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**SUBSTITUTE HOUSE BILL 1183**

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**State of Washington**

**56th Legislature**

**1999 Regular Session**

**By** House Committee on State Government (originally sponsored by Representatives H. Sommers, Huff, Romero, McMorris, McIntire and Esser; by request of State Treasurer)

Read first time 02/12/1999.

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.

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

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

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

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

18 (4) In order to provide for an orderly transition in the event of  
19 a different state-wide custodian in a new state-wide custody contract,  
20 the state treasurer shall adopt rules to ensure that an orderly  
21 transition occurs.

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

26 (6) For the purposes of this section:

27 (a) "Financial institution" means any bank or trust company,  
28 lawfully engaged in business;

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

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

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

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

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

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

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

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

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

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