

CHAPTER 427

DEPOSITORIES, CITY AND STATUTORY CITY FUNDS

427.01	DEPOSIT OF PUBLIC FUNDS.	427.06	MONEY, HOW DEPOSITED; CHECKS, HOW DRAWN.
427.02	DEPOSITORIES.	427.07	WITHDRAWAL OF FUNDS.
427.03	DUTY OF TREASURER; EXEMPTION FROM LIABILITY.	427.09	FAILURE TO DESIGNATE DEPOSITORY.
427.04	FAILURE TO DESIGNATE.	427.10	TREASURER, LIABILITY.
427.05	DUTY OF COUNCIL; INTEREST.	427.11	INTEREST ON FUNDS.
		427.12	WARRANT AS CHECK ON CITY DEPOSITORY.

427.01 DEPOSIT OF PUBLIC FUNDS.

The council of any statutory city or of any city of the fourth class shall designate as a depository of city funds such national, state, or private banks as it may deem proper. Except as to deposits insured by the federal deposit insurance corporation or protected by collateral or a corporate surety bond furnished under section 118A.03, each shall give bond to the municipality in at least double the amount authorized to be deposited therein, to be approved by the council, conditioned to repay all sums deposited therein upon proper demand therefor or at such time, not exceeding one year, as fixed by the terms of the deposit, and for the performance of such other duties as the council may require. The council shall require the city treasurer to deposit all or any part of the public funds in hand in such banks and to withdraw the same when so directed. All the terms and conditions of deposit shall be set forth in the resolution designating the several depositories, which resolution shall be filed with the clerk or recorder. The treasurer shall not be liable on the treasurer's bond for any money so deposited by direction of the council and lost through the failure, bankruptcy, or other default of the bank. All interest accruing upon these deposits shall belong to the city.

History: *RL s 774; 1957 c 367 s 5; 1957 c 518 s 1; 1973 c 123 art 5 s 7; 1986 c 444; 1996 c 399 art 2 s 12*

427.02 DEPOSITORIES.

The council of any city in this state, but not including cities when governed under a charter adopted under and pursuant to the Constitution of the state of Minnesota, article IV, section 36, article XI, section 4, or article XII, section 5, and sections 410.03 to 410.24, and all acts supplemental thereto, in which charter the matter of designating depositories for city funds and the protection thereof is provided for, or in which charter it shall hereafter be provided for, shall have the power and authority to designate or redesignate at the beginning of each calendar year, or from time to time, the banks or other legal depositories of any city in which the treasurer of the city shall deposit and keep the moneys of the city, designating in each instance the maximum amount which may at any time be kept in any one of these depositories, which maximum amount shall in no case exceed 25 percent of the paid-up capital and surplus of the depository, unless the depository shall deposit with the treasurer of the city United States government bonds to secure the deposit of the funds of the city; and, in that event, the amount so deposited shall not exceed the amount of the United States government bonds so deposited. No depository shall deposit United States government bonds which mature within one year from the date such bonds were first considered as a part of the bank's reserve and which reserves are required by section 48.221. The council of each city shall, at all times, designate depositories in the city, or elsewhere in the United States, sufficient for the depository of all funds which are likely to be in the hands of the treasurer of the city at any one time and shall, so far as consistent with the best interest of the city, designate these depositories in the city and require from these depositories good and sufficient bonds payable to the city in a penal sum not to exceed the amount designated as the limit of

deposit therein, and conditioned for the safekeeping and payment of funds so deposited, or, in lieu thereof, good and sufficient collateral as provided for by section 118A.03.

History: (1327) 1907 c 17 s 1; 1933 c 179; 1935 c 124 s 1; 1969 c 78 s 2; 1971 c 24 s 50; 1987 c 384 art 2 s 1; 1996 c 399 art 2 s 12; 1997 c 7 art 1 s 139; art 4 s 2

427.03 DUTY OF TREASURER; EXEMPTION FROM LIABILITY.

The treasurer of each city where depositories have been designated in accordance with sections 427.02 to 427.07 shall keep the funds of the city as far as possible in the depositories so designated and when so deposited the treasurer and the sureties on the official bond of such treasurer shall be exempt from all liability for the loss of any such funds so deposited as provided in sections 427.02 to 427.07, if such loss is caused by the failure, bankruptcy, or any other act of default of such depository.

History: (1328) 1907 c 17 s 2

427.04 FAILURE TO DESIGNATE.

The failure of the council of any city to designate depositories, as provided in sections 427.02 to 427.07, shall not exempt or relieve the treasurer of the city or the sureties on the treasurer's official bond from any liability.

History: (1329) 1907 c 17 s 3; 1986 c 444

427.05 DUTY OF COUNCIL; INTEREST.

The council of any city authorized under sections 427.02 to 427.07 to designate depositories shall exercise all possible care to secure safe depositories for the funds of the city and to obtain the highest rate of interest possible consistent with safety for such moneys. All interest received in any way for the use or keeping of moneys or on account of the same shall be the property of the city and credited to the current expense fund of the city.

History: (1330) 1907 c 17 s 4

427.06 MONEY, HOW DEPOSITED; CHECKS, HOW DRAWN.

(a) All money of any city kept in accordance with sections 427.02 to 427.07 in any depository designated by the council of the city shall be kept and deposited in the name of the city and the depository shall have no authority to pay out this money except upon checks drawn upon the depository signed by the city treasurer and countersigned by the city comptroller or recording officer of the city.

(b) In addition to the authority for deposit of city money pursuant to paragraph (a) or other provisions of this chapter, the city treasurer may deposit city money in a designated depository in accordance with the following conditions:

(1) The designated depository is authorized by the city treasurer to (i) arrange for the redeposit of the money into deposit accounts in one or more banks, savings and loan associations, or credit unions that are located in the United States, and (ii) serve as custodian for the city with respect to the money redeposited into such accounts.

(2) The full amount of the redeposited city funds, plus accrued interest, if any, must be insured by the Federal Deposit Insurance Corporation, the National Credit Union Share Insurance Fund, or an approved

credit union share guaranty corporation. Any entity serving as subcustodian for the designated depository shall have had at least five years' experience serving in that capacity.

History: (1331) 1907 c 17 s 5; 2012 c 209 s 4; 2026 c 56 s 37

427.07 WITHDRAWAL OF FUNDS.

The treasurer of any city, who has city funds deposited in accordance with sections 427.02 to 427.07, shall, when notified so to do by the sureties on the treasurer's official bond or by the council of the city, withdraw all funds from any designated depository and it shall be the duty of the city comptroller or other recording officer of such city to countersign all checks for such withdrawal. The city treasurer shall thereupon, upon such withdrawal, notify the council of the city thereof and thenceforth the city treasurer shall deposit no more funds in the depository until authorized so to do by the council of the city. Upon this withdrawal, it shall be the duty of the council of the city to proceed forthwith to redesignate, in accordance with the provisions of sections 427.02 to 427.07.

History: (1332) 1907 c 17 s 6; 1986 c 444

427.08 MS 1953 [Repealed, 1957 c 367 s 7]

427.09 FAILURE TO DESIGNATE DEPOSITORY.

If the council of any home rule charter city of the fourth class or any statutory city shall refuse or fail to act, as provided in section 427.01, within 30 days after the beginning of the fiscal year the treasurer shall select one or more depositories, not exceeding four in number, for the safekeeping of city funds and deposit such funds therein, in the name of the city, to the extent authorized by chapter 118A in each depository so selected without requiring security therefor.

History: (1049-2) 1931 c 216 s 2; 1933 c 62 s 2; 1957 c 367 s 6; 1959 c 289 s 3; 1973 c 123 art 5 s 7; 1976 c 44 s 35; 1Sp1981 c 4 art 1 s 175; 2001 c 7 s 90

427.10 TREASURER, LIABILITY.

The city treasurer, in the absence of negligence, shall not be liable for the loss of money while so deposited within the limits above specified occasioned by the closing or insolvency of a designated depository.

History: (1049-3) 1931 c 216 s 3; 1933 c 62 s 3; 1973 c 123 art 5 s 7; 1976 c 44 s 36

427.11 INTEREST ON FUNDS.

All interest received on funds deposited under the provisions of sections 427.09 and 427.10 shall be credited to the respective city funds.

History: (1049-4) 1931 c 216 s 4; 1933 c 62 s 4; 1971 c 24 s 51; 1973 c 123 art 5 s 7; 1976 c 44 s 37

427.12 WARRANT AS CHECK ON CITY DEPOSITORY.

When a disbursement is made by order or warrant in any home rule charter city of the second, third, or fourth class, the order or warrant for the disbursement shall be so drawn that when signed in an appropriate place by the treasurer or other officer to whom it is directed, it becomes a check on the city depository.

History: 1953 c 319 s 6; 1976 c 44 s 38