



JOSH MANDEL

STATE TREASURER OF OHIO

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HAMILTON — Just past its one-year mark, a new investment option for local governments has brought in nearly \$85,000 in interest earnings for agencies in Butler and Warren counties.

The STAR Plus program launched in June 2012 as a way for school districts, local governments and public universities to generate a competitive yield on cash investments through a network of banks insured by the Federal Deposit Insurance Corporation, said Ohio Treasurer Josh Mandel.

STAR Plus — with an interest rate of about 0.21 percent — has been an offshoot of the 28-year-old STAR Ohio, which yields a return of only 0.03 percent.

Mandel said the higher interest gains have allowed school districts and local governments to increase services and purchase new equipment. Within the first year, more than 360 local government entities have invested in STAR Plus.

“I’m pleasantly surprised in the interest; that’s the best evidence it’s working,” Mandel said.

In Butler County, eight agencies have invested a total \$60 million into STAR Plus. The two highest investors, the Hamilton City School District and city of Hamilton, have each invested the maximum \$15 million.

In Warren County, six public agencies have invested \$16.4 million since June 2012, including a \$4 million investment by Lebanon City Schools.

Participating agencies are required to have an existing STAR Ohio account — to allow for easy transfer of funds and penalty-free withdrawals on a weekly basis from STAR Plus or daily basis from STAR Ohio.

Mandel said the main advantage of investing in STAR Plus over the older STAR Ohio is the higher yield on return. Public agencies across the state have invested \$1.1 billion during the inaugural year of the program, earning about \$1 million in interest.

“Something that’s very important to me is ensuring that local communities — have the option to choose which investment instrument they’d like to use for their taxpayer dollars,” Mandel said. “And if they don’t want to use any of them through the treasurer’s office, that’s fine as well.”

Butler and Warren County agencies have raked in \$85,000 in interest from the new investment option.

Deborah Hymer, Hamilton’s treasurer, said she was struggling to find safe and efficient investment avenues for the city’s interim funds over the past few years.

“It was very difficult the last few years because any liquid interim funds, we were having a very difficult time to find a home for them, if you will,” Hymer said. “With the downturn in the economy, the overnight funds were just paying very much and everyone was just sitting on a lot of money not being able to capture very much yield.”

Although the city already used STAR Ohio, the STAR Plus program was a welcome investment alternative for its portfolio, she said.

“When they came up with the new program, I met with STAR Plus officials and we walked through every step of the program,” Hymer said. “I felt confident that we could gain a reasonable yield and that, in turn, would improve our services to our citizens.”

As of the end of June, the city has earned \$4,580 in interest income, Hymer said, adding that STAR Plus “works wonderfully.”

“We can withdraw the money weekly without penalty, we can deposit each day,” Hymer said. “We receive a statement at month’s end and we can see every lending institution that has our money. It’s FDIC insured, so we have the safety-and-security feature



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built right in.”

Robert Hancock, treasurer of Hamilton City Schools, said he believes STAR Plus is beneficial because it keeps the invested money safe and has a reasonable return and liquidity. Since joining STAR Plus last November, the Hamilton City School District has earned \$20,000 in interest.

“Schools districts aren’t going to be taking risky investments,” Hancock said. “(I like) the ease of it and safety of it.”

Hancock said the investment by Hamilton City Schools has ranged from \$11.5 million to the maximum \$15 million. Over the past year, Hancock said he’s decreased the investment sitting in the older STAR Ohio to around \$4.5 million.

Hancock said even though STAR Plus has a higher interest rate, the market is still depressed and rates are low.

“It might be four times more but the numbers are so low it’s not even hitting a percentage point,” Hancock said.

Miami University invested \$10 million in July 2012 under STAR Plus, according to the treasurer’s office.

“Big picture, it’s not a lot of percent (for STAR Plus) but it’s a lot more than what we were able to do with these amounts” under STAR Ohio, said Claire Wagner, the university’s spokeswoman. “It’s FDIC insured … and it’s stable.”

During the year, there are different rates of activity for cash flow, such as when tuition is coming in or when bills are being paid, Wagner said.

“It doesn’t happen on a regular monthly basis necessarily, so you want to have access to something that’s fluid and earning more interest is always the goal,” she said. “We always want to do best with the money we have and with the trust people have that we’re handling things well.”

With a current investment of \$3 million in STAR Plus, officials from Monroe Local Schools have said the higher yield on interest has been helpful while they climb out of fiscal emergency. Treasurer Holly Cahall said Monroe has earned about \$2,200 in interest from STAR Plus since joining in January.

“As a district in fiscal emergency, we are trying to look for every source of revenue, and STAR Plus offers interest rates that exceed many other instruments that are available to us,” Cahall said.

Cahall said an investment option such as STAR Plus is very useful in times of excess cash, such as local tax receipts every August and September, even if it’s just for a month or two.

“Since the cash is liquid, it is possible to realize gains without compromising cash when we need it,” Cahall said. “I never thought we could benefit from interest on investments, especially being in fiscal emergency, but the interest from STAR Plus is helping us in our recovery.”

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