BEDA MEETING
TUESDAY FEBRUARY 18, 2025
8:00 AM CITY HALL COUNCIL CHAMBERS
680 BYRON MAIN COURT NE, BYRON MN 55920

To Provide Valued Public Service and Guide the City with Innovative Thinking Toward Smart Growth.

1) CALL TO ORDER

2) APPROVE AGENDA

3) CONSENT AGENDA
   3.a BEDA Minutes - January 21, 2024

4) COMMUNICATIONS, REPORTS & PETITIONS
   4.a City Council Minutes - January 14, 2025
   4.b P&Z Minutes - January 7, 2025
   4.c Byron Community Newsletter - January
   4.d BEDA Monthly Budget - January

5) PUBLIC HEARING - N/A

6) UNFINISHED BUSINESS
   6.a Municipal Cannabis Dispensary Feasibility Study

7) NEW BUSINESS - N/A

8) PUBLIC COMMENTS

9) ADJOURN

AGENDA ITEM NO. 3.a

Byron, MN Flag

CITY OF BYRON, MINNESOTA

DATE: February 18, 2025

Originating Dept: Administration

Introduction: BEDA Minutes - January 21, 2024

Request for Action:

Background /Justification:

Fiscal Impact:

Staff Recommendation:

Preparer: Kelli Luhmann

ATTACHMENTS:
BEDA Minutes 01-21-25.docx

ECONOMIC DEVELOPMENT AUTHORITY
TUESDAY, JANUARY 21, 2025
8:00 AM CITY HALL COUNCIL CHAMBERS
680 BYRON MAIN COURT NE, BYRON MN 55920

1) **CALL TO ORDER** – Chair Domaille called the meeting to order at 8:00am on Tuesday, January 21, 2024.

Members Present: Chris Ryan, Kelly Domaille, Shawn Christensen, Jamie Landolt, Daryl Glassmaker

Members Absent: Brian Jordahl, Dan Even

Also Present: Gretta Becay, City Administrator Al Roder, Planning Director Kelli Luhmann

2) **OATH OF OFFICE** – Member Landolt was sworn in.
2.a. Swear in new Member Landolt

3) **APPROVE AGENDA** – Member Ryan with the motion to approve the agenda, seconded by Member Christensen. Motion carried unanimously.

4) **CONSENT AGENDA** Member Ryan with the motion to approve the consent agenda, seconded by Member Landolt. Motion carried unanimously.
4.a. BEDA Minutes - December 17, 2024

5) **COMMUNICATIONS, REPORTS & PETITIONS**
5.a. City Council Minutes - December 10, 2024
5.b. P&Z Minutes - November 6, 2024
5.c. Byron Community Newsletter - December
5.d. BEDA Monthly Budget - January
5.e. Conflict of Interest Form

6) **PUBLIC HEARING - *N/A***

7) **UNFINISHED BUSINESS**
7.a. **Byron Branding Image –** Roder summarized the final piece of the branding element is finding a color pallet that fits with the board and bluespace creative is showing. Roder introduced Trisha and Luke from bluespace creative as they are attending the meeting virtually, hoping to show real time color options or narratives. A revised color pallet was provided in the packet. Trisha explained the color pallets that are presented is based off the feedback from the prior meetings. Roder asked if there was a possibility of having the red and blue together with the gold in the middle from the colors presented on the last page of the document. Trisha asked to clarify which color as they are slightly different tones presented in the packet. The board provided another color combination they would like to see in the logo. Roder asked if that was something bluespace could present in real time. Bluespace was unable to provide in real time but could provide something back today. Roder is going to send out the additional options to the board and they will vote on the one they like the best.

8) **NEW BUSINESS**

8.a. **Election of Officers** – Member Ryan with the motion to appoint Kelly Domaille as Chair, Chris Ryan as Vice Chair and Shawn Christensen as secretary, seconded by Member Landolt. Motion carried unanimously.

8.b. **Byron Community Foundation** – Member Ryan with the motion to approve a $1,000 donation to the Byron Community Foundation, seconded by Member Christensen. Motion carried unanimously.

9) **PUBLIC COMMENTS** – Chair Domaille called for public comments three times. Mayor Glassmaker asked for an update on the community center. Roder explained that Nate is still working through the funding piece of the project and making modifications to make it fit the financial piece. Gretta Becay gave the board insight into a new business in Byron that is renting two units in the facility behind Early Advantage Daycare. It is called Our Cozy Corner, and they are an internet-based company that auctions off items. They have been averaging 2,000 to 3,000 packages a day.

10) **ADJOURN** – Member Ryan with the motion to adjourn the meeting at 8:27am, seconded by Member Landolt. Motion carried unanimously.

AGENDA ITEM NO. 4.a

Byron, MN Flag

CITY OF BYRON, MINNESOTA

DATE: February 18, 2025

Originating Dept: Administration

Introduction: City Council Minutes - January 14, 2025

Request for Action:

Background /Justification:

Fiscal Impact:

Staff Recommendation:

Preparer: Kelli Luhmann

ATTACHMENTS:
1-14-25 Council Minutes

BYRON CITY COUNCIL MEETING
TUESDAY, JANUARY 14, 2025
6:00 PM CITY HALL COUNCIL CHAMBERS
680 BYRON MAIN COURT NE, BYRON MN 55920

To Provide Valued Public Service and Guide the City with Innovative Thinking Toward Smart Growth.

A member of the public body will be participating by interactive technology. The site where the member will be participating from is:
Hilton Grand Vacations - Lobby Area
3575 Las Vegas Boulevard South, Las Vegas, NV 89109-4313

1) **OATH OF OFFICE –** The members took their oath of office and were sworn in on Tuesday, January 14th, 2025.
   1.a Swearing in Mayor – Daryl Glassmaker
   1.b Swearing in Council Member – Daniel Mesenburg
   1.c Swearing in Council Member – Steven Cook

2) **CALL TO ORDER -** Mayor Glassmaker called the meeting to order at 6:00 pm on Tuesday, January 14, 2025.

   Members Present: Daryl Glassmaker, Justin Blom, Dan Mesenburg (virtually), Steven Cook, Dan Even

   Also Present: Lisa Jessen, Jamie Landolt, Gretta Becay, Byron Deputy Chris Streed, Deputy Clerk/Accounting Technician Robby Horsman, Public Works Superintendent Tom Ricke, City Administrator Al Roder

3) **PLEDGE OF ALLEGIANCE** - The Pledge of Allegiance was recited by all.

4) **APPROVE AGENDA –** Roder explained the following: There are three additions to the agenda. Item 5.i and 5.j will be appointing Kelli Domaille and Brian Jordahl each to a three-year term on the Byron Economic Development Authority. Item 9.f will be added to appoint Jamie Landolt to the Economic Development Authority to replace Staci Kaltenbach as she has resigned.
   Motion made by Member Cook, seconded by Member Even to approve the agenda with the noted changes. Member Cook voted yay, Member Even voted yay, Mayor Glassmaker voted yay, Member Mesenburg voted yay, Member Blom voted yay. Motion carried unanimously.

5) **APPROVE CONSENT AGENDA**- Motion made by Member Cook, seconded by Member Even to approve the consent agenda. Member Cook voted yay, Member Even voted yay, Mayor Glassmaker voted yay, Member Mesenburg voted yay, Member Blom voted yay Motion carried unanimously.
   5.a. City Council Minutes – December 10, 2024
   5.b. P&Z Minutes – November 6, 2024
   5.c. BEDA Minutes – November 19, 2024
   5.d. Warrant List - $185,669.22
   5.e. Approval After Payment - $778,430.17
   5.f. Release of Infrastructure – East Village 3rd
   5.g. 2025 Liquor License Renewals
   5.h. Commission Member Term – Hohberger

5.i. BEDA Appointment – Kelli Domaille
5.j. BEDA Appointment – Brian Jordahl

6) **COMMUNICATIONS, REPORTS AND PETITION**

6.a. **Incident and Calls for Byron;** – Deputy Streed explained the following: December 2024 was consistent with November 2024 as people are staying inside due to the cold weather. As we enter 2025, here is a comparison of 2024 compared to 2023. The call volume was similar from 2023 to 2024 as the same kind of calls tend to have higher volumes. Streed attended a meeting with the school and busing company about the traffic issues at the middle school.

6.b. **Byron Community Newsletter – December - FYI**

6.c. **Conflict of Interest Form –** Members were given the annual form to fill out and return.

7) **RESOLUTIONS**

7.a. **Resolution 2025-01: 2025 Fee Schedule –** Roder explained the following: There are no major changes to the Fee Schedule. Fees for cannabis licensing were added as well as a fee for filling of ice rinks and pools.
Motion made by Member Cook, seconded by Member Blom to approve Resolution 2025-01. Member Cook voted yay, Member Even voted yay, Mayor Glassmaker voted yay, Member Mesenburg voted yay, Member Blom voted yay. Motion carried unanimously.

7.b**. Resolution 2025-02: Voting Operations, Technology, & Election Resources (VOTER) Account Agreement –** Roder explained the following: These are funds for elections that can be kept by the city or given to Olmsted County. Byron annually gives our funds to Olmsted County as we do not administer our own elections.
Motion made by Member Cook, seconded by Member Even to approve Resolution 2025-02. Member Cook voted yay, Member Even voted yay, Mayor Glassmaker voted yay, Member Mesenburg voted yay, Member Blom voted yay. Motion carried unanimously

7.c. **Resolution 2025-03: 2025 Appointments –** Motion made by Member Blom, seconded by Member Cook to approve Resolution 2025-03. Member Cook voted yay, Member Even voted yay, Mayor Glassmaker voted yay, Member Mesenburg voted yay, Member Blom voted yay. Motion carried unanimously

7.d**. Resolution 2025-04: Adopting Ordinance 2024-05 and Approving Summary Publication – Cannabis Ordinance –** Roder explained the following: Going back to our previous discussions on use of cannabis in public places. There are no restrictions on smoking of tobacco in public parks, only in public places such as stores.
Member Even explained the following: Even would like to keep the rules on the smoking of tobacco and cannabis in parks consistent.
Motion made by Member Even, seconded by Member Blom to approve Resolution 2025-04 which also approves Ordinance 2024-05. Member Cook voted yay, Member Even voted yay, Mayor Glassmaker voted yay, Member Mesenburg voted yay, Member Blom voted yay. Motion carried unanimously

7.e. **Resolution 2025-05: Adopting Ordinance 2025-01 and Approving Summary Publication – Cannabis Zoning –** Roder explained the following: Planning and Zoning has reviewed the ordinance. This adopts the appropriate cannabis zoning regulations which state where cannabis dispensaries can happen.
Motion made by Member Cook, seconded by Member Even to approve Resolution 2025-05 which also approves Ordinance 2025-01. Member Cook voted yay, Member Even voted yay, Mayor Glassmaker voted yay, Member Mesenburg voted yay, Member Blom voted yay. Motion carried unanimously

7.f. **Resolution 2025-06: Adopting Ordinance 2025-02 and Approving Summary Publication – Accessory Structures –** Member Cook explained the following: Planning and Zoning recommended approval on this.
Motion made by Member Even, seconded by Member Cook to approve Resolution 2025-06. Member Cook voted yay, Member Even voted yay, Mayor Glassmaker voted yay, Member Mesenburg voted yay, Member Blom voted yay. Motion carried unanimously.

8) **PUBLIC HEARING – *None***

9) **UNFINISHED BUSINESS – *None***

10) **NEW BUSINESS**

10.a. **Mutual Aid Agreement – City of Mantorville –** Roder explained the following: The City of Mantorville was short staffed over the holidays, and we were able to help them as Cami Reber and Kelli Luhmann were familiar with their systems that they use for utility billing and payroll. This agreement does stay open for six months, and it allows the city to be reimbursed for the employees' time spent in Mantorville.
Motion made by Member Even, seconded by Member Cook to approve the Mutual Aid Agreement – City of Mantorville. Member Cook voted yes, Member Even voted yes, Mayor Glassmaker voted yes, Member Mesenburg voted yes, Member Blom voted yes. Motion carried unanimously.

10.b. **Job Description Updates –** Roder explained the following: This was just the clearing up of job duties between the Deputy Clerk/Accounting Technician and Finance Director. As well as the clearing up of the Planning Director's job description. There were no major changes.
Motion made by Member Cook, seconded by Member Blom to approve the Job Description Updates. Member Cook voted yes, Member Even voted yes, Mayor Glassmaker voted yes, Member Mesenburg voted yes, Member Blom voted yes. Motion carried unanimously.

10.c. **20th Street NE Feasibility Report –** Angerman explained the following: This is a scope to finalize the plans for the 20th Street NE project.
Motion made by Member Cook, seconded by Member Even to approve the 20th Street NE Feasibility Report. Member Cook voted yes, Member Even voted yes, Mayor Glassmaker voted yes, Member Mesenburg voted yes, Member Blom voted yes. Motion carried unanimously.

10.d. **Amended Professional Services Agreement – 20th Street NE – Improvements**
Motion made by Member Cook, seconded by Member Even to approve the Amended Professional Services Agreement – 20th Street NE - Improvements. Member Cook voted yes, Member Even voted yes, Mayor Glassmaker voted yes, Member Mesenburg voted yes, Member Blom voted yes. Motion carried unanimously.

10.e. **Delinquent Utilities –** Motion made by Member Cook seconded by Member Even. Member Cook voted yay, Member Even voted yay, Mayor Glassmaker voted yay, Member Mesenburg voted yay, Member Blom voted yay. Motion carried unanimously.

10.f **BEDA Appointment – James Landolt –** Roder explained the following: James Landolt would be stepping in to take Staci Kaltenbach's place on the BEDA board as Staci resigned. Mr. Landolt introduced himself and explained his prior experience in economic development.
Motion made by Member Even, seconded by Member Cook to approve the BEDA Appointment of James Landolt. Member Even voted yay, Mayor Glassmaker voted yay, Member Mesenburg voted yay, Member Blom voted yay. Motion carried unanimously.

11) **PUBLIC COMMENTS -** Mayor Glassmaker called for public comments. None were made.

12) **COMMITTEE BOARD REPORTS/OPEN DISCUSSION –** Summarized below:
Angerman: Working on applying for various grants.
Member Even: Attended EDA where the new Byron logo was discussed. The EDA is working on picking a color scheme for the logo.
Mayor Glassmaker: Attended the EDA and School Finance meetings.
Member Blom: Attended the Diversity and Inclusion Council meeting as well as the events that were held by the Diversity and Inclusion Council, such as the game night and the open mic night at The Compadres. The open mic nights will continue going forward and will be held on the second Saturday of the month.
Ricke: Attended the school meeting and the quarterly community ed council meeting.
Roder : Currently working on funding opportunities.
Lisa Jessen explained the following: Lisa provided a brief update from the school board and stated that the search for a Superintendent continues.
Gretta Becay explained the following: Gretta provided a brief update from the chamber and stated that Brr-Fest was a success.

13) **ADJOURN -** Motion made by Member Cook, seconded by Member Even to adjourn the meeting at 6:52pm. Member Cook voted yay, Member Even voted yay, Mayor Glassmaker voted yay, Member Mesenburg voted yay, Member Blom voted yay. Motion carried unanimously.

_____ _____

Daryl Glassmaker, Mayor Al Roder, City Administrator

AGENDA ITEM NO. 4.b

Byron, MN Flag

CITY OF BYRON, MINNESOTA

DATE: February 18, 2025

Originating Dept: Administration

Introduction: P&Z Minutes - January 7, 2025

Request for Action:

Background /Justification:

Fiscal Impact:

Staff Recommendation:

Preparer: Kelli Luhmann

ATTACHMENTS:
P&Z Minutes 1-7-25.pdf

BYRON PLANNING BOARD MEETING
TUESDAY, JANUARY 7, 2025
6:00 PM CITY HALL COUNCIL CHAMBERS
680 BYRON MAIN COURT NE, BYRON MN 55920

To Provide Valued Public Service and Guide the City with Innovative Thinking Toward Smart Growth.

1) **CALL TO ORDER** - Acting Chair Even called the meeting to order at 6:01pm on Tuesday, January 7, 2025.

Members Present: Tyler Even, Tim Baudoin, Barbara Hohberger, Susie Dempsey

Members Absent: Brian Frank

Also Present: Council Advisor Steven Cook, Planning Director Kelli Luhmann

2) **APPROVE AGENDA** – Member Hohberger with the motion to approve the agenda, seconded by Member Baudoin. Motion carried unanimously.

3) **APPROVE CONSENT AGENDA** – Member Baudoin with the motion to approve the consent agenda, seconded by Member Dempsey. Motion carried unanimously.
3.a. **P&Z Minutes - November 6, 2024**

4) **COMMUNICATIONS, REPORTS AND PETITION** - Planning Director Luhmann mentioned to the board that there will be a strategic planning event on February 11th following the council meeting. All the board members are strongly encouraged to attend if able.
4.a. **City Council Minutes - November 14th, 2024**
4.b. **Park Board Minutes - August 26th, 2024**
4.c. **Conflict of Interest Form**
4.d. **Byron Community Newsletter - December**
4.e. **P&Z 2025 Budget**

5) **PUBLIC HEARING**
Member Hohberger with the motion to open the public hearing at 6:06pm, seconded by Member Dempsey. Motion carried unanimously.
5.a. **Chapter 152 - Accessory Structure Ordinance Revisions** – Planning Director Luhman summarized that the revisions will reflect increasing the accessory structure size from 625 square feet to 10% of the lot size, not to exceed 1,000 square feet. Residents will still have to meet greenspace requirements, and we are not changing the height size of the structure. That will remain at 15 feet to the peak.
Acting Chair Even called for public comments three times.
Member Hohberger with the motion to close the public hearing at 6:07pm, seconded by Member Baudoin. Motion carried unanimously.
Planning Director Luhmann mentioned the topic of conversation from the last meeting was regarding a second structure not to exceed 120 square feet. Surrounding city requirements for a second structure were listed off. The ordinance amendment does reflect changing it to 200 square feet to keep the sizes consistent with when a building permit is needed versus a zoning permit. The commission members agreed.

Member Baudoin with the motion to recommend to City Council to approve Chapter 152 Accessory Structure Ordinance Revisions, seconded by Member Dempsey. Motion carried unanimously.

Member Hohberger with the motion to open the public hearing at 6:09pm, seconded by Member Baudoin. Motion carried unanimously.

5.b. **Cannabis Zoning**

Acting Chair Even called for public comments three times.

Member Dempsey with a motion to close the public hearing at 6:10pm, seconded by Member Baudoin. Motion carried unanimously.

Planning Director summarized the proposed changes to the zoning ordinance. The changes include to add cannabis business definitions, update the table on where we want to allow cannabis businesses and to add the standards which will tie back to the business license code that council is working on. This will alleviate having to make updates in two separate ordinances. Member Even asked about the cannabis cultivation and if we are simply not allowing it in a residential district. It was clarified that the ordinance amendments refer to only commercial use cannabis. Recreational and personal cannabis will follow state guidelines. Member Hohberger pointed out a spelling error in the definition of cultivation. The word plating is meant to say planting.

Member Hohberger with a motion to recommend to City Council to approve the cannabis zoning ordinance revisions with the spelling correction under the cultivation section, seconded by Member Dempsey. Motion carried unanimously.

6) **UNFINISHED BUSINESS - N/A**

7) **NEW BUSINESS**

7.a. **Commission Member Term** – Member Dempsey with the motion to recommend to City Council approve Member Hohbergers term for five years, seconded by Member Baudoin. Motion carried unanimously.

7.b. **Election of Officers** – Member Baudoin with the motion to appoint Member Even as the Chair, seconded by Member Dempsey. Motion carried unanimously. Member Dempsey with the motion to appoint Member Hohberger as the Vice Chair, seconded by Member Baudoin. Motion carried unanimously. Member Baudoin with the motion to appoint Member Dempsey as the Secretary, seconded by Member Hohberger. Motion carried unanimously.

8) **PUBLIC COMMENTS** – Acting Chair Even called for public comments three times.

9) **ADJOURN** – Member Hohberger with the motion to adjourn the meeting at 6:30pm, seconded by Member Dempsey. Motion carried unanimously.

AGENDA ITEM NO. 4.c

Byron, MN Flag

CITY OF BYRON, MINNESOTA

DATE: February 18, 2025

Originating Dept: Administration

Introduction: Byron Community Newsletter - January

Request for Action:

Background /Justification:

Fiscal Impact:

Staff Recommendation:

Preparer: Kelli Luhmann

ATTACHMENTS:
Volume 7 Number 1 January 2025.pdf

BYRON Minnesota
Where Neighbors Become Family. Welcome Home.

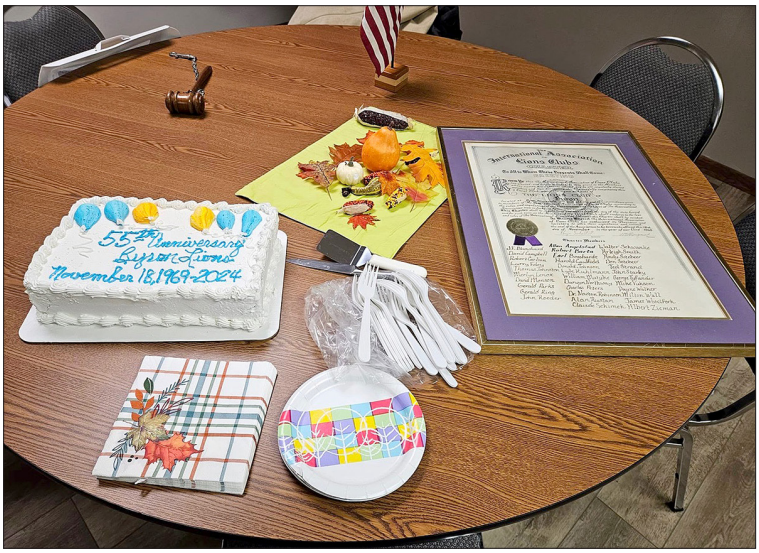
FREE
STAY INFORMED
ON THE LATEST
HOME TOWN NEWS!

Stories & Photos by
Gretta Becay
UNLESS INDICATED

BYRON COMMUNITY NEWS
— BROUGHT TO YOU BY BYRON EDA AND CITY HALL —

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Byron Lions Club
celebrates 55 years of service



Otto's Bakery provided a delicious cake for the Byron Lions Club 55th anniversary celebration as a chartered club. *Submitted photo*

In November, the Byron Lions Club celebrated their 55th anniversary as a chartered club. Otto's Bakery hosted a party and served a delicious cake. Otto Hemmah has been a member of the club for 50 years and Ann Hemmah has been a member for 42 years. She talked about some of the projects the club has completed through the years as well as the annual events hosted by the club members.

One of the largest projects the club spearheaded was building the all-inclusive playground at the Byron Community Recreation Center, at 1650 Fourth St. NE. The group also paid for the installation of six dog-waste stations on walking paths throughout the city.

Some of the annual events the club members participate in are:

Good Neighbor Days Parade in July; Metal Recycling in Aug.; Ditch Cleanup in May and Sept.; Senior Citizens' Picnic in Oct.; Dictionary Distribution to Third Graders in Sept.; Christmas Tree Sales in Nov. & Dec.; Assist with Byron Community Foundation Event in Apr.; High School Scholarships in May; and Fly the Flag from May through Sept.

Throughout the year, the club collects and recycles eyeglasses, hearing aids, collects plastics for recycling for park benches, helps with student eyeglasses; supports the Bear Pack and other school projects.

The Byron Lions Club has about 20 members. The officers are: Julie Carlblom, Treasurer; Ann Marie Hemmah, Secretary; Kris Dragich, President; Brenda Nickles, First Vice President; Joe Cartney and Don Huston Directors; and Ardi Gibbs, Second Vice President.

All of Byron thanks this group of citizens for their volunteer efforts on behalf of the city.

Spring is coming!



Byron Gardeners! Beginning Feb. 1, you can reserve a garden plot in Byron's Community Garden. These plots are located near the Byron Soccer Complex south of 20th St. NE.

The plots are 20 X 20-foot in size and rent for $30 for the season. If there are any adjustments in the plot layout, the assigned plot numbers will remain the same.

The plots are available on a one-per-household, first-come, first-served basis, to Byron residents who live within the city limits. If there are plots available after May 1, they will be available to a wider group.

To learn more, visit https://www.byronmn.com/communitygarden

If you'd like to reserve a plot, please contact city hall at cityhall@byronmn.com or call (507) 775-3400.

Byron's mayor and two reelected council members sworn in



At their first meeting of the new year, re-elected Council Member Steven Cook and re-elected Mayor Daryl Glassmaker were sworn in by City Administrator Al Roder.

Re-elected council member Dan Mesenburg had been sworn in earlier. The terms for these men run until the end of 2028. Terms for the other two council members, Justin Blom and Dan Even run until the end of 2026. In Byron, the terms for some council seats open on alternating election years so there are always experienced council members remaining.

In other business, council members approved appointing Jamie Landolt to the Byron Economic Development Authority. The position was previously held by Staci Kaltenbach who stepped down at the end of last year. She had served for many years in the position.

The council members also approved the city's 2025 fee structure, a cannabis ordinance, cannabis zoning regulations and the accessory structures ordinance. For details on business conducted at the meeting, visit the city's website and click on the date of the meeting at https://www.byronmn.com/agendaminutes

#ByronBears

KINDERGARTEN REGISTRATION

For the 2025-26 School Year







Call: 507-624-0311
Email: amanda.pfeilsticker@byron.k12.mn.us

STEP 1.
Gather Your Materials

- Copy of Legal Birth Certificate
- Current Immunization Record
- Early Childhood Screening Results

STEP 2.
Begin Online Application

Select 1

- Enrolled Byron Families: Go To: Infinite Campus Portal

OR

- New Resident Families Enrolling 1st Child: Go To https://bit.ly/ByronNewEnroll

We ♥ our #ByronBears!

For Complete Enrollment Instructions visit www.bears.byron.k12.mn.us/enroll



Molly Buchtman (l) won the Brrr Fest Lights at Night home lighting contest in December. She was presented with a gift basket filled with local gift cards and other local gifts from Marie Peterson, Housing Administrator at the Byron Benedictine Living Community. Molly's home won the contest by popular vote. Molly said she really enjoys decorating for the holidays each year and looks forward to decorating again next year.

BrrrFest is the city's winter festival held in December each year. It is organized by the Byron Area Chamber of Commerce.



Park-N-Ride Lot in use again

Have you noticed the number of vehicles parked in Byron's park-n-ride lot across from McDonalds has increased greatly? City Administrator Al Roder explained that representatives from the Mayo Clinic have launched a pilot project reopening the park-n-ride lots for the use of Mayo staff members in Stewartville, Byron, and Kasson.

Since 2020 when precautions for the COVID pandemic stopped certain types of mass transit, the Byron lot has not been used for this purpose.

Byron has new logo

The results of Byron's branding study are almost complete. In recent months, members of the Byron Economic Development Authority agreed on the positioning statement, 'Together We Grow'.

At the group's most recent meeting, Jan. 21, they agreed on the new logo for the city. The group had decided to pull away from using a bear in the logo as that bear is more to be associated with the school system.

The signs at the entrances to Byron and at the roundabout will not be changed.

City Administrator Al Roder explained that the city will be implementing this brand over the next few months on the city website, stationery, etc.



Byron's first Open Mic Night rocked!

On the evening of Jan. 11, an Open Mic night was held at The Compadres, 505 Frontage Road. This inaugural show was organized by Byron's Diversity and Inclusion Council. Lane Noser of 'Midnight Hounds' and the band 'Dirty Kennels' played hits from the past and some original music.

The Council is planning on hosting an Open Mic night for all ages on the second Saturday evening of every month during the winter, including Feb. 8 and March 8 this year. Plan on coming to listen to great local talent and to enjoy delicious meals and drinks.

If you're interested in performing, please visit: https://www.byronmn.com/communitycalendar

Submitted photo

AGENDA ITEM NO. 4.d

Byron, MN Flag

CITY OF BYRON, MINNESOTA

DATE: February 18, 2025

Originating Dept: Administration

Introduction: BEDA Monthly Budget - January

Request for Action:

Background /Justification:

Fiscal Impact:

Staff Recommendation:

Preparer: Kelli Luhmann

ATTACHMENTS:
BEDA January Budget.pdf

GL NUMBER	DESCRIPTION	2025 ORIGINAL BUDGET	2025 ACTIVITY	AVAILABLE BALANCE
Fund 101 - GENERAL FUND				
Expenditures				
Dept 41330 - Byron Economic Dev. Authority				
101-41330-40101	SALARIES & WAGES	60,704.00	8,650.27	52,053.73
101-41330-40120	BENEFITS	20,624.00	2,693.04	17,930.96
101-41330-40207	EDUCATEEXP/MEMBERSHIP/PERMITS	25,000.00	4,850.00	20,150.00
101-41330-40300	PROFESSIONAL SERVICES	5,000.00	0.00	5,000.00
101-41330-40311	TRAVEL-ROOM/MEAL/MILES/PARKING	2,000.00	43.28	1,956.72
101-41330-40320	COMMUNICATIONS	0.00	55.00	(55.00)
101-41330-40340	ADVERTISING	500.00	0.00	500.00
101-41330-40405	SPECIAL PROJECTS	65,000.00	29,000.00	36,000.00
101-41330-40490	BUSINESS SUBSIDY	258,780.00	101,008.89	157,771.11
Total Dept 41330 - Byron Economic Dev. Authority		437,608.00	146,300.48	291,307.52
TOTAL EXPENDITURES		437,608.00	146,300.48	291,307.52
Fund 101 - GENERAL FUND:				
TOTAL REVENUES		0.00	0.00	0.00
TOTAL EXPENDITURES		437,608.00	146,300.48	291,307.52
NET OF REVENUES & EXPENDITURES		(437,608.00)	(146,300.48)	(291,307.52)

AGENDA ITEM NO. 6.a

Byron, MN Flag

CITY OF BYRON, MINNESOTA

DATE: February 18, 2025

Originating Dept: Administration

Introduction: Municipal Cannabis Dispensary Feasibility Study

Request for Action: Make a recommendation from the findings in the study

Background /Justification: Michael Bitzer from Delaney Consulting will be in attendance to present the feasibility study. The EDA Board will have to determine if they would like to proceed with the application through the State from the findings of the feasibility study. There is an anticipated $5000 application fee to the State for the license application. Once application is submitted, the board could then decide if they would like to move forward with opening a dispensary.
The final feasibility study is attached for your review. It is a lengthy document but very worthwhile information.

Fiscal Impact:

Staff Recommendation: Make a recommendation from the findings presented in the study

Preparer: Kelli Luhmann

ATTACHMENTS:
Byron Final Retail Cannibas Business Case v10.pdf

City of Byron
Municipal Cannabis Retail Store
Business Model
Start Up + Years 1-7

Prepared by Delaney Consulting
February 13, 2025
Version 10.0

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EXECUTIVE SUMMARY

HIGHLIGHTS AND OVERVIEW OF FINDINGS

This business case outlines the investment and effort to offset property taxes and diversify the revenue base for Byron Minnesota through a proposed municipal cannabis retail store. The business case provides a reasonable estimate of the likelihood of investment and success that a municipal retail location would achieve while ensuring and protecting community safety.

With counsel from city leaders, this is a conservative approach to all estimates and includes quotes from multiple suppliers whenever possible to ensure a realistic point of view on all forecasted costs and revenues.

Highlights:

1. The business case anticipates positive or break-even profit returns throughout the store's first 7 years if the state balances supply and demand in a predictable fashion by year 3. This model indicates the store could deliver $290,000 in first 7 years with the most conservative estimates possible (high startup and ongoing expenses with low revenue estimates.)
2. The business case estimates the returns could be improved nearly +300% over 7 years if Byron pursues a Joint Powers Agreement (JPA) with at least 3 other cities to reduce shared expenses even if it sees no increase in revenues due to the JPA. A JPA model indicates the store could deliver $1,141,000 in first 7 years under that scenario. This estimate would vary depending on the number of participating cities in the JPA and the expense reduction targets.
3. The business case is built around a 2500 sq ft low-traffic, pre-existing location on Byron Ave. The entire estimate to build out and remodel that location could be re-deployed to a high-visibility location with new construction on a Highway 14 site. That choice could attain much higher revenues for the same investment. We strongly suggest that Byron consider this more visible option upon applying for a license.
4. Given the state's accelerated application process which requires application submission between February 18 – March 14, 2025, **we recommend that Byron fully participates and applies to secure a license for a municipal retail store.**



The east end of the municipally owned building at 301 Byron Ave N

SOURCES AND ASSUMPTIONS

External Sources: Byron and Delaney Consulting leveraged the following sources for national sales trends and data, current population and population forecasts, traffic counts and other critical inputs:

- **HeadSet** – the nation's largest market data broker for legal cannabis sales data through Dec 2024.
- **LeafLink** - State of the US Cannabis Industry Report for Fall 2024 including wholesale volumes and pricing trends by state.
- **New Frontier Data** – Consumer research focused on cannabis for retailers, brands and regulators. Previously Equio.ai data.
- **Hoodie Analytics** – 8000+ dispensaries with sales & foot traffic analysis.
- **USCensus.gov data** -Census and population estimates with city guidance.
- **MNDOT and Esri GIS** – provider of geographic information systems software and deployed MNDOT traffic counters from 2018-2023.
- **MN Office of Cannabis Management** – for known state information on studies, timelines, guidance and requirements - including market size guidance and consumption levels.

Vendors & Suppliers:
Multiple vendors and external sources were involved in creating the estimates and ranges throughout the feasibility study. All contacts except the POS providers and training platforms are Minnesota companies. Those include:

1) Branding, Marketing & Advertising:
   a) Bolster Agency, a division of Taylor Brands
   b) HBdS Marketing
   c) DLeaser MN
   d) BlueSpace Creative
2) IT & Systems
   a) Foundation, a division of Atomic Data
   b) On-Site Computers (A current Byron supplier)
3) Security & Alarms
   a) Assured Security
   b) Custom-Alarm (A current Byron supplier)
4) ATM, Cash Pickup & Delivery
   a) Best Products Sales & Services
   b) Brinks
5) Website Development
   a) The Mighty Mo
   b) D-Tech Media
6) POS Systems & METRC Integration
   a) FlowHub
   b) Dutchie
7) Training & Certification
   a) Seed Talent
   b) Green Flower
8) Demolition and Site Preparation
   a) HIP – Home Improvement Professionals (A current Byron supplier)
   b) Metropolitan Mechanical Contractors (A current Byron supplier)

Internal Sources: This study was created and validated by Al Roder, City Administrator, Kelli Luhmann, Planning Director, and Robby Horsmann, Deputy Clerk – Accounting Technician of the city of Byron. Additional input came from Byron Public Works. Work on this study began on began on January 2, 2025.

Assumptions:

- Investment estimates were created for the proposed location at 301 Byron Ave N for a 2,500 sq ft retail store.
- The 7-year pro forma presumes that operations begin on year 1 month 1.
- Other than the new head count hired to operate the retail store, no additional city staff will be required to manage or administer the new operation. All support services can be absorbed by the current city staff.
- We anticipate up to 2 competing dispensary locations on the western border of Rochester, MN run by private enterprises. The next closest cannabis competitor will be either 32 miles away in Owatonna or 40 miles away in Austin.
- The store will carry products from all approved/compliant product categories including: dry flower, concentrates, pre-rolls, vaporizer cartridges, edibles, tinctures, topicals, oils, beverages, and non-cannabis goods. Non-cannabis goods such as sodas/snacks in vending machines in the reception area and apparel have minimal impact to the revenue modeling.
- Byron's over 21 population will expand from 4369 to 5312 after 7 years. (Following Byron's historic +3.31% compound annual growth rate.)
- The state of Minnesota will see a consumption expansion of +2.6% over the first 7 years of legalization due to product assimilation and adoption.
- There will be no measurable change in shopping patterns in Byron due to seasonality, tourism, events or other temporary activity throughout the year.
- The store will be open for 72 hours per week. 10-9 Monday-Saturday and 12-6 Sundays.
- Exterior landscape and parking lot maintenance would be accomplished through Byron's public works department meaning that the store will not have to contract with an outside company for such services.

UNKNOWN VARIABLES

INPUTS WITH LOW CONFIDENCE BASED UPON AVAILABILITY OF DATA AND/OR CITY RESOURCES

DELIVERY

This estimate does not include an initial plan for city-provided delivery. We recommend that the city closely monitor which private enterprises are granted a delivery license by the state that could service Byron. We recommend that the city pursue a contracted delivery service that keeps margins for products sold through delivery the same as margins sold in store or through pick up. Delivery is a popular model across the country. It could have a substantial positive impact on Byron's financial model. Should Byron see a benefit in the future to administer delivery operations, a separate application would need to be filed with the state in the future. We advise a "wait and see" approach to delivery until there is proof that assuming responsibility for deliveries would positively affect profit transfers to the city.

FEDERAL POLICY SHIFTS

The industry anticipates that cannabis will be reclassified from a Schedule I substance to a Schedule III substance in 2030 or earlier. Which means that interstate commerce could loosen and would relieve the 280E tax burden for all retailers. This will not impact the federal tax

burden for cities like Byron, but it will impact private cannabis retail operations. For them, without Section 280E IRS restrictions, they could deduct typical business expenses like rent, payroll and advertising from their operational profits. That could significantly improve cash flow annually for Byron's private competitors. Private cannabis retail stores currently lose 20-40% of their revenue to 280E taxes. Removing that burden does three important things:

1) Cuts operating expenses from a tax point of view. Estimates are that operating costs could drop by 50%.
2) Improves net margin by roughly 9 basis points.
3) Improves cash flow by 10-20% of sales. Cash flow can be re-invested in more inventory, staff payroll and training, additional marketing, reduced prices to shoppers to attract more customers or profit transfers to the city.

For Byron and other municipally-owned cannabis retail operators, who are already excluded from paying federal income taxes, the main impact would be if the federal government would create a sales tax as it does on Tobacco and Liquor. But that would be a levy for all retailers and should not change Byron's ability to compete. Moving to a Schedule III will reinforce private operators and give them an economic boost which could mean that Byron's competitors will be strengthened.

Our model conservatively anticipates a Schedule III change to take effect in the 5th year of operation. This could be accelerated given that the most recent DEA comment period which closed on July 21, 2024, recorded an unprecedented level of public engagement in support of rescheduling cannabis. 92% of comments advocated for either completely removing cannabis from any restrictive schedule (57%) or supported rescheduling it to a less restrictive category (35%). Only 8% supported keeping cannabis in its current Schedule I level. What is difficult to predict is the ability of the new administration to prioritize this issue and move it through the proper legal channels. Even with focus, drug rescheduling can take several years. From two to nine years. We feel that a five-year time horizon is conservative for the purposes of this model.

THE IMPACT OF ILLEGAL MARKETS

The impact of a continued black market for cannabis on retail sales is unknown. Certainly, early adopters at a retail cannabis store who have previous experience with the black market will see a substantial increase in retail prices versus "street prices." Staff can combat that sticker shock four ways:

1) Explain that legal cultivation and harvesting is in its early stage and that once more production rises and supply balances with demand that prices will come down.
2) The addition of taxes on the legal sale of cannabis helps to support the new industry which is expected to add 30,000 new jobs in Minnesota. Thus, purchases support our state economy. (Presuming Minnesota achieves the same ratio as Michigan created with its cannabis industry accounting for our differing populations.)
3) Profit from purchases in Byron's retail store stay in Byron supporting the hyper-local economy of Byron MN.
4) Byron store's commitment to ensuring that everything it sells is certified and natural without restricted toxins which can be found in street goods.

OUR APPROACH

CONSERVATIVE AND CAUTIOUS

Using a proven methodology for building viable retail stores that reach their objectives and are sustainable for long-term success, we applied our four-step method to building this business case. With guidance and validation from the Byron city leaders each week, we confirmed and challenged the model to ensure that the figures in this model can be relied upon by decision makers.

Our four-step approach is:

1) Create a realistic monthly estimate for the number of transactions that the store will conduct based on Byron's unique population as well as regional attraction. This is the addressable market.
2) Create a realistic sales per transaction estimate based on shopper patterns and expected store selection and pricing.
3) Modulate the sales per transaction based on anticipated product shortages in years 1 & 2 and the consequent elevated prices.
4) Populate the model with conservative (low) demand and elevated (high) costs to be as cautious as possible when spending public dollars on this endeavor.

We create a labor model that supports the number and complexity of transactions using the city's pay grades and benefit model. We use industry benchmarks for pay, marketing and advertising costs, buildout costs, insurance rates, repairs and maintenance and any other essential cost element where we were unable to get direct vendor quotes.

REVENUE MODELING

TOTAL ADDRESSABLE MARKET

Using US Census and city resources, an estimate of 4369 adults over 21 live within Byron. Byron skews younger than the state average with a higher than statewide average median household income. Byron has a larger percentage of veterans than the state average. **All of these factors indicate a higher than state average likelihood for cannabis customers.**

ADDRESSABLE MARKET			
Statewide Figures			
Minnesota Population		5,714,300	People
Minnesota 21+ Population %		73.7%	of Population
Minnesota 21+ Population		4,211,439	Adults
Minnesota Median Age		39.1	Years Old
Minnesota Median Household Income	$	84,313	Income
Minnesota Employment Rate		66.20%	Employed
Minnesota Population Annual Growth Rate		0.41%	Growth
Total Visitors to Minnesota		76,600,000	Visitors
Veterans		5.70%	Veterans
Local Figures			

Byron Population		6,312	People
Byron 21+ Population %		69.2%	of Population
Byron 21+ Population		4,369	Adults
Byron Median Age		37.4	Years Old
Byron Median Household Income	$	121,681	Income
Byron Employment Rate		69.30%	Employed
Byron Population Annual Growth Rate		3.31%	Growth
Total Visitors to Byron		N/A	Visitors
Veterans		6.40%	Veterans

Table 1: US Census data for Minnesota and Byron, 2024

Since 1980, Byron has had an annual compound annual growth rate of 3.31%. Based on guidance from city officials, that annual growth rate is extended throughout the life of our financial models.

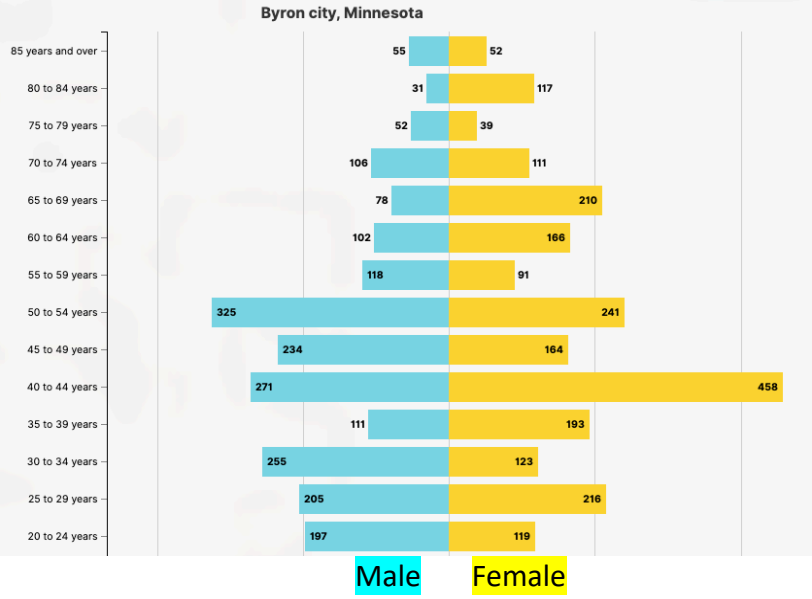


Table 2: Byron Population by Age and gender, US Census

A significant source of potential customers will be commuters from State Highway 14 where over 20,000 vehicles pass each day. **Our conservative estimates model 5% of those commuters who live outside of Byron shopping at our store once per quarter.** Since 40% of shoppers source their purchases from more than one store[1], this is a conservative estimate.

Our addressable market is everyone over age 21 with a scale of likelihood to purchase informed by the usage by age cohort as found in Table 3 below. For Byron residents over age 21 alone, that makes our likely shopper base 717 residents. **We then add in non-Byron community residents (15% of the over 21 residents of Kasson and Mantorville) and daily commuters**. This model does not factor in a shopper population from Rochester, due to the high number of anticipated cannabis retail store options likely to open within Rochester. Where those shopper counts are included, is as a part of the commuter (Highway 14) estimates.

[1] Source: New Frontiers Data, "Connecting Consumer Behavior to Industry Action", Dr Amanda Reiman, January 22, 2025, Equio.ai

Usage by Age Range	
21-25	27%
26-29	27%
30-34	23%
35-39	20%
40-44	17%
45-49	17%
50-54	13%
55-59	12%
60-64	13%
65+	7%

Table 3:Cannabis Usage by Age Range

Year 1 average monthly customer (transaction) base:

Byron Residents	717
Non-Byron Neighbors (Kasson Mantorville)	812
Commuters	333
Average Monthly Transaction Year 1	**1862**

+Year 2 & Beyond	+2.6% cannabis market growth
+Year 2 & Beyond	+3.31% Byron population growth

This is a conservative estimate. The model allows for changes to the percent of commuters who will purchase from the Byron store as well as the frequency of those purchases. (currently set at 5% of commuters 4x/year.) This estimate would increase significantly, should Byron place its store on Highway 14.

SALES PER TRANSACTION

Using national 2024 sales as a baseline, the average transaction in 2024 was $97.[2] However, given that each state that has legalized recreational cannabis has experienced hyper-inflation during the first 2 years of sales until supply satisfied demand, we have created a plan that modulates pricing in the first 2 years with a conservative estimate that Minnesota will reach national averages in Year 3.

We have not added in a factor for tourism or event anomalies for Byron.

Following national trends, we estimated that organic growth for demand is a conservative +2.6% annual growth in sales per resident.[3] However, there will be a significant variation from that in the early years (see “Market Maturity” section) as there will be early pent-up demand and an unstable supply chain for several years as Minnesota establishes this start up industry.

[2] Source: LeafLink “The state of the US Cannabis Industry” Fall 2024- Excludes Alaska, Michigan and Nevada which significantly skews high due to tourism demand.
[3] Ibid.

CANNABIS DATA & INSIGHTS

Hemp, containing $\leq 0.3\%$ THC, is legal in all 50 states under the 2018 Farm Bill. Cannabis, with >0.3% THC, is legal for medical use in 39 states and recreational use in 24 states.[4] Over 80% of Americans have access to cannabis and the sector has created jobs for half a million people across 25,000 companies. Nationally, US cannabis retail sales[5] are estimated at $33 billion annually. Up +7% in 2024 vs 2023 driven by states adding licensed retail locations. Current estimates and modelling predict that cannabis will become a $55 billion market by 2030, growing at an annual rate of +11%. What this means for Byron, is that while the early startup phase in Minnesota may be unpredictable, over time, the segment will be robust and a viable avenue for creating a new revenue source for the city.

SALES MIX

Ultimately, we expect the sales mix to reflect national proportions. There is no reason to believe that Minnesota consumers will skew differently than the national averages. However, the initial market is unlikely to have a complete offering for all segments. Especially for highly processed products like concentrates, tinctures, topicals and sublingual products that drive a smaller market demand. We expect more availability for those products in years 4-5. Our model reflects that.

We are currently modeling a $4.5M revenue estimate in the first full year of operation. To reach that level, we suggest a $250,000 investment in inventory. Our opening inventory mix recommendation is:

Inventory - COGS Initial Buy	**$**	**250,000**	National %	Variance for MN Availability
Flower	$	102,500	41%	41%
Vapor Pens	$	37,500	21%	15%
Edible	$	30,000	14%	12%
Pre-roll	$	40,000	16%	16%
Concentrates	$	10,000	7%	4%
Beverage	$	12,500		5%
Topical	$	2,500	1%	1%
Tincture & Sublingual	$	125	0.05%	0.05%
Capsules	$	13	1%	0.01%
Accessories	$	7,500	Different Tax Code	3%
Branded Merch	$	7,500	Different Tax Code	3%
Std Beverages & Snacks	$	-	Vending Machines	0%

Table 4: National Sales Rates by Subcategory

MARKET SEGMENTS

While there is no formal shopper data available for Minnesota due to the emerging state of the market, the market segments the Byron retail store can expect to appeal to are:

[4] Source: DISA, Marijuana Legality By State, January 1, 2025
[5] Source: LeafLink "The state of the US Cannabis Industry" Fall 2024

- **Busy Commuters** who reside in or pass through Byron on their way to Rochester. It will be important to highlight our location and convenience of buy online, pick up at the store (BOPIS) to reach these shoppers. With over 20,000 daily commuters using Highway 14 each day[6], we have an opportunity to vastly expand the retail store's reach by attracting people further west of Byron as well. To that end, marketing efforts should target commuters who pass within 0.4 miles of the retail location when they reach Highway 14 & County Rd 5.
- **Tourists & Seasonal Residents**– People visiting Byron or who have seasonal vacation or hunting properties and shop in Byron. Although we expect minimal impact from this segment, in our marketing plan, it will be important to highlight our location and work on a continuous awareness campaign to reach these shoppers throughout the year.
- **Cannabis-Supportive Residents –** These are educated shoppers who are ready for Byron to open a retail store. They may already be familiar with products through visits to other states, black market or other sources. They are likely to be amongst our first shoppers. They are likely to be more promotionally driven shoppers.
- **Canna-Curious Residents –** These are uneducated shoppers who will need encouragement to reach trial and enter the shop as well as extra assistance in the store with knowledgeable staff to make their purchases. It will be important to highlight education and information to reach these shoppers.
- **Medical** – Minnesota has already approved cannabis for medical purposes. As of June 30, 2024, there are 1722 medical cannabis card holders in Olmsted county.[7] Which is approximately 1.7% of the population above age 21.

  The underlying conditions that qualify are:

  - Alzheimer's disease
  - Amyotrophic Lateral Sclerosis (ALS)
  - Autism spectrum disorder (must meet DSM-5) return
  - Cancer*
  - Chronic motor or vocal tick disorder
  - Chronic pain (58% of all patients)
  - Glaucoma
  - HIV/AIDS
  - Inflammatory bowel disease, including Crohn's disease
  - Intractable pain
  - Irritable bowel syndrome new paragraph
  - Obsessive-compulsive disorder
  - Obstructive sleep apnea
  - Post-traumatic stress disorder (PTSD) (33% of all patients)
  - Seizures, including those characteristic of epilepsy
  - Severe and persistent muscle spasms including those characteristic of multiple sclerosis
  - Sickle cell disease
  - Terminal illness with a probable life expectancy of less than one year*
  - Tourette's syndrome

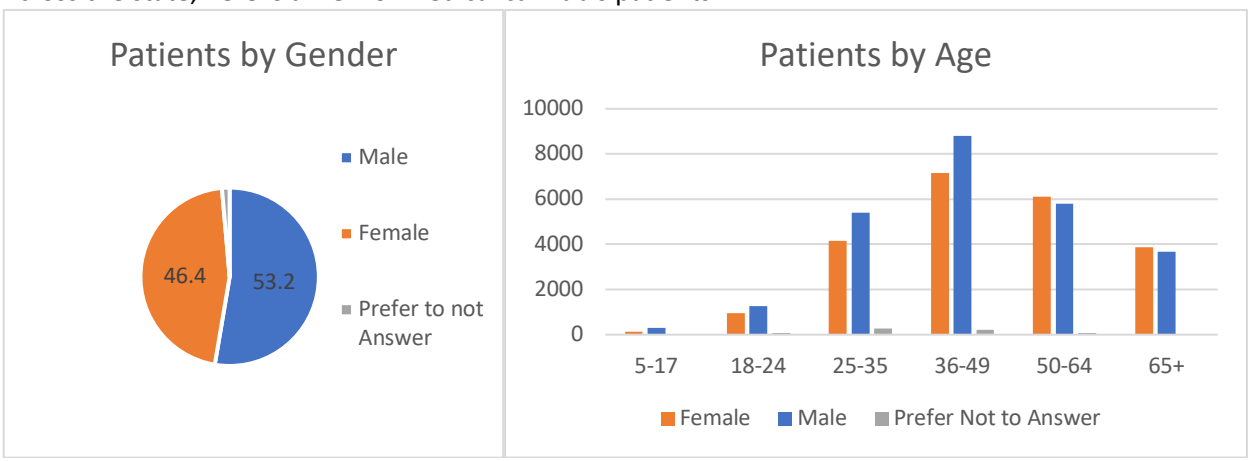
  * if your illness or its treatment produces one or more of the following: severe or chronic pain, nausea, severe vomiting, cachexia or severe wasting.

  The allowable medical products are:

  - Liquid/Tinctures
  - Pill/Capsule
  - Liquid or oil for vaporized delivery method (Concentrates)
  - Water-Soluble
  - Orally Dissolvable (Sublingual)
  - Topicals
  - Any other form approved by the OCM

[6] Source: MN DOT 2024, as provided by the Byron Planning Department
[7] Source: MN OCM, Division of Medical Cannabis Dashboard, June 30, 2024

Across the state, here is a view of medical cannabis patients:



Medical shoppers visit cannabis retail locations once per month, on average and spend $68/visit.[8]

Our pre-opening hypothesis is that while we can leverage campaigns to encourage shopping trial, it is the customer service and selection which must delight them to create incremental purchases and return to the store.

MARKET MATURITY

Reviewing the trajectory for other states that have previously legalized cannabis sales, we can expect Minnesota to follow a similar path:

- **Year 1 & 2** – Pent up demand. Stronger than normal demand from Minnesota residents and neighboring states means elevated transaction count and value. Supplies will be constrained and unpredictable as suppliers ramp up their production. Byron will have to create relationships with emerging producers and be a good partner to startups to enjoy benefits in the years to come. But to keep store shelves stocked, it may require diversifying suppliers to keep up with demand. (perhaps fewer less local suppliers at first.) Many purchases will be experimental and not loyal to a brand or form. As dispensaries open, shoppers will try different stores.

  Cannabis shopper data states that the #1 reason for retail location loyalty is "Familiarity with the Location."[9] For shoppers, that means that they know what to expect in terms of the process, the environment, the shopping experience and the selection. As a new shopping destination, quickly creating that sense of being "my store" will be key to building a loyal following. While the store selection and pricing will be volatile in years 1 & 2, staff can make the experience friendly, consistent and welcoming. Marketing campaigns should reward return visits. Especially since shoppers who visit a store 4 times, reach their status quo loyalty level.[10]

- **Year 3 & 4** – The initial demand from early adopters slows as initial pantry stocking levels out. However, new shoppers will enter the market, and the expectation is that Minnesota's growth will outpace the country's +11% CAGR. In part, this is driven by supply reaching or exceeding demand, so that wholesale and retail prices drop. Competing retailers start to drop their prices and become more competitive. Events and promotions drive more volume to Byron's store.

[8] Source: New Frontier Data, "Reefer Routine – Normalization of Cannabis Sales Trends in 2024", December 2024
[9] Source: NewFrontiers Data, "Connecting Consumer Behavior to Industry Action", Dr Amanda Reiman, January 22, 2025, Equio.ai
[10] Ibid.

Many purchases will be restocking favorites and as the selection stabilizes, shoppers become more brand/product loyal. Overall price per ounce/gram across the state will start to drop but that will be offset by increases in overall volume.

We anticipate that years 3-4 will see market adjustments as some retailers will close, merge, and adjust ownership. For Byron to navigate these years, it will have to remain laser-focused on a consistent store experience that delivers on marketing and brand promises. Ongoing staff training and retention drives shopper satisfaction. Our proposal focuses on delivering training and product knowledge that does not decline after onboarding and store opening.

- **Year 5 & 6 –** Looking out to 2030, our model anticipates that there will be movement at the federal level that reclassifies Cannabis from a Schedule I substance to a Schedule III substance under the federal Controlled Substances Act (CSA.) If that happens, it will have significant implications for tax treatment under Section 280E of the Internal Revenue Code. Private cannabis stores can begin deducting ordinary and necessary business expenses like rent, utilities and salaries for federal income tax purposes. That would reduce the overall federally taxable income for competitive stores.

  However, it is likely that the reduction in income tax would be offset by new federal sales taxes on cannabis much as exists today on Liquor and Tobacco (ranging from ~2% to ~20% depending on the product form - cigarettes, cigars, beer, wine, liquor.)

  Other outcomes of "legalization" at the federal level is that banks, insurance companies and interstate service providers are likely to normalize services for cannabis retail stores. With an increase in competitive options, that could mean that costs could reduce. Credit cards may be viable for transactions reducing the store's need for cash. Following a conservative approach, such reductions are not included in the business case.

  Removing federal restraints, cannabis producers across the nation with excess capacity are likely to challenge Minnesota's "intrastate commerce only" policy that creates a self-contained cannabis market within Minnesota's borders, prohibiting the import of cannabis or cannabis-derived products from other states. If the cannabis industry adopted liquor's three-tier system (Producers, Distributors, Retailers) we could expect significant challenges to Minnesota's localization policy. If cannabis follows the consumer package goods industry and national suppliers emerge, Byron will have access to more selection, more supply chain stability and more diverse offerings to meet shopper needs. While this could reduce COGS, we have not included that in our conservative model.

  Regardless of federal policy changes, by year 5-6, producers will be operating at scale and will begin to develop products that meet more niche markets. Tinctures, topicals, sublinguals, pills/capsules and other small market share segments will have more selection than before. Overall supply and demand stabilizes and becomes more predictable for growers, producers and retailers.

- **Year 7 & Beyond –** Minnesota's market becomes fully mature and behaves in alignment with the rest of the nation. Early movers who did not have a sound business model are out of the market and the most competent operators remain. Byron's competition is known and established. Byron's loyal shoppers are "regulars." Most new shoppers in the market are coming from people gaining into the market (21+) and with new/emerging health concerns. The "cannabis-curious" from our Market Segment section are no longer an untapped audience.

A condition that could evolve as the market matures is retail consolidation. We do not know if Minnesota will maintain its five location limit for retail operators. If that limit is raised or eliminated, we could see the "Blockbuster effect" where mom-and-pop operators are acquired or put out of business by a few large national retailers. (Much like Hollywood Video and Blockbuster eliminated single video rental operations across the country as they expanded.) If such dominant players emerge, they are likely to craft tight relationships with the largest distributors and producers and could make competition difficult for single-store operators to secure the most attractive products that shoppers want. This is a possibility but there are too many variables to be able to predict this outcome in our model.

In the model, growth from year 7 and beyond is organic and in steady state.

FINANCIAL MODEL OVERVIEW

The enclosed models and narrative provide a reasonable estimation of the investment and operational challenges that a retail cannabis store will face in Byron. There are decisions the city can make – especially around a Joint Power Agreement with other cities – that could make the store more profitable more quickly.

MODEL INPUTS

We build a financial model based on the following factors which then cascade across the first 7 years of operational *pro formas*.

Number of days/week store is open	7
Number of Transactions/day	61
Number of Transactions/month	1862
Average Transaction Revenue	$ 97.00
ATM FEE	$ 3.50
% using ATM	10%
Sales Tax Rate	16.875%
COGS as a % of Sales	50%
Promo Budget as COGS	5%
Hours open per week	72
Labor inflation rate (COLA)	6.0%
Taxes as a % of Wages	varies by position
Benefits as a % ofWages	Varies by postiion
Advertising spend as a % of sales	3.5%
Promo Printing as a % of Sales	0.50%
Repairs & Maintenance Contingency- beginning Yr 3	2%
Number of Cash pickups per week	2
Byron baseline shoppers/month	717
Byron population CAGR	3.31%
Market penetration CAGR	2.60%
% of commuters who shop Byron	5.0%
Average Commuter shopping frequency per year	4
Non Byron resident Shoppers/month	812
Daily Commuters on Hwy 14	20000
Year 1 price inflation factor	212%
Year 2 price inflation factor	150%
Year 1 GOGS Factor	70%
Year 2 COGS Factor	64%
Cost of money (borrowing terms)	5%
Term of debt (in years)	20%

STARTUP FINANCING

The model anticipates borrowing $1,190,000 for 20 years at 5% to fund initial buildout and capitalized expenses for the store. Any reduction in this debt would help the store achieve break even more quickly. The city would need to underwrite the pre-opening marketing and advertising, pre-opening labor and training, legal fees and initial inventory cost of goods sold which represents an additional $373,000.

ONGOING OPERATIONS

The model outlines a 7-year plan which funds ongoing operating expenses from the continuous cash flow of the store operations. We do not anticipate a requirement for additional city subsidies to underwrite operations. This presumes that the inventory will turn at 5.5-6x/year and that labor productivity will scale to absorb increased transaction volume over time.

EXPENSE ASSUMPTIONS

Key factors driving expenses are the number of transactions and the hours of operation. All expenses are derived from those elements.

From a retail perspective the #1 expense is the cost of goods (COGS). The financial model anticipates a higher-than-normal COGS during the first two years at 75% and 64% with a levelling of 50% thereafter. COGS and the margin rates drive pricing. Another element impacting COGS is the percent of products sold at a reduced (promotional) price. The model anticipates that promotional goods will erode COGS by 5 percentage points. To some degree these are within the control of the store as it can both set prices and increase or decrease promotional volume. However, there is a limit to the price ceiling as competition will pressure prices. Nevertheless, our model is conservative in providing a large COGS budget for the model.

A JOINT POWERS AGREEMENT WITH OTHER CITIES

There are a number of areas that Byron should consider reducing the overall cost of opening and operating a retail cannabis store. We have outlined a Scenario with three other similarly sized cities who join Byron in a JPA. Here are high-value areas where a JPA could generate savings:

- The first is the cost to brand, design and create a cannabis retail store. The investment will run over $70,000. There are ways to defray those costs by working with other cities in a JPA arrangement to adopt a single brand that can be repurposed across multiple cities. Think of it as similar to a franchised brand where one brand is extended to multiple owners and locations. That could reduce the cost for branding from 50-90%.
- The second is the cost to design and develop a website. That cost is around $15,000 and with a JPA in place with other cities and a shared brand, that cost could be reduced from 40-75%.
- The third is the ongoing cost for advertising and marketing. While the media purchases and placements would remain the same, if Byron pursued a JPA to contract those services, the costs for creative design, promotional development and administration could reduce the monthly expenses from thousands to a few hundred dollars per month.
- The fourth is the resourcing and effort to select vendors, product selection (assortment) and pricing. If these tasks absorb the General Manager's focus, Byron will see the effect of that in staff productivity declines and lost sales. Frankly, because the initial supply chain will be so difficult to navigate and the store will be starting up, the most critical thing for the General Manager to focus on will be staff training, customer experience and operations compliance. We strongly suggest that the city consider a JPA with a goal of shared procurement to ensure that the store is established with the appropriate focus from the General Manager.

COMPETITION

COMPETITORS

Today, Green Goods is located 12.5 miles away in the NE portion of Rochester. With the MN state allowance of one retail store per 12,500 population, Rochester could conceivably have 6 more dispensaries in its metropolitan area. We are presuming that there will be at least 2 more competitors within 10 miles. This is accounted for in our model by deducting all potential Rochester residents from our shopper estimates. Given that 40% of shoppers purchase from more than one cannabis retail store, we are confident that our estimates are not over-inflated when accounting for Byron's store's reach.

This study estimates that the Byron municipal retail store will compete with 2-4 competitors within a 10 radius. Legally, there could be up to 7 within 15 miles given the state 12,500 population guidance as well as the insights of current traffic/shopping centers for Byron residents. Notably for Byron we expect that Rochester will place 2 dispensaries on its western border with Byron.

Prime ways to combat the competition is to:

1) Regularly monitor and improve the selection, customer service and pricing versus the competition.
2) Highlight messages about convenience (fast in/out, easy parking, BOPIS) for shoppers and deliver on that promise.
3) Highlight the profit returned to the community of Byron. We suggest that the city create a visual element that showcases the contribution of the retail store to the community (fire truck, parks, community programs, tax alternatives) that the retail store funds. Create specific messages at the checkout, online and in stores to reinforce the community benefits.

Given that Green Goods is already operating and selling to medical shoppers in your market as a Cannabis Patient Center (CPC), we know that they have current relationships to suppliers due to its medical license. Additionally, it is one of two companies authorized to cultivate, process and distribute medical cannabis as Minnesota Medical Solutions doing business as Green Goods. We presume that it will expand from medical to recreational sales and has a head start on establishing a customer base.

This is why we advocate that Byron open as quickly as possible and get established before shoppers create patterns and loyalty to other Rochester-area stores. Rochester will foster several dispensaries so Byron will need to have a significant marketing and advertising budget to attract and retain shoppers each year and stand apart from less well-marketed locations.

FACILITY

STORE LAYOUT

It helps to begin with a shared understanding of how a cannabis retail store differs from other retail locations – especially if you have not been in one before. The main difference is shopper access and foot traffic control. For a visual, please refer to this illustration:

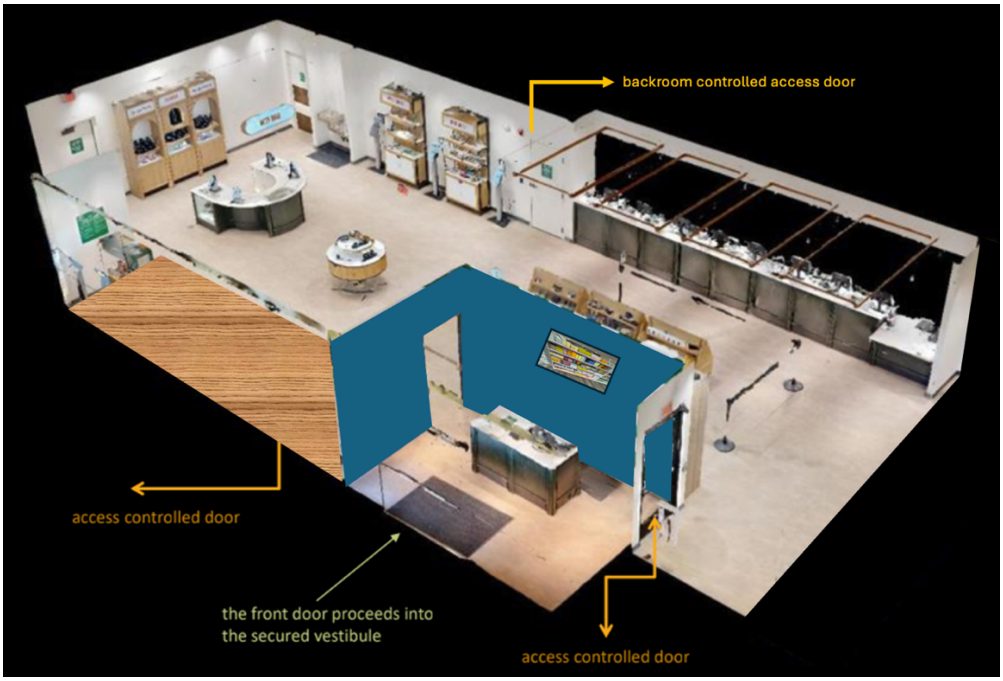


Figure 1: A 3D view of a cannabis retail store environment

Cannabis retail stores have a staffed lobby or vestibule where a receptionist receives shoppers. IDs are verified, entered into the store's systems (which connects to the METRC tracking system as mandated by the state) and are only allowed to proceed past the locked entry doors when there is a salesperson ready to assist the shopper. From there, the shopper will have focused attention from a trained salesperson (budtender) who will handle a maximum of 1-3 shoppers depending on the yet-to-be-public limits as set by the OCM. The shopping transaction is completed. The sale (customer data plus products sold, quantity, price, time, etc.) is recorded by the store POS system and the transaction is completed. The shopper leaves through a secured access door back into the lobby and then out of the store.

Even if a shopper has built their order online, they will proceed through this process. The difference will be that their order will be ready for pick up once it has been assembled and the budtender will retrieve their order and complete the transaction as usual. No financial transaction can be completed online. Online orders can be built on a website and then saved for pickup and transacting in the store.

As the lobby is the main waiting area for the store, it is important that it is properly sized, comfortable and offers information shoppers will find helpful. Most include seating, free wi-fi, a monitor with marketing and legal messages and other amenities.

Another difference is that the transaction must be cash or debit card only. No credit cards. An ATM will be purchased by Byron and available only inside the secured sales floor of the store. All ATM service fees are revenue for Byron. A conservative estimate of 10% of all transactions will use the ATM at $3.50/transaction has been included in the *pro formas*.

Should Byron decide to renovate the building at 301 Byron Ave N, it will need architectural and design advice to adapt the space into a functional dispensary. While the location is not on the

busy Highway 14 frontage road, it is a good location and will be easy to market for the City of Byron. Nevertheless, in borrowing over $1 million to fund the renovations, Byron will service debt on the location for two decades and may outgrow the space before it is debt free. We advise that Byron get new build out estimates for a Highway 14 location before making that decision.

TRAFFIC & PARKING

The parking lot needs improvements. The parking lot needs dedicated spaces for handicap customers as well as customers who are picking up their orders. The lot should be well-lit and ought to be black topped/paved to make it easier to maintain and for shoppers to access the retail location. A $60,000 cost estimate from the public works department is included in the build out estimates.

As part of the outreach plan, the city should have a preview and planning session with Home Improvement Professionals to agree to the parking lot area that will be reserved for the store's shoppers and employees while establishing how commercial and shopper traffic should flow in/out of the parking lot.

This project does not anticipate a level of traffic that would require additional work to the surface roads within the Byron city limits. The residential area that borders the proposed location (East of the RR track, on 4th St NE, for example) already tolerate city trucks from the public works department and traffic to/from the grain elevator.

PRODUCTS & SUPPLY CHAIN

CATEGORY STRATEGY AND MANAGEMENT

The store will sell the following cannabis segments:

- FLOWER: The largest segment is Flower which includes Indica, Sativa and Hybrid varieties. Dried flower is the largest share of sales. We are presuming that the flower sold by Byron will be pre-packed, pre-weighed and will not need additional handling and packaging by our staff.
- CARTRIDGES: Includes all-in-one battery-powered pens, pods and cartridge refills. More akin to vaping than smoking. There are disposable and refillable cartridges.
- EDIBLES: Includes gummies, chocolates, backed goods, snacks and mints.
- PRE-ROLLS: Designed for immediate consumption. Can be infused with additional cannabis concentrates to increase potency or straight flower. Can be paper wrapped or wrapped with tobacco or hemp leaves (blunts.) Can be flavored or unflavored.
- CONCENTRATES: Are potent extracts from the cannabis plant. They are meant for vaping, dabbing and adding to flower ingestion. There are many form including waxes, rosin, resin, shatter (a brittle glass-like concentrate), oils, and hash.
- BEVERAGES: Including low-dose (available in Minnesota now) and high0-dose variations, beverages are an alternative to both smoking and alcohol. For example, 57% of medical marijuana users said that they have replaced some of their drinking with cannabis.*(source: New Frontiers Data)* Roughly 1% of sales.

- TOPICALS: Balms, lotions, lubricants and bath products applied directly to the skin for absorption. Roughly 1% of sales.
- TINCTURES & SUBLINGUALS: Liquids that are meant to be taken orally or under the tongue. Favored for their discretion, precise dosing and fast onset of effects. Easier to administer than smoking or vaping due to their non-invasive nature. Less than 1% of sales.
- CAPSULES: Pills or soft gels that offer a precise dose. Consistent, discreet and smoke-free. Roughly 1% of sales.

2024 Market share:

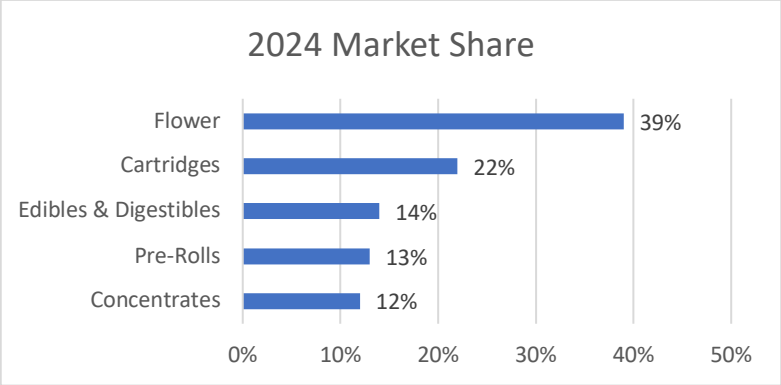


Table 5: Market Share by Category, Source: Headset Data through December 2024

It is important to note that due to the startup phase of the industry in Minnesota, the more refined product (capsules, tinctures, topicals, concentrates) are likely to have supply shortages in the first years. Producers will focus on the largest market share products which are easier and faster to satisfy through growing and harvesting. As the state's production matures, these segments could become 7-9% of the market based on more mature state sales rates.

There are sales opportunities for gear, accessories and apparel merchandise. These add-on items are attractive because they do not expire, offer rich margins and can promote our brand. We have included merchandising design (shirts, hats, stickers, accessories) in our branding and design budget as a line item in our startup costs.

PRICING AND MARGIN ASSUMPTIONS

Our supply chain will be unpredictable in the early years. We have modeled our pricing and margins based on national averages for pre-tax prices as reported by over 3500+ retail partners who report their sales data to HeadSet. As examples for how much pricing can change once a state balances supply and demand, review these current price differences[11]:

Flower	$23.49/eight of an ounce – min $12.50 in Oregon, max $41.80 in New York
Edibles	$12.83/10 mg – min $5.83 in Michigan, max $20.11 in Missouri
Concentrate	$24.43/gram – min $8.37 in Washington, max $51.12 in New York

[11] Source: Head Set, Cannabis Market Data, December 2024, Sales by State

These variances showcase the difference in pricing between newly legalized states where supplies are limited (New York – Dec 2022, Missouri -Feb 2023) versus established states where growers and producers deliver adequate supplies to meet demand (Oregon -October 2015, Michigan – December 2019, Washington – December 2012.)

Due to supply and demand volatility, we expect to see significant variations for any given month or product line from national averages depending on the supply and demand within Minnesota.

Pricing: Our financial model accounts for price and supply pressure in the first years by introducing pricing factors of 212% in Year 1 and 150% in Year 2 before reaching national averages in Year 3.

COGS: The model anticipates very reasonable margins which should allow Byron to be price competitive with the market. Margins are modeled at 25% in year 1 when supply constraints will put pressure on COGS. Additionally, we anticipate that the store will need to be price competitive to attract shoppers. Prices and margins moderate over time and settle to 45% by year 3 as supplies increase and costs are reduced. This follows the pattern of other states who have legalized recreational cannabis and their pricing trajectories.

As important as pricing and margins are for retailers, the key is cash flow and inventory turn which measures how productive and attractive the inventory in the store is to shoppers. The goal is to "turn" inventory in the store quickly to keep selection fresh and produce a high cash turnover rate. Our estimates start with a high turn in year 1 primarily because selection and sources will be very tight. We anticipate that there will be supply and purchasing limits and allocations so that the store will likely have to purchase small quantities from multiple suppliers and restock frequently. It is common for there to be product shortages in the early years of legalization. Our inventory turns moderate and we expect an overall annual turn rate around ~5.5-6 in years 3-7. Inventory turn rates will be highest for flower and lowest for tinctures, sublinguals, gear and apparel.

MARKETING

BRANDING

A significant upfront investment should be made to create the brand for the Byron cannabis retail store. This investment moves beyond creating a storefront called "Byron Dispensary." This section outlines the importance of a cohesive brand for the long-term success of a retail store as well as the core components Byron should expect from its branding investment.

Branding shapes how customers perceive and connect with a business. Byron will want a brand that builds trust, loyalty and reflects its strong ties to the community in order to differentiate it from competitors.

Non-negotiables that Byron needs in a branding effort:

1. **A Strategy –** The personality of the brand communicated to shoppers. It can be playful, intimate, curated, humble, loud, local or serious. It cannot be all of those things. So, a strategy is a store's position – what it will stand for. A brand strategy makes all other

decisions easier. Will it be positioned as "the helpful store"? That means our employees will need to have plenty of training and the store needs to be well staffed at all times. Will it be "the cheapest store"? If so, we need to ratchet down all costs so our selection and hours may both have to be constricted. Will it be "the coolest store"? We better get a good audio system and a great playlist. It all begins with our strategy – the promise we make to our customers and then build a store that can deliver on that promise.

2. **A Name** – A memorable, relevant name that makes a strong first impression and helps customers remember the business apart from others. For example, "Whole Foods" connotes healthy natural products. Minnesota has already stated that retailers cannot use a marijuana leaf nor words such as marijuana, pot, weed, etc. in the name of the establishment. Byron needs thoughtful plan for its store's name. Additionally, the name needs to be vetted with a trademark search, business name registration search, social media handle search, and a URL/Domain name search to make sure it is viable. Some of this work should be completed by the City's legal counsel. The naming process should be based in shopper research as well as city guidance. Good branding companies will submit a selection of names that could work.
3. **A Logo** – A visual representation of the brand that can be extended and applied to multiple applications: Store signs, website, loyalty program, bags, merchandise, advertising and marketing. The logo needs to be attractive and unique, identifiable, clear for all applications.
4. **Brand Guidelines** – Brand guidelines keep all touchpoints consistent and cohesive so that the store is easy and consistently identifiable. Items to include are the logo in all of its orientations, colors, typography, tone of voice and design guidance. This is important for the website design as well as the interior of the store. All future marketing materials will refer to the brand guidelines and standards to strengthen brand recognition and build loyalty.
5. **Interior and Exterior Store Design** – While much of the store will be functional decisions (a checkout counter, an entry waiting area, a front door sign) how those elements come together will give the store environment its personality. Stores can be fun-loving or clinical, welcoming or restrictive. Those decisions support the brand strategy and are realized through the design choices for the exterior and interior of the store.

Additional elements that should be included in a branding effort are:

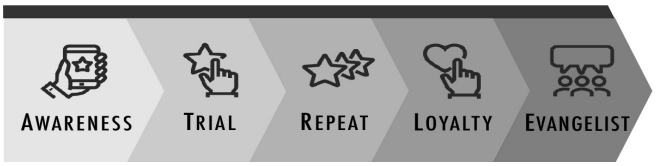
1. **Bag and Packaging Design –** How the shopper receives their goods (using child-resistant sealed bags) continues to reinforce the brands and shopping experience. "Unboxing" videos are evidence of how a store's brand continues to live outside the store.
2. **Merchandise Design –** Augmenting the core cannabis sales should be the apparel and gear that shoppers need and want to use outside of the store. Hats, beanies, T-shirts, hoodies, lighters, stickers and other accessories add much-needed high margin items to a transaction while reinforcing store loyalty.
3. **Website Treatments –** On brand graphics, animations and messages that our web developer embeds in our site to extend our branded shopping experience to the virtual world.

A branding effort is expensive. But it is done once and then lives for the lifetime of the store. This is one of several areas where Byron may wish to employ a Joint Powers Agreement with other cities to consolidate requirements and investments to stretch its start-up budget. See more in the business model.

ONGOING MARKETING & PROMOTION

Marketing is meant to attract shoppers, welcome them to the store and incentivize them to make return visits. As such, there is a pre-grand opening investment and then an ongoing operating cost which are both outlined in the financial model. A retail store must have many marketing elements executing at once to succeed in the long-term.

Marketing is meant to take customers on a journey:



Until a shopper comes into the store, our marketing's main goal is to make shoppers aware of the store and entice them with what they could find inside. Prior to grand opening, all shoppers are in this phase. To set up Byron's store to open with as much excitement and sales as possible, a grand opening awareness campaign and events to celebrate the opening is key. The goal is to make the store known to the target addressable market. A grand opening budget is sizeable. But a successful launch is critical for reaching Byron's revenue and profit goals.

Once a shopper enters the store for the first time, marketing has moved them to trial. A trial shop is a first-time shop and there are a number of key steps to make this experience successful. First, the shopper will have to be identified, verified and set up in our POS system. It is important for shoppers to know that once they are in the system, they will not have to do that again. (They will always have to show ID, but there will not be the detailed requirements of the first visit.) They must have a good experience in their trial shopping visit if we hope to make them a repeat customer. In addition to setting them up in the POS system, they will need extra attention and explanation about how the shopping process works as well as detailed matching between the products they purchase and their desired outcome. Marketing at this phase will rely almost entirely on our staff and the shopper's in-store experience.

Once the shopper has had a trial visit, we will rely on our POS loyalty program and enticing communication to make them a repeat shopper. For example, we can put our new shoppers on a "new customer" plan where they get a discount on their first purchase and then declining discounts every visit afterward for their first three or four visits. Customers who have lapsed can receive bounce back emails or other offers to return to the store. A marketing campaign to educate shoppers on how to set up their first online order can get them back to the store.

As a shopper returns, we can start to aggregate information about them in our system like their favorite products, medical or other wellness needs and favorite forms. Then, targeted emails, texts or other offers can be personalized to their specific desires. This will build a loyal shopper.

We define a loyal shopper as someone who calls Byron's cannabis retail store "their store." It is the first store they select when they are in the market.

Finally, if we can continue to deliver an outstanding experience and value, we can move our shoppers to Evangelists. Evangelists are the shoppers who tell other people about the store and promote it to their friends and family. The very best kind of marketing there is!

While this linear model helps describe how a retailer moves a customer through this journey from the time the store opens, in truth, these campaigns will go on continuously once the store is open.

Byron can expect to have a focused effort to build, execute, and evaluate campaigns every week. As we anticipate supply volatility, this will be an especially difficult effort in the beginning. No city has the proper resources for this effort. We recommend a service provider who can help create the strategy, tactics and within the budget to create and execute a marketing plan for the store. A JPA would meaningfully help defray the cost of this service.

These are the minimum marketing elements that are in scope:

1. A Grand Opening (GO) awareness campaign and events to celebrate the opening and make the store known to the target addressable market.
2. A loyalty program that leverages emails collected at transactions, online purchases or other means to drive return visits to the store.
3. A holiday campaign for traditional and non-traditional holidays that could prove to be significant sales events such as 4/20, Memorial Day, July 4th, Green Wednesday, etc.
4. Regular promotional sales events that offer residents, commuters, and the cannabis-curious reasons to shop at the retail store. Supported in and out of the store.
5. New product launches and other events to draw shoppers to the store. Supported in and out of the store.
6. At least 4 advertising campaigns a year to attract new shoppers.
7. Monthly emails that highlight many of the elements listed above (new items, promotions, sales, community involvement, benefits for Byron residents, etc.)
8. Social Media content which could include custom photos and other custom material.

As the cannabis market will be highly competitive and traditional marketing levers (radio, billboards, advertising) are not available, we anticipate that this will require outside resourcing for the foreseeable future. We do not believe that Byron should expect the store manager to develop, manage and oversee marketing campaign development and execution.

This is another effort where Byron would benefit from a Joint Powers Agreement and work in conjunction with other cities to leverage a single service provider and contract.

COMMUNITY OUTREACH & RESPONSIBILITIES

Unlike private enterprise, there is a high standard for a municipality to engage with its community and constituents. We expect the OCM will require a community engagement plan in its application. Byron has deep experience engaging with community stakeholders. It will

leverage its multiple channels to address common concerns associated with a cannabis retail operation.

COMMUNITY ENGAGEMENT MESSAGING

Community members may be operating with a general lack of education about the benefits of legal cannabis. We aim to maintain an open dialogue with our residents and businesses to respond to concerns and suggestions seriously. Byron will communicate how it is seeking to create an overall positive economic impact through a cannabis retail store and will continually seek input from our community members and residents using our newly implemented Zen City program. We will connect how our business operations positively impacts Byron, Olmsted County, and our surrounding communities.

Amongst the tools and access points that Byron may use are:

- Virtual and in-person community engagement programs
- Surveys and feedback supporting by both Zen City and more informal means
- Impact reports that outline benefits to Byron capital projects that are funded by the store
- Local job creation - directly through hiring and indirectly through local suppliers.
- The store's charitable donations and participation in Good Neighbor Days and BrrFest.

CITY SPECIFIC STRATEGY / NEEDS

VETERANS

In Byron, we recognize that Olmsted County is home to over 7.400 veterans and that nearly 6% of our county residents proudly served in America's armed services. The Olmsted County Veteran Services Office in Rochester aids our county veterans and may be prescribing cannabis products for them. We also know that PTSD and Chronic Pain drive 91% of all medical cannabis patients to a cannabis retail store. Those conditions run high in our veteran population. We intend to offer a veteran discount to provide safe, legal, local access to cannabis.

CIVIC NEEDS

As a city, Byron is motivated to operate a safe, legal, profitable cannabis retail store to reduce the tax burden for our city residents. Our population has grown ~130% since 1995 which speaks to our appeal as a residential community. However, we do not have a complementary commercial/ business community that has grown at the same pace. You could call us a "Bedroom community" with many of our residents working in Rochester. Nevertheless, our residents have expectations and desires for community amenities and services that our city must fund.

Thus, we intend to use the revenues from the store to offset capital projects for our city offsetting property taxes for our residents. We intend to distribute the profits from our retail cannabis operation to continue to make Byron an appealing place to live.

OPERATIONS

STAFFING PLAN

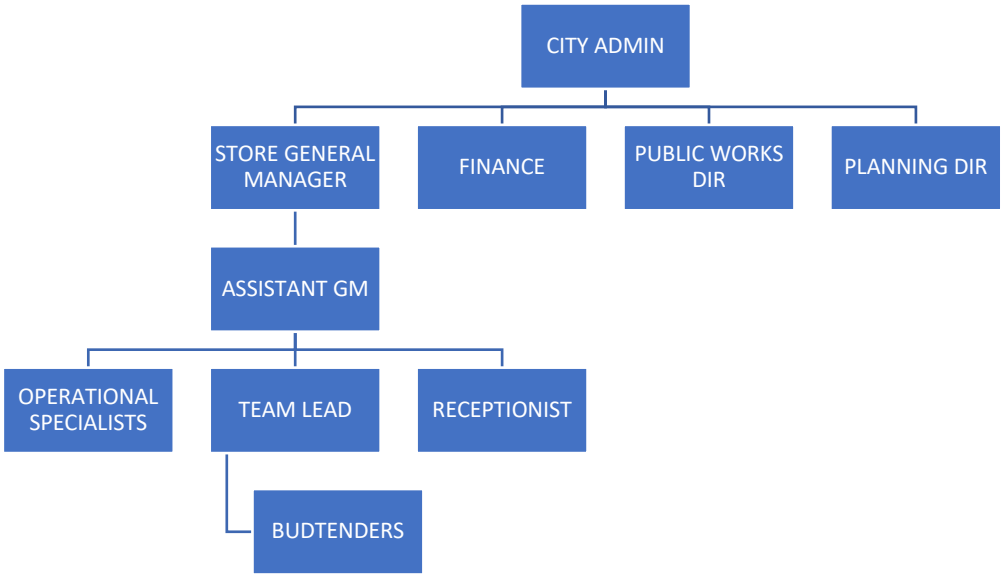
We recommend that recruiting for General & Assistant Manager positions begin 6 months before grand opening and that the GM starts 90 days before grand opening while the AM starts 60 days out. Those leaders will recruit the Team Lead and all part time positions beginning 90 days before grand opening. The timing expectation is that those roles are filled to begin their onboarding shifts and training 30 days before grand opening.

The City will conduct all hiring in a manner that adheres to its existing hiring practices and policies. The City will prioritize sourcing talent locally whenever possible but will not let that compromise the quality levels of our retail team.

ORGANIZATIONAL CHART

As with all other city departments, the dispensary will report into the city's leadership and whenever possible should be supported by the existing city resources.

The following roles are needed to operate and support a city owned and operated retail cannabis store. In addition to documenting role explanations, the hours of operation serve as the basis for the labor model. Many roles are part-time to provide the greatest flexibility while lowering the costs of correlating benefits. Further, the labor model is scalable based upon transactions, mix of full retail vs. pickup sales and an average time spent with customers. This model and our operational hours should flex as the dispensary learns more about these data points.



STORE ROLES

General Manager (GM

The General Manager will be responsible for the day-to-day operations, customer satisfaction, employee engagement, and financial outcomes. The GM will report to the City Administrator along with all other city department heads. The GM must balance a diverse and demanding

responsibility matrix that includes assortment and pricing management, marketing, training, HR, business analysis, labor management and all aspects of compliance, safety, and security. The GM will be a salaried positioned with an anticipated weekly demand of 45 hours per week. It is anticipated that the GM will need to fulfill customer facing responsibilities up to 10 hours per week and is expected to be onsite 35 hours per week.

Aspects Unique within Cannabis

- Knowing how to operate in highly regulated environments
- Understanding compliance with state and local laws within the retail store usually falls to the store General Manager.
- Generalized cannabis product knowledge
- Focused customer care, particularly within medical dispensaries
- Knowing the types of operating systems used to manage inventory

Assistant Manager (AM)

The Assistant Manager will support the GM's responsibilities and Byron's retail operation largely in opposite scheduling to ensure leadership is always present to support customers and employees and that a manager is present during opening and closing procedures. It is recommended that the AM is primarily responsible for up to 3 of the large operational aspects of the store; those could include inventory management, hiring and staffing process, and team training. The AM will be a salaried positioned with an anticipated weekly demand of 40 hours per week. It is anticipated that the AM will need to fulfill customer-facing responsibilities up to 20 hours per week and is expected to be onsite 35 hours per week.

Aspects Unique within Cannabis

- Generalized cannabis product knowledge
- Ability to operate well in a supply-constrained market
- Anticipate new products within the industry
- Knowing menu building and design within dispensaries

Team Lead/Supervisor

The Team Lead will support the store as an elevated hourly position for additional supervisory responsibilities. This role supports the manager's responsibilities with training, coaching, and accountability across the rest of the team. This role will be necessary in the model to provide the head count needed of opening and closing the store in the absence of a Manager in the building. The Team Lead will also be cross trained in sales, operations, and receptionist responsibilities.

Receptionists

The receptionists manage all customer flow onto the sales floor. They set the tone of the customer's experience and play a large role in ensuring compliance is upheld. Receptionists are a customer service centric role vs. a sales-centric role. They will be highly knowledge about Byron's store operations and state requirements, provide communication to customers and ensure customer flow is efficient. In addition to customer facing responsibilities, this role will experience some predictable downtime that will need to be maximized. We recommend that

the receptionists support the store GM and AM in workstreams such as inventory audits and pricing, generating reports, conducting competitive online research, facilitate customer issue resolution and scheduling system tests and maintenance.

Aspects Unique within Cannabis

- Knowing how to operate in highly regulated environments
- Ability to connect with consumers and understand their cannabis needs
- Understanding of state regulations regarding cannabis use, licensing, etc.

Sales Specialists (Budtenders)

Sales Specialists will navigate a defined engagement model to determine a customer's needs and provide tailored recommendations to meet those needs in a way that is state compliant, adheres to store SOPs, and is profitable. Sales Specialists need to have the deepest level of product knowledge of the store's assortment as well as current market and industry context to address customer's needs.

Aspects Unique within Cannabis

- Well-educated in cannabis products
- Knowing how to operate in highly regulated environments
- Ability to connect with consumers and understand their cannabis needs
- Understanding of state regulations regarding cannabis use, licensing, etc.

Operational Specialists

The store's Operational Specialists' primary responsibility is to manage and fulfill online orders for customer pick-up. We estimate that 50% of the store's transactions will flow through this channel and labor team. They will have dedicated workspace to fulfill these orders which Sales Specialists will process. Their secondary responsibilities will be receiving product, product storage, cycle counting, and required safety and storage compliance. Lastly, they will be used for flex labor across Receptionists and Sales Specialists to provide break relief and react to higher customer demand.

Aspects Unique within Cannabis

- Well-educated in cannabis products
- Knowing how to operate in highly regulated environments
- Ability to connect with consumers and understand their cannabis needs
- Understanding of state regulations regarding cannabis use, licensing, etc.

STAFFING MODEL

Our staffing model outlines the expected hours of coverage in a store as well as the number of people to work in those positions in the store. Remember, a store that is open for 80 hours and is partially staffed with part-time people cannot simply operate with four 20-hour/week employees. Stores need to have sufficient people on the payroll to cover their part time shifts as well as time off, call outs (people who cannot work their scheduled shifts) work hour breaks, etc. Too many retail operations run on a staff that is so lean that a single person who must take a leave or resigns leaves the store in a position where the only coverage is from a manager. Our

recommendations below will protect Byron's store operations from unnecessary disruptions caused by running a staff that is too lean to adjust for foreseeable schedule disruptions.

Staffing model assumptions:

1. Transaction split between online order pickup & in store shopping & selection
    a. 50% online orders -possible future delivery option treated same as online order
    b. 50% in store shopping
2. Time to conduct transactions
    a. 5 minutes/customer online order pickup
    b. 15 minutes/customer in store shopping
3. Blended average of 2 factors above
    a. 10 minutes (on average) per transaction
4. Hours of operation
    a. 72 open hours/ week
    b. 7 additional hours/week for open and closing duties
        i. 30 mins for open and closing duties each day
    c. Transactions 432/week
    d. Avg transactions 6/hour
5. Payroll and benefit assumptions
    a. Salaried employees @ 40 hours/week
        i. General Manager - $85,000/year
        ii. Asst GM - $62,500/year
        iii. Supervisor/Lead - $47,840/year
    b. Hourly employees – part time @ 20 hours/week
        i. Sales (Budtenders) $19.00/hour (requires 4 part-timers)
        ii. Operations Specialists $17.00/hour (requires 4 part-timers)
        iii. Receptionists $17.00/hour (requires 4 part-timers)
    c. COLA + STI adjustments +6%/year
    d. Benefits and PERA per city plan for FT employees
    e. PERA +3.5% for PT
    f. Customer tips will be received, paid to each employee per state law and will be incremental to these hourly rates

Staffing Model Applied:

Years 1-2

Lean into using management to conduct customer transactions as the store staff builds competencies and transaction counts are lower. Assistant GM – 50% (20 hours) customer facing time, Supervisor/Lead – 75% customer facing time) Part-timers average 16 hours per week.

Retail Store Labr	Pre Grand Opening	Hourly including benefits	Headcount	Hours	Adjusted for AM and Sup Customer facing hours
General Manager	$ 113,318	$ 54.48	1	40	Limited customer facing hours budgeted
Assistant Manager	$ 87,422	$ 42.03	1	40	50% customer facing time
Supervisor/Lead	$ 70,533	$ 33.91	1	40	75% customer facing time
Total FT	$ 271,274				
Retail Store Labr	Pre Grand Opening	Hourly including benefits	Headcount	Hours	
Sales	$ 63,232	$ 19.00	4	16	1 HC for 64 hours per week
Operations Specialists	$ 56,576	$ 17.00	4	16	1 HC for 64 hours per week
Receptionists	$ 56,576	$ 17.00	4	16	1 HC for 64 hours per week
Total PT	$ 176,384				Less 48 hours for FT Customer facing time gained from AM and Sup
Total PT +11.77%	$ 182,557				Accounts for fully-loaded benefits
Total Payroll	$ 453,831				Annual labor Spend @ most conservative floor coverage
Labor $ per trans	$ 8.13				Only accounts for PT Sales, Ops Specialists, & Receptionists. Other labor considered fixed.

Table 6: Estimated Year 1 & 2 Staffing Costs (Without COLA)

Years 3-7

Staffing adapts to higher transaction volumes. All management positions have 0% planned customer facing time. Part-timers average 20 hours per week.

Retail Store Labr	Pre Grand Opening	Hourly including benefits	Headcount	Hours	BASE and Blanket Coverage
General Manager	$ 113,318	$ 54.48	1	40	Limited customer facing hours budgeted
Assistant Manager	$ 87,422	$ 42.03	1	40	Limited customer facing hours budgeted
Supervisor/Lead	$ 70,533	$ 33.91	1	40	Limited customer facing hours budgeted
Total FT	$ 271,274				
Retail Store Labr	Pre Grand Opening	Hourly including benefits	Headcount	Hours	
Sales	$ 79,040	$ 19.00	4	20	1 HC for 80 hours per week
Operations Specialists	$ 70,720	$ 17.00	4	20	1 HC for 80 hours per week
Receptionists	$ 70,720	$ 17.00	4	20	1 HC for 80 hours per week
Total PT	$ 220,480				1 PT HC would average 20 hours per week, no overlaps. Min headcounts
Total PT +11.77%	$ 228,197				Accounts for fully-loaded benefits
Total Payroll	$ 499,470				
Labor $ per trans	$ 10.16				Only accounts for PT Sales, Ops Specialists, & Receptionists. Other labor considered fixed.

Table 7: Estimated Year 3-7 Staffing Costs (without COLA)

Initial Staff Training Costs (At Startup)

As outlined earlier, there will be a pre-revenue onboarding schedule that begins with the General Manager (12 weeks) which hires Assistant Manager and Supervisor/Lead (8 Weeks) and Part-time staff (4 weeks.) During onboarding, part time staff will have 40 hours of training prior to opening in addition to store set up and merchandising responsibilities.

Retail Store Labr	Pre Grand Opening	Hourly including benefits	Headcount	Hours	Start Up / Pre Revenue Training and Merchandising
General Manager	$ 26,150	$ 54.48	1	40	12 weeks salary before open
Assistant Manager	$ 13,450	$ 42.03	1	40	8 weeks salary before open
Supervisor/Lead	$ 16,277	$ 33.91	1	40	8weeks salary before open
Total FT	$ 55,877				
Retail Store Labr	Pre Grand Opening	Hourly including benefits	Headcount	Hours	Start Up / Pre Revenue Training and Merchandising
Sales	$ 3,040	$ 19.00	4	40	1 month -40 hours of training before opening
Operations Specialists	$ 2,720	$ 17.00	4	40	2 month -40 hours of training before opening
Receptionists	$ 2,720	$ 17.00	4	40	3 month -40 hours of training before opening
Total PT	$ 8,480				
Total PT +11.77%	$ 9,478				
Total Payroll	$ 65,355				Total Preopen Labor Spend for Hiring, Training, Store Merchandising

Table 8: Estimated Startup, Training and Pre-Opening Staff Costs

City Support Roles

Byron will leverage its existing resource infrastructure to support their retail cannabis store. This will further leverage the city's fixed costs while providing consistency with city policies and transparency back to the city staff and its citizens. This will come at an incremental level of responsibility that the city will need to approximate in terms of capacity and may require some roles to expand in hours, especially during the start-up phased of launching its retail store.

City Administrator

Byron's City Administrator will serve as the "CEO" of its retail cannabis operation. Their primary responsibilities will be to provide leadership support and people development to the store's GM. The City Administrator will facilitate the fulfillment of existing administrative functions of city resources in HR, finance/accounting, systems/IT, Communications, and City Works. The City Administrator will serve as the leadership and communication bridge between Byron's elected officials and its retail location. **City Administrator should allocate 2-4 hours per week for retail store operations meetings, events, oversight and review.**

Finance/Accounting

The retail cannabis store will utilize the current finance staff and contracted (ABDO) services to develop and operationalized all financial reporting as required by MN OCM and for the needs of the operation. Primary responsibilities will be in accounts payable & receivable, producing and co-managing the store PNL, budgeting and forecasting, and incorporating the retail store into the city's reporting processes and requirements. **City Finance team should allocate 2-8 hours per week for reporting, invoice management, payroll management and compliance reporting.**

Communications Coordinator / Community Outreach

Leveraging the existing communication vehicles and rhythms currently in place, Byron's Communications Coordinator will develop and incorporate content reflecting the needs of Byron's citizens, its elected officials, the community at large, and the retail store. This will be highly coordinated with the store's GM and City Administrator and managed in a

communications calendar. This role will also have primary responsibility to the community outreach program highlighted in this business plan. **Communications staff should allocate 4-8 hours per week for managing social media, city website, blog, email, outreach and events.**

Human Resources (HR)
Byron's retail store will be supported like any other city department with their human resources capabilities. This will include supporting the General Manager with their employees' lifecycle: recruiting>hiring>onboarding>development>offboarding. This function will also integrate and facilitate payroll and benefits for the retail store. HR will also support the retail store in providing MN OCM compliance as well as city and state mandated training. **HR should allocate 1-2 hours per week for onboarding, hiring, training and central administration.**

City Works
The retail store's facility will be owned and operated by the City of Byron and as such, the City Works department will be responsible for the appropriate level of maintenance and upkeep needed. This can include grounds keeping, snow removal, ice management, lighting upkeep and general break/fix maintenance for the store location. The city will define SOPs for what is maintained by its City Works Department and what will need to be outsourced. Whenever possible, the City of Byron will utilize its fixed costs in the City Works department to support their retail store.

Employee Salaries
We wish to provide fair and competitive salaries for all employees and that reflect these unique roles. Retail Cannabis locations will demand a higher average hourly rate than normalized retail to reflect the compliance responsibilities, customer complexities, and to provide as much attraction and retention as possible. We have validated the rates in our model against similar positions of responsibility within Minnesota.

Customer Tips
It is a long-established and normalized practice that dispensaries are a tipping environment. We conservatively anticipate that this can increase a Sales Specialist's hourly rate in the range of $4-$12 per hour. There is not consistent data to model this, but it is a given that customer tips will contribute in a meaningful way to eligible employee's hourly rates and monthly income. This will have a NET zero impact for the dispensary. Not enabling customer tips would put our dispensary at a competitive disadvantage for attracting and retaining talent.

Employee Benefits
All employees of the retail store will be employed by The City of Byron and will be included in our existing employment benefits package. These will be administered and monitored in the same manner as any other city department. We have incorporated benefit costs into the full-time roles which varies from 11.77% for part time employees up to 47.45% for the Supervisor role. This includes the PERA rate for ALL employees of the retail store.

Employee Handbook

Using our existing City of Byron employee handbook as a base, we will create a custom handbook reflecting the needs of our retail store. This will have all relevant city policies and will be expanded to include the unique expectations and policies of our retail store. This will be provided to all employees upon hire and updated as the needs of the city and/or retail store change. The General Manager will audit this no less than once per year to ensure that it is current.

STANDARD OPERATING PROCEDURES (SOPs)

The city of Byron will produce and publish a store operations manual that will identify and document the processes needed to execute to ensure compliance and success. Some of these SOPs will remain in SOP documentation form, while others may be combined into an online training module to better train and hold our team accountable. The OCM as well as the application process mandates that most of these SOP's to be in place and thoroughly trained across the dispensary team.

Multiple SOPs Need to Developed for these Categories

- State compliance requirements:
    - Recreational customer requirements and intake
    - Medical customer requirements and intake
    - Worker training procedures
    - Worker safety procedures
    - Data integrity in state system (METRC)
    - Inventory management
    - Personnel access and management
    - Data security and breaches
    - Documentation of codes specific to license (cannabis) and general to business function (retail)
        - ADA Compliant
        - DOL signage
        - Cannabis retail specific
- Store Operations SOPs:
    - Systems usage, maintenance, expectations, downtime procedures for:
        - METRC/ Compliance
        - Security
        - POS
        - ATM
        - Backoffice
        - HVAC
    - Store opening
    - Store closing
    - Inventory management
        - Receiving
        - Storage
        - Sample/sales floor demo
        - Taking of inventory
        - Disposal of inventory

        - Cycle counts and corrections
    - Merchandising standards and security

TRAINING

Our retail store will have a comprehensive training program that will not only fulfill the state compliance requirements but also ensure that we are delivering the desired customer experience and operational standards to ensure financial success.

The retail store will partner with a cannabis industry leader to utilize their learning management system (LMS) that will be central to facilitating and recording all training records. This will house and facilitate all content deemed necessary for each individual learner. This LMS will be prepopulated by the provider with product and industry knowledge. There will be an annual subscription and some additional "custom" work to create store specific training content when the provided library doesn't meet the store's needs.

Training will be dimensioned out into pre-open and post-open phases for deployment and budgeting purposes. **40 hours of training are budgeted for all part-time roles pre-open and an ongoing training budget of 12 hours annually per employee. Leadership training for the GM, AM and Team Lead will be conducted in their onboarding phase which is documented in our preopen startup expenses.**

Training will be broken out into these categories:

1. City and store policies and expectations
2. State OCM compliance and systems training
    a. METRC/Compliance
    b. POS
    c. Security & Safety
3. Store and role specific SOPs
    a. Store SOPs
    b. Merchandising Standards and Execution
    c. Sales Floor SOPs
    d. Operations/Order Fulfillment SOPs
    e. Receptionist SOPs
4. Sales behaviors and engagement model
    a. In store transactions
    b. Pick up (BOPIS)
    c. Medical
5. Industry knowledge
6. Product knowledge

STORE PERFORMANCE AND OPERATIONAL RYTHMS

Our retail store and city leaders will operate a performance rhythm that reflects the needs and complexity of their business. This will include a reoccurring agendas across store performance and operations that facilitate the proper analysis, planning, recognition, and accountability for our retail cannabis store.

We recommend the following business rhythms:

Monthly

- City & Store Performance and Operational Rhythm
    - Agenda
        - Performance Review led by GM (30 Mins)
        - Operational Review and Action Planning led GM (30 mins)
        - City Needs and Opportunities, Wrap Up led by City Administrator (30 Mins)
    - Format:
        - Formal Meeting with GM, AM, and City Leadership (City support roles as needed)
        - 3rd Monday of each month for 90 mins
    - Objectives:
        - Review past month financial performance with an emphasis on anomalies and YTD trends that should either be leveraged for additional growth or explored to correct poor performance
        - Identify and commit to operational plans for the next 30-90 days
        - Plan for needs and resources over the next 30-90 days
    - Tools
        - City Produced P&L/Finance scorecards
        - POS scorecards for each business unit
        - Topical or opportunistic reporting for tracking and decision support
        - Third Party and/or industry reporting and insights
- Store Leadership Meeting
    - Following the City & Store monthly meeting, a preplanned and recurring scheduled time for the GM, AM, and Team Lead to operationalize the outcomes of the Monthly City Leadership meeting.
- Leadership 1:1s
    - Schedule 1x per month for 45-mins, not during Team Meeting week.
    - Formalized and recurring agenda:
        - People
        - Process
        - Performance
        - City Topics
        - Next Steps. Timelines. Needs.
- GM and Assistant/Supervisor 1:1s
    - Should follow similar agenda and cadence

Quarterly

- CA Assessment & GM 1:1 Onsite
    - Scheduled quarterly for 90-mins, to follow-up on monthly Team Meeting, address any changing needs, and communicate high priority topics
    - Expand the agenda to include a templated Store Assessment and extended 1:1s

  - Performance Review Check-ins and documentation used to gauge progress and use for roll-ups leading to annual performance reviews
- Quarterly Industry Performance and Industry Updates
  - Identify, access, subscribe to industry data used to inform against business trends and planning. (Early on this will need to be monthly.)

Annually

- Budgeting
  - Formal meetings and workshops to create budgets using city processes
- Performance Reviews
  - Conducted using existing city processes
- 360 Feedback of GMs, AMs, and City Leadership
  - Keep consistent with city HR process but customize some topics for store ops and each role as appropriate with any other city department
- Annual Team Muni Leadership Workshop
  - Yearly day of learning to capture past 12 months performance and operational strengths and opportunities that will inform the next 12 months operational plan and budget expectations.

TECHNOLOGY REQUIREMENTS & ASSUMPTIONS

A modern cannabis retail store is based on technology. To succeed, Byron must adopt state of the art integrated technology to create the best shopper and employee experience possible.

We recommend a fully integrated store platform such as FlowHub which has the following key modules:

- **Inventory Management & Tracking Compliance**
  Create a single product catalog for use across the entire store and website. Track orders from vendors, track manifests, delivery, item location on site, integrate with METRC (the cannabis tracking system used by Minnesota – Marijuana Enforcement Tracking Reporting and Compliance system) Use a mobile device with a scanner to track all inventory movement in the store. Conduct inventory audits and reporting in one system. Report METRC discrepancies in one system instead of multiple reporting systems.
- **POS & Transactions**
  Configure all taxes and tax categories for various products and shoppers in the store. Create store-specific SKU's or use manufacturer barcodes. Track purchase limits and prevent over selling. Tracking to allow for mandatory recall procedures. Daily and real-time reporting for compliance. Legally process debit cards. Execute all transactions.
- **Shopper Check-In & Compliance**
  Scan ID's, verify age, upload documents for compliance and instantly check in shoppers to the queue.
- **Loyalty Program**
  Add shoppers to a loyalty program that allows them to earn points, access exclusive deals and redeem rewards. Connect to email management systems to update and maintain mailing lists and create email automation routines.

- **Promotional Management**
  Build any type of deals for online or in store offers. Includes ongoing deals (veteran or employee discount) stacking deals and daily, weekly, hourly offers. Build, schedule and re-use promotions.
- **Online Basket Building**
  Automatically integrate to a shopping webpage with real time inventory and pricing data through a web API. Integrate with WeedMaps, Dispense and other apps. Transmit orders to the store for immediate fulfillment.
- **Employee Tracking**
  Evaluate employee productivity, hours worked, compliance and KPI's with a single dashboard.
- **Comprehensive Performance Management and Retail Scorecarding**
  Create recurring reports to inform and analyze store performance. Create business intelligence and decision support to optimize store performance and validate operating decisions across assortment, pricing, promotions, labor, etc.

Network and Internet

The store will be web-enabled and fully networked containing 3 network nodes: a private one for store operations, a private one for the ATM, a public guest network. The private store operations network will host:

1. The content for the store media network including digital menu boards with rotating promotional, safety and city messages. These 40" monitors will be in the reception area as well as the sales floor.
2. The video streams from 20 internal and external cameras. Video monitoring can be accessed offsite by city officials and public safety officers as well as in the reception area and general manager's office.
3. The POS and inventory system including the cash drawers.
4. Access to the METRC system, store email, customer email, website integration, online training, and other key operational systems.

The second private network will isolate the ATM on its own network to provide for a secure access point for cash transactions from the city-owned ATM.

The public network will be for shopper access and employee access on their personal devices.

Facility Alarm and Security

The other critical technology system is for intrusion alarms and access control. All interior and exterior doors will be locked and alarmed. The only "unlocked" door during store open hours will be the front door to the reception room. All other doors require identifiable access to unlock. Cabinets, storage areas, and all products will be locked from customer access and in a manner that complies with OCM Compliance. The budget includes 20 locked cabinets and cases.

Learning Management System (LMS)
The store will lean into technology for training delivery and tracking for compliance. Using a platform like SeedTalent, store personnel will have access to:

- mandatory training modules to meet state requirements
- general cannabis and product knowledge to improve their industry expertise
- brand- and product-specific content to be better equipped to answer questions and match shoppers to particular products
- store SOP materials

An online training platform is ideal because managers can assign and track employee use and exposure to the training materials. Reporting can be accessed for state regulatory and compliance reporting (saved for years to meet historical reporting challenges.) Additionally, the store management and city team can create and store custom materials for staff consumption. This is critical to meet state requirements for creating and tracking workplace training. **The startup budget includes $17,500 to create and execute staff training pre-grand opening.**

Office Technology Needs (General)
For our financial model, there are five 40" 4K monitors for the store's media network, 2 desktop computer stations for the receptionist and the General Manager's office, 3 POS terminals with cash drawers & receipt printers, 2 phone/scanner combos for inventory management, 1 landline phone and dedicated number. All applicable technology is assumed to be iOS.

START UP ESTIMATE

	Cost Estimate	
Branding & Design	**$**	**73,300**
Create the Brand, Logo, Look & F	$	32,000
Store Design Interior & Exterior -	$	15,000
Website Graphic Design	$	20,000
Packaging Design	$	6,300
Store Buildout	**$**	**1,084,038**
Store Space		
Demolition and site prep	$	102,507
Construction	$	435,493
HVAC, Water & Sewer	$	100,000
Architect	$	10,000
Data Works		
POS Hardware	$	14,070
Network Setup	$	21,000
ATM Setup	$	3,470
Initial ATM Cash Load	$	20,000
Security Setup	$	68,155
Fixtures & Flooring	$	312,500
Parking Lot	$	60,000
Video Monitors	$	4,000
Backroom		
Safe	$	30,000
Bathroom	$	1,000
Manager Office	$	2,500
Loading Bay	$	-
Breakroom & Lockers	$	1,000
Store printer	$	850
Services Setup Fees	**$**	**32,500**
Banking	$	10,000
Insurance	$	10,000
Cash Pickups	$	10,000
Utilities	$	1,000
POS Set up	$	1,500
Marketing - Pre Grand Opening	**$**	**28,375**
Website development & POS Cor	$	8,375
Pre-GO Advertising	$	20,000
Legal	**$**	**5,000**
Licensing	$	5,000
Building Permits	$	-
Training Pre GO	**$**	**82,855**
Hours for Training pre-GO	$	65,355
Training & SOP Creation	$	17,500
Inventory - COGS Initial Buy	**$**	**250,000**
Flower	$	102,500
Vapor Pens	$	37,500
Edible	$	30,000
Pre-roll	$	40,000
Concentrates	$	10,000
Beverage	$	12,500
Topical	$	2,500
Tincture & Sublingual	$	125
Capsules	$	13
Accessories	$	7,500
Branded Merch	$	7,500
Conventional Beverages & Snack	$	-
TOTAL	**$**	**1,556,068**
Total Loan amount 20 yrs @ 5%	$	1,189,838

ANNUAL ESTIMATE YEARS 1-7 OPERATING SOLO – NO JPA

	Byron shoulders 100% of all costs on its own						
	YEAR 1	YEAR 2	YEAR 3	YEAR 4	YEAR 5	YEAR 6	YEAR 7
Product Sales	$ 4,595,643	$ 3,378,691	$ 2,347,952	$ 2,447,956	$ 2,552,705	$ 2,662,444	$ 2,777,433
ATM Fees	$ 7,822	$ 8,127	$ 8,472	$ 8,833	$ 9,211	$ 9,607	$ 10,022
Sales Tax Collected	$ 775,515	$ 570,154	$ 396,217	$ 413,093	$ 430,769	$ 449,287	$ 468,692
Revenue	$ 5,378,979	$ 3,956,973	$ 2,752,641	$ 2,869,882	$ 2,992,685	$ 3,121,338	$ 3,256,147
COGS	$ 3,216,950	$ 2,162,362	$ 1,173,976	$ 1,223,978	$ 1,276,352	$ 1,331,222	$ 1,388,717
Promo Deductions	$ 229,782	$ 168,935	$ 117,398	$ 122,398	$ 127,635	$ 133,122	$ 138,872
Sales Tax Paid	$ 775,515	$ 570,154	$ 396,217	$ 413,093	$ 430,769	$ 449,287	$ 468,692
Total Cost of Goods Sold	$ 4,222,247	$ 2,901,451	$ 1,687,591	$ 1,759,469	$ 1,834,757	$ 1,913,632	$ 1,996,280
Gross Profit	$ 1,156,732	$ 1,055,522	$ 1,065,051	$ 1,110,413	$ 1,157,928	$ 1,207,707	$ 1,259,867
Labor							
Salaries & Wages - fully loaded with Benefits	$ 453,831	$ 481,061	$ 561,205	$ 594,877	$ 630,570	$ 668,404	$ 708,508
Ongong Training - Onine & Reporting	$ 1,200	..	$ 1,200	$ 1,200	$ 1,200	$ 1,200	$ 1,200
Utilities							
Electric/Gas	$ 4,800	$ 4,800	$ 4,800	$ 4,800	$ 4,800	$ 4,800	$ 4,800
Internet & telephone	$ 1,200	$ 1,200	$ 1,200	$ 1,200	$ 1,200	$ 1,200	$ 1,200
Cleaning/Sanitation	$ 1,200	$ 1,200	$ 1,200	$ 1,200	$ 1,200	$ 1,200	$ 1,200
Alarm & Security	$ 7,930	$ 7,930	$ 7,930	$ 7,930	$ 7,930	$ 7,930	$ 7,930
Cash Pickups	$ 15,600	$ 15,600	$ 15,600	$ 15,600	$ 15,600	$ 15,600	$ 15,600
Dues & Subscriptions	$ 500	$ 500	$ 500	$ 500	$ 500	$ 500	$ 500
Legal & Accounting	$ 6,600	$ 3,300	$ 2,000	$ 2,000	$ 2,000	$ 2,000	$ 2,000
Business Printing	$ 6,000	$ 6,000	$ 6,000	$ 6,000	$ 6,000	$ 6,000	$ 6,000
Repairs & Maintenance			$ 25,000	$ 25,000	$ 25,000	$ 25,000	$ 25,000
Insurance	$ 40,000	$ 40,000	$ 40,000	$ 40,000	$ 40,000	$ 40,000	$ 40,000
Permits/Licenses	$ 5,000	$ 5,000	$ 5,000	$ 5,000	$ 5,000	$ 5,000	$ 5,000
Supplies[1]	$ 16,761	$ 17,416	$ 18,154	$ 18,927	$ 19,737	$ 20,586	$ 21,475
IT Support							
POS Software Service Fee	$ 8,400	$ 8,400	$ 8,400	$ 8,400	$ 8,400	$ 8,400	$ 8,400
Network support 24/7 support & Power backup	$ 12,000	$ 12,000	$ 12,000	$ 12,000	$ 12,000	$ 12,000	$ 12,000
e-commerce site maintenance	$ 4,200	$ 4,200	$ 4,200	$ 4,200	$ 4,200	$ 4,200	$ 4,200
web hosting	$ 1,920	$ 1,920	$ 1,920	$ 1,920	$ 1,920	$ 1,920	$ 1,920
METRC compliance software	$ 600	$ 600	$ 600	$ 600	$ 600	$ 600	$ 600
Inflatinary Factor @6% all items except payroll	$ 7,963	$ 8,282	$ 9,767	$ 9,903	$ 9,959	$ 10,014	$ 10,070
Marketing & Advertising							
4 Advertising Campaigns per year, monthly emails, S	$ 60,000	$ 60,000	$ 48,000	$ 48,000	$ 48,000	$ 48,000	$ 48,000
Internet SEO, performance mgmt	$ 17,000	$ 17,000	$ 15,000	$ 12,000	$ 10,000	$ 8,000	$ 5,000
Ad Purchase & Placement - including internet ads	$ 160,847	$ 118,254	$ 82,178	$ 85,678	$ 89,345	$ 93,186	$ 97,210
Promo Printing	$ 22,978	$ 16,893	$ 11,740	$ 12,240	$ 12,764	$ 13,312	$ 13,887
Email Service	$ 2,520	$ 2,520	$ 2,520	$ 2,520	$ 2,520	$ 2,520	$ 2,520
Marketing management & Design Fees	$ 40,000	$ 48,000	$ 48,000	$ 48,000	$ 48,000	$ 48,000	$ 48,000
Contingency and Misc Expenses	$ 12,000	$ 12,000	$ 12,000	$ 12,000	$ 12,000	$ 12,000	$ 12,000
Total Operating Expenses	$ 911,050	$ 894,076	$ 946,115	$ 981,696	$ 1,020,445	$ 1,061,572	$ 1,104,221
Operating Income	$ 245,682	$ 161,446	$ 118,936	$ 128,717	$ 137,483	$ 146,135	$ 155,646
Debt Service	$ (93,851)	$ (93,851)	$ (93,851)	$ (93,851)	$ (93,851)	$ (93,851)	$ (93,851)
Depreciation							
Net Income	$ 151,831	$ 67,595	$ 25,085	$ 34,867	$ 43,632	$ 52,285	$ 61,795

A SCENARIO FOR YEARS 1-7 OPERATING WITH A JPA – 4 CITIES IN JPA

blue indicates cost reduced by JPA

	Same model but some shared services with 3 other sities in a JPA - Indicated in blue						
	YEAR 1	YEAR 2	YEAR 3	YEAR 4	YEAR 5	YEAR 6	YEAR 7
Product Sales	$ 4,595,643	$ 3,378,691	$ 2,347,952	$ 2,447,956	$ 2,552,705	$ 2,662,444	$ 2,777,433
ATM Fees	$ 7,822	$ 8,127	$ 8,472	$ 8,833	$ 9,211	$ 9,607	$ 10,022
Sales Tax Collected	$ 775,515	$ 570,154	$ 396,217	$ 413,093	$ 430,769	$ 449,287	$ 468,692
Revenue	$ 5,094,316	$ 3,757,197	$ 2,625,108	$ 2,736,916	$ 2,854,029	$ 2,976,722	$ 3,105,285
COGS	$ 3,216,950	$ 2,162,362	$ 1,173,976	$ 1,223,978	$ 1,276,352	$ 1,331,222	$ 1,388,717
Promo Deductions	$ 229,782	$ 168,935	$ 117,398	$ 122,398	$ 127,635	$ 133,122	$ 138,872
Sales Tax Paid	$ 775,515	$ 570,154	$ 396,217	$ 413,093	$ 430,769	$ 449,287	$ 468,692
Total Cost of Goods Sold	$ 3,906,296	$ 2,669,166	$ 1,526,169	$ 1,591,172	$ 1,659,258	$ 1,730,589	$ 1,805,332
Gross Profit	$ 1,188,020	$ 1,088,031	$ 1,098,939	$ 1,145,744	$ 1,194,771	$ 1,246,134	$ 1,299,953
Labor							
Salaries & Wages - fully loaded with Benefits	$ 453,831	$ 481,061	$ 561,205	$ 594,877	$ 630,570	$ 668,404	$ 708,508
Ongong Training - Onine & Reporting	$ 1,200	$ 1,200	$ 1,200	$ 1,200	$ 1,200	$ 1,200	$ 1,200
Utilities							
Electric/Gas	$ 4,800	$ 4,800	$ 4,800	$ 4,800	$ 4,800	$ 4,800	$ 4,800
Internet & telephone	$ 1,200	$ 1,200	$ 1,200	$ 1,200	$ 1,200	$ 1,200	$ 1,200
Cleaning/Sanitation	$ 1,200	$ 1,200	$ 1,200	$ 1,200	$ 1,200	$ 1,200	$ 1,200
Alarm & Security	$ 7,930	$ 7,930	$ 7,930	$ 7,930	$ 7,930	$ 7,930	$ 7,930
Cash Pickups	$ 15,600	$ 15,600	$ 15,600	$ 15,600	$ 15,600	$ 15,600	$ 15,600
Dues & Subscriptions	$ 500	$ 500	$ 500	$ 500	$ 500	$ 500	$ 500
Legal & Accounting	$ 6,600	3300	2000	2000	2000	2000	2000
Business Printing	$ 6,000	$ 6,000	$ 6,000	$ 6,000	$ 6,000	$ 6,000	$ 6,000
Repairs & Maintenance			$ 25,000	$ 25,000	$ 25,000	$ 25,000	$ 25,000
Insurance	$ 40,000	$ 40,000	$ 40,000	$ 40,000	$ 40,000	$ 40,000	$ 40,000
Permits/Licenses	$ 5,000	$ 5,000	$ 5,000	$ 5,000	$ 5,000	$ 5,000	$ 5,000
Supplies[1]	$ 16,761	$ 17,416	$ 18,154	$ 18,927	$ 19,737	$ 20,586	$ 21,475
IT Support							
POS Software Service Fee	$ 8,400	$ 8,400	$ 8,400	$ 8,400	$ 8,400	$ 8,400	$ 8,400
Network support 24/7 support & Power backup	$ 12,000	$ 12,000	$ 12,000	$ 12,000	$ 12,000	$ 12,000	$ 12,000
e-commerce site maintenance	$ 1,050	$ 1,050	$ 1,050	$ 1,050	$ 1,050	$ 1,050	$ 1,050
web hosting	$ 1,440	$ 1,440	$ 1,440	$ 1,440	$ 1,440	$ 1,440	$ 1,440
METRC compliance software	$ 600	$ 600	$ 600	$ 600	$ 600	$ 600	$ 600
Inflatinary Factor @6% all items except payroll	$ 7,745	$ 8,051	$ 9,536	$ 9,671	$ 9,728	$ 9,782	$ 9,839
Marketing & Advertising							
4 Advertising Campaigns per year, monthly emails, S	$ 15,000	$ 15,000	$ 12,000	$ 12,000	$ 12,000	$ 12,000	$ 12,000
Internet SEO, performance mgmt	$ 4,250	$ 4,250	$ 3,750	$ 3,000	$ 2,500	$ 2,000	$ 1,250
Ad Purchase & Placement - including internet ads	$ 160,847	$ 118,254	$ 82,178	$ 85,678	$ 89,345	$ 93,186	$ 97,210
Promo Printing	$ 22,978	$ 16,893	$ 11,740	$ 12,240	$ 12,764	$ 13,312	$ 13,887
Email Service	$ 2,520	$ 2,520	$ 2,520	$ 2,520	$ 2,520	$ 2,520	$ 2,520
Marketing management & Design Fees	$ 10,000	$ 12,000	$ 12,000	$ 12,000	$ 12,000	$ 12,000	$ 12,000
Contingency and Misc Expenses	$ 12,000	$ 12,000	$ 12,000	$ 12,000	$ 12,000	$ 12,000	$ 12,000
Total Operating Expenses	$ 819,453	$ 797,665	$ 859,003	$ 896,834	$ 937,083	$ 979,710	$ 1,024,609
Operating Income	$ 368,567	$ 290,366	$ 239,936	$ 248,910	$ 257,688	$ 266,424	$ 275,344
Debt Service	$ (93,851)	$ (93,851)	$ (93,851)	$ (93,851)	$ (93,851)	$ (93,851)	$ (93,851)
Depreciation							
Net Income	***$ 274,716***	***$ 196,516***	***$ 146,085***	***$ 155,060***	***$ 163,837***	***$ 172,573***	***$ 181,493***

KNOWN CHALLENGES

While municipalities pursuing licensure are exempt from the state lottery process, OCM could deny a municipal license citing market stability. (ref: Subd.1a)

Minnesota has mandated that all cannabis products sold in the state must be produced in the state. Thus, early years of the cannabis market in Minnesota will experience the same supply volatility as other states. Years 1-3 will be challenged with supply volatility, supply shortages and the resulting unpredictable pricing.

The Minnesota OCM has yet to release the application form for cannabis retail stores. We are predicting that it will be similar to available applications from other states as we build out the business case for Byron.

The city has no experience in the kind of retail promotion, marketing and advertising that a store will require to sustain long-term success. We strongly recommend that the city outsource this work to an experienced marketing team.

The City may have difficulty attracting, hiring and retaining a store team that is experienced, motivated and capable. We strongly recommend that the city search for outside advisors who can develop the store team and help it reach accountability goals. The city may need to consider unusual compensation like hiring bonuses, relocation terms or a bonus-like structure to achieve the goals it wishes for the store team.

KEY DECISIONS & NEXT STEPS

The State OCM must receive its applications by March 14, 2025. The cost for the application is $5,000. We recommend that Byron applies for the retail license.

A JPA with even 3 other cities could increase the profit returns of this store by roughly +300% over 7 years. Byron should actively identify like-minded cities and explore ways a JPA could benefit all cities.

A new Highway 14 location for the same investment as the Byron Avenue renovated location would increase visibility, transactions and profits. Byron should explore Highway 14 options and request new cost estimates to make an informed choice about the store's location.

APPENDIX

A SELECTION OF DETAIL ON COSTS

What's included in Branding

- Naming – 3-5 options, 2 rounds of revisions
- Logo Design – 3-5 options, 2 rounds of revisions, all executions required
- Brand Standards and Brand Guide
- Store Experience:
    - Design: 3 design/layout concept options
    - Exterior: outdoor signage ready for fabrication & installation
    - Interior: cash wrap, vestibule/reception lounge, shopping space
- Website design – graphic elements and design layout for non-shopping website pages
- Packaging – design for custom sealable bags
- Merchandise – design for a selection of hats, T's, misc., with files ready for fabrication

What's included in Alarms & Security

- Alarm System
- 4 Electronic Access Doors with 2 having door release capability with a release button
- Cloud Video System for 20 cameras
- 90 Days of Storage
- 20 electronic cabinet locks

What's Included in Website Development

- Custom website development for up to 20 pages
- Integration with FlowHub or similar POS API
- Integration to Weedmaps or similar apps for search
- Website hosting
- Website Security
- Website support and Content updates (if requested)
- SEO, Google business profile set up

What's Included in Advertising & Marketing

- Brand positioning statement, 3-5 key messages, 3-5 taglines, 2 rounds of revisions
- Email Campaign & Creation – 4 per year
- Direct Mail Campaign & Creation– 2 per year
- Analysis and reporting on campaign effectiveness

CRITICAL FACTORS IN THE EXPENSE MODELING

1) Byron will take a 20-year loan @ 5% for all start up fees except Starting inventory, Pre-Opening Labor, Marketing and Legal Fees.
    a. $1,190,000 @ 5% over 20 years yields an annual debt service of $93,850

Conservative elements in the cost model:

Start Up costs: possible $53-78,000 over estimation

1) ATM cash set up @ $20,000 could be reduced to $10-12,000
2) HVAC + Water +Sewer at $100,000 estimate from Metro Mechanical is likely less, $50-70,000

3) Banking, Insurance and Cash Pickup Set up Fees of $30,000 could be $12-15,000

Ongoing P&L: possible $44,000-52,000 increase in net operating profits

1) ATM Usage at 10% of transaction count could be increased to 15-25% yielding $4000-12,000 in additional revenue per year
2) Repairs and Maintenance at 2% of Gross Sales starting Year 3 could be reduced to 1% yielding ~$25,000 less expenses per year
3) A Contingency and Misc expenses line of $12,000/year could be reduced.

Line Items directly reduced with a JPA (with 3 other cities) in the ongoing P&L Cost Model:

1) Supplies Reduced by -10% based on volume discounts
2) Website maintenance reduced by -75% based on shared operating model quote
3) Website hosting reduced by -25% based on shared operating model quote
4) Ad & marketing management, development and execution reduced by -75% based on shared operating model quote
5) SEO fees reduced by -75% based on shared operating model quote

Not included in JPA modeling:

Start Up costs: (possible $36,000 savings)

1) Any possible reduction in startup training costs based on shared JPA resources. (possible $10,000 savings)
1) Any possible reduction in branding, website design or packaging design costs. (possible $25,000 savings)
2) Any possible set up cost reductions from implementing the same POS (possible $1000 savings)

Ongoing expenses:

1) Any possible reduction in COGS based on volume buys under a JPA arrangement. (possible $50-100,000 savings/year)

Details from Byron in estimating full loaded benefits for all store roles:

Position:	*General Manager*
Salaried:	*$ 85,000.00*
EXPENSES (City)	
SS-ER	$ 199.06
Medicare-ER	$ 46.70
PERA-ER	$ 212.50
PERA-ER+	$ 32.69
Life Ins-ER	$ 5.00
Health ER	$ 477.54
Disabilty	$ 32.76
HSA-ER	$ 82.69
PR/Total	$ 1,088.94
PR/Year	26
Yearly Total	$ 28,312.44
% of Wages:	***33.31%***

Position:	*Assistant GM*
Salaried:	*$ 62,500.00*
EXPENSES (City)	
SS-ER	$ 146.00
Medicare-ER	$ 34.15
PERA-ER	$ 156.25
PERA-ER+	$ 24.04
Life Ins-ER	$ 5.00
Health ER	$ 477.54
Disabilty	$ 32.75
HSA-ER	$ 82.69
PR/Total	$ 958.42
PR/Year	26
Yearly Total	$ 24,918.92
% of Wages:	***39.87%***

Position:	*Supervisor/Lead*
Salaried:	*$ 47,840.00*
EXPENSES (City)	
SS-ER	$ 111.04
Medicare-ER	$ 25.97
PERA-ER	$ 119.60
PERA-ER+	$ 18.40
Life Ins-ER	$ 5.00
Health ER	$ 477.54
Disabilty	$ 32.76
HSA-ER	$ 82.69
PR/Total	$ 873.00
PR/Year	26
Yearly Total	$ 22,698.00
% of Wages:	***47.45%***

Position:	*Part Time*	
Hourly:(20 hrs /week)	*$ 19.00*	ESST - 48 Hr Max.
EXPENSES (City)		$ 912.00
SS-ER	$ 44.08	(34.66 Actual)
Medicare-ER	$ 10.31	
PR/Total	$ 54.39	
PR/Year	26	
Yearly Total	$ 2,326.14	
% of Wages:	***11.77%***	

Position:	*Part Time*	
Hourly:(20 hrs /week)	*$ 17.00*	ESST - 48 Hr Max.
EXPENSES (City)		$ 816.00
SS-ER	$ 39.12	(34.66 Actual)
Medicare-ER	$ 9.15	
PR/Total	$ 48.27	
PR/Year	26	
Yearly Total	$ 2,071.02	
% of Wages:	***11.71%***	