

## REPORT

### Council

Meeting Date: March 24, 2025

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**FROM:** CAO's Office

**DATE:** March 18, 2025

**SUBJECT:** **Tariff Task Force Update to Approve By-law 2025-066 to Amend Procurement By-law 2017-095**

**LOCATION:** Town Hall

**WARD:** Town-wide

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#### **RECOMMENDATION:**

That By-law 2025-066 (Appendix B), amend Procurement By-law 2017-095, A by-law to Adopt and Maintain a Procurement Policy for the Town of Oakville; to increase the thresholds in accordance with the limits from the Canadian Free Trade Agreement, to allow a local preference for certain procurements below the applicable thresholds and to increase the ability for the Town to join other buying groups, be approved.

#### **KEY FACTS:**

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

- This report provides an initial update from the Tariff Task Force, established to assess and mitigate the impacts of U.S.-Canada tariff measures on the Town of Oakville.
- The Task Force is actively reviewing procurement and economic implications, with a focus on minimizing risks and ensuring business continuity.
- The Economic Development team is focused on outreach and education to support businesses during this time, while the Finance and Procurement team is focused on the procurement impacts of the tariffs, feasible response measures the town can take, and assessment of the impact to the capital and operating budgets.
- The town's purchasing is primarily from Canadian suppliers, though many of these suppliers have integrated supply chains with cross-border trade and,

therefore, the town will likely see tariff impacts in the costs of supplies and services.

- The town's procurement by-law has various thresholds based on the free trade agreements that were in effect when the by-law was approved. Updating these amounts to the 2025 free trade thresholds will provide some support in addressing tariff concerns. The town can also restrict buying under these thresholds to Canadian suppliers.
- The staff report includes proposed amendments to the town's purchasing by-law to address some of the identified concerns.
- The recent tariff survey results indicate concern that should tariffs persist, there will be significant impacts to our local business community, including increased costs, supply chain disruptions and reduced demand and/or sales.
- A Tariff Resource Hub has been created on the Invest Oakville website to provide resources and information to the business community.
- Staff have increased focus on company outreach in order to identify potential supports to mitigate the risks from U.S. trade policies and staff are also focused on connecting businesses to programs and resources as they become available.
- Staff continue to support the advocacy work of the Ontario Auto Mayors Caucus, with a focus on coordinated efforts with U.S. mayors to ensure a cohesive and unified response to U.S. trade policies.
- The town continues to work with other municipalities, including the GTHA CAO and Procurement roundtables, as well as local partners to discuss tariff-related matters.
- Staff will continue to explore additional areas to review, including:
  - Review of by-laws and permits to support business
  - Review of Licensing By-law through a lens of support for businesses
  - Comprehensive review of the Procurement By-law
  - Any financial impacts on key contracts and/or capital projects
- While uncertainties remain, early assessments indicate potential cost pressures, supply chain disruptions, and other challenges that may impact municipal operations. Further data collection is underway, and final recommendations will be presented in a subsequent report.

## **BACKGROUND:**

### **Understanding Tariffs and the Municipal Impact**

The evolving U.S.-Canada tariff issue remains a major topic of discussion at all levels of government, with concerns about its economic impact. The timeline of tariff

measures has evolved rapidly, with multiple policy shifts, exemptions, and reciprocal actions between the U.S. and Canadian governments. For a more detailed breakdown of key dates and developments, see Appendix A.

Tariffs—taxes imposed on imported goods—are typically intended to protect domestic industries but can disrupt supply chains and raise costs. While trade policy is set nationally, its effects are felt locally by municipalities and businesses.

For municipalities like Oakville, as major purchasers of goods and services, higher costs for materials, equipment, supplies, and services could strain budgets, delay capital projects, and require financial adjustments. Local businesses facing increased costs may pass them on to consumers, reduce operations, or reconsider investment, affecting jobs and economic stability. Given these risks, it is crucial to closely monitor developments, assess impacts, and explore mitigation strategies.

### **Council Actions and Tariff Task Force**

Recognizing the potential financial and operational risks to the town, the Mayor—exercising his special powers and duties as head of Council, under s.284.3 of the [Municipal Act](#), 2001, S.O. 2001, c. 25—directed the CAO to establish a staff Tariff Task Force (“the Task Force”). The Task Force includes the following staff roles: Chief Administrative Officer; Deputy Treasurer & Director, Finance, and Director, Economic Development, as co-chairs; Director, Communications; Assistant Town Solicitor, Legal; Manager, Purchasing; Manager, Intergovernmental Affairs & Public Policy; and other staff engagement as appropriate. The Task Force is managed internally using existing resources and personnel, with staff collaborating as part of their regular responsibilities.

The mandate of the Task Force is to assess risks, explore mitigation strategies, and provide regular updates to Council on the municipal response to the tariff issue. Since its establishment in February 2025, the Task Force has focused on two primary workstreams related to the tariff issue, summarized as follows:

- Procurement and Finance – Local procurement and contract review (led by the Finance department)
  - Reviewing contract exposure and the feasibility of shifting procurement from U.S. companies without violating existing trade agreements or compromising fiscal responsibility; cost implications of tariffs on municipal purchasing; and evaluating policy options and legal considerations to mitigate risk.
- Economic Development and Business Impacts – Economic impact assessment and business support (led by the Economic Development department)

- Engaging businesses to understand expected financial impacts and supply chain challenges, as well as identifying potential support measures and advocacy initiatives.

On February 24, 2025, Council unanimously [signalled support of the work of the governments of Canada and Ontario](#) to counter the proposed tariffs. Through the [resolution](#), Council stands in solidarity with Oakville businesses that would be negatively impacted by proposed tariffs and commits to supporting the business community through advocacy. In addition, Council has demonstrated formal support to the governments of Canada and Ontario in opposition to these proposed tariffs and to protect Canadian businesses through engaging in diplomacy, trade negotiations, and other appropriate measures.

While there remains much uncertainty surrounding the tariff issue, including the expected duration, [additional potential intensity](#), and impacts of the tariffs, this report provides an initial update on the Task Force's two primary workstreams, with further refinements and recommendations to be provided in future reporting to Council.

## **COMMENT/OPTIONS:**

The Task Force acknowledges that the full impact of the tariff issue is unknown, with a number of variables that could significantly influence outcomes, including the final scope and duration of the tariffs, potential exemptions or adjustments negotiated between Canada and the United States, market responses from affected industries, any mitigation measures introduced by other levels of government, dispute settlement mechanisms (e.g. through the Canada-United States-Mexico Agreement, CUSMA, or the World Trade Organization, WTO), and broader economic conditions including impacts from any changes in monetary policy. Given these uncertainties, the Task Force is committed to continuously monitoring developments, adapting its analysis accordingly, and ensuring that Council receives timely updates on emerging risks, financial implications, and viable response strategies.

### **Legal Landscape and Trade Agreements**

While the [Canada-United States-Mexico Agreement \(CUSMA\)](#), due for [review in July 2026](#), itself does not impose direct obligations on municipalities like the town, it operates alongside other trade agreements that do. CUSMA does not include binding procurement commitments for Canada at the municipal level, meaning the town's purchasing policies are not directly governed by the agreement.

Instead, municipal procurement is primarily regulated by the [Canadian Free Trade Agreement \(CFTA\)](#), which ensures open competition among Canadian suppliers, and the [Comprehensive Economic and Trade Agreement \(CETA\)](#), which grants similar access to European firms above certain contract thresholds. Additionally, Canada's commitments under the [WTO Agreement on Government Procurement](#)

[\(GPA\)](#) provide some access to U.S. suppliers. While CUSMA was intended to ensure trade stability, tariff-free access, and investor protections, municipalities must primarily navigate CETA and CFTA when structuring procurement policies, ensuring compliance with trade obligations while balancing local economic priorities. Legal constraints under existing trade agreements (i.e. CETA, CFTA) limit the town's ability to favour Oakville, Halton, Ontario or Canadian suppliers. A purely "Buy Local" or "Buy Canada" approach for procurements over the legal thresholds may discriminate against other eligible vendors. Instead, the town could explore an approach where the focus is on Canadian companies and those who are covered by CETA. One of the best ways to do this would be to increase the town's purchasing by-law limits in accordance with the limits established under the CFTA.

The CFTA prohibits procurement entities from favoring local content in tenders, restricting the ability to have a preference for goods or services from specific regions. These prohibitions apply to procurements exceeding certain thresholds, which are adjusted for inflation as per Article 504. For 2025, the thresholds are \$133,800 for goods and services and \$334,400 for construction. For procurements below these thresholds, limited tendering is permitted without violating CFTA's non-discrimination rules. As a result, the town could favor local, Ontario or Canadian-based goods or services below these limits.

## **Procurement and Finance**

### **Town Procurement considerations**

Tariffs can have significant implications for the town on the cost of goods and services that are procured. The biggest impact will be experienced on goods acquired from the United States that have Canadian tariffs added to them. This will apply to both future procurements as well as existing contracts where a town vendor would not have been able to account for the impact of tariffs at the time of procurement.

The town's total procurement was approximately \$183 million in 2023 and \$240 million in 2024. Of this, the vast majority of purchases are from companies registered in Canada. Less than 2% of all purchases in both years were from vendors based in the United States and, of these, most related to either various software purchases or to the investments the town has made in Oakville Transit's technological infrastructure.

While most of the town's purchasing is done from Canadian suppliers, many of these companies source products, parts, and technology through U.S. companies due to the integrated supply chain that we have in North America. As a result, there will likely be impacts on many of the town's contracts from these tariffs. The full scope of American components in town contracts and what the possible impact on these might be due to the tariffs, will require much further assessment.

While there is a great deal of complexity in examining existing contracts, there are more immediate measures the town can take to shift procurement to Canadian sources, and these relate to the town's procurement by-law.

The town's current procurement by-law, By-law 2017-095, A by-law to Adopt and Maintain a Procurement Policy for the Town of Oakville, was established in 2017 and includes dollar thresholds based on the CFTA limits at that time. Inflation has impacted these thresholds, making an update necessary to align to current economic realities. In connection with updating thresholds, a preference for Canadian suppliers for procurements below these thresholds could be implemented.

Staff recommend an increase in dollar thresholds to align with the updated amounts in the Canadian Free Trade Agreement. The 2025 workplan already includes a full review of the existing by-law, including a review of the existing thresholds; however, adjustments can be made to these limits in the interim to address the current tariff situation. This change would also be in-line with current practices in surrounding municipalities, a number of whom have already or will be proposing adjustments to the procurement thresholds.

*Schedule D – Request for Quotations (RFQ)* sets out the requirements for procurement of supplies and services from \$25,000 up to but not including \$100,000; and for procurement of construction from \$25,000 up to but not including \$250,000. The proposed amendment in Appendix B to *Schedule D* is to increase the dollar threshold for RFQs, by increasing the upset limit from \$100,000 to \$133,800 for supplies and services and from \$250,000 to \$334,400 for construction work.

Although the increases are not significant, this will provide two primary benefits for the town. For one, procurements under these limits are simpler to conduct and an increase to the limit allows for more procurement to follow this simpler procurement path. Secondly, and perhaps more importantly, any procurements under these limits do not have any free trade restrictions on them. As a result, staff can restrict purchasing to Canadian companies, where practical to do so. To enact this change, staff propose to amend Section 14 “No Local Preference” of the purchasing by-law to include a provision that procurements below the CFTA thresholds can be restricted to Canadian suppliers. Canadian suppliers will be defined based on the Provincial Building Ontario Business Initiative (“BOBI”) definition. This proposed amendment can be seen in Appendix B.

*Schedule E – Request for Tenders (RFT)* sets out the requirements for procurement of supplies and services with an estimated value greater than \$100,000; and for the procurement of construction with an estimated value greater than \$250,000. The proposed amendment to *Schedule E* is to increase the dollar threshold and requirement for an RFT process from \$100,000 to \$133,800 for supplies and/or services and from \$250,000 to \$334,400 for construction work. *Schedule F –*

*Request for Proposals (RFP)* sets out the requirements for procurement when technical specifications cannot be fully defined or specified and when procuring consulting and professional services. The proposed amendment in Appendix B to *Schedule F* is to increase the dollar threshold and requirement for an RFP process from \$100,000 to \$133,800. These two proposed changes would ensure that the thresholds in *Schedule D*, *Schedule E*, and *Schedule F* do not overlap or conflict.

#### Other Finance considerations

Finance staff are also keeping an eye on the following:

- Budgetary pressures in the town's operating and capital budgets due to increased costs for supplies and services.
- Delays in procurement cycles if suppliers require time to adjust pricing or sourcing strategies.
- Cost escalation in capital projects due to higher prices.
- Existing contracts – the town may anticipate claims for increased costs from non-U.S. vendors who may experience an increase in costs as a result of the tariff issue.
- Contract review – identifying wording to consider in future contracts that may address tariff concerns and how to work through these issues with vendors (e.g., requiring copies of tariff invoices).

#### **Economic Development & Business Impacts Findings**

As noted above, the full impact of the tariff situation is unknown, with several variables that could influence the outcomes. The uncertainty alone has already caused disruption to both Canadian and U.S. companies, and to the broader economies. It is anticipated that should tariffs persist, the resulting impacts will include rising material costs, supply chain disruptions, reduced consumer demand, slower economic growth, and increased inflation, and these will have significant impacts on the local economy.

While Oakville has a relatively diversified economy, over 20 percent of local businesses are in the manufacturing, wholesale and retail trade, and transportation and warehousing industries, which are anticipated to be most impacted by the U.S. tariffs. Oakville has a high share of services-producing industries which, when compared to good-producing industries, may see relatively lower impacts and assist in mitigating the overall impact. Despite this, each industry has different sensitivity and exposure to tariffs, so impacts in certain industries will be significant and all sectors are at risk of being impacted by spill-over effects.

#### **Business Supports**

##### Tariff Resource Hub

In early February, the Economic Development department launched the 'Tariff Resource Hub' on the Invest Oakville website. This resource hub provides links to recent news, tariff tools, made in Canada and Ontario resources, upcoming tariff-

related events, business support services, and links to industry organizations and business associations. Staff monitor news, updates from Federal and Provincial governments, and funding opportunities, and update this page regularly as new information becomes available.

#### Business Outreach

In February, the Economic Development team launched a survey with the intention of seeking input from local businesses to better understand the potential impact of tariffs. Participation was anonymous, with the option to provide contact information if a business was interested in having staff follow-up. Approximately one-third of the respondents requested follow-up.

The survey closed on March 12, 2025, and received 33 responses with the highest number of responses in food and beverage, health and life sciences, and retail sectors. The majority of respondents had 50 or fewer employees. Given that there was limited response, the results of the survey should not be considered fully representative of the Oakville business community but do provide insights into potential impacts.

Of the respondents, approximately 36 percent export to the U.S. while 73 percent import from the U.S. When asked about the expected impacts of the tariffs, the most common impacts identified were increased costs (80%), supply chain disruptions (60%), and reduced demand and/or sales (40%). Other expected impacts include layoffs, reduced production, and shifts to local suppliers.

The survey allowed for open-ended responses on how the Town of Oakville could support businesses facing challenges due to tariffs. While some responses are outside of a municipality's purview, suggestions such as advocacy to reduce inter-provincial trade barriers, reducing or eliminating costs on businesses (such as licensing, permit fees, signage, and parking), assisting companies in finding new markets, and helping businesses to connect with provincial and federal partners, are areas where the town could play a role.

Economic Development staff have also been proactive in our 'Business Retention and Expansion' program (sometimes referred to as corporate calling/company visitation), and this will continue to be a priority. Information gathered from these discussions can help in identifying potential supports to mitigate the risks from U.S. trade policies and staff will focus on connecting businesses to programs and resources (e.g., Provincial or Federal funding programs), as they become available.

#### Ontario Auto Mayors

Manufacturing is one of Oakville's four key sectors, and the Ford Motor Company of Canada is the town's largest private-sector employer. The automotive industry is highly integrated across North America with automotive parts crossing North American borders up to eight times before final assembly, leaving the industry with significant exposure to the consequences of disruptive trade measures.



Economic Development staff support the work of the Ontario Auto Mayors Caucus (the “Auto Mayors”), which was founded, and is chaired by, Mayor Burton. On February 26, 2025, the Auto Mayors convened an urgent meeting to discuss the impact of the U.S. tariffs on the automotive industry. The Auto Mayors heard from representatives of the Federal government and the automotive industry. The necessity of coordinated efforts with U.S. mayors to ensure a cohesive and unified response was one of the key takeaways from the meeting. Work has begun on outreach to U.S. mayors. Economic Development staff will continue to support and coordinate this work with the Mayor's office.

### **Advocacy and Partnerships**

The town works closely with a larger group of municipal public sector procurement professionals across the GTHA who meet regularly to discuss tariff issues. These meetings are used to assess options, common approaches, and to compare risks and practices. Some of the topics being discussed include:

- Setting a standard for defining when a good or service is considered Canadian, including distinctions between “Made in Canada” versus “Product of Canada” as per Competition Bureau guidelines.
- Comparing wording in contracts to address tariff related concerns.
- Leveraging cooperative procurement opportunities across Halton and with other municipalities to explore savings and/or reduce potential tariff impacts. The town already engages in such opportunities where possible and the existing purchasing by-law includes wording to enable this; however, should any other new purchasing group(s) be created that may assist the town, staff are recommending a slight modification to the existing by-law to allow staff to participate accordingly.

Town staff continue to actively monitor responses from the Provincial and Federal governments, other municipalities, and municipal advocacy partners. Staff also continue to support the efforts of the Federation of Canadian Municipalities (FCM), the Association of Municipalities of Ontario (AMO), and Ontario Big City Mayors (OBCM) to address the potential impacts of the tariff issue.

Economic Development staff are members of the Oakville Partnership Committee (which includes the Oakville Chamber of Commerce, Visit Oakville, Halton Region Small Business Centre, Bronte Village BIA, Downtown Oakville BIA, and Kerr Village BIA) and continue to discuss tariff issues and responses with this group as well as the other economic development departments within Halton Region.

### **Next Steps**

Should Council approve the recommended changes to the Procurement By-law included in this report, the procurement team will also update the town's internal procedures to incorporate these changes and communicate this to all departments.

In addition, the procurement team will continue to work with other procurement groups on tariff-related matters.

The Finance team, in conjunction with the departments, will continue to monitor existing projects and procurements to identify key areas of risk that may impact the budget and/or timeline and explore options to address or mitigate this risk (extra budget approvals as per the Financial Control Policy, adjust the timing of projects, etc.). Staff will also monitor for any support from other levels of governments.

The Economic Development team will continue to work with our community partners and focus on providing supports to the local business community. As noted above, staff have an increased focus on outreach through the business retention and expansion program. In addition, work has begun on reviewing the existing Foreign Direct Investment strategic plan to better understand and respond to the long-term implications that come with a sustained tariff situation.

Staff also continue to review and evaluate additional support options for businesses. Options under review include 'Buy Local' campaigns; fee adjustments for businesses, such as reductions in permitting or licensing fees; advocacy to Provincial and Federal governments; and reviewing and addressing any barriers to productivity that may inadvertently result from municipal legislation.

Given the evolving nature of the tariff issue, the Task Force will continue to assess legal interpretations, supplier responses, and economic conditions. Regular updates will be provided to Council as new information becomes available, to ensure ongoing transparency and informed decision-making, as appropriate.

The Task Force's approach will remain proactive and responsive to emerging developments, ensuring that the town is well-positioned to navigate the tariff issue as effectively as possible. As the landscape evolves, the town remains committed to assessing potential impacts, identifying opportunities for collaboration, and advocating for outcomes that align with the town's priorities and needs.

## **CONSIDERATIONS:**

### **(A) PUBLIC**

The town is actively engaging the community to assess and respond to the potential impacts of tariffs. A Business Impact Survey has been completed to gather insights from affected local businesses, complemented by targeted outreach and meetings. The town has also launched a [Tariff Resources Hub](#) on the Invest Oakville website to provide businesses with up-to-date information and resources. Public engagement efforts will focus on ensuring that businesses and residents are aware of available support, advocacy efforts, and any changes that may arise as a result of the Task Force's work.

**(B) FINANCIAL**

The implementation of tariffs by both Canadian and US governments will lead to additional cost pressures on both capital and operating budgets. The scope and magnitude of the impacts will not be fully understood until there is more clarity on the nature and extent of the tariffs themselves. Staff will continue to follow the town's Financial Control Policy and Procurement By-law to ensure that appropriate controls are maintained on the town's spending.

**(C) IMPACT ON OTHER DEPARTMENTS & USERS**

While Finance and Economic Development are leading the tariff assessment through the Task Force, all departments may face budgetary and operational impacts. Rising costs could affect capital projects, service delivery, and financial planning, while departments that rely on imported materials or U.S. suppliers may need alternative sourcing or funding. The Task Force will continue monitoring exposure, impacts, and mitigation options for departments.

**(D) COUNCIL STRATEGIC PRIORITIES**

The Tariff Task Force's work aligns with the Accountable Government strategic priority and the commitment to responsible fiscal management, economic resilience, and transparent decision-making. Growth Management and Community Belonging are indirectly affected, as potential financial pressures on capital projects and local businesses may impact economic development.

**(E) CLIMATE CHANGE/ACTION**

While Environmental Sustainability is not a primary focus of this report, the economic disruptions caused by tariffs could influence sustainability efforts.

**APPENDICES:**

Appendix A – Timeline of Key U.S.-Canada Tariff Measures and Developments

Appendix B – By-law 2025-066

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