

CAPISTRANO BAY DISTRICT
AGENDA REPORT
February 24, 2015

Financial Reports

ITEM G.3

Wells Fargo Bank Deposit Account

The Board heard last month from Mr. Shawn Sessions, Financial Advisor for Wells Fargo Bank Brokerage Services. The discussion involved the District's possible intent to convert the current *non-interest bearing* deposit account into some form of interest-earning investment account.

Before the Board can reach a decision regarding investing of the District's surplus funds a request was made to look into any codes that a special district must follow to be in compliance with proper management and investment of public funds.

As it turns out there are several Government Code sections that specifically address this topic. An inquiry has been made to the District's legal counsel and also the District's financial auditor for interpretation of the various codes.

To give you an idea of what is being researched, an excerpt of Government Code Section 53600 is provided on the following page. This is just the tip of the iceberg with what staff has found regarding investing by public agencies.

A complete analysis and summary might be available for the Board's review at the March board meeting. For the time being, it is recommended that the current status of the deposit account with Wells Fargo Bank be undisturbed until a full evaluation of the investment law is provided.

See the following page for an excerpt of the law being researched.

ITEM G.3 cont.

GOVERNMENT CODE SECTION 53600-53610

53600. As used in this article, "local agency" means county, city, city and county, including a chartered city or county, school district, community college district, public district, county board of education, county superintendent of schools, or any public or municipal corporation.

53600.3. Except as provided in subdivision (a) of Section 27000.3, all governing bodies of local agencies or persons authorized to make investment decisions on behalf of those local agencies investing public funds pursuant to this chapter are trustees and therefore fiduciaries subject to the prudent investor standard. When investing, reinvesting, purchasing, acquiring, exchanging, selling, or managing public funds, a trustee shall act with care, skill, prudence, and diligence under the circumstances then prevailing, including, but not limited to, the general economic conditions and the anticipated needs of the agency, that a prudent person acting in a like capacity and familiarity with those matters would use in the conduct of funds of a like character and with like aims, to safeguard the principal and maintain the liquidity needs of the agency. Within the limitations of this section and considering individual investments as part of an overall strategy, investments may be acquired as authorized by law.

53600.5. When investing, reinvesting, purchasing, acquiring, exchanging, selling, or managing public funds, the primary objective of a trustee shall be to safeguard the principal of the funds under its control. The secondary objective shall be to meet the liquidity needs of the depositor. The third objective shall be to achieve a return on the funds under its control.

53600.6. The Legislature hereby finds that the solvency and creditworthiness of each individual local agency can impact the solvency and creditworthiness of the state and other local agencies within the state. Therefore, to protect the solvency and creditworthiness of the state and all of its political subdivisions, the Legislature hereby declares that the deposit and investment of public funds by local officials and local agencies is an issue of statewide concern.