



207 Lafayette Street
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AGENDA

DATE: January 8, 2026

TIME: 4:00 P.M.

PLACE: City Council Chambers and via Teams

To Join Teams Meeting:

Join on your computer, mobile app or room device

[Click here to join the meeting](#) or go to <https://www.microsoft.com/en-us/microsoft-teams/join-a-meeting> and enter the Meeting ID and Passcode below:

Meeting ID: 255 397 199 566

Passcode: vHZLrM

Or call in (audio only)

[+1 872-242-7640,916035970#](#) United States, Chicago

Phone Conference ID: 916 035 970#

1. CALL TO ORDER - APPROVAL OF MINUTES

Approval of the minutes from the November 13, 2025, meeting.

2. REMARKS BY PRESIDENT

3. New Business

A. Financial Management Policy

City of Winona Finance Director, Jessica Wojahn, will present the Financial Management Policy which was last updated in 2022. Staff has worked with Baker Tilly to revise the policy which supports stability, good bond rating, and adequate funding for services. If Commissioners concur, a motion to approve the Policy would be appropriate.

4. FINANCIALS

Staff will review the Financial Statements.

5. CLOSED SESSION

This portion of the regular meeting of the Port Authority is to develop or consider offers or counteroffers for the potential purchase of real property located at 520 Hilbert Street Winona, Minnesota.

This portion of the properly noticed meeting of the Port Authority will be closed pursuant to Minnesota Statutes, section 13D.05, subdivision 3 (c).

6. ADJOURNMENT

PORT AUTHORITY AGENDA ITEM
AGENDA ITEM: 1. Approval of Minutes
DATE: January 8, 2026
ATTACHMENT: Minutes

Following are the minutes of the November 13, 2025, meeting for the Commissioners' review and approval.

PORT AUTHORITY OF WINONA MINUTES

DATE: November 13, 2025

PRESENT: President Cichanowski, Commissioners Johnson, Gorman, Young, Borzyskowski, Hansen, Lucas, & Executive Secretary Chad Ubl

ABSENT: None

STAFF PRESENT: Director of Community Development Lucy McMartin, Director of Finance Jessica Wojahn, & Development Coordinator Nick Larson

1. CALL TO ORDER – APPROVAL OF MINUTES

The meeting was called to order at 4:00 pm. A motion to approve the minutes of the September 23, 2025, meeting was made by Commissioner Borzyskowski, and seconded by Commissioner Lucas. The motion carried with all Commissioners present voting aye.

2. REMARKS BY PRESIDENT

President Cichanowski noted the passing of former Port Authority Commissioner, Jim Kiekbusch.

President Cichanowski stated the Grand Opening of 44 Latitude, the new hotel at 60 Main was held Wednesday, November 12th and noted the Chamber of Commerce's "After 5 Network Night" at Merchants Bank after the Port meeting.

3. PUBLIC HEARING

A. WSU Foundation Conduit Debt

President Cichanowski noted Merchants Bank is most likely going to purchase the note for the conduit debt for the WSU Foundation's residential hall project and as Board Member of Merchants Bank will recuse himself from voting and handed the item over to Vice President Johnson.

Vice President Johnson stated that pursuant to a public hearing notice published on Wednesday, October 29, 2025, the Port Authority will hold a public hearing and asked Director of Community Development Lucy McMartin to provide an update on the project.

Ms. McMartin stated the City Council approved the Port Authority to authorize the debt through a Host Resolution. Ms. McMartin stated the Port Authority has worked with the WSU Foundation in the past.

Ms. McMartin noted the WSU Foundation's current residential hall project is to be located at the corner of Mark and Main Streets, consisting of

approximately 183 housing units, and is estimated to cost \$28 million. Ms. McMartin continued that the aggregate amount of conduit debt the Port Authority would issue, if approved, would be \$10 million or less.

Ms. McMartin stated the conduit debt is not charged as a debit to the Port Authority. Ms. McMartin, noted, conduit debt is a financial tool used by other cities and entities to assist non-profits in acquiring an advantageous rate to make projects more affordable and improve cash-flow.

Vice President Johnson opened the public hearing.

Jon Olson, Executive Director of the WSU Foundation stated the project will have approximately 340 beds and the residential halls at WSU are currently at 105% of capacity. Mr. Olson stated WSU is growing and enrollment has been up twice in the past eleven years—and those have been in the last two years. Mr. Olson stated the project will increase WSU's housing capacity.

Commissioner Young asked Mr. Olson to expand on how this new project fits within WSU's housing portfolio. Mr. Olson stated the proposed project is to attract first-year students. Mr. Olson noted the rooms will be double units with modern amenities, such high-speed internet and air conditioning.

Mr. Olson noted that if the new residential hall were completed at the beginning of this academic year, WSU would have opened at 89% capacity. Mr. Olson noted the pro-forma for the proposed residential hall is projected to be at 95% of capacity. Mr. Olson stated when the proposed residential hall is finished, WSU would be able to take other units offline annually to refurbish them and remain at 100% capacity.

Commissioner Young thanked Mr. Olson for providing details of the proposed residential hall project and partnering with the Port Authority to be able to reinvest into WSU's housing stock.

Commissioner Borzyskowski asked when construction would begin. Mr. Olson noted there are two parcels of land needing to be surplus and the State plumbing review plan, which may delay the beginning of construction. Mr. Olson stated the goal is to begin excavation in February 2026.

Vice President Johnson called three additional times if anyone else would like to speak to the public hearing. Hearing none, Vice President Johnson closed the public hearing.

A motion was made by Commissioner Lucas, and seconded by Commissioner Borzyskowski, to authorize the Vice President and Executive Secretary to execute the resolution. All Commissioners present voted aye.

RESOLUTION NO. 815

RESOLUTION APPROVING THE ISSUANCE AND SALE OF
STUDENT HOUSING REVENUE NOTES
AND AUTHORIZING THE EXECUTION OF DOCUMENTS RELATING
THERETO
(WINONA STATE UNIVERSITY FOUNDATION STUDENT HOUSING
PROJECT)

WHEREAS,

(a) Minnesota Statutes, Sections 469.152 to 469.165, as amended (the "Act"), authorizes cities and other governmental entities to issue revenue bonds to finance or refinance industrial development projects to promote the welfare of the state by the active development of economically sound industry and commerce to meet the needs of an increasing population and the need for development of land use which will provide an adequate tax base to finance the increasing cost of governmental services and access to employment opportunities for such population;

(b) Factors necessitating the active promotion and development of economically sound industry and commerce are the increasing concentration of population in the metropolitan areas and the rapidly rising increase in the amount and cost of governmental services required to meet the needs of the increased population and the need for development of land use which will provide an adequate tax base to finance these increased costs and the need for access to employment opportunities for such population;

(c) The Authority (as defined below) desires to facilitate the selective development of the community, retain and improve the tax base and help to provide the range of services and employment opportunities required by the population, including student housing; and the Project (defined below) will assist the Authority in achieving those objectives and will enhance the image and reputation of the community;

(d) WSUREF LLC, a Minnesota nonprofit limited liability company (the "Borrower"), the sole member of which is Winona State University Foundation, a Minnesota nonprofit corporation (the "Sole Member") and an organization described in Section 501(c)(3) of the Internal Revenue Code of 1986, as amended (the "Code"), has proposed that the Authority, along with the City of St. Charles, Minnesota ("St. Charles") and the City of Rushford, Minnesota ("Rushford"), undertake a program to finance the Project (as defined below) through the issuance of revenue notes or other obligations, in one or more series pursuant to the Act and in connection therewith the following described notes are to be issued: (i) Port Authority of the City of Winona, Minnesota Student Housing

Revenue Note (Winona State University Foundation Student Housing Project) Series 2025A (the "Authority Note"), (ii) City of St. Charles, Minnesota Student Housing Revenue Note (Winona State University Foundation Student Housing Project) Series 2026A (the "St. Charles Note"), and (iii) City of Rushford, Minnesota Student Housing Revenue Note (Winona State University Foundation Student Housing Project) Series 2026B (the "Rushford Note") and together with the Authority Note and the St. Charles Note, (the "Notes"), in the total aggregate principal amount not to exceed \$26,000,000;

(e) The "project" consists of (i) financing, and refinancing by the prepayment of prior taxable obligations, in part, the acquisition, construction, and equipping of an approximately 85,566 square-foot student housing facility consisting of approximately 183 units with approximately 344 beds, including 2 director units, to be located on approximately one acre on the northeast corner of Main Street and West Mark Street, in Winona (the "Facility"); (ii) funding required reserve funds, if any; and (iii) paying all or a portion of the costs of issuance (collectively, the "Project"). The Facility will be owned by the Borrower and leased to and operated by Winona State University;

(f) The Authority has been advised by representatives of the Borrower that conventional, commercial financing to pay the capital cost of the Project is available only on a limited basis and at such high costs of borrowing that the economic feasibility of operating the Project would be significantly reduced;

(g) Commissioner Cichanowski has (i) disclosed in writing a potential personal and financial conflict of interest related to the proposed transaction with the Lender (as defined herein), which could result from his business and financial interests and relationships with an affiliate of the Lender, and (ii) abstained from voting on, discussing, or otherwise attempting to influence the Authority's decision with respect to the proposed transaction, in accordance with the requirements of Minnesota Statutes Section 471.88, subdivision 11;

(h) Based on representations of the Borrower, no public official of the Authority other than Commissioner Cichanowski has either a direct or indirect financial interest in the Project nor will any public official other than Commissioner Cichanowski either directly or indirectly benefit financially from the Project;

(i) The Notes, as and when issued, will not constitute a charge, lien or encumbrance upon any property of the Authority, St. Charles, Rushford, or Winona and will not be a charge against the general credit or taxing powers of the Authority, St. Charles, Rushford, or Winona;

(j) As required by the Act and Section 147(f) of the Code, a notice of public hearing was published in the Authority's official newspaper and newspaper of general circulation, for a public hearing on the proposed issuance of

the Authority Note by the Authority and the proposal of the Borrower to undertake and finance the Project;

(k) As required by the Act and Section 147(f) of the Code, the Board of Commissioners has on this same date held a public hearing on the issuance of the Authority Note by the Authority and the proposal by the Borrower to undertake and finance the Project, at which hearing all those appearing who desired to speak were heard and written comments were accepted.

BE IT RESOLVED by the Board of Commissioners of the Port Authority of the City of Winona, Minnesota (the "Authority"), as follows:

SECTION 1. LEGAL AUTHORIZATION AND FINDINGS.

1.1 Findings. The Authority hereby finds, determines and declares as follows:

(a) the Authority is a public body corporate and politic and a political subdivision of the State of Minnesota and is authorized under the Act to assist the project referred to herein, and to issue and sell the Authority Note, as hereinafter defined, for the purpose, in the manner, and upon the terms and conditions set forth in the Act and in this Resolution.

(b) The issuance and sale of the Port Authority of the City of Winona, Minnesota Student Housing Revenue Note (Winona State University Foundation Student Housing Project), Series 2025A (the "Authority Note") by the Authority, pursuant to the Act, is in the best interest of the Authority, and the Authority hereby determines to issue the Authority Note and to sell the Authority Note to Merchants Bank, National Association in Winona, Minnesota or another bank in Minnesota (the "Lender"). The Authority will loan the proceeds of the Authority Note (the "Loan") to the Borrower in order to finance, in part, the Project.

(c) Pursuant to a Series 2025A Loan Agreement (the "Loan Agreement") to be entered into between the Authority and the Borrower, the Borrower has agreed to repay the Authority Note in specified amounts and at specified times sufficient to pay in full when due the principal of, premium, if any, and interest on the Authority Note. In addition, the Loan Agreement contains provisions relating to the construction, maintenance, and operation of the Project, indemnification, insurance, and other agreements and covenants which are required or permitted by the Act and which the Authority and the Borrower deem necessary or desirable for their financing and refinancing of the Project. A draft of the Loan Agreement has been submitted to the Board of Commissioners.

(d) Pursuant to a Series 2025A Pledge Agreement (the "Pledge Agreement") to be entered into between the Authority and the Lender, the Authority has pledged and granted a security interest in all of its rights, title, and interest in

the Loan Agreement to the Lender (except for certain rights of indemnification and to reimbursement for certain costs and expenses). A draft of the Pledge Agreement has been submitted to the Board of Commissioners.

(e) Pursuant to a Mortgage, Security Agreement, Fixture Financing Statement and Assignment of Leases and Rents (the "Mortgage") given by the Borrower to the Lender, the Borrower has secured payment of amounts due under the Loan Agreement and Notes by granting to the Lender a mortgage and security interest in the property described therein. A draft of the Mortgage has been submitted to the Board of Commissioners. The Authority is not a party to the Mortgage.

(f) The Authority Note will be a special, limited obligation of the Authority. The Authority Note shall not be payable from or charged upon any funds other than the revenues pledged to the payment thereof, nor shall the Authority be subject to any liability thereon. No holder of the Authority Note shall ever have the right to compel any exercise of the taxing power of the Authority to pay the Authority Note or the interest thereon, nor to enforce payment thereof against any property of the Authority. The Authority Note shall not constitute a debt of the Authority within the meaning of any constitutional or statutory limitation.

(g) On the basis of information available to the Authority it appears, and the Authority hereby finds, that the Project constitutes properties, real and personal, used or useful in connection with one or more revenue producing enterprises within the meaning of the Act; that the Project furthers the purposes stated in the Act; that the availability of the financing under the Act and the willingness of the Authority to furnish such financing will be a substantial inducement to the Borrower to undertake the Project, and that the effect of the Project, if undertaken, will be to assist in the prevention of the emergence of blighted and marginal land, to help prevent chronic unemployment, to help the surrounding area retain and eventually improve the tax base, to provide the range of service and employment opportunities required by the population, to help prevent the movement of talented and educated persons out of the state and to areas within the state where their services may not be as effectively used, and to promote more intensive development and use of land within Winona and surrounding communities, and to provide available adequate student housing facilities to residents of the state at a reasonable cost.

(h) It is desirable, feasible, and consistent with the objects and purposes of the Act to issue the Authority Note, for the purpose of financing and refinancing the costs of the Project.

SECTION 2. THE AUTHORITY NOTE.

2.1 Authorized Amount and Form of Authority Note. The Authority Note is hereby approved and shall be issued pursuant to this Resolution in substantially the form submitted to the Board of Commissioners with such

appropriate variations, omissions and insertions as are necessary and appropriate and are permitted or required by this Resolution, and in accordance with the further provisions hereof; and the total aggregate principal amount of the Authority Note that may be outstanding hereunder is expressly limited to not more than \$10,000,000, but presently expected to be \$9,000,000, unless a duplicate Note is issued pursuant to Section 2.7. The Authority Note shall bear interest at a rate or rates as set forth therein.

2.2 the Authority Note. The Authority Note shall be dated as of the date of delivery to the Lender, shall be payable at the times and in the manner, shall bear interest at the rate, and shall be subject to such other terms and conditions as are set forth therein.

2.3 Execution. The Authority Note shall be executed on behalf of the Authority by the signatures of its Vice President and the Executive Secretary and shall be sealed with the seal of the Authority; provided that the seal may be intentionally omitted as provided by law. In case any officer whose signature shall appear on the Authority Note shall cease to be such officer before the delivery of the Authority Note, such signature shall nevertheless be valid and sufficient for all purposes, the same as if such officer had remained in office until delivery. In the event of the absence or disability of the Vice President or the Executive Secretary such officers of the Authority as, in the opinion of the Authority Attorney, may act in their behalf, shall without further act or authorization of the Board of Commissioners execute and deliver the Authority Note.

2.4 Delivery of Initial Authority Note. Before delivery of the Authority Note there shall be filed with the Lender (except to the extent waived by the Lender) the following items:

- (1) an executed copy of each of the following documents:
 - (a) the Loan Agreement;
 - (b) the Pledge Agreement;
 - (c) the Mortgage;
- (2) an opinion of Counsel for the Borrower as prescribed by the Lender and Bond Counsel;
- (3) the opinion of Bond Counsel as to the validity and tax exempt status of the Authority Note;
- (4) a 501(c)(3) determination letter from the Internal Revenue Service evidencing that the Sole Member is exempt from income taxation under Section 501(c)(3) of the Code; and

(5) such other documents and opinions as Bond Counsel may reasonably require for purposes of rendering its opinion required in subsection (3) above or that the Lender may reasonably require for the closing.

2.5 Disposition of Proceeds of the Authority Note. Upon delivery of the Authority Note to the Lender, the Lender shall, on behalf of the Authority, disburse the proceeds of the Authority Note for financing, in part, the Project in accordance with the terms of the Loan Agreement.

2.6 Registration of Transfer. The Authority will cause to be kept at the office of the Executive Secretary a Note Register in which, subject to such reasonable regulations as it may prescribe, the Authority shall provide for the registration of transfers of ownership of the Authority Note. The Authority Note shall be initially registered in the name of the Lender and shall be transferable upon the Authority Note Register by the Lender in person or by its agent duly authorized in writing, upon surrender of the Authority Note together with a written instrument of transfer satisfactory to the Executive Secretary, duly executed by the Lender or its duly authorized agent. The following form of assignment shall be sufficient for said purpose.

For value received _____ hereby sells, assigns and transfers unto _____ the within Note of the Port Authority of the City of Winona, Minnesota, and does hereby irrevocably constitute and appoint _____ attorney to transfer said Note on the books of said City with full power of substitution in the premises. The undersigned certifies that the transfer is made in accordance with the provisions of Section 2.9 of the Resolution authorizing the issuance of the Note.

Dated: _____

Registered Owner

Upon such transfer the Executive Secretary shall note the date of registration and the name and address of the new Lender in the applicable Note Register and in the registration blank appearing on the Authority Note.

2.7 Mutilated, Lost or Destroyed Note. In case the Authority Note issued hereunder shall become mutilated or be destroyed or lost, the Authority shall, if not then prohibited by law, cause to be executed and delivered, a new Note of like outstanding principal amount, number and tenor in exchange and substitution for and upon cancellation of such mutilated Note, or in lieu of and in substitution for such Note destroyed or lost, upon the Lender's paying the reasonable expenses and charges of the Authority in connection therewith, and in the case of a Note destroyed or lost, the filing with the Authority of evidence satisfactory to the Authority with indemnity satisfactory to it. If the mutilated, destroyed or lost Note

has already matured or been called for redemption in accordance with its terms it shall not be necessary to issue a new Note prior to payment.

2.8 Ownership of Note. The Authority may deem and treat the person in whose name the Authority Note is last registered in the Authority Note Register and by notation on the Authority Note whether or not such Note shall be overdue, as the absolute owner of such Note for the purpose of receiving payment of or on account of the Principal Balance, redemption price or interest and for all other purposes whatsoever, and the Authority shall not be affected by any notice to the contrary.

2.9 Limitation on Note Transfers. The Authority Note will be issued to an “accredited investor” and without registration under state or other securities laws, pursuant to an exemption for such issuance; and accordingly the Authority Note may not be assigned or transferred in whole or part, nor may a participation interest in the Authority Note be given pursuant to any participation agreement, except to another “accredited investor” or “financial institution” in accordance with an applicable exemption from such registration requirements and with full and accurate disclosure of all material facts to the prospective purchaser(s) or transferee(s).

2.10 Issuance of a New Note. Subject to the provisions of Section 2.9, the Authority shall, at the request and expense of the Lender, issue a new note, in aggregate outstanding principal amount equal to that of the Authority Note surrendered, and of like tenor except as to number, principal amount, and the amount of the periodic installments payable thereunder, and registered in the name of the Lender or such transferee as may be designated by the Lender.

SECTION 3. GENERAL COVENANTS.

3.1 Payment of Principal and Interest. The Authority covenants that it will promptly pay or cause to be paid the principal of and interest on the Authority Note at the place, on the dates, solely from the source and in the manner provided herein and in the Authority Note. The principal and interest are payable solely from and secured by revenues and proceeds derived from the Loan Agreement and the Pledge Agreement, which revenues and proceeds are hereby specifically pledged to the payment thereof in the manner and to the extent specified in the Authority Note, the Loan Agreement, and the Pledge Agreement; and nothing in the Authority Note or in this Resolution shall be considered as assigning, pledging, or otherwise encumbering any other funds or assets of the Authority.

3.2 Performance of and Authority for Covenants. The Authority covenants that it will faithfully perform at all times any and all covenants, undertakings, stipulations and provisions contained in this Resolution, in the Authority Note executed, authenticated and delivered hereunder and in all proceedings of the Board of Commissioners pertaining thereto; that it is duly

authorized under the Constitution and laws of the State of Minnesota including particularly and without limitation the Act, to issue the Authority Note authorized hereby, pledge the revenues and assign the Loan Agreement in the manner and to the extent set forth in this Resolution, the Authority Note, the Loan Agreement, and the Pledge Agreement; that all action on its part for the issuance of the Authority Note and for the execution and delivery thereof has been duly and effectively taken; and that the Authority Note in the hands of the Lender is and will be a valid and enforceable special limited obligation of the Authority according to the terms thereof.

3.3 Enforcement and Performance of Covenants. The Authority agrees to enforce all covenants and obligations of the Borrower under the Loan Agreement, upon request of the Lender and being indemnified to the satisfaction of the Authority for all expenses and claims arising therefrom, and to perform all covenants and other provisions pertaining to the Authority contained in the Authority Note and the Loan Agreement and subject to Section 3.4.

3.4 Nature of Security. Notwithstanding anything contained in the Authority Note, the Loan Agreement, the Pledge Agreement, or any other document referred to in Section 2.4 to the contrary, under the provisions of the Act the Authority Note may not be payable from or be a charge upon any funds of the Authority other than the revenues and proceeds pledged to the payment thereof, nor shall the Authority be subject to any liability thereon, nor shall the Authority Note otherwise contribute or give rise to a pecuniary liability of the Authority or, to the extent permitted by law, any of the Authority's officers, employees and agents. No holder of the Authority Note shall ever have the right to compel any exercise of the taxing power of the Authority to pay the Authority Note or the interest thereon, or to enforce payment thereof against any property of the Authority other than the revenues pledged under the Pledge Agreement; and the Authority Note shall not constitute a charge, lien or encumbrance, legal or equitable, upon any property of the Authority; and the Authority Note shall not constitute a debt of the Authority within the meaning of any constitutional or statutory limitation; but nothing in the Act impairs the rights of the Purchaser to enforce the covenants made for the security thereof as provided in this Resolution, the Loan Agreement, and the Pledge Agreement, and in the Act, and by authority of the Act the Authority has made the covenants and agreements herein for the benefit of the Lender; provided that in any event, the agreement of the Authority to perform or enforce the covenants and other provisions contained in the Authority Note, the Loan Agreement, and the Pledge Agreement, shall be subject at all times to the availability of revenues under the Loan Agreement sufficient to pay all costs of such performance or the enforcement thereof, and the Authority shall not be subject to any personal or pecuniary liability thereon.

3.5 Qualified Tax Exempt Obligation. In order to qualify the Authority Note as a "qualified tax-exempt obligation" within the meaning of Section

265(b)(3) of the Internal Revenue Code of 1986, as amended (the "Code"), the Authority hereby makes the following factual statements and representations;

(a) the Authority Note is not treated as a "private activity bond" under Section 265(b)(3) of the Code;

(b) the Authority hereby designates the Authority Note as a qualified tax-exempt obligation for purposes of Section 265(b)(3) of the Code;

(c) the reasonably anticipated amount of tax-exempt obligations (other than obligations described in clause (ii) of Section 265(b)(3)(C) of the Code) which will be issued by the Authority (and all entities whose obligations will be aggregated with those of the Authority) during the calendar year 2025 will not exceed \$10,000,000;

(d) not more than \$10,000,000 of obligations issued by the Authority during the calendar year 2025 have been designated for purposes of Section 265(b)(3) of the Code; and

(e) the aggregate face amount of the Authority Note does not exceed \$10,000,000.

SECTION 4. MISCELLANEOUS.

4.1 Severability. If any provision of this Resolution shall be held or deemed to be or shall, in fact, be inoperative or unenforceable as applied in any particular case in any jurisdiction or jurisdictions or in all jurisdictions or in all cases because it conflicts with any provisions of any constitution or statute or rule or public policy, or for any other reason, such circumstances shall not have the effect of rendering the provision in question inoperative or unenforceable in any other case or circumstance, or of rendering any other provision or provisions herein contained invalid, inoperative, or unenforceable to any extent whatever. The invalidity of any one or more phrases, sentences, clauses or paragraphs in this Resolution contained shall not affect the remaining portions of this Resolution or any part thereof.

4.2 Authentication of Transcript. The officers of the Authority are directed to furnish to Bond Counsel certified copies of this Resolution and all documents referred to herein, and affidavits or certificates as to all other matters which are reasonably necessary to evidence the validity of the Authority Note. All such certified copies, certificates and affidavits, including any heretofore furnished, shall constitute recitals of the Authority as to the correctness of all statements contained therein.

4.3 Authorization to Execute Agreements. The forms of the proposed Loan Agreement and the Pledge Agreement are hereby approved in substantially

the form presented to the Board of Commissioners, together with such additional details therein as may be necessary and appropriate and such modifications thereof, deletions therefrom and additions thereto as may be necessary and appropriate and approved by Bond Counsel prior to the execution of the documents. The Vice President and the Executive Secretary of the Authority are authorized to execute the Loan Agreement and the Pledge Agreement and such other documents as Bond Counsel consider appropriate in connection with the issuance of the Authority Note, in the name of and on behalf of the Authority. In the event of the absence or disability of the Vice President or the Executive Secretary such officers of the Authority as, in the opinion of the Authority Attorney, may act on their behalf, shall without further act or authorization of the Board of Commissioners do all things and execute all instruments and documents required to be done or executed by such absent or disabled officers. The execution of any instrument by the appropriate officer or officers of the Authority herein authorized shall be conclusive evidence of the approval of such documents in accordance with the terms hereof.

Adopted by the Board of Commissioners of the Port Authority of the City of Winona, Minnesota, this 13th day of November, 2025.

4. NEW BUSINESS

A. 2026 Service Contract for the Winona Main Street Program

Development Coordinator Nick Larson stated as part of the budgeting process, the Port Authority approved \$35,000 in its 2026 budget to support the Winona Main Street Program through the Winona Area Chamber of Commerce.

Mr. Larson noted the Port Authority has financially supported the Winona Main Street Program for several years. Mr. Larson informed the Commissioners that the Chamber hired Travis Lybeck as the new Director of Main Street. Mr. Larson stated that as a member of the Main Street Steering Committee, Mr. Lybeck has brought renewed energy and fresh ideas to the Main Street Program.

A motion to authorize the President and Executive Secretary to execute the Service Contract was made by Commissioner Borzyskowski and seconded by Commissioner Gorman. All Commissioners present voted aye.

5. FINANCIALS

Mr. Larson reviewed the Q3 Revolving Loan and Emergency COVID Loan Reports.

Mr. Larson stated Fund 921 is the loan provided to Metro Plains for the rehabilitation of the former Middle School. Mr. Larson state that all loan recipients from Fund 922 are current with the exception of one, which Mr. Larson

stated staff has been trying to contact to develop a payment plan to get the loan current. Mr. Larson continued onto Fund 923, which has been used for the rehabilitation of The Exchange Building and as leverage for when the City applied for and was awarded \$298,000 from Minnesota Housing's Workforce Housing Development Program to assist with Chris Sanchez's project of fourteen workforce housing units.

Mr. Larson reviewed the Emergency COVID Loan Report, which the Port Authority partnered with the Winona Area Chamber of Commerce Foundation, WNB Financial, and Merchants Bank to provide loans to twenty-six businesses. Mr. Larson noted all loan recipients are current or have paid their loan off early, except for two businesses. One that declared bankruptcy a couple of years ago and another where the business owner passed away.

Director of Finance Jessica Wojahn noted the proceeds from the sale of 2 Kansas have been received in revenue. Ms. Wojahn reviewed the Sales and Use Tax Report.

President Cichanowski and Ms. McMartin reviewed the Barge Activity Report.

Ms. McMartin noted the License Agreement between the Port Authority and Winona County for the use of the former Pro-Build parking lot was set to expire at the end of this year. Ms. McMartin informed the Commissioners that there is a clause within the License Agreement that allows Winona County to provide the Port Authority with a written request to use the parking lot through March 2026. Ms. McMartin noted the County exercised the extension.

6. ADJOURNMENT

A motion to adjourn the meeting was made by Commissioner Hansen, and seconded by Commissioner Lucas. All Commissioners present voting Aye. The meeting adjourned at 4:17 pm.

Nick Larson
Development Coordinator

Mike Cichanowski
President

**PORT AUTHORITY OF WINONA
ROLL CALL AND VOTE SHEET
NOVEMBER 13, 2025**

Name	Approval of Minutes September 23, 2025	Public Hearing: WSU Foundation Conduit Debt	2026 Service Contract for the Winona Main Street Program	Financial Report	Adjournment
Cichanowski	Aye	Abstained	Aye	Informational No Vote	Aye
Johnson	Aye	Aye	Aye	Informational No Vote	Aye
Gorman	Aye	Aye	2 nd & Aye	Informational No Vote	Aye
Borzyskowski	1 st & Aye	2 nd & Aye	1 st & Aye	Informational No Vote	Aye
Young	Aye	Aye	Aye	Informational No Vote	Aye
Hansen	Aye	Abstained	Aye	Informational No Vote	1 st & Aye
Lucas	2 nd & Aye	1 st & Aye	Aye	Informational No Vote	2 nd & Aye

PORT AUTHORITY AGENDA ITEM

AGENDA ITEM: 3. A. Financial Policy

DATE: January 8, 2026

ATTACHMENT: Financial Management Policies

The City Council reviewed and approved the updated City Financial Management Policy at their meeting held on January 5, 2026. The City's Financial Management Policies are guidelines that help shape the financial management decisions of the City. These policies strive to promote adequate funding of local government services for the community, support a good bond rating, promote stability and continuity, and incorporate Government Finance Officers Association's best practices. The City's financial policies were last revised in 2022.

Staff have worked with Baker Tilly to revise the policy which supports stability, good bond rating, and adequate funding for services. If Commissioners concur, a motion to approve the Policy would be appropriate.

Financial Management Policies

City of Winona, Minnesota



Adopted – ~~October 3, 2022~~ January 5, 2026

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INTRODUCTION

Purpose: The City of Winona has a responsibility to its citizens to plan the adequate funding of services desired by the public, including maintenance of public facilities, financial management and accounting for public funds. The City strives to ensure that it is capable of adequately funding and providing local government services needed by the community. The policies herein are intended to guide the City in these responsibilities and goals.

Objectives: In order to achieve this purpose, the following objectives are established for the City's fiscal performance:

- To enhance the City Council's policy-making ability by providing accurate information on the full costs of current operations, new proposals and capital requests.
- To assist sound management of the City government by providing accurate and timely information on the City's financial condition.
- To provide sound principles to guide the decisions of the City Council (Council) and City staff which have fiscal impacts.
- To employ revenue policies and forecasting tools to identify and prevent undue or unbalanced reliance on certain revenues and to distribute the costs of municipal services fairly and to provide adequate funds to operate desired programs, as determined by the Council.
- To provide and improve essential public facilities and prevent deterioration of the City's infrastructure in order to assist in long-term cost-effective provision of City services.
- To protect and enhance the City's credit rating and prevent default on any municipal debt obligations.
- To ensure the legal use and protection of all City funds through a good system of financial and accounting controls.
- To record transactions in a manner which matches current revenues to current expenditures (full cost including benefits and depreciation).
- To report year-end financial information in accordance with generally accepted accounting principles (GAAP) and in accordance with recommended best practices as promulgated by the Government Finance Officers Association (GFOA).

BUDGETARY AND FINANCIAL CONTROL POLICY

- The main financial controls include:
 - Budget compilation
 - Budget monitoring
 - Central purchasing
 - Capital improvement financing
 - Screening of Conduit Debt applications (see Conduit Debt Policy)
 - Cash and investment management
 - Monitoring financial data for warning signals or trends
 - Preparation of financial summary reports for key funds with periodic reports to the City Council
 - Payroll
 - Accounts Receivable
 - Receipts, Collections, and Customer Billing
 - Accounts Payable
- The City will maintain a program for the investment of funds consistent with the City's Investment Policy.
- The City will strive to maintain an undesignated and unreserved General Fund Balance in the range of 45-50% of the General Fund revenues and/or expenditure of a balanced budget for the following year. If the City has more than the required annual Fund Balance any excess may be used as the City-Council designates.
- Primary responsibility in the management of budgeted funds lies with the Department Directors. Such management includes, but is not limited to, reviewing expenditures before authorization, reviewing monthly financial reports to detect errors and assess progress, and staying within expenditure budget authorization. All costs incurred must be reasonable and necessary. Department Directors shall be responsible for contacting the Finance Director should there be any questions regarding financial management or if the issue or concern is related to internal controls. The Finance Director and staff will monitor overall budget operating progress routinely throughout the year. Funds may not be expended unless approved in the budget set annually or by specific authority of the City Manager. In cases where the new initiative or unbudgeted expenditure exceeds the limit of \$20,000 in accordance with Minnesota Statutes 412.691, City-Council must approve the expense prior to expending funds.
- The City will not use short-term borrowing, internal or external, to balance the operating budget for the General Fund.
- The City will not sell assets or use one-time accounting principle changes to balance the budget for any fund.

- The City will provide ample time and opportunity for public input into its budget setting deliberations each year.
- The City will establish and maintain the highest standard of accounting practices, in conformity with Generally Accepted Accounting Principles (GAAP) and with recommended best practices as promulgated by the Government Finance Officers Association (GFOA).
- The City will strive to obtain each year the annual GFOA Certificate of Achievement for Excellence in Financial Reporting.
- The City will adopt a balanced General Fund budget where revenues offset expenditures without the use of reserves.

REVENUE POLICY

- The City will endeavor to maintain a diversified and stable revenue system to shelter it from annual fluctuations in any one revenue source.
- The City will conservatively estimate and budget for its annual revenues by an objective, analytical process. All existing and potential revenue sources will be re-examined annually.
- The City will seek a balanced tax base through support of a sound mix of residential, commercial, and industrial development.
- User fees support the City's ability to provide services to the public. A user fee policy helps ensure that fees are fair and equitable. Fees support the City's ability to provide services to the public. Fees raise revenue to cover the cost of providing a service. Different public services have different characteristics that effect the City's ability to charge fees in a fair, equitable, and cost effective manner. The City will follow all applicable state laws governing fees. Not all public services are a good fit with a fee-for-service approach. For some services that do fit a fee-for-service approach, there may be a case for collecting less than the full cost of providing the service. If a fee is too high, it might discourage people from using a service or following a regulation. In some instances, it may not be practical to charge a fee and if fees are charged, collections may cost more than it would bring in revenue.
 - a. The City will review the fee schedule annually for all governmental funds and ~~set~~ recommend fees to Council annually at a level related to the full cost of providing the services, or as adjusted for particular program goals. Ongoing, the City will review the full cost of activities supported by user fees to identify the impact of inflation and other cost increases and will review these fees along with the resulting net property tax costs with the ~~City~~ Council at budget time. Sensitivity to market rates will also be considered in setting fees.

b. The City will ~~set-recommend~~ fees and user charges to Council annually for each enterprise fund at a level that supports the total direct and indirect cost of the activity or as adjusted for particular program goals, including depreciation of capital assets and debt service, to maintain a positive cash flow and provide adequate working capital. Replacement (or bonding for replacement) of enterprise infrastructure will be paid for from accumulated (or annual) earnings of the particular system and committed future revenues. Certain funds will be partially funded by debt levies, as determined at the beginning of each budget cycle. The City will avoid cross-subsidization or using the revenue gained from charging a fee for one service to fund a different service.

i. The following enterprise funds will strive to cover operating costs with user charges: Water Fund, Sanitary Sewer Fund, Inspections Fund, and Storm Sewer Fund

•ii. The following enterprise funds will present user charges that are subsidized to meet program goals: Airport Fund, Public Transportation, Recreation Fund, and Library Fund

- Operating transfers may be made as needed. A transfer of equity from an enterprise fund to the General Fund should only be done on a one-time exception basis, for example, to fund an unusual, extraordinary expense. If not to close out the fund, a repayment plan must be developed. Equity transfers including closing out funds that are no longer being used, must be approved in advance by the ~~City~~ Council. Recreation type enterprise funds shall be considered on a combined basis for purposes of this policy and evaluation of financial performance.

EXPENDITURE POLICY

Purpose

The ~~City~~ Council (~~Council~~) recognizes that public funds may only be spent if the expenditure meets a public purpose and the expenditure relates to the governmental purpose for which the City of Winona (City) was created.

The Public Purpose Doctrine outlined in Minnesota Constitution, Articles X-XII, allows taxation for furthering a public purpose but generally prohibits enacting local or special ordinances or laws to tax for a private purpose. Minnesota Constitution also generally prohibits cities from donating money or loaning the credit of the state for the specific purpose to aid an individual, an association, or a corporation. This does not mean, however, that a city can never contribute to an association or a corporation; but, in order to do so, the expenditure must further a public purpose and must be authorized by statute or charter.

The meaning of “public purpose” is constantly evolving. The Minnesota Supreme Court has followed a broad approach and has generally concluded that “public purpose” means an activity that meets ALL of the following standards:

- The activity will primarily benefit the community as a body.
- The activity is directly related to functions of government.
- The activity does not have as its primary objective the benefit of a private interest whether profit or not-for-profit.

The Minnesota Supreme Court further clarified that activities that promote the following objectives for the benefit of all the city’s residents further a public purpose:

- Public health
- Safety
- General welfare
- Security
- Prosperity
- Contentment

In matters regarding requests for expenditures that do not clearly meet the public purpose doctrine’s intent, staff will seek the opinion of the city attorney and document reasonable findings to support any decision made with regard to funding such requests. There is a public benefit in ensuring high employee productivity and morale.

This policy is intended to provide guidelines regarding which expenditures are for public purposes and authorized in accordance with the City’s annual budget process, and which expenditures are not considered to fall within the public purpose definition and are therefore not allowed.

Responsibility

The City Manager is the responsible authority overseeing all City expenditures and, as such, is the chief purchasing agent for the City. Responsibility for administering this Expenditure Policy has been delegated to the Finance Department. Further, all officers and employees authorized by their Department to make purchases for the benefit of their respective departments are responsible for complying with this policy and corresponding procedures.

Policy

Expenditures of public funds must comply with the public purpose standards defined above. When reviewing an expenditure to verify the standards have been met, the City Manager, or his/her designee, should consider the time of day the event is held, the business purpose of the event, whether the event was intended to attract non-City employees, the frequency of the event, and the reasonableness of the cost.

Documentation

All expenses allowed above must be fully documented. The expected documentation will include: date and time of the event, business reason for the event, staff and non-city representatives in attendance, and a receipt for the actual purchase. Supervisor approval and written documentation is required for use of City assets. Failure to provide sufficient documentation may result in a denial of the expense.

Any expenditure for meals or refreshments shall be made in accordance with the City's Travel Policy within the Administrative Manual.

Periodic Review

This policy shall be reviewed periodically but at least every five years by the City Manager or designee.

Enforcement

Compliance failures, whether noted internally by management, or through the external audit process, will be addressed immediately by reviewing the reason for the failure with responsible personnel and devising an improved process to encourage compliance in the future.

INVESTMENT POLICY

Purpose

This policy has been developed to serve as a reference point for the management of City assets. It is the policy of the City to invest public funds in a manner which provides for the following in order of importance: Safety; Liquidity; and Yield (return on investment) that conforms to all federal, state and local regulations governing the investment of public funds. All investments purchased by the City are expected to be held until maturity. The City will invest in securities that match the City's operational, short-term and longer-term core reserve needs. The City will have two types of portfolios for reporting purposes:

- Short-Term - No less than 50 percent of the total portfolio will be under 5 years to maturity
- Long-Term - No more than 10 percent of the portfolio will be greater than 5 years to maturity

Separate written procedures have been developed for the appropriate balance of risk and return for each of the funds under the City's control.

Scope

This Investment Policy applies to all financial assets of the City. All cash and investments are pooled together to achieve economies of scale for each entity. These funds are accounted for in the Annual Comprehensive Financial Report (ACFR) and include all City and Port Authority funds:

- General Fund
- Special Revenue Funds
- Capital Project Funds
- Debt Service Funds
- Enterprise Funds
- Internal Service Funds
- Fiduciary Funds

Prudence

The City shall follow the standard prudent investor rule which states that investment decisions shall be made with care, skill, prudence, and diligence that a prudent person acting in a like capacity and familiar with such matters would use in the conduct of an investment activity for a public entity. Investments shall be made with judgment and care under circumstances existing at the time the investment is made. using good judgement or common sense in making investments that would be generally acceptable as sound.

Investment officers acting in accordance with written procedures and this investment policy and exercising due diligence shall be relieved of personal liability for an individual security's credit risk or market price changes, provided deviations from expectations are reported in a timely fashion and appropriate action is taken to control adverse situations. Investment procedures developed for the Finance Department must be complied with by those with access to and management responsibilities for City investments.

~~Investments shall be made with judgment and care under circumstances existing at the time the investment is made. The standard of prudence to be used by investment officials shall be the "prudent person" standard and shall be applied in the context of managing an overall portfolio. The prudent person standard requires that an individual or fiduciary, in this case, will use good judgement or common sense in making investments that would be generally acceptable as sound. Investment officers acting in accordance with written procedures and the investment policy and exercising due diligence shall be relieved of personal liability for an individual security's credit risk or market price changes, provided deviations from expectations are reported in a timely fashion and appropriate action is taken to control adverse situations. Investment procedures developed for the Finance Department must be complied with by those with access to and management responsibilities for City investments.~~

Objective

The primary objective of the City of Winona's investment activities shall be:

• **A. Safety** - Safety of principal is of critical importance to the investment program. Investments of the City shall be undertaken in a manner that seeks to ensure the preservation of principal in the overall portfolio. The objective will be to mitigate credit risk and interest rate risk.

- **1. Credit Risk** - the risk of loss due to failure of the security issuer or backer will be minimized by:
 - Limiting investments to the types of securities listed ~~in Section IX~~ under "Authorized and Suitable Investments" section of this investment policy.
 - Pre-qualifying the financial institutions, broker/dealers, intermediaries, and advisors with which the City will do business in accordance with "Financial Service Providers" section of this investment policy. Section VIII.
 - Diversifying the investment portfolio so that the impact of potential losses from any one type of security or from any one individual issuer will be minimized. Insurance or collateral may be required to ensure return of principal.
- **2. Interest Rate Risk** - the risk that the market value of securities in the portfolio will fall due to changes in market interest rates will be minimized to:
 - Provide for liquidity by reviewing cash flow requirements and make investments to meet the shorter cash flow needs, thereby avoiding the need to sell securities in the open market prior to maturity.
 - Manage the average maturity of the short-term portfolio to be consistent with the risk profile of the City, not to exceed 3.52 years.
 - Manage the average maturity of the long-term portfolio to be consistent with the risk profile of the City, not to exceed 7.55 years.

B. Liquidity - The City's investment portfolio will remain sufficiently liquid to enable the City to meet all operating requirements as reasonably anticipated. The portfolio will be structured so that the liquid component of the portfolio will be invested only in short-term securities maturing in less than thirty days. Additionally, the portfolio should consist largely of securities with active secondary or resale markets (dynamic liquidity). Furthermore, a portion of the portfolio may be placed in money market mutual funds or local government investment pools which offer same day liquidity for short-term funds. ~~or short-term securities maturing in less than thirty days. The portfolio should consist largely of securities with active secondary or resale markets to allow for ease in selling, if needed.~~

C. Yield/Return on Investment - The City's investment portfolio shall be designed with the objective of attaining a market rate of return. The core of investments is limited to low-risk securities in anticipation of earning a fair return relative to the risk being assumed. Securities shall generally be held until maturity with the following exceptions:

- A security with declining credit may be sold early to minimize loss of principal.
- A security swap would improve the quality, yield, or target duration in the portfolio.

- Liquidity needs of the portfolio require that the security be sold.

Delegation of Authority

The investment program shall be operated in conformance with federal, state, and other legal requirements. Authority to manage the City's investment program is derived from the following:

- Minnesota Statutes 118A, Municipal Funds

Management responsibility for the investment program is hereby delegated by the City Manager to the Finance Director, who shall establish written procedures for the operations of the Investment Program consistent with this Investment Policy. The Finance Director, with assistance from finance department staff, shall:

- Monitor performance of the investment portfolio
- Ensure funds are invested in accordance with the policy
- Analyze, recommend and implement policy and operational procedures that will enhance the City's investment program
- Ensure that proper internal controls are developed to safeguard investment assets

Procedures should include reference to: safekeeping, delivery versus payment, and investment accounting. Such procedures shall include explicit delegation of authority to persons responsible for investment transactions. No person may engage in an investment transaction except as provided under the terms of this Policy and the procedures established by the Finance Director. The Finance Director shall be responsible for all investment transactions and shall establish a system of controls to regulate the activities of subordinates.

Ethics and Conflicts of Interest

The City Manager, Finance Director, Port Authority and Finance staff involved in the investment process shall refrain from conducting personal business activity that could conflict with proper execution of the investment program, or which could impair their ability to make impartial investment decisions. Investment staff shall annually disclose to the City Clerk any material financial interests as required by state statute on an annual Statement of Economic Interest form. Investment staff shall subordinate their personal investment transactions to those of the City, particularly with regard to the time of purchases and sales, and shall refrain from undertaking personal investment transactions with the same individual with whom business is conducted on behalf of the City.

Financial Service Providers

The Finance Department will maintain a list of financial institutions authorized to provide investment services. Financial Institutions will document that they have read and will comply with the City's Investment Policy. Public deposits shall be made in a qualified public depository as

established by state laws. The purchase of all investments must be from qualified financial service providers via established bid procedures. The City does not consider information advice from brokers on bond proceeds.

Financial service providers who desire to become qualified bidders for investment transactions must supply the Finance Department with the following upon request:

- Audited Financial Statements
- Completed Broker/Dealer Certificate
- Certification of having read the City's Investment Policy
- Depository Contracts
- Credit Report
- Proof of FINRA (Financial Industry Regulatory Authority) membership
- Proof of State Registration
- Evidence of adequate insurance coverage

Authorized and Suitable Investments

Based on the investment objectives as defined ~~in section IV of this~~ under "Objective" section of this Investment policy, the City will limit its investments to the following types of securities:

- A. **Money Market Funds** may be held with next day withdrawal capacity to provide for daily liquidity requirements. These money markets must be AA. They may only invest in securities with a final maturity no longer than 13 months and for which the Finance Department has obtained and reviewed the fund prospectus.
- B. **Savings/demand deposits.** A financial institution that is qualified as a "depository" of public funds of government entities. The City may hold balances in qualified bank deposits. Funds may be held in savings accounts at approved depository banks. If balances are greater than the FDIC limit, collateral of 110 percent will be held for the excess balances.
- C. **Banker's acceptances. Short term debt instruments issued by firms guaranteed by commercial banks.** Purchased on the secondary market, these should be rated with the highest short-term credit rating of any two Nationally Recognized Statistical Rating Organizations (NRSROs), at the time of purchase. If the banker's acceptance is rated by more than two NRSROs, it must have the highest rating from all the organizations. Maximum maturity will be 270 days.
- D. **Commercial paper.** Short term unsecured debt which has been issued by a United States corporation or their Canadian subsidiaries and is not a limited liability corporation (LLC) to fund their day to day operational needs. Maturities typically range from one day to 270 days. The City may only buy paper that meets the Minnesota Statute 118A with the exception that no Asset Backed or Structured Investment

Vehicle (SIV) commercial paper is allowed. Only commercial paper with two of the three highest quality ratings of A1, P1, F1 and the underlying issuer of the commercial paper must have a long-term debt rating of AA to be utilized.

- E. **U.S. Treasury obligations** including bonds, notes, Treasury bills, or other securities which are direct obligations of the United States. Instruments sold and issued by the U.S. government carry the full faith guarantee of the U.S. government. These instruments provide the highest quality available to purchase and are highly liquid.
- F. **U.S. Agency Government Sponsored Enterprises (GSEs)** are instrumentalities, or organizations created by an act of Congress. GSE securities have the implied guarantee of the U.S. government and are privileged to certain access to capital and support of government programs. The issuers are generally considered to have the second highest credit quality in the fixed income markets and provide higher yields than U. S. treasury obligations. The ratings on all the agencies in which the City can invest are the highest available and include the following specific issuers:

- FHLB: The Federal Home Loan Bank System (FHLB) was created by Congress in 1932 and acts as a source of funds for its nearly 8,000 member banks. FHLB does not purchase home mortgages to the same extent as Freddie Mac and Fannie Mae, but primarily lends money to homeowners through its member financial institutions. FHLB System members include commercial banks, thrifts, credit unions and insurance companies. Each member is a shareholder in one of the 12 regional Federal Home Loan Banks; each regional bank is an individual corporate entity, which must meet strict management and capitalization criteria befitting its GSE status. The FHLB System is regulated by the Federal Housing Finance Board (FHFB) and the Office of Finance (OF).
- FHLMC: The Federal Home Loan Mortgage Corporation encompasses Freddie Mac; it is housing GSE created by Congress in 1970 to provide liquidity and stability in the home mortgage market, thereby increasing the flow of funds available to mortgage borrowers. In order to accomplish this goal, Freddie Mac does not make individual mortgage loans to consumers. Rather, Freddie Mac purchases mortgages from lenders, thereby allowing them to lend the proceeds to more homebuyers. Freddie Mac is regulated by the Secretary of Housing and Urban Development (HUD) and by the Office of Federal Housing Enterprise Oversight (OFHEO).
- FFCB: The Federal Farm Credit Bureau is an agency of the Federal government set up to supply credit to various classes of institutions and individuals such as farmers and farm cooperatives.
- FNMA: The Federal National Mortgage Association chartered under the Federal National Mortgage Association Act in 1938 is a federal corporation working under the auspices of the Department of Housing and Urban Development (HUD). It is the largest single provider of residential mortgage funds in the United States. Fannie Mae, as the corporation is called, is a private

stockholder-owned corporation. The corporation's purchases include a variety of adjustable mortgages and second loans, in addition to fixed-rate mortgages. FNMA's securities are also highly liquid and are widely accepted. FNMA assumes and guarantees that all security holders will receive timely payment of principal.

- Other issuers: There are other GSE issuers; however, they issue fewer securities and are less active in the marketplace. Therefore, yields typically are slightly higher but they provide less liquidity. The City may purchase other GSE names but will limit the amount held in the portfolio.

G. **Municipal Securities** are registered securities of state/county/local and other governmental agencies. Bonds of the state/county/local and other governmental agencies which have at the time of investment one of the three highest credit ratings of nationally recognized rating agency are allowable investments. They must have a taxing power rating of A, AA or AAA. The City will typically buy only AA or better to provide for quality investments in the portfolio. Any security which is a general obligation of any state or local government with taxing powers which is rated "A" or better by a national bond rating service is allowed. Tax exempt or taxable bonds qualify as long as they meet the rating standards.

H. **Repurchase agreements** consisting of collateral allowable in Minnesota Statute, Chapter 118A, and reverse repurchase agreements may be entered into with any of the following entities:

- A financial institution qualified as a "depository" of public funds of the government entity
- Any other financial institution which is a member of the Federal Reserve System and whose combined capital and surplus equals or exceeds \$10,000,000
- A primary reporting dealer in U.S. government securities to the Federal Reserve Bank of New York
- A securities broker-dealer licensed pursuant to Minnesota Statute, Chapter 80A, or an affiliate of it, regulated by the Securities and Exchange Commission and maintaining a combined capital and surplus of \$40,000,000 or more, exclusive of subordinated debt. Reverse agreements may only be entered into for a period of 90 days or less and only to meet short-term cash flow needs. In no event may reverse repurchase agreements be entered into for the purpose of generating cash for investments, except as stated in Minnesota Statute, Chapter 118A

I. **Guaranteed investment contracts.** Specific project monies may be invested in agreements or contracts for guaranteed investment contracts may be entered into if they are issued or guaranteed by United States commercial banks, domestic branches of foreign banks, United States insurance companies, or their Canadian subsidiaries, or the domestic affiliates of any of the foregoing. The credit quality of the issuer's or

guarantor's short and long-term unsecured debt must be rated in one of the two highest categories by a nationally recognized rating agency. Should the issuer's or guarantor's credit quality be downgraded below "A", the government entity must have withdrawal rights.

Prohibited Investments and Transactions

Prohibited investments include inverse floaters, range notes, interest only strips derived from a pool of mortgages (collateralized mortgage obligations), and any security that could result in zero interest accrual if held to maturity.

Specifically restricts:

- Obligations whose coupon payments are determined largely or entirely by an embedded range accumulation option. For example, range notes; these securities are used primarily to enhance interest rates when an investor is confident in a forecast.
- Obligations whose payment represents the principal stream cash flow from underlying mortgage backed securities collateral. For example, Collateralized Mortgage Obligations (CMO).
- Obligations that the interest rate and principal repayment adjusts opposite to the changes in the market. For example, inverse floaters.
- Obligations that under certain environments may pay no interest. For example, principal only securities.
- Obligations that have a maturity that will extend longer than five years under certain rate environments. These include mortgage-backed securities that are defined as high risk or in certificates of deposit secured by letters of credit issued by federal home loan banks.
- Obligations that are derivatives, financial instruments in which the value depends on, or is derived from, the value of one or more underlying assets, indexes, or asset values. And any other transaction that violates City policy or State law.
- Cryptocurrencies - the City will not accept cryptocurrency for receivables, payables nor will it invest in these policies. Cryptocurrency is a volatile and unstable product.

Collateralizations

Collateralization will be required on the following types of investments:

- Certificates of Deposit
- Demand Deposits
- Repurchase Agreements (for investments held beyond seven days)

In order to anticipate market changes and provide a level of security for all funds, the collateralization level will be 110% of market value of principal and accrued interest. The underlying securities will be subject to periodic (monthly) market valuations to ensure there is no market exposure.

Collateral provided by banks and holders of City Investments is limited to the following US government securities:

- Treasury Issues
 - Treasury Bills
 - Treasury Notes
 - Treasury Bonds
- Agency Notes, Bonds, and Letters of Credit
 - Federal National Mortgage Association Federal Home Loan Bank
 - Federal Farm Credit Bank
 - Federal Home Loan Mortgage Corporation
 - Federal Home Loan Bank
- Mortgage-Backed Securities
 - No mortgage-backed securities are allowed

For cash deposits on hand, clearly marked evidence of ownership (safekeeping receipt) must be supplied and retained. Collateralization shall be in the form of specific securities with an active secondary market for the City held by an independent third party. The only exceptions are Federal Depository Insurance Corporation (FDIC), Securities Investor Protection Corporation (SIPC) and pre-approved insurance coverage. The City may collateralize its repurchase agreements using longer-dated investments not to exceed 5 years to maturity.

Safekeeping and Custody

Securities purchased shall be held in a segregated account for the City's benefit at a third party trustee as safekeeping agent. The investment dealer or bank in which the security is purchased shall issue a confirmation ticket to the City listing the specific instrument, issuer, coupon, maturity, CUSIP number, purchase or sale price, transaction date, and other pertinent information. The financial service provider which executes the transaction on the City's behalf shall deliver all securities on a delivery versus payment method (DVP) to the designated third party. Delivery versus payment (DVP) is a way of controlling the risk to which securities market participants are exposed. Delivery of securities (i.e. the change in their ownership) is done simultaneously with payment. This means that neither the buyer nor the seller is exposed to the risk that the other will default.

Investments, contracts, and agreements may be held in safekeeping with:

- Any Federal Reserve bank
- Any bank authorized under the laws of the United States or any state to exercise corporate trust powers, including, but not limited to, the bank from which the investment is purchased

The City's ownership of all securities should be evidenced by written acknowledgments identifying the securities by:

- The names of issuers

- The maturity dates
- The interest rates
- Any serial numbers or other distinguishing marks

The City may not invest in securities that are uninsured. Securities will be held in the City's designated accounts under their common names.

Investment Credit Rating Degradation

Credit updates should be completed on all non-insured general obligations (GOs), bankers' acceptances and commercial paper with a credit rating that has declined. Credit analysis is necessary to determine if a particular investment is eligible for the City to own as part of prudent portfolio management, as determined on any date that the security is held within the portfolio. If the credit rating of a security is subsequently downgraded below the minimum rating level for a new investment of that security, the Finance Department shall evaluate the downgrade on a case-by-case basis in order to determine if the security should be held or sold. The Finance Department will apply the general objective of safety, liquidity, and yield to make the decision.

Diversification

The City will substantially reduce the risk of loss resulting from the over-concentration of assets in a specific maturity, issuer, institution, or class of securities.

Diversification strategies will be implemented with the following constraints:

<u>ISSUER TYPE</u>	<u>% of TOTAL PORTFOLIO</u>
Money Market Funds	<u>400</u> 75%
Savings/Demand deposits	<u>40</u> 20%
Bankers Acceptances	<u> </u> 10%
Commercial Paper	<u> </u> 240%
US Treasury Obligations	<u> </u> 100%
GSE-Agency Securities	<u> </u> 100%
Municipal Securities:	<u> </u> 55%
Repurchase Agreements	<u> </u> 10%
Guaranteed Investment Contracts	<u> </u> By Project

Due to fluctuations in the value of the portfolio, maximum percentages for a particular issuer or investment type may be exceeded at a point in time subsequent to the purchase or maturity of a particular security. Securities need not be liquidated to realign the portfolio; however, consideration should be given to this matter when future purchases are made.

Maximum Maturities

Fund Specific:

- A minimum of five percent of the portfolio will mature under 30 days.
- ~~90~~85% of total funds will be invested to 5 years and less, and ~~150~~% of funds will be laddered out to a maximum of 5 years.
- Total weighted average maturity of total funds will not exceed 3.5 years for the 5 years and less portion.
- Maturities will be diversified to avoid undue concentration of assets in a specific sector.
- An exception to maximum maturity is in reserve funds (per bond indentures), which may be invested to a maturity date that coincides as nearly as practicable with the expected use of the funds.

Internal Control

The Finance Director is responsible for establishing and maintaining an internal control structure designed to ensure that the assets of the City are protected from loss, theft or misuse. The internal control structure shall be designed to provide reasonable assurance that these objectives are met. The concept of reasonable assurance recognizes that (1) the cost of a control should not exceed the benefits likely to be derived; and (2) the valuation of costs and benefits requires estimates and judgments. The internal controls are addressed in the procedures manual.

The City will engage an external auditor for an annual independent review to assure compliance with policies and procedures.

Market Yield/Benchmark

The City's investment strategy is conservative. The Finance Director, based on appropriate current indexes and yields reported by similar entities with similar restrictions on investments, will periodically review whether market yields are being achieved.

Responsibilities of External Investment Managers

The City may enter into contracts with third-party investment advisory firms when their services are deemed to be beneficial to the City. The advisor must comply with this Investment Policy and may have authority to transact investments on behalf of the City. The advisor may only act on a non-discretionary basis if they are hired to provide transactional services on behalf of the City.

Reporting

The Finance Director will prepare a semi-annual investment report and distribute this to the ~~City~~ Council. This includes a management summary that provides an analysis of the status of the current investment portfolio, the individual transactions executed over the last period, and a detailed listing of portfolio securities held at the end of the period. The report summarizes data on investments by type, maturity, and call date with associated book values, portfolio percentages, and market values.

Investment Policy Adoption

The City's Investment Policy shall be adopted by resolution by the ~~City~~ Council and the Port Authority Board. The Policy shall be reviewed on a bi-annual basis by the Finance Department and any modifications made thereto must be approved by the ~~City~~ Council.

CAPITAL IMPROVEMENT PROGRAM POLICY

This Policy addresses capital purchases that exceed \$50,000 and are financed outside of the annual operating budget (operating costs related to the capital purchases are included in the operating budget, as appropriate when placed in use). An exception to include a project costing less than \$50,000 may be made by the City Manager.

- The City will develop a multi-year plan for capital improvements and update it annually.
- The City will identify the estimated cost and potential funding sources for each capital project proposal before it is submitted to the Council for approval and in that process will determine the most effective financing method for the proposed project. All construction projects shall include at least a ten percent contingency prior to receiving bids and at least five percent upon acceptance of the bid.
- The City will make all capital improvements in accordance with the adopted capital improvement program, or as it is amended by the Council. Capital purchases shall follow the purchasing procedure for appropriate dollar levels of authorization.
- The City will coordinate development of the capital improvement budget with the development of the operating budget. Future operating costs associated with new capital improvements will be projected and included in operating budget forecasts.
- The City will use inter-governmental assistance to finance only those capital improvements that are consistent with the capital improvement plan and City priorities, and whose operating and maintenance costs have been included in operating budget forecasts.
- The City will maintain all its assets at a level adequate to protect the City's and its citizen's capital investment and to minimize future maintenance and replacement costs.
- If the City has more than the required annual Fund Balance, any excess will be used to increase reserve levels in the Equipment, Facilities, Infrastructure and Park Revolving Internal Service Funds using a formula developed by Finance Department based on the current fund balance and operating needs. Any other use requires ~~e~~Council approval.

- Equipment Replacement Fund - purchase and replacement of equipment on a systematic basis.
- Facilities Fund - Replacement, development, and maintenance that extends the life of any building owned by the City.
- Infrastructure Replacement Fund - Replacement of City's infrastructure including but not limited to bridges, streets, flood control system and park trails. If the project is budgeted and was in the CIP for at least two years, no more than 50% of the project costs would be contributed by this fund. Any use of funding from the Infrastructure Replacement Fund requires Council approval.
- Park Revolving Fund - Maintenance that extends the life of the City's Park grounds and equipment.

EXTERNAL AUDITOR POLICY

In accordance with the Government Accountability Office, the authority on local government audits, in all matters relating to audit work, the external auditor shall be free both in fact and appearance from personal external and organizational impairments to independence.

- The city's external audit organization shall not be responsible for designing, developing and/or installing the City's accounting system or its operating system where this system generates information used in preparing financial statements of the City of Winona.
- External auditors shall not develop a performance measurement system or any other system relied upon in developing financial statements.
- City external auditors may prepare draft financial statements, schedules or perform other duties as long as they are based on management's direction and the work results in a recommendation to management.
- Decisions based on the external auditor's recommendations must be approved by City management.
- External auditors shall provide routine advise to the City of Winona and to management to assist them in activities such as establishing internal controls or implementing audit
- recommendations and can answer the technical questions and provide training, however, they may not direct or unduly influence management with those decisions.

Any non-audit work related to tax rulings, arbitrage, attestation, compilation, sales tax audits, counted value audits and financial report assistance proposed by the auditors, or for which the City wishes to hire them exceeding \$10,000 must be approved by the City-Council prior to hiring them.

FUND BALANCE POLICY

Purpose

The Government Finance Officers Association's (GFOA's) guiding principle for classifying the various components of fund balance is to indicate the extent to which the government is bound to honor constraints on the specific purposes for which amounts in the fund can be spent.

Following governmental accounting standards, the City has three basic categories: governmental funds, proprietary funds, and fiduciary funds. This fund balance classification policy applies only to the governmental categories.

Definitions (as they apply to Governmental Funds under GASB 54):

- **Fund balance** - the difference between assets and liabilities reported in a governmental fund.
- **Non-spendable fund balance** - amounts that are not in a spendable form (e.g., prepaid items and inventories of supplies). Resources that must be maintained intact pursuant to legal or contractual requirements are also considered non-spendable.
- **Restricted fund balance** - amounts subject to externally enforceable legal restrictions (creditors, grantors, contributors, and by law through constitutional provisions or enabling regulations).
- **Unrestricted fund balance** - the total of committed fund balance, assigned fund balance, and unassigned fund balance, as described below.
- **Committed fund balance** - amounts that can be used only for the specific purposes determined by a formal action of the government's highest level of decision-making authority (City-Council). Commitments may be changed or lifted only by the City-Council taking the same formal action that imposed the constraint originally. The City-Council must take action on these commitments before year end.
- **Assigned fund balance** - amounts a government intends to use for a specific purpose; intent can be expressed by the government body or by an official or body to which the governing body delegates the authority.
- **Unassigned fund balance** - amounts that are available for any purpose in the general fund. Only the general fund can report a positive amount of unassigned fund balance.

Governmental Funds

In 2009, the Governmental Accounting Standards Board (GASB) issued a new standard, GASB Statement No. 54, Fund Balance Reporting and Governmental Fund Type Definitions. This new standard has altered the categories and terminology used to describe the components of fund balance in the governmental funds (but it does not apply to the proprietary or fiduciary funds).

The City's governmental funds include the following fund types:

- A. General Fund
- B. Special Revenue Funds
- C. Debt Service Funds
- D. Capital Projects Funds

A. General Fund

The General Fund is established to account for all revenues and expenditures which are not required to be accounted for in other funds. Revenue sources include property taxes, license and permit fees, fines and forfeits, program revenues, intergovernmental revenues, investment interest earnings, and transfers. The General Fund's resources finance a wide range of functions including the operations of general government, public safety, and public works.

The General Fund will have committed fund balances at year end for purchase order encumbrances and budget carryovers. The General Fund may have a portion of its fund balance classified as non-spendable if there are long term receivables, inventories, or prepaid items on the balance sheet.

The General Fund is the only fund that can have any unassigned fund balance. The working capital balance of the general fund will fall into the unassigned fund balance classification.

The City will strive to maintain an undesignated and unreserved General Fund Balance in the range of 45-50% of the General Fund revenues and/or expenditure of a balanced budget for the following year. If the City has more than the required annual Fund Balance, any excess will be used to increase reserve levels in the Equipment, Facilities, Infrastructure and Park Revolving Internal Service Funds using a formula developed by Finance Department based on the current fund balance and operating needs.

B. Special Revenue Funds

Special revenue funds are used to account for and report the proceeds of specific revenue sources that are restricted or committed to expenditures for specified purposes other than debt service or capital projects. Governmental accounting standards require that substantial inflows of revenues into a special revenue fund be either restricted or committed in order for the fund to be considered a special revenue fund.

C. Debt Service Funds

Debt service fund balances are considered restricted; they are resources that are being accumulated for payments of principal and interest maturing in current and future years. All of the City of Winona debt service funds are considered restricted.

D. Capital Project Funds

Capital project fund balances are considered restricted or committed; they are resources that are being accumulated for current and future projects. Capital project funds are used to account for and report financial resources that are restricted, committed, or assigned to expenditure for capital outlays, including the acquisition or construction of capital facilities and other capital assets. In Winona, capital project funds are split into three categories:

- **Capital Projects** - this category has balances that are considered both restricted and committed.
- **Improvement Construction** - these funds are considered restricted either through bond covenants or enabling legislation.

- **State Aid Construction** - these funds are considered restricted by Minnesota Department of Transportation agreements.

Order of Fund Balance Spend-down

When both restricted and unrestricted resources are available for use, it is the City's policy to first use restricted resources, and then use unrestricted resources as they are needed. When unrestricted resources are available for use, it is the City's policy to use resources in the following order: (1) committed, (2) assigned, and (3) unassigned.

DEBT POLICY

Purpose

The purpose of the Debt Policy is to establish guidelines for the issuance and management of debt by the City to ensure that debt is issued in a prudent, transparent, and cost-effective manner, that complies with state and federal laws, credit rating objective, and the City's long-term financial plan.

- The City will confine long-term borrowing to capital improvements, equipment or projects that have a life of more than 4 years and cannot be financed from current revenues.
- The City will endeavor to keep the total maturity length of general obligation bonds below 20 years and at least 50% of the principal shall be retired within 10 years. In all cases, the maturity shall be shorter than the life of the related assets, shall not exceed the useful life of the financed project or exceed statutory limits.
- Net debt of the City shall not exceed general obligation debt (as defined above) will not exceed the statutory limit of 3% of the estimated Full Market Value of taxable property in the City as required by Minnesota Statute, Section 475.53, which defines net debt as total general obligation debt minus any debt that is self-supporting.
- Where possible, the City will use revenue (including G.O. general obligation backed revenue) or other self-supporting type bonds instead of general obligation bonds.
- The City will not use long-term debt for current operations (including repairs).
- The City will maintain frequent and regular communications with bond rating agencies about its financial condition and will follow a policy of full disclosure in every financial report and bond prospectus. The City will comply with Securities Exchange Commission (SEC) reporting requirements.
- To comply with Securities Exchange Commission (SEC) reporting requirements, the City will annually report outstanding debt, including principal, interest, and debt service schedule and provide annual audited financial statements.
- Interfund borrowing may be undertaken for capital expenditures or grant or special tax anticipation in full compliance with Minnesota Statutes and generally accepted accounting principles (GAAP) where the following criteria is met:
 - A reasonable payment schedule for repayment of the borrowed amounts and enforceable covenants, established to ensure recourse if the schedule is not adhered to, shall be approved by the City Council.
 - Interest charges shall be included to compensate the lender for the use of its financial resources.

- Interest charges for interfund loans utilizing tax increment bonding will follow Minnesota Statutes, Section 469.178, Subd. 7.

Interfund borrowing that does not meet the criteria noted above shall not be considered as a loan in financial reports.

The City shall review the Debt Policy at least every three years or when major changes in law, credit markets, or municipal financial strategy occur.

Post-Issuance Compliance Policy for Tax-Exempt Governmental Bonds

The City of Winona issues tax-exempt governmental bonds to finance capital improvements. As an issuer of tax-exempt governmental bonds, the City is required: (i) by the terms of Sections 103 and 141-150 of the Internal Revenue Code of 1986, as amended (the "Code"), and the Treasury Regulations promulgated thereunder (the "Treasury Regulations"), to take certain actions subsequent to the issuance of such bonds to ensure the continuing tax-exempt status of such bonds; (ii) by the terms of Section 6001 of the Code and Section 1.6001-1(a) of the Treasury Regulations, to satisfy certain record retention requirements with respect to its tax-exempt governmental bonds; and (iii) by the terms of Securities and Exchange Commission Regulation, 17 C.F.R. Section 240.15c2-12, as in effect and interpreted from time to time ("Rule 15c2-12"), to satisfy certain continuing disclosure obligations with respect to its governmental bonds (whether tax-exempt or taxable). This Post-Issuance Compliance Procedure and Policy for Tax-Exempt Governmental Bonds (the "Policy") has been approved and adopted by the City to ensure that the City complies with its post-issuance compliance obligations under applicable provisions of the Code and Treasury Regulations. Occasionally, the Port Authority of the City of Winona, Minnesota (the "Port Authority") may issue governmental bonds to finance capital improvements. The term "City" as used in this Policy includes the Port Authority with respect to their issuances of governmental bonds.

Responsible Parties. The Finance Director of the City shall be the party primarily responsible for ensuring that the City successfully carries out its post-issuance compliance requirements under applicable provisions of the Code and Treasury Regulations. The Finance Director will be assisted by the staff of the Finance Department of the City and by other City staff and officials when appropriate. The Finance Director of the City will also be assisted in carrying out post-issuance compliance requirements by the following organizations:

- Bond Counsel (the law firm primarily responsible for providing bond counsel services for the City)
- Municipal Advisor (the organization primarily responsible for providing municipal advisor services to the City)
- Paying Agent (the person, organization, or City officer primarily responsible for providing paying agent services for the City)
- Rebate Analyst (the organization primarily responsible for providing rebate analyst analysis services for the City)

The Finance Director shall be responsible for assigning post-issuance compliance responsibilities to members of the Finance Department, other staff of the City, Bond Counsel, Municipal Advisor, Paying Agent, and Rebate Analyst. The Finance Director shall utilize such other professional service organizations as are necessary to ensure compliance with the post-issuance compliance requirements of the City. The Finance Director shall provide training and educational resources to City staff who are responsible for ensuring compliance with any portion of the post-issuance compliance requirements of this Policy.

Post-Issuance Compliance Actions. The Finance Director shall take the following post-issuance compliance actions or shall verify that the following post-issuance compliance actions have been taken on behalf of the City with respect to each issue of tax-exempt governmental bonds issued by the City:

- The Finance Director shall prepare a transcript of principal documents (this action will be the primary responsibility of Bond Counsel).
- The Finance Director shall file with the Internal Revenue Service (the "IRS"), within the time limit imposed by Section 149(e) of the Code and applicable Treasury Regulations, an Information Return for Tax-Exempt Governmental Obligations, Form 8038-G, or successor form ("Form 8038-G") (this action will be the primary responsibility of Bond Counsel).
- The Finance Director shall prepare an "allocation memorandum" for each issue of tax-exempt governmental bonds in accordance with the provisions of Treasury Regulations, Section 1.148-6(d)(1), that accounts for the allocation of the proceeds of the tax-exempt bonds to expenditures not later than the earlier of:
 - i eighteen (18) months after the later of (A) the date the expenditure is paid, or (B) the date the project, if any, that is financed by the tax-exempt bond issue is placed in service; or
 - ii the date sixty (60) days after the earlier of (A) the fifth anniversary of the issue date of the tax-exempt bond issue, or (B) the date sixty (60) days after the retirement of the tax-exempt bond issue.

Preparation of the allocation memorandum will be the primary responsibility of the Finance Director (in consultation with the Municipal Advisor and Bond Counsel).

The Finance Director, in consultation with Bond Counsel, shall identify proceeds of tax-exempt governmental bonds that must be yield-restricted and shall monitor the investments of any yield-restricted funds to ensure that the yield on such investments does not exceed the yield to which such investments are restricted. ~~(e)~~ In consultation with Bond Counsel, the Finance Director shall determine whether the City is subject to the rebate requirements of Section 148(f) of the Code with respect to each issue of tax-exempt governmental bonds. In consultation with Bond Counsel, the Finance Director shall determine, with respect to each issue of tax-exempt governmental bonds of the City, whether the City is eligible for any of the temporary periods for unrestricted investments and is eligible for any of the spending exceptions to the rebate requirements. The Finance Director shall contact the Rebate Analyst (and, if appropriate, Bond Counsel) prior to the

fifth anniversary of the date of issuance of each issue of tax-exempt governmental bonds of the City and each fifth anniversary thereafter to arrange for calculations of the rebate requirements with respect to such tax-exempt governmental bonds. If a rebate payment is required to be paid by the City, the Finance Director shall prepare or cause to be prepared the Arbitrage Rebate, Yield Reduction and Penalty in Lieu of Arbitrage Rebate, Form 8038-T, or successor form ("Form 8038-T"), and submit such Form 8038-T to the IRS with the required rebate payment. If the City is authorized to recover a rebate payment previously paid, the Finance Director shall prepare or cause to be prepared the Request for Recovery of Overpayments Under Arbitrage Rebate Provisions, Form 8038R, or successor form ("Form 8038-R"), with respect to such rebate recovery, and submit such Form 8038-R to the IRS.

Procedures for Monitoring, Verification, and Inspections. The Finance Director shall institute such procedures as the Finance Director shall deem necessary and appropriate to monitor the use of the proceeds of tax-exempt governmental bonds issued by the City, to verify that certain post-issuance compliance actions have been taken by the City, and to provide for the inspection of the facilities financed with the proceeds of such bonds. At a minimum, the Finance Director shall establish the following procedures:

- The Finance Director shall monitor the use of the proceeds of tax-exempt governmental bonds to: (i) ensure compliance with the expenditure and investment requirements under the temporary period provisions set forth in Treasury Regulations, Section 1.148-2(e); (ii) ensure compliance with the safe harbor restrictions on the acquisition of investments set forth in Treasury Regulations, Section 1.148-5(d); (iii) ensure that the investments of any yield-restricted funds do not exceed the yield to which such investments are restricted; and (iv) determine whether there has been compliance with the spend-down requirements under the spending exceptions to the rebate requirements set forth in Treasury Regulations, Section 1.148-7.
- The Finance Director shall monitor the use of all bond-financed facilities in order to: (i) determine whether private business uses of bond-financed facilities have exceeded the de minimus limits set forth in Section 141(b) of the Code as a result of leases and subleases, licenses, management contracts, research contracts, naming rights agreements, or other arrangements that provide special legal entitlements to nongovernmental persons; and (ii) determine whether private security or payments that exceed the de minimus limits set forth in Section 141(b) of the Code have been provided by nongovernmental persons with respect to such bond-financed facilities. The Finance Director shall provide training and educational resources to any City staff who have the primary responsibility for the operation, maintenance, or inspection of bond-financed facilities with regard to the limitations on the private business use of bond-financed facilities and as to the limitations on the private security or payments with respect to bond-financed facilities.
- The Finance Director shall undertake the following with respect to each outstanding issue of tax-exempt governmental bonds of the City: (i) an annual review of the books and records maintained by the City with respect to such bonds; and (ii) an annual physical inspection of the facilities financed with the proceeds of such bonds, conducted by the Finance Director with the assistance with any City staff who have the primary responsibility for the operation, maintenance, or inspection of such bond-financed facilities.

Record Retention Requirements. The Finance Director shall collect and retain the following records with respect to each issue of tax-exempt governmental bonds of the City and with respect to the facilities financed with the proceeds of such bonds: (i) audited financial statements of the City; (ii) appraisals, demand surveys, or feasibility studies with respect to the facilities to be financed with the proceeds of such bonds; (iii) publications, brochures, and newspaper articles related to the bond financing; (iv) trustee or paying agent statements; (v) records of all investments and the gains (or losses) from such investments; (vi) paying agent or trustee statements regarding investments and investment earnings; (vii) reimbursement resolutions and expenditures reimbursed with the proceeds of such bonds; (viii) allocations of proceeds to expenditures (including costs of issuance) and the dates and amounts of such expenditures (including requisitions, draw schedules, draw requests, invoices, bills, and cancelled checks with respect to such expenditures); (ix) contracts entered into for the construction, renovation, or purchase of bond-financed facilities; (x) an asset list or schedule of all bond-financed depreciable property and any depreciation schedules with respect to such assets or property; (xi) records of the purchases and sales of bond-financed assets; (xii) private business uses of bond-financed facilities that arise subsequent to the date of issue through leases and subleases, licenses, management contracts, research contracts, naming rights agreements, or other arrangements that provide special legal entitlements to nongovernmental persons and copies of any such agreements or instruments; (xiii) arbitrage rebate reports and records of rebate and yield reduction payments; (xiv) resolutions or other actions taken by the governing body subsequent to the date of issue with respect to such bonds; (xv) formal elections authorized by the Code or Treasury Regulations that are taken with respect to such bonds; (xvi) relevant correspondence, including letters, faxes or emails, relating to such bonds; (xvii) documents related to guaranteed investment contracts or certificates of deposit, credit enhancement transactions, and financial derivatives entered into subsequent to the date of issue; (xviii) bidding of financial products for investment securities; (xix) copies of all Form 8038-Gs, Form 8038-Ts, and Form 8038-Rs filed with the IRS and any other forms or documents filed with the IRS; (xx) the transcript prepared with respect to such tax-exempt governmental bonds, including but not limited to (a) official statements, private placement documents, or other offering documents, (b) minutes and resolutions, orders, or ordinances or other similar authorization for the issuance of such bonds, and (c) certification of the issue price of such bonds; and (xxi) documents related to government grants associated with the construction, renovation, or purchase of bond-financed facilities.

The records collected by the Finance Director shall be stored in any format deemed appropriate by the Finance Director and shall be retained for a period equal to the life of the tax-exempt governmental bonds with respect to which the records are collected (which shall include the life of any bonds issued to refund any portion of such tax-exempt governmental bonds or to refund any refunding bonds) plus three (3) years. The Finance Director shall also collect and retain reports of any IRS examination of the City or any of its bond financings.

Remedies. In consultation with Bond Counsel, the Finance Director shall become acquainted with the remedial actions (including redemption or defeasance) under Treasury Regulations, Section 1.141-12, to be utilized in the event that private business use of bond-financed facilities exceeds the de minimis limits under Section 141(b)(1) of the Code. In consultation with Bond Counsel, the Finance Director shall become acquainted with the Tax-Exempt Bonds Voluntary Closing Agreement Program described in Internal Revenue Manual, Part 7.2, to be utilized as a means

for an issuer to correct any post-issuance infractions of the Code and Treasury Regulations with respect to outstanding tax-exempt bonds.

Continuing Disclosure Obligations. In addition to its post-issuance compliance requirements under applicable provisions of the Code and Treasury Regulations, the City has agreed to provide continuing disclosure, such as annual financial information and material event notices, pursuant to a continuing disclosure certificate or similar document (the "Continuing Disclosure Document") prepared by Bond Counsel and made a part of the transcript with respect to each issue of bonds of the City that is subject to such continuing disclosure requirements. The Continuing Disclosure Documents are executed by the City to assist the underwriters of the City's bonds in meeting their obligations under Rule 15c2-12. The continuing disclosure obligations of the City are governed by the Continuing Disclosure Documents and by the terms of Rule 15c2-12. The Finance Director is primarily responsible for undertaking such continuing disclosure obligations and to monitor compliance with such obligations.

Other Post-Issuance Actions. If, in consultation with Bond Counsel, Municipal Advisor, Paying Agent, Rebate Analyst, the City Manager, the City Attorney, or the ~~City~~ Council, the Finance Director determines that any additional action not identified in this Policy must be taken by the Finance Director to ensure the continuing tax-exempt status of any issue of governmental bonds of the City or to ensure the continuing compliance by the City with applicable federal and state securities laws, the Finance Director shall take such action if the Finance Director has the authority to do so. If, after consultation with Bond Counsel, Municipal Advisor, Paying Agent, Rebate Analyst, the City Manager, the City Attorney, or the ~~City~~ Council, the Finance Director and the City Manager determine that this Policy must be amended or supplemented to ensure the continuing tax-exempt status of any issue of governmental bonds of the City or to ensure continuing compliance with applicable federal and state securities laws, the City Manager shall recommend to the ~~City~~ Council that this Policy be so amended or supplemented.

Taxable Governmental Bonds. Most of the provisions of this Policy, other than the provisions of Section 7, are not applicable to governmental bonds the interest on which is includable in gross income for federal income tax purposes. On the other hand, if an issue of taxable governmental bonds is later refunded with the proceeds of an issue of tax-exempt governmental refunding bonds, then the uses of the proceeds of the taxable governmental bonds and the uses of the facilities financed with the proceeds of the taxable governmental bonds will be relevant to the tax-exempt status of the governmental refunding bonds. Therefore, if there is any reasonable possibility that an issue of taxable governmental bonds may be refunded, in whole or in part, with the proceeds of an issue of tax-exempt governmental bonds then, for purposes of this Policy, the Finance Director shall treat the issue of taxable governmental bonds as if such issue were an issue of tax-exempt governmental bonds and shall carry out and comply with the requirements of this Policy with respect to such taxable governmental bonds. The Finance Director shall seek the advice of Bond Counsel as to whether there is any reasonable possibility of issuing tax-exempt governmental bonds to refund an issue of taxable governmental bonds.

10. **Qualified 501(c)(3) Bonds.** If the City issues bonds to finance a facility to be owned by the City but which may be used, in whole or in substantial part, by a nongovernmental organization that is exempt from federal income taxation under Section 501(a) of the Code as a result of the application of Section 501(c)(3) of the Code (a "501(c)(3) Organization"), the City may elect to issue the bonds as

"qualified 501(c)(3) bonds" the interest on which is exempt from federal income taxation under Sections 103 and 145 of the Code and applicable Treasury Regulations. Although such qualified 501(c)(3) bonds are not governmental bonds, at the election of the Finance Director, for purposes of this Policy, the Finance Director shall treat such issue of qualified 501(c)(3) bonds as if such issue were an issue of tax-exempt governmental bonds and shall carry out and comply with the requirements of this Policy with respect to such qualified 501(c)(3) bonds to the extent deemed necessary or appropriate by the Finance Officer.

RISK MANAGEMENT POLICY

- The City will maintain a separate Risk Management Fund.
- The City will calculate annually an updated estimated reserve requirement for the Risk Management Fund. Reserves should be an estimate of claims to be covered in the next three (3) years plus an amount for unexpected claims using an average of the City's history of claims over the past 16 years. If funding is found to be too low, City Council will endeavor to transfer funds from the General Fund, or from any other funds, which might be available, to the Risk Management Fund to complete the indicated necessary level of funding. Transfers from the Risk Management Fund will only be made after at least three years of funding/loss experience, or a consultant's report, indicates an over-funding.
- The City will periodically conduct educational safety and risk avoidance programs within the various departments.
- Staff will report to the City Manager, at least annually, on the results and costs of the City's risk management program for the preceding year.
- The City will, on an ongoing basis, analyze the feasibility of purchasing outside insurance coverage in order to provide the best and most economical loss coverage available.
- The City every seven (7) years conduct, using independent outside consultants, a comprehensive risk management study, including adequacy of reserves, and will strive to implement those recommendations for the improvement of risk management which are found to be feasible and cost-effective.
- The City will maintain the deductible amount considered prudent in light of the relationship between the cost of insurance and the City's ability to sustain the loss.

PORT AUTHORITY AGENDA ITEM

AGENDA ITEM: 5. Closed Session

DATE: January 8, 2026

The agenda item for this portion of the regular meeting of the Port Authority is to develop or consider offers or counter offers for the potential purchase of real property located at 520 Hilbert Street, Winona, Minnesota.

This portion of the properly noticed meeting of the Port Authority will be closed pursuant to Minnesota Statutes, section 13D.05, subdivision 3 (c).

President Cichanowski will entertain a motion to close this portion of the meeting.