

SUBJECT: Tariff Response Report  
TO: Committee of the Whole  
FROM: Finance  
N/A

Report Number: FIN-15-25

Wards Affected: all

Date to Committee: April 7, 2025

Date to Council: April 15, 2025

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## **Recommendation**

Approve the draft by-law substantially in the form attached as Appendix A to finance department report FIN-15-25, being a by-law to amend Procurement Policy By-law 04-2022; and

Direct Finance and Legal staff to continue to monitor any changes to trade agreements or related legislation and bring forward any required updates to the Procurement By-law to Council.

## **Executive Summary**

On February 6<sup>th</sup>, 2025, the Mayor issued a direction requesting the Chief Financial Officer (CFO) to prepare a report outlining ways the City of Burlington, where possible, could prioritize Canadian vendors and suppliers in the event new tariffs are imposed on Canadian exports to the United States of America.

Effective March 4<sup>th</sup>, 2025, the United States of America has imposed tariffs ranging from 10% to 25% on certain Canadian imports, with President Trump then confirming a pause on tariffs for goods and services compliant with the United States-Mexico-Canada Agreement (USMCA) until April 2<sup>nd</sup>. A further 25% tariff on steel, aluminum, and derivative products became effective March 12<sup>th</sup>, 2025.

At Council on March 18<sup>th</sup>, 2025, report FIN-09-25 was approved directing the Chief Financial Officer to continue to investigate the impacts and risks of potential tariffs by working with other municipalities to develop procurement strategies and practices that support Buy Canadian by

assessing options for alternatives to United States of America (U.S.) vendors and report back to Committee of the Whole on April 7<sup>th</sup>, 2025.

Staff recommend an amendment to Procurement By-law 04-2022 to allow invitational bidding up to \$133,800, in compliance with the minimum threshold set by the Canadian Free Trade Agreement (CFTA). This suggested change aims to provide greater flexibility in navigating the dynamic and challenging environment we are currently facing, while also enabling staff to invite bids only from qualified Canadian companies, and avoid U.S. vendors, where feasible. This is generally consistent with the approach many other Ontario municipalities are taking.

Staff will also keep monitoring the situation and propose any additional opportunities that may arise, provided they are legally and financially advisable.

#### Purpose of report:

The purpose of this report is to provide further information to FIN-09-25 directing the Chief Financial Officer to continue to investigate the impacts and risks of potential tariffs by working with other municipalities to develop procurement strategies and practices that support Buy Canadian by assessing options for alternatives to United States of America (U.S.) vendors and report back to Committee of the Whole on April 7<sup>th</sup>, 2025.

#### Key findings:

- Although the City does not currently engage in local preference or buy Canadian policy, the economics of competitive bidding can innately create a financial advantage for local companies due to the impacts of both travel and time costs. This is particularly evident in-service contracts, fleet assets and construction projects.
- The City's Enterprise Resource Planning System (ERP), Workday, identifies over 3,100 vendors that the city has done business with, of which less than 5% are registered with primary non-Canadian addresses.
- Procurement Services maintains over 200 ongoing contracts for both goods and services, with only five (5) vendors who have signed agreements using a U.S. address, all of whom provide software-related goods and/or services.
- All competitively bid procurements completed within the last five (5) years have been awarded to vendors who operate with a primary Canadian address, with the exception of one (1) award, which was later amended to their Canadian address.
- There are challenges in ascertaining if a vendor is Canadian owned or if a good is manufactured in Canada. Many U.S. and multi-national companies operate in Canada and support our local economies.
- The Legal framework of international and domestic Trade Agreements remain in place despite the introduction of the new tariffs. Canada is a signatory to several trade agreements, such as the Canada-European Union Comprehensive Economic and Trade Agreement (CETA) and Canadian Free Trade Agreement (CFTA). These

agreements require municipalities to follow rules of non-discrimination and open competition in their procurement practices. The suggested By-law amendment allows continued compliance with trade agreements while at the same time permitting for the structure of procurements to invite only Canadian bids.

- It is expected that the uncertainty around tariffs may impact bid pricing on new bid solicitations. Staff continue to monitor the situation.
- Many other municipalities have adjusted their invitational thresholds to align with Canadian Free Trade Agreement (CFTA).

# Recommendation Report

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## Background

In January 2025, the United States of America through President Donald Trump, announced the imposition of significant tariffs on imports from Canada, Mexico, and China. Specifically with respect to Canada, a 25% tariff was set for all goods from Canada, with a 10% tariff on Canadian energy exports, including oil, natural gas, and electricity. In response, Canada announced retaliatory tariffs on approximately CAD 30 billion worth of U.S. goods. These tariffs targeted a range of products. On February 3<sup>rd</sup>, 2025, President Trump announced a one-month delay in the implementation of the 25% tariffs on imports from Canada and Mexico, which were initially scheduled to take effect on February 4<sup>th</sup>, 2025. Since that time, President Trump has imposed certain tariffs and delayed others, while threats continue to loom.

Council has been proactive throughout this time, issuing a motion memorandum at the January 28, meeting of Council bringing forward a Buy Canada resolution. Furthermore, bringing forward a mayoral decision on February 6, to direct more specific action in support of the Buy Canada resolution and further approving report FIN-09-25 at Council on March 18<sup>th</sup>, 2025. At the time of writing this report, the situation remains dynamic, and further developments are anticipated as negotiations and responses continue. The City is and will continue to explore opportunities to minimize financial impacts, while also encouraging Canadian economic success.

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## Analysis

Understanding that it is important to support Canadian and local business, Burlington as well as other Canadian municipalities rely on and work within a global economy. It is difficult to ascertain and define what is a Canadian company, as many global companies operate Canadian branches. Furthermore, it presents greater challenges to isolate those which provide service and goods that are strictly of Canadian content. Council should be aware that actions that potentially limit business interactions to Canadian companies only, may have legal, financial and operational impacts. Additionally, staff are mindful that many global companies operate in Canada and employ Canadians.

Currently, municipalities across the GTA and beyond, are exploring and implementing various procurement strategies to prioritize Canadian vendors. The proposed Procurement By-law amendment will provide staff the additional flexibility to operationalize this as an option through invitational bidding, to the minimum threshold set by the Canadian Free Trade Agreement (CFTA).

While some GTA municipalities have chosen to further restrict U.S. vendors, through extensive definitions, exploring this option is not currently recommended for the following reasons:

- Adding further restrictions to our bid requirements creates less competition and more red tape. Typically, these actions result in increased costs to the City.
- In order to restrict U.S. vendors, the City would need established, verifiable criteria to determine whether or not a vendor qualifies as a non-U.S. Bidder. Criteria would have to be evidenced from all bidders, creating more effort for our vendor community. Further, this approach would also require significant effort from City staff, including Procurement and Legal to validate documentation.
- Our research has confirmed that major City spend with U.S. vendors (operating with a primary U.S. address) is limited. Therefore, the effort involved in this restriction may not yield expected results, but rather create the unintended consequences mentioned above.
- By increasing invitational procurement levels, we are adopting a thoughtful strategy to address the current situation, while safeguarding the City's interest and remaining adaptable to the evolving political and economic landscape.
- Consultation with our Halton Cooperative Procurement Group has confirmed that, at the date of writing this report, most members are avoiding restrictive language.

Staff will remain agile as the tariff situation evolves, ensuring that our decision-making and action plans are guided by the most current and relevant information. The City values its vendor community and aims to support their economic stability while also protecting our own operational and budgetary success. As always, the Procurement Services team will ensure that proper bidding processes and contract language are used, while also exploring additional strategies, such as commodity indexing, to maintain a balanced approach. Open competitive bidding will continue to be the most effective method for securing the best value.

Staff recommend focusing on cost containment and avoidance, while preparing for potential negotiations and vendor requests arising from increased costs. Like the supply chain difficulties experienced through COVID, tariffs will inevitably affect both the City's budget, and potentially the availability of certain goods in the marketplace.

Procurement services is dedicated to mitigating financial and operational risk by utilizing appropriate contract language and by exploring all possible options to ensure best value for the City.

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### **Recommendation Details**

Staff are recommending the approval of Appendix A to Finance report FIN-15-25, which amends Procurement Policy By-law 04-2022 to allow invitational bidding up to \$133,800, in compliance with the minimum threshold set by the Canadian Free Trade Agreement (CFTA). The suggested change aims to provide greater flexibility in navigating the dynamic and challenging environment

we are currently facing, while also enabling staff to invite bids only from qualified Canadian companies, and avoid U.S. vendors, where feasible.

### **Key Dates & Milestones**

- March 4<sup>th</sup>, 2025, the United States of America has imposed tariffs ranging from 10 to 25% on certain Canadian imports, with President Trump then confirming a pause on tariffs for goods and services compliant with the United States-Mexico-Canada Agreement (USMCA) until April 2<sup>nd</sup>.
  - March 12<sup>th</sup>, 2025, the United States of America has imposed 25% tariffs on steel, aluminum, and derivative products.
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### **Implications**

Staff do not foresee any notable financial or legal implications in the suggested recommendation. Staff have outlined several potential implications in exploring further vendor restrictions.

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### **References**

- [Mayoral Decision \(2025-03\), dated February 6<sup>th</sup>, 2025](#)
  - [Buy Canada Resolution \(ADM-01-25\), dated January 28<sup>th</sup>, 2025](#)
  - [Preliminary Information on Buy Canadian Resolution \(FIN-09-25\)](#)
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### **Strategic Alignment**

- Designing and delivering complete communities
  - Providing the best services and experiences
  - Protecting and improving the natural environment and taking action on climate change
  - Driving organizational performance
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### **Author:**

Craig Millar  
Chief Financial Officer  
Craig.millar@burlington.ca

### **Appendices:**

A. City of Burlington By-law XX-2025 - A By-law to amend the Procurement Policy By-law 04-2022

**Draft By-laws for Approval at Council:**

- Bylaw XX-2025 to amend the Procurement Policy By-law to Council on April 15<sup>th</sup>, 2025

**Report Approval:**

All reports are reviewed and approved by the Commissioner, Head of Corporate Affairs, Chief Financial Officer, and Commissioner of Legal and Legislative Services/City Solicitor.