

WEST VIRGINIA ADMINISTRATIVE RULES
West Virginia State Board of Investments

Chapter 12-1

Series II

FILED IN THE OFFICE OF
SECRETARY OF STATE OF
WEST VIRGINIA
THIS DATE 11-13-79

Subject: Selection of State Depositories for Receipt Accounts

Section 1. General.

1.01. Scope - These rules implement the provisions of section two, article one, chapter twelve of the code of West Virginia, 1931, as amended, wherein the state board of investments is required to select depositories for receipt accounts.

1.02. Authority - These rules are issued under the authority of the above-mentioned code section which requires the state board of investments to promulgate rules and regulations prescribing the selection criteria, procedures, compensation and such other contractual terms as it considers to be in the best interest of the state.

1.03. General Purpose - The purpose of these rules is to carry out the legislative intent, as stated in the above-mentioned code section, so that the selection of receipt depositories will enable the state to obtain the most efficient service at the lowest possible cost.

Section 2. Definitions.

For purposes of these rules, unless a different meaning is clearly required by the context:

"Agency" means and includes any department, board, commission, division, branch office or other separate unit of a state agency, and any officer or employee thereof, who or which collects moneys due the state;

"Board" means the West Virginia state board of investments;

"Code" means the 1931 code of West Virginia, as amended;

"Compensating balance" means the demand deposit balance which the state will maintain with a depository to compensate the depository for its services;

"Eligible depository" means a bank which is eligible to receive demand deposits of state funds under section two, article one, chapter twelve of the code;

"Loans in farm and single or multi-family residential units" means loans made to finance the construction, purchase or improvement of farms or single or multi-family housing;

"Receipt accounts" means those accounts in which are deposited moneys belonging to or due the state of West Virginia or any official, department, board, commission or agency, thereof.

"Treasurer" means the treasurer of the state of West Virginia.

Section 3. Eligible Depositories for Receipt Accounts.

3.01. Banks in Existence Less Than Five Years - Any state or national bank in this state which has been in existence less than five years is eligible to be selected for one or more receipt accounts if such bank meets the requirements of chapter twelve of the code.

3.02. Banks in Existence More Than Five Years - Any state or national bank in this state which has been in existence more than five years is eligible to be selected for one or more receipt accounts, if such bank:

- (1) has a loan to deposit ratio of fifty percent or more;
- (2) has at least twenty-five percent of the dollar amount of its loans in farms and single or multi-family residential units; and

(3) meets the other requirements of chapter twelve of the code.

Any calculations required to determine eligibility under items (1) and (2) above shall be made in accordance with the requirements of section two, article one, chapter twelve of the code.

3.03. Determining When Bank Commenced Existence - A bank shall be deemed to have commenced existence as of the date it first opened for business.

3.04. Selection Criteria - Any state or national bank which is an eligible depository for demand deposits of state funds is eligible for selection as a receipts depository. The board recognizes that not only the services but the location of receipts depositories are of major concern to the agencies whose collections are to be deposited. Accordingly, the board in cooperation with the affected agencies shall ensure that receipts depositories are conveniently located for the agencies and are able to serve their needs.

Section 4. Procedures

Because the treasurer acts as staff agent for the board, each collecting agency shall notify the treasurer of its anticipated collections and deposits including the extent of activity of its accounts, size of accounts, frequency of deposits, special services that may be needed and other information requested by the treasurer. The agency also may submit its preferred choice or a list of preferred choices of banks. If the agency submits such preferred choice or list, it shall submit therewith a statement of the reasons for its preference. However, the board is not bound to select the bank or banks preferred by the agency. The treasurer shall review the information submitted by the agency and thereupon shall recommend to the board the bank or banks which in his opinion will best serve the

needs of the agency. If the Treasurer does not recommend the bank or banks preferred by the agency, he shall include with his recommendation a written statement of the reasons therefore. The treasurer, in making his recommendations, and the board, in reviewing his recommendations, shall consider:

- 1) The activity of the various accounts;
- 2) The reasonable value of the banking services to be rendered;
- 3) The value and importance of such deposits to the economy of the communities and the various areas of the state affected; and
- 4) The recommended depository's proposed fee schedule as required by Section 5.01 of these rules.

The board shall either approve or reject the treasurer's recommendation. If the board rejects a recommendation, a written statement of the reasons therefore shall be made part of the board minutes.

Section 5. Compensation.

5.01. Method of Compensation - Compensation to the depository for its services shall be made by means of compensating balance computed by the treasurer on a monthly basis using the average collected balance. The depository shall submit proposed fee schedules for types of services rendered by the depository, including but not limited to services such as wire transfers, checks cashed, returned checks, and cash handling. The proposed fee schedules shall be subject to review and approval by the board. If the fee schedules are approved by the board, a contract shall be entered into with the depository for the furnishing of the required services for a

period not in excess of two years. If the fee schedules are not approved by the board, the board may negotiate satisfactory revised fee schedules with the depository or request that the treasurer recommend another depository. The monthly total fee for the services rendered shall be converted to a compensating balance by using the average 90-day U. S. treasury bill rate (bond equivalent yield).

The following example will illustrate how the compensating balance will be computed and applied:

- 1) Assume that the average 90-day U. S. treasury bill rate for the affected month is .10;
- 2) The multiplier for annualization is twelve; and the fee for the services, if rendered on a fee basis, would equal \$560.00 for the affected month.

Accordingly, the compensating balance to be maintained for the next month is \$67,200 derived as follows:

$$\frac{(560) \times 12}{.10} = \$67,200$$

If any overcompensation or undercompensation occurs during a given month, the compensating balance for the following month shall be appropriately adjusted in order to fairly compensate the depository for services rendered.

5.02. Compensation for Ancillary Services - The board may, from time to time, require the depository to furnish certain ancillary services in the course of providing the basic service for which it was selected. For example, the board may specify that a depository for receipts shall furnish analytical reports. The board may also specify that the depository shall be compensated for the cost of furnishing services on a flow-through basis. In such event, the treasurer shall increase the compensating balance in an amount sufficient to compensate the depository for the cost of furnishing such ancillary services.

Adm. Rules 12-1
Series II

WEST VIRGINIA ADMINISTRATIVE RULES
West Virginia State Board of Investments
Chapter 12-1
(1979)
INDEX

References are to section numbers in West Virginia Administrative Rules 12-1, Series II.

Authority, 1.02

Banks in existence less than five years, 3.01

Banks in existence more than five years, 3.02

Compensation, method of, 5.01

 Ancillary services, 5.02

 Compensating balances, 5.01

 Computation and application of compensating balance, 5.01

Definitions, 2

Determining when bank commenced existence, 3.03

Eligible depositories, 3

General purpose, 1.03

Loans in farms and single or multi-family residential units, 3.02

 Defined, 2

Loan to deposit ratio, 3.02

Procedures, 4

Scope, 1.01

Selection criteria, 3.04

WEST VIRGINIA ADMINISTRATIVE REGULATIONS
West Virginia State Board of Investments

Chapter 12-1
Series IV

(1979-Amendments 1981; Sections 2.01, 3.01,
3.02, 3.03, 3.04, and 5.01)

Subject: Selection of State Depositories for Receipt Accounts

INDEX

- Section 1. General
 - 1.01. Scope
 - 1.02. Authority
 - 1.03. General Purpose
 - 1.04. Effective Date
- Section 2. Definitions
- Section 3. Selection of Depositories for Receipt Accounts
- Section 4. Procedures
- Section 5. Compensation
 - 5.01. Method of Compensation
 - 5.02. Compensation for Ancillary Services

Title 113
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Section 1. General.

1.01. Scope - These rules implement the provisions of section two, article one, chapter twelve of the code of West Virginia, 1931, as amended, wherein the state board of investments is required to select depositories for receipt accounts.

1.02. Authority - These rules are issued under the authority of the above-mentioned code section which requires the state board of investments to promulgate rules and regulations prescribing the selection criteria, procedures, compensation and such other contractual terms as it considers to be in the best interest of the state.

1.03. General Purpose - The purpose of these rules is to carry out the legislative intent, as stated in the above-mentioned code section, so that the selection of receipt depositories will enable the state to obtain the most efficient service at the lowest possible cost.

1.04. Effective Date - These Regulations are promulgated on the fifth day of June 1981 and become effective on the eighth day of July 1981. ⁵ July 8, 1981

1.4 Filing Date - June 5, 1981

Section 2. Definitions.

For purposes of these rules, unless a different meaning is clearly required by the context:

"Agency" means and includes any department, board, commission, division, branch office or other separate unit of a state agency, and any officer or employee thereof, who or which collects moneys due the state;

"Board" means the West Virginia state board of investments;

"Code" means the 1931 code of West Virginia, as amended;

"Compensating balance" means the cash balance which the state will maintain with a depository to compensate the depository for its services;

"Receipt accounts" means those accounts in which are deposited moneys belonging to or due the state of West Virginia or any official, department, board, commission or agency, thereof.

"Treasurer" means the treasurer of the state of West Virginia.

Section 3. Selection of Depositories for Receipt Accounts .

The board recognizes that not only the services but the location of receipts depositories are of major concern to the agencies whose collections are to be deposited. Accordingly, the board in cooperation with the affected agencies shall ensure that receipts depositories are conveniently located for the agencies and are able to serve their needs.

Section 4. Procedures

Because the treasurer acts as staff agent for the board, each collecting agency shall notify the treasurer of its anticipated collections and deposits including the extent of activity of its accounts, size of accounts, frequency of deposits, special services that may be needed and other information requested by the treasurer. The agency also may submit its preferred choice or a list of preferred choices of banks. If the agency submits such preferred choice or list, it shall submit therewith a statement of the reasons for its preference. However, the board is not bound to select the bank or banks preferred by the agency. The treasurer shall review the information submitted by the agency and thereupon shall recommend to the board the bank or banks which in his opinion will best serve the needs of the agency. If the Treasurer does not recommend the bank or banks preferred by the agency, he shall include with his recommendation a written statement of the reasons therefore. The treasurer, in making his recommendations, and the board, in reviewing his recommendations, shall consider:

- 1) The activity of the various accounts;
- 2) The reasonable value of the banking services to be rendered;
- 3) The value and importance of such deposits to the economy of the communities and the various areas of the state affected; and

- 4) The recommended depository's proposed fee schedule
as required by Section 5.01 of these rules.

The board shall either approve or reject the treasurer's recommendation. If the board rejects a recommendation, a written statement of the reasons therefore shall be made part of the board minutes.

Section 5. Compensation

5.01. Method of Compensation - Compensation to the depository for its services shall be made by means of either of the following two methods

- 1) A compensating balance computed by the treasurer on a monthly basis using the average collected balance. The depository shall submit proposed fee schedules for types of services rendered by the depository, including but not limited to services such as wire transfers, checks cashed, returned checks, and cash handling. The proposed fee schedules shall be subject to review and approval by the board. If the fee schedules are approved by the board, a contract shall be entered into with the depository for the furnishing of the required services for a period not in excess of two years. If the fee schedules are not approved by the board, the board may negotiate satisfactory revised fee schedules with the depository or request that the treasurer recommend another depository. The monthly total fee for the

services rendered shall be converted to a compensating balance by using the average 90-day U. S. treasury bill rate (bond equivalent yield).

The following example will illustrate how the compensating balance will be computed and applied:

- 1) Assume that the average 90-day U. S. treasury bill rate for the affected month is .10;
- 2) The multiplier for annualization is twelve; and the fee for the services, if rendered on a fee basis, would equal \$560.00 for the affected month.

Accordingly, the compensating balance to be maintained for the next month is \$67,200 derived as follows:

$$\begin{array}{r} \underline{(560) \times 12} \\ .10 \qquad \qquad = \qquad \$67,200 \end{array}$$

If any overcompensation or undercompensation occurs during a given month, the compensating balance for the following month shall be appropriately adjusted in order to fairly compensate the depository for services rendered.

2) A compensating balance derived by accumulating receipts in the receipts account and periodically transferring such balance to a central depository designated by the board. This method of compensation would be used for depositories whose receipts would not be of sufficient volume to justify use of the method in subdivision (1) of this section.

The treasurer shall recommend which of the above two methods shall be used. Upon board approval, a contract shall be entered into with the depository for the furnishing of required services.

5.02. Compensation for Ancillary Services - The board may, from time to time, require the depository to furnish certain ancillary services in the course of providing the basic service for which it was selected. For example, the board may specify that a depository for receipts shall furnish analytical reports. The board may also specify that the depository shall be compensated for the cost of furnishing services on a flow-through basis. In such event, the treasurer shall increase the compensating balance in an amount sufficient to compensate the depository for the cost of furnishing such ancillary services.

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Series IV

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INDEX

References are to section numbers in West Virginia Administrative
Regulations 12-1, Series IV.

Authority, 1.02

Compensation, method of, 5.01

 Ancillary services, 5.02

 Compensating balances, 5.01

 Computation and application of compensating balance, 5.01

Definitions, 2

General purpose, 1.03

Procedures, 4

Scope, 1.01

Selection of depositories, 3