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DEPARTMENT OF
FINANCE
PROCUREMENT SERVICES DIVISION

CITY OF SACRAMENTO
CALIFORNIA

June 25, 1996
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City Council
Sacramento, California

Honorable Members in Session:

SUBJECT: ADOPTION OF SPECIFICATIONS AND AWARD OF BID NO. 1704, MAIL PREPARATION AND PRE-SORTING SERVICES, IN A TOTAL AMOUNT NOT TO EXCEED \$610,000.00 PER YEAR

LOCATION AND COUNCIL DISTRICT: City-wide, all districts

STAFF RECOMMENDATION:

Staff recommends that the City Council adopt specifications and accept the lowest responsible bid for the contract resulting from Bid No. 1704 for Mail Preparation and Pre-sorting Services. Award is recommended to the following contractor: Blue Shield of California, 1230 Harter Ave. #C, Woodland, CA 95776 in a total amount not to exceed \$610,000.00 per year.

CONTACT PERSON: Dennis Kerhulas, Senior Buyer, 433-6242
Bob Badgley, Computer Services Manager, 264-5766

FOR COUNCIL MEETING OF: June 25, 1996

SUMMARY:

This report provides a recommendation for award of Bid No. 1704 for Mail Preparation and Pre-sorting Services, which are to be used by the Revenue Division of the Finance Department and the Central Services Section of the I/CS Department, as well as by other City departments on an as-needed basis.

BACKGROUND:

The services provided under this contract will be used by the Revenue Division of the Finance Department for utility billings and other mailings and by the Central Services Section of the I/CS Department for general City mailings, as well as by other City departments on an as-needed basis. The services to be provided involve City mail that is sent via the U.S. Postal Service (USPS), and include mail pick-up, pre-sorting, bar-coding, addressing, inserting, bulk-mailing, delivery of mail to the USPS system, and miscellaneous other



mailing-related services. The services include provisions to achieve best-available USPS postage rates for the types of mail handled under the contract.

Staff recommends that a contract be awarded to Blue Shield of California, 1230 Harter Ave. #C, Woodland, CA 95776, in a total amount not to exceed \$610,000.00 per year. This was the only bid received for these services, and represents a per-item cost increase of \$0.0064 when compared with the costs from the current contractor for pre-sorting and bar-coding of standard mail pieces. The current contractor, Postal Services, Inc., has been undergoing organizational changes over the past several months, and chose not to submit a bid on the City's requirements. However, due to changes in the USPS postage-rate structure that take effect in July 1996, and which are designed to encourage pre-sorting and bar-coding of mail, the City will be able to take advantage of lower postage rates for mail that meets USPS pre-sorting and bar-coding requirements. A cost-comparison for standard letters is shown below, comparing costs under the current contract with those under the new contract.

Per-Item Mailing Costs for Standard Letters (up to 1 oz.)		
Mailing Cost Factors	Current Contract Costs	NEW Contract Costs
USPS Postage	\$ 0.274	\$ 0.254
Per-Sorting Charge	\$ 0.017	\$ 0.02
Bar-Coding Charge	\$ 0.0096	\$ 0.013
TOTAL COST	\$ 0.3006	\$ 0.287
Per-Item Savings		\$ 0.0136

The savings shown in the chart above represent per-item costs for standard letters qualified for the new USPS automated 3-digit bar-coded pre-sort rate. This is the rate that the new contractor can guarantee City mailings to receive. To the extent that mailings can be coded to greater detail (e.g., five-digit and carrier route), the City may achieve some additional savings if the mail qualifies for additional USPS rate incentives. Under the new USPS rate-structure, the rate for five-digit bar-coded mail will be \$0.238, and for carrier route coded mail it will be \$0.230. The contractor will credit any such savings to the City.

Staff recommends that the Council authorize a contract for mail preparation and pre-sorting services with Blue Shield of California in a total amount not to exceed \$610,000.00 per year, which reflects the approximate amount anticipated to be expended each year of this potential five-year contract.

FINANCIAL CONSIDERATIONS:

Funds for postage are budgeted annually by the Revenue Division for utility billings and other mailings, and by I/CS for Central Services mailings, as well as by other City departments. Mailings processed by Central Services for other departments are billed to the individual City departments on a charge-back basis. While the costs of the pre-sorting and bar-coding services are slightly higher than under the current contract, the use of these services will allow the City to achieve lower postage costs by taking advantage of incentives under the new USPS rate structure. Based on an estimated mail volume of two million pieces, this could result in an overall savings in City mailing costs of over \$25,000 per year compared with current costs.

ENVIRONMENTAL CONSIDERATIONS:

Ongoing administrative and maintenance activities, such as purchases of supplies, equipment or materials which are not made for purposes of a public works construction project, do not constitute a "project" and are exempt from the California Environmental Quality Act (CEQA). CEQA Guidelines, Sections 15061(b)(1), 15378(b)(3).

POLICY CONSIDERATIONS:

This recommendation is consistent with the requirements for competitive bidding as detailed in Title 57 of the Sacramento City Code.

M/WBE EFFORTS:

Requests for bid (RFB) were sent to twelve prospective bidders, three of which were identified as M/WBE firms, and the RFB was provided to the Small Business Exchange and to NEDA (Sacramento Minority Business Development Center). No bids were received from M/WBE firms.

Respectfully Submitted,



Robert B. Holbrook
Procurement Services Manager

RECOMMENDATION APPROVED:



WILLIAM H. EDGAR
City Manager