



STATE OF ILLINOIS  
**PROCUREMENT POLICY BOARD**

Terrence Healy, Chairman

Members: Michael Bass, Ed Bedore, Ricardo Morales, Carmen Triche-Colvin

**Minutes – April 3, 2008 Meeting**

Room 500½ at the Stratton Building in Springfield

Connected via video to

Room 14-612 at James R. Thompson Center in Chicago

Present in Springfield: Mike Bass  
Ed Bedore

Present in Chicago: Terry Healy  
Rick Morales

Absent: Carmen Triche-Colvin

The Board started the meeting by confirming attendance at 11:35 a.m.

Approval of the minutes of the February 28, 2008 meeting were moved for approval by Member Morales and seconded by Member Bedore. The minutes were unanimously approved.

First on the agenda was CMS – Director Matt Brown stated that CMS was in the process of setting up their PowerPoint presentation and suggested they could go on to Higher Education.

Higher Education proceeded on the topic of Policy Changes – In attendance was Bob Baker, Chief Executive Officer, IPHEC. Mr. Baker spoke about how Higher Education (HE) deals with policy changes. He prefaced their goals, the organization's structure and the various methods used. The overall goals of HE procurement are to promote purchases in conformance with legal requirements, ethical administration and utilization of best practices. Mr. Baker provided the Board with handouts which showed the two separate groups that make up the organizational structure. He explained that by explaining three main focuses of attention within the CPO structure. They provide legal advice for bidding and contracting on individual transactions, review of legislation, and training of buyers and campus administrative personnel in the Procurement Code. Mr. Baker stated that HE is committed to good communication with the Procurement Policy Board and staff along with attending the monthly Board meetings. He mentioned the operation and on-going enhancement of the HE electronic bulletin and how HE is currently implementing some enhancements to the bulletin including a notice of potential opportunity feature, which will provide advance notice of contracting opportunities to the public. Also HE is working on developing a contract reminders feature, which will enable them to send e-mail notices to the buyers at each of the 13 campuses to notify them about six months in advance of the termination of a term award and have them do a re-bid or to renew if there is an option available. Mr. Baker stated that HE is also working closely with the PPB and CMS to help implement the Clearinghouse link from HE website to feed information into the new PPB website. Mr. Baker stated he conducts training three times a year for all 13 universities in March, August and December. In these meetings they discuss procurement issues and updates and help

answer any questions the directors might have. Matt Brown and Will Blount attended the meeting in March. Mr. Baker stated he would be happy to answer any questions the Board might have.

Chairman Healy stated that one of the Board's largest concerns was that there was consistent participation at each of these meetings and that the Directors were taking that information from those meetings and utilizing it at each of their campuses. Mr. Baker replied that he was pleased by the support given by the Board during the last couple of meetings bringing into question the attendance of one university. Since then there has been an improvement in attendance and Chicago State University will be attending future meetings. Chairman Healy asked Mr. Baker to keep the Board informed on the attendance of all the universities.

Member Bass asked if Mr. Baker would talk about the small purchase level for commodities and what is that number now? Mr. Baker replied for construction, he believes the amount is \$37,500 and for general commodities it is \$31,300. Member Bass asked if the level is maintained by this Board. Mr. Baker replied that when the Code went into affect in 1998, it established a \$10,000 bid level on general commodities and services. The Board is allowed to make modifications to that level, with the exception of professional and artistic services which is locked in at \$20,000 unless the legislature changes it. It was shortly after the July 1 implementation of the Code in 1998 that information was presented to this Board supporting the level going to \$25,000. Additionally, for construction and supplies and services there is a provision in the Code that the CPO can annually increase that bid level by the level of the consumer price index. Since 1998 there have been annual increases to bring it up to its current level. Member Bass asked if the Board could re-establish a level that the CPO would implement. Mr. Baker replied affirmatively. Member Bass asked if this topic could be on the next agenda to discuss in more detail.

Member Bedore had some comments regarding proposed contracts posting late to the Bulletin and wanted to know why it continues to occur. Mr. Baker replied that a lot of the problem has to do with the complexity and decentralization of many of the campuses. Member Bedore stated that he has seen some results from the requirements that Mr. Baker has established and thinks he should be commended for it. Member Bedore also stated that he knows that things have slipped through the cracks, but from what he sees that HE is really working on it. He stated that he would continue to follow the issue. No further questions were asked of HE on this subject.

Member Bedore asked for additional follow-up on Chicago State University. The temporary consultant for Business Affairs had previously discussed a report on CSU's corrective measures that he would draft before his departure. Member Bedore sought a status report. Mr. Baker said that he would inquire and report back to the Board.

Director Brown had a statement regarding an issue that came up after the agenda was finalized but that the Board has interest in and wanted to introduce it for future consideration. The item was the use of contract renewal options and how those renewal options can be executed. The contemplation is how you effectively execute the terms of the contract toward getting the product needed in the best and most reasonable fashion and still be within the requirements of the contract and solicitation. The question is the ability to exercise single year options all at once; three one year options executed simultaneously. From the position of administering a contract, no one has concern that is it unlawful, but it is uncommon. Chairman Healy stated that he understands why it is being used in this particular circumstance for purchase of electricity. The question is, what other circumstances may invite abuse if we allow this particular situation without any comment. Chairman Healy asked the Board if they had any comments. Member

Bass stated from his point of view, he thinks it is important to go back to the original solicitation and see how it is phrased in the original RFP when people were determining how to respond. As we move forward, Member Bass stated that he would want to get cleared off his mind that a solicitation had recognized this as an exercisable option if the Board was ever faced with this issue again. Chairman Healy stated that this is something that needs to be stated affirmatively in the solicitation at the beginning of the process. Nick Kanellopoulos from CMS stated that the language for leases is different for those of general services. In leases it is stated that they can maintain renewal option, meaning single option. It has not always been held that way for goods and services and if it means the same thing with every agency; however with CMS they interpret it meaning one option; not more than one option simultaneously.

Chairman Healy wanted to know if this should be set up as a policy. Member Bedore stated that he would like to see the PPB staff and Todd Turner, legal counsel for the Board, to come up with the pros and cons of this for the next Board meeting. Chairman Healy stated that he would like to see CMS work on this situation as well.

Next on the agenda was CMS – ISP headquarters in Springfield – In attendance was Deputy Director of Property Management David Vaught and ISP Colonel Greg Mueller. Mr. Vaught stated he was here to give a presentation on the plans for the former AIG building (Franklin Life Complex), which is now ISP headquarters. Mr. Vaught provided a handout and PowerPoint. This complex is made up of four buildings built over a period of several years and each building is connected to one another. These four buildings and an additional building for storage was purchased by CMS for \$13,250,000 (fully furnished). It provides 190,557 of usable square feet of office space, about 50,855 square feet of storage and 893 parking spaces. Once AIG is completely out of the building, ISP will move six other ISP offices in, which would terminate six leases. This migration should be complete by the end of June. Mr. Vaught stated that with moving these leases into the complex it would save the State about \$1.5 million in rental cost annually. Member Bedore wanted to know what the cost of operating this building would be. Mr. Vaught stated that Col. Mueller could answer that question. Col. Mueller prefaced that ISP has asked for about 30 years to get a central headquarters to get out of the armory and vacate all these leases. At the last budget request meeting, the ISP requested \$80 million to build a building. When looking at the AIG complex it has many areas that will meet the ISP needs in a state of the art manner that would not have been funded through a capitol project for \$80 million. The maintenance costs are not solid yet without full occupancy and will be different then current AIG cost due to change in use. Member Morales asked if the new operation would be higher than current costs. Col. Mueller said they will not be comparable considering such a dynamic change from the leases and the Armory. He was asked to provide some more details to the Board once these factors are established. Member Bedore reminded everyone that this is a very unique facility with potentially high operational costs. He also stated that efficient use of the building might help control that cost. Chairman Healy asked if the current maintenance people in the building will be hired for the ISP. Mr. Vaught replied that they have. No further questions were asked.

Next on the agenda was CMS lease #4622 401 Brown St., Bloomington – In attendance was Chief Operations Officer Marcia Armstrong. Ms. Armstrong stated that lease #4622 is an alternate RFI that has been in holdover since April 2008. Actual headcount is 34, budgeted headcount is 37. The square footage at this facility is 11,290. The term of the lease is a five year term with a five year renewal clause and a termination out-clause after the third year with a 120 day notice. The space provides services for children and families in McClain County and is a client service location in Bloomington. The base rent had been at \$11.53 and they had proposed

2% increases in years 1, 2, 4 and 5. Ms. Armstrong said she would be happy to answer any questions. Member Bedore wants to know why there are no proposed improvements in the lease. He identified several deficiencies in the photos. Ms. Armstrong noted that in this lease the lessor agreed to providing repairs and update up front; rather than as lease terms for improvements. Ms. Armstrong stated that it is not worded in the handout information, but within the lease it is stated that this general improvement and maintenance will be done at the landlord's expense. No further questions were asked. A motion to approve lease #4622 was made by Member Bedore and seconded by Member Morales.

Chairman Healy wanted to know if Mr. Vaught had an idea where the holdover leases were at. Mr. Vaught replied they were at about 160 still in holdover. Chairman Healy wanted to know if CMS will give a presentation at the next meeting about where they are with the holdover and what is being done to lower the number. Mr. Vaught agreed.

Next on the agenda was legislation – Director Matt Brown gave a brief update of the legislative report. Director Brown stated that within the next two weeks deadlines occur in both chambers of the General Assembly for them to have bills leave their house of origin. There are two pieces of legislation of immediate interest to the Board. One is in the House and one in the Senate that both expressly limit contract duration to 10 years inclusive of proposed renewals and are on 3<sup>rd</sup> reading in both the House and Senate. PPB is still working with Agency staff and sponsors of those Bills to make sure any concerns or inquiries are addressed. No questions were asked.

As no other items of business were to be considered, a motion was made to adjourn at 12:50 p.m. by Member Bedore and was seconded by Member Morales. The motion was unanimously approved.