



Town of Atherton

CITY COUNCIL STAFF REPORT

TO: HONORABLE MAYOR AND CITY COUNCIL

FROM: Eileen M. Wilkerson, Assistant City Manager

DATE: FOR THE MEETING OF DECEMBER 16, 2009

SUBJECT: AGREEMENT FOR CONVERSION FROM A FIRM-FIXED/PERFORMANCE BASED CONTRACT POSTAL UNIT TO A CONTRACT ACCESS RETAIL SYSTEM PERFORMANCE-BASED CONTRACT POSTAL UNIT

RECOMMENDATION:

Authorize the City Manager to enter into an Agreement with the United States Postal Service for conversion from a firm-fixed/performance based contract postal unit to a contract access retail system performance-based contract postal unit.

INTRODUCTION:

November 12, 2009, the Town received a letter from the United States Postal Service including a contract modification that changes the Town's current Firm-Fixed/Performance Based Contract Postal Unit Agreement to a contract Access Retail system (CARS) where the Town is paid a percentage of the postage revenue received from the sale of postal products and services rather than a fixed annual rate to operate the Atherton Contract Postal Unit. The Town was given five (5) days to sign the Agreement. After negotiations, the Town has been given an extension to allow the Council to debate the cost/benefit at their December 16th meeting. The U.S. Postal Service expects the signed Agreement by December 23, 2009.

After calculating revenue and expenses, the Town is currently subsidizing the Atherton Contract Postal Unit in excess of \$40,000 annually. Attached to this Staff Report is a report to the City Manager dated May 27, 2009 regarding an analysis of the Atherton Post Office (Contract Postal Unit) and the cost to the Town.

ANALYSIS:

Converting to the proposed Agreement will change the way the U.S. Postal Service reimburses the Town for serving as a Contract Postal Unit. The flat annual fee of \$51,762 will change to a percentage of postage revenue received from sales of postal products and services determined to be six percent (6%) on Stamp sales and fifteen percent (15%) on weigh and rate postage.

The proposed CARS Performance-based terms and conditions, attached to the modification Agreement supersedes and replaces any previous contract and modifications. Payments for stamps and postage will continue to be made by electronic funds transfer. Staffing requirements remain the same.

The proposed Agreement may be terminated by either party upon one hundred twenty (120) days' written notice. The current Agreement termination period is sixty (60) days' written notice.

FISCAL IMPACT

The Council has four options.

OPTIONS:

- 1) Enter into a new Agreement at the proposed percentages.
- 2) Counter with a different percentage.
- 3) Maintain the status quo.
- 4) Request to terminate the Agreement.

ENTER INTO A NEW AGREEMENT AT THE PROPOSED PERCENTAGES:

Under the proposed Agreement the Town will receive six percent (6%) of all stamp sales and fifteen percent (15%) of all weight and rate sales. The U.S. Postal Service has not provided detailed income data to use in analysis. Although the Town does not have multiple year data for weight/rate, based on historical total income data from the Town's records the following revenue would have been received for stamps and weight/rate:

Calendar Year	Total Income from Stamps	Stamps 6%
2004	\$103,863*	\$6,231.78
2005	\$75,597	\$4,535.82
2006	\$81,974	\$4,918.44
2007	\$77,346	\$4,640.76
2008	\$83,826**	\$5,029.56
2009	\$93,727***	\$5,623.62

*estimated January through March due to missing data

**estimated January through August

***estimated June through December

Calendar Year	Total Income from Weight/Rate	Weight/Rate 15%
January 2009 to November 2009	30,487.79	---
With Estimate December 2009	\$33,260	\$4,989.00

*Only have 2009 data

Therefore, rather than receiving \$51,762 annually in a fixed rate the Town would have received an estimated \$10,612.62 dependent upon sales.

Although the revenue loss would be significant as mentioned above, the Council would “buy time” to study whether maintaining the Atherton Contract Postal Unit is in the best interest of the residents. Meanwhile there will be a significant loss in Town revenue that has not been budgeted for. This option does keep the Agreement active with a 120 day termination clause.

COUNTER WITH A DIFFERENT PERCENTAGE:

The Council would need to propose forty to fifty percent (40%-50%) to close the gap with the current fixed rate. It is unlikely the U.S. Postal Service will choose to continue the Atherton Contract Postal Unit. The Council could choose any combination of percentages as a counter offer.

MAINTAIN THE STATUS QUO:

The Town will continue to receive \$51,762 annually until termination by either party with sixty (60) days’ written notice. If this option is selected the U.S. Postal Service will evaluate the cost/benefit to their program and determine whether to maintain the Atherton Contract Postal Unit. There would be a sixty (60) day notice required to terminate. It is unlikely the U.S. Postal Service will choose to continue the Atherton Contract Postal Unit.

REQUEST TO TERMINATE THE AGREEMENT:

The Atherton Contract Postal Unit would close in sixty (60) days.

SUMMARY

The Atherton Postal Contract Unit is currently subsidized by the Town of Atherton. The U.S. Postal Service has presented a new financial arrangement that significantly reduces the revenue the Town currently receives. Of the four options presented, one keeps the Atherton Postal Contract Unit in operation and three options most likely result in ultimate closure.

Regardless of the option selected there will most likely be a significant reduction in revenue. The Office Specialist expense is budgeted and offset by maintaining the Office Assistant as a vacant position for FY 2009-10. There is significant work available should the Office Specialist be released from duties associated with the Atherton Postal Contract Unit and the Office Assistant position can be permanently vacated.

Prepared By:

/s/ Eileen M. Wilkerson

Eileen M. Wilkerson
Assistant City Manager

Approved by:

Jerome D. Gruber
City Manager

Attachments:

1. May 27, 2009 memo to City Manager
2. November 4, 2009 letter from Donna Johnson, U.S. Postal Service
3. Current Atherton Contract Postal Unit Agreement