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August 13, 2019

Dear Head of Council:

I am writing to provide you with an update on the Ontario Cannabis Legalization Implementation Fund (OCLIF).

As you know, OCLIF was announced in 2018 as a \$40 million initiative over two years to help municipalities with the implementation costs of recreational cannabis legalization. In early 2019, the government provided municipalities with \$30 million in OCLIF funding, and \$10 million was set aside to address costs from unforeseen circumstances related to the legalization of recreational cannabis, for which priority would be given to municipalities that did not opt-out of hosting cannabis retail stores.

Ontario's objectives are to protect our youth and communities and to combat the illegal cannabis market. To support these objectives, the government has made an investment of \$3.26 million to support enhanced enforcement against illegal cannabis operations. An investment of \$3.06 million this year is enabling enhanced enforcement through provincial joint forces cannabis enforcement teams, led by the Ontario Provincial Police, and a targeted investment of \$200,000 to the Toronto Police Service is supporting their efforts to combat illegal cannabis operations in the City of Toronto.

This investment directly benefits municipalities. The enforcement teams work on a regional basis and are available to all municipalities and First Nations. This collaborative approach enables law enforcement to efficiently target crime in an organized way that is coordinated and consistent across the province.

The government will distribute the remaining \$6.74 million in OCLIF funding this month as follows:

- Funding will be provided on a per household basis to municipalities that did not opt-out of hosting retail stores as of January 22, 2019, adjusted so that each recipient municipality will receive at least \$5,000.
- Lower-tier and upper-tier municipalities will receive funding based on 50% of their households. Upper-tier municipalities will receive funding in relation to opt-out decisions made by the lower-tier municipality. If a lower tier municipality opted-

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out, the upper tier municipality will not receive funding on a per household basis in relation to that municipality.

The government is providing this funding now to municipalities in a manner similar to past payments. This means municipalities will have the funds on hand to use for the same implementation costs the fund was designed to support.

The Deputy Minister of Finance will write shortly to the Treasurers of recipient municipalities with details about the administration of this funding and attach each municipality's specific allocation notice. Payments will also be processed at that time.

The province also committed that, 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 to those municipalities that did not opt out as of January 22, 2019. Provinces receive excise duty from the federal government over time, and it is early in the two year legalization period. The Ministry of Finance will connect with AMO and the City of Toronto on this commitment after the first two years of legalization are completed in 2020.

Municipalities have been important partners in the successful implementation of the federal government's legalization of recreational cannabis. We look forward to continuing to work together in this regard.

Sincerely,

Original signed by

Rod Phillips
Minister of Finance

c: The Honourable Doug Downey, Attorney General
The Honourable Steve Clark, Minister of Municipal Affairs and Housing
Dan Miles, Chief of Staff, Ministry of Finance
Paul Boniferno, Deputy Attorney General
Greg Orenacsak, Deputy Minister of Finance
Laurie LeBlanc, Deputy Minister of Municipal Affairs and Housing
Renu Kulendran, Executive Director, 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