




Office of the City Manager

CONSENT CALENDAR

October 24, 2006

To: Honorable Mayor and
Members of the City Council

From:  Phil Kamlarz, City Manager

Submitted by: Robert Hicks, Acting Director, Finance

Subject: Contract: Meter and Pre-sort Outgoing Mail

RECOMMENDATION

Adopt a Resolution authorizing the City Manager to enter into a contract with Quick Sort Mailing Services to provide the City with metering and pre-sort service for outgoing mail from November 1, 2006 through June 30, 2009, for a total amount not to exceed \$400,000.

FISCAL IMPACTS OF RECOMMENDATION

The City currently spends a total of approximately \$150,000 per year on postage. Services to be provided by Quick Sort Mailing Services will include the cost of postage, and this amount is not expected to exceed \$100,000 in FY 2007 and \$150,000 for FY 2008 and FY 2009, as long as postage rates remain the same, and the volume of outgoing mail is at or below its current level. Moreover, staff expects there will be postage savings of approximately \$11,020 per year by using this service (savings of 2.9 cents each for 380,000 pieces of mail), since the meter rate Quick Sort will charge the City is 36.1 cents per piece compared to the rate of 39 cents currently being paid. The revenue generated from departmental postage charges is deposited into the Central Services Fund (Fund 870). These savings and other planned operational improvements will help balance the fund's current operating deficit of about \$86,000. The \$400,000 over the term of the contract will be drawn from budgeted funds across all City departments.

CURRENT SITUATION AND ITS EFFECTS

Currently the Central Services Aide in Finance—General Services meters the outgoing mail at the 1st class rate using a Paragon mail machine, which has been deemed by the United States Postal Service (USPS) to be obsolete at the end of December 2006. The machine does not have the ability to accept new postage in a way that is compatible with the new standard required by the USPS.

Quick Sort pre-sorts the mail for the USPS so that it is ready to go on the mail route, using USPS specifications, and the USPS does not have to sort it. As a result, Quick Sort gets a discounted postage rate from the USPS. Quick Sort is able to offer the metering and pre-sort service to the City at a rate of 36.1 cents per piece of mail.

In addition to gaining cost savings on postage expenditures, using Quick Sort's metering and pre-sort service will enable Finance—General Services to use the Central Services Aide's time

previously used to meter mail (between one-half and one hour per day) in other operations of the Division. When the Print Shop Supervisor retired on September 8, 2006, management decided not to fill the position. The General Services Manager will handle the Print Shop's supervisory responsibility, and the Central Services Aide will be able to use the time he spent metering mail to work in the Print Shop. This will help allow the Print Shop to operate at a break-even point.

BACKGROUND

The City currently meters its own outgoing mail with a Paragon Mail Metering machine, which was purchased in 2001 for approximately \$30,000. In addition to the \$30,000 purchase price, the City pays approximately \$5,400 per year for a maintenance agreement. Finance-General Services was notified by the United States Postal Service that the City's Paragon Mail Metering machine will be obsolete on December 31, 2006. The only way for City staff to continue to meter the City's mail will be to purchase or lease a new metering machine.

Finance-General Services staff determined that the cost to purchase a new machine compatible with new USPS standard requirements for postage machines will be approximately \$30,000 and the service maintenance agreement would cost approximately \$5,400/year. Finance-General Services staff's concern about the cost made them decide to conduct research for pre-sort service to meter the outgoing mail instead of purchasing or leasing a new machine, which will be compatible with the USPS' new standard requirements for postage machines.

Finance-General Services completed an RFP in April 2006 for metering and pre-sort services for the City's outgoing mail. The goal was for the City to be able to use this service and reduce postage costs. The City received bids from 3 vendors: Quick Sort Mailing Services, PIN Presort, and PSI Group. Quick Sort Mailing Services was selected as the vendor that offered the best combination of price and service to the City of Berkeley. PIN Presort also offers the services needed by the City, but was more expensive. PSI Group was unable to offer the service required of accurately and timely charging individual departments/divisions for their postage costs.

RATIONALE FOR RECOMMENDATION

Staff's cost/benefit analysis lead to the conclusion that it is in the City's best interest to use outside resources to meter mail, for the following reasons:

- The City will be able to have the outgoing mail metered and pre-sorted without a capital outlay of approximately \$30,000 for new equipment, and without the expenditure of \$5,400/year in maintenance costs;
- There will be approximately \$11,020 a year in direct cost savings to the City, and some staff time can be freed up and used in other operations of the Division;
- The USPS may change processing requirements again, necessitating additional capital outlays by the City, if the City continues to meter the mail; and
- It is not cost efficient for the City to meter the mail (See alternative actions considered for recap of cost/benefit analysis performed by staff).

ALTERNATIVE ACTIONS CONSIDERED

The City could purchase or lease a new metering machine and have the City's Central Services Aide continue to meter the mail. There is a capital outlay of approximately \$30,000 or more plus an annual maintenance agreement of approximately \$5,400.

Considering that: 1) the cost of the new equipment will be approximately \$30,000 with an estimated useful life of six years (or \$5,000 per year); 2) the annual maintenance on the new machine will be approximately \$5,400 per year for years 3-6 (a total of \$21,600); and 3) Quick Sort will charge the City one cent per piece of mail for the metering. Even without considering the one-half to one hour per day labor it takes the Central Services Aide to meter the mail each day, the City would have to process 860,000 pieces of mail annually to match the rate charged by Quick Sort ($\$5,000 \text{ annual equipment cost} + \$3,600 \text{ average annual maintenance cost} / .01 = 860,000 \text{ pieces of mail}$); and the City currently meters approximately 380,000 pieces of mail.

For this reason and the possibility that the USPS may change its standards again within a relatively short period of time, staff determined that the alternative to purchase new equipment and have the City's Central Services Aide continue to meter the mail was not cost effective.

CONTACT PERSON

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Attachments:

1: Resolution

RESOLUTION NO. ##,###-N.S.

CONTRACT TO PROVIDE METERING AND PRE-SORT SERVICES

WHEREAS, metering and pre-sorting of out-going mail is required by various City departments, and it is now more cost effective to use an outside resource to meter mail rather than invest in new replacement equipment; and

WHEREAS, there were 3 bids received in response to a Request for Proposal issued in April 2006, and Quick Sort Mailing Services was deemed the best value to the City; and

WHEREAS, funds are available in the current year budget in the Central Service fund, and contract has been entered into the City contract database, and assigned CMS number is K7FGC

NOW THEREFORE, BE IT RESOLVED that the bid of Quick Sort Mailing Services to the City of Berkeley is hereby accepted.

BE IT FURTHER RESOLVED, by the Council of the City of Berkeley that the City Manager is authorized to execute a contract and any amendments with Quick Sort Mailing Services from November 1, 2006 through June 30, 2009 to provide the metering and pre-sort of out-going mail in an amount not-to-exceed \$400,000 through June 30, 2009.