

# **CONTROLLING BOARD**

**OHIO OFFICE OF BUDGET AND MANAGEMENT**

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## **MINUTES OF THE JANUARY 26, 2004 MEETING**

President, Jack Hershey, called the Controlling Board meeting to order at 1:40 p.m. Serving on the Controlling Board were Senator Bill Harris, Representative Charles Calvert, Senator John Carey, Representative Jim Hoops, Senator Robert Hagan and Representative Sylvester Patton.

The minutes of the January 12, 2004, meeting were distributed. A motion to approve the minutes was made by Senator Harris, seconded by Representative Calvert and approved by the Board members.

Attached is the January 26, 2004, meeting agenda. A motion for blanket approval of all items not held for questions was made by Representative Calvert, seconded by Senator Harris and approved by all Board members.

President Hershey announced the following: Item No.1, AGO018-04 had been deferred; Item No. 55, DOH115-04 had been withdrawn; Item No. 62, DNR441-04 Agenda description should read to release funds from line item CAP-748, Local Parks projects, for the NatureWorks Grants Program and Item No. 41, DEV672-04 Fund Group and fund on the request should be SSR / 4W0.

The following Items were discussed and acted upon as stated.

Item 10, OSU908-04 was held by Representative Patton. Representative Patton asked how design fees are set. Judy Nodjak, Ohio State University said the university used the publication guidelines from the State Architects office for advertising for associates. Representative Patton asked if these are the normal fees that the university pays for design. Ms. Nodjak said yes, for a Class B building for a chiller replacement Senator Hagan said design fees are 10.58% for a chiller replacement at OSU and 8% per chiller replacement at Ohio University and asked why the discrepancy. Ms. Nodjak said one of the criteria is the size of the job and the difference would depend on whether the comparison is a similar size, job type of facility, or similar age of the building. They have straight guidelines that say if a project is \$600,000.00 you should expect to pay approximately 10.56% for associate fees for Class B buildings. Senator Hagan said so the possibility exists that it might be a different classification for this building and asked if she would check the comparison and get the information to him. Ms. Nodjak said certainly. The item was approved without objection.

Item 11, OSU910-04 was held by Representative Patton. Representative Patton asked why this contract is being increased and when did the original design services contract begin. Judy Nodjak, Ohio State University said the original design services started in June 2003. The reason for the increase is because the university asked them to go above and beyond the normal basic services to computer image the seismology effects of this building. Representative Patton inquired about the plans for the towers. Ms. Nodjak said it is her understanding that the issue of the towers has been presented to the president's cabinet; the university coordinating counsel and is certainly part of the decision of revamping the building. The decision will need to be put to rest before design is agreed upon by both the university and the architect. Representative Patton asked whether there would be some changes and increases in design as this decision is made. Ms. Nodjak said they are going to be looking at changes in the design fee and

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the design changes if they exist related to the tower is not going to make a difference to the overall cost of the structure or the design of the structure. Representative Patton expressed his concern about going forward with architectural changes now and then redoing some of the same changes that the Board is going to agree to today. The item was approved without objection.

Item 14, OSU216-04 was held by Representative Patton. Representative Patton asked whether this is a Class B building. John Cackowski, Ohio State University said this building is a Class A, a less complicated building. Representative Patton asked if there is a set standard for Class A buildings and if so what the standards are. Mr. Catalskie said it depends on the terms of negotiating consultant's contracts, complexity of the building, and the size of the building. They start with the recommended percentages and then negotiate with the consultant and try to arrive at a fair price that both parties can accept. The item was approved without objection.

Item 24, DAS419-0405 was held by Representative Calvert and Senator Carey. Representative Calvert asked why this location was selected and what was the cost per square foot of the other five locations. Marcia Early Jeter, Department of Administrative Services said the other locations were approximately \$16.00 per square foot. This particular location was selected because of its proximity to its existing space that RFC occupies as well as the rental rate. Representative Calvert asked whether the locations at 242 E. Campus and 355 E. Campus priced higher than this one. Ms. Jeter said the asking rate for those two facilities was \$16.00 per square foot. Senator Carey asked how many square feet RSC currently has in their office. Ms. Jeter said they lease approximately 142,000 square feet at their existing location. Senator Carey asked why additional space is needed. Ms. Jeter said the additional space is needed to relieve some of the overcrowding at the existing site. Senator Hagan asked if they would be getting income back from Social Security. Ms. Jeter said that is correct. The item was approved without objection.

Item 27, DAS428-04 was held by Senator Harris and Representative Patton. Senator Harris asked for a brief explanation on the deliverables of this contract. Nan Neff, Benefits Administrator, Department of Administrative Services said this healthcare consulting contract is focused on two major projects (1) is the completion of the hospital and provider discount analysis for Medical Mutual Ohio Med program (2) the second part is to continue work on consulting on pharmacy benefits. Senator Harris asked whether the amendment would cover new services or cover the cost of on going services. Ms. Neff said as far as the pharmacy benefit management services, the anticipation is it is doing analysis for the pharmacy services that will be offered to employees effective July 1, 2004. The hospital and provider discount is based on services performed in the past. Senator Harris asked what role the consultant would play in regards to selecting a pharmacy benefits manager (PBM) with a state employee health plan. Ms. Neff said their role is primarily focused on the financial analysis of such things as rebates, discounts, pricing that the different potential vendors could be providing. Senator Harris asked what criteria have been designed to evaluate the proposals of the PBM. Ms. Neff said the first criteria were the Joint Healthcare Committee and DAS looking at some multi employer coalitions. They currently provide services without multi employer coalitions so that the evaluation was to get the pricing from a couple of multi employer coalitions and compare that to the pricing that we can achieve through Medical Mutual the third party administrator for the Ohio Med Program. Representative Patton asked what the original contract for performance standard audit consists of. Ms. Neff said the performance standard audit of Medical Mutual consisted of several components. The first component was the hospital and provider

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discounts, administrative components that include administrative accuracy, financial accuracy, how they are processing the claims, claims turn-around time as well as their telephone response time and we also look at the abandonment rate. Representative Patton questioned how \$2,008.00 could cover all that was in the contract. Ms. Neff said the \$2,008.00 does not cover that entire audit. That audit was approved to begin last fiscal year, this is to complete that work. The item was approved without objection.

Item 30, AGR073-04 was held by Representative Hoops and Senator Hagan. Representative Hoops asked why only two firms attended the meeting and only one bid was submitted for this project. Todd Dickson, Department of Agriculture said they don't know why they received only one bid. Representative Hoops asked what the estimated cost of the project was. Mr. Dickson said the initial estimate for the project was \$50,000.00 and did not include insulation of the roof. By insulating the roof of the building it was calculated it could save the department close to \$1,000.00 in utility savings therefore they opted to try to get the better roof insulated for the two buildings at an additional cost of \$9,000.00 above the original estimate. Senator Hagan inquired about rebidding the project and the department's policy on receiving only one bid for a project. Mr. Dickson said he did not know if rebidding the contract was discussed or not. They had a meeting and two vendors showed up for the pre bid meeting and only one chose to respond. The item was approved with Senator Hagan voting no.

Item 34, DEV663-04 and Item 44, DEV676-04 were held as a group by Senator Hagan. Senator Hagan asked how many people does this company employ here in this country, in this state, out of country and in what country. Tom Johnston, Department of Development said Convergys is a very large corporation and they have approximately 45,000 employees in the world, they operate in 40 countries and have customer contact centers worldwide in 44 different locations. Primarily the bulk of the employees in Ohio will be in Cincinnati, Hamilton County with some in Norwood. Senator Hagan inquired about the details Convergys shared with the Department of Development. Mr. Johnston said the department was involved in the Toledo project through advancing two incentives. (1) The Jobs Creation Tax Credit Program and (2) the Ohio Investment Training Program (OITP). The department awarded and Convergys accepted the \$200,000.00 OITP grant and the tax credit JCTC was canceled and repayment was made to the State of Ohio. The training dollars that were awarded was utilized in compliance with the grant agreement and the grant was closed out. Senator Hagan said expressed his concern that tax payers gave tax dollars to a company that did not fulfill its obligation or its promise in Toledo, then gave the money back, then moved their operation to Cincinnati and then were given even more of an incentive to stay there. Mr. Johnston said the Cincinnati project and the negotiations on that project were competitive with the State of Kentucky. That was the deal that was on the table that the project was negotiated under. Other activities in the state of Ohio were not addressed. Senator Hagan asked if the department made any contact with the company or the City of Toledo or Norwood prior to the request by the company to move. Mr. Johnston said Norwood was given notice as required. Senator Hagan said companies that operate like this company does off shore, outsourcing, creating 1,800 jobs compared to 45,000 in India, Pakistan, and other countries are unpatriotic in the way they treat the U.S. and Ohio. I see a company that is taking our tax dollars, and investing it offshore. It is outsourcing a tremendous amount of workers. What's the guarantee that they will in fact keep those jobs in Cincinnati? What's the guarantee that we got the best bang for our bucks. Mr. Johnston said the package would be subject to annual reports and audits and the department is more than reasonably assured that they will keep the jobs in Cincinnati. The items were approved with Senator Hagan and Representative Patton voting no.

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Item 45, CDR401-04 was held by Representative Hoops. Representative Hoops asked if the money would be used for personnel. Maria Mone, Commission on Dispute Resolution and Conflict Management said the grant pays for a variety of different types of services that is all personnel related. Representative Hoops asked whether there has been a big improvement in the schools that have used the grant. Ms. Mone said yes they have seen some slight increase in attendance but have not seen across the board particularly in the elementary schools once you get to the middle school level you see less of an increase in the attendance rate. The item was approved without objection.

Item 50, EPA411-0405 was held by Representative Calvert and Senator Hagan. Representative Calvert said funds were appropriated for this biennium to provide for 14 FTE's however you are carrying about 24 FTE's and questioned why the department didn't make the necessary reduction. Chris Jones, Director, Environmental Protection Agency said this program is actually funded through a series of four different contracts throughout areas of the state. EPA then set a price for the consumer, which has been at \$19.50 per test. In Cleveland the department pays \$20.85 per test so they are paying more than they receive. That has been a part of the contract from the start so it has been anticipated that there would be a price increase at some point along the line for the program to pay for the administration. The department had as a part of the budget process done two things. They had asked for additional fees for some of the permanent programs. They had also hoped for additional funding in terms of GRF for the Division of Air Pollution Control. The department knew they would have to come to the Controlling Board to ask for additional spending authority so they have first explored the possibility of a fee increase that became clear to us that that was not going to happen. When they looked at that they saw that these amounts would actually result in a reduction from 24 FTE's to 18.5, some of them will split their time. Representative Calvert asked what would be the impact if the Board asked the department to staff with 14 FTE's. Director Jones said it would mean that the department will do less auditing, less of the covert auditing which is an effective tool for them to help the contractor find problem employees and it will mean their oversight will be significantly diminished. Representative Calvert expressed his concern having 24 FTE's will run the Board right down to the point where it is all or nothing and that the department didn't give the Board much choice on this particular requests. Director Jones said there were some other considerations with respect to timing to get this done not the least of which is their attempt to explore the possibility of fee increase. They knew that one way or another they were going to have to come here either for spending authority for a fee increase or this spending authority to actually staff down the program. They had hoped to be here a few months ago. Senator Hagan asked the way the contract was structured indicated that there would be a certain amount of money taken from those individuals getting the test but didn't the department not build in the fact that although their cost may go up the departments also goes up. Director Jones said yes they had anticipated a fee increase. Some of the realities of the E-Check program have led us to believe that that's not something that is going to be possible. Senator Hagan said when the contract expires in 2005 what are your plans to make sure that in 2006, 2007 and 2008 that you are not back here. Director Jones said they will look at the E-Check contract and the various options that they will have and they will have to put together a package. The item was approved with Representative Calvert voting no.

Item 63, DHS676-0405 was held by Representative Calvert. Representative Calvert asked why an RFP was not issued. Mark Atkeson, Public Safety said they went through an extensive process in a couple of years looking at several locations trying to find a suitable location. After they had moved the two sites last September, the department decided that it would be cost effective to move those facilities to the same location. Representative Calvert asked whether an RFP was issued in that process. Mr. Atkeson said no, there was no RFP. The item was approved with Representative Calvert voting no.

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Item 66, DRC488-04 was held by Representative Hoops. Representative Hoops said my question revolves around the transferring of funds from certain line items and the concern that in the future dollars might be needed in those line items. Is there any thought of that happening by transferring these dollars out of the line items. David Calhoun, Department of Rehabilitation and Correction said the transfers would be from the Perimeter Security line would be leftover balance from previous projects or something that they felt was security related to this issue. Representative Calvert asked so the Board is not going to see any future requests to put money back into those line items in the future. Mr. Calhoun said we would of course be requesting additional funding in the Capital Bill but not from these particular line items. The item was approved without objection.

Item 67, DOT070-0405 was deferred by requests of the agency.

President Hershey asked if there was a motion to waive the seven-day rule to add DOT245-04 to the agenda. Senator Harris moved and Representative Calvert seconded.

Items 68, DOT204-04, Item 71, DOT244-04, Item 73, DOT247-04 and Item 74, DOT245-04 were held as a group by Senator Harris. Senator Harris asked why the requests are retroactive. Michele Holdgreve, Department of Transportation said the department has no good reasons why these requests are retroactive and apologize that they are retroactive. Senator Harris asked what procedures have been implemented to keep this from happening again. Ms. Holdgreve said Central Office has requested that all districts receive refresher course training on contract administration and have been told that the Controlling board requirements must be met. Word has gone down from Central Office to be aware of contract restraints and what consultant's are scoped to do. Senator Harris asked what happens if the Board reject these requests. Ms. Holdgreve said the consultants would sue the department for payment. Senator Harris asked that the department report back to the Board what specific actions they have taken. The items were approved without objection.

With no further business before the board, the meeting was adjourned at 3:48 p.m.

Respectfully submitted,

Francene Johnson  
Controlling Board Executive Secretary

*01/26/04 Minutes approved by the Board:*