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County finds new way to Net profit

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BY TAMMY CHASE Business Reporter

Cook County has found a way to make some money -- by using the Internet.

Much like a consumer can go online and hunt for the best mortgage rate, the county is using a new service that allows it to shop for the best returns it can earn on proceeds from bond issues. The service might also be used eventually to invest property tax proceeds, county officials say.

Governments like Cook invest cash into short-term investments until it's time to pay bills or bondholders, and need safe, liquid places to temporarily park money.

Called YieldAdvantage, the online service won't solve all of Cook's budget problems (the county board is scheduled to vote on its 2004 budget on Feb. 23), but in one case, the new investment tactic brought in an estimated \$240,000 the county otherwise wouldn't have earned.

"I intend on using this going forward," said Cook County Chief Financial Officer Tom Glaser. "I kept looking for what's the downside, and I still haven't been able to find it."

Roughly once a month, Glaser's office will contact a bond trustee to invest some bond proceeds. The trustee would round up three bids, and present the best bid to Glaser.

In January, he used the YieldAdvantage system instead, which costs the county nothing, to put out for bid \$80 million of bond money that needed a short-term home. He got 13 bids, with the winning bid paying an interest rate of 1.2 percent. With the going Treasury market rate that day of 0.93 percent, Glaser estimated that YieldAdvantage generated an additional \$240,000 of return for the county. That extra money goes into the county's capital budget to pay for things like new courthouses or county building maintenance.

YieldAdvantage is offered by the Government Finance Officers Association, a locally based trade association of public-sector finance officials, and Pittsburgh-based Grant Street Group, which arrange for bidders to place their bids online. The association and the company have solicited Yield-Advantage to other government agencies, such as the Chicago Park District.

The service is paid by the winning bidder of any given offer, so there's no cost to the county, and it replaces a good deal of work that was done mainly on the telephone.

"Hopefully, this brings about some labor savings and some efficiencies" for time- and money-strapped governments, said Jeff Esser, executive director of the Government Finance Officers Association.

While there's no guarantee that municipalities will earn higher rates online than through traditional means, the service can increase the number of bids a government receives "to get as much competition as possible," Esser said.

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