



Chairman: Jay Stewart

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

### **Minutes – February 6, 2014 Meeting**

Present in Springfield: Jay Stewart  
Ed Bedore  
Larry Ivory

Present via Telephone: Bill Black

Absent: Rick Morales

The Board started the meeting by confirming attendance at 10:00 a.m.

A motion was made by Member Ivory to allow Member Black to participate by phone and was seconded by Member Bedore. The motion was unanimously approved.

Next on the agenda was the approval of the Board meeting minutes from January 9, 2014. Chairman Stewart asked if are any corrections or comments that they would like to suggest to the staff before they are approved. Member Bedore made a motion that they accept the minutes as printed, with Member Ivory seconding the motion. The motion was unanimously approved.

The next item on the agenda was the Policy Resolution Tier 1. Chairman Stewart stated that this is a continuation of the discussion that the Board engaged in at the last meeting. He asked let Director Carter to give a brief summary about what is in the resolution. Director Carter stated that at the previous meeting they did some shuffling of the three tiers and subtracted some things and moved some things up to Tier 1. This is the finalized Tier 1 per Board Member recommendations. It is back so the Board can formally approve it and then move forward with corresponding legislation. Chairman Stewart asked if any member has any further discussion on Tier 1. Member Bedore stated that his only comment would be that he would hope our members would go back to their legislative bodies and make an appeal on this Tier 1, asking for support. He has already done it with his sponsor and would hope everyone would do the same. Chairman Stewart thanked Member Bedore and asked if anyone else has further comments? Seeing no further comments we should make a motion to formally approve Policy Resolution Tier 1. Member Black made a motion and was seconded by Member Bedore. The motion was unanimously approved.

Next on the agenda is CMS Facilities. In attendance was Susan Florence with the Bureau Property Management at CMS. Chairman Stewart asked if there is anything on the facilities to report in general. Ms. Florence replied not really. They don't have any recent notable consolidations. The only one that is on the horizon is an RFI that consolidates the two DHS DORS and FCRC leases in Rockford and we are moving ahead with that, although it is still an open procurement. Chairman Stewart stated that he knows there is a specific lease to speak about, but before we get to that do any of the members have more general questions for CMS before we move into the specific issue. Member Bedore stated that he believes that we're going to be hearing from CMS and DHS regarding the Affordable Care Act, the number of employees, is that true? Ms. Florence replied not to her knowledge. Director Carter stated that they asked if they could move the presentation to March.

Member Ivory stated that before Mr. Kanellopoulos left there was some discussion about a product that they had that dealt with creating energy efficiency that has been used across the country, that it is not a new

*M:140206*

product, it has been around for umpteen years, but some States have used it very successfully and they had done some testing on it that would reduce energy cost by about 15% to 20%. CMS did a study on it and Mr. Kanellopoulos is gone now so he is not sure what's happening with that or where we are with that. He would surely like to find out, if you could reach out to Mr. Kanellopoulos and let the Board know because he thinks some substantial savings like that if it makes sense that we ought to take every step possible to examine it and see what value it has in terms of reducing our energy costs. Ms. Florence replied that she would see what she can find. Chairman Stewart asked if there were any further general questions. No further questions or comments were made.

Next on the agenda was the HFS Inspector General Lease on Chatham Road. Chairman Stewart stated that he thinks the Board has expressed some general concern about the renewal of the current lease. Chairman Stewart asked if Member Bedore had anything he would like to say? Chairman Stewart asked that all the new folks that came up to testify would please introduce themselves and give their title. In attendance was Brad Hart, Inspector General for Healthcare and Family Services, Derrick Moscardelli, Chief of Internal Affairs, and Carol Green, Chief of Administration Services for Healthcare and Family Services. Chairman Stewart thanked them for appearing today. Member Bedore stated that this is a lease we had talked about now for probably a year and half, or it may be even two years. He knows Mr. Kanellopoulos had talked that they would be out of this facility in January 2013, not 2014, but he sees we're still here and even just looking at your comparable HFS leases, you have a lease in downtown Springfield for \$12.00 per square foot and we have this lease over on Chatham for \$14.00 per square foot and he was just wondering, why couldn't this facility be merged in with some other building? He knows they have to keep it separate, there's got to be a separation because you're inspecting and he understands that, but with some other State agency? Mr. Moscardelli replied that he is right, Internal Affairs does normally maintain a separate entity because of its dual nature in a sense that it is a reporting area for employees to come in and report potential misconduct and it's also an area where targets of that misconduct can be interrogated and addressed. To traipse those people or ask those alleged whistleblowers, if want to call them that, to come forward and walk across the hall of an HFS building into Internal Affairs is going to deter a lot of people from reporting misconduct and it will also potentially jeopardize the innocence of someone who is the target of a complaint that may be inappropriately directed at them. As far as the rates between the two, the facilities on Chatham Road are substantially nicer than the facilities downtown. They just went a month without a furnace in their downtown lease because they had to have the heat exchanger completely rebuilt. So he doesn't know if the \$2.00 difference per square foot is drastically different. He is not sure if there is anything else...the issue has been raised before of where they would combine space or use space before with the Executive Inspector General. Where the Executive Inspector General is located now currently also has HFS facilities in that building. He doesn't know if there are other potential areas.

Member Bedore stated that he doesn't want to keep referring to Mr. Kanellopoulos on this, but he had a plan to move the Inspector General a year and half ago. Mr. Moscardelli replied that he was not aware of that. Chairman Stewart asked doesn't the OEIG have the exact same concerns about maintaining employee anonymity and doing interviews? Mr. Moscardelli replied that he is sure they do. They have different jurisdictions. Chairman Stewart stated that they have jurisdiction over their agency for some matters. Mr. Moscardelli replied that they are required by statute to turn over any violation of the State Employees Ethics Act to them. They handle HFS, DHS and Aging as far as the entire Medicaid Program. Chairman Stewart stated that he knows there are different scopes of what they look at versus what the OEIG looks at, but in terms of confidentiality and protecting the possible identity of whistleblowers, the OEIG has the exact same concerns. Mr. Moscardelli replied he would not disagree with that. Chairman Stewart asked, so if someone from HFS goes to them, they have those same concerns? Mr. Moscardelli replied that OEIG oversees all of the agencies in the State. Chairman Stewart replied correct, including HFS. So there is HFS staff in that building. The OEIG seems to think that .... you can see where he is going with this. He understands that HFS is more focused and more targeted than the OEIG, who is responsible for all of us in a sense. Chairman Stewart stated that he would simply point out that if there are facilities at the 606 E. Adams, he thinks that that's an example of an agency that has very similar concerns, not actually the same, and they're in a building that is co-housed with employees and an agency that may be subject to their very jurisdiction. There may be other space available, it's just in tight budgetary times there is a bit of a spread – it's per square foot, but you multiply that by thousands of square feet over multiple years and you're starting to see real money. He knows

that HFS is charged with making sure our healthcare dollars are spent appropriately and he thinks the agency does a very good of leasing that, but he thinks Member Bedore has expressed that it's not so much that 606 E. Adams is the answer to the lease question he thinks, it's just the Board like to see a little more flexibility at HFS pursuing perhaps a less expensive comparable space in the Springfield area. Chairman Stewart asked Member Bedore if there was anything he would care to add? Member Bedore replied no, that's basically it. CMS has looked at this for almost two years now and there was a plan to move.

Ms. Green stated that as the representative for HFS and dealing with facilities a plan was never given to her by CMS. They may have been working on it behind the scenes, but an actual plan and the discussion on where to place this has never been sent to her. Member Bedore stated that all he can say is that it was presented to this Board and the Board was told that they were planning on moving HFS. They were going to move to Natural Resources, there were two or three places out at the fairgrounds they were talking about. There were two places that Mr. Kanellopoulos was working on and he said it will be accomplished before January 2013. Just so you know, that's a year ago. Mr. Moscardelli stated that they are certainly more than willing to work with the Board and CMS to address the Board's concerns. Member Bedore stated that he is not disputing that you didn't know anything about it, he is just a little surprised at CMS. He is surprised that CMS was maybe misleading the Board, that's all he is saying here, but he does believe that you really should be looking at other State facilities, that's all. That is what this was about.

Chairman Stewart asked that at the next Board meeting, CMS and HFS have had a discussion specifically about identifying new space. He is not asking that the space be identified and agreed upon by the next meeting, but at the next meeting he doesn't think the Board will be pleased to hear that they haven't talked about anything and he is not interested in how we got here, we are here now. Chairman Stewart asked that there be a discussion, at least a primarily meeting. He is not expecting there to be a here's a new lease we're ready to sign it, but just at least take some preliminary steps so Member Bedore's concerns are not just talked about, they are at least acted upon to some degree. Again he emphasized he is not requiring or demanding or anything of the nature that there be a definitive answer, but less a cursory preliminary meeting to at least figure out what are concerns the agency has, he thinks they have expressed adequately and the Board is aware that are very important concerns and they don't want to diminish the concerns the IG has, particularly with the possible identification of whistleblowers, that's a very serious matter. So if CMS and HFS could at least put their heads together and come up with a possible line of attack, it would be greatly appreciated and he thinks the Board and would appreciate it. Chairman Stewart asked if Member Bedore had anything to add.

Member Bedore stated that how this all started was when CMS took over the Franklin Life, the AIG building. Mr. Moscardelli replied that he worked there for many years. Member Bedore stated that he always thought 10 more people in there would... it's an ideal building. It's the State Police, it's all the inspectors, it's the Gaming Board, so you couldn't have a more secure area and that's why he originally started with this, was going to the Franklin Life building, that is how he came about this. Member Bedore stated that he is fine with what was recommended.

Chairman Stewart asked if any other Board Member has any further questions. On the record everybody at table nodded their head when he said they will have something to report, so they did agree to have something to report at the next meeting and he is sure Member Bedore and others will have more questions depending on what the Board hears. He thinks it's pretty clear where the Board is and he would appreciate any movement in that direction. No further questions or comments were made.

Next on the agenda was Lease Review for DHS and DES Lease #4979 at 757 West Pershing Road in Decatur. Director Carter stated that this lease requires a Certificate of No Objection from the Board. Ms. Florence stated that this lease was a former longstanding DES lease. They recently vacated that space and CMS had a need for additional space for DHS. They were hiring additional FCRC staff towards implementation of the Affordable Care Act. Their solution was in their current facility they were co-located with the DORS staff and she believes that they already occupy 100% of that building and there just wasn't room for enough additional bodies. So they moved the DORS staff out to backfill this DES office.

Chairman Stewart asked if there are any questions from the Board Members. Member Black asked where did DES go? Ms. Florence replied most of the staff was consolidated she doesn't have the exact information in

front of her, but can certainly provide that to the Board. Member Black stated that he would be interested in that because upon renewal of a lease in Danville, DES then was moved out in about 90 days. He would say that constructive notice was somewhat lacking, but what is done is done. If you've relocated Decatur to Champaign he would object to that. Champaign's unemployment rate is minuscule compared to Decatur and Danville and he just wants it to be on record, that he is sick and tired of consolidating various State agencies in Champaign. Champaign is not the boarder of the eastern boarder of Illinois, Danville is, and he scratches his head sometimes at the number of State agencies and entities that have served the east central Illinois, how they seem to always to be consolidated into Champaign-Urbana. Member Black objects to this, he doesn't like it, he didn't like the way it was handled and he would like to know where DES went that was in Decatur? Ms. Florence replied that she will be happy to provide that information to the Board. She doesn't believe off the top of her head that it was Champaign, but doesn't have that in front of her. Member Black replied that he would appreciate that.

Chairman Stewart asked if any other member of the Board had any further questions about this particular lease? Member Bedore stated that this all goes back to hiring 25 new people for the Affordable Care Act. That's all the Board sees in all the leases lately. Do they have any idea what this is costing the State of Illinois? How many people have we put on? Ms. Florence replied that it's been a large number. She thinks it is something... Member Bedore interjected that the Board heard that at the last meeting that it's a large number. What is it? What was so difficult, he is not saying "you", but DHS. Why a month's notice and they can't put the numbers together. Member Bedore stated that he doesn't understand. He doesn't know what's so difficult to say how many employees have been hired for the Affordable Care Act and how much new space have we had to use and how much is it costing. A month to put that together I don't think was unreasonable, but I guess it was.

Chairman Stewart stated that perhaps Ms. Florence could speak to her colleagues at the Bureau of Personnel, who track all hiring all decisions. He understands on a forward looking basis that it may be difficult to calculate, particularly the way our personnel system, he would be loathe to ask for a calculation, but who we have hired. He knows that sometimes the data is somewhat aged in the Bureau of Personnel, but their most recent figure of employees and also if they could reach out to their counterparts in HR or Shared Services, he knows we have to have as many HR people involved as possible in that personnel decision. Reach out to them to figure out if they could give us, if a forward looking number is difficult, he thinks we should be able to get them to state how many have been hired, understanding there is always a little bit of a lag for when the data shows up that might at least give the Board a notion. Matt Grady, Chief Operating Officer for the Department of Human Services (DHS) stated that, yes they did say that they were going to do a presentation, in fact at this meeting, and they asked Director Carter if DHS could delay it a month. There were some extenuating circumstances that came up. DHS is looking at roughly bringing on about 1,000 employees, between now and the end of the fiscal year into the new fiscal year. With the Affordable Care Act they are looking at 500. Now those are gross numbers. What they're trying to get to you is a net number, because we have space in some of our offices that is available to be filled, so we need to get you a net number and we will have that for you at the March meeting, as a fuller presentation, not only of the net number, but there are a number of charts that we will be showing the Board. That 1,000 number that he just gave the Board includes 500 for replacement of vacant positions and then also 500 for the Affordable Care Act, but they will be getting to the Board the net numbers and gross numbers at the March meeting.

Member Bedore stated that he appreciates that. As the Board sees these leases they keep seeing that DHS has to expand because of the additional people and so it's not just the number of people, what effects it is having on our leasing. Mr. Grady replied that is absolutely correct and in fact, they volunteered and met Director Carter, he believes the latter part of the year, and voluntarily said that DHS owes the Board a presentation to give the Board a fuller view of what they're doing because right now the Board is getting a piecemeal, every time we're doing a lease we're saying Affordable Care Act is 25 people or something like that, but you need the bigger picture so you know how far out we're going, especially with this mix they have with replacing vacant caseworker positions. Member Bedore stated that is exactly his point. Mr. Grady replied that he is with him on that.

Chairman Stewart stated that he thinks the Board is eagerly anticipating that report. The headcount and the leasing impact of that, where do we put them, and yes he is sure given the size of DHS you're always doing



quite a bit of backfilling at any given point in the year. Mr. Grady replied that this one is a catch up from years of backfill and they appreciate the Board's consideration. Chairman Stewart asked if there is a motion for no objection. Member Bedore made a motion for no objection to this lease and was seconded by Member Ivory. With a vote of 3-1 the motion was passed with Member Black voting no.

Chairman Stewart stated that back to Member Black's concern, if you could get back to the Board as to where the DES employees went that would be appreciated. Ms. Florence replied it's not a problem. Member Black stated that he wanted to also request at the March meeting, if the Board could get some kind of overview as part of the Medicaid Reform Act, the State had engaged a private firm and it is his understanding that they were doing a very, very good job of examining Medicaid ways and finding more than a few people in those rolls that were in fact not qualified and were doing such a good job that suddenly, that firm was dismissed and now State employees will take over that aspect of the Medicaid Reform Act that the General Assembly passed. He would be interested in how many employees were either reinstated or that we have hired to do that review and how many they have found, as opposed to the private firm had found. Chairman Stewart stated that he will ask Director Carter to take a look into these matters and provide you with further information along the lines that you requested. Member Black replied that he would very much appreciate that and as Member Bedore said earlier the Board should talk to several legislators about our agenda and some of the things we're interested in and some of those legislators were the ones who brought this up to him, that they felt like they had not been given, and they have their own resources to get that information, but they have not been given adequate information about why, when something seemed to be working and doing the job that they were directed to do, were suddenly dismissed and then how many employees, and he understands that there was a union issue, but how many employees will be reinstated or have been hired to do that review that was mandated by a law passed by the General Assembly. No further questions or comments were made.

Next item up on the agenda was Lease #5821 that houses HFS, Lottery and DPH on 2906 Old Rochester Road in Springfield. Director Carter stated that this requires a Board Certificate of No Objection. Ms. Florence stated that this is a fairly long standing lease, HFS has occupied this location since 2003 and that initial lease was written for a term of 10 years, which will expire in about 10 days or so. CMS has had an ongoing effort to re-stack, particularly the warehouse operation, so they could more efficiently use that space. They've consolidated the Department of Lottery into the warehouse operation and expanded Public Health's presence there as well. Ms. Florence stated that she would answer any questions the Board might have.

Member Black asked what they are storing in this warehouse. Ms. Florence replied that it is a combination. HFS uses it primarily for record storage. They have their "forever files" stored there. They also store records there that they need to get into from time to time, that can later be archived or destroyed and those are sorted and labeled for destruction as those dates become available. Lottery uses it primarily for secure storage of tickets or other gaming materials. DPH has primarily records stored there as well as some bulk supplies. Member Black asked what bulk supplies? Ms. Florence replied she thinks paper, but she can't answer that specifically. Member Black stated that since the Lottery is now a private firm, are they paying their pro-rated costs for storage area, etc or are we using State taxpayers' dollars to lease warehouse space and office space for the Lottery? Ms. Florence replied that she can tell the Board that CMS bills the Department of Lottery for their pro-rated share of that warehouse. Member Black stated then that's fine he just wanted to make sure that we're doing that and that we're not, in fact, storing Lottery items the old way, that we don't need. He knows that at one time they had promotional materials in storage like hats, posters, little things they gave away. We could have rivaled some of the Super Bowl ads the way the old Lottery was set up that they would use as promotional materials. He knew a Lottery representative for this area and he had a little van and he had more T-shirts in there than a T-shirt store. He assumes that all that has been taken care of and the private operators are now paying for any space that they're using.

Member Bedore stated that it is billed to the Lottery. Is it billed to the Lottery's private company or the Department of Revenue? Ms. Florence replied she can only tell the Board that CMS bills the Department of Lottery. Whether they in turn bill that back to North Star, she doesn't know that, but would be happy to find that out. Member Bedore stated that when she responded to Member Black's questions the answer given was that it is billed to Lottery, that's the Department of Revenue, so we don't know if that bill is then passed on to the private firm. Member Black stated that was the gist of what he is concerned about. He wants to make sure that they are paying the costs, and storage, lease and what have you, because if they're not then he thinks

somebody would need to review that contract at some point. Member Bedore stated that is why he wanted to clarify that.

Chairman Stewart asked if there are any further questions or concerns on this lease from Board members. Member Bedore asked what is the square footage for the warehouse compared to the office. Ms. Florence replied that the warehouse is 58,870 square feet. Member Bedore stated so this is a combined. He understands that's why the rate is \$7.10. On these permanent files, the "forever files", is there any movement to get them microfilmed, microfiche or something to put them on something so we don't have to have hard copies? Ms. Florence replied that she doesn't have the answer. That is beyond the scope of what she does, but she will be happy to ask HFS about that. Member Bedore stated that when you look at the pictures that's a lot of files. Ms. Florence replied affirmatively, it's a lot of boxes. Chairman Stewart stated that he does know that up until recently, the State Records Act recognized electronic records. He believes in the last three years or so that actually has been amended and recognized, we are all in the 21<sup>st</sup> Century now, but he thinks historically too many agencies had to have a paper copy. The type of record that you can't destroy, you had to keep them forever, for a long time and the statute that was written didn't encompass electronic records. He knows a lot of us, his agency in particular, still has lots of paper and we all recognize that the State needs to continue to try to move into the digital world. It has many benefits, including but not limited to, probably a little less warehousing of paper that which 99% of never gets looked at ever again. Ms. Florence replied that she doesn't disagree.

Member Black stated then that begs the question, when looking at those pictures and particularly the "forever files" he finds that title to be very interesting. Is there a sprinkler system in this warehouse? Ms. Florence replied she doesn't know that. Member Black stated that he didn't see it listed as such and those files could be, if they're supposed to be "forever files", and you're putting them in a warehouse without a sprinkler system, they are at great risk. Chairman Stewart stated that we could always go with a backup warehouse with extra files, just kidding. Member Black stated that is exactly where he was headed. Chairman Stewart stated that it is a redundant system. Member Black stated that his eyes are drawn to the total rent over term and that's a lot of money. Chairman Stewart stated that they will ask Director Carter to inquire as to looking at the photos, that's too fine a detail to tell, so Director Carter will follow up, we think that's true, but we don't know we can't tell looking at the photos. So if CMS can look into or Director Carter or both we can share that information once we get a final answer. Member Black stated that he appreciates that. Chairman Stewart asked if anyone wishes to make a motion for no objection.

Member Bedore stated that as Member Black has pointed out, over the life of this contract it's almost \$6 million. This is a healthy contract. This is \$6 million that goes to Mr. & Mrs. Curtis and then we have to pay for the alarms, mat service, landscaping, and for snow removal. He's sorry, these two people are going to get \$6 million and we have to pretty up their place. Can't we have the Park District do some work? Leslie here could probably decorate the whole landscape or whole area. Why we're paying \$.02 a square foot for snow removal, my gosh, snow removal. Isn't that a responsibility of the owner? He's sorry, this lease for \$6 million dollars, it's a lot of money. Ms. Florence replied it is a lot of money and she would argue, in any given lease negotiation, there is always some give and take and for \$7.00 a square foot you're not going to get a full gross lease. Member Bedore stated yes, but the majority of your lease is warehouse. So don't throw that \$7.00... you can get a warehouse for \$4.00 and \$5.00. You don't have to heat it as well or lighted it as well or pay for janitorial service in the warehouse as you do for the office, so the price should be down there. Ms. Florence replied, well you're also getting over 22,000 square feet of very nice office space for \$7.00 per square foot. Member Bedore asked if they need very nice office space? Ms. Florence replied that it's an administration office and it's nice space.

Member Black stated that he thinks Member Bedore's point is well taken for this amount of money. He's leased office space over the years and he's never encountered a landlord not willing, not renting that kind of square footage, but he has never encountered a landlord that didn't put in the lease agreement that the landlord was responsible for snow removal, landscaping and that included mowing the grass and raking the leaves and things of that nature. He would have never have signed a lease out of his pocket, where he was expected then to hire a snow removal firm, a landscaping firm, a lawn mowing firm. He realizes that we're talking a much different kind of lease and a lot more space, but he just thinks some of the things are not what he has encountered whenever he leased space. A landlord is basically responsible for the outside of the building and

making his tenant able to get into the building during winter, this winter in particular. If we, as private individuals, entered into this lease, he thinks that we would probably sit down with the owner and say now wait a minute, I'm paying you a fairly decent rent, the least you could do is hire your own snow removal firm at your expense and maybe a couple of other things in here. He doesn't know, maybe he's been spoiled because of some of the leases he's entered into, but those kinds of things no landlord ever asked him to assume that responsibility.

Chairman Stewart asked if there are any further comments. Does anyone wish to file a motion for no objection? Chairman Stewart asked if this doesn't get approved where is the State going to be? Ms. Florence replied that they will be in holdover. Chairman Stewart asked and how long can we remain in holdover status? Ms. Florence replied six months maximum. Chairman Stewart asked if we have to move, what does that entail? Ms. Florence replied that CMS would probably have to do an RFI, find the space, potentially build-out new space, and that could be upwards of a year easily. Member Bedore stated that or they could go back and talk to the owners. Ms. Florence replied yes, they can try that. Member Bedore stated that then you could also get answers on the Lottery and all the others at the next meeting, right? Ms. Florence replied affirmatively.

Member Ivory stated that he is inclined to agree with Member Bedore, in reference to the fact that at least the Board would like to see CMS go back and talk to the owner and express the Board's concerns and rationale and see what type of response you get, because obviously there are some valid points here and when you're paying for snow removal and the other factors, maybe that was a negotiation and maybe you negotiated the best you could do. That's the question, how well did CMS negotiate and we have a real fiduciary responsibility with the State, to do the best we can and the Board just wants to know that CMS has done the best they can before the Board can agree to vote on this particular issue. He thinks that makes a lot of sense and he thinks it's most appropriate.

Member Black stated that he would like to reiterate, he thinks what Member Ivory just said is the real key here. We don't know how that was negotiated. Was it negotiated? Did they first say they wanted \$0.20 for snow removal? We're at a disadvantage, we don't know whether that was seriously negotiated and we did get the best deal for the taxpayers that we could get, or did the owner just say here's my breakdown and here's what he expects CMS to pay. That puts us at a disadvantage.

Chairman Stewart stated that a new witness has come to the table. Matt Brown, Chief Procurement Officer for General Services stated that one responsibility that he has includes the oversight of CMS' leasing portfolio through the procurement process. One factor that he wanted to clarify, and again, this is just based on documents at hand. The preceding lease is a 10 year lease, so under the requirements of the Procurement Code that lease is no longer payable past 10 years, so the holdover clause... Ms. Florence interrupted CPO Brown and stated not this lease. CPO Brown stated that's not the Rochester lease. CPO Brown asked if this was a 10 year lease. Ms. Florence replied no, we did a 364 day lease. CPO Brown stated that he apologizes, he was under the impression that we had a 10 year lease limitation, which would require an emergency procurement verses holdover under the 364-day lease requirement that was established. CPO Brown asked if that was used to get over the 10 year hurdle previously. Ms. Florence replied affirmatively. CPO Brown stated that he just wanted to make sure we get all of our facts right, because that will conditionalize what decisions are able to be made. So the 10 year hurdle on the lease was overcome by affecting a new 364-day lease. A 364-day lease is a one-time decision that can be made unilaterally by the Administrative Office. The 364-day lease can go into holdover. There is a six month limitation on how long that can go into holdover, but by being in holdover it would not prevent the lessor from receiving payment during that period of time, but that kicks off a six month clock.

Chairman Stewart asked if anyone has any questions for CPO Brown. Member Black asked if CPO Brown is smiling today. CPO Brown replied from ear to ear. Member Black stated then it's going to be a good day. Chairman Stewart stated that he thinks the Board has expressed its concerns and he doesn't think the Board is ready to make a vote on this lease at this time. He would ask that CMS go back to the owner and try to answer the questions that Member Ivory, Member Bedore and Member Black had raised, but it does set off a six month clock so we're going to have to vote on it at the next meeting. Chairman Stewart stated that he thinks at this point we're just going to put this off. Is there a motion to postpone this until next meeting? Member

Ivory made a motion to postpone this lease until the next meeting and was seconded by Member Bedore. The motion was unanimously approved.

Next item on the agenda was DHS Lease #6526 at 8116 North Hale Avenue in Peoria. Director Carter stated that this lease does not require a Certificate of No Objection, but was asked to be put on the agenda at Board Member request. Ms. Florence is here to answer any questions on it. Their personnel space is 196 square feet per person, which is pretty good. Ms. Florence asked if the Board would like an overview. Chairman Stewart asked her give a brief overview and then members can raise any issues, concerns or questions they have. Ms. Florence stated that this proposed lease is for relocation of an existing DHS office. That lease had been in place for 10 years. CMS did two RFIs for that space. The first time CMS received no offers, the second time we received two offers and they proceeded to the point of lease negotiation, ultimately the improvements were just too costly so CMS abandoned that RFI process. CMS then negotiated an alternate RFI lease and at that point discovered that the existing landlord was in violation of SB51, due to improper campaign contributions. In working with the CPO's Office, CMS jointly decided that they could no longer do business with that landlord. They immediately advertised a new solicitation and received two offers; this lease is the result of negotiating the lowest cost offer on that RFI. CMS has continued to occupy the incumbent location, but without a contract in place and due to the 10 year term limit, as CPO Brown mentioned, we have no mechanism under which to pay rent, so CMS needs to get out of that space as quickly as possible. The landlord has indicated that they're going to begin eviction proceedings, but CMS has not seen any paperwork to that effect. Ms. Florence stated that they do have temporary relocation space ready to go and they're working through that process as we speak. Ms. Florence stated that she would be happy to answer any questions the Board might have.

Member Bedore stated that he knows one of our Board members is very familiar with Peoria and he is somewhat familiar because he travels up there a lot. He finds it difficult to believe that CMS couldn't find space where we don't have to spend \$720,000 in build-out. That's a lot of money, \$700,000 of taxpayers' money. That's a lot of money, he's sorry but he has real difficulty with this lease of paying out \$700,000 to rehab or to build-out this space. He's sure that there has got to be some space in the city of Peoria that wouldn't require this much, he just finds it difficult. Ms. Florence replied that CMS has, and she doesn't know why, she can't tell them why, but CMS has had very little success in the Peoria area. This particular building, it's a nice building, it was never built as office space so there is considerable work to be done to make it useable. Member Bedore stated that it's obvious, \$700,000 worth of work. That's a lot of work and who's doing this work, the private owner, right? Ms. Florence replied affirmatively. Member Bedore asked does it come under our goals of minority hiring and everything. You're going to hire quite a few people for this build-out and it's all under the owner. What oversight does CMS give to this type of build-out? Ms. Florence replied that CMS oversees the build-outs through to fruition. CMS facility management staff is involved throughout the process to make sure that the APR is being followed to make sure the right materials are being used. Member Bedore stated that these improvements are going to go in and as he understands the furniture systems and that can be moved out, right? Ms. Florence replied affirmatively. Member Bedore stated but as far as the build-out of the building you're saying the building is not an office building? Ms. Florence replied affirmatively. Member Bedore stated that we are going to use \$560,000 of State money to convert this building to an office. Ms. Florence replied affirmatively. Member Bedore stated and that is then left behind if we ever move out. So this landlord, who is sitting there with a warehouse or a big empty building, can't rent it the State comes in and says "oh we'll convert this to an office and here we'll give you \$600,000 for that and another \$161,000 for partitions." He is sorry, in today's world in Peoria, he really objects to this lease.

Member Ivory asked how long this building had been vacant. Ms. Florence replied that she really doesn't know. She stated that it was most recently used by a telemarketer as a call center, but she doesn't know how recently that was vacated, but thinks within the last year or two. Member Ivory stated that he is curious too, if you're going to do a build-out why wouldn't CMS have any BEP goals on it at all since you are using State money to do the build-out. He noticed that he didn't see a BEP or a DBE goal or no goals for minority participation at all. Ms. Florence replied that's not a part of their leasing and she honestly can't tell the Board why that is. She doesn't know that answer quite frankly. Member Ivory stated that it seems like it would have, at least from a CMS perspective, since he is on the CMS BEP Council that if you're going to be using State dollars to do a build-out, he is not saying that they would approve this to be quite frank with you, but it would seem like there would be some sensitivity to that and it seems like there was no thought given and



maybe he is wrong, maybe there was a great deal of thought given, but he would like to know who at CMS, if they have any involvement, who made this decision because he sees no questions in terms of any of goals at all, but CPO Brown is going to tell him why.

CPO Brown stated that one of the things that he can share with the Board is, and he appreciates that question, is that the ability to apply BEP goal setting to State contracts, as you know, is somewhat limited in scope today as compared to the number and types of contracts that the State of Illinois issues. In the traditional sense, when we're asking for build-out from a lessor that build-out is not being done in a way where the build-out is, in a traditional sense, sub-contracted for. Where there is a privity relationship for the duration of the expense. We are going to be paying lease rates in this facility for several years that build-out terminates very soon and the build-out under these particular relationships is a build-out not owed to the State, even though it's our money, it's a build-out owed to the lessor, because the lessor, as we all know, is really the beneficiary of those improvements, they're the ones that get to write them off on their taxes, they're the ones who have the obligation to provide to the State at the level the State designates. Now there are alternative ways we could get to that because of workforce issues that are available, because of the types of requirements that we are asking for from the lessors, but thus far this State has not endeavored into any of those workforce issues, in the labor and materials, the marketplaces that we would be expecting the lessor to source from. Those are things that are certainly able to be considered, but the State has not yet breached that particular business realm as it goes with our state leasing. Member Ivory stated that in essence, what you just said is that anytime we have leasehold improvements, no matter how big or how small it is, that we traditionally have no goals attached to it at any point in time, as a rule of thumb. CPO Brown replied affirmatively. Member Ivory stated that he guesses that he's concerned a little bit about that, and he knows CPO Brown is a student of procurement because you're the CPO for General Services. It's always a challenge when we take a look at the numbers across the State, when we do disparity studies, and we see the disproportionate lack of participation in a lot of areas. He would like to say that was not a problem, but the Governor has said "everyone in, no one left out." When we have such opportunities to do something that helps to put a goal that has some minority participation, surely in Peoria where he is very aware of since he happens to live there, that it seems to be in this particular lease that there are some concerns that he has, that Member Bedore has, that it's going to make it hard for the Board to get on board on this particular lease at this point in time. He thinks CPO Brown and himself could probably have some conversation offline to talk about, why is that the case and what the rules and regulations are, is there some way to modify that, is it some legislation that needs to be introduced? He doesn't know, but it's probably not the time for the Board to have that conversation today and go back and forth on it. When you're losing, and he understands what CPO Brown is saying that the owner is the one who will write it off, he's the one who benefits from all those factors, but it still is money that is invested by the State in terms of the lease. CPO Brown replied that's correct and policies of inclusion in the State of Illinois are very important and one of the things that the State has traditionally looked for in creating those policies, is how much control does the State have over each dollar that it spends or invests on behalf of the citizens and every dollar, depending on what purpose it's spent for, tracks differently, it has a different value in the marketplace based on the State's policies, and procurement is no different. Procurement happens to account for a lot of spend in really a countless number of ways, once you start to look at that, so it's very important for us to start tracking those dollars and identify what policies exist today for the State so we can say yes there should be, and appropriately so, goals and inclusion policies put forward and where there are none today. Those are considerations that need to be met by folks like this Board and other Statewide leaders. CPO Brown stated that he appreciates the opportunity to have that conversation. Member Ivory stated that he will yield to CPO Brown on that particular issue, but he thinks the issue at hand here is the \$700,000 we are using for the build-out in the city of Peoria and whether that makes good sense for us to make that type of investment. He thinks that's the issue at hand here and could we do something different that would make more economic sense to the State. CPO Brown replied that the only other facts, and this is probably simply restatement in a different form of things Ms. Florence has already mentioned, we are in a unique situation and we cannot negotiate with the current lessor. CMS has a legal obligation to discontinue our business relationship with that lessor. The State has been working very hard to find temporary space that is appropriate for the displacement of all these employees. It's his understanding that CMS is equipped to do that at this point, but that is still temporary space and it's not temporary space that we will have exclusive for those displaced employees, we are stacking them on top of other agencies that really had no awareness or design that they would be receiving an influx of other agency's employees because of the situation. So that is a very temporary scenario. CPO Brown stated that the other thing that is important to recognize, Ms. Florence also

mentioned the cost was excessive. This is the second time this opportunity has been publically solicited. In both cases the responses to the State of Illinois having been buildings that are shelled out in one way or another and the lessors elected not to put forward an in-service type of facility. They said look, here's the rate, here's the rate on a shelled out building, if you want more we will gladly show you the cost. It is the State's policy to look for gross leases to look for as-is occupancies where the State would not further invest. At this point in time the marketplace has not yielded as-is utility. Every facility that has been put forward has been shelled out. The first solicitation came in not at \$700,000, but \$1.4 million or maybe \$1.6 million in potential build-out and that's clearly a non-starter at that point in time and it was roundly agreed that would not serve the State's interests in any fashion. It is certainly something that we can re-solicit and we can make it a priority during its solicitation, but we have no way of knowing whether vendors in the open marketplace will give us as-is alternatives. Again, unfortunately, they just don't have the luxury of leveraging or working with the current lessor. CMS will do everything in their power to address this issue and take another run at it.

Member Bedore asked if this was the lease where there was a political contribution. Ms. Florence replied that the existing lease, the incumbent location. Member Bedore asked how is CMS going to...you are going to temporarily locate these people into the Illinois Central College and a lease with the lessor, the same lessor for another property that he owns, how can you do that? Ms. Florence replied that this is a new lessor. Member Bedore replied oh the new lessor, he is sorry. Member Bedore stated so you are going to relocate these people with or without this lease, correct? Ms. Florence replied into temporary space, yes. CMS doesn't have access to that temporary space long term nor is that space... Member Bedore said because it's going to take months or whatever to build-out. Ms. Florence replied exactly. Member Bedore stated so there going be a temporary location. Ms. Florence replied affirmatively. Member Bedore stated that if the Board doesn't approve this, you're not going to be out on the street because you're going to go to the temporary location? Ms. Florence replied affirmatively, but she doesn't know if they will have access to that temporary location for sufficient time to withstand a new RFI process.

Chairman Stewart asked how long is the typical process for a RFI, ballpark. Ms. Florence replied that this one was solicited, June 2013 was the date of advertisement. CPO Brown stated that the June 2013 solicitation is a date based on realizing that the earlier solicitation was not viable. So once CMS worked through option number one and considered it not to be in the State's interest it took from June until, granted it takes a while to get in front of the Board, it took from June until about 30 days ago to be able to materialize that this is an award that under the current circumstances and current offers, yields a proposal to the State and could execute a contract on. Chairman Stewart stated so approximately six months. CPO Brown replied approximately six months and now CMS can try to truncate that a bit based on having done this two times already, but in order for the marketplace to respond and if we do have new lessors emerging in the marketplace, we do have requirements that they give us renderings of the facility, we have to go out and do a site visit and evaluate the facility, those things. Chairman Stewart asked as it stands now, how long is CMS looking to use the temporary space? Assuming this were all to happen, what was the plan for temporary space? Ms. Florence replied that they have the College for up to six months, the other space we could probably have for up to that point. Chairman Stewart asked if there is an ability to get more time at that space. Ms. Florence replied that CMS can certainly ask. Chairman Stewart asked that if it all falls through what's the outcome. Ms. Florence replied that's a really good question. They have to find permanent space for these people, one way or the other, and we can't do that outside of the RFI process due to the square footage. CPO Brown stated that one of the situations that is available in some marketplace, but does not appear to be available to us in the Peoria area, is to try to compound our occupancy across other leases. As he understands, CMS has looked at all of the leases in the area and consolidations in those buildings are not an option for this number of people and this particular program function. As well, they do not have a scenario that he is familiar with at this point, where CMS could negotiate their way into any of those facilities. There are limited opportunities under the Board's jurisdiction of alternative RFIs and bringing things to the Board for lease approval, where they may be able to do that. He is not aware at this point where they have any leasing option to even utilize the Board's authority of approval to make that happen.

Member Ivory stated that he is assuming that the temporary employees will be located at Illinois Central College's East Peoria campus, not downtown? Ms. Florence replied that she thinks it is the downtown campus. Member Ivory stated that he knows when you talk about surrounding places, Peoria Heights, East Peoria there's all kinds of places, but does it have to be located in Peoria? Ms. Florence replied she doesn't

know off hand what the boundaries were, but the advertised boundaries are dictated by the using agency for service area boundaries and those kinds of things. She would have to look at the solicitation itself to see what those boundaries were in this case. Member Ivory asked where are we housing people at from the Illinois Central College spot downtown, is what we are paying for that temporary space equal to what we're currently paying at the current place or did we negotiate that? Ms. Florence replied that it was negotiated and she is sorry, she should have brought those with her, but she doesn't know what that rental cost is. Member Ivory stated that he was just curious, if all of a sudden we are paying more than what we would have paid 20% - 30% more than what we currently pay for our current lease, he was just curious to see. Ms. Florence replied that it certainly is not, no.

Member Bedore stated to Member Ivory's questions, CMS doesn't know what we're paying to Illinois Central College. Ms. Florence replied she knows, but she doesn't know off the top of her head. That's been established, but she didn't bring it with her. Chairman Stewart stated that, basically, this is the second or third go around on bidding this thing out. Ms. Florence replied it's the third since 2011. Chairman Stewart stated that he knows it's speculative, but in your opinion do you think we're going to get a better bite at the apple if this goes out the fourth time? Ms. Florence replied in her opinion, no. Chairman Stewart asked if CPO Brown has any opinion on that. CPO Brown stated that the only facts that are represented thus far is each time CMS has gone out, they have received a different representation from the marketplace. From each successive bid they have not had the same set of facts to consider, so he believes that if that history holds true they will have to have several new business considerations with what might be offered. It is always something CMS seeks if they have repeat bidders, for them to get the message that this doesn't serve the State's interests and if you come back and bid again you need a sharper pencil and you need to be willing to bear more of the responsibility as a lessor and they do send those messages very strongly in these circumstances. Chairman Stewart asked if there is any way the vendor could be willing to shave down the \$558,000. Ms. Florence replied that they can certainly re-visit that.

Member Bedore asked if CMS has representatives out in the field by area from CMS. Ms. Florence replied affirmatively. Member Bedore asked what they have done in the Peoria area, have they looked, have they come up with potential... say someone in East Peoria or Peoria Heights or somewhere that they could go in and look and say John Brown, are you aware of this bid? Ms. Florence replied that when CMS advertises a solicitation, part of their process is for actually the leasing representative that is assigned to that given project reaches out to and looks via internet and in some cases we actually drive the boundaries to see if there are vacant properties available. CMS contacts those lessors and makes them aware of the solicitation.

Chairman Stewart stated that he had a suggestion and would appreciate input from the other Board members. The Board typically meets month to month, however, as a public body they have the authority to have special meetings with appropriate notice. It is his understanding that this has to be decided one way or the other by February 23<sup>rd</sup>, it's not February 23<sup>rd</sup> today. He thinks the Board has expressed the concerns about the build-out in particular, not the furniture, but the build-out. He is hearing from CPO Brown and CMS that this is the third time around and this is what we have on the table right now, we can't negotiate with the current lessor. He would ask that CMS and CPO Brown and his team, if possible, would go back to the potential vendor here, express the deep misgivings the Board has about the \$550,000 and see if they can bring that down, and then the Board has a special meeting before February 23<sup>rd</sup> to vote on this specifically. Chairman Stewart stated that he worries about calling a vote right now and he would like to give one more chance to address it and that's the best he can think of at this time, if a Board member agrees or disagrees.

Member Ivory commented that since he happens to live in Peoria he often hears where people were just not informed. He would surely like to, with his contacts throughout the city and surrounding areas, with the Mayor and the other key people, he would surely like to reach out if we don't break any procurement rules here, to reach out and just let people know this is a great opportunity. We may find some people who somehow slipped this, and if we don't find it within that time then he thinks it leaves the Board no other choice but to move forward with the only options that we have. CPO Brown replied he does appreciate that comment and relying on that network of communication will be very helpful. It is a matter of timeliness however, that in order for anyone new to the process to be identified, we would have to hit a restart button here. That would require a new level of consideration that could take a few months to accomplish. Between now and the 23<sup>rd</sup> of this month, those new entrants into the discussion would not have the opportunity for

consideration. Member Ivory stated that his only question would be if it wasn't significant enough and it was close then it would be no need for it, but if we found something that was a sweetheart deal then maybe two months would matter if we don't find something he thinks that suits the requirement and shows real significant value to the State then he thinks we would move on just as we've talked about here. CPO Brown replied that one of the things he would like to do to be able to rely on that alternative to the extent possible, is to be able to provide you with a script of dos and don'ts and what can be considered and what can't in that nature and sort of how emergent facts external to the conclusion to that have been made so far, might have some relevance in the State's reconsideration, because the State does have an opportunity to re-bid things, but that's generally predicated by being significantly in the State's interest as you indicated, and there are very particular steps we have to take to make that happen. CPO Brown stated he wanted to put something together so that any of these folks that would choose to come forward, don't inadvertently prevent consideration by their actions. Member Ivory replied ok. Chairman Stewart stated that he thinks under our current system of procurement, our ability to obtain such information in short order and act upon it is very difficult than what people like and that's something CPO Brown, CMS or the Board have noticed with State statute and State law. Chairman Stewart stated the clock is ticking on this one and he agrees it would be a good measure, but just doesn't know if we have time to do it, if we got the information the best you could do is have to re-start all over again and then we put the fact to not come forward with this lease rather than make a decision up or down on this one, put it off until some point before February 23<sup>rd</sup>, give CMS a chance to get the vendor to address the Board's concerns and come back and make a vote, sink or swim at that time. He agrees with your concerns and your desire to see if everyone had information, unfortunately, we probably just don't have time to react to that under the current restraints of the Procurement Code. Chairman Stewart asked if anyone wanted to make a motion.

Member Bedore stated that he would really like to know before the February 23<sup>rd</sup> or whatever it is, he would like to know what the square footage cost is at Illinois Central College and the number of people that are at the various locations. Ms. Florence replied that she has that at her desk, she just doesn't have that here. Member Bedore stated that he was wondering, he would certainly believe that the Illinois Central College would love to have somebody paying rent and he bets they wouldn't kick them out in six months, but that's for you to determine. Knowing the Junior College and that, if there's room they would love to probably have you there, also as Chairman Stewart has said about the \$500,000 for the build-out. CPO Brown replied he was sorry he was just clarifying with Ms. Florence that it may not have relevance, but there is an agent that represents Illinois Central College so that puts a third party in this relationship, so he just wants to be careful before we talk about how Illinois Central College might be interpreting our participation because, again they have got an agent who's been involved and CMS doesn't have one to one relationships established at this point, but they would be happy to establish one, so that we understand first-hand what the College's desires are. Ms. Florence stated that she doesn't know if they have ample space to house the entire operation. They chose not to submit an offer on the RFI for whatever reason. Member Bedore stated that maybe a phone call to them, maybe. Member Bedore stated that Chairman Stewart also talked about the \$558,000 for build-out, maybe looking at that, but if the owner says no that's what the amount is, you obviously have another choice and that is the square footage cost. We're going from \$13.52 to \$14.19. Ms. Florence replied that CMS will revisit the cost with the landlord. Member Bedore stated that if it's locked into the build-out, well maybe we can look at the price per square foot. Chairman Stewart stated that he proposes that the Board postpone consideration of this, asks CMS to go back to the landlord and discuss any other ideas that Member Bedore did not raise, but those ideas and anything else we can think of to see if the cost can be brought down. The Board clearly has concerns about the costs. The Board will set a date, not today, but will set the date and will put out notice in compliance with the Open Meetings Act to then have a very brief special meeting to make a final decision on this particular lease. Chairman Stewart asked if anyone would like to make a motion to postpone. Member Ivory made the motion to postpone and was seconded by Member Bedore. The motion was unanimously approved.

The last item on the agenda was Legislation. Director Carter stated that to date so far we don't have any legislation that directly impacts the Board or drastically affects the Procurement Code. He would be happy to follow any bills that members have on their mind, but so far other than that he doesn't have anything to report. Chairman Stewart asked for any final comments or thoughts from any Board Member before the motion to adjourn. No further questions or comments were made.



A motion to adjourn was made by Chairman Stewart and was seconded Member Ivory. The motion was unanimously approved.