



**San Francisco Office of the City Administrator
City Administrator Carmen Chu**

Citywide Contract with Pitney Bowes, Inc. for Mailroom Equipment, Maintenance and Consumables (TC95020)

File 24-1156

Office of Contract Administration

Board of Supervisors' Budget and Finance Committee

January 22, 2025

Request Summary

- Authorize Umbrella Contract GRP0000022 with Pitney Bowes, Inc. (“Pitney Bowes”) for the continued rental and purchase of mailroom equipment and supplies by multiple City departments.
- The proposed contract will have a not to exceed (“NTE”) amount of \$23,550,000.
 - * See Table 1 for a breakdown of the contract NTE.
- The contract will have an initial term of three (3) years, with the option to extend for two (2) additional years.

Covered Goods and Services

- Purchase or rental of mailroom equipment, including:
 - postage meters,
 - automated mailing systems,
 - envelope openers, and
 - document scanners.
- Equipment maintenance.
- Consumable supplies.
- Postage produced by the United States Postal Services (“USPS”).

Purchasing Authority

- Pitney Bowes equipment is proprietary to Pitney Bowes and Pitney Bowes is the only vendor authorized to:
 - maintain, distribute, and exchange is postage meters,
 - provide postage rates and software/firmware updates for its postage meters, and
 - add postage to its postage meters.
- Based on the above, Pitney Bowes is the sole source provider of the mailroom equipment currently owned or rented by City departments that use it.

Usage

- Primary user: Reproduction and Mail Services (“ReproMail”) which provides reprographic and mailing services to all City departments.

** See Table 2 for a breakdown of spend by City department.*

- Of the \$4MM paid by ReproMail to Pitney Bowes each year, ***nearly 99.66% is for the purchase of USPS postage.***

** See Table 3 for a breakdown of spend by category.*

- Based on this, nearly \$23,470,575 of the \$23,550,000 being requested for this contract will be for the purchase of USPS postage.

Pricing

- All pricing will be aligned with Pitney Bowes' **standard pricing for state and local government clients**. However, City may negotiate better pricing on a transaction-by-transaction basis.
- Pitney Bowes and USPS partnership also offers City discounted postage rates compared to the standard retail prices:
 - **First-Class Mail letters:** 4-cent discount on each letter.

Pricing (continued)

- **USPS shipping labels:** Up to 88% savings.
- **Packages weighing over 16 ounces:** Up to 30% savings.
- **Large packages up to 20 pounds:** Cubic pricing where shipping cost is based on package dimensions rather than weight, offering significant savings for small, heavy packages.
- **Presorting:** Equipment organizes mail by ZIP code and other criteria which allows City to save up to 46% on First-Class postage.

Summary

- City departments rely on Pitney Bowes equipment to handle high volumes of mail, manage their postage and track shipments.
- The primary user of Pitney Bowes equipment is ReproMail, which manages the bulk of City's mailing services.
- Nearly 99% of this contract amount is for the purchase of USPS postage.
- Without this Contract, City departments currently using Pitney Bowes equipment will not have a proper purchasing vehicle in place for their mailroom needs.

Reference Materials

Table 1: Contract NTE Calculations based on Total Spend by City Departments between 2021-2023 for Pitney Bowes Equipment, Supplies and Consumables

Avg Annual PO Encumbrances 2021-2023	\$4,096,330
New Contract Duration (Years)	5
New Contract NTE (before adjustments)	\$20,481,652
Plus Contingency (15%)	\$3,072,248
Other Adjustments	\$0
Proposed Revised Executed Contract NTE	\$23,553,900
Proposed Revised Executed Contract NTE (Rounded to nearest ten thousand)	\$ 23,550,000

Table 2: Total Spend by City Departments between 2021-2023 for Pitney Bowes Equipment, Supplies and Consumables

Department	2021	2022	2023	Grand Total	Annual Average
ADM	\$ 3,122,189	\$ 5,006,243	\$ 3,871,599	\$ 12,000,031	\$ 4,000,010
AIR	\$ 66,817	\$ 22,000	\$ 22,890	\$ 111,708	\$ 37,236
CPC	\$ 8,450	\$ 4,849	\$ 4,997	\$ 18,296	\$ 6,099
DEM	\$ 2,979	\$ 2,662		\$ 5,641	\$ 1,880
HSA	\$ 73,039	\$ 45,203	\$ 10,911	\$ 129,152	\$ 43,051
MYR	\$ 752	\$ 1,703	\$ 1,315	\$ 3,770	\$ 1,257
PRT	\$ 3,000	\$ 3,000	\$ 6,000	\$ 12,000	\$ 4,000
RET	\$ 4,653	\$ 5,650	\$ 7,289	\$ 17,592	\$ 5,864
WAR	\$ 775	\$ 1,910	\$ 3,606	\$ 6,290	\$ 2,097
Grand Total	\$ 3,282,653	\$ 5,093,221	\$ 3,928,606	\$ 12,304,480	\$ 4,101,493

Table 3: Breakdown of Average Spend by Category for FY22, FY23 and FY24 for ReproMail

Category	Annual Avg (\$)	Annual Avg (%)
Maintenance	\$6,844	0.18%
Supplies	\$299	0.01%
Meter Rental	\$5,587	0.15%
USPS Postage	\$ 3,761,882	99.66%
Total	\$3,774,613	100%