



DETROIT
**Water & Sewerage
Department**

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TO: The Honorable Board of Water Commissioners (BOWC)
City of Detroit Water and Sewerage Department

FROM: Debra N. Pospiech
Chief Administrative Officer/General Counsel
City of Detroit Water and Sewerage Department

DATE: August 29, 2018

RE: *Banking & Investments Policies*

At the August 1, 2018, Finance Committee, the Chair asked whether Chemical Bank's relocation of their headquarters to Detroit would impact DWSD's banking policies. Commissioner Kinloch inquired whether the Board of Water Commissioners would need to take action if DWSD wanted to open or close any bank accounts. The Committee asked that we review Judge Cox's orders for guidance on banking and investment policies.

Judge Cox Orders. The November 4, 2011, Order is most pertinent to the Committee's inquiries. That Order adopted the Root Cause Committee's Plan of Action. The Committee identified five root cause issues that needed to be addressed so that DWSD would have accountability and achieve long-term compliance with state and federal laws. The five areas of concern were:

- | | | |
|--------------------|------------|----------|
| 1. Human Resources | 3. Law | 5. Rates |
| 2. Procurement | 4. Finance | |

While Rates, Procurement and Human Resources as it relates to Collective Bargaining Agreements were discussed at length in the Plan of Action, Law and Finance were not. There are no provisions related to banking and investments nor the percentage of DWSD funds at any one institution. Generally speaking, Judge Cox's orders allow DWSD's Finance Division to establish its own sub-units and programs, including debt management, accounts payable, accounts receivable, accounting, budget, cash management, asset management and deferred compensation; and DWSD is not obligated to adhere to City of Detroit finance policies or regulations.

Detroit Board of Water Commissioners By-Laws. Article X of the BOWC by-laws establishes various committees, including the Finance Committee, whose purpose is to

provide “sufficient oversight of the Department in the development and implementation of the Department’s Annual Budget and annual audit.” (Art. X, Sec. 2) Further, the Committee adopted a Charter, which sets forth its authority and duties and states in part:

The Committee shall review and, when appropriate, make recommendations to the BOWC regarding DWSD’s cash investments, cash management, interest rate and currency risk management policies. (p. 4, Finance Committee Charter)

Thus, while the BOWC would not vote whether bank accounts are opened or closed at any specific bank, it has general oversight of DWSD financial policies that may affect the budget or audit. Baker Tilly continues to work on a comprehensive set of financial policies and procedures that will be brought before this Board for review, comment, and in some instances, formal approval. At that time, the Committee may wish to revisit this topic.

Chief Financial Officer Thomas Naughton and I will be happy to respond to any additional questions.