



**City of Kingston
Report to Council
Report Number 18-192**

To: Mayor and Members of Council
From: Lanie Hurdle, Commissioner, Community Services
Resource Staff: Same
Date of Meeting: July 10, 2018
Subject: Update on Cannabis Legalization and Proposed Reallocation of Funding from Sales of Cannabis

Executive Summary:

The purpose of this report is to provide Council with an update on the cannabis legalization implementation and recommend options for the reallocation of announced funding from the sale of cannabis. The initial targeted date for the legalization of recreational cannabis was July 1, 2018. On June 21, 2018, Bill C-45 received Royal Assent and that will legalize access to recreational cannabis in Canada when it comes into force on October 17, 2018. The Bill also controls how cannabis is grown, distributed and sold.

In 2017, the Province selected cities for the implementation of the first round of cannabis stores in Ontario. The City of Kingston was selected as it is considered to be a regional hub in Eastern Ontario. A few months ago, the Province announced that the cannabis store will be located at 770 Gardiners Road. Although the City was not involved in this final decision, the location selected by the Province does meet the commercial zoning requirement for this type of operation. The City was consulted and did provide feedback in late 2017, which was early in the site selection process.

In March 2018, the Association of Municipalities of Ontario (AMO) issued information to municipalities in regards to the Province's commitment to reallocate a portion of revenues from the sale of recreational cannabis. The Province committed to reallocate \$40M over two (2) years to all municipal governments to support incremental implementation costs of recreational cannabis legalization. Half of the \$40M is to flow as soon as possible after federal Royal Assent and before legalization in 2018. This means that the funding could technically flow to municipalities prior to October 17, 2018.

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The City of Kingston expects to receive approximately \$400K of provincial funding over the next two years (\$200K per year) to fund the implementation of recreational cannabis legalization. Staff have worked with Kingston Police and KFL&A Public Health to determine projected costs related to the implementation and are recommending allocating the funds as follows:

1. \$259,000 to Kingston Police primarily for training related expenses and capital equipment;
2. \$80,000 to KFL&A Public Health to run an education campaign; and
3. \$61,000 to the City to address increased pressure on by-law enforcement.

The 2019 operating and capital budgets will reflect the projected implementation costs and the confirmed allocation of provincial funding as noted above. Police Services, KFL& Public Health and City staff are not anticipating any further impacts on the 2019 budget submissions with respect to implementation; however, it is difficult to predict the implications of this new legislation on service levels in the longer term. Activity will be monitored closely over the next 18 months and future budget submissions will reflect related budget requirements, if required.

This funding reallocation commitment could be subject to change with the new provincial government. Staff will monitor any changes and report back to Council accordingly.

Recommendation:

That Council approve the reallocation of revenues from recreational cannabis sales estimated at \$400,000 over the next two (2) years as follows:

1. \$259,000 to Kingston Police primarily for training related expenses and capital equipment;
2. \$80,000 to KFL&A Public Health to run an education campaign;
3. \$61,000 to the City to address increased pressure on by-law services; and

That Council request that confirmed funding allocations be reflected in the 2019 operational and capital budgets to cover anticipated implementation costs.

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Authorizing Signatures:

ORIGINAL SIGNED BY COMMISSIONER

Lanie Hurdle, Commissioner, Community Services

ORIGINAL SIGNED BY CHIEF ADMINISTRATIVE OFFICER

Gerard Hunt, Chief Administrative Officer

Consultation with the following Members of the Corporate Management Team:

Jim Keech, President & CEO, Utilities Kingston	Not required
Desirée Kennedy, Chief Financial Officer & City Treasurer	√
Denis Leger, Commissioner, Corporate & Emergency Services	Not required

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Options/Discussion:**Federal-Provincial/Territorial (FPT) Cannabis Excise Tax Agreement**

In December 2017, federal, provincial and territorial Finance Ministers agreed to:

- Share cannabis revenues 25/75 per cent for the federal and provincial/territorial governments respectively.
- Cap the federal portion at \$100M maximum; anything above \$100M would be distributed to the provinces/territories.
- Review the FPT Agreement at the end of the two (2) years post legislation.

The federal government reduced its originally proposed cannabis excise tax share of 50% to 25% in recognition of municipal government responsibilities.

Cannabis Legalization Implementation Funding for Ontario Municipalities

The Province recognized that some municipal services such as policing, public health and by-law services would most likely experience incremental costs as a result of the legal recreational cannabis implementation over the next two (2) years.

The AMO worked with the Province to develop a funding model for all municipal governments to reallocate \$40M over the next two (2) years based on an estimate of Ontario's portion of the federal cannabis excise duty of \$100M. If Ontario's portion of the federal excise duty for the first two (2) years of legalization exceeds \$100M, the Province will provide 50% of the surplus to municipal governments.

The funding allocation model is based on a per household basis, adjusted to ensure that each municipality receives no less than \$10,000. Based on this formula, City staff estimated the number of Kingston households to be most likely based on 2016 Statistic Canada numbers. Based on this assumption, Financial Services conservatively estimated that the City could receive \$400,000 over the next two years (\$200,000 per year).

The Province also committed to a number of "cost avoidance" activities that will help contain municipal cannabis implementation costs:

- Some of the training costs for police officers (including municipal forces) on Standard Field Sobriety Testing (SFST) certification. The certification is not required for every officer;
- Creation of a Cannabis Intelligence Coordination Centre to address the illicit market and organized crime;
- Training 65,000 police officers across Canada on the cannabis legalization;
- Federal and provincial public health campaigns will provide local public health units with

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support and resources to help address local needs related to cannabis legalization.

Proposed Funding Reallocation for the City of Kingston

City staff have been working with Kingston Police and KFL&A Public Health to get a better understanding of the implementation costs related to the legalization of recreational cannabis and in light of a number of activities being led by the federal and provincial governments to help reduce the costs at the municipal level.

Kingston Police (\$259,000) – There are 63 SFST courses over the next two (2) years and Kingston Police anticipates sending 129 officers (2 per courses). The courses are covered by the Province but the travel expenses for the officers are not covered. Kingston Police will also be training two (2) Drug Recognition Experts over the next two (2) years for which training is free but travel expenses are not covered. This training takes place in the United States. Kingston Police will also be purchasing roadside devices to detect cannabis consumption. On-line training has also been included in the estimated total costs. Potential increase in court costs due to more challenges of drug impairment charges as well as overtime and staff replacement costs are not included in this estimated cost.

KFL&A Public Health (\$80,000) – A comprehensive public education strategy is being proposed in addition to the federal and provincial efforts to provide messaging and resources to local public health units. The education strategy will focus on the health risks and harms associated with cannabis consumption as well as the laws and regulations associated with cannabis use. This campaign will be implemented in collaboration with Kingston Police and the City of Kingston. It is anticipated that this campaign will run over a period of 8 months and start prior to the legalization of cannabis distribution and consumption. KFL&A Public Health has extensive experience in conducting successful public education campaigns. The cannabis public education campaign will be supported by this experience, including the in-kind contribution of staff to create, design, and disseminate the key messages through a variety of channels, including working with an extensive array of agency partners. As such, the proposed funding campaign will be well supported and should provide for a comprehensive and robust education strategy. This campaign will be in addition to federal and provincial resources.

By-Law Services (\$61,000) – By-Law Enforcement responds to public complaints. It is anticipated that with the implementation of legal use of recreational cannabis, there will initially be an increase in calls related to by-law enforcement. Staff are anticipating that this will be the case for the first year and should reduce as more members of the public become educated on laws and regulations associated with cannabis use. There is a proposed additional by-law staff for a one year term to help respond to increased complaints and inquiries. Based on statistics collected by staff, the number of complaints increased from 1,322 in 2016 to 2,916 in 2017. As of June 28, 2018, By-Law enforcement has already responded to 1,864 complaints.

Should Council approve the recommendation in this report, Kingston Police, KFL&A Public Health and City staff will include the expense and funding in their 2019 operational and capital budgets. It is anticipated that this funding will generally cover the initial implementation costs in

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2019 but all parties recognize that there could be some unknowns in future years as it relates to the implications of legalization of recreational cannabis use.

It is important to note that there could be changes to this funding program based on the recent change in provincial government. Staff will be monitoring the situation and reporting any changes to Council.

Existing Policy/By-Law:

Zoning By-Laws

Notice Provisions:

Not applicable

Accessibility Considerations:

Not applicable

Financial Considerations:

In March 2018, the Province announced cannabis legalization implementation funding for Ontario municipalities. The City of Kingston anticipates receiving about \$400,000 over the next two (2) years from this funding based on the funding formula provided by the Province. City staff are recommending that the funding be allocated to Kingston Police (\$259,000), KFL&A Public Health (\$80,000) and By-Law Enforcement (\$61,000) which are all anticipating some additional pressures as a result of the cannabis legalization implementation. The confirmed funding allocations and related expenses will be incorporated in the 2019 operational and capital budgets.

Contacts:

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Other City of Kingston Staff Consulted:

Paige Agnew, Director, Planning, Building & Licensing Services

JC Kenny, Director, Communications & Customer Experience

Others External Individuals Consulted:

Susan Stewart, KFL&A Public Health

Antje McNeely, Deputy Chief, Kingston Police

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Exhibits Attached:

Not applicable