
SUBSTITUTE SENATE BILL 5248

State of Washington

56th Legislature

1999 Regular Session

By Senate Committee on Commerce, Trade, Housing & Financial Institutions (originally sponsored by Senators Loveland, Patterson, Snyder, Bauer, McCaslin and Winsley; by request of State Treasurer)

Read first time 02/08/1999.

1 AN ACT Relating to the state treasurer negotiating state-wide
2 custody contracts; adding a new section to chapter 43.08 RCW; adding a
3 new section to chapter 39.58 RCW; creating a new section; and providing
4 an effective date.

5 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF WASHINGTON:

6 NEW SECTION. **Sec. 1.** Local governments enter into separate,
7 individual contracts with banks for custody services. The rate and
8 terms which each local government obtains from a given bank sometimes
9 varies widely depending upon the size of the local government's
10 portfolio, and thus fails to provide all of the state's taxpayers with
11 the most advantageous rates and terms for such custody services. The
12 purpose of this act is to enable local governments, through a state-
13 wide custody contract, to collectively obtain the most advantageous
14 rate and terms from a single financial institution for custodial
15 banking services. Under such a state-wide custody contract, smaller
16 local governments may receive a higher level of service, while paying
17 lower fees than they might have individually obtained.

1 NEW SECTION. **Sec. 2.** A new section is added to chapter 43.08 RCW
2 to read as follows:

3 (1) The state treasurer is authorized to negotiate a state-wide
4 custody contract for local government custody services. The term of
5 the contract shall be for a minimum of four years.

6 (2) The state treasurer shall, as soon as is practical after
7 negotiations have been successfully completed, notify local governments
8 that a state-wide custody contract has been negotiated.

9 (3) Following such notification, each local government may, at its
10 option, become a signatory to the state-wide contract. Each local
11 government may only become a signatory to the contract by having its
12 authorized local government official or financial officer and the
13 state-wide custodian execute the state-wide contract. The contract is
14 between the state-wide custodian and the respective local government.
15 It is the responsibility of the local government official or financial
16 officer to fully understand the terms and conditions of the state-wide
17 custody contract prior to its execution, and to ensure those terms and
18 conditions are observed by the state-wide custodian during the term of
19 the contract.

20 (4) The state treasurer may adopt rules to implement this section,
21 including, but not limited to, those rules deemed necessary to provide
22 for an orderly transition in the event of a different state-wide
23 custodian in a new state-wide custody contract.

24 (5) Any state-wide custodian who becomes a signatory to the state-
25 wide custody contract may be exempted from the requirements of chapter
26 39.58 RCW for the purposes of this section, based on rules adopted by
27 the public deposit protection commission.

28 (6) For the purposes of this section:

29 (a) "Financial institution" means a bank or trust company chartered
30 and supervised under state or federal law;

31 (b) "Local government" means any county, city, town, special
32 purpose district, political subdivision, municipal corporation, or
33 quasi-municipal corporation, including any public corporation created
34 by such an entity, which legally possesses and exercises investment
35 authority;

36 (c) "State-wide custody contract" means a contract negotiated
37 between the state treasurer and a financial institution that
38 establishes terms and fees for custody services which are optional to
39 any local government for the term of the contract;

1 (d) "State-wide custodian" means the financial institution with
2 whom the state treasurer has negotiated a state-wide custody contract;

3 (e) "Custody services" means services performed by a financial
4 institution such as the settlement, safekeeping, valuation, and market-
5 value reporting of negotiable instruments owned by the local
6 government;

7 (f) "Local government official" means any officer or employee of a
8 local government who has been designated by statute or local charter,
9 ordinance, or resolution as the officer having the authority to invest
10 the funds of the local government. However, the county treasurer is
11 the only local government official for all political subdivisions for
12 which the county treasurer has statutory or contractual authority to
13 invest the funds thereof;

14 (g) "Financial officer" means the board-appointed treasurer of a
15 college, university, community or technical college district, or the
16 state board for community and technical colleges.

17 NEW SECTION. **Sec. 3.** A new section is added to chapter 39.58 RCW
18 to read as follows:

19 A state-wide custodian under section 2 of this act may be exempted
20 from the requirements of this chapter, based on rules adopted by the
21 public deposit protection commission.

22 NEW SECTION. **Sec. 4.** This act takes effect September 1, 1999.

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