

1 *House* BILL NO. *405*  
 2 INTRODUCED BY *O'Connell* *Manuel* *Bryson*  
 3

4 A BILL FOR AN ACT ENTITLED: "AN ACT TO AMEND SECTION  
 5 16-2618, R.C.M. 1947, AUTHORIZING COUNTIES, CITIES AND TOWNS  
 6 TO SEEK AND ACCEPT BIDS FOR INTEREST TO BE PAID ON PUBLIC  
 7 FUNDS ON DEPOSIT IN BANKS."  
 8

9 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF MONTANA:  
 10 Section 1. Section 16-2618, R.C.M. 1947, is amended to  
 11 read as follows:

12 "16-2618. Deposit of public funds by county, city and  
 13 town treasurers. (1) It shall be the duty of all county,  
 14 city and town treasurers to deposit all public moneys in  
 15 their possession and under their control in any solvent  
 16 banks, building and loan associations or savings and loan  
 17 associations located in the county, city or town of which  
 18 such treasurer is an officer, subject to national  
 19 supervision or state examination as the board of county  
 20 commissioners in the case of a county, or of the council in  
 21 the case of a city or town, may designate, and no other. The  
 22 treasurer shall take from such bank, building and loan  
 23 association or savings and loan association such security as  
 24 the board of county commissioners, in the case of a county,  
 25 or the council in the case of a city or town, may prescribe,

1 approve and deem fully sufficient and necessary to insure  
 2 the safety and prompt payment of all such deposits, together  
 3 with the interest on any time or savings deposits, provided  
 4 that said board of county commissioners or city or town  
 5 council is hereby authorized to deposit such public moneys  
 6 not necessary for immediate use by such county, city or town  
 7 with any bank, building and loan association or savings and  
 8 loan association authorized herein above in a savings or  
 9 time deposit; provided that the bank or banks or building  
 10 and loan association or savings and loan association in  
 11 which the money is deposited shall pay on the moneys no less  
 12 than the rate of interest as is paid on money from private  
 13 sources on the same terms. Refusal of any bank, building and  
 14 loan association or savings and loan association to pay said  
 15 interest rate shall constitute a waiver of that  
 16 institution's right to participate in the ratable  
 17 distribution of said moneys as set forth in subsection (4)  
 18 of this act, and provided that said board of county  
 19 commissioners, or city or town council is hereby authorized  
 20 to invest such public moneys not necessary for immediate use  
 21 by such county, city or town, in direct obligations of the  
 22 United States government, payable within not to exceed one  
 23 hundred eighty (180) days from the time of such investment.

24 (2) Said board of county commissioners, city or town  
 25 council may require security for only such portion of

1 deposits as is not guaranteed or insured according to law.  
 2 Such security shall consist of cashier's check or checks  
 3 issued by the Federal Reserve Bank, bonds of the United  
 4 States government and its dependents, bonds guaranteed by  
 5 the United States government or its dependents, bonds and  
 6 warrants of the state of Montana, bonds and warrants of any  
 7 county of the state of Montana, and bonds of any city, town  
 8 or school district of the state of Montana, which are a  
 9 general obligation of such county, city, town or school  
 10 district, bonds of the Federal Land Banks, Federal  
 11 Intermediate Credit Bank debentures, Federal Home Loan Bank  
 12 notes and bonds, Bank for Co-operatives' debentures, Federal  
 13 National Mortgage Association notes, bonds and guaranteed  
 14 certificates of participation, obligations of or fully  
 15 guaranteed by the Government National Mortgage Association,  
 16 Farmers' Home Administration insured notes, notes fully  
 17 guaranteed as to principal and interest by the Small  
 18 Business Administration, Federal Housing Administration  
 19 debentures, general obligation bonds of other states and  
 20 counties of other states and bonds issued in the United  
 21 States of America, which are quoted on the New York market  
 22 which shall be acceptable at not to exceed ninety per centum  
 23 (90%) of such market quotation.

24 (3) When negotiable securities are furnished, such  
 25 securities may be placed in trust and the trustee's receipt

1 may be accepted in lieu of the actual securities when such  
 2 receipt is in favor of the treasurer, his successors and the  
 3 state of Montana, and the form of receipt and the trustee  
 4 have been approved by the department of intergovernmental  
 5 relations. All warrants or other negotiable securities must  
 6 be properly assigned or endorsed in blank. It shall be the  
 7 duty of the board of county commissioners in the case of  
 8 county funds, or the council in the case of funds of a city  
 9 or town, upon the acceptance and approval of any of the  
 10 above-mentioned bonds or securities, to make a complete  
 11 minute entry of such acceptance and approval upon the record  
 12 of their proceedings, and such bonds and securities shall be  
 13 reapproved at least quarter annually thereafter.

14 (4) (a) Demand deposits shall be placed only in banks.  
 15 When more than one bank is available in any county, for the  
 16 deposit of such county funds, or in any city or town for the  
 17 deposit of such city or town funds, and such deposit is in  
 18 an amount less than one hundred thousand dollars (\$100,000),  
 19 such demand deposits shall be distributed ratably among all  
 20 of such banks qualifying therefor, substantially in  
 21 proportion to paid-in capital and surplus of each such bank  
 22 willing to receive such demand deposits under the terms of  
 23 this act, and it shall be the duty of said county, city or  
 24 town treasurer to prorate all such demand deposits among all  
 25 of the banks qualified to receive the same as in this act

1 provided, to the end that an equitable distribution of such  
2 demand deposits shall be maintained.

3 (b) Such public moneys not necessary for immediate use  
4 by such county, city or town which are not invested in  
5 direct obligations of the United States government as  
6 authorized herein shall be placed in time or savings  
7 deposits with any bank, building and loan association or  
8 savings and loan association in the county, city or town.  
9 When more than one bank, building and loan association or  
10 savings and loan association is available in any county, for  
11 the deposit of such county funds, or in any city or town for  
12 the deposit of such city or town funds, ~~such funds shall be~~  
13 ~~distributed ratably among all of such banks, building and~~  
14 ~~loan associations and savings and loan associations~~  
15 ~~qualifying therefor, substantially in proportion to the~~  
16 ~~total property taxes paid in such county or the county in~~  
17 ~~which such city or town is located during the preceding~~  
18 ~~year, including taxes on shares of bank stock, by each such~~  
19 ~~bank, building and loan association or savings and loan~~  
20 ~~association willing to receive such time or savings deposits~~  
21 ~~under the terms of this act, and it shall be the duty of~~  
22 ~~said county, city or town treasurer to prorate all such time~~  
23 ~~or savings deposits among all of the banks, building and~~  
24 ~~loan associations and savings and loan associations~~  
25 ~~qualified to receive the same as in this act provided, to~~

1 ~~the end that an equitable distribution of such time or~~  
2 ~~savings deposits shall be maintained, and when the sum to be~~  
3 ~~deposited is in excess of one hundred thousand dollars~~  
4 ~~(\$100,000), the county, city or town may distribute said~~  
5 ~~moneys ratably in the manner described in subsection (a)~~  
6 ~~above, or may seek bids from all solvent banks in the~~  
7 ~~county, city or town on the rate of interest to be paid on~~  
8 ~~the deposit of the funds. The invitation to bid shall state~~  
9 ~~the amount of money to be deposited, the time for which the~~  
10 ~~money will be left in deposit, when the bids are to be made~~  
11 ~~and when they shall be opened, and it shall be published at~~  
12 ~~least twice in a daily, semi-weekly or weekly newspaper~~  
13 ~~published in the city, town or county seat designated by the~~  
14 ~~governing body for that purpose, and in case there is no~~  
15 ~~such newspaper, then it shall be posted in at least three~~  
16 ~~(3) public places and mailed to all known solvent banks.~~  
17 ~~The governing body may reject any and all proposals or bids~~  
18 ~~should it consider this for the public good and shall reject~~  
19 ~~all proposals or bids other than that stating the highest~~  
20 ~~rate of interest from a responsible solvent bank.~~

21 (5) Whenever it shall come to the attention of the  
22 department of intergovernmental relations that the funds of  
23 any county, city or town are not properly distributed as  
24 provided in this act, the department of intergovernmental  
25 relations shall order the treasurer of such county, city or

1 town to distribute said funds in accordance herewith, and if  
 2 such treasurer shall refuse or neglect to comply with such  
 3 order, it shall be the duty of the department of  
 4 intergovernmental relations to institute proceedings against  
 5 such treasurer at the cost of the county, city or town of  
 6 which such treasurer is an officer, on the official bond of  
 7 such treasurer. If no such bank, building and loan  
 8 associations or savings and loan associations exists in the  
 9 county, city or town, or if any banks, building and loan  
 10 associations or savings and loan associations existing  
 11 therein fails or refuses to qualify under the terms of this  
 12 act to receive such deposits, then and in such case, or in  
 13 either of such cases, such moneys as have not been accepted  
 14 by any banks, building and loan associations or savings and  
 15 loan associations within said county, city or town, shall be  
 16 deposited under the terms of this act, in the banks,  
 17 building and loan associations or savings and loan  
 18 associations most convenient to such county, city or town,  
 19 willing to accept such deposits under the terms of this act,  
 20 and qualified as above provided. Any banks, building and  
 21 loan associations or savings and loan associations receiving  
 22 such deposits, shall, through its president and cashier or  
 23 secretary, make a statement quarter annually of account,  
 24 under oath, showing all such moneys that have been deposited  
 25 with such bank, building and loan association or savings and

1 loan association during the quarter, the amount of daily  
 2 balance in dollars, and the amount of interest by such  
 3 banks, building and loan associations or savings and loan  
 4 associations credited or paid therefor, and showing that  
 5 neither such bank, building and loan association or savings  
 6 and loan association nor any officer thereof, nor any person  
 7 for it, has paid or given any consideration or emolument  
 8 whatsoever to the treasurer or to any other person other  
 9 than the interest provided for herein, for or on account of  
 10 the making of such deposits, with any such bank, building  
 11 and loan association or savings and loan association. All  
 12 such deposits shall be subject to withdrawal by the  
 13 treasurer in such amounts as may be necessary from time to  
 14 time, and no deposit of funds shall be made, or permitted to  
 15 remain in any bank, building and loan association or savings  
 16 and loan association, until the security for such deposits  
 17 shall have been first approved by the board of county  
 18 commissioners in the case of county funds, or by the council  
 19 in the case of city or town funds, and delivered to the  
 20 treasurer.

21 (6) Except as provided in subsection (8) of this  
 22 section, all interest paid and collected on such deposits or  
 23 investments shall be credited to the general fund of the  
 24 county, city or town to whose credit such funds are  
 25 deposited. Where moneys shall have been deposited in

1 accordance with the provisions of this act, the treasurer  
 2 shall not be liable for loss on account of any such deposit  
 3 that may occur through damage by the elements or for any  
 4 other cause or reason occasioned through means other than  
 5 his own neglect, fraud, or dishonorable conduct.

6 (7) Any bank, building and loan association or savings  
 7 and loan association pledging securities as provided in this  
 8 act at any time it deems advisable or desirable may  
 9 substitute like securities for all or any part of the  
 10 securities pledged. The collateral so substituted shall be  
 11 approved by the governing body of the county, city or town  
 12 at its next official meeting. Such securities so substituted  
 13 shall at the time of substitution be at least equal in  
 14 principal amount to the securities for which substitution is  
 15 made. In the event that the securities so substituted are  
 16 held in trust, the trustee shall, on the same day the  
 17 substitution is made, forward by registered or certified  
 18 mail to the county, city or town and to the depository bank,  
 19 building and loan association or savings and loan  
 20 association, a receipt specifically describing and  
 21 identifying both the securities so substituted and those  
 22 released and returned to the depository bank, building and  
 23 loan association or savings and loan association.

24 (8) Whenever in the judgment of the trustees of any  
 25 common school district, high school district, or county high

1 school it would be advantageous to invest any money of such  
 2 school or school district in savings or time deposits in a  
 3 state or national bank, building and loan association or  
 4 savings and loan association insured by the F.D.I.C. or the  
 5 F.S.L.I.C., or in direct obligations of the United States  
 6 government, payable within one hundred eighty (180) days  
 7 from the time of investment, such governing body may in its  
 8 discretion direct the county treasurer to make such  
 9 investments. All interest collected on such deposits or  
 10 investments shall be credited to the fund from which the  
 11 money was withdrawn, provided that nothing in this act shall  
 12 be interpreted to conflict with section 16-2050."

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