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A Provo investment fund?

The plan will be presented at informal council meeting tonight

By [Tad Walch](#)

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PROVO — Provo city leaders want to launch a city investment fund, an idea they believe will save money for some city departments while making more money for others, at the same time and with the same money.

The proposal is a simple one — but apparently new to Utah, state auditor Auston Johnson said.

The plan would allow city departments with cash reserves to invest that money in the proposed fund and earn interest at a regular market rate — more than they're getting now from regular savings accounts or the state treasurer's investment pool.

Then, city departments that need money for projects would be able to go to the new city investment fund for loans and pay the market rate but without any fees or bond-issuance costs.

"If we go out and issue a small bond through a financial institution for a \$2 million to \$4 million project, we have fairly significant issuance costs," Provo finance director John Borget said. "It costs us about \$30,000 to \$50,000, and with a city investment fund, we'd save that money."

How much the city would save would depend on the number of projects.

Borget will present his final plan for the city investment fund tonight during an informal Provo City Council meeting at 6 p.m. at 351 W. Center. He said the proposal doesn't need council approval, but he is seeking its support.

"If they're supportive, we're going to proceed," Borget said. "The proposal we have now is one we feel works well for the city council and for us."

The idea is new to Johnson. "I don't know of anybody else who does it," the state auditor said. "Accounting standards and state law allow a fund to make a loan to another fund, and cities do it all the time, but they wanted to set up a central pooling of reserve funds to make loans to other funds."

"We couldn't find anything in accounting practice or state law that wouldn't allow Provo to do this. We're not recommending it, but I don't know anything wrong with it. In a lot of ways it's probably good to have it all happening in one place where people can keep an eye on all of the loans."

The Utah Taxpayers Association has no general problem with the idea of a city investment fund, association vice president Mike Jerman said.

"If the city has the money, there's no need for it to go to the private sector to borrow," he said.

The association has criticized Provo's \$1 million loan from the city's energy fund to its iProvo telecommunications fund because it believes the energy department should not charge any more than it costs to provide power to Provo residents.

"The only complication here," Jerman said, "is that they might use utility fees to cover costs not associated with the utility department, at least over time. Of course, they say it's a loan, so the energy department gets it back."

Provo's energy department has a cash reserve of more than \$16 million, which Mayor Lewis Billings has said is a necessary cushion in case of an energy crisis, and Borget said the energy department might be one to use the city investment fund.

In fact, documents provided to the city council for tonight's meeting used the energy fund as an example:

Say the energy fund had \$1 million to invest. It could put it in the investment fund. A city investment committee could loan that money to, say, the recreation department, which would agree to pay back the investment fund at 4.8 percent, the market interest rate, over 10 years.

The investment fund would take the payments and send both the principal and interest to the energy department. In this case, the energy department would earn \$261,080 in interest over the life of the loan. And the recreation department would save all the normal fees and costs, in this case probably more than \$10,000.

"It turns into a win-win scenario," Borget said.

The idea was generated by Borget's finance department team. It borrowed on the idea that intra-city loans are common and on a similar concept Provo uses to purchase vehicles.

"We have a vehicle bank," Borget said. "When a department needs a vehicle, rather than go out and borrow from a financial institution, departments borrow

from this the city's vehicle bank and save on costs. That's worked really well for us. That's what made us start thinking about this idea."

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