



## STAFF REPORT ACTION REQUIRED

### Sole Source Contract with Bloomberg for Leasing Proprietary Software, Data Services and Computer Terminals

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|--------------------------|---|
| <b>Date:</b>             | July 9, 2010  |
| <b>To:</b>               | Government Management Committee                     |
| <b>From:</b>             | Deputy City Manager and Chief Financial Officer     |
| <b>Wards:</b>            | All   |
| <b>Reference Number:</b> | P:\2010\Internal Services\Cf\Gm10034cf (AFS #12504) |

#### **SUMMARY**

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The purpose of this report is to seek Council authority to award a sole source contract to Bloomberg for leasing proprietary software, data services and computer terminals. The maximum staff authority limit of \$500,000 net of all taxes has almost been reached through previous sole source spending allowed under staff authority, as per the Toronto Municipal Code, Chapter 71- Financial Control, Section 71-11.

The leasing agreement with Bloomberg covers equipment for three computer terminals and provides an all-in platform for communications, analytical and information services that are integrated with the global financial markets. These services are essential tools for gathering and analyzing information as well as making decisions for investment selection, portfolio management and debt issuance. Only this vendor can provide these services due to proprietary reasons. Sole source requests have been prepared for every other year since 1996.

Since services from Bloomberg are expected to be required for the foreseeable future, Corporate Finance and Purchasing and Materials Management Divisions recommend a four year approval (two consecutive 2-years renewable leasing agreements), for the period of January 4, 2011 to January 4, 2015.

#### **RECOMMENDATIONS**

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**The Deputy City Manager and Chief Financial Officer recommends that**

1. City Council grant authority to award sole source contract to Bloomberg at a cost not to exceed \$264,448 (in U.S. dollars) plus applicable taxes over the four year period (two consecutive 2 years renewable leasing agreements) from January 4, 2011 to January 4, 2015, subject to Operating Budget approval.

### **Financial Impact**

The following is a breakdown of funding totalling the following amounts (in USD)\* which are required in each year:

| <b>2011</b> | <b>2012</b> | <b>2013</b> | <b>2014</b> |
|-------------|-------------|-------------|-------------|
| \$62,962    | \$62,962    | \$69,260    | \$69,260    |
| Total       |             |             | \$264,448   |

\*plus applicable tax

The potential increase for the consecutive two-year periods, 2011-12 and 2013-14, is forecasted to be no more than 10% per each two-year period.

The City receives fair pricing from Bloomberg as its pricing structure is the same for all clients regardless of sectors or volume.

The requested amounts for 2011, 2012, 2013 and 2014 are estimated and represent "not to exceed" amounts over the four year period for the purposes of obtaining approval to enter the contracts with Bloomberg and will be subject to Operating Budget approval in each 2-year period. The amounts are based on the current requirements, potential future requirements and estimated inflationary increases.

### **DECISION HISTORY**

Bloomberg is required for the effective management of the Capital Markets function for the City and is a key source of information required for investment in the City; Only one vendor provides this service which is widely considered the industry standard. The City has been using Bloomberg since 1996. Since the contract will need to be renewed every two years for the foreseeable future, approval is being requested for a term of four years.

### **ISSUE BACKGROUND**

The services and equipment provided by Bloomberg under the contract are mandatory for the core investment and debt issuance functions managed by Capital Markets' staff. Without the use of Bloomberg, the Capital Markets' staff will not be able to function properly and ensure due diligence. The Capital Markets Section, Corporate Finance Division, is responsible for the management of the City's investment portfolios and debenture issuance program. The investment program has earned in excess of \$160 million in 2009 and the Bond Fund portfolio averaged \$3.4 billion in 2009. Average

annual debt issuance is \$500 million with a total gross debt portfolio of about \$2.7 billion.

Essential to these functions is the ongoing timely accessibility, at a minimum, of the following:

- Real time market data, historical market data, sophisticated analytical tools, application programming interface
- Timely global news and economic data
- Interactive capability with the investment dealers, ability to query multiple dealers for their indicative best bid or offer, and most importantly widely adopted by the industry (same/standard platform as the industry internationally).

Bloomberg is the industry leader in providing these investment services. All major banks, investment dealers, institutional investors and hedge funds use Bloomberg as their primary tool and platform to a degree that Bloomberg has become the "unofficial" standard for the industry. Currently investment dealers usually use Bloomberg as the platform to post timely price quotes, securities offerings, pricing as well as communication. As a result, users can query multiple dealers simultaneously for their indicative best bid or offer.

Although other information sources exist such as Reuters, Bloomberg combines all the necessary services into one comprehensive system. Other major capital markets participants may also use other service providers, but only as an additional source to Bloomberg and not as a replacement. Hence, there is not an acceptable comparable competitor to Bloomberg for the provision of products and services that Corporate Finance vitally requires for essential financial functions.

The total cumulative dollar value spent to date by Corporate Finance for the procurement of leasing proprietary software, data services and computer terminals through the sole source process with Bloomberg is \$457,173 net of all taxes and any further spending will exceed the threshold of \$500,000 net of all taxes allowed under staff authority as per the Toronto Municipal Code, Chapter 71-Financial Control, Section 71-11 and, therefore Council approval is required for future expenditure.

Upon approval, the Corporate Finance Division will be in a position to enter into two consequent two-year renewable leasing agreement with Bloomberg for a total of four years. The renewal of the second two-year renewable agreement in 2013 will be subject to Operating Budget approval.

## **CONTACT**

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## **SIGNATURE**

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