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Provo moves \$1.9M in excess money for capital improvements [Print](#)

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**HEIDI TOTH** - Daily Herald

Something strange is happening in Provo. There's extra money in the city coffers, and yet there's still not enough to meet all needs.

For the first time in many years, the city faced this conundrum. City leaders went forward, armed with a state audit report, and solved the problem by moving the money to another fund. It's still the city's money, it's just no longer part of a rainy day fund that started overflowing with excess funds this year.

Sound a little mucky? Grab the waders and jump in. State law allows Utah cities to have up to 18 percent of total forecasted revenue for the general fund for the next year as a reserve, or rainy day fund, but not more than that.

"The Legislature feels that the cities shouldn't have the power to create huge fund balances and then continue to tax their populations," said Richard Moon, a supervisor in the local government division of the state Auditor's Office.

So, there's extra money in the general fund that the state has decreed must go. Cities don't generally spend it or return it to taxpayers through a tax break the following year. Instead, they shuffle it around. Thus, the law is just a technicality, since the city just re-labels the money.

"The practice is, if there's too much money accumulating, because the need is so great, the money is in effect spent by putting it over into capital improvement funds for big projects," said Utah League of Cities and Towns Attorney David Church. "Cities have no excess money."

Back in Provo, the Municipal Council voted 7-0 Tuesday night to move \$1.9 million from the general fund to the capital improvement project fund, decreasing the reserves from 25 percent to the allowed 18 percent. The money isn't appropriated for anything specific but could go to a number of different projects.

"There are a number in critical need throughout the city that are very important to be looked at," said finance director John Borget.

The needs that money could meet include repairs from the Aug. 1 storm, aviation projects and remodeling the city center, 4800 North, or justice court. Two council members are pushing for parks and recreation capital improvement projects, since there's not enough capital to do all the projects the city wants.

Hence the not-enough factor, but one could still wonder about the extra. The Legislature initially passed the law to make sure taxpayers were treated fairly. The question is, is this application of the law fair?

Borget said if Provo cut taxes because it had excess money, the economy could turn cold and the city wouldn't have enough to pay its bills.

"The concern is that sales tax and some of those primary revenues that come into the city are very volatile," Borget said.

Mike Jerman, vice president of the Utah Taxpayers Association, also agreed that a one-time tax break probably wasn't the answer, although cities with a large extra chunk like Provo's could consider a long-term tax break, he said.

"Every little tax cut and every little tax hike matters," he said.

He agreed that Provo's action in moving the nearly \$2 million into capital improvements was a wise course of action instead of putting it into ongoing operations, a risky move since the money isn't guaranteed to be ongoing if shoppers suddenly stop spending their money in Provo.

MacRay Curtis, director of the local government division of the state Auditor's Office, said cities are reluctant to pass tax breaks because of the difficulty of going back through the taxation process to raise rates if they need more money later.

"This is just to make sure they don't hold money too long," he said.

Cities aren't often in this quandary. It's certainly not a typical experience for Provo, Borget said; last year's reserves were about 10 percent and the city has only exceeded the allotted 18 percent once or twice in the past 10 years.

Few Utah cities routinely get close to the maximum amount, Curtis said, vaulting Provo into somewhat of an enviable position.

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