TORONTO

STAFF REPORT
ACTION REQUIRED

Contract for the Provision of Leasing Proprietary Software and Data Services from Bloomberg Finance LP

Date:	July 23, 2014
To:	Government Management Committee
From:	Deputy City Manager and Chief Financial Officer
Wards:	All
Reference Number:	P:\2014\Internal Services\Cf\Gm14019Cf (AFS #19365)

SUMMARY

The purpose of this report is to request authority to enter into a proprietary sole source contract with Bloomberg Finance LP (Bloomberg), for the continued leasing of proprietary software, data services and network access/router services for a four-year period (two consecutive 2-year renewable leasing agreements) from January 5, 2015 to January 4, 2019.

A contract for this service is required to continue to provide 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 this complete suite of services due to proprietary reasons.

City Council approval is required in accordance with Municipal Code Chapter 195-1 Purchasing, and Chapter 71-11 Financial Control where the cumulative five year commitment and $500,000.00 threshold exceeds staff authority. The current four-year term proprietary sole source contract with Bloomberg approved under GM33.34 expires on January 4, 2015.

RECOMMENDATIONS

The Deputy City Manager and Chief Financial Officer recommends that:

City Council grant authority to award a contract to Bloomberg Finance LP at a cost estimated not to exceed $345,678.72 USD net of HST recoveries, over the four year

period (two consecutive 2-year renewable leasing agreements) from January 5, 2015 to January 4, 2019, on terms acceptable to the Deputy City Manager and Chief Financial Officer and in a form acceptable to the City Solicitor.

Financial Impact

The total value of the sole source contract identified in this report is estimated not to exceed $345,678.72 USD net of HST recoveries as shown below.

The following chart identifies estimated costs (net of HST recoveries) for the leasing of proprietary software, data services and network access/router services for the four-year period (two consecutive 2-year renewable leasing agreements) from 2015 to 2019. The funding requirements will be provided for under Cost Centre FS0107 and Cost Elements 4515 and 4199 of the 2015-2019 Operating Budget Submissions for the Corporate Finance.

Jan 5 2015 - Jan 4, 2016	Jan 5 2016 – Jan 4, 2017	Jan 5 2017 – Jan 4 2018	Jan 5 2018 – Jan 4 2019
$80,390.40 USD	$80,390.40 USD	$92,448.96 USD	$92,448.96 USD
		Total	$345,678.72 USD

The requested amounts for the four year term period are estimated and represent "not to exceed" amounts over the four-year term period for the purposes of obtaining approval to enter the contracts with Bloomberg. The amounts are based on the current and expected future requirements, mandatory technology changes and estimated inflationary increases. The contract amount requested represents a 15% increase over the previous 4-year contracts.

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

The Deputy City Manager and 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 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.

The following is the link to City Council Decision Document:
http://app.toronto.ca/tmmis/viewAgendaItemHistory.do?item=2010.GM33.34

ISSUES BACKGROUND

Bloomberg services are required for the effective management of the City's Capital Markets function and are key source of information required for the investment of the City funds. Only one vendor provides these services which are widely considered the industry standard.

The services provided by Bloomberg under the contract are mandatory for the core investment and debt issuance functions managed by Corporate Finance staff. Without the use of Bloomberg, capital market activities (investments and debt issuance) will be significantly compromised. Corporate Finance staff is responsible for the management of the City's investment portfolios (over $6 billion) and debenture issuance program (average $600 million per year). The investment program has earned in excess of $216 million in 2013.

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, economic data and new bond issuance information
- Interactive capability with the investment dealers, ability to query multiple dealers for their indicative best bid or offer, and most importantly as an investment information system that is widely adopted by the industry (same/standard platform as the industry internationally)

COMMENTS

Bloomberg is the industry leader in providing these investment services. According to industry reports, Bloomberg has about 80% of the Fixed Income Financial Information System market share. In addition, all major banks, investment dealers, institutional investors and hedge funds use Bloomberg as their primary tool and platform to the degree that Bloomberg has become the "unofficial" standard for the industry. Currently investment dealers 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. In addition, most institutional investors and market makers use Bloomberg, the pricing data it contains is indicative of true market price.

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. Accordingly, there is no comparable competitor to Bloomberg for the provision of products and services that are required to carry out its essential capital markets functions.

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

CONTACT

Joe Farag
Director
Corporate Finance
Telephone: 416-392-8108
E mail: jfarag@toronto.ca

Victor Tryl
Acting Director
Purchasing and Materials Management
Telephone: 416-392-7312
Email: vtryl@toronto.ca

SIGNATURE

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Roberto Rossini
Deputy City Manager and Chief Financial Officer