

**WAYZATA CITY COUNCIL
WORKSHOP MEETING MINUTES
December 5, 2023**

5:00 p.m. Update on Status and Discussion of Municipal Cannabis Enterprise Feasibility Study Framework

Mayor Mouton called the meeting to order at 5:00 p.m. Council Members present in-person in the community room at City Hall offices: Iverson, MacDonald, Parkhill, and Plechash. Also present: City Manager Jeff Dahl, Deputy City Manager Aurora Yager, Community Development Director Emily Goellner and City Attorney David Schelzel.

City Manager Dahl provided background that the State of Minnesota passed legislation that legalized the use, sale, and manufacturing of adult-use cannabis. This action was in addition to the legalization of low-potency hemp derived THC products that was passed in 2022. As a result of all of this legislation, the City has recently acted on the following:

- Provided local regulation on the use of low potency THC products and adult-use cannabis by limiting use in public areas
- Approved a registration process for the sale of low potency THC products within the City
- Adopted a moratorium which prohibits the sale, distribution, and manufacturing of adult-use cannabis until 2025

The rationale for the adoption of the moratorium was to both allow time for the state to come up with the details of the administration of adult-use cannabis through their newly established Office of Cannabis Management and for the City to study the feasibility of operating its own municipal dispensary, since the state legislation allows cities the opportunity to do so and because the legislation allows cities to limit the number of licensed cannabis retailers to one registration for every 12,500 residents. In addition, if a county has one active registration for every 12,500 residents, a city within the county is not obligated to register any additional cannabis businesses. The City Council has prioritized the consideration of operating a municipal dispensary in its updated Strategic Plan.

Manager Dahl summarized the sales activity at Wayzata Wine & Spirits, noting that low-potency hemp derived THC seltzers are currently for sale and averaging approximately \$200 per day in sales.

Director Goellner went over a timeline and the highlights of a draft feasibility study framework, which included identification of leaders and team members for the study, establishing a budget and timeline, conducting an initial financial feasibility analysis with high level business plan options and a variety of potential scenarios, and establishing a community-driven vision and guiding principles for decisions. Goellner suggested that the Council consider whether establishing a task force would be helpful and suggested that the task force vet options related to public safety, fiscal responsibility, and the legacy of municipal enterprises.

Staff indicated that the next steps will be to engage with potential financial feasibility consultants and municipal advisors, continue meeting with and potentially partnering with other municipalities to vet options, study feasibility, and stay updated on the State Office of Cannabis Management (OCM) rulemaking process, and to conduct a feasibility study that would explore business scenarios based on all the information we have now. This study will help the Council to make the most informed policy decisions as it relates to the operation of a municipal dispensary. Staff suggested that additional financial feasibility analyses would be conducted in later phases of the study when more facts are known.

The Council asked many questions regarding both the current status of the state's administration of adult-use cannabis, the highlights of the draft feasibility study, and the overall timeline. There were concerns

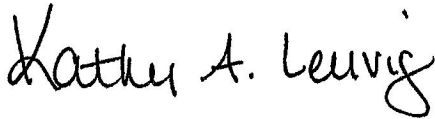
1 mentioned related to banking, bonding rating, insurance, the scale of financial investment necessary, the
2 extent to which the legislation allows municipal retail stores to operate a local monopoly, the value of a
3 task force for this process, and others. It was also discussed that the City should look at the option of
4 working with a management company to run a dispensary on the City's behalf and whether state licensing
5 would allow for this arrangement.

6
7 Director Goellner indicated that this could all be looked at simultaneously and that the City will start
8 interviewing firms that could potentially do a high-level financial feasibility analysis within the next
9 several months. Staff will continue to research the various topic areas and monitor progress with other
10 municipalities and the OCM.

11
12 City Manager Dahl said that they would have an update in around 90 days and that hopefully the OCM
13 would provide more clarity on rulemaking and administration at that time. He said that based on how fast
14 the state moves, he believes that the goal of theirs to have dispensaries up and running by early 2025
15 seemed unlikely.

16
17 Mayor Mouton summarized that the overall consensus of the Council was that the City should continue to
18 explore whether it makes sense to run a dispensary but had substantial questions and concerns that would
19 need to be addressed prior to making that determination.

20
21
22
23 Respectfully submitted,

A handwritten signature in black ink that reads "Kathy A. Leervig". The signature is written in a cursive, flowing style.

24
25 Kathy Leervig, City Clerk