



REPORT

TO: Mayor Lawlor and Members of Council

FROM: Joseph Vandermeer, Deputy Treasurer

DATE: March 3, 2025

REPORT NO.: CS-2025-007

SUBJECT: Enhancing Procurement Flexibility - Amendment to Purchasing Policy 2022-0003

RECOMMENDATION:

THAT Report No. CS-2025-007 dated March 3, 2025, regarding Enhancing Procurement Flexibility - Amendment to Purchasing Policy 2022-0003 be received;

AND FURTHER THAT Council adopts the proposed amendment to the Purchasing By-law 2022-0003 (Appendix A);

AND FURTHER THAT Staff continue to monitor the economic landscape and report back to Council with any additional recommendations as needed.

KEY POINTS:

The following are key points for consideration with respect to this report:

- On February 1, 2025, the United States of America (US) announced tariffs of 25 per cent on all Canadian goods, except for energy products, which would be subject to a 10 per cent tariff starting on February 4, 2025.
- On February 2, 2025, the Government of Canada announced a 25% tariff on \$155 billion worth of imported goods, effective February 4, 2025, in response to the U.S. tariffs.
- On February 6, 2025, the US announced a delay of the tariffs for a period of 30 days.
- On February 10, 2025, the US announced a 25% tariff on all steel and aluminum imports that will take effect March 12, 2025.
- As of February 10, 2025, Town staff were directed by the CAO to suspend, where possible, the use of Amazon and focus on local purchases.

- To ensure operational efficiency and flexibility, staff recommend amending the Town's Purchasing Policy to raise the informal solicitation threshold from \$50,000 to \$100,000.
- Advocacy efforts are on-going with the Federation of Canadian Municipalities and the Association of Municipalities of Ontario.

BACKGROUND AND DISCUSSION:

On February 1, 2025, the United States announced its intention to impose a 25% tariff on all non-energy imports from Canada, along with a 10% tariff on Canadian oil, electricity, and natural gas. In response, Canada introduced a 25% tariff on \$30 billion worth of U.S. imports, with an additional \$125 billion in imports set to be subject to tariffs beginning February 25. However, following discussions between both countries, the implementation of these measures has been temporarily paused until March 4.

On February 10, the United States announced additional tariffs with the imposition of a global 25% tariff on all steel and aluminum imports, including those from Canada, with no exceptions or exemptions. These tariffs are scheduled to take effect on March 12, 2025, and will be applied in addition to any existing trade restrictions.

There remains significant uncertainty regarding the proposed tariffs after the temporary relief period expires. The overall impact will depend on several factors, including consumer and business responses to rising costs, potential financial support from other levels of government, and broader economic conditions impacted by changes in federal monetary policy. If implemented, the tariffs are expected to result in increased costs for essential goods and services, economic slowdowns, and potential supply chain disruptions.

As a result of the proposed tariffs and the resulting economic uncertainty, staff conducted a review of the Town's purchasing policy. This intent of the review was to ensure the Town maintains operational efficiency, maximizes flexibility in response to evolving economic conditions and potential cost increases, and prioritizes support to local business.

This report outlines the ongoing work undertaken by staff, recent adjustments made in response to trade developments, and potential strategies to ensure the Town remains prepared should the tariffs be enforced.

Actions Taken

Following the Mayor's announcement at the February 10, 2025, Council meeting, Town staff were directed by the CAO to suspend the use of Amazon purchases and focus on local suppliers, where feasible. Although Amazon transactions are typically made through purchasing cards and categorized as low-dollar purchases (under \$15,000), this suspension encourages staff to prioritize and support local businesses.

To safeguard the Town's interests and maintain fairness for the vendor community, staff have engaged and will continue to engage legal counsel to review bid and contract

documents. Additionally, staff are closely monitoring the evolving tariff landscape and collaborating with local municipal partners and other municipalities across Ontario to assess potential adjustments to procurement practices in response to tariff impacts.

The Town's Economic Development team is proactively supporting local businesses by offering a range of resources, including a dedicated webpage, a business survey, and targeted outreach initiatives. These efforts aim to equip businesses with the tools and information needed to navigate current challenges and continue to thrive. Ongoing communication through social media, newsletters, and collaboration with key stakeholders further reinforces the Town's commitment to fostering economic stability within the community.

In addition, staff are reviewing current and upcoming purchases that may be affected by tariffs. Where operationally practical, staff will evaluate the most appropriate course of action for these initiatives, including postponing purchases when feasible.

On-Going Provincial and Federal Advocacy

Town staff are actively monitoring this evolving issue, including responses from the Provincial and Federal Governments, municipalities, and municipal advocacy partners. Additionally, staff continue to collaborate with and support the efforts of the Federation of Canadian Municipalities (FCM) and the Association of Municipalities of Ontario (AMO).

Town of Halton Hills Procurement

The Town's Purchasing Policy complies with both domestic and international trade agreements, including the Canadian Free Trade Agreement (CFTA) and the Comprehensive Economic and Trade Agreement (CETA).

As the Town evaluates municipal procurement strategies to mitigate the impact of proposed U.S. tariffs, it is essential to consider Canada's trade agreement obligations.

Proposed Purchasing Policy Amendment

Although the implementation of tariffs has been delayed, Town staff have completed a review of the Purchasing Policy to determine if business practices remain efficient and adaptable. While the proposed tariffs prompted this review, the focus is on enhancing flexibility for staff to support local businesses, particularly for low-dollar purchases of goods and services.

The proposed amendment to the Town's Purchasing Policy (PLCY-2022-0003) seeks to increase the informal solicitation threshold from \$50,000 to \$100,000. This adjustment would allow Town staff to directly solicit bids from domestic suppliers, where applicable, while ensuring continued compliance with the Canadian-European Union

Comprehensive Economic and Trade Agreement (CETA) and the Canadian Free Trade Agreement (CFTA).

The purpose of this amendment is to provide staff with greater flexibility to prioritize local suppliers where feasible, while remaining aligned with Canada's trade commitments. Under the current policy, all procurements estimated at more than \$50,000 must undergo a publicly posted, open competitive process. Raising the threshold to \$100,000 would enable staff to invite bids from local suppliers for eligible purchases, supporting the local economy while adhering to trade obligations.

For context, in 2024, the Town awarded:

- 20 contracts valued between \$15,000 and \$50,000, totaling approximately \$500,000.
- 17 contracts valued between \$50,001 and \$100,000, totaling approximately \$1.1 million.

Implementing this amendment would enable the Town to prioritize local purchasing where possible, helping to retain investments within the community and strengthen the local economy whenever possible.

Conclusion

The proposed amendment to the Town's Purchasing Policy represents a proactive and strategic response to the economic uncertainty created by the proposed U.S. tariffs. By increasing the informal solicitation threshold from \$50,000 to \$100,000, the Town of Halton Hills will enhance procurement flexibility, and support local businesses. This adjustment strikes a balance between operational efficiency and compliance with Canada's trade obligations, ensuring the Town remains both agile and responsible in its purchasing practices.

While the future of these tariffs remains uncertain, the Town remains committed to safeguarding its financial interests, fostering a resilient local economy, and collaborating with key stakeholders at all levels of government. Staff will continue to monitor developments closely and provide Council with timely updates and recommendations as needed.

STRATEGIC PLAN ALIGNMENT:

This report is administrative in nature and does not have an impact on the Town's Strategic Plan.

RELATIONSHIP TO CLIMATE CHANGE:

This report is administrative in nature and does not directly impact or address climate change and the Town's Net Zero target.

PUBLIC ENGAGEMENT:

Public Engagement was not needed as this report is administrative in nature.

INTERNAL CONSULTATION:

Town staff have established a cross-departmental working group led by the CAO to evaluate the implications of U.S. tariffs and their effects.

FINANCIAL IMPLICATIONS:

This report does not have any immediate financial implications for the Town. However, it is important to note that the potential impact of tariffs on the Town cannot be accurately assessed at this time, as it will depend on several external factors, including business and consumer responses, availability of funding from other levels of government, changes in monetary policy, and more.

For 2025, the Town has a net operating budget of \$77M and a capital budget of \$22.4M. The potential financial risks include direct impacts on materials and supplies, as well as purchased services. Additionally, there may be indirect cost impacts due to a slowed economy, which could affect growth targets and the collection of development charges and related application fees when forecasted.

Staff will continue to monitor developments and report back to Council as the situation evolves. Currently, the proposed amendment to the purchasing policy provides staff with the flexibility needed to fulfill Council's direction to prioritize local procurement where possible.

Reviewed and approved by,

Moya Jane Leighton, Treasurer

Laura Lancaster, Commissioner of Corporate Services

Chris Mills, Chief Administrative Officer