

CAPISTRANO BAY DISTRICT  
AGENDA REPORT  
November 5, 2013

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*Financial Reports*

ITEM G.3

RECOMMENDATION TO ESTABLISH A SEPARATE RESERVE BANK ACCOUNT

According to the District's Auditor, establishing a separate reserve account is not a requirement of our charter as a Special District, however, the auditor recommends that it would be good business practice to have a reserve fund in place to protect the District and ensure that the District has adequate future funding for capital projects and emergency contingencies. The auditor also pointed out that having a reserve fund would be a benefit if an agency of the State should question District funding. Having a reserve account, along with an appropriately-worded resolution, would show that the District has performed its due diligence in identifying future capital needs and potential emergency contingencies.

Additionally, it is recommended that the District Auditor be directed to perform an update to last year's Reserve Study. This is consistent with the approved budget under line item *Reserve Study Update*, expense code #4150 in the amount of \$650.00. The Auditor should be directed to conduct the reserve study update in March 2014.

To memorialize the District's intent and purpose with establishing a reserve bank account, a resolution should be written and approved by the Board to accompany the formation of the reserve account. The resolution should include findings contained within the Reserve Study performed last year and should identify the various emergency contingencies that could befall our community, such as flooding and roadway collapse, mudslides, tsunamis, earthquakes, train derailments, extended power outages, etc.

It is possible, in facilitating the establishment of a bank account, to remember that the District already maintains a separate account with Wells Fargo Bank. This account was originally set up to protect funds up to the FDIC limit of \$250,000. The account was later moved into a non-interest bearing savings account that provided a higher limit of FDIC protection. The current balance in this account is \$199,960.00 and could be easily re-established as the District's Reserve Bank Account.

Should the Board agree with the Auditor's recommendation, a draft resolution can be made ready for approval at the December 10th Board meeting.