



Staff Report

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**File #:** 24-0172

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**REQUEST FOR CITY COUNCIL ACTION**

**DATE:** 03/20/2024

**TO:** Honorable Mayor and City Council Members

**FROM:** Finance Department

**SUBJECT:**

AWARD OF MAINTENANCE AND GENERAL SERVICES AGREEMENT WITH NEXTDAY DELIVERY SERVICE, INC. FOR CITYWIDE MAIL MANAGEMENT SERVICES IN THE AMOUNT OF \$130,000 PER FISCAL YEAR, REQUEST FOR PROPOSALS (RFP) 24-035AH

**EXECUTIVE SUMMARY:**

This staff report asks the City Council to approve the Maintenance General Services Agreement with Nextday Delivery Service, Inc. in the amount of \$130,000 for citywide mail management services. The contracted service includes pick-up from the post office twice per day, sorting, and distributing incoming mail. Outgoing mail service includes daily pick-up from each department, metering, and delivery of mail and parcels to the post office. The contract also includes postage costs, estimated to be \$35,000.

**RECOMMENDED ACTION:**

**That the City Council:**

- a. Award RFP 24-035AH to Nextday Delivery Service, Inc. for citywide mail management services, including postage costs.
- b. Approve the Maintenance General Services Agreement with Nextday Delivery Service, Inc. for an initial term of March 20, 2024, through June 30, 2026, in the amount of \$130,000 per fiscal year, with two additional two-year extensions through June 30, 2030, and waive all minor irregularities in the proposal.
- c. Authorize the City Manager, or his designee, to execute the Maintenance General Services Agreement with Nextday Delivery Services, Inc. in the amount of \$130,000 per fiscal year, including any non-substantive extensions, change orders, purchase orders, and amendments up to the amount authorized in Corona Municipal Code Section [3.08.060\(J\)](#), which is

equivalent to 10% or \$13,000.

### **BACKGROUND & HISTORY:**

Since July 1, 2013, Nextday Delivery Services, Inc. (NDS) has provided the City with mail processing and distribution services. This mail management service is an integral part of the City's daily operations to process incoming and outgoing correspondence and parcels, including utility payments and public notices. At the February 21, 2024, City Council meeting, an agenda report requested a contract approval for NDS to continue providing mail management services based upon the results of RFP 24-035AH. The City Council requested additional analysis to be conducted before considering approval of the contract award to NDS. After additional analysis and discussion with NDS of the options, staff revised the agreement amount to \$130,000 to reflect the estimated activity more accurately with the vendor. Of that amount, approximately \$35,000 is postage costs for outgoing mail.

### **ANALYSIS:**

On December 14, 2023, RFP 24-035AH for mail management services was posted on the City of Corona bid platform, PlanetBids, pursuant to Corona Municipal Code Section 3.08.110 Non-public projects formal bidding procedure. Notification of the bid was provided to nineteen (19) City of Corona prospective bidders and seven hundred (700) external bidders. On January 16, 2024, one (1) proposal was received through the PlanetBids bidding service. The scope of work includes the following responsibilities:

#### **INCOMING MAIL**

- Daily pick-up from the Corona Post Office, morning, and afternoon.
- Deliver utility payments to the Utility Department twice per day.
- Sort all incoming mail by department.
- Deliver incoming mail to City Hall, which includes 13 different department locations.
- Deliver incoming mail to eight (8) additional City facilities.

#### **OUTGOING MAIL**

- As incoming mail is delivered to each location throughout the City facilities, outgoing mail is collected.
- Process outgoing mail to provide appropriate postage for letters and parcels (contract cost includes postage for outgoing mail).
- Daily delivery of outgoing mail to the Corona Post Office.

The proposal submitted by NDS was evaluated by a review panel composed of City staff members. Based on the scoring analysis, it was determined that NDS possesses the skills, experience, staffing, and equipment necessary to execute the scope of work successfully. The agreement was presented to the City Council at the February 21, 2024, meeting. At that time, the Council requested additional review of the costs, historical expenditures, and options.

### **Additional Review of Costs**

The following table includes the pricing for the current agreement and the new proposal. The monthly fees are decreasing by \$335.20 per month and some of the other charges proposed are slightly different.

Item	Current Pricing	New Proposal
Monthly Fees	\$6,255.20	\$5,920.00
Presort Flats Charge	\$0.519 Per Piece	\$0.4770 Per Piece
Presort Letters Charge	\$0.013 Per Piece	\$0.018 Per Piece
Letters	\$0.08 Per Piece	\$0.075 Per Piece
Presort Flats/ Full Rate Flats	\$0.18 Per Piece	\$0.18 Per Piece
Postage	Based on USPS published & presorted rates.	Based on USPS published & presorted rates.

### Historical Expenditures

The City outsourced the mail pick-up and delivery services function starting July 1, 2013. NDS has provided the service since that time. The following table contains a historical review of expenditures with NDS from Fiscal Year (FY) 2014 through FY 2023. Fluctuations in the expenditures are caused by changes in the volume of mail, impacting direct postage costs. Outgoing utility bills and business license renewals are not part of the items NDS handles, as they are managed through other processes.

	FY 2014	FY 2015	FY 2016	FY 2017	FY 2018
Expenditures	\$184,852	\$169,281	\$142,508	\$149,415	\$106,448
Year Over Year % Change		-8.4%	-15.8%	4.8%	-28.8%

  

	FY 2019	FY 2020	FY 2021	FY 2022	FY 2023
Expenditures	\$122,988	\$121,133	\$122,488	\$101,282	\$128,273
Year Over Year % Change	15.5%	-1.5%	1.1%	-17.3%	26.6%
Cumulative Change FY 2014 to FY 2023					-30.6%

While many communication methods have moved to an electronic format, the City still receives hundreds of pieces of mail daily, including utility payments, accounts receivable payments, invoices, correspondence, and packages. City staff endeavor to communicate with customers electronically, when possible, but many items must be sent by physical mail. Over the last five years, the City sent an average of 49,554 pieces of mail per year. Examples of City correspondence include public notices, accounts receivable invoices, vendor payments, 1099s, W-2s, and general correspondence.

Over the last five years, postage costs have ranged from \$28,237 - \$40,443 per fiscal year, with a total of \$34,552 in FY 2023. Through the end of January 2024, \$19,848 has been spent on postage costs. The FY 2024 estimated postage total is \$35,445 based on current expenditures. The following table provides the breakdown of the costs for the last five fiscal years with an estimate for

FY 2024 and FY 2025, based on the new agreement rates.

<b>Expenditure Category</b>	<b>FY 2019</b>	<b>FY 2020</b>	<b>FY 2021</b>	<b>FY 2022</b>	<b>FY 2023</b>
Annual Service Total	\$75,380.76	\$75,062.40	\$75,058.48	\$75,059.04	\$75,063
Postage	40,443	31,722	29,820	28,237	34,552
Shipping	2,732	1,732	2,293	1,834	1,967
Other Fees (Metering, Certified Mail, Etc.)	4,432	12,617	15,317	(3,848)	16,692
<b>Annual Total</b>	<b>\$122,988</b>	<b>\$121,133</b>	<b>\$122,488</b>	<b>\$101,282</b>	<b>\$128,273</b>

<b>Expenditure Category</b>	<b>Estimated FY 2024</b>	<b>Estimated FY 2025</b>
Annual Service Total	\$73,721	\$71,040
Postage	35,443	39,000
Shipping	1,177	1,412
Other Fees (Metering, Certified Mail, Etc.)	2,521	3,026
<b>Annual Total</b>	<b>\$112,862</b>	<b>\$114,478</b>

## Options

As requested by the City Council, staff analyzed the following options:

- Option #1 - Continue to have NDS provide the mail management services.
- Option #2 - Hire 2 part-time positions to provide the post office pick-up twice per day and delivery to City Hall. The part-time staff would sort the mail and distribute it to mailboxes within a mail room at City Hall. Staff from departments at City Hall and other City facilities would be responsible for picking up the mail and dropping off outgoing mail in the mail room. The part-time mail staff would be responsible for metering the mail and dropping it off at the post office each day.
- Option #3 - Hire a full-time position to provide the same service that NDS provides today.

The following table presents a breakdown of the costs associated with the three options. Both Option #2 and Option #3 include a new vehicle dedicated to mail management, rental/lease of a postage meter machine, and postage supplies (ink, postage labels for packages, etc.).

<b>Expenditure Category</b>	<b>Option #1 Contract with NDS</b>	<b>Option #2 Existing Staff + Part Time</b>	<b>Option #3 New Full Time Staff</b>
Contract Costs	\$71,040	\$ --	\$ --
Postage Costs	\$39,000	\$39,000	\$39,000
Misc Shipping/Metering Fees	\$ 4,438	\$ 3,000	\$ 3,000
Personnel Costs - Existing Staff (Existing Funds) *	\$ --	\$35,900	\$ --
Personnel Costs - New Part-Time Staff (2 positions x 16 hours per week)	\$ --	\$38,698	\$ --
Personnel Costs - New Full-Time Position	\$ --	\$ --	\$74,890
Other - Postage Meter Lease	\$ --	\$14,400	\$14,400
Other - Vehicle One Time	\$ --	\$10,875	\$10,875
Other - Vehicle Recurring	\$ --	\$ 9,045	\$ 9,045
Other - Postage Supplies	\$ --	\$ 3,000	\$ 3,000
<b>Total</b>	<b>\$114,478</b>	<b>\$153,918</b>	<b>\$154,210</b>
<b>Estimated Recurring Costs</b>	<b>\$114,478</b>	<b>\$143,043</b>	<b>\$143,335</b>
<b>Estimated One-Time Costs</b>	<b>\$ --</b>	<b>\$10,875</b>	<b>\$10,875</b>

\*Opportunity Cost

### **Option #1 - Contract with NDS**

#### **PROS**

- The contractor can handle increased mail volume without increased monthly service costs.
- Lowest total recurring costs.
- The contractor backfills the function when the primary staff is not available.
- Allows City staff to focus on core operations.
- No additional investment in equipment that requires maintenance.

#### **CONS**

- The City has no control over staffing selected to provide the service.

### **Option #2 - Existing Staff + Part-Time Staff**

#### **PROS**

- Service provided by in-house staff.

**CONS**

- Additional volume could impact processing time, causing additional costs (overtime).
- Takes other staff away from current responsibilities to participate in mail process, which does have an opportunity cost.
- Will be challenging to backfill the function when the primary mail staff is unavailable (sick, vacation, etc.).
- Need to acquire additional equipment, including a postage meter machine, and maintain it.
- Multiple staff driving to/from City Hall to drop off mail, which leads to an increased cost in gas and wear/tear on vehicles.
- It is currently very challenging to hire and retain part-time staff.

**Option #3 - New Full-Time Staff**

**PROS**

- Service provided by in-house staff.

**CONS**

- Additional volume could impact processing time, causing additional costs (overtime).
- Highest recurring cost.
- Will be challenging to backfill the function when the primary mail staff is unavailable (sick, vacation, etc.).
- Need to acquire additional equipment, including a postage meter machine, and maintain it.
- Staff driving to/from City Hall to drop off mail, which leads to an increased cost in gas and wear/tear on vehicles.

The original contract request presented to the City Council on February 21, 2024, was \$175,000. After an additional review of historical expenditures for the mail services and the rates included in the new proposal, the contract amount was reduced to a not-to-exceed amount of \$130,000 per year to more accurately reflect the activity for the mail function.

Based on the original scoring analysis, the review of the contract costs, and the evaluation of the alternative options, staff recommends awarding NDS the contract for \$130,000 to provide the citywide mail management services, including postage costs.

**FINANCIAL IMPACT:**

There is sufficient funding for the remainder of Fiscal Year 2024 included in multiple department operating budgets citywide to carry out the recommendation. Future requests will be recommended through the annual budget process.

**ENVIRONMENTAL ANALYSIS:**

This action is exempt pursuant to Section 15061(b)(3) of the Guidelines for the California Environmental Quality Act (CEQA), which states that a project is exempt from CEQA if the activity is covered by the commonsense exemption that CEQA applies only to projects that have the potential

for causing a significant effect on the environment. Where it can be seen with certainty that there is no possibility that the activity in question may have a significant effect on the environment, the activity is not subject to CEQA. This action approves the agreement for mail management services, and there is no possibility that approval of the recommended actions will have a significant effect on the environment. Therefore, no environmental analysis is required.

**PREPARED BY:** YASMIN LOPEZ, PURCHASING MANAGER

**REVIEWED BY:** KIM SITTON, FINANCE DIRECTOR

**Attachments:**

1. Exhibit 1 - MGSA with NDS