

THE CORPORATION OF THE TOWN OF GEORGINA

REPORT NO. LS-2025-0003

**FOR THE CONSIDERATION OF
COUNCIL**

April 2, 2025

**SUBJECT: PROPOSED ADJUSTMENTS TO PROCUREMENT PRACTICES IN
RESPONSE TO U.S. TARIFFS**

1. RECOMMENDATIONS:

1. That Council receive Report No. LS-2025-0003 prepared by the Procurement Services Division, Legislative Services Department dated April 2, 2025, respecting proposed adjustments to the Town's procurement practices in response to U.S. tariffs imposed on goods imported to the U.S. from Canada;
2. That Council direct Procurement Services to acquire its deliverables, where feasible, from vendors in countries other than the United States, with preference to be given to Canadian vendors while ensuring compliance with trade treaty obligations and continuing to follow the principles of fiscal responsibility, value for taxpayer dollars, and good governance in public procurement;
3. That Council direct Town employees, when acquiring deliverables outside of the formal procurement process, to find, where feasible, alternative sources of supply from countries other than the United States for deliverables currently being acquired from U.S. vendors, and where there are no viable Canadian options available, such acquisitions are to be approved in advance by the Director of the Department;
4. That Council direct Town employees involved in the acquisition of goods to source qualified Canadian vendors to whom invitations can be issued by Procurement Services for formal procurements conducted through the online e-procurement platform; and
5. That Council direct Procurement Services to continue to monitor the developing U.S./Canadian tariff situation and report to Council as necessary regarding significant impacts to the Town.

2. PURPOSE:

The purpose of this report is to provide Council with proposals for an appropriate and proportional procurement response to the U.S./Canadian tariff situation. Other municipalities in Ontario, and indeed in the rest of Canada, have formulated their own

responses to these unique circumstances, and Town staff acknowledge with thanks their contributions to the body of information that has developed on this topic, some of which has been drawn upon in preparing the analysis appearing later in this report.

The report examines key considerations relating to prioritizing the acquisitions of the Town's deliverables from vendors in countries other than the United States, with preference to be given to Canadian companies where feasible, while ensuring compliance with trade treaty obligations and continuing to follow the principles of fiscal responsibility, value for taxpayer dollars, and good governance in public procurement.

3. BACKGROUND:

- On March 4, 2025, and again on March 12, 2025, new U.S. tariffs on billions of dollars' worth of Canadian goods being imported into the U.S. came into effect. The tariffs had originally been scheduled to take effect on February 4, but were postponed for one month.
- Canada has responded with reciprocal tariffs on goods originating in the U.S. and imported into Canada.
- The new tariffs are expected to have a significant impact on producers of Canadian goods, the Canadian economy, and the cost of deliverables to the Town.
- Like the first tariffs referred to above, others have been announced and then postponed, or exemptions of unknown duration have been granted. The tariff situation remains fluid and unpredictable, contributing to an unsettled, even chaotic, economic climate.
- As a result of the U.S. tariffs, many Ontario municipalities are passing resolutions providing for changes to their procurement practices, some designed to reduce access by U.S. vendors to their acquisition processes, and some implementing preferential treatment to be given to Canadian and other non-U.S. vendors.

4. ANALYSIS:

Potential Impacts of Tariffs on Municipalities

The impacts of tariffs on Canadian municipalities can vary depending on the nature of the goods being imported or exported, the industries involved, and the specific economic dynamics of each municipality. Tariff-related impacts may include:

- **Increased Costs:**

Construction and Infrastructure Projects: Tariffs can lead to higher prices for raw materials and equipment on which municipalities rely for the development of capital infrastructure (e.g., steel, aluminum, machinery). This could result in increased project costs or delays as municipalities may need to find alternative vendors or adjust budgets.

Public Services: Tariffs may result in a rise in the cost of goods and services required for municipalities, such as vehicles, supplies or technology. This could affect the ability to provide services at the same level.

- **Supply Chain Disruptions:**

Tariffs can disrupt the flow of goods into Canada, especially for industries reliant on global supply chains. Municipalities may experience supply chain delays or shortages, leading to higher costs and project delays.

- **Inflationary Pressures:**

The cumulative effect of increased costs due to tariffs can lead to broader inflationary pressures, which may affect municipal budgeting and cost planning for services and other community needs.

The Town's Current Procurements

All of the vendors from which the Town is acquiring its deliverables through the formal procurement process at the present time are in Canada. Acquisitions directly from U.S. vendors, however, are often made by Town employees as low value purchases, which are not required to follow a formal procurement process; the value of such acquisitions over the past 5 years has been in the range of \$200,000 to \$325,000 per year. These purchases are typically lower value acquisitions for which the Town is invoiced, or for which payment is made by corporate purchase card. It is not known if these deliverables are unavailable domestically.

(Note that for the purposes of this report, a U.S. vendor is defined as a business entity that is incorporated or established under the laws of any of the United States and uses a business address located in the United States.)

The Existing Legal and Commercial Landscape

Ontario municipalities are bound by the *Municipal Act, 2001* to adopt policies with respect to their procurement of goods and services. They are also subject to rules contained in trade agreements intended to ensure fair and open access to suppliers in other provinces or countries. The Town must comply with trade agreements when establishing open competitive procurement processes.

Applicable Trade Agreements:

Trade agreements that impact Canadian municipal procurement generally focus on vendor location rather than company ownership or the origin of goods. This means that if a vendor is based in an eligible country under the trade agreement, they must be allowed to compete for contracts, regardless of corporate ownership or where their products are manufactured.

The main trade agreements that apply to municipal procurement activities are:

- Canadian Free Trade Agreement (CFTA) – requires municipalities to provide open, non-discriminatory access to suppliers from across Canada for procurements above certain thresholds. The CFTA does not prevent municipalities from limiting their tendering to Canadian suppliers if done in compliance with other trade treaties and within the thresholds of the agreement.
- Comprehensive Economic and Trade Agreement (CETA) with the EU – requires municipalities to provide non-discriminatory, equal treatment to European suppliers for applicable procurements exceeding the specified thresholds. When the acquisition value of a procurement exceeds the CETA threshold, municipalities are generally prohibited from setting minimum Canadian content for goods and services covered by the agreement.

The thresholds applicable to municipalities under these agreements for open competitive procurements are as follows:

Type of Purchase	Canadian Free Trade Agreement (CFTA)	Comprehensive Economic and Trade Agreement (CETA) with the EU
Goods and Services	\$133,800	\$353,300
Construction	\$334,400	8,800,000

The Town’s Procurement Policy mandates compliance with trade agreements which apply to municipalities for procurements that are above the trade agreement thresholds, ensuring openness and accountability while protecting the financial interests of the Town.

While some municipalities are considering implementing an invitational approach for procurements below the thresholds provided for in CFTA and CETA, thus increasing their ability to favour Canadian suppliers, it is staff’s view that the Town should not modify its current practices to this extent, particularly where the current processes are reasonably effective in attracting vendors and projects are being delivered successfully.

If the Town were to implement a more directed invitational approach for acquisitions below these trade agreement thresholds by inviting only a limited number of targeted Canadian vendors to respond to its procurement opportunities, rather than publicizing its projects to all subscribers to the online e-procurement platform, it would reduce the pool of vendors, and fewer bid submissions would be received. Staff suggest instead that the Town should continue to utilize its present open tendering approach to maintain a more competitive marketplace that attracts as many potential vendors as possible to bid on Town projects, but that that approach be modified as described below under the heading “Recommended Procurement Initiatives to Address Tariff Impacts”.

Canadian Content:

Due to the many interconnections between the U.S., Canadian, and global economies, determining whether a product has been made in Canada is not feasible for the purposes of most municipalities; nor is reliably tracking its degree of Canadian content. The complexity of modern supply chains, where products often consist of components sourced from multiple countries, can make it difficult, if not virtually impossible, to determine a product's origin or the extent to which it includes value added in countries other than Canada. For this reason, staff do not recommend basing adjustments to the Town's procurement processes on assessments of Canadian content which will often require considerable analysis, but still cannot be made with confidence.

It is not realistic for Canada to produce everything within its borders in today's global economy. Instead, it may be argued that municipalities and other public purchasers should aim at creating as much value as possible within Canada. The Town can continue to support Canadian companies while maintaining realistic expectations about the origin of goods, since not everything municipalities need may be produced in Canada.

Recommended Procurement Initiatives to Address Tariff Impacts

- When acquiring deliverables outside of the formal procurement process (typically for lower value deliverables purchased by Town employees directly from vendors without utilizing one of the acquisition procedures administered by Procurement Services), Town employees should research the market to find vendors in Canada, preferably in Ontario, who offer the required deliverables, and should discontinue or curtail the use of online shopping platforms (for instance, Amazon) to make convenience acquisitions. It must be acknowledged that there will not always be viable Canadian options for such acquisitions; for example, software purchases must often be made from US vendors. Where this is the case, the acquisitions should be approved in advance by the Director of the Department requiring the deliverables.
- Town employees should increase their vendor sourcing initiatives to identify qualified Canadian vendors to whom invitations may be sent during future

procurement activities, with the intention of encouraging more Canadian vendors to offer bid submissions to the Town. In this way, it is hoped that the Town can attract greater participation from Canadian vendors, while attracting a large pool of prospective vendors and remaining consistent with its trade treaty obligations. It is important to note that what is being proposed here is not to limit bidding opportunities only to invited Canadian vendors, but rather to ensure that positive steps are taken to identify such vendors and to bring business opportunities to their notice, while still maintaining an open procurement process in an environment where there are not always large numbers of bidders and it is not in the Town's best interest to restrict the number of potential respondents to its purchasing initiatives.

Currently, the Town's e-procurement platform automatically notifies its subscribers of new business opportunities when the Town publishes a project. The notice is sent to the subscriber's registered business email address. If, at the request of a Project Manager or other Town employee involved in an acquisition, Procurement Services enters a more specific vendor sales contact email address into the e-procurement platform, the sales contact will also receive notice that the Town has published a new project. This will ensure that the corporate contact and the sales contact will be informed, thereby increasing the awareness of a new opportunity.

- In addition, Departments should, where feasible, carry out the following:
 1. Cost Management and Project Planning: Consider potential cost increases resulting from tariffs and identify areas for cost reduction or optimization to offset additional expenses. Reevaluate project timelines and prioritize initiatives less affected by tariffs.
 2. Data Gathering: Project Managers should start identifying tariff-related cost increases for each project and track them accordingly so that project cost overages may be attributed specifically to the impact of tariffs, as opposed to other non-tariff-related impacts on the project's financial outcome. Staff are already including provisions in new procurement documents requiring respondents to quantify tariff impacts, which will facilitate the collection of such data.

In view of the fluidity of the present tariff environment, as well as the impossibility of predicting its likely duration, staff suggest that the foregoing recommendations be implemented pursuant to the direction of Council, and not be entrenched by way of formal amendment to the Town's Procurement Policy. This will enhance the Town's flexibility in the event that Council decides in the future that further, different, or reduced measures are advisable in order to respond to any developments that may occur.

As the issue of tariffs continues to evolve, Town employees will continue to monitor the proposed tariffs and report to Council as necessary regarding the impacts to the Town.

5. RELATIONSHIP TO STRATEGIC PLAN:

This report addresses the following strategic pillar in the 2023-2027 Corporate Strategic Plan:

Delivering Service Excellence – Implementation of the adjustments to the Town’s procurement practices that are proposed in this report will maintain the principles of fiscal responsibility, value for taxpayer dollars and good governance in public procurement, while supporting the efforts of the Federal and Provincial governments to appropriately address the new tariffs being imposed by the U.S. government on goods imported to the U.S. from Canada.

6. FINANCIAL AND BUDGETARY IMPACT:

Currently, there are no known immediate financial or budgetary impacts arising as a direct result of the matters dealt with in this report, although it is anticipated that over time, tariffs will lead to increases in the cost of deliverables required by the Town.

7. PUBLIC CONSULTATION AND NOTICE REQUIREMENTS:

There are no public consultation or notice requirements associated with this report.

8. CONCLUSION:

Because those of the Town’s current vendors who have been contracted through its formal procurement processes do not include any U.S. vendors (and have not for several years), staff suggest that wholesale changes to its procurement policies are not necessary or warranted in the present tariff environment; this is consistent with the views of many commentators from within the procurement field who have weighed in on the subject within the last two months. However, there are opportunities to reduce the total amount of lower value deliverables purchased from U.S. sources, and to identify and notify greater numbers of qualified Canadian suppliers of proposed Town procurements.

APPROVALS

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