

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

Date: May 23, 2022

To: General Government and Licensing Committee

From: Director, Capital Markets and Chief Procurement 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 and data services for a four-year period (two consecutive 2-year renewable leasing agreements) from January 8, 2023 to January 7, 2027. The contract is estimated to cost \$303,367 USD net of HST (\$308,706 USD net of HST recoveries). The software and data subscription system is used to monitor and analyze real-time financial market data, news, real-time bond pricing quotes, and to obtain forecasts and surveys. Since 1996, staff has relied on the functionalities of Bloomberg to issue debentures, make investment decisions, create long-term capital financing plans, and use information obtained from this system to prudently assist with financial matters of the City.

City Council approval is required in accordance with Municipal Code Chapter 195- Purchasing, where the current request exceeds the Chief Procurement 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 Director, Capital Markets and the Chief Procurement Officer recommend that:

1. City Council grant authority to the Chief Financial Officer and Treasurer to renew the 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 \$303,367 USD net of HST (\$308,706 USD net of HST recoveries) for a four-

year period (two consecutive 2-year renewable leasing agreements) from January 8, 2023 to January 7, 2027, on terms and conditions satisfactory to the Chief Financial Officer and Treasurer and in a form satisfactory to the City Solicitor.

FINANCIAL IMPACT

The total potential value of the non-competitive contract identified in this report is estimated to be \$308,706 USD net of HST recoveries (\$388,970 CAD net of HST recoveries). On average, the contract is estimated to cost \$95,561 CAD net of HST (\$97,242 CAD net of HST recoveries) per year over four years. Funding of the contract for the lease of software and data services with Bloomberg is included in the 2022 Operating Budget of the Office of the Chief Financial Officer and Treasurer totalling \$102,098 CAD net of HST recoveries. Funding to cover each year of the four-year period of this contract will be included in the Operating Budget Submissions of the Office of the Chief Financial Officer and Treasurer for years 2023 through 2027 as required. Estimates are provided in Table 1 below.

Table 1
Estimated costs for 4-year Bloomberg contract

Year	Cost Centre/ WBS	Cost Element	Net of HST Recoveries	Estimates in CAD (Net of HST Recoveries)
Jan 8, 2023 - Jan 7, 2024	FS0107	4515	\$75,271 USD	\$94,842 CAD*
Jan 8, 2024 - Jan 7, 2025	FS0107	4515	\$75,271 USD	\$94,842 CAD*
Jan 8, 2025 - Jan 7, 2026	FS0107	4515	\$79,082 USD	\$99,643 CAD**
Jan 8, 2026 - Jan 7, 2027	FS0107	4515	\$79,082 USD	\$99,643 CAD**
Total including Net of HST Recoveries			\$308,706 USD	\$388,970 CAD

*Exchange rate: 1 \$USD = 1.26 \$CDN as of April 2022

**Bloomberg adjusts its price using inflation as a reference roughly every two years. According to the U.S. Federal Reserve's median Personal Consumption Expenditure (PCE) inflation forecast as at March 16, 2022, the measure of Inflation is estimated at 2.7% for 2023 and 2.3% for 2024. The 2025 price adjustment is based on the compounded inflation rate.

The Chief Financial Officer and Treasurer 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 \$345,678.72 USD net of HST recoveries) to Bloomberg for proprietary leasing software, 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>

June 26th, 2018, City Council granted the authority under GM28.13 to award a sole source contract (not to exceed \$307,900 USD net of HST recoveries) to Bloomberg for proprietary leasing software, data services for a period of four years from January 8, 2019 to January 7, 2023.

<http://app.toronto.ca/tmmis/viewAgendaItemHistory.do?item=2018.GM28.13>

COMMENTS

The Bloomberg Terminal is an all-in-one computer software and data subscription system provided by the financial data vendor Bloomberg L.P. that enables access to the proprietary Bloomberg Professional ("Bloomberg") service. Staff use the software to monitor and analyze real-time financial market data, news, real-time bond pricing quotes, and to obtain various forecasts and surveys (e.g. economics, interest rates, foreign exchange rates, and commodity prices) to aid in the City's investment, financing, and budgeting decisions. Bloomberg is considered the industry standard by the global financial community and is also being used by the City's peers such as the Ontario Financing Authority, Region of York, Region of Peel, Region of Halton, City of Edmonton, City of Calgary, City of Vancouver, City of Montreal, and is also used by all major investment dealers in Canada. The City's competitiveness could be compromised without access to the timely information and communication services that the Bloomberg service provides. The Bloomberg service ensures that the City's treasury, investment, and financing operations run effectively and efficiently.

Since 1996, staff has relied on the indispensable functionalities of Bloomberg to make investment decisions, issue debt, create long-term capital financing plans, and use information obtained from Bloomberg to assist with other financial matters of the City. For example, staff use Bloomberg for the following:

- Interest rate, foreign exchange, economic and commodity price forecasts, mainly for investment and debt issuance purposes at Capital Markets. These forecasts are required by many other City's divisions and pension consultants for various purposes.
- Querying of multiple dealers for best real-time bid/offer prices for security offerings;
- Referencing real-time interest rate information for debt issuance pricing;
- Measurement and reporting on investment fund performance and metrics;
- Monitoring investment fund compliance including minimum credit rating quality;
- Sophisticated analytical tools for portfolio stress testing and scenario analysis; and

- Credit rating information and other reports and data points (such as weekly fuel price quotes) are shared with other divisions to evaluate risk and make important financial decisions.

Staff rely heavily on Bloomberg as a key source of information and analysis required for investment and debt issuance decisions. Under the Council approved investment policy, staff require access to the Bloomberg service to operationally oversee and manage \$6 billion of the City's short-term funds, implement directives from the Toronto Investment Board for the City's \$6 billion investment portfolios, and oversee the work of the investment managers, custodians, and consultants. For reference, investment income for 2022 is forecasted to be close to \$130 million. In addition, staff require the Bloomberg service to implement the City's annual debt issuance program with a \$2 billion annual borrowing authority and administer a debt portfolio of close to \$9 billion. These essential functions require the Bloomberg service to operate effectively.

Although other financial data systems exist in the market, such as Thomson Reuters, Bloomberg combines all the necessary services into one comprehensive proprietary system. Much of Bloomberg's technology is proprietary and protected by 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 and minimal disruption to the City's operations. Bloomberg offers an all-in-one platform for proprietary financial data, information, and communication services that is integrated in real-time with 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 this vendor can provide such a comprehensive suite of services due to proprietary reasons.

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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