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October 6, 2023

Mr. John Elvidge, City Clerk
City Clerk's Office
100 Queen Street West
12th Floor, West Tower
Toronto, ON M5H 2N2

Dear Mr. Elvidge,

Re: Administrative Inquiry Regarding Cannabis Stores and Revenue Sharing

Councillor Pasternak submitted an Administrative Inquiry to seek information on cannabis stores and revenue sharing. This letter provides a coordinated response to this request. It has been developed in collaboration with Municipal Licensing & Standards, Toronto Police Service, and Legal Services.

Introduction

On March 9, 2018, the Provincial Government created the Ontario Cannabis Legalization Implementation Fund (OCLIF) to assist municipalities with the implementation costs associated to recreational cannabis legalization. The total initial funding was \$40 million to be distributed over a two-year period to municipalities that opted in.

Response

Please find below responses to each of the questions submitted.

- 1. Under the Cannabis License Act, 2018 and its various regulations, what is the total amount of funds received to date and are any funds outstanding?*

The Provincial Government created the Ontario Cannabis Legalization Implementation Fund (OCLIF) to assist municipalities with the implementation costs associated to recreational cannabis legalization. Through OCLIF, the City of Toronto received a total of \$8,971,748 in financial support as part of the total funding of \$40 million under the grant program, enabling the City to provide enhanced enforcement against illegal cannabis operations since the legalization of cannabis use in 2018. There are no outstanding or past-due share of the OCLIF to the City related to this initial funding.

The OCLIF was distributed to the City through multiple tranches as follows:

2019			2021	Total Received
1st Payment Received	2nd Payment Received	3rd Payment Received	Final Payment Received	
\$3,008,705	\$ 3,681,239	\$1,533,850	\$747,954	\$8,971,748

Further information regarding the allocation approach can be found in the following link: <https://www.ontario.ca/page/ontario-cannabis-legalization-implementation-fund#section-4>

All funds were received and contributed to the City's Cannabis Reserve Fund (XR3038).

2. *Has Ontario's portion of the federal excise tax on recreational marijuana exceeded \$100 million and if yes, has Toronto received any funds from this tax sharing?*

According to the [2022-2023 Annual Report and Consolidated Financial Statements](#), the Ontario Government reported a total revenue of \$310 million in Ontario's portion of the Federal Cannabis Excise Duty during the 2022/2023 fiscal period. In addition, the Ontario Government has budgeted \$269 million from its portion of the Federal Cannabis Excise Duty for the 2023-2024 fiscal period. This information can be found on page 106 of the Annual Report.

Ontario's portion of the Federal Cannabis Excise Duty has exceeded \$100 million since 2020/2021 fiscal period. Thus far, the City has not received any update on cannabis excise tax revenue sharing from the Provincial Government.

3. *What have the funds have been allocated to (spent on) and whether any such allocations included addiction treatment or addressing mental health issues?*

The City must use the OCLIF to address the implementation costs that directly relate to the legalization of recreational cannabis as stipulated by the Provincial Government. Examples of permitted and eligible costs include:

- increased enforcement
- increased response to public inquiries
- increased paramedic services
- increased fire services
- by-law / policy development

The cannabis legalization required extensive municipal oversight, local implementation, and ongoing enforcement. The Municipal Licensing & Standards' by-law enforcement officers in partnership with the Toronto Police Service' uniform officers as well as Legal Services' resources were deployed for enforcement efforts arising from the legalization of cannabis.

Over the past years, the City has utilized the funds received through the OCLIF to pursue joint enforcement activities. Of the \$8.97 million received in the City's Cannabis Reserve Fund, \$8.0 million has been withdrawn to support the following activities, with the remaining funds expected to be used within the next year:

Municipal Licensing & Standards:

- Continue the license enforcement actions of illegal cannabis storefront operators under the *Cannabis Control Act* as well as prevent proliferation of illegal storefronts (unlicensed).
- Investigate production facilities and illegal cannabis storefronts, execute search warrants, issue notices of violations and closure orders, and lay charges to property owners, landlords, and operators.
- Conduct additional MLS bylaw enforcement actions following the execution of search warrants by Toronto Police Services relating to illegal cannabis storefronts.
- Continue to re-inspect these locations to ensure compliance, identify newly opened storefronts, respond to complaints received related to cannabis storefronts, and work with the Toronto Police Service in an effort to enforce against these illegal storefronts.

Toronto Police Service:

- Increase the capacity of front-line demands for law enforcement. This includes hours of uniform officers spent on impaired drug driving occurrences, RIDE duties, drug analysis, cannabis occurrences, and ticket issuances under the *Cannabis Control Act*.
- Assist MLS with closure of illegal dispensaries and manage and handle cannabis seizures including time and cost to process, store, transport and destroy seized cannabis.
- Provide uniform officers with various trainings including Standard Field Sobriety Testing, Cannabis Legislation (Provincial and Federal), and Drug screening device.
- Share best practices through integrated public awareness campaign to communicate the rules and regulations for recreational cannabis and provide awareness training in schools about the health and safety measures in place.

Legal Services:

- Prosecute matters under the Cannabis Control Act. This includes prosecutions against illegal cannabis stores, people selling illegal cannabis, and people driving and being caught with cannabis. Legal Services provide advice and dedicated resources including lawyers, prosecutors, and administrative staff to manage complex legal matters and cases as well as multi-week trials and appeals.

Sincerely,

Paul Johnson
City Manager

cc: Stephen Conforti, Interim Chief Financial Officer & Treasurer