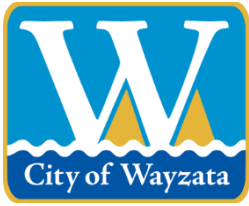


**Wayzata City Council Workshop Meeting Agenda
Wayzata City Hall Community Room, 600 Rice Street
TUESDAY, MARCH 22, 2022**

WORKSHOP TOPICS FOR DISCUSSION:

1. Discussion of Lake Street "Open Streets" Initiative (5:15-5:30 p.m.)
2. Discussion of the Analysis of the City's Municipal Liquor Operations (5:30-6:30 p.m.)



City Council Workshop City Council Agenda Report

MEETING DATE: March 22, 2022	WORKSHOP AGENDA ITEM: 1
TITLE: Discussion of Lake Street "Open Streets" Initiative (5:15-5:30 p.m.)	
PREPARED BY: Nick Kieser, Parks Planner	
REVIEWED BY: Jeffrey Dahl, City Manager	

DISCUSSION OBJECTIVE:

To receive feedback and direction on the recommendation of the Panoway District Committee to create an open street event on Lake Street.

BACKGROUND:

The Panoway District Committee (PDC) has discussed options to activate Lake Street and the Panoway area with a more local and pedestrian focus. Therefore, the PDC recommends experimenting with an open street concept for one weekend on Lake Street. The idea, dubbed "Walk-zata" would involve closing down Lake Street to vehicles from Broadway to Minnetonka starting on Friday afternoon and opening back up early Monday morning. The closure could be a weekend in May. There is the potential to place additional seating, tables, and possibly some small activities in the area to help activate the space more. Potential artwork has been attached for the Council to review as well to provide additional context on how the event could be advertised.

The estimated cost for traffic control to close down Lake Street for a weekend would be \$2,000. If this is a desired event, the Council can discuss where the funds could come from since this cost is not integrated into any budget at this time. If the event is a success, the Council and PDC can reevaluate to determine if similar events could be held later on this year and future years. Further engagement with the business community along Lake Street would be pursued if this initiative would move forward.

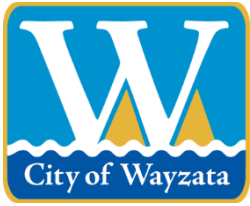
Discussion Questions:

- What concerns does the Council have?
- Should Lake Street be closed from Broadway to Minnetonka? Should additional or fewer blocks be closed off?
- What, if any, type of activities and/or amenities would be desired in the space?
- Is the Council okay utilizing its Contingency allocation for this purpose?
- Is there any other information that would be helpful in order to provide direction?

ATTACHMENTS:

1. Walkzata Artwork





City Council Workshop City Council Agenda Report

MEETING DATE: March 22, 2022	WORKSHOP AGENDA ITEM: 2
TITLE: Discussion of the Analysis of the City's Municipal Liquor Operations (5:30-6:30 p.m.)	
PREPARED BY: Aurora Yager, Administrative Services Director	
REVIEWED BY: Jeffrey Dahl, City Manager	

DISCUSSION OBJECTIVE:

To review and discuss the City's municipal liquor operation including its background, financial performance, and potential business alternatives.

BACKGROUND:

At the February 8, 2022 Council Workshop, the Council provided direction on how to move forward with the 2019-2023 Strategic Plan initiative to conduct a comprehensive review of the City's municipal liquor enterprise operations which includes the Bar & Grill and Wine & Spirits. Included below is the summary of options from the previous Council Workshop along with a report on the background of the operations, reviews its financial performance, and includes a high-level overview of potential alternatives to the current model. Staff will walk through the memo at the meeting, answer questions, facilitate a discussion in order to receive clear direction on next steps.

ATTACHMENTS:

1. February 8 2022 Workshop Materials
2. Municipal Liquor Operations Analysis Memo

Enterprise Operation Review – Proposed Process and Timeline

Date	Who's Involved	Estimated Cost
March 22 Workshop		
<ul style="list-style-type: none"> Review history of Wayzata's muni operations, Key Performance Indicators, and preliminary discussion of alternatives 	Council/Staff/Abdo	\$5,000
<ul style="list-style-type: none"> Determine next steps - options could include: <ul style="list-style-type: none"> Option 1-Bring Strategic Assessment for approval at future Council Meeting for: <ul style="list-style-type: none"> a) Bar & Grill and/or b) Wine & Spirits Option 2-Bring additional information related to exploring alternative future options for Bar & Grill and/or Wine & Spirits Option 3-Request additional information/research for future workshop 		

April - August Actions

Actions dependent on direction given at March 22 workshop.

Option 1a Bar & Grill contract with Consultant for Strategic Planning begins	Council/Staff/Abdo/Task Force	\$20,000
Option 1b Wine & Spirits contract with Consultant for Strategic Planning begins	Council/Staff/Abdo/Task Force	\$20,000
Option 2 Develop detailed assessment of alternative options for Bar and Grill and/or Wine & Spirits operations	Council/Staff/Abdo/Task Force	TBD
Option 3 Review additional information and determine next steps	TBD	TBD

August - End of Year Actions

Option 1a Bar & Grill implements recommendations from Strategic Plan	Council/Staff/Consultant	TBD
Option 1b Wine & Spirits implements recommendations from Strategic Plan	Council/Staff/Consultant	TBD
Option 2 Council consideration of action steps for Bar & Grill and/or Wine & Spirits alternatives	Council/Staff/Consultant	TBD
Option 3 TBD	TBD	TBD

Background and History

“The Muni” dates all the way back to 1947 when the City voted to create a municipal liquor operation as a means to fund public projects instead of raising taxes and to manage the controlled sale of on and off-sale liquor in the town. Over the years, both of these operations have undergone relocations, renovations, and rebranding, but their missions remained the same, to pour profits back into the community.

The restaurant first operated as a bar known as the Minnetonka Bar/Lounge or The Blue Room. It operated on Lake Street until 1967, when its new facility opened in the Bay Center. Nearly 20 years later, in 1986, the bar reopened as the Port 'O Call Bistro with an expanded menu and more family friendly environment.



In 1994 both the on and off-sale sides of the liquor operation underwent a light remodel and rebranding and it was at this time that they became The Wayzata Bar and Grill and Wayzata Wine and Spirits. In 2011, the restaurant and liquor store relocated to their current location on Lake Street. The new space spurred an increase in sales (nearly double) due the increased capacity and modernized facility.

What first started as a financing mechanism that would also control the sale of liquor has grown into a community gathering space and a store known for its high-quality service and selection.



Purpose of Analysis

It is important for the City to review the Liquor Store and Bar and Grill to determine if they are being run efficiently and effectively to maximize profits (or in the City's case General Fund transfers and capital contributions) as any business owner would. The last time the City completed a more in-depth analysis of these operations was in 2015, so it is both timely and prudent to revisit.

Additionally, while the City has periodically reviewed the effectiveness of the liquor enterprises, staff is not aware of previous analysis comparing continued operation against other alternatives. Given the scale of these operations and their potential risk and investment, it was prudent to consider this option as part of the overall analysis of the operation.

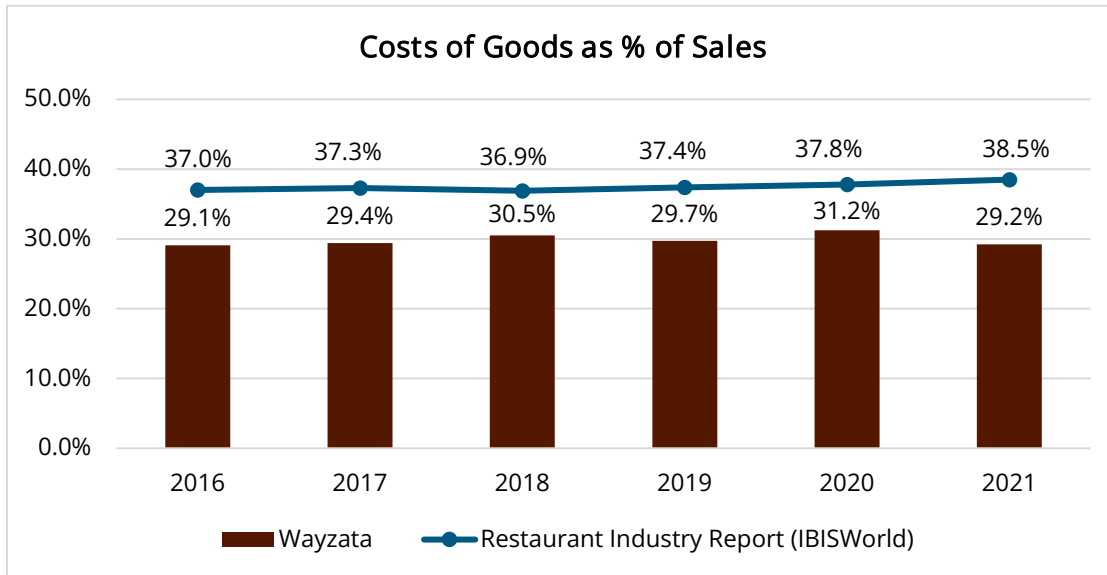
Wayzata Bar and Grill

Wayzata Bar and Grill Financial History

	2015	2016	2017	2018	2019	2020	Prelim. 2021	Average <i>Excludes 2020</i>
Sales	\$2,979,760	\$2,957,240	\$3,221,167	\$3,488,894	\$3,605,978	\$1,897,771	\$2,965,982	\$3,175,313
Gross Profit % of Net Sales	65.52%	70.93%	70.62%	69.50%	70.28%	68.77%	70.77%	69.60%
Net Cash Change	\$325,304	\$382,173	\$428,589	\$351,827	\$289,034	\$(217,833)	\$285,204	\$343,689
Benefit to General Fund*	\$84,208	\$23,803	\$24,602	\$105,080	\$130,404	\$54,834	\$182,790	\$91,814
Capital Transfers Out (Excess)	\$223,172	\$137,186	\$205,443	\$58,722	\$67,804	\$-	\$146,055	\$139,730

*Includes payroll costs for employees who have a portion of job duties dedicated to the Bar and Grill who would otherwise be paid solely out of the General Fund. Also includes an annual transfer to keep levy lower.

Wayzata Bar and Grill Industry Comparison



Bar and Grill Contributions Summary

The Bar and Grill contributes to the City in two key ways, 1) through excess fund transfers to capital projects and 2) through direct support of General Fund activities.

Paying for Capital Projects

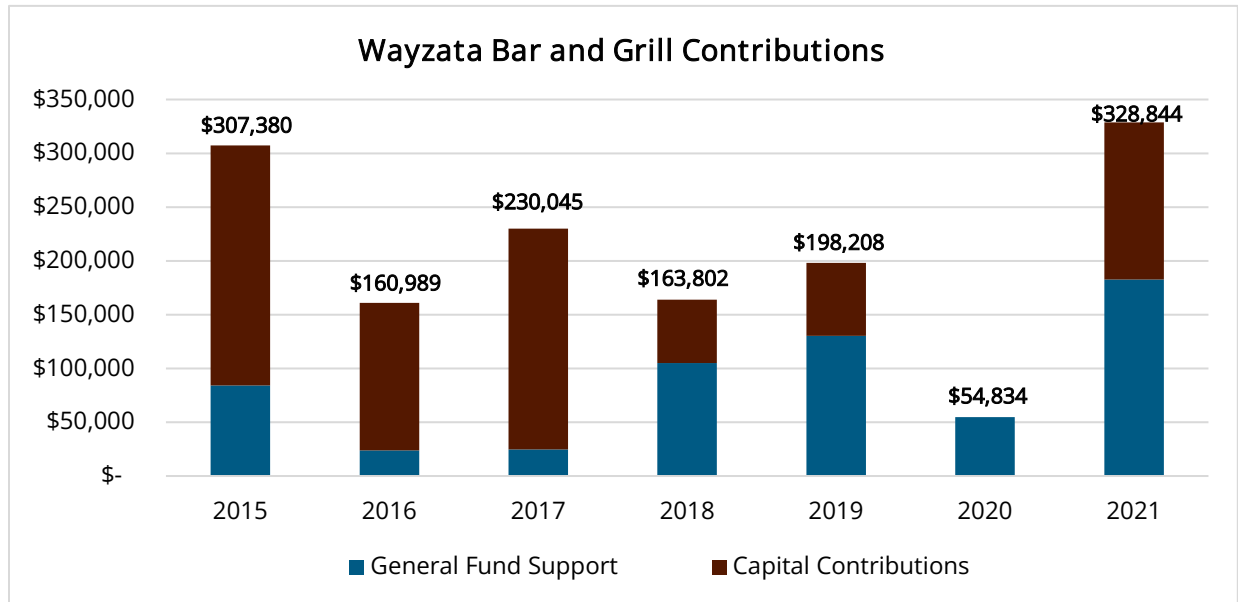
Annually after the audit, a calculation of excess funds available in the Liquor Enterprise Fund that can be reallocated for other uses, typically capital projects. A summary of contributions from the Bar and Grill to capital projects is included below.

- 2019 – Facilities CIP and Lakefront CIP
- 2018 – Facilities CIP, Police Memorial Project, Lakefront CIP
- 2017 – Facilities CIP, Police Memorial Project, Lakefront CIP
- 2016 – Facilities CIP, Interfund Loan Repayment
- 2015 – Streets CIP, Parking Ramp Project

Supporting General Fund Activities

Starting in 2018 the City began budgeting for a portion of the excess funds mentioned above as part of the General Fund's annual budget to keep property taxes lower. For example, the Bar and Grill's budgeted annual profit transfer of \$100,000 for 2022, keeps the City's property tax levy about 2% lower than it would be otherwise.

Additionally, a portion of certain employee's wages and benefits are covered by the Bar and Grill operation since they spend a portion of their time working on it. Some of those positions are the Administrative Services Director, Senior Accountant and HR Coordinator. If these wages and benefits were entirely paid out of the General Fund, in 2022 that would increase the levy approximately \$83,000, or 1.8%.



Bar and Grill - Future Net Cash Projections and Alternatives

Executive Summary

Net Cash	2022	2023	2024	2025	2026	5 Year Total
Continue Operating (Status Quo - After Transfers)	\$293,761	\$302,573	\$311,651	\$321,000	\$330,630	\$1,559,615
Lease Space	\$40,495	\$45,168	\$55,143	\$60,328	\$65,829	\$266,962
Sell Building	\$845,000	\$32,445	\$33,418	\$34,421	\$35,454	\$980,738

Status Quo

Assumptions: Revenues and expenditures increase 3% annually.

	2022	2023	2024	2025	2026	5 Year Total
Revenue	\$3,054,897	\$3,146,544	\$3,240,941	\$3,338,169	\$3,438,314	\$16,218,865
Expenses*	\$(2,761,137)	\$(2,843,971)	\$(2,929,290)	\$(3,017,169)	\$(3,107,684)	\$(14,659,250)
Net Cash	\$293,761	\$302,573	\$311,651	\$321,000	\$330,630	\$1,559,615

**Includes profit transfers to the General Fund and payroll support to General Fund employees.*

Lease Space to a Restaurant Operator

Assumptions: \$40 per sq. ft. for about 6,000 sq. ft. of space. Lease increases 3% annually.

	2022	2023	2024	2025	2026	5 Year Total
Lease Revenue	\$ 240,000	\$ 247,200	\$ 254,616	\$ 262,254	\$ 270,122	\$ 1,274,193
Property Tax Collected	\$15,750	\$16,223	\$16,709	\$17,210	\$17,727	\$83,619
Expenses (Maint., Insurance, Debt)	\$(215,255)	\$(218,255)	\$(216,182)	\$(219,137)	\$(222,020)	\$(1,090,849)
Net Cash	\$40,495	\$45,168	\$55,143	\$60,328	\$65,829	\$266,962

Sell Entire Property

Assumptions: \$4 million sale and property tax revenues increase 3% annually.

	2022	2023	2024	2025	2026	5 Year Total
Sale Proceeds (Half)	\$2,000,000	\$-	\$-	\$-	\$-	\$2,000,000
Debt Payment (Half)	\$(1,155,000)	\$-	\$-	\$-	\$-	\$(1,155,000)
Property Tax Collected	\$31,500	\$32,445	\$33,418	\$34,421	\$35,454	\$167,238
Net Cash	\$845,000	\$32,445	\$33,418	\$34,421	\$35,454	\$980,738

Wayzata Wine and Spirits

Wayzata Wine and Spirits Financial History

	2015	2016	2017	2018	2019	2020	Prelim. 2021	Average <i>Excludes 2020</i>
Sales	\$2,634,124	\$2,913,448	\$2,998,234	\$2,943,237	\$2,974,854	\$3,416,193	\$3,359,754	\$2,970,608
Gross Profit % of Net Sales	21.26%	29.11%	25.89%	28.59%	26.95%	28.49%	27.14%	26.49%
Net Cash Change	\$75,545	\$393,672	\$297,397	\$420,783	\$345,232	\$560,442	\$348,699	\$313,555
Benefit to General Fund*	\$84,208	\$26,653	\$24,602	\$105,080	\$105,404	\$54,834	\$157,790	\$83,956
Capital Transfers Out (Excess)	\$51,828	\$141,314	\$142,557	\$70,231	\$80,987	\$-	\$178,570	\$110,914

*Includes payroll costs for employees who have a portion of job duties dedicated to Wine and Spirits who would otherwise be paid solely out of the General Fund. Also includes an annual transfer to keep levy lower.

Wayzata Wine and Spirits Industry Comparison

Metric as % of Net Sales		2015	2016	2017	2018	2019	2020	Prelim. 2021	Average <i>Excludes 2020</i>
Cost of Goods Sold	Wayzata	78.74%	70.89%	74.11%	71.41%	73.05%	71.51%	72.86%	73.51%
	State Metro Avg.	74.70%	74.39%	74.00%	73.54%	73.31%	73.17%		73.99%
Gross Profit	Wayzata	21.26%	29.11%	25.89%	28.59%	26.95%	28.49%	27.14%	26.49%
	State Metro Avg.	25.30%	25.61%	26.00%	26.46%	26.69%	26.83%		26.01%
Operating Expenses	Wayzata	20.82%	17.58%	17.82%	18.78%	20.18%	19.63%	20.72%	19.32%
	State Metro Avg.	19.40%	20.51%	19.91%	19.72%	19.96%	19.36%		19.90%
Operating Income	Wayzata	0.44%	11.53%	8.07%	9.82%	6.77%	8.86%	6.41%	7.17%
	State Metro Avg.	5.90%	5.10%	6.09%	6.74%	6.73%	7.48%		6.11%
Net Income/ (Loss)	Wayzata	-0.64%	10.54%	7.24%	9.00%	6.37%	7.35%	6.20%	6.45%
	State Metro Avg.	5.64%	4.96%	5.94%	8.82%	7.14%	7.94%		6.50%

Source: Office of the Minnesota State Auditor

Wine and Spirits Contributions Summary

Wine and Spirits contributes to the City in two key ways, 1) through excess fund transfers to capital projects and 2) through direct support of General Fund activities.

Paying for Capital Projects

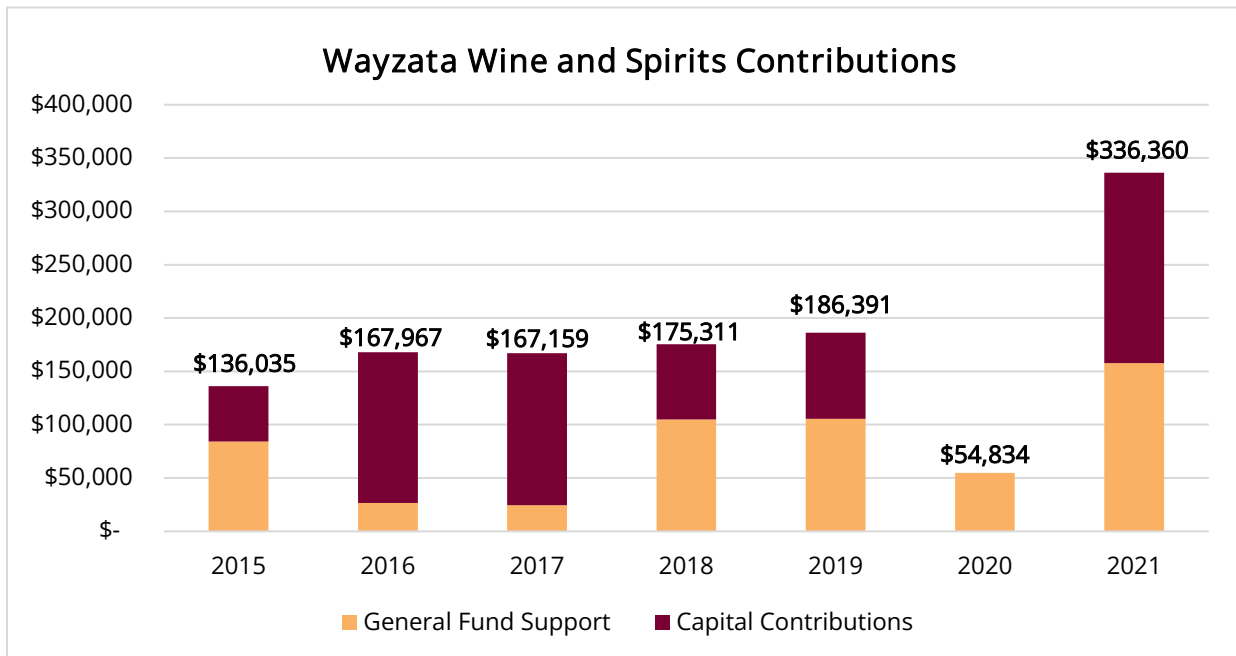
Annually after the audit, a calculation of excess funds available in the Liquor Enterprise Fund that can be reallocated for other uses, typically other capital projects. A summary of contributions from Wine and Spirits to capital projects is included below.

- 2019 – Facilities CIP and Lakefront CIP
- 2018 – Facilities CIP, Police Memorial Project, Lakefront CIP
- 2017 – Facilities CIP, Police Memorial Project, Lakefront CIP
- 2016 – Facilities CIP, Interfund Loan Repayment
- 2015 – Streets CIP, Parking Ramp Project

Supporting General Fund Activities

Starting in 2018 the City began budgeting for a portion of these excess funds as part of the General Fund's annual budget to keep property taxes lower. For example, the budgeted annual profit transfer of \$75,000 for 2022 keeps the City's property tax levy about 1.6% lower than it would be otherwise.

Additionally, a portion of certain employee's wages and benefits are covered by the Wine and Spirits operation since they spend a portion of their time working on it. Some of those positions are the Administrative Services Director, Senior Accountant and HR Coordinator. If these wages and benefits were entirely paid out of the General Fund, in 2022 that would increase the levy approximately \$83,000, or 1.8%.



Wine and Spirits - Future Net Cash Projections and Alternatives

Executive Summary

Net Cash	2022	2023	2024	2025	2026	5 Year Total
Continue Operating (Status Quo - After Transfers)	\$359,160	\$369,935	\$381,033	\$392,464	\$404,238	\$1,906,829
Lease Space	\$(39,505)	\$(37,233)	\$(29,729)	\$(27,090)	\$(24,212)	\$(157,768)
Sell Building	\$845,000	\$32,445	\$33,418	\$34,421	\$35,454	\$980,738

Status Quo

Assumptions: Revenues and expenditures increase 3% annually.

	2022	2023	2024	2025	2026	5 Year Total
Revenue	\$3,460,547	\$3,564,363	\$3,671,294	\$3,781,433	\$3,894,876	\$18,372,512
Expenses*	\$(3,101,387)	\$(3,194,428)	\$(3,290,261)	\$(3,388,969)	\$(3,490,638)	\$(16,465,683)
Net Cash	\$359,160	\$369,935	\$381,033	\$392,464	\$404,238	\$1,906,829

**Includes profit transfers to the General Fund and payroll support to General Fund employees.*

Lease Space

Assumptions: \$40 per sq. ft. for about 4,000 sq. ft. of space. Lease increases 3% annually.

	2022	2023	2024	2025	2026	5 Year Total
Lease Revenue	\$160,000	\$164,800	\$169,744	\$174,836	\$180,081	\$849,462
Property Tax Collected	\$15,750	\$16,223	\$16,709	\$17,210	\$17,727	\$83,619
Expenses (Maint., Insurance, Debt)	\$(215,255)	\$(218,255)	\$(216,182)	\$(219,137)	\$(222,020)	\$(1,090,849)
Net Cash	\$(39,505)	\$(37,233)	\$(29,729)	\$(27,090)	\$(24,212)	\$(157,768)

Sell Entire Property

Assumptions: \$4 million sale and property tax revenues increase 3% annually.

	2022	2023	2024	2025	2026	5 Year Total
Sale Proceeds (Half)	\$2,000,000	\$-	\$-	\$-	\$-	\$2,000,000
Debt Payment (Half)	\$(1,155,000)	\$-	\$-	\$-	\$-	\$(1,155,000)
Property Tax Collected	\$31,500	\$32,445	\$33,418	\$34,421	\$35,454	\$167,238
Net Cash	\$845,000	\$32,445	\$33,418	\$34,421	\$35,454	\$980,738