



Financial Services Audit Committee Communication

Date: May 27, 2022

To: Great Lakes Water Authority Audit Committee

From: Deirdre Henry, Treasury Manager

Re: Qualified Financial Institution Review

Background: One of the ways that a public entity manages risk is to actively monitor and evaluate each financial institution and broker/dealer for credit worthiness with whom it may conduct business for managing public funds. This approach is in alignment with the Great Lakes Water Authority (GLWA) Investment Policy and Michigan Public Act 20. As stated in section 9 of the GLWA Investment Policy, the Treasury Manager shall maintain a listing of Qualified Institutions that provide banking and investment services to GLWA. This list shall be reviewed and approved periodically by the GLWA Audit Committee.

Analysis: GLWA has maintained consistent relationships with the institutions listed on the Qualified list since 2016. The Treasury Manager conducts a quarterly review of each institution. The latest quarterly review was conducted based on information as of December 31, 2021.

For Broker/Dealers, the following documents were reviewed.

- Audited financial statements
- Financial Industry Regulatory Authority (FINRA) registration
- Federal Deposit Insurance Corporation (FDIC) insurance coverage
- Bank ratings service provider reports

For Financial Institutions, the following documents were reviewed.

- Audited financial statements
- FDIC insurance coverage
- Bank ratings service provider reports

For the Local Government Investment Pools, the following documents were reviewed,

- Information Statement which explains the investment objectives of the investment pool
- Audited financial statements for investment pool
- Audited financial statements for investment advisor
- Credit rating

PFM Asset Management LLC (PFM), the Investment Advisor for GLWA, annually provides a list of their approved broker/dealers. PFM evaluated this list for credit worthiness. Reliance on the investment advisor’s analysis of qualified institutions is provided for in the GLWA investment policy.

Based upon the analysis described above, Table 1 below provides a listing of the GLWA qualified financial institutions for GLWA along with the respective amount of GLWA funds held by that entity as of December 31, 2021. The GLWA Treasury team interacts directly with these organizations.

Table 1 – GLWA Qualified Financial Institutions

Name	Relationship Established	Book Value Bal as of 12/31/2021
Financial Institutions		
Comerica Bank	Jan 2016	\$ 14,793,195
Fifth Third Bank (custodian for MILAF funds managed by PFM)	Jul 2017	-
First Independence Bank	Jan 2016	22,181,281
J.P. Morgan Chase	Jan 2016	57,381,953
Huntington Bank	-	-
U.S. Bank - Trustee (includes funds managed by PFM)	Jan 2016	742,631,257
Broker / Dealers		
Comerica Securities Corporation	-	-
Fifth Third Securities	-	-
J.P. Morgan Securities	Jun 2017	44,765,701
U.S. Bancorp Investments	-	-
Local Government Investment Pool		
Michigan Liquid Asset Fund Plus (MILAF)	Nov 2016	1,757,883
Total		\$883,511,270

Following this memo are PFM’s qualified broker/dealer list and a summary of the qualified financial institution review.

Proposed Action: Receive and file this report.