CITY OF NISSWA
MINUTES – SPECIAL COUNCIL MEETING
THURSDAY, JUNE 25, 2026 – 5:00 P.M.
NISSWA CITY HALL

Members present: Jennifer Carnahan, Bruce London, Joe Hall, Mark Froehle, Jesse Zahn
Other Members Present: Tom Pearson, City Attorney
Presenters in Person: Flora Delaney and Michael Bitzer, Delaney Consulting
Present via Zoom: Labor Attorney Chris Hoodecheck, Flaherty and Hood
City staff present: Interim City Administrator Maggi Wentler; Terry Wallin, Pickle Manager; Brian Farrell, Spirits Manager.

Audience members: 19 members of the public were present

A. Call to Order

The City of Nisswa Special City Council Meeting was called to order by the Mayor at 5:02 PM.

Prior to proceeding with the Agenda, the Mayor addressed several procedural concerns that had been raised by members of the public regarding the special meeting. Three specific concerns were identified: (1) whether the Agenda accurately reflected the written request made by those authorized to call the meeting, or whether Agenda items had been added after the meeting was called; (2) whether the structure of the Agenda — moving between open and closed sessions — was appropriate and practical for the public; and (3) the increasing frequency of special meetings called by the City of Nisswa. A Council Member noted that a resident had brought to his attention that approximately 46 to 47 additional meetings, including workshops and supplemental sessions beyond regular meetings, had been held over the past two years.

The Mayor asked the Interim City Administrator whether the written request calling the special meeting had included all Agenda items as posted. The Interim City Administrator acknowledged that Agenda Items B (Grand View Lodge) and H (Data Practices Policy) had not been included in the original call by two Council Members, but had been added by her in an effort to conduct additional city business while a meeting was already scheduled.

The Mayor also questioned the placement of closed-session performance evaluations on the Agenda prior to the Council having received and discussed the Delaney report. Legal Counsel clarified that the closed sessions were necessary to discuss sensitive personnel performance information contained within the management assessment portion of the report, and that this required a closed session as a matter of law. Legal Counsel further confirmed that, while items cannot be added or removed from a special meeting Agenda, the Council is permitted to reorder Agenda items, provided discussion remains within the scope of the meeting as called.

A member of the public and a former City of Roseville Mayor with extensive municipal experience, was invited by the Mayor to address the Council. The former mayor provided a detailed explanation of Minnesota law governing special meetings, asserting that items added by staff without authorization from two Council Members or the Mayor were improperly before the

Council. He further clarified that Council Members may not usurp a majority vote of the Council by unilaterally adding Agenda items. Several members of the public expressed frustration with procedural delays and urged the Council to move forward with substantive business.

Following this discussion, the Mayor noted that she wanted to remove Agenda Items B and H from the evening's business, as they were not part of the original call for the special meeting, and recommended they be placed on a future regular Council meeting Agenda or addressed through a properly called special meeting.

Motion to remove Agenda Items B (Grand View Lodge Approval) and H (Data Practices Policy – Charging Fees) from the evening's Agenda was made by the Mayor and seconded by Council Member Froehle. The motion carried.

The Mayor then suggested reordering the remaining Agenda items so that the Delaney presentation (Item E) would be heard first, prior to the closed sessions (Items C and D), in order to avoid displacing members of the public who had attended the meeting to hear the report. Legal Counsel confirmed this reordering was permissible under Minnesota open meeting law.

Motion to reorder the Agenda so that the Delaney Final Report presentation (Item E) would precede the closed sessions (Items C and D) was made by the Mayor and seconded by Council Member Froehle. The motion carried.

B. Delaney Presentation of Final Report for Pickle & Spirits Businesses

Flora Delaney, Owner of Delaney Consulting, and her partner Michael Bitzer presented the firm's final report following approximately three and a half to four months of analysis and assessment of the City of Nisswa's two municipal liquor operations: Spirits of Nisswa and the Old Pickle Factory bar and restaurant.

Ms. Delaney opened by noting that the Council had received the only unredacted version of the report, and that neither of the two liquor operation managers had received an unredacted copy until approximately six hours prior to the meeting. She emphasized that this was an unusual circumstance, as the business leaders had not had the same opportunity as the Council to review the findings in advance.

Executive Summary

The consultants stated clearly that both operations are valuable assets that generate revenue for the City and return funds that would otherwise require reduced services or increased tax rates. However, they identified significant opportunities for improvement and offered the following overarching recommendations:

Consolidating Leadership and Accountability: The most significant recommendation was to establish a single General Manager role responsible for both liquor operations. Currently, two managers report to the City in a manner that lacks structured goal-setting, performance accountability, and business-driven decision-making. The consultants recommended redesigning

the organization so that one General Manager oversees both operations, with two unit leaders beneath them. They stated this model could reduce overall staffing costs while simultaneously improving business results, allowing decisions to be made at "business speed" rather than "government speed."

Infrastructure Investment at the Pickle: The consultants recommended immediate investment in critical infrastructure repairs at the Pickle Factory, including repairing the roof, replacing the walk-in cooler refrigeration (already approved by the Council), installing a security system with cameras at all entry points and over the bar and cash register, implementing regular commercial deep cleaning, and replacing bar stools and outdoor patio furnishings with commercial-grade equipment.

Reversing the Decline at Spirits: The consultants noted that while Spirits of Nisswa had been a strong performer, profitability has been declining due to rising labor costs against flat-to-declining revenue. The primary lever identified for near-term improvement was bringing labor as a percentage of sales back in line with industry benchmarks. Additional recommendations included strengthening sales execution, reducing inventory carrying costs, and implementing more disciplined expense management.

Urgency of Action: The consultants were emphatic that the City must act swiftly, noting that given the timing — just before the height of the summer season — major structural changes would need to be oriented toward stabilization in 2026, with meaningful financial improvements targeted for 2027.

Decision Framework

The consultants presented a structured decision framework and road map to help the Council understand what decisions should be made and in what order. They recommended maintaining both operations, noting that both generate positive cash flow and have the potential to perform significantly better. They affirmed that Nisswa's growing population, high household income, and strong tourist season provide favorable market conditions that many peer cities do not have.

The consultants also highlighted a current accountability gap. As an example, the June 2026 financial report submitted by Spirits of Nisswa to the Council contained no current-year data — only 2025 figures — yet it had been approved as part of a consent Agenda without apparent scrutiny. This was presented as evidence that the City lacks sufficient capacity to hold the businesses accountable using appropriate business metrics. The consultants recommended the City adopt key performance indicators (KPIs) standard in retail and food service, such as sales per square foot, inventory turns, and sales per dollar of labor, rather than relying solely on end-of-year revenue and profit figures.

Long-Term Location of Spirits

The consultants raised the question of the Spirits operation's long-term lease situation, noting the current lease expires in March 2029. They recommended the City engage a third-party expert to evaluate the feasibility, cost, and return on investment of constructing or acquiring a wholly

owned facility. The consultants argued that owning a facility would eliminate rent expense, provide full control over the location, create long-term strategic flexibility (including potential co-uses such as community rooms or rental office space), and build a lasting community asset. A Council Member noted that this analysis could apply equally to purchasing an existing facility as to new construction. The Mayor recalled that a prior third-party analysis had been conducted regarding a new Pickle Factory building in the same parking lot, and that the recommendation at the time was against construction due to unfavorable financial projections.

The Pickle Factory – Deep Dive

The consultants presented a detailed analysis of the Pickle Factory's operations. While the building itself presents infrastructure challenges, the consultants were unequivocal that the City should maintain the operation and keep it in its current location, noting that the brand recognition and physical location are exceptional assets. They distinguished between the location — which they strongly recommended retaining — and the building itself, suggesting the City may need to evaluate whether a remodel or eventual new construction on the same site would be necessary.

The consultants reported that 2025 sales were approximately $1.6 million, with a net loss of approximately $47,000, driven largely by payroll growth of 13 to 16 percent against only 4 percent revenue growth. They identified the current 90/10 liquor-to-food split as a core weakness, noting that the lack of a meaningful food offering reduces dwell time and limits revenue potential. They recommended working toward a 20 to 25 percent food mix and suggested that even modest additions — such as a flat-top grill and fryer to support a burger and fry offering — could drive meaningful revenue increases.

A Council Member asked whether the numbers justified continued city ownership and operation, or whether leasing the facility to a private operator and retaining the brand could be more financially sound. The consultants acknowledged the question was valid but argued that the operation has not yet been optimized, and that a fair comparison should be made between an optimized city-run operation and a leased alternative, rather than comparing a leased alternative to the current suboptimized state. Ms. Delaney also noted the importance of municipal control over alcohol service and the institutional value to the community of retaining the operation.

A resident's written comment was read into the record by the Mayor on behalf of a resident who could not attend. The resident expressed disagreement with retaining the Pickle as a city-owned business and asked the consultants whether they had reviewed the Minnesota State Auditor's report on city-owned on-sale operations closing each year. The consultants confirmed familiarity with that report and stated that those closures are occurring in cities facing circumstances — such as declining populations — that Nisswa does not face.

Specific tactical recommendations for the Pickle included: implementing consistent measured pouring practices to reduce invisible product loss; launching a seasonal cocktail menu; discontinuing Friday happy hours during peak summer months; reducing Pickle Nickel promotions during off-peak periods; self-managing the ATM; improving electronic pull tab operations with standard operating procedures; and ensuring food is offered at all times the bar is open.

Spirits of Nisswa – Deep Dive

The consultants reported that Spirits transaction counts have declined in line with broader market trends, as consumers are purchasing alcohol less frequently. However, revenue has held relatively flat due to price increases, which the consultants noted are approaching a saturation point. They projected that transaction counts will likely continue declining over the next one to two years.

The consultants presented a "size of the prize" analysis, estimating that implementing a loyalty program, improving buying practices, adopting a true marketing and advertising program, and adjusting labor costs could collectively yield approximately $130,000 in additional annual profit above the current approximately $350,000 annual transfer to the City — with those gains most achievable by 2027 or 2028.

The consultants noted that the Spirits store is well-merchandised, competitively priced, and staffed by employees who provide strong customer service. However, they identified gaps including the absence of a loyalty program (despite the POS system having the capability), limited external marketing and advertising, inconsistent promotional planning, and labor costs that have grown unsustainably relative to sales. They specifically recommended beginning to reduce labor as a percentage of sales by one-half of one percent per month until reaching the 10 percent industry benchmark.

On the topic of THC products, the consultants noted that Spirits was slow to enter that market, bringing in THC products only in March of the current year. They identified THC as a meaningful near-term opportunity, projecting a 5 to 9 percent product mix contribution to sales, but cautioned that price compression in the THC market is already occurring and the window to capture significant share is narrowing.

Council Discussion on Organizational Structure and Incentives

Council Members engaged in substantive discussion about whether a municipal structure can effectively incentivize a high-performing general manager. The consultants acknowledged the absence of traditional private-sector bonus structures but argued that the compensation package available through the City — including salary, PERA retirement benefits, health benefits, stable scheduling, and the opportunity to manage a multi-million-dollar enterprise — is competitive and highly appealing to experienced professionals from large retail or food service organizations. They cited examples from other municipal clients where managers described their positions as "unicorns" relative to comparable private-sector opportunities.

Council Members also discussed the importance of establishing clear lines between policy (the role of elected officials) and practice (the role of city administration and department heads), and the need for those standards to be documented in a way that survives changes in Council Membership over time. The consultants strongly agreed, noting that the city administrator search is the most important upstream decision in this regard, and that the right hire can build the organizational muscle needed to sustain these businesses effectively regardless of who sits on the Council.

Next Steps and Statement of Work Extension

The consultants noted that a three-hour business meeting with the liquor leadership team was scheduled for the following morning to work through tactical next steps. They advised the Council that if they wish to see materially different results in 2027, implementation work must begin in August 2026, which requires a decision on the proposed Statement of Work (SOW) extension in July. The consultants indicated they could guarantee their capacity and commitment under the proposed SOW through July 15, though they confirmed they would accommodate the Council's next regular meeting date of July 21 if needed.

Delaney SOW Extension Agreement

The Delaney SOW Extension Agreement was noted as a matter before the Council for future action. No formal vote was taken at this meeting. The consultants confirmed their capacity commitment through July 15, 2026, and indicated flexibility to accommodate the Council's regular July 21 meeting date for a decision.

C. Closed Session – Evaluation of Performance of a City Employee (Liquor Store Manager Brian Farrell)

The Mayor announced that the meeting would enter into a closed session pursuant to Minnesota Statutes section 13D.05, subdivision 3(a), for the purpose of evaluating the performance of Liquor Store Manager Brian Farrell. The Mayor noted that the closed portion of the meeting would be electronically recorded as required by statute, and confirmed that Mr. Farrell had not requested that the session be held in open session. The time was noted as 7:49 PM.

Motion to close this portion of the meeting was made by Council Member Zahn and seconded by Council Member Froehle. The motion carried.

Only the City Council, representatives from Delaney Consulting, the City of Nisswa Interim Administrator, legal counsel, and Mr. Farrell were permitted to attend the closed session.

The Special City Council Meeting was called back to order at 9:09 PM, following the conclusion of a closed session held for the performance evaluation of a City of Nisswa employee.

Following the reopening of the public meeting, the Council addressed procedural matters related to the closed session previously held. The Chair entertained a motion to continue the meeting to a future City Council meeting date to be determined, and to designate Interim City Administrator Ms. Wentler and legal counsel from Flaherty and Hood as the designated contacts for any communications with Mr. Farrell and for coordinating any related meeting logistics.

Motion to continue the meeting to a future City Council meeting date to be determined, and to designate Ms. Wentler and legal counsel from Flaherty and Hood to submit any communications to Mr. Farrell and coordinate any meeting logistics, was made by Council Member Zahn and seconded by Council Member Hall. The motion carried.

The Chair announced that the Council would convene a second closed session for the performance evaluation of Bar Liquor Store Manager Terry Wallin, pursuant to Minnesota Statutes, section 13D.05, subdivision 3(a). It was noted that only the City Council, representatives from Delaney Consulting, Interim City Administrator Maggi Wentler, legal counsel, and Mr. Wallin would be permitted to attend the closed session initially.

Motion to close this portion of the meeting and convene a closed session for the performance evaluation of Bar Liquor Store Manager Terry Wallin was made by Council Member Zahn and seconded by Council Member Hall. The motion carried.

The closed session commenced at 9:11 PM.

D. Closed session for the evaluation of the performance of a City employee under Minnesota Statutes, section 13D.05, subdivision 3(a).

The Council convened in closed session pursuant to Minnesota Statutes, section 13D.05, subdivision 3(a), for the purpose of conducting a performance evaluation of a City employee. Upon conclusion of the closed session, the meeting was reopened to the public at 9:53 PM.

Following the return to open session, the Council considered a motion to continue the meeting to a future City Council meeting

Motion to continue the meeting to a future City Council meeting date to be determined, and to designate Ms. Wentler and legal counsel from Flaherty and Hood to submit any communications to Mr. Wallin and coordinate any meeting logistics, was made by Council Member Zahn and seconded by Council Member Froehle. The motion carried.

E. EDA

Appointing Members

The Mayor provided an update on the status of the EDA appointment process. She reported completing the final interview with the remaining applicant, Brandon Hedlund, the previous day. She noted that Mr. Glynn, who had participated in the prior interviews, was unavailable due to vacation and would not return until July 3.

The Mayor informed the Council that she was not prepared to make appointments at this meeting, citing the need to go back to all applicants to determine their willingness to serve under various term lengths, as term assignments had not been discussed during the interview process. She also expressed a desire to personally notify all applicants — both those to be appointed and those who would not be — before any public announcement was made. She proposed calling a special meeting for Monday, July 6, at 5:00 PM for the purpose of making appointments.

The Mayor invited the former mayor of Roseville, Minnesota — who has extensive experience in founding EDAs and HRAs — to briefly address several procedural questions that had arisen

regarding the EDA structure and Commissioner obligations. He provided the following clarifications in summary:

Under Minnesota Statutes §469.095, the City Council may set the terms of Council Member EDA Commissioners to coincide with their terms of office. Because the enabling resolution did not specify the method for setting those terms, the Mayor retains the discretion to determine the appropriate term structure for the two Council appointees.

Under subdivision 4 of the statute, Commissioners are required by law to be paid for attending each regular or special meeting of the authority in an amount to be determined by the City Council. He advised that the Council must establish this compensation rate, and that it should represent a reasonable per diem amount.

Finally, he noted that EDA Commissioners are subject to financial disclosure requirements that carry criminal penalties for non-compliance — an obligation significantly more serious than that of members of a typical citizen advisory commission. He recommended that all appointees be informed of this obligation in advance of accepting their appointments.

Council Members discussed the proposal. Council Member Hall noted he would not be available on July 6, and it was agreed that an alternative date during the week of July 6 would be identified. Council Member Zahn noted that once the EDA is formed, the Commissioners themselves will determine term assignments amongst each other, which the Mayor acknowledged.

Motion to table the EDA appointment matter to a date to be determined during the week of July 6 was made by Council Member Zahn and seconded by Council Member Froehle. The motion carried.

F. Adjourn

Motion to adjourn was made by Council Member Froehle and seconded by Council Member Hall. The motion carried, and the meeting was adjourned at 9:54 PM.

Respectfully submitted,

Jennifer Carnahan, Mayor

Maggi Wentler, Interim City Administrator