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**To:** Mayor Nelson and Members of the City Council

**From:** Daniel R. Buchholtz, MMC, Administrator, Clerk/Treasurer

**Date:** May 9, 2023

**Subject:** Municipal Cannabis Store Discussion

Councilmember Goodboe-Bisschoff requested that a discussion be held on the possibility of the city opening a municipal cannabis store should HF100/SF73 (Omnibus Cannabis Bill) be approved by the Legislature.

Both bills, in their current form, would permit a city or county to establish, own and operate a municipal cannabis store subject to the restrictions of the law.

Even if the HF100/SF73 passes, there are several difficulties to overcome:

- Marijuana remains a banned Schedule 1 drug by the Federal Government. As long as the Federal Government views marijuana as illegal, applicable business owners will face complications and gray areas related to the contradictions between state and federal law.
- With marijuana still illegal at the federal level, major banks and credit card companies will not allow cannabis retail establishments to execute transactions with credit cards. While there are potential workarounds, this is an obstacle that should be considered and it will create other ancillary payment collection issues.
- With the lack of ability to use a credit card, the City would need to worry about how to properly manage and secure large amounts of cash that accumulate through dispensary sales. Businesses that deal in a high volume of cash transactions are faced with additional considerations and liabilities that would need to be addressed.
- We would need to find out if the League of Minnesota Cities Insurance Trust will provide liability insurance for a municipal cannabis operation. If not, finding private insurance could be expensive.
- The City does not have a retail presence after the closure of the municipal liquor store in 2018. If the City Council wished to authorize the sale of cannabis, the City would have to build a retail operation from scratch. This could result in operational losses while the City ramps up the operation.
- Unlike the municipal liquor statute, it does not appear that the City would be able to limit licenses to just the municipal cannabis store. That will result in the City competing against the private sector. It is unknown what kind of market share the City could anticipate and whether that market share would result in a successful model.

Staff believes that a municipal cannabis store would be risky for the organization. While the City closed its municipal liquor store to facilitate the Hy-Vee project, the decision was made easier due to increasing competitive pressures and unpredictable net profits. That environment is even more difficult and unpredictable in a tight labor market.

If you have any questions, please do not hesitate to contact me at 763-784-6491.