



City of Hamilton Report for Consideration

To: Mayor and Members
General Issues Committee

Date: February 26, 2025

Report No: FCS25015

Subject/Title: Strengthening Local Procurement and Resilience
Amid U.S. Tariff Threats

Wards Affected: City Wide

Recommendations

- 1) That Council approve amendments to By-law No. 20-205, A By-law to Adopt and Maintain A Procurement Policy for the City of Hamilton to align with the Canadian Free Trade Agreement (CFTA) dollar thresholds, to allow for the expanded procurement of local and Canadian goods, services and/or construction. In particular:
 - a) Section 4.5.2, Policy #5.2 Request for Quotations is amended to increase the upset dollar threshold from \$100,000 to \$133,800 for goods and/or services and from \$100,000 to \$334,400 for construction work;
 - b) Section 4.5.3., Policy #5.3 Request for Tenders is amended to increase the minimum dollar threshold from \$100,000 to \$133,800 for goods and/or services and from \$100,000 to \$334,400 for construction work;
 - c) Section 4.7, Policy #7 – Construction Contracts is amended to reflect the increase in the Request for Tenders minimum dollar threshold for construction from \$100,000 to \$334,400;
- 2) That staff report back to the General Issues Committee in Q2/2025 with additional recommendations for amendments to the City's Procurement Policies to integrate "Buy Local and Canadian" policies; and
- 3) That staff report back to General Issues Committee in Q2/2025 regarding any impacts the United States ("U.S.") government tariffs have or may have on the cost of City services and infrastructure projects and include any mitigation options and/or financing strategies for Council's consideration.

Key Facts

- As a step towards supporting a “Buy Local and Canadian” approach to procurement, staff is recommending that Policy #5.2 Request for Quotations (“RFQ”) of the Procurement Policy be amended. 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. The recommendation is that the City mirror the applicable dollar thresholds in CFTA to Procurement Policy #5.2 Request for Quotations.
- The changes in the threshold requirements in Policy #5.2 Request for Quotations will allow City departments 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 formulate definitions and parameters to implement the threshold changes to ensure that the procurement of good, services and/or construction work advances the Buy Local and Canadian initiatives of the City.
- Staff continues to collaborate with a number of municipalities to address tariff concerns. A jurisdictional scan of a few municipalities was done to understand the steps that they are taking towards addressing the potential implications of tariffs on their municipalities as well as the Buy Local and Canadian initiatives with respect to procurement of goods, services and/or construction by these municipalities (see Appendix C of FCS25015)

Financial Considerations

There are no additional financial considerations that are expected as a result of the proposed changes to the Procurement Policy.

In other aspects, the financial considerations as a result of the tariffs are currently unknown. Staff will continue to monitor the implementation of any tariff and consider ways to mitigate such impacts.

Background

The United State government’s recent announcement of tariffs on steel and aluminium and its intention to impose tariffs upon various Canadian goods has sparked several economic and political concerns. Economic impacts included higher costs for business and consumers, retaliatory tariffs, disrupted supply chains, and reduced trade and investment.

In an effort to respond to further tariff concerns and to reinstate commitment to supporting local businesses, promoting local procurement, and protecting jobs for Hamiltonians, Council passed a motion on February 12th directing staff to review current procurement policies and report back to GIC on February 26th, 2025 with preliminary recommendations on the feasibility of integrating “Buy Local and Canadian” policies effectively and urgently given the current economic uncertainty and positioning tendering and purchasing processes to build in the priority of sourcing steel and steel products from local companies first, and Canadian companies when necessary.

Municipalities have obligations under various trade agreements which affect the method by which municipal procurement processes are implemented. The Canadian Free Trade Agreement (“CFTA”) and the Canada-European Union Comprehensive Economic and Trade Agreement (“CETA”) are two trade agreements that impose requirements upon a municipality’s procurement of goods, services, and construction.

CFTA came into effect in 2017 and requires open, domestic trade across Canada for the procurement of goods and/or services over \$133,800 and the procurement of construction work over \$334,400. Procurements valued below these dollar thresholds are not subject to CFTA. However, these procurements would still be subject to the municipality’s applicable procurement policy or by-law. For instance, a good having a value of \$95,000 would be not subject to CFTA but would be subject to the City’s Procurement Policy.

Currently under the City’s Procurement Policy, staff can issue Request For Quotations (“RFQ”) up to the procurement value of \$100,000. The recommendation to increase the dollar threshold for RFQs to match the dollar thresholds set out in CFTA will allow City departments more flexibility to issue larger dollar valued RFQs and solicit bids for the purchase of goods, services and/or construction. By issuing an RFQ without the need to proceed by way of a public process, staff can choose to limit their procurement of the good or service to local or Canadian vendors without violating the requirements under CFTA.

The dollar thresholds for CFTA and CETA are set out in the chart below and are amended every two years, adjusted up or down for inflation.

Analysis

Staff has considered what actions and recommendations can be made to assist with Council’s direction and are proposing immediate amendments to Procurement Policy #5.2 Request for Quotations (“RFQ”) and Procurement Policy #5.3 Request for Tenders (“RFT”) as a step towards potentially expanding the engagement of local providers of goods and services.

The Procurement Division has commenced a full review of the City’s Procurement Policy. While this review in its totality will require significant consultation with City departments and external stakeholders, Procurement staff is recommending the proposed changes to the Procurement Policy within this report as immediate actions in response to the tariff concerns. The completion of the full review will take into consideration a number of factors, including a scan of other municipalities and their

procurement policies and the development of new policies for “responsible” procurement initiatives, such as Social Value Procurement and Climate Change.

The proposed amendments to the Procurement Policy are included in Appendix A and Appendix B (tracked changes) to Report (FCS25015).

Procurement Policy #5.2 Request for Quotations

The current Policy #5.2 sets out the requirements for procurement processes whereby the estimated procurement value for the good and/or service is between \$10,000 and up to but not including \$100,000. RFQs are administered by City departments, utilizing a RFQ template of terms and conditions and is usually issued through correspondence to vendors. City departments include a scope of work or terms of reference as well as a costing information section for bidders to submit their prices. All contracts awarded through the use of a RFQ are made to the vendor having the lowest compliant bid.

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.

The proposed amendment to Policy #5.2 is to increase the dollar threshold for RFQs, by increasing the upset limit from \$100,000 to \$133,800 for goods and services and from \$100,000 to \$334,400 for construction work. Although the increase is marginal for the procurement of goods and services, the increase is significant for the procurement of construction work. However, based on 2023 and 2024 data, Procurement staff expect the number of RFQs issued by City departments to increase slightly by approximately 9-12 per year for goods and/or services and 2-5 per year for construction, having an approximate total dollar value of \$2.7 million to \$3.2 million annually. As such, with the new thresholds, City procurement can proceed under the City's Procurement Policy and can be limited to procuring only local and Canadian goods, services and construction.

Procurement Policy #5.3 Request for Tenders

The current Policy #5.3 sets out the requirements for procurement processes whereby the estimated procurement value for the good and/or service is at \$100,000 or greater. RFTs must be carried out by Procurement Division staff and are very formal and structured in how the procurement process is conducted. A RFT includes a series of contractual terms and conditions and detailed specifications for which bidders are obligated to honour and to submit their bids based upon. All RFTs are required to be publicly advertised through the City's bidding portal bidsandtenders and all contracts awarded through the use of a RFT are made to the vendor having the lowest compliant bid.

The proposed amendment to Policy #5.3 is to increase the dollar threshold and requirement for an RFT process from \$100,000 to \$133,800 for goods and/or services and from \$100,000 to \$334,400 for construction work.

Procurement Policy #7 – Construction Contracts

The proposed amendment to Policy #7 of the Procurement Policy is directly related to the proposed increase in the RFT and is solely an administrative change.

Procurement Data

Preliminary procurement data collected over the past 12 months indicates that the City issued purchase orders for goods, services and construction work in the approximate aggregate dollar amount of \$792.8 million to 2,681 different vendors. Of these 2,681 vendors, the data also indicates:

- 2,625 or 99% of vendors who supplied goods, services and/or construction work to the City had a registered business address in Canada; and
- 2,433 or 90.75% of vendors who supplied goods, services and/or construction work to the City had a registered business address was in Ontario (or 92.69% of the Canadian vendors were Ontarian).

While this data is based on information provided by the vendor for the purchase order and payment purposes, the data has limitations with respect to information relating to the actual goods, services and/or construction work that were procured. Staff recognizes that the data does not indicate the country of origin for the goods or services procured nor does it suggest that the goods or services are Canadian. However, the data suggests that the number of purchase orders issued to Canadian vendors greatly outweighs those vendors with a US registered business address.

Furthermore, staff also recognizes that although a number of vendors have a Canadian or Ontario registered business address, these vendors may be an affiliate or subsidiary of a US vendor or alternatively be a Canadian company whose business is to import goods from the US or other countries for sale in Canada. For instance, data collected from the list of standardized products and services utilized by the Hamilton Water Department indicates that 58 vendors were identified to supply proprietary or original equipment manufactured goods for equipment or operations. Of these 58 vendors, Hamilton Water staff have indicated:

- five (5) vendors provide approximately \$95,000 of products per year, manufactured in the US and supplied to the City by a manufacturer or distributor located in the US; and
- fifty-three (53) vendors provide approximately \$5.53 million of products per year, manufactured in the US and supplied to the City by a manufacturer or distributor located in Canada.

The procurement data gathered represents staff's preliminary findings. Further due diligence will be required to understand the impact of the US tariffs and any relationships with US vendors.

Jurisdictional Scan of Municipalities

For the past month, both Procurement and Legal Services staff have participated in meetings with their respective colleagues at other GTHA municipalities to discuss the US tariffs. These meetings are critical for the sharing of information between municipalities, to learn from each other and determine ways to respond to the US tariffs from a procurement perspective.

Appendix C to this report includes information received from other municipalities with respect to the procurement processes in light of the potential tariff actions to be taken.

Other Amendments or Recommendations

Further to the proposed amendments to the Procurement Policy within this report, staff will continue to explore other opportunities that support “Buy Local and Canadian”. This includes investigating imposed limitations on buying goods and/or services from US suppliers and, as the motion directs, giving priority of sourcing steel and steel products from local companies first, and Canadian companies when necessary, and exploring the sourcing of Canadian aluminium.

Any amendments will require consultation with internal City departments and external technical consultants to consider feasibility and implementation. There are a number of factors that will need to be assessed, including:

- a) operational requirements (e.g. would there be some consideration for an exemption for the procurement of originally manufactured equipment to ensure warranties and quality expectations are not hindered); and
- b) specifications that can be developed and defended to ensure vendors comply with any requirements for Hamilton made or Canadian steel;
- c) the need to develop compliance requirements for vendors to satisfy; and
- d) the need to develop new and clear definitions for inclusion in the Procurement Policy to assist staff with conducting procurement processes, for instance a definition for “local”, for “Canadian Vendor” verses a “US Vendor”.

Going forward Procurement staff will continue to gather data to better inform strategic decisions concerning a “Buy Local and Canadian” procurement approach. This will include continuing to participate and collaborate with other Ontario municipalities within the GTHA to ensure alignment in our actions and responses to any tariffs.

Additionally, staff is commencing a work group amongst affected City departments to discuss and mitigate impacts from the US tariffs on City procured goods, services and/or construction work.

Consideration of any additional amendments or recommendations will require further consultation with both internal City departments, external agencies and municipalities. Therefore, staff is requesting additional time to allow for this consideration and due diligence to ensure that any future proposed amendments are strategic, feasible and defensible.

Alternatives

No other alternatives are being suggested at this time.

Relationship to Council Strategic Priorities

The recommendations with Report FCS25015 will support Council Priority 3. *Responsiveness & Transparency* and more specifically 3.2 “*Get more people involved in decision making and problem solving*”.

Previous Reports Submitted

None

Consultation

Procurement and Legal staff are continuing to participate in weekly discussions with their colleagues from other municipalities within Ontario.

Procurement staff met with Public Works staff to start preliminary discussions on the impact of the tariffs and infrastructure projects.

Appendices and Schedules Attached

Appendix A: – Proposed Amendments to the City’s Procurement Policy

Appendix B: – Proposed Amendments to the City’s Procurement Policy (tracked changes)

Appendix C – Strengthening Local Procurement and Resilience Amid U.S. Tariff Threats - Jurisdictional Scan of Municipalities

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