

Non-Competitive Contract with Bloomberg Finance LP for the Provision of Continued Leasing of Proprietary Software and Data Services

Date: May 22, 2018

To: Government Management Committee

From: Acting Executive Director, Corporate Finance and Chief Purchasing Officer

Wards: All

SUMMARY

The purpose of this report is to request authority to negotiate and enter into a non-competitive contract with Bloomberg Finance LP ("Bloomberg"), for the continued leasing of proprietary software, data services, and network access/routers for a four-year period (two consecutive 2-year renewable leasing agreements) from January 8, 2019 to January 7, 2023. The contract is estimated to cost \$302,575 USD net of HST (\$307,900 USD net of HST recoveries).

City Council approval is required in accordance with Municipal Code Chapter 195- Purchasing, where the current request exceeds the Chief Purchasing Officer's authority of the cumulative five year commitment for each vendor (including previous contracts), under Article 7, Section 7.3 (D) of the Purchasing By-Law, or exceeds the threshold of \$500,000 net of HST allowed under staff authority as per the Toronto Municipal Code, Chapter 71- Financial Control, Section 71-11A.

RECOMMENDATIONS

The Acting Executive Director of Corporate Finance and the Chief Purchasing Officer recommend that:

1. City Council grant authority to the Interim Chief Financial Officer to negotiate and enter in to a non-competitive contract with Bloomberg Finance LP for the continued leasing of proprietary software, data services, and network access/routers at a cost estimated not to exceed \$302,575 USD net of HST (\$307,900 USD net of HST recoveries) for a four-year period (two consecutive 2-year renewable leasing agreements) from January 8, 2019 to January 7, 2023, on terms and conditions satisfactory to the Interim Chief Financial Officer and in a form satisfactory to the City Solicitor.

FINANCIAL IMPACT

The total value of the non-competitive contract identified in this report is estimated to be \$302,575 USD net of HST (\$307,900 USD net of HST recoveries). Using the current exchange rate as of May 18, 2018 (\$1 USD = \$1.28 CAD), the total value of the non-competitive contract identified in this report is \$387,296 CAD net of HST (\$394,114 CAD net of HST recoveries). Funding of the contract for the leasing of software and data services with Bloomberg is included in the 2018 Operating Budget totalling \$127,840 CAD. Funding to cover each year of the four-year period of this contract will be requested in the Operating Budget Submissions for Corporate Finance in 2019 and each subsequent year.

Year	Cost Centre/ WBS	Cost Element	Net of HST Recoveries	Estimates in CAD (Net of HST Recoveries)
Jan 8, 2019 - Jan 7, 2020	FS0107	4199	\$74,733 USD	\$95,659 CAD*
Jan 8, 2020 - Jan 7, 2021	FS0107	4199	\$74,733 USD	\$95,659 CAD*
Jan 8, 2021 - Jan 7, 2022	FS0107	4199	\$79,217 USD	\$101,398 CAD*
Jan 8, 2022 - Jan 7, 2023	FS0107	4199	\$79,217 USD	\$101,398 CAD*
TOTAL including Net of HST Recoveries			\$307,900 USD	\$394,114 CAD*

*Exchange rate: 1 \$USD = 1.28 \$CDN as of May 18, 2018

The Interim Chief Financial Officer has reviewed this report and agrees with the financial impact information.

DECISION HISTORY

On August 25th, 26th, and 27th, 2010, City Council granted the authority under GM33.34 to award a sole source contract (not to exceed \$264,448 USD) to Bloomberg for proprietary leasing software, data services and computer terminals for a period of four years from January 4, 2011 to January 5, 2015.

<http://app.toronto.ca/tmmis/viewAgendaItemHistory.do?item=2010.GM33.34>

On August 25th, 26th, 27th and 28th, 2014, City Council granted the authority under GM33.22 to award a sole source contract (not to exceed \$339,700) to Bloomberg for proprietary leasing software and data services for a period of four years from January 5, 2015 to January 4, 2019.

<http://app.toronto.ca/tmmis/viewAgendaItemHistory.do?item=2014.GM32.22>

COMMENTS

The Bloomberg Terminal is an all-in-one computer software system provided by the financial data vendor Bloomberg L.P. that enables subscribers to access the proprietary Bloomberg Professional service. Users can monitor and analyze real-time financial market data and access electronic trading, news, real-time price quotes, and various forecasts/surveys (e.g. economics, interest rates, foreign exchanges and commodities). Users also have access to messaging across Bloomberg's proprietary secure network. Bloomberg is considered the industry standard by the global financial community.

Since 1996, staff have relied on the indispensable functionalities of Bloomberg's platform to make investment decisions, issue debt, devise long term capital financing plan and advise on other financial matters. In addition, staff also use Bloomberg for the following:

- Interest rate, foreign exchange, economic and commodity price forecasts
- Querying of multiple dealers for best real-time bid/offer for security offerings
- Measurement and reporting on investment fund performance/metrics
- Monitoring investment fund compliance including minimum credit rating quality
- Sophisticated analytical tools for portfolio stress testing and scenario analysis
- Credit ratings information and other reports, e.g. Bloomberg Oil Buyer's Guide, that are shared with other divisions to evaluate risk and make important financial decisions.

Staff rely heavily on Bloomberg as the key source of information/analytics required for investment and debt issuance decisions. Under the new Council approved investment policy, staff will still require access to Bloomberg in order to manage \$2 billion of the City's investment funds, execute investment direction from the Toronto Investment Board for the City's \$4.7 billion investment portfolios as well as oversee the work of the investment managers. In addition, staff continue to manage the annual debt issuance program. For 2018, the forecasted investment income is \$146 million. Staff also manage the issuance of approximately \$950 million in debt and administer the \$6 billion debt portfolio. These important functions will be compromised without access to the Bloomberg platform.

All major investment dealers in Canada use Bloomberg. The breadth and depth of Bloomberg's users enables Bloomberg to have the best quality of pricing information for staff to fulfil their fiduciary duties. Furthermore, our peers such as Ontario Financing Authority, York Region, Peel Region, Region of Halton, City of Ottawa, City of Edmonton, City of Calgary, City of Vancouver and City of Montreal etc. all use Bloomberg. Although other financial data systems exist, such as Reuters, Bloomberg combines all the necessary services into one comprehensive proprietary system. Much of Bloomberg's technology is proprietary and protected by their patents. The following table shows examples of Bloomberg's patents:

U.S. Patent No.	Title
8799140	Fixed income market model system
8788397	System and method for trading financial instruments based on undisclosed values
7774247	Computer trading on interests
7447654	Computer trading of financial interests
8694399	Pricing mortgage-backed securities
8676679	Counterparty credit limits
8504483	Electronic trading system supporting anonymous negotiation and indications of interest
8099352	System and method for trading financial instruments based on undisclosed values

Renewal of this service is required for continued access to Bloomberg services, an all-in-one platform for proprietary analytical/information and communication services integrated with the global financial markets. This platform is an essential tool for gathering and analyzing information as well as making decisions for investment and debt management. Only Bloomberg's propriety platform can provide such a comprehensive suite of services.

The City intends to terminate the Agreement after the four year terms and report to Council for further authority to renew at that time, should a renewal be recommended.

Bloomberg requires that the City enter into Bloomberg's standard form agreement. This agreement limits Bloomberg's liability to the amount of fees paid to it by the City for a period of three months. It also requires the City to indemnify Bloomberg against all losses arising from the use of the Bloomberg services.

The Fair Wage Office has reported that Bloomberg has indicated that it has reviewed and understands the Fair Wage Policy and Labour Trades requirements and has agreed to comply fully.

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SIGNATURE

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