



7th Floor, Frost Building South
7 Queen's Park Crescent
Toronto ON M7A 1Y7
Telephone: 416-314-6331

7^e étage, Édifice Frost Sud
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Toronto ON M7A 1Y7
Téléphone: 416-314-6331

November 20, 2018

Dear Head of Council (elect):

Recently, Ontario's Government for the People moved to a new cannabis retail model to meet our key priorities of combatting the illegal market and keeping our children and communities safe.

Today, the Province is beginning the fulfillment of its commitment to provide \$40 million in funding over two years to municipalities to help with the implementation costs of recreational cannabis legalization.

The Ontario Cannabis Legalization Implementation Fund (OCLIF) will be distributed as follows:

- In early January, the first payment of \$15 million will be made to all municipalities on a per household basis, adjusted so that at least \$5,000 is provided to each municipality. This will enable all municipalities to proceed with their planned legalization activities.
- A second payment of \$15 million will then be distributed following the deadline for municipalities to opt-out under the *Cannabis Licence Act*, which is January 22, 2019.
 - Municipalities that have not opted-out as of January 22, 2019 will receive funding on a per household basis, adjusted so that at least \$5,000 is provided to each municipality. This funding will support initial costs related to hosting retail storefronts.
 - Municipalities that have opted-out will receive only a second \$5,000 each.
- The Province is setting aside \$10 million of the municipal funding to address costs from unforeseen circumstances related to the legalization of recreational cannabis, and priority will be given to municipalities that have not opted-out. Further details will be provided at a later date.

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- Finally, if Ontario's portion of the federal excise duty on recreational cannabis over the first two years of legalization exceeds \$100 million, the Province will provide 50 per cent of the surplus only to municipalities that have not opted-out as of January 22, 2019.

Our government is committed to respecting taxpayers and their hard-earned money. We believe municipalities have an obligation to do likewise.

As such, municipalities must use this funding to address the costs that directly relate to the legalization of recreational cannabis. Examples of permitted costs include:

- increased enforcement (e.g. police, public health and by-law enforcement, court administration, litigation);
- increased response to public inquiries (e.g. 311 calls, correspondence);
- increased paramedic services;
- increased fire services; and
- by-law / policy development (e.g. police, public health, workplace safety policy).

Lower-tier and upper-tier municipalities will receive a 50/50 split of the allocation. The household numbers will be split between the upper- and lower-tier, and the allocation calculated accordingly. Decisions to adjust the split in allocation and transfer funding can be made at the local level as needed. Upper-tier municipalities will receive funding in relation to opt-out decisions made by the lower-tier municipality.

The Deputy Minister of Finance will write to your Treasurer with further details on the administration of this funding and attach each municipality's specific allocation notice.

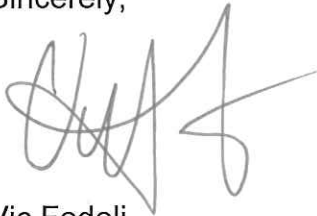
To assess the impact of the funding, the Association of Municipalities of Ontario and the City of Toronto have been asked to work with the Ministry of Finance to establish a process by which a sample group of municipalities can assess the use and impact of these funds. More information on this process will be provided at a later date.

Our government is committed to building a retail system for cannabis sales that will help eliminate the illegal market and is safe and reliable with rules that keep cannabis out of the hands of children and youth, while keeping our roads safe. Complementary to this municipal funding, the Province continues to do the following:

- Increase the capacity of law enforcement to help detect drug impaired driving through training. The Province has also created a specialized legal team to support drug impaired driving prosecutions, increased capacity at the province's Centre of Forensic Sciences, and has created a Cannabis Intelligence Coordination Centre.
- Support local boards of health (public health units) by providing a suite of tools and resources for enforcement of the *Smoke-Free Ontario Act, 2017*, which includes rules for smoking and vaping of cannabis.
- Conduct an integrated public awareness campaign to communicate the rules and regulations for recreational cannabis and educate Ontarians about the health and safety measures in place to protect them.

We appreciate the efforts of municipalities in the implementation of the federal government's legalization of cannabis and look forward to continuing to work together.

Sincerely,



Vic Fedeli
Minister of Finance

c: The Honourable Caroline Mulroney, Attorney General
The Honourable Steve Clark, Minister of Municipal Affairs and Housing
Paul Boniferno, Deputy Attorney General
Greg Orencsak, Deputy Minister of Finance
Laurie LeBlanc, Deputy Minister of Municipal Affairs and Housing
Renu Kulendran, Ontario Legalization of Cannabis Secretariat, Ministry of Attorney General
Nicole Stewart, Executive Lead, Cannabis Retail Implementation Project, Ministry of Finance
Kate Manson-Smith, Assistant Deputy Minister, Local Government and Planning Policy Division, Ministry of Municipal Affairs and Housing
Dan Miles, Chief of Staff