

**COUNCIL LETTER
CITY OF GALESBURG
NOVEMBER 21, 2016**

AGENDA ITEM: Proposal recommendation, five year lease of new postage machine equipment.

SUMMARY RECOMMENDATION: The City Manager, Director of Finance & Information Systems, and Purchasing Agent recommend that the City Council approve a new five year lease submitted by Postal Source Solutions for providing: postage machine, meter rental, and maintenance for mailing needs.

BACKGROUND: The City of Galesburg has an existing five year lease (\$300/month) with Pitney Bowes for postal equipment that will expire in May 2017. An RFP was released in October with the intent of locking in a contract agreement now before potential price increases could occur in 2017.

The existing configuration of equipment was reviewed to determine what equivalent pieces of equipment are available today from various companies. Specifications were developed from that review and drafted into a proposal document, which was advertised in the local paper as well as being made available on the City's website. In addition, the three known vendors providing this service in this area were contacted and asked to submit a proposal.

The City received proposals from two out of three of the vendors contacted. The current vendor, Pitney Bowes, chose not to submit a proposal citing that they could not guarantee a price at this time as their contractual prices would be changing prior to the end of the current service agreement. Purchasing contacted the Pitney representative about this response as neither of the other vendors had a problem agreeing to these terms. The representative stated that Pitney would not authorize entering into an agreement this far out from the expiration of the current lease.

Of the two firms that responded, each firm submitted proposals for what would be equivalent to what the City utilizes now as well as a requested "one step down" machine. A review of postage volumes was performed during this process and it was determined that the existing machine was really more than what the City needed to process the current volume of mail. As a result, an addendum was issued for this proposal request, with all vendors acknowledging receipt. The addendum requested an alternate proposal for a machine that had basically the same capabilities but performed slightly slower. Given the use of technology, the mail volume for the City has declined enough to warrant the downgraded machine. This decision was made in hopes of achieving some cost savings with this lease. As each of the proposals received for the current equivalent machine were significantly above what the City is currently paying, they were not considered.

In response to the alternate request for a “one step down” machine, each of the responding vendors, Walz Mailing (E. Peoria, IL) and Postal Source Solutions (Davenport, IA) submitted an alternate proposal for a Neopost IN700. Each vendor offered the same equipment and software for this lease. In comparing the proposals, Postal Source Solutions proposal offered the best proposal to the City. The lease price of the equipment is cheaper and the maintenance response time is better in the event we need someone onsite to fix the equipment. It should be noted that each company also offered a voluntary buy out of the current lease with Pitney Bowes (at no cost to the City) allowing for their equipment to be installed sooner and providing cost savings to the City. A detailed analysis is attached to this Council Letter.

Although the City will be ending a long relationship with Pitney Bowes, City staff are confident that Postal Source Solutions will be able to meet the needs of the City under this lease agreement. Their references, including Dick Blick, provided positive feedback.

BUDGET IMPACT: The City will achieve a budget savings in comparison to the existing lease agreement.

SUPPORTING DOCUMENTS:

1. Analysis of proposals submitted.

Postage Machine Lease Analysis

		Walz Label & Mailing Systems IN700	Postal Source Solutions IN700
Category	Possible Points		
Responsiveness to RFP	10	10	10
Qualifications/Experience of staff	20	20	20
Scope of Services provided	30	25	30
Cost of Services	30	20	30
References	10	10	10
Total	100	85	100
	Ranking	2	1

Specifications:

Speed	140	140
Dynamic Weighing Speed	75	75
Dynamic Scale	Yes	Yes
Account Tracking	70	70
Ink Tank Prints)	26000	26000
Online Postage Reports	yes	yes
E-Services	yes	yes
Service - Response time	4 hr	4 hr
Onsite Service	24 hr	4 hr
Preventative Mtce included	2	2
Maintenance Agreement Included	yes	yes
Lease cost includes meter rental	yes	yes
Months of Lease	60	63
Cost per Month:	312.26	277.43
Cost	18,735.60	17,478.30

As needed Costs:

Ink - Cost/Impressions	\$222/cartridge	\$219/cartridge
Meter tape - Cost/tapes	\$41.00/1,000	\$19.95/300
Sealing solution - Cost/Volume	\$14.95/ half gal	\$25/gal

Buyout of existing agreement offered:

Months	6	5
Current Pitney monthly cost	300.00	300.00
Buyout offer:	1,800.00	1,500.00