
Note: The ESC should consider any applicable conflict of interest rules when selecting a depository bank. [See BBFA]

Legal Action

A legal action brought by or against an ESC that arises out of or in connection with the duties of a depository, custodian, or permitted institution under the Public Funds Collateral Act must be brought and maintained as provided by the contract with the ESC. *Gov't Code, 2257.005*

Collateral

In accordance with written Board policy, an ESC shall determine if an investment security is eligible to secure deposits of public funds covered by the Public Funds Collateral Act.

The policy may include the security of the institution that obtains or holds an investment security; the substitution or release of an investment; and the method by which an investment security used to secure a deposit of public funds is valued.

Gov't Code 2257.023

**Bank Depository
Contracts**

The ESC is considered to be a political subdivision for the purposes of Local Government Code 131.903. *Education Code 8.009(b)*

A bank is not disqualified from serving as a depository for funds of the ESC if:

1. An officer or employee of the ESC who does not have the duty to select the ESC's depository is an officer, director, or shareholder of the bank; or
2. One or more officers or employees of the ESC who have the duty to select the ESC's depository are officers or directors of the bank or own or have a beneficial interest, individually or collectively, in ten percent or less of the outstanding capital stock of the bank, if:
 - a. A majority of the members of the Board of the ESC vote to select the bank as a depository; and
 - b. The interested officer or employee does not vote or take part in the proceedings.

Local Gov't Code 131.903(a)