



DATE: November 21, 2024  
 TO: Angela Calvillo, Clerk of the Board  
 FROM: Taraneh Moayed, Assistant Director of Office of Contract Administration (OCA) and Purchaser  
 SUBJECT: Resolution to approve Peoplesoft Umbrella Contract GRP0000022 with Pitney Bowes, Inc. (TC95020) for Citywide Mailroom Equipment, Maintenance and Consumables

Enclosed please find the proposed Resolution from the Office of Contract Administration (OCA) requesting that the Board of Supervisors authorize Umbrella Contract GRP0000022 with Pitney Bowes, Inc. (“Pitney Bowes”) for the rental and purchase of mailroom equipment and supplies by all City departments. The proposed contract will have a not to exceed (“NTE”) amount of \$23,550,000 and an initial term of three (3) years, with the option to extend the term for two (2) additional years, for a total contract duration of five (5) years. The anticipated contract start date is February 1, 2025.

**Background**

Umbrella Contract GRP0000022 with Pitney Bowes provides a variety of mailroom equipment for rental or purchase by all City departments. The equipment includes postage meters, automated mailing systems, envelope openers, and document scanners. City departments rely on this equipment to handle high volumes of mail, manage their postage and track shipments. Under Umbrella Contract GRP0000022, City departments can also purchase maintenance of all rented or purchased equipment, consumable supplies used in the normal use of mailing equipment,<sup>1</sup> and postage produced by the United States Postal Services (“USPS”)

As shown in Table 1, since 2021, 9 City departments have leased or purchased mailroom equipment, supplies and postage from Pitney Bowes.

**Table 1: Total Spend by City Departments between 2021-2023 for Pitney Bowes Equipment, Supplies and Consumables**

Row Labels	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
<b>Grand Total</b>	<b>\$ 3,282,653</b>	<b>\$ 5,093,221</b>	<b>\$ 3,928,606</b>	<b>\$ 12,304,480</b>	<b>\$ 4,101,493</b>

<sup>1</sup> Examples of consumable supplies are: toner and ink, ink cartridges, ribbons, developer, fuser agent, sumps, preventative maintenance kits, envelopes, shipping & mailing supplies, mailing boxes & cartons, bubble, stretch wrap & craft paper, bags & pouches, bubble lined & padded mailers, inserting system supplies, packaging tape & tape dispensers, packing supplies, postage scales, tabs (wafer seals), USPS special service labels and forms, addressing printer supplies, document printer supplies, label & badge printer supplies, letter folders & openers, production printing system supplies, and scanning & tracking accessories. Consumable supplies does not include staples or paper.



The primary user of Pitney Bowes equipment is the City Administrator’s Office Reproduction and Mail Services (“ReproMail”), the City and County of San Francisco’s central printing and mailing facility, which provides reprographic and mailing services to all City departments. Although ReproMail encumbers an average of \$4MM per year in Purchase Orders issued to Pitney Bowes, **nearly 99.66% of this total is for the purchase of USPS postage**. 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.

**Table 2: 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%
<b>Total</b>	<b>\$ 3,774,613</b>	<b>100%</b>

**Purchasing Authority**

OCA has waived the competitive solicitation requirements for Umbrella Contract GRP0000022 because it deems Pitney Bowes as the sole source provider of the mailroom equipment currently owned or rented by City.

As per Pitney Bowes, its equipment is proprietary to Pitney Bowes and, as such, Pitney Bowes is the only vendor authorized to:

- maintain, distribute, and exchange the Pitney Bowes Postage Meters,
- provide postage rates and software/firmware updates for the Pitney Bowes Postage Meters, and
- add postage to the Pitney Bowes Postage Meters,

Further, Pitney Bowes products include proprietary software to which only Pitney Bowes has the exclusive rights to modify and correct.

**Pricing Structure**

Pricing for this contract will be negotiated by the Parties at the time of product request. However, all pricing under this Agreement will be aligned with Pitney Bowes’ standard local and state pricing offered to valued state and local government clients that are not acquiring from a cooperative or other contract. Pitney Bowes also offers discounted postage rates through its partnership with the United States Postal Service (USPS). Discounted postage rates are subject to change. These include:

**1. USPS Partnership and Special Discounts:** As an authorized USPS partner, Pitney Bowes provides clients with access to discounted rates on various USPS services. For instance, users of PitneyShip® software can save up to 88% on USPS shipping labels compared to standard retail rates. Additionally, Pitney Bowes clients save 4 cents on every First-Class letter sent versus using stamps. Pitney Bowes also offers a 4-cent discount on each First-Class Mail® letter compared to the standard retail stamp price. This means that if the retail rate for a First-Class letter is \$0.73, using Pitney Bowes services would reduce the cost to \$0.69 per letter.

**2. Large Packages:** For packages weighing over 16 ounces, Pitney Bowes offers significant discounts of up to 30% through its partnership with USPS. These discounts are available when using PitneyShip® software to print USPS shipping labels. Additionally, Pitney Bowes unlocks USPS Cubic pricing for packages up to 20 pounds. This pricing model bases shipping costs on package dimensions rather than weight, offering significant savings for small, heavy packages.



**3. Presort Services:** By presorting mail, Pitney Bowes helps clients qualify for postage discounts typically reserved for high-volume mailers. This process involves organizing mail by ZIP code and other criteria before sending, which streamlines USPS processing and reduces costs. Clients can save up to 46% on First-Class postage through presorting.

**4. Electronic Return Receipt (eRR):** For Certified Mail™, Pitney Bowes offers eRR, which provides the same benefits as the traditional "Green Card" but with digital processing. This method reduces manual handling and offers savings on return receipt services.

**Contract NTE Calculations**

Based on total PO spend between 2021 and 2023, and adding an additional 15% contingency, OCA estimates an annual need of \$4,710,780 for Umbrella Contract GRP0000022. The five year total NTE based on this value is detailed in Table 3 below.

**Table 3: Contract NTE Calculations based on Total Spend by City Departments between 2021-2023 for Pitney Bowes Equipment, Supplies and Consumables**

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

**Recommendation**

Umbrella Contract GRP0000022 with Pitney Bowes provides a variety of mailroom equipment for rental or purchase by all City departments. The equipment includes postage meters, automated mailing systems, envelope openers, and document scanners. City departments rely on this 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 reprographic and mailing services. Further, nearly 99% of this contract amount is for the purchase of USPS postage when using Pitney Bowes equipment. Without this Contract, ReproMail and 8 other agencies currently using Pitney Bowes equipment will not have a proper purchasing vehicle in place for their mailroom needs. For these reasons, OCA respectfully requests a timely approval of this resolution.

If you have any questions or require additional information, please contact Taraneh Moayed on my team at (415) 554-6212

**Enclosures:**

1. Umbrella Contract GRP0000022 Proposed Agreement
2. Umbrella Contract GRP0000022 Ethics Form 126f(2)
3. Umbrella Contract GRP0000022 Ethics Form 126f(4)
4. Umbrella Contract GRP0000022 Resolution