

TOWN OF BETHLEHEM INDUSTRIAL DEVELOPMENT AGENCY

POLICY ON FUND BALANCE

Considerations That Affect the Recommended Level of Fund Balance

Generally, appropriate fund balance levels are determined by the following:

- Cash flow requirements to support operating expenses
- The degree of stability of the revenue stream
- The susceptibility to unanticipated expenditures
- Any legal or regulatory requirements affecting fund balances

It is normally a part of a governing body's fiduciary duties to provide a fiscally responsible financial plan that considers both the short and long-term needs of the entity.

While the expenditures for the base operations of the IDA are fairly stable, the revenue streams are typically dependent on the number and magnitude of projects that are approved. Even when one or more projects may be pending, the actual timing of closings is dependent on many external factors, including the ability of the applicant to obtain financing, the current economic conditions for the applicant's business, and relationships with the applicant's key business partners. These factors contribute to a sometimes extended period of time between the IDA's collection of revenues.

Determination of the IDA's Recommended Level of Fund Balance

Given the possibility of a three-year period elapsing before project fees are realized, a reasonable fund balance level would be approximately two times the average annual audited expenses for the past three years. This would be the minimum targeted level of fund balance.

Actions to be Taken to Maintain the Recommended Minimum Fund Balance

If the fund balance is projected to fall below the minimum targeted level by calendar year-end, a plan for recommended expenditure reductions and/or revenue increases shall be submitted to the governing body by the Finance Committee and the Chief Financial Officer. The plan to restore the minimum fund balance, once adopted by the governing body, shall cause the fund balance to reach the appropriate level within a reasonable period.

The Policy, and the determination of the appropriate minimum balance amount, shall be reviewed annually.

Revised 5/5/2020 by the Finance Committee