



**WORK SESSION
RICHFIELD MUNICIPAL CENTER, BARTHOLOMEW ROOM
FEBRUARY 28, 2023
5:30 PM**

Call to order

1. Brief recap presentation and staff policy recommendations related to prohibiting flavored tobacco products, capping the number of tobacco licenses issued by the City and the impact of removing all tobacco products from municipal liquor stores. An update on the adult cannabis bill in the Legislature will also be provided.

Adjournment

Auxiliary aids for individuals with disabilities are available upon request. Requests must be made at least 96 hours in advance to the Acting City Clerk at 612-861-9712.



STAFF REPORT NO. 05

WORK SESSION

2/28/2023

REPORT PREPARED BY: Jennifer Anderson, Support Services Manager

DEPARTMENT DIRECTOR REVIEW: Jay Henthorne, Director of Public Safety/Chief of Police
2/21/2023

OTHER DEPARTMENT REVIEW: Sack Thongvanh, Assistant City Manager Chris Fierst, Liquor Operations Manager

CITY MANAGER REVIEW: Katie Rodriguez, City Manager
2/23/2023

ITEM FOR WORK SESSION:

Brief recap presentation and staff policy recommendations related to prohibiting flavored tobacco products, capping the number of tobacco licenses issued by the City and the impact of removing all tobacco products from municipal liquor stores. An update on the adult cannabis bill in the Legislature will also be provided.

EXECUTIVE SUMMARY:

The Richfield Advisory Board of Health (ABH) is responsible for making recommendations to the City Council related to community health services and has a long history of advocating for sound health policies to protect the residents of Richfield.

The City Council originally heard this full presentation on March 22, 2022 during an online work session. Council supported the elimination of flavored tobacco products and capping retail tobacco licenses. The strategy for capping licenses wasn't determined at that time. There was additional discussion of ending all tobacco sales in Richfield liquor stores. Staff was asked to research this issue before a decision would be made.

Staff will briefly summarize policy recommendations that prohibit the sale of flavored tobacco products as well as cap the number of tobacco licenses. Staff is recommending a license capping approach that would allow renewals for businesses that maintain ownership as long as the original owners are still in place at the time of renewal. The City would not accept any more applications for new licenses, and only renew those businesses with the same owner in place. As stores close or change ownership, the City wouldn't issue additional licenses. Had the capped approach been in place in 2021/2022, the total number of licenses would have dropped since 4 tobacco only stores closed or moved. If the municipal liquor stores stop selling tobacco, total licenses will drop to 21, beginning the gradual reduction in total licenses.

Staff will also review the impact of eliminating all tobacco products from municipal liquor stores. Currently, Richfield Municipal Liquor offers twenty-eight varieties of cigarettes for sale at our four locations. Of these twenty-eight varieties, eleven are flavored cigarettes. Annually cigarette sales contribute 1.46% to 1.79% of total Liquor Operations sales. Cigarettes are a convenience item the stores offer

customers to help save a stop.

DIRECTION NEEDED:

The proposed ordinance that was presented last year restricts all flavored products and eliminates all retail tobacco licenses with a specific sunset date. Staff seeks approval to develop a proposed ordinance that caps tobacco licenses but does not include a specific sunset date. The proposed ordinance would be presented for a first reading at a future Council meeting.

Staff also seek direction on eliminating all tobacco products from municipal liquor stores. If council does choose this option staff recommends a phased approach of three months to draw down inventory and provide enough notice to vendors and customers.

BACKGROUND INFORMATION:

A. HISTORICAL CONTEXT

In 2019, the Advisory Board of Health (ABH) began researching tobacco policies related to prohibiting flavored tobacco products, as well as capping the number of tobacco licenses the city issues. This work was then sidelined due to Covid. In late 2021/early 2022, presentations on these topics were provided to the ABH by Bloomington Public Health and the Association for Non-Smokers MN (ANSR). The ABH has since worked with ANSR and the Public Health Law Center at Mitchell Hamline School of Law to develop draft policy language.

B. POLICIES (resolutions, ordinances, regulations, statutes, etc):

The City of Richfield has a tobacco policy that regulates the sale, possession, and use of tobacco and related devices and products and is intended to protect young people against the serious effects associated with tobacco use.

C. CRITICAL TIMING ISSUES:

None

D. FINANCIAL IMPACT:

Currently, tobacco licenses are issued and renewed annually by the Support Services Division. The 2023 fee for a retail tobacco license is \$541. With 25 establishments currently operating, retail tobacco licenses generated \$13,525 in revenue for 2023.

Banning sales of flavored tobacco and eliminating all tobacco products in municipal liquor stores will have a financial impact on revenues and profits, potentially reducing funds available to Park and Recreation capital investment. The 2023 Budget includes a \$500,000 transfer from the Liquor Operations Fund to support Park and Recreation capital projects. In 2022 the profit on sales of flavored tobacco was \$12,151 and the profit on non-flavored tobacco products was \$40,847. Detailed sales and profit information from 2020 is attached.

E. LEGAL CONSIDERATION:

It is advised the City Attorney should review the proposed ordinance prior to any formal action.

ALTERNATIVE(S):

Council could choose not to ban flavored tobacco. Council could choose not to cap tobacco licenses. Council could choose not to eliminate all tobacco products from municipal liquor stores.

PRINCIPAL PARTIES EXPECTED AT MEETING:

ATTACHMENTS:

Description	Type
☐ Cigarette Sales Data	Cover Memo

2020 Cigarette Sales		Profit	Qty. Sold (Units/Packs)	Sales Total	Total Cost	Profit Margin
Flavored Tobacco Sales	25.40%	\$ 10,495.99	4,226	\$ 46,507.24	\$ 36,011.25	22.60%
Non-Flavored Tobacco Sales	74.60%	\$ 30,825.63	13,337	\$ 148,011.63	\$ 117,186.00	20.02%
Total Sales	100.00%	\$ 41,321.62	17,563	\$ 194,518.87	\$ 153,197.25	21.20%

Note: Cigarette Sales contribute 1.46% of total sales for the year end 2020.

2021 Cigarette Sales		Profit	Qty. Sold (Units/Packs)	Sales Total	Total Cost	Profit Margin
Flavored Tobacco Sales	24.30%	\$ 9,166.15	4,937	\$ 56,995.13	\$ 47,828.98	19.16%
Non-Flavored Tobacco Sales	75.70%	\$ 28,590.12	15,460	\$ 175,473.90	\$ 146,883.78	19.50%
Total Sales	100.00%	\$ 37,756.27	20,397	\$ 232,469.03	\$ 194,712.76	19.50%

Note: Cigarette Sales contribute 1.66% of total sales for the year end 2021.

2022 Cigarette Sales		Profit	Qty. Sold (Units/Packs)	Sales Total	Total Cost	Profit Margin
Flavored Tobacco Sales	22.90%	\$ 12,151.05	4,901	\$ 62,603.49	\$ 50,452.44	19.00%
Non-Flavored Tobacco Sales	77.10%	\$ 40,847.30	14,594	\$ 185,657.06	\$ 144,809.76	22.00%
Total Sales	100.00%	\$ 52,998.35	19,495	\$ 248,260.55	\$ 195,262.20	21.35%

Note: Cigarette Sales contribute 1.79% of total sales for the year end 2022.

2023 Sales to 02/21/2023		Profit	Qty. Sold (Units/Packs)	Sales Total	Total Cost	Profit Margin
Flavored Tobacco Sales	22.50%	\$ 1,246.05	567	\$ 7,365.33	\$ 6,119.28	16.90%
Non-Flavored Tobacco Sales	77.50%	\$ 4,285.58	1,626	\$ 21,121.74	\$ 16,836.16	20.03%
Total Sales	100.00%	\$ 5,531.62	2,193	\$ 28,487.07	\$ 22,955.45	19.42%

Note: Cigarette Sales contribute 1.58% of total sales for the year so far.

Current Inventory as of (02/22/2023)

	Units/Packs	Cost
Cedar	566	\$ 5,715.85
Lyndale	261	\$ 2,654.52
Penn	165	\$ 1,741.31
Wine and Spirits	205	\$ 2,133.31
4-Store Totals	1,197	\$ 12,245.00