



## **Staff Report for Council Meeting**

**Date of Meeting:** February 26, 2025

**Report Number:** SRCFS.25.007

**Department:** Corporate and Financial Services

**Division:** Financial Services

**Subject:** **SRCFS.25.007 - Response to February 12, 2025  
Member Motion – Regarding a “Made in  
Canada” Procurement Policy**

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### **Purpose:**

To report back to Council with a preliminary assessment of a new “Made in Canada” Procurement approach and outline the impacts and strategies to respond to potential U.S. tariffs.

### **Recommendation(s):**

- a) That staff report SRCFS.25.007 be received;
- b) That staff be directed to modify current procurement practices to give effect to prioritizing Canadian goods and services by:
  - Increasing the threshold for High Value Acquisition procurement to \$133,800 to align with Canadian Free Trade Agreement (CFTA) thresholds;
  - Specifying goods or services that are Made In Canada where they are available to meet functional requirements and are within budget for any procurement values below Canada European Union Comprehensive Economic and Trade Agreement (CETA) Thresholds;
- c) That the City Clerk be authorized to include any by-law or by-laws required to amend the City’s Procurement By-law on a future Council agenda in order to effect the actions set out in b) without any prior consideration;
- d) That staff be directed to explore ways to further support the Richmond Hill business community and;
- e) That staff be directed to continue to monitor the proposed tariffs and report to Council as necessary regarding the impacts to the City.

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### Contact Person(s):

- MaryAnn Kotylak, Manager, Procurement Services, ext.2535
- Gigi Li, Director, Financial Services/Treasurer, ext. 6435
- Sherry Adams, Commissioner of Corporate and Financial Services, ext. 2521

### Report Approval:

All reports are electronically reviewed and/or approved by the Division Director, Treasurer (as required), City Solicitor (as required), Commissioner, and City Manager. Details of the reports approval are attached.

### Key Messages:

- The United States (U.S.) announced proposed tariffs to all goods originating in Canada and imported into the U.S, beginning in early March.
- The proposed U.S. tariffs will have significant impact to Canadian goods and the economy.
- This report examines the key considerations of prioritizing Canadian made goods and services while ensuring compliance with trade agreements, fiscal responsibility and value for taxpayer dollars.
- The majority of the City's current procurements are with Canadian suppliers.
- Increasing the procurement threshold and specifying Canadian content can support more procurements with Canadian suppliers.
- The City has developed resources to help support Richmond Hill businesses and will work to determine the appropriate next steps to further support local businesses.

### Background:

On February 1, 2025, the President of the United States announced proposed tariffs to all goods originating in Canada and imported into the U.S., beginning on February 4, 2025. On February 3, the day before the tariffs were to take effect, the U.S. and Canada agreed to postpone the imposition of the tariffs by 30 days.

The proposed U.S. tariffs will have significant impact to Canadian goods and the economy. As a result of the tariff threats, many Ontario municipalities are passing resolutions calling for a united, cross-Canada approach to supporting buy-Canadian initiatives.

At the February 12, 2025 Council Meeting, Council adopted a Member Motion to direct staff to investigate the feasibility of a new “Made in Canada” Procurement Policy by identifying the key financial and legal implications of prioritizing Canadian-made goods and services wherever possible and in compliance with applicable trade agreements and legislation.

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This report provides information outlining the impacts and strategies to respond to potential U.S. tariffs.

### Discussion:

#### The Proposed U.S. Tariffs

While not directly impacting the City's Procurement Policy, tariffs and anticipated Canadian countermeasures should be expected to cause significant increases in costs of goods and services to the City's procurements and potentially cause supply chain instability and disruption.

#### Applicable Trade Agreements

Canadian municipalities are subject to rules through trade agreements intended to ensure fair and open access to suppliers in other provinces or countries. The City must comply with trade agreements when establishing open competition procurement thresholds.

Trade agreements that impact Canadian municipal procurement generally focus on supplier location rather than company ownership or the origin of goods. This means that as long as a supplier is based in an eligible country under the trade agreement, they must be allowed to compete for contracts, regardless of who owns it 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.
- **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.

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Thresholds applicable to Municipalities for Open Competition Procurements:

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

Note: CFTA and CETA thresholds are adjusted every two years, at the start of the year. They will be revised next on January 1, 2026.

### High Value Acquisitions:

The City's current Procurement By-law defines a High Value Acquisition (HVA) as an acquisition of goods or services with an estimated value of \$100,000 or greater. The City follows an open competitive process for HVAs, where bids are solicited through a publicly advertised Bid Solicitation. Award criteria is made either solely on price or other evaluation criteria included in the Bid Solicitation. In compliance with CFTA, the City does not allow for any preference of local, regional or provincial content.

### Mid Value and Low Value Acquisitions:

The Procurement By-law defines Mid Value Acquisitions (MVA) as procurement of goods or services valued of between \$25,000 up to \$100,000. Low Value Acquisition (LVA) are those with an estimated value below \$25,000.

These categories are not subject to international trade agreements. For Mid Value Acquisitions, the current practice involves conducting invitational competition to selected suppliers, without restrictions on supplier locations.

### **Made In Canada vs Product of Canada vs Canadian Company**

In Canada, the labels "Made in Canada" and "Product of Canada" are governed by specific criteria based on the percentage of Canadian content in a product:

- **Product of Canada:** This label can be used when at least 98% of the total direct costs of producing or manufacturing the good are incurred in Canada. This includes all or virtually all of the ingredients, components, processing, labour, and manufacturing costs. Additionally, the last substantial transformation of the product must have occurred in Canada.
- **Made in Canada:** This label is applicable when the last substantial transformation of the product occurred in Canada, and at least 51% of the total direct costs of producing or manufacturing the good were incurred in

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Canada. If the product contains imported content, a qualifying statement such as "Made in Canada with imported parts" is required.

Determining whether a product is "Made in Canada" or a "Product of Canada" can be challenging due to several factors:

**Complex Supply Chains:** Modern manufacturing often involves sourcing materials and components from multiple countries, making it difficult to ascertain the exact origin of a product.

**Regulatory Ambiguities:** The guidelines for "Made in Canada" and "Product of Canada" claims can be complex and subject to interpretation, leading to inconsistencies in labeling practices.

The "Made in Canada" and "Product of Canada" labels are specifically designed for goods and do not apply to services.

The CFTA allows municipalities to apply a preference for Canadian value-added or limit tendering to Canadian goods, services, or suppliers, provided that the purpose is not to avoid competition or discriminate against any other party's goods, services, or suppliers.

**Canadian Company** is defined as a commercial enterprise that is incorporated pursuant to the federal laws of Canada or the laws of a province or territory of Canada and which has ongoing business activities in Canada. (Model Terms and Conditions, 2025) Canadian companies, both Canadian and foreign owned operating locally, account for roughly 75% of total employment in Canada.

When looking at the entire range of goods sold by Canadian companies, estimates suggest that about one-third (roughly 30–40%) of these goods have either been fully or partially produced outside of Canada. This figure is higher in sectors like electronics, automotive, and consumer goods, where global supply chains are more common.

It's unrealistic for Canada to produce everything on its own in today's global economy. Instead, the focus should be on creating as much value as possible within Canada. By balancing requirements for Canadian content. The City can support all Canadian companies while maintaining realistic expectations about the origin of goods, since not everything municipalities need may be made in Canada.

For services, which make up a large part of the Canadian economy, most offerings are produced domestically, so the percentage of "goods" or outputs produced outside of Canada is minimal.

When a procurement value exceeds the CETA threshold, the City is generally prohibited from setting minimum Canadian content for goods and services covered by the agreement.

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### **Analysis Highlights the Majority of the City's Current Procurements are with Canadian Suppliers**

Most of the suppliers that the City procures goods and services from are located in Canada. Of the more than 8,600 suppliers the City works with, less than 2.8% are suppliers from the U.S. Further, payments to U.S. suppliers constitute less than one percent (approximately \$1 and \$1.3 million) of the City's total Procurement expenditures in 2023 and 2024.

Purchases made to companies outside of Canada have mostly been with American based suppliers, which provide goods or services that are typically unavailable domestically.

Due to the intricate interconnections of North American and global economies, tracking the historical value of goods and services purchases based on their country of origin or Canadian content is not feasible. The complexity of modern supply chains, where products often consist of components sourced from multiple countries, poses significant challenges to determining a product's exact origin. This complexity is further compounded by the lack of standardized tracking systems across industries, making it difficult to trace the origins of products accurately.

### **Impact of Potential Tariffs to Municipalities**

The impact 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. However, several general impacts can be observed:

- **Increased Costs:**
  - **Construction and Infrastructure Projects:** Tariffs can lead to higher prices for raw materials and equipment that municipalities rely on 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 suppliers 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.

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- 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.

Potential tariffs can create a complex web of impacts for municipalities; however, considerations will need to be given to inform the effective use of municipal procurement as a tool to support buy-Canadian initiatives.

### **Increasing the Procurement Threshold and Specifying Canadian Content can Support More Procurements with Canadian Suppliers**

Staff are already in the process of reviewing the procurement thresholds to consider inflation and business needs as part of a Procurement By-law Update to be presented to Council later in 2025. In light of the potential U.S. tariffs, staff recommend the procurement threshold for High Value Acquisitions be increased now to align with the CFTA threshold to provide for more directed procurement available at the Mid Value and Low Value Acquisition thresholds to local and regional Canadian suppliers. In addition, specifying goods or services that are Made in Canada where they are available to meet functional requirements and are within budget for procurement values below CETA thresholds will further support more procurement with Canadian suppliers.

### **Legal Considerations**

Municipalities are bound by the Municipal Act, 2001 to adopt policies with respect to their procurement of goods and services. The City's Procurement Policy ensures compliance with trade agreements which apply to municipalities for procurements that are High Value Acquisitions by ensuring openness, accountability while protecting the financial interests of the City. The most relevant treaty impacting the City is the CFTA, as the majority of the suppliers working with the City are Canadian. The CFTA does not prevent entities from limiting its tendering to Canadian suppliers if done in compliance with other trade treaties. The recommended modifications to the current procurement practice will support more procurements with Canadian suppliers while managing trade treaty obligations.

In addition, the City's Procurement By-law governs the City's Procurement activities by providing staff with clear direction on the policy principles, goals and objectives to be met through the City's Procurement activities; ensuring openness, accountability while protecting the financial interests of the City. The By-law will be amended to reflect the increase to the procurement threshold to align with the CFTA. The City must also conduct fair and transparent procurement processes in accordance with common law duties.

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### Supporting Local Richmond Hill Businesses

The City's Economic Development Division has developed resources to help support local businesses including:

- Launching a [business survey](#) to seek feedback on the impacts of the proposed tariffs;
- Launching a [Tariff Response Resources](#) webpage on the City's website;
- Working with other York Region municipalities to evaluate the impacts and potential responses to the proposed tariffs;
- Initiating discussions with local business associations on potential joint initiatives; and
- Exploring opportunities to expand trade internationally at the upcoming Investment Mission to Germany.

Staff will work to determine the appropriate next steps to further support local businesses as the issue of potential tariffs develops.

### Other Strategies to Mitigate the Risks of Potential Tariffs

Staff are reviewing implications of potential U.S. tariffs on current contracts with the following objectives:

- **Comprehensive Risk Assessment:** Analyze how tariffs may influence costs, supply chains, and overall budgets. Identify which products and services are most susceptible to tariff-related disruptions and assess interdependencies within business operations.
- **Supplier Diversification:** Investigate alternative Canadian suppliers and sources.
- **Review and Negotiate Contracts:** Examine existing agreements to identify clauses related to tariffs. Where feasible, renegotiate terms to minimize financial impacts, ensuring that contracts account for potential cost fluctuations due to tariffs.
- **Budget Adjustment and Cost Management:** Revise budgets to accommodate potential cost increases resulting from tariffs. Identify areas for cost reduction or optimization to offset additional expenses.
- **Strategic Sourcing Collaboration:** Work closely with procurement teams to develop sourcing plans that prioritize cost-effective solutions.
- **Adaptation of Project Plans:** Reevaluate project timelines and prioritize initiatives less affected by tariffs. Consider postponing non-essential purchases to manage costs effectively.
- **Stakeholder Communication:** Keep key stakeholders, including executive leadership, Council, the business community and public informed about potential impacts and the measures being taken to mitigate risks.



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- **Scenario Planning and Contingency Development:** Develop and test various scenarios to understand potential outcomes of tariff implementations. Prepare contingency plans for different situations to ensure readiness and resilience in the face of trade policy changes.

As the issue of potential tariffs continues to evolve, further amendments may be required to the City's Procurement Policy and By-law to protect and support the local and national economy. Staff will continue to monitor the proposed tariffs and report to Council as necessary regarding the impacts to the City.

### **Financial Implications:**

There are no direct financial implications to this report. If U.S. tariffs are implemented, suppliers may request adjustments to their contracts and rates due to increased costs. The uncertainty surrounding potential tariffs has financial implications which could affect new contracts and ongoing procurement processes, as well as future City budgets.

### **Relationship to Strategic Plan 2024-2027:**

This report regarding a "Made in Canada" Procurement Policy outlines the City's response to potential U.S. tariffs affecting Canadian goods and to support our local and national economy.

More specifically, this report aligns and delivers on Pillar 3 "Strengthening our Foundations", Priority 1, by making decisions that are evidence based and data driven to enable the City's long term financial sustainability, as well as social, environmental and economic sustainability.

### **Attachments:**

No attachments.

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### Report Approval Details

Document Title:	SRCFS.25.007 - Made in Canada Procurement Policy.docx
Attachments:	
Final Approval Date:	Feb 21, 2025

This report and all of its attachments were approved and signed as outlined below:

**Gigi Li - Feb 21, 2025 - 10:39 AM**

**Sherry Adams - Feb 21, 2025 - 12:36 PM**

**Darlene Joslin - Feb 21, 2025 - 12:57 PM**