

**WAYZATA CITY COUNCIL
WORKSHOP MEETING MINUTES
June 4, 2024**

5:00 p.m. Presentation and Discussion of Municipal Cannabis Dispensary Feasibility Study by Point Seven Group

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: MacDonald, Parkhill, and Plechash. Also present: City Manager Jeff Dahl, Deputy City Manager Aurora Yager, and Community Development Director Emily Goellner.

Director Goellner noted that the objective of this workshop was to provide an update on the progress made with the Municipal Cannabis Dispensary Feasibility Study, with a presentation by Point Seven Group, the consultant hired to focus on studying financial feasibility. Goellner noted that the main question for the Council this evening was to address the first crucial decision point identified in the study: keep studying or stop studying based on the results of the financial feasibility study.

Consultant Ashley Picillo of Point Seven Group noted that, in the spring of 2023, the State of Minnesota passed legislation that legalized the use, sale, and manufacturing of adult-use (high-potency, recreational) cannabis. This action was in addition to the legalization of low-potency hemp-derived THC products that was passed in 2022.

Picillo presented the assumptions and findings from the financial model and 5-year annual pro-forma as well as the key aspects of the Municipal Dispensary Business Plan.

She summarized the results of four scenarios:

1. Utilizing a third-party delivery partner and fully building out the dispensary
2. Utilizing a third-party delivery partner and renovating a leased site
3. Managing delivery internally and fully building out the dispensary
4. Managing delivery internally and renovating a leased site

Goellner noted that delivery is merely an optional additional license to a retail license and has not been extensively discussed with the City Council or the community. She said it was included because of its popularity across the country and its substantial positive impact on the financial model.

Picillo explained that all scenarios include the projected net income at the end of each year and that all scenarios are projected to be profitable by year 5. She said that the most feasible scenario, with the lowest barriers to entry, lowest upfront costs, and greatest flexibility, is Scenario 2. The scenarios in the financial model would be updated and stress-tested over the coming months if the Council chooses to continue studying feasibility.

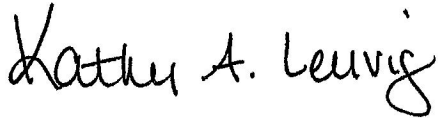
In addition to the four scenarios, she noted that the City can continue exploring whether the City could hire an operator through a competitive selection process, which could generate tax revenue.

Goellner added that the Council's second crucial decision point in the study would come in Q4 of 2024, when the Council would decide whether to apply for a license or not. The licensing process for municipalities is expected to begin in Q1 of 2025.

The majority of the Council recommended the continuation of the study process. Council agreed with staff and Point Seven Group that the financial model needs to be continuously stress-tested, with scrutiny and focus on the most realistic estimations for consumer demand, consumer growth, competitiveness with other potential dispensaries nearby, and estimated expenses. Staff noted that the reports presented today will be included in an upcoming Council agenda for acknowledgement and receipt. Staff will also

1 research whether the City would need to engage Point Seven Group (or a similar firm) in subsequent
2 work, which would require a new agreement for professional services. During this time, staff would begin
3 preparing a more detailed community engagement plan. Staff would then also work with Point Seven
4 Group (or a similar firm) on a proposal to continue stress-testing and revising the financial model based
5 on OCM updates, license caps, operational timetables by license type, and information about specific
6 retail locations in order to further refine real estate cost estimates. This proposal would require review by
7 City Council before additional study can be performed.

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11 Respectfully submitted,

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

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13 Kathy Leervig, City Clerk