

To: COUNCIL

Meeting Date: 4/15/2025

Subject: **Impacts of US Tariffs on City Procurements and Potential Property Tax and Fee Deferrals**

Submitted By: Sheena Pawliwec, Acting Chief Financial Officer

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Report No.: 25-019-CRS

File No.: C11

Wards Affected: All Wards

RECOMMENDATION(S):

THAT Report 25-019-CRS Impacts of US Tariffs on City Procurements and Potential Property Tax and Fee Deferrals be received;

AND THAT Council direct 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;

AND FURTHER THAT staff implement a property tax and fees deferral program through June 1, 2025 to November 30, 2025 to those businesses and individuals who identify an experienced loss of income related to the imposition of tariffs.

EXECUTIVE SUMMARY:

Purpose

This report provides an initial update on the potential impacts of US tariffs on City procurements and potential property tax and fee deferrals to mitigate the impacts of US tariffs and counter tariffs on the City of Cambridge.

Key Findings

The City's procurements are governed by the Canadian Free Trade Agreement (CFTA) and the Comprehensive Economic and Trade Agreement (CETA), which set competitive bidding thresholds for procurement (and restrict certain strategies such as a "Buy Canada" approach or sanctions on US suppliers).

Less than 1 percent of purchases made by the City in 2024 were directly from suppliers with a United States address and, of these, most related to the purchase of software and related services.

Whilst some municipalities have made amendments to their Procurement By-law to increase the dollar thresholds to allow for more invitational bidding in an attempt to obtain bids only from Canadian companies (i.e., from \$100,000 pre-tax for Goods, Services and Construction to the thresholds under CFTA), the economics of competitive bidding can innately create a financial advantage for local companies due to the impacts of both travel and time costs.

Although the City does not currently engage in a local preference or “Buy Canadian” policy, staff recommend no change to the procurement thresholds as outlined in the Procurement By-law at this time in order to mitigate any unintended consequences of such an approach which may discriminate against out-of-province Canadian suppliers by preventing their participation in such opportunities. Further, as it is expected that the uncertainty around tariffs will impact bid pricing on new bid solicitations, reducing competition could lead to further increases in costs.

As US and reciprocal Canadian tariffs could increase the overall cost of procuring goods and services in the City of Cambridge, staff will continue to monitor the impact to goods and services purchased by the City to mitigate the impact as much as possible.

Financial Implications

Staff will continue to monitor the economic impact of tariffs and the impact on local businesses and residents. Depending on the outcome of tariffs imposed by the US on Canada this could lead to potential loss of income to property owners in the City. Staff are recommending implementing a property tax and fees deferral program to aid those businesses and individuals who experience a loss of income related to the imposition of tariffs. The proposed property tax deferral program outlined in this report would help eligible property owners with cash flow options through June 1 to November 30, 2025 without incurring additional interest and charges. Specific criteria would be required to qualify for this program as well as documentation to support financial hardship after April 2, 2025 aligning with when additional automotive tariffs were levied that are related to the imposition of US tariffs.

The City collects taxes on behalf of the Region of Waterloo and an education portion for local school boards. The City portion of a property tax bill is approximately 36 percent and the funds collected are used to cover the ongoing costs of City operations. A property tax deferral program will result in cash flow implications for the City as we are required to remit the remaining 64 percent of taxes levied to the Region and school boards regardless of the taxes collected. Regional payments are due monthly based on

the schedule passed by Regional Council and school board payments are due quarterly as outlined in legislation and would include a payment in June and September of the deferral period. Staff will work with our counterparts at the Region to mitigate the cash flow implications to the City.

Depending on the extent of the economic impact of the tariffs and the uptake of a potential property tax and fees deferral program, additional resources may be required in the Property Tax division for the duration of the program to manage the additional workload.

STRATEGIC ALIGNMENT:

☐ Strategic Action

Objective(s): Not Applicable

Strategic Action: Not Applicable

OR

☒ Core Service

Program: Revenue Collection

Core Service: Billing and Collection

BACKGROUND:

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.

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 Cambridge, 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 financial and economic impacts, and explore mitigation strategies.

While there remains much uncertainty surrounding the tariff issue, including the expected duration, additional potential intensity, impacts of the tariffs, and federal or provincial assistance to businesses adversely affected, this report provides an overview of the City's US-supplier base, including approximate spend, and the review of potential

deferrals of taxes to property owners in the City that may be financially impacted by the tariffs.

ANALYSIS:

Procurement Considerations:

The City's procurements are governed by the Canadian Free Trade Agreement (CFTA) and the Comprehensive Economic and Trade Agreement (CETA), which set competitive bidding thresholds for procurement (see Table 1) and restrict certain strategies such as a "Buy Canada" approach or sanctions on US suppliers.

The City must abide by the applicable trade agreement requirements, both within Canada and internationally, when the procurement falls within the procurement thresholds outlined in Table 1 below.

Table 1 – Trade Agreements

| Trade Agreement | Procurement Type | Threshold |
|---|-------------------------|------------------|
| Canadian Free Trade Agreement (CFTA) | Goods | \$133,800 CAD |
| Canadian Free Trade Agreement (CFTA) | Services | \$133,800 CAD |
| Canadian Free Trade Agreement (CFTA) | Construction | \$334,400 CAD |
| Comprehensive Economic and Trade Agreement (CETA) | Goods | \$353,300 CAD |
| Comprehensive Economic and Trade Agreement (CETA) | Services | \$353,300 CAD |
| Comprehensive Economic and Trade Agreement (CETA) | Construction | \$8,800,000 CAD |

Tariffs can have significant implications for the City 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 City supplier would not have been able to account for the impact of tariffs at the time of procurement.

The City's total procurement of goods and services was approximately \$166M in 2024. Of this, the majority of purchases are from companies registered in Canada. Less than

1 percent of all purchases were from suppliers based in the United States and, of these, most related to the purchase of software and related services.

Staff recognize that, although a number of suppliers have a Canadian or Ontario registered business address, these suppliers may be an affiliate or subsidiary of a US supplier or alternatively be a Canadian company whose business is to import goods from the US or other countries for sale in Canada.

While the majority of the City's purchasing is with Canadian suppliers, many of these companies' source products, parts, and technology through US companies due to the integrated supply chain within North America. Should the US implement tariffs, and Canada retaliates with tariffs of its own, the cost of goods and services procured by the City will be affected.

Although some municipalities have, or are looking to, amend their existing Procurement By-laws to increase the dollar thresholds to allow for more invitational bidding in support of a "Buy Canada" approach (i.e., from \$100,000 pre-tax for Goods, Services and Construction to the thresholds under CFTA), staff recommend no change to the City's Procurement By-law at this time in order to mitigate any unintended consequences of such an approach which may discriminate against out-of-province Canadian suppliers due to the impacts of both travel and time costs. Further, an arbitrary ban on US suppliers is not a credible threat since it could cause serious disruptions to public sector operations in many critical areas of public service delivery and the uncertainty around tariffs will impact bid pricing on new bid solicitations and reducing competition could lead to further increases in costs.

Conferences or trips to the U.S.

Effective March 4, 2025, the City Manager has invoked a pause on all travel to the U.S. for work related purposes which includes all training, meetings, and conferences, until further notice.

Potential Property Tax and Fee Deferrals

To address the economic challenges associated with potential US tariffs, which may predominantly impact industrial property owners initially, staff are prepared to initiate a Property Tax Deferral Program (PTDP). The PTDP would provide property tax payment relief on the regional, municipal and education portions of the final tax billing for impacted businesses and residents. It would be an application based, means tested program, with an intake process that includes accompanying documentation that demonstrates financial hardship. Financial hardship is defined as significant loss of income directly related to recent tariff changes. The PTDP will allow impacted property

owners to apply for additional time to pay their taxes without incurring penalty, interest or notice fees during the period of June 1, 2025 to November 30, 2025.

Interest and late payment penalties are charged at 1.25% of the outstanding balance on a monthly basis. The recommended payment deferral program would allow eligible property owners to apply for a waiver of interest, penalties and fees on overdue amounts for a period of six months (e.g. June 1, 2025 to November 30, 2025). At the end of the deferral period, all qualifying property tax accounts would be reviewed and where payment has been made in full by the deferral date (e.g. November 30, 2025), all penalty, interest and fees that may have accrued during the deferral period would be waived. Similarly, the penalty accrued on partial payments within the deferral period will be waived. Any property taxes remaining payable after the deferral period is subject to the penalties, interest and fees accrued during the deferral period. The eligibility criteria for the PTDP can be found in Appendix A.

While there is no reduction to the property taxes levied, the prepared program will provide property owners facing significant financial impacts from tariffs with more time to manage their finances without incurring additional financial impacts from penalties, interest and fees. A six-month period is proposed in an effort to enable cash flow options for residents as they work through a period of adjustment to new trade realities. It is recommended that should the PTDP program be enacted that the deferral period is not to exceed the current calendar year to ensure levy balances are remitted in the applicable tax year and avoiding overlap with future bills which might create an unmanageable arrears situation for property owners.

The Final Tax Levy By-Law is scheduled to be approved by Council at the April 29, 2025 Council meeting. To enact the prepared deferral program, an amendment to the By-Law is required to enable approved exceptions to the Final Tax Levy By-law to allow the deferral of tax due dates for Large Industrial (LT), Industrial (IT), Commercial (CT), Shopping Centre (ST), Office Building (DT) from September 2, 2025 to November 30, 2025 and Residential (RT) from July 2nd, 2025 and September 2, 2025 to November 30, 2025.

EXISTING POLICY / BY-LAW(S):

The City's procurements are governed by several trade agreements, notably the Canadian Free Trade Agreement (CFTA) and the Comprehensive and Economic Trade Agreement (CETA). CFTA governs trade within Canada whilst CETA governs trade between Canada and member European states.

The City's Procurement By-law and subsequent policies are built on the framework of the trade agreements to ensure open, fair and barrier free trade.

Section 2 of the Discriminatory Business Practices Act (Ontario) “*prevent[s] discrimination in Ontario on the ground of race, creed, colour, nationality, ancestry, place of origin, sex or **geographical location of persons employed or engaging in business***”.

The Final Tax Levy By-Law is scheduled to be approved by Council at the April 29, 2025 Council meeting.

FINANCIAL IMPACT:

Procurement Considerations

Staff anticipate that, if imposed, US and reciprocal Canadian tariffs could significantly increase the overall cost of procuring goods and services in the City of Cambridge. Further, restrictions on the supplier base could result in higher bid prices for future City procurements.

As with any instance of supply chain disruptions, Procurement Services anticipates many questions from suppliers regarding the City’s position on tariffs and their implications. Any request for price adjustments in existing contracts will need to be determined based on the terms of the contract.

Potential Property Tax and Fee Deferrals

The City collects taxes on behalf of the Region of Waterloo and an education portion for local school boards. The City portion of a property tax bill is approximately 36 percent and the funds collected are used to cover the ongoing costs of City operations. A property tax deferral program will result in cash flow implications for the City as we are required to remit the remaining 64 percent of taxes levied to the Region and school boards regardless of the taxes collected. Regional payments are due monthly based on the schedule passed by Regional Council and school board payments are due quarterly as outlined in legislation and would include a payment in June and September of the deferral period. Staff will work with our counterparts at the Region to mitigate the cash flow implications to the City.

The following list provides an estimate of the cash-flow relief that would be provided for a six-month period ending November 30, 2025 to allow businesses and residents to adjust to potential economic turmoil caused by US tariffs.

- Large Industrial - Given the average assessed value of \$20,509,865, a large industrial property could be provided cash flow relief of approximately \$338,840 on their final 2025 tax installments up to November 30, 2025.

- Industrial - Given the average assessed value of \$2,135,000 an industrial property could be provided cash flow relief of approximately \$35,272 on their final 2025 tax installments up to November 30, 2025.
- Commercial – Given the average assessed value of \$1,632,190, a commercial property could be provided cash flow relief of approximately \$26,965 on their final 2025 tax installments up to November 30, 2025.
- Residential - Given the average assessed value of \$339,750, a residential property could be provided cash flow relief of approximately \$2,372 on their final 2025 tax installments up to November 30, 2025.

The waiving of penalties and interest charges incurred through the deferred period is a loss of potential revenue to the City, however a benefit to the affected property owner. This has been assessed as an acceptable opportunity cost in an effort to aid during unprecedented economic circumstances.

Depending on the extent of the economic impact of the tariffs and the uptake of a potential property tax and fees deferral program, additional resources may be required in the Property Tax division for the duration of the program to manage the additional workload.

PUBLIC VALUE:

Leadership:

The review of possible US tariffs and the actions proposed in this report to support business and property owners in the City of Cambridge demonstrate leadership conviction towards and integrated vision for the public good.

ADVISORY COMMITTEE INPUT:

- Not Applicable

PUBLIC INPUT:

Posted publicly as part of the report process.

INTERNAL / EXTERNAL CONSULTATION:

The City works closely with a larger group of municipal public sector procurement professionals across the Region 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:

- Comparing wording in contracts to address tariff related concerns.
- Leveraging cooperative procurement opportunities across the Region and with other municipalities to explore savings and/or reduce potential tariff impacts.

The City already engages in such opportunities where possible and the existing Purchasing By-law includes wording to enable this.

City 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.

CONCLUSION:

Procurement Considerations

Staff recommend no change to the Procurement By-law at this time in order to mitigate any unintended consequences of such an approach which may discriminate against out-of-province Canadian suppliers.

In this period of uncertainty, staff are evaluating procurement opportunities, options and risks based on the latest available information. Ongoing discussions with municipal counterparts aim to establish a unified approach to navigating these challenges. Staff will continue exploring options and developing strategies to minimize the City's exposure.

Potential Property Tax and Fee Deferrals

Staff recommend implementing tax relief measures by way of a tax deferral program to eligible residents and businesses for a maximum six-month term not to exceed November 30, 2025.

REPORT IMPACTS:

Agreement: **No**

By-law: **Yes**

Budget Amendment: **No**

Policy: **No**

APPROVALS:

This report has gone through the appropriate workflow and has been reviewed and or approved by the following as required:

Director

Deputy City Manager

Chief Financial Officer

City Solicitor

City Manager

ATTACHMENTS:

1. 25-019-CRS Appendix A - Eligibility for the Property Tax Payment Deferral Program.