
HALDIMAND COUNTY

Memorandum FDS-M02-2025 Strengthening Local Procurement Strategies in Response to U.S. Tariff Challenges



For Consideration by Council in Committee on March 18, 2025

To: Mayor Bentley and Members of Council
From: Mark Merritt, General Manager, Financial & Data Services

Recommendations:

1. THAT Memorandum FDS-M02-2025 Strengthening Local Procurement Strategies in Response to U.S. Tariff Challenges be received;
2. AND THAT staff continue to assess the impacts and risks of tariffs on procurement in Haldimand County and develop procurement strategies that minimize exposure to tariffs, should they remain, including assessing options for alternatives to U.S. sourced goods and services, where possible.

Background:

U.S. tariffs are now a reality, initiating a trade war between Canada and the US. Early in March, the U.S. imposed a 25 per cent levy on Canadian goods, with a lower 10 per cent levy on energy and critical minerals. The Canadian government responded with counter-tariffs on \$30 billion of U.S. goods, which will rise to \$155 billion, by the end of March. Ontario has advanced its own retaliatory measures. These new tariff rates and additional U.S. “reciprocal tariffs” said to be implemented in April could have substantial impacts on Ontario, especially in the most trade-exposed communities that produce automobiles and parts, steel, copper and other items. The situation remains highly fluid and unpredictable, and as both sides become entrenched, the concern would be that the economic and financial impacts would be material and long lasting.

This update is presented in an effort to respond, both to Council and the residents of Haldimand County, the efforts the County and staff are committed to related to potential future actions to address tariff concerns and to reinforce our commitment to supporting local businesses, promoting local procurement, and protecting jobs for the constituents of Haldimand County,

Analysis:

A significant majority of Haldimand County contracts are procured directly with Canadian suppliers in Canadian dollars, but tariff impacts are still a major concern as the supply chains for the various goods and services procured by Haldimand County are complex and intertwined across borders. The full extent of goods that vendors may be sourcing from the U.S. as part of their contracts with Haldimand County is unknown at this time and would be highly difficult for staff to approximate without detail discussions with all vendors/suppliers. To highlight the potential financial impacts of tariffs on Haldimand County, staff have utilized the methodology developed by Oxford Economics commissioned by the Association of Municipalities of Ontario (AMO) – included as Attachment 1 to this memo.

Projected Impact of US Tariffs – Haldimand County Approved Capital Expenditures

Asset/Function	Projected Capital Expenditures (\$M), to December 2025 (*)	Estimated Tariff Impact – % Capital Expenditures	Estimated Tariff Impact – \$M
Non-Residential Buildings	24.51	2.50%	0.61
Transportation	30.05	1.50%	0.45
Environmental Services	118.57	2.00%	2.37
Vehicles	11.70	10.50%	1.23
TOTAL	\$184.83	2.52%	\$4.66

(*) – Based on approved 2024 Capital commitments and 2025 Capital Budget

AMO’s analysis categorized municipal capital expenditures into four distinct categories: non-residential building, transportation and environmental services (civil infrastructure) and vehicles. Aligning our 2024 open commitments and 2025 capital budget to these categories, staff were able to leverage AMO’s analysis, using their estimated % Capital expenditure tariff impact, to determine the impact on our own capital expenditures, resulting in an estimated \$4.66 million impact, on the 2024 open commitments and the 2025 capital budget.

In addition to the direct financial impact, there will also be a significant impact to Haldimand’s and the broader economy. The Bank of Canada estimates that the U.S. tariff would lower Canadian economic growth by 4.0 percentage points over two years, and permanently lower Canadian Gross Domestic Product (GDP). It would also result in higher inflation spread over three years, with more significant impacts in the second and third years. It is also expected to increase unemployment from current levels of approximately 6.5% to closer to 10% depending on the timing and magnitude of tariffs enacted.

To assist in mitigating the risks of tariffs, staff have considered what actions and recommendations can be made to assist with Council’s support of local businesses and residents.

Options/Strategy:

When considering municipal procurement options and strategies to mitigate the impact of the U.S. tariffs, consideration must be given to the following applicable international trade agreements that have been entered into by Canada.

- i) CETA: The Comprehensive Economic and Trade Agreement (CETA) is a bilateral agreement between the Canadian federal government and the European Union (EU) which requires government entities at the federal, provincial and municipal level to comply with certain public procurement requirements, with the intention of eliminating or reducing trade barriers between Canada and the EU. CETA applies to government purchases over certain thresholds, which are currently \$353,300 for general goods and services, and \$8,800,000 for construction services.

Under CETA, affording preferential treatment to goods and services based on the location or origin of those goods or services is prohibited. The EU is Canada’s second largest trading partner and, as such, it is important to navigate procurement strategies in response to U.S. tariffs in a manner that is also mindful of Canada’s obligations to the EU under CETA.

- ii) CFTA: The Canadian Free Trade Agreement (CFTA) is an intergovernmental trade agreement which enhances the flow of goods, services, labour, investment and regulatory cooperation across Canada. If a municipality is undertaking a procurement for an amount

less than the dollar thresholds set by CFTA, the specific requirements for the procurement of goods, services and/or construction work as outlined in the terms and conditions of the CFTA are not applicable. Under CFTA, the current dollar threshold for goods and/or services is \$133,800 and for construction work is \$334,400. Any procurements over these dollar amounts invoke the CFTA specific requirements for these procurements.

- iii) CUSMA: The Canada-United States-Mexico Agreement (CUSMA), is a tri-party agreement between Canada, the United States and Mexico. Although CUSMA has a chapter on government procurement, it does not to apply to municipal procurement. Therefore, any approaches in Haldimand County that seek alternatives to goods and services of the U.S. should tariffs be imposed, would appear not to be prohibited by CUSMA.

Given Haldimand County’s contractual obligations, under CFTA, a buy only Canadian approach would violate the terms of this agreement. Instead, staff would recommend that Council consider procurement strategies that minimize exposure to tariffs, including assessing options for alternatives to U.S. goods and services, where possible. Various goods and materials may still need to be procured from U.S. vendors, either directly or indirectly, to ensure that we continue to maintain our infrastructure (i.e. Water/Wastewater) and meet safety standards (i.e. Fire Equipment/Trucks).

As a step towards potentially limiting the exposure to U.S. goods and services, while continuing to comply with the applicable trade agreements, Council could provide direction to staff to review and provide a recommendation on changes to the Procurement Policy. Similar to other municipalities, staff can review the current threshold on our Request for Quotations (RFQs). RFQs are administered by our divisions, utilizing a RFQ template of terms and conditions and is usually issued through correspondence to vendors. Due to their dollar value, RFQs are not required to be publicly advertised and are seen as a more informal procurement mechanisms than traditional Request for Tenders or Request for Proposals.

Procurement Thresholds - Trade Agreements compared to County’s Established Thresholds

Trade Agreement	Procurement Type	Threshold (including HST) and indexed every 2 years (next refresh is scheduled Jan 1, 2026)	Haldimand County’s Threshold (net tax) for a publicly posted bid
CFTA	Goods	\$133,800	\$100,000
	Services	\$133,800	
	Construction	\$334,400	
CETA	Goods	\$353,300	
	Services	\$353,300	
	Construction	\$8,800,000	

Potential changes in the threshold requirements in RFQs will allow divisions more flexibility to issue larger dollar valued RFQs and solicit bids for the purchase of goods, services and/or construction on an invitational basis. Procurement staff will need to formulate definitions and parameters to implement the threshold changes to ensure that the procurement of good, services and/or construction work advances initiatives to procure alternatives to U.S. goods and services, where possible.

Risk Considerations:

Tariffs imposed on Canadian and U.S. goods, will increase costs to Haldimand County and its constituents. The impact could be significant and would likely impact both new procurements issued post-tariffs, as well as existing contracts where vendors may seek compensation to offset increased costs due to tariffs that could not have been foreseen at the time of bidding. Depending on components and distribution networks, some products purchased by Haldimand County or utilized/consumed in our contracts may include tariffs from both countries and multiple tariffs applied due to repeated border crossings through the supply chain. Additionally, disruptions in the supply chain as it adjusts to evolving trade policies, including reciprocal U.S./China tariffs and others recently announced by the U.S. government, could delay the delivery of necessary equipment, components and parts, impacting Haldimand County's service levels.

Conclusion:

The current trade crisis between the U.S. and Canada remains a fluid and highly emotional situation. During this period of uncertainty, staff are preparing by taking a considered, measured approach that assesses the opportunities, options and risks of various procurement strategies based on information currently available. Discussions with our municipal counterparts continue, with a view to establishing a common, unified approach. Given the potential material financial and economic consequences, Haldimand County, along with other municipalities, will need to look to advocate for support, including financial assistance, from the Province and our Federal government.

References:

1. [Policy No. 2023-02 Procurement Policy](#)

Attachments:

1. Tariff Impacts on Ontario Municipalities – Association of Municipalities of Ontario (AMO)