

**TITLE 113**  
**LEGISLATIVE RULES**  
**WEST VIRGINIA STATE BOARD OF INVESTMENTS**  
**SERIES 3**  
**SELECTION OF STATE DEPOSITORIES FOR DISBURSEMENT**  
**ACCOUNTS THROUGH COMPETITIVE BIDDING**

**§113-3-1. General.**

1.1. Scope. -- These legislative 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 disbursement accounts through competitive bidding by banks in this State.

1.2. Authority. -- W. Va. Code §12-1-2

1.3. General purpose. -- The purpose of these rules is to carry out the legislative intent as stated in the aforementioned Code section so that the competitive bidding required thereby will enable the state to obtain the most efficient service at the lowest possible cost.

1.4. Filing Date. -- March 10, 1984

1.5. Effective Date. -- March 10, 1984

**§113-3-2. Definitions.**

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

"Board" means the West Virginia State Board of Investments;

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

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

"Disbursement Account" means those accounts from which are paid moneys due from the State of West Virginia or any official, department, board, commission, political subdivision or agency thereof to any political subdivision, person, firm or corporation except moneys paid from investment accounts;

"Invitation to Bid" means and includes requests for proposals, specifications, general information and other matter customarily included in the solicitation of bids;

"Securities" means all bonds, notes, debentures or other evidences of indebtedness; and

"Treasurer" means the Treasurer of the State of West Virginia.

**§113-3-3. Procedures for bidding.**

3.1. Notice to bidders. -- At least twenty-five (25) days prior to the date on which bids will be opened, the Board shall mail to every eligible depository notice that bids will be invited on the state's disbursement accounts. Any bank interested in bidding on an account shall then make written request to the Treasurer for copies of the formal invitation to bid, and the Treasurer, immediately upon receipt of such request, shall transmit such copies, including all necessary specifications and forms to such depository. The Treasurer shall maintain a record noting the date of receipt of requests for formal invitations to bid and the date on which he mailed the invitations.

3.2. Contents of invitations to bid. -- The invitations shall state the time and place for submission of bids and shall include a description of the account and the service to be required, the approximate number of transactions or items to be processed monthly, the duration of contract to be awarded and such other information as the Board deems necessary.

3.3. Submission of bids. -- Bids shall be on forms provided by the Treasurer and shall be submitted in a sealed envelope addressed to the State Treasurer, Room E-141, State Capitol, Charleston, West Virginia 25305. The envelope shall be conspicuously marked "Sealed Bid for Disbursement Account." Immediately upon receipt of bids in the Treasurer's Office, the time of receipt shall be noted on the envelope and the sealed bids shall be kept in a vault in said office, together with all other bids until the time set for the bid opening.

3.4. Bid opening. -- On the date and time set for the bid opening, the bids shall be publicly opened and read aloud. The Board shall promptly analyze the bids and make awards as provided in Section 4 of these rules.

3.5. Conditions of bidding. -- All bids shall be subject to the following conditions:

(a) Bids received after the date and time stated in the invitation will not be considered;

(b) Bids will not be considered unless signed by an authorized bank officer. For purposes of this section, an authorized bank officer may be either the president, a vice-president or the cashier;

(c) Prior to the bid opening, bids may be withdrawn after receipt in the Treasurer's Office upon written request made by an authorized bank officer. Such written request may be made by telegram; and

(d) The Board may reject any and all bids if such action is deemed to be in the best interests of the state.

#### §113-3-4. Award and compensation.

4.1. Criteria for award. -- Depending on the service to be performed, the Board will invite base bids in terms of the price per transaction or per item processed. Accordingly, subject to the Board's right to reject any and all bids, the contract will be awarded in each case to the bidder who submits the lowest responsible bid in terms of price per transaction or per item processed. The bid price will be the basis for the compensating balance as provided in the following Section 4.2 of these rules.

4.2. Method of compensation. -- Compensation to the depository for its services shall be made by means of compensating balances computed by the Treasurer on a monthly basis. The Treasurer shall multiply the depository's bid price per transaction or per item processed, times the number of transactions or items processed during the preceding month (hereinafter called the "Computation Month"). The product thus obtained shall be converted to the compensating balance by using the average ninety (90) day United States Treasury bill rate (bond equivalent yield) for the computation month. The average ninety (90) day United States Treasury bill rate shall be the rate as computed by the Federal Reserve System. The following example will illustrate how the compensating balance will be computed and applied:

Under this example, it is assumed that:

(a) The computation month is January;

(b) The average ninety (90) day United States Treasury bill rate for the computation month (January) is five percent (5%);

(c) The multiplier for annualization is twelve (12);

(d) The bid price per item is three cents (\$.03); and

(e) The number of items processed in the computation month (January) is fifty thousand (50,000).

Accordingly, the compensating balance to be maintained in the bank during February is three hundred sixty thousand dollars (\$360,000), derived as follows:

$$\frac{(50,000) \times ($.03 \times (12))}{.05} = \$360,000$$

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. A settlement will be made at the expiration of the contractual period if the overcompensation or undercompensation in dollars worth of service (as distinguished from compensating balance dollars) exceeds five hundred dollars (\$500). The settlement shall be in the amount by which the overcompensation or undercompensation exceeds five hundred dollars (\$500).

The Treasurer at his option may compute and apply the compensating balance for periods of less than a month. The computations shall be made in the same manner as above except for appropriate adjustments in the formula to allow for such lesser computation period. Adjustments and settlements for overcompensation or undercompensation shall also be applied in the same manner as in the case of monthly computation periods.

4.3. Compensation for ancillary services. -- The Board may in its bid specifications require the depository to furnish certain named ancillary services in the course of providing the basic services for which bids are solicited. For example, the Board may specify that a depository for disbursements shall furnish preprinted checks. The Board may also specify that the depository shall be compensated for the cost of furnishing

such ancillary 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 direct cost of furnishing such ancillary services plus a reasonable amount (as deter-

mined by the Board) for the overhead attributable to furnishing such services. The amount to be allowed for such overhead shall be specified in the invitation to bid.

WEST VIRGINIA ADMINISTRATIVE REGULATIONS  
West Virginia State Board of Investments

Chapter 12-1  
Series III

Subject: Selection of State Depositories for Disbursement  
Accounts Through Competitive Bidding.

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Title 113  
Legislative rules

~~WEST VIRGINIA ADMINISTRATIVE REGULATIONS~~  
West Virginia State Board of Investments

Chapter 12-1  
Series III 3

Subject: Selection of State Depositories for Disbursement  
Accounts Through Competitive Bidding.

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Section 1. General

1.01. Scope - These legislative 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 disbursement accounts through competitive bidding by banks in this State.

1.02. Authority - These rules are issued under the authority of the aforementioned Code section which requires the state board of investments to promulgate rules and regulations prescribing the procedures and criteria for such bidding and selection.

1.03. General Purpose - The purpose of these rules is to carry out the legislative intent as stated in the aforementioned Code section so that the competitive bidding required thereby will enable the State to obtain the most efficient service at the lowest possible cost.

1.4 Film, Date - March 10, 1984

<sup>5</sup>  
1.04 Effective Date - ~~These regulations were promulgated on the 5th day of June, 1981, became effective the 8th day of July, 1981, incorporated code updating, were legislatively authorized and became effective on the 10th day of March, 1984.~~ *e* *March 10, 1984*

## Section 2. Definitions

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

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

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

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

"Disbursement account" means those accounts from which are paid moneys due from the State of West Virginia or any official, department, board, commission, political subdivision or agency thereof to any political subdivision, person, firm or corporation except moneys paid from investment accounts;

"Invitation to bid" means and includes requests for proposals, specifications, general information and other matter customarily included in the solicitation of bids;

"Securities" means all bonds, notes, debentures or other evidences of indebtedness; and

"Treasurer" means the Treasurer of the State of West Virginia.

Section 3. Procedures for Bidding.

3.01. Notice to Bidders - At least twenty-five (25) days prior to the date on which bids will be opened, the board shall mail to every eligible depository notice that bids will be invited on the state's disbursement accounts. Any bank interested in bidding on an account shall then make written request to the Treasurer for copies of the formal invitation to bid, and the Treasurer, immediately upon receipt of such request, shall transmit such copies, including all necessary specifications and forms to such depository. The Treasurer shall maintain a record noting the date of receipt of requests for formal invitations to bid and the date on which he mailed the invitations.

3.02. Contents of Invitations to Bid - The invitations shall state the time and place for submission of bids and shall include a description of the account and the service to be required, the approximate number of transactions or items to be processed monthly, the duration of contract to be awarded, and such other information as the board deems necessary.

3.03. Submission of Bids - Bids shall be on forms provided by the Treasurer and shall be submitted in a sealed envelope addressed to the State Treasurer, Room E-141, State Capitol, Charleston, West Virginia 25305. The envelope shall be conspicuously

marked "Sealed Bid for Disbursement Account." Immediately upon receipt of bids in the Treasurer's Office, the time of receipt shall be noted on the envelope and the sealed bids shall be kept in a vault in said office, together with all other bids until the time set for the bid opening.

3.04. Bid Opening - On the date and time set for the bid opening, the bids shall be publicly opened and read aloud. The board shall promptly analyze the bids and make awards as provided in Section 4 of these rules.

3.05. Conditions of Bidding - All bids shall be subject to the following conditions:

(a) Bids received after the date and time stated in the invitation will not be considered.

(b) Bids will not be considered unless signed by an authorized bank officer. For purposes of this section, an authorized bank officer may be either the president, a vice-president or the cashier.

(c) Prior to the bid opening, bids may be withdrawn after receipt in the Treasurer's Office upon written request made by an authorized bank officer. Such written request may be made by telegram.

(d) The board may reject any and all bids if such action is deemed to be in the best interests of the State.

Section 4. Award and Compensation.

4.01. Criteria for Award - Depending on the service to be performed, the board will invite base bids in terms of the price per transaction or per item processed. Accordingly, subject to the board's right to reject any and all bids, the contract will be awarded in each case to the bidder who submits the lowest responsible bid in terms of price per transaction or per item processed. The bid price will be the basis for the compensating balance as provided in the following Section 4.02.

4.02. Method of Compensation - Compensation to the depository for its services shall be made by means of compensating balances computed by the Treasurer on a monthly basis. The Treasurer shall multiply the depository's bid price per transaction or per item processed, times the number of transactions or items processed during the preceding month (hereinafter called the "computation month"). The product thus obtained shall be converted to the compensating balance by using the average 90-day U. S. Treasury bill rate (bond equivalent yield) for the computation month. The average 90-day U. S. Treasury bill rate shall be the rate as computed by the Federal Reserve System. The following example will illustrate how the compensating balance will be computed and applied:

Under this example, it is assumed that:

- (1) The computation month is January;
- (2) The average 90-day U. S. Treasury bill rate for the computation month (January) is 5%;
- (3) The multiplier for annualization is 12;
- (4) The bid price per item is three cents (\$.03); and
- (5) The number of items processed in the computation month (January) is 50,000.00

Accordingly, the compensating balance to be maintained in the bank during February is \$360,000, derived as follows:

$$\frac{(50,000) \times ($.03) \times (12)}{.05} = \$360,000$$

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. A settlement will be made at the expiration of the contractual period if the overcompensation or undercompensation in dollars worth of service (as distinguished from compensating balance dollars) exceeds five hundred dollars. The settlement shall be in the amount by which the overcompensation or undercompensation exceeds five hundred dollars.

The Treasurer at his option may compute and apply the compensating balance for periods of less than a month. The computations shall be made in the same manner as above except for appropriate

adjustments in the formula to allow for such lesser computation period. Adjustments and settlements for overcompensation or under compensation shall also be applied in the same manner as in the case of monthly computation periods.

4.03. Compensation for Ancillary Services - The board may in its bid specifications require the depository to furnish certain named ancillary services in the course of providing the basic services for which bids are solicited. For example, the board may specify that a depository for disbursements shall furnish preprinted checks. The board may also specify that the depository shall be compensated for the cost of furnishing such ancillary 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 direct cost of furnishing such ancillary services plus a reasonable amount (as determined by the board) for the overhead attributable to furnishing such services. The amount to be allowed for such overhead shall be specified in the invitation to bid.

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