346 transactions? Member Morales stated overall. A lot of this stuff you had no control over. Basically you're asking for things because they weren't available before, your other resources weren't there for you to get it sooner. Mr. Knauer replied that their facilities based emergencies are true emergencies that if it is a health and safety issue to the inmates and employees at the facility if they don't get those fixed. Some of the other issues with the commodities, yes they are true. Many of those are not within our control. Mr. Brooks stated that they are taking delegation back from CMS to handle in house with ICI and DOC employees so hopefully they can prevent such emergencies from continuing. Chairman Vaught asked if he is saying that has already been done. Mr. Brooks replied affirmatively. They have accepted delegation back on 5 procurements and as we get more people on board and restructure our staff they would love to take even more procurements back. Eventually, they hope that we will work with CMS on this, that all ICI procurements will be handled in house. Chairman Vaught stated that he doesn't understand why they have so many transactions. DOC has 145 just in Corrections transactions that are emergencies. The next highest agency is DHS at 33. Why is the transaction number so much higher? Mr. Knauer replied that one, there are 26 adult facilities and he thinks that they are down to 5 or 6 Juvenile. Some agencies are lucky enough to be housed in a couple of buildings and a lot of time those buildings are taken care of through Secretary of State or the lease owner. When their facilities break down out in the field things need to be done in an immediate fashion and there is just a large number of things that go wrong out there. Like he stated before a lot of these facilities are older and they need repairs more often so that the combined with the commodities issue lead to the larger number of emergencies that we did for FY13. Mr. Brooks stated that on the commodities there might be a meat shop where you need to procure like the casings, the spices, and the actual meat. So it is three or four procurements coming together for one finished product.

Member Ivory stated that the emergency contracts are something that he doesn't like and no one should like, but emergencies happen. The problem with emergency contracts as most of us know is that when having an emergency contract it has no minority participation on it. So it lead itself to less participation because it's an emergency contract and he thinks that one of the conversations... this is a question that he is just throwing it out and you may be able to answer it, but when you take a look at the emergency contracts how many on a percentage basis, if you could just take a guess, how much of that is contributed by CMS and how much may

be contributed by DOC. Mr. Brooks replied that he would have to say 75% CMS and 25% DOC. That would be on the number not the financial impact. That would be his guess. Member Ivory asked if he was saying CMS contributes to 75% of the emergency contracts. Why does he suppose CMS contributes 75%. Give me some examples of that? Mr. Brooks replied to take commodities, for instance, in the past CMS would have procured master contracts as those contracts expire there was not one in place ICI needed the goods so therefore we would stock up before the contract expired, but after we were done with our raw material CMS would not have another contract in place so therefore we would have to go out on an emergency basis to procure turkey thighs, or zippers, clothing materials, and things like that. Member Ivory asked if there is any recommendation from DOC's side of how to reduce the number of emergency contracts in working with conjunction with CMS? Mr. Brooks replied that he thinks that they are on that path. As they accept delegation back and do it in-house, as long as CMS agrees to that, he thinks that the Board will see a dramatic decrease in the number of emergency procurements. Member Ivory stated that he hopes to see a dramatic increase in the number of minority participation. In his position he is not used to getting chewed out by legislators, but the chewing that I've gotten from Senator Trotter and a host of others have arrayed to the Department of Corrections, and that's not a good feeling. They ask him what is he doing since he is on the BEP Council. They see these procurements coming through and no minority goals across the board. He knows he was fighting on the one several times. He thinks there are some serious challenges and thinks they are challenges that can be overcome if we work together and would surely hope in the spirit of cooperation and the spirit of America that we really work closer to try to make sure there be inclusion and not less inclusion across the board. Because the numbers speak for themselves and he doesn't think he does have to say more what the numbers say. Mr. Brooks replied that they understand and will work with all interested parties to bring those numbers up.

Member Bedore stated that it was stated that a lot of these emergencies, not a lot but the number dollar-wise, is emergency repairs. Would you say going back to what the Chairman Vaught was referring to, do you feel that having these emergency repairs, and he understands that they have many facilities across the State, are you paying more for emergencies or should you be really looking at a scheduled maintenance where you would start replacing some of these items rather than wait for them to break down and maybe have to pay a higher price. Do you believe this is the best way of doing business? Mr. Knauer replied that each facility does have repair and maintenance contracts. The Department of Corrections has over 900 contracts filed with the Comptroller's Office. HVAC, repair and maintenance, and plumbing, but the main things it takes to run a prison each prison does have repair and maintenance contracts there. For example, he thinks it was Vienna two weeks ago, one of the large HVAC rooftop units went out. It was 27 years old and had been repaired and maintained it had just reached the end of its life cycle and that was a large procurement to replace that. Member Bedore said that when you're replacing it under an emergency are you replacing it at a higher cost than if had already scheduled it in a normal procurement? Mr. Knauer replied that all of our facilities business administrators, even when they have an emergency situation, they're going to out to try to find the cheapest vendor that they can find because each one has a budget that they operate on. They do have a Capital Programs Unit, which has another pot of money that helps pay for some of these facility repairs, but they're taking it on to find the best price that they can even though it's an emergency situation. Member Bedore asked if they have an air conditioner unit for 27 years, wouldn't it have been on a list to be replaced? Mr. Knauer replied that it may have been he is not sure. Mr. Brooks stated that he can say those types of repairs are on our capital list each year and knows Chairman Vaught can attest to this. DOC has a tremendous capital need and unfortunately those capital funds just aren't there to meet those needs. He believes they have about a \$2 billion dollar deferred maintenance backlog and an appropriation of about \$2.9 million.

Chairman Vaught asked if he could repeat that number again. Mr. Brooks replied it is a \$ 2 billion deferred maintenance backlog that they need capital funds to address. Chairman Vaught asked at Corrections? Mr. Brooks replied affirmatively. Chairman Vaught stated that he recalled that the numbers Statewide were quite a bit more than that including universities and the Governor repeatedly asks for a billion dollars in bonding authority to repair State facilities, and university facilities and the General Assembly repeatedly refused and wouldn't even discuss doing it. Chairman Vaught asked if they have that in their capital budget request now and assuming you will in the future. Mr. Brooks replied affirmatively. They have provided that to CDB and have a continual list of all types of projects from roofs to doors to air conditioners. If they were to get capital funds as the Governor had introduced and requested it from the General Assembly, the number of emergencies would go down in that area. Chairman Vaught says do you guys have anything more you want

to add this seems to me it's a fairly complex subject that involves facilities, commodities, and coordination between Corrections and CMS and there are multiple breakdowns here. Chairman Vaught asked if that was a fair statement. Mr. Brooks replied affirmatively and to an earlier point, DOC will continue to work with CMS both on current procurements as well as future delegations. Chairman Vaught asked if any of the Board had further questions. He finds this to be helpful hearing from the Department directly and hopes to do more of this in future meetings. He thinks the Board understands this better to see if we can make some recommendations for improvement here. This is getting way out of control. Member Bedore stated that he found it very helpful. Chairman Vaught stated that if you look on that sheet you will see there are many Departments with some big transaction numbers so hopefully the Board can have others agencies in the future. No further questions or comments were made.

Next on the agenda was Statewide Policy on Contract Subsidization. Chairman Vaught stated that this has been on the agenda a number of times. Is the Board close to wanting to act on this or does the Board want to make some revisions. Member Bedore stated that he thinks the staff has done a pretty good job here at checking around the State as we see in many cases there is some revenue coming back to the State historic sites or even State parks. This surprising one is the Tollway, they have a concessionaire and there are 500 employees and they pay nothing to the State. That one stands out and then there is DNR, for their facility at the Springfield headquarters, that gets \$1,500 a year. The state is subsidizing these employees to lower costs to the product or is giving a sweetheart deal to a vendor. When a vendor has a closed building on 500 employees and pays nothing to the State to me that's disturbing and we should come up with a policy of getting some revenue from these vendors. He heard that the State Police is looking at getting another vendor at their facility. That was another sweetheart deal not only did the vendor at the Franklin Life building, now the State Police building, pay nothing he used the facility to prepare, make, and bake bread for his other facilities. That is a fact that he used our ovens, used our gas to make his bread to bring to his three other restaurants. He doesn't know how we can sit here and allow something like this to go on. He thinks the Board should come up with some type of policy. He doesn't necessarily agree with this 2%. There has got to be some way. The old argument is, oh we can't bring in new meters, it will cost so much to separate the building at Revenue it will cost so much to separate at the Tollway. Maybe there is a way that we can determine the overall cost roughly by square footage. If we know that the building has 10,000 square feet and this facility has 2,000 square feet you would then pro-rate. Even though it would be a benefit to the vendor because they probably use more gas, electricity, for their refrigerators and stoves, but that would be a simple way of doing it charging proration of the cost of the building to the vendor. Excluding, even though Chairman Vaught and I agree State parks, historic sites, but as we see here the majority of those facilities and State parks and historic sites pays something. Chairman Vaught stated that Steven A. Forbes pays a quarter of a million dollars annual. Member Bedore replied correct and if they can do it why can't Revenue, State Police, Tollway and DNR. We are charging vendors that are doing a real service serving the public out at these sites, as to serving State employees. Why at Department of Revenue we gave \$15,000 a year and we got nothing in return so they could have lower prices and so they can have a full venue of food for their employee's. He is sorry, but doesn't understand that. He doesn't have a problem with having a vendor at Revenue or DNR or whoever else they want to be as long as they're paying their way. He thinks the 2% thing would be confusing and difficult to apply and would think you would do it on a square footage, but thinks there shouldn't be a vendor at the DNR building paying \$1,500 a year. That is just ludicrous and the Tollway pays nothing. They have 500 employees in a locked down building and they pay nothing and who knows what the State Police are going to do and anybody else if we just let it roll on. Member Bedore thinks we have to come to grips with this.

Member Ivory stated that he agrees with Member Bedore there should be a way on the square footage could be a calculation, but would still not be as attractive to the State, but is better than what we currently have. He thinks we should request something. The 2% he is just not sure what that means and what that equates to and how fair that may or not be. He thinks on a square footage basis it seems to make a little more logical sense and could be in some cases even better for the vendor, in terms of, what other way we could come up with at least the State derives some revenues in terms of a free market when you have no rent, no utilities and then you're charging current market prices. It seems to be a sweetheart deal for some who have gotten it and he thinks that we should make sure it is fair across the board and if you're going to do it for them then we ought to do it for everyone and if we are not going to do it for everyone then we should do it for no one, unless there is a compelling reason to do so.

Member Black asked if any of these concessionaire contracts have a performance review category where the Department can say, "you are just not meeting any kind of standards. For example, there is a concessionaire at the State park just west of Danville and he and his wife go out there and have breakfast at least 2 Saturdays a month sometimes more. At one time they had a concessionaire there who did not keep the place clean and didn't have decent service. You might go in for breakfast, he would be fishing, which the dock is only about 150 ft. away from the kitchen, but he might come in a few minutes or he might not. Obviously that didn't work and when it was rebid they now have a concessionaire who is there and the place is clean the service is good, but he has been in some of our State parks where that's not the case. He always wondered whether there was a performance standard to say if you're not going to generate the business we're going to get rid of you. Chairman Vaught asked if the Board wants to keep working on this or do we want to have one of these agencies come in and talk to us about this? Member Black stated that he doesn't know, but would think that any agency that lets a concessionaire contract or cafeteria contract would want some basic performance standard, but has been fooled on that before. Member Black said he agrees with Member Ivory and Member Bedore that there has to be some basic and reasonable rate of return otherwise it's a strict cost to the taxpayer and he thinks if there is anything becoming clearer every day that the taxpayers are begging to say, hey wait a minute I have to take my lunch or buy my lunch and the company doesn't subsidize it and they used to. The General Motors plant in Danville they used to subsidize that cafeteria, but they quit that long before they closed the plant. He is not saying that you have to make 10% return or whatever it is, but there should be some responsible standard so that anybody could look the taxpayer in the eye and say we are trying to maximize the return on your investment. We fall into the habit of saying it's a State contract, and State money is no big deal. There is no such thing as State money it's all taxpayers' money. I know when the new concessionaire came to the State park just west of town, cleaned it up, had good service, there are a lot of people who like to go out there early in the morning and have breakfast and he is sure that the concessionaire returns money to the State because he works at it. Some do and some don't. Chairman Vaught stated that Director Carter said he would bring this back for further work. Member Bedore stated that he would hope that the staff would work on this and come up with some alternatives. He believes that they will have to talk the DNR, even though DNR just left this contract it looks like, but get a since of the State Parks and everything else. Then there should be maybe something for State Parks, and Historic sites and then maybe a policy for everybody else. Maybe there should have 2 policies, but he would hope we would resolve this by next month because what you have in the Tollway... is that one up for renewal? Director Carter replied that they have two more renewals. Chairman Vaught asked if they give him information on how much there subsidizing on that? Director Carter replied no, but he'll find out.

Next on the agenda was Legislation. Director Carter stated that there are no updates in legislation.

The next scheduled Procumbent Policy Board meeting is set for September 5, 2013 pending Board confirmation.

With no further business to discuss a motion to adjourn into Executive Session on personnel was made by Member Bedore and was seconded by Member Black.

Following executive session a motion was made to return to open session by Member Bedore and was seconded by Member Ivory. Now in open session a motion was made by member Bedore based on a positive annual evaluation to raise the Executive Director's salary to \$99,275 annually starting September 1, 2013. The motion was seconded by Member Ivory and unanimously approved.

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