

## MEMORANDUM

**TO; Aaron Biber, Treasurer; MSBA Operations Committee**  
**FROM: Judson Haverkamp, Director of Publications**  
**DATE: August 27, 2009**  
**RE: *Bench & Bar* Printing Contract**

Per your request, I am writing to provide background information in support of my recommendation that the MSBA execute a letter of intent to negotiate a printing contract with RR Donnelly Inc., effective January 1, 2010, for the printing of *Bench & Bar*.

### Summary

Donnelly's request for the letter of intent and suggestion that we enter into a printing contract came in the wake of a bid process initiated by MSBA staff in May 2009, which is detailed below. The MSBA Publications Committee reviewed the printing bids and, seeing that RR Donnelly submitted the second-lowest bid and is our current printer, directed staff not to pursue the bid process further but to pursue immediate implementation of the pricing offered by RR Donnelly. In response, RR Donnelly asked that MSBA consider entering into a multiyear printing contract and, recognizing that such an agreement would take some time to be negotiated and approved by MSBA, asked that we execute a letter of intent to enter into a contract (*See Appendix A*) in return for their immediate implementation of the new pricing. Terms of the contract and letter of intent are all fully negotiable, but Donnelly has suggested that we consider a two-year term for the contract.

### I. Bid Process

In the spring of 2009 MSBA staff researched the market for magazine printing and mailing services and identified ten local and national printers whose equipment and current production made them appear suited to produce *Bench & Bar*. Apart from our current printer, RR Donnelly, each of the printers in May was sent an RFP consisting of a cover letter, a copy of the April 2009 *Bench & Bar*, and an invoice format on which they were asked to enter a breakdown of the amounts they would charge to produce a comparable magazine. Copies of the letter and sample invoice format are attached as Appendix B.

Two of the printers we approached declined to bid, but we received quotes from the other seven. Without identifying the printers in question, we then shared these numbers with RR Donnelly, which responded with a quote just above that of our lowest bidder, which is based in Kansas City. Appendix C details the quotes received from the several printers, including the invoiced cost of producing the April issue (as DONNELLY #1) and the quotation which Donnelly offered in response to others' quotations (as DONNELLY #2).

### II. Publications Committee Review

The MSBA Publications Committee reviewed these materials at its meeting on July 18, 2009. Noting that RR Donnelly offered the second-lowest bid, that its printing facilities are centrally located within Minnesota, and that this printing facility has been printing *Bench & Bar* since January 1997 the committee decided the bid process should be brought to a close and that we should pursue implementation of the new pricing offered by RR Donnelly.

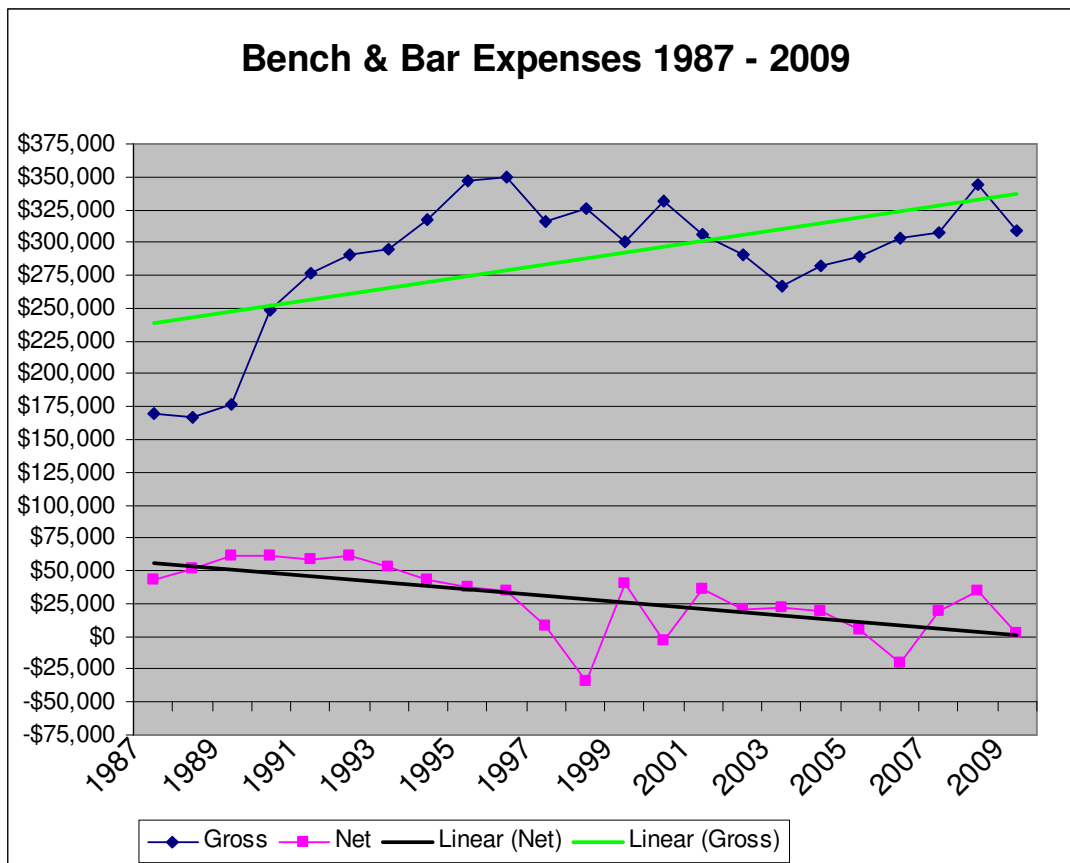
### III. Bench & Bar Printing, Mailing History

As noted above, *Bench & Bar* has been printed at the same facility in Long Prairie, Minnesota since January 1997. At that time the printer was Hart Press, a locally owned web printer specializing in short-run publications and located at a point optimal for distribution throughout Minnesota. Hart Press was subsequently acquired by Banta Publications Group, which in turn was acquired by RR Donnelly in 2008.

*Bench & Bar* has been mailed directly from the printing plant in Long Prairie ever since we began printing there in 1997 but until April 2008 we relied on a local mail house, Information Management Systems, Inc., to presort our mailing list and prepare properly sequenced mailing labels for shipment to Long Prairie. When Banta Publications Group was acquired by RR Donnelly we gained access to Donnelly's national network of printing-related facilities, including list services, which enabled us to save both production time and money on mail list preparation.

At least since 1984, when *Bench & Bar* was printed by a Minneapolis-based sheetfed printer, M&M Printing, we have not contracted for printing or mailing services but have annually received and considered pricing schedules proposed by the vendors.

The following chart shows trends in total direct expenses and direct expenses net of nondues revenue for the period 1987-2009. Printing, paper, and postage are the three major direct costs to produce the magazine; only the first of these would be covered by a contract.



#### **IV. Rationale for Printing Contract**

The market for printing services currently is at its lowest point in a number of years, due principally to the current recession but also reflecting customers' increasing reliance on electronic communications. While first Banta and later RR Donnelly periodically have invited us to enter into a printing contract over the years in which we've done business with them, market conditions have generally seemed more likely to turn in our favor so we have declined to pursue a contract.

The downturn of the market this year was the single most significant factor prompting us to commence the bid process when we did, and the significantly lower bids we received is indicative of the number of printers looking for business at this time. While some may argue that printing prices could continue to fall, the fact that current economic indicators suggest the recession may have ended and a slow recovery is underway leads us to conclude that further reductions are unlikely. That RR Donnelly is now inviting a contract, having seen the bids we have received from hungry competitors, suggests that they are motivated to keep from losing our business, rather than seeking to "lock in" rate protection against a further decline in printing prices. Two additional factors lead us to anticipate that printing prices in the coming year will rise rather than falling: 1) the probability that economic recovery will be accompanied by increased catalog printing as consumers resume spending, and 2) the fact that 2010, as an election year, will likely inflate demand for printing services as has been true consistently over time.

RR Donnelly has suggested that they would prefer a two- or three-year contract but indicated that the term of the contract would be negotiable. They have also expressly given assurance that contract terms would not be dependent on maintaining press runs at current levels. Pricing would be negotiable for the full variety of services provided but is expected not to exceed the prices quoted for services named on the spot quotation. Paper prices would not be covered by the contract; these fluctuate with the paper market and are billed at the market price in keeping with industry norms.

It is estimated that by executing the letter of intent at this time MSBA could realize savings of \$2,000 or more per issue of *Bench & Bar* published in the remainder of calendar year 2009. Assuming that equally or more favorable terms could be negotiated in return for a multiyear contract commencing January 1, 2010, we project that *Bench & Bar* could reduce direct expenses relative to budget by \$22,000 to \$25,000 per year for the calendar years 2010 and 2011.

Appendix A: Proposed Letter of Intent

Appendix B: RFP and Cover Letter

Appendix C: Summary of Printing Quotes Received