

ITEM NO. 6e

DATE OF
MEETING April 9, 2013

**THE INDUSTRIAL DEVELOPMENT CORPORATION
OF THE PORT OF SEATTLE**

NOTICE OF A SPECIAL MEETING

A Special Meeting of the Industrial Development Corporation of the Port of Seattle will be held on Tuesday, April 9, 2013, in the Commission Chambers, Pier 69, 2711 Alaskan Way, Seattle Washington,, Washington, during a recess of the Port of Seattle Commission Regular Meeting, which convenes at 1:00 p.m. The Agenda includes:

1. Approval of the proposed minutes of the Industrial Development Corporation of the Port of Seattle Special Meetings of March 6 and September 11, 2012.
2. Approval of the Industrial Development Corporation of the Port of Seattle Board of Directors and Officers for 2013.
3. Review of the Annual Report for the Industrial Development Corporation for year ending December 31, 2012.

Adjournment of the Annual Meeting of the Industrial Development Corporation of the Port of Seattle.

INDUSTRIAL DEVELOPMENT CORPORATION AGENDA

Item No. 1

Date of Meeting April 9, 2013

DATE: March 11, 2013

TO: Tay Yoshitani, Chief Executive Officer

FROM: Diane Campbell, Financial Analyst III, Corporate

SUBJECT: Approval of the Proposed Minutes of the Industrial Development Corporation of the Port of Seattle Meetings of March 6, 2012, and September 11, 2012

ACTION REQUESTED:

Request Board approval of the proposed minutes of the Industrial Development Corporation of the Port of Seattle meetings of March 6 and September 11, 2012. Draft minutes have been circulated to the Board of Directors and approved minutes will be posted to the Port's website.

INDUSTRIAL DEVELOPMENT CORPORATION AGENDA

Item No.	<u>2</u>
Date of Meeting	<u>April 9, 2013</u>

DATE: March 22, 2013
TO: Tay Yoshitani, Chief Executive Officer
FROM: Diane Campbell, Financial Analyst III, Corporate
SUBJECT: Election of Officers

REQUESTED ACTION:

Request Board approval of the Industrial Development Corporation of the Port of Seattle Board of Directors and Officers for 2013.

BACKGROUND:

In accordance with the Bylaws for the Industrial Development Corporation of the Port of Seattle, the following is a list of the Board of Directors and Officers for the Corporation:

Tom Albro, President
John Creighton, Vice President
Bill Bryant, Assistant Secretary
Open pending selection, Secretary
Courtney Gregoire, Director

“Section A. Number and Qualifications. The officers of the Corporation shall be the same as the officers of the Port Commission and such other officers as may be determined by the Board of Directors from time to time to perform such duties as may be designated by the Board of Directors.”

INDUSTRIAL DEVELOPMENT CORPORATION AGENDA

Item No.	<u>3</u>
Date of Meeting	<u>April 9, 2013</u>

DATE: March 22, 2013

TO: Tay Yoshitani, Chief Executive Officer

FROM: Diane Campbell, Financial Analyst III, Corporate

SUBJECT: Industrial Development Corporation Annual Report for 2012

SYNOPSIS:

The Industrial Development Corporation of the Port of Seattle, also known as IDC, was established in 1982 pursuant to Revised Code of Washington (Chap. 39.84). The IDC is a special purpose government with limited powers and was established for the purpose of facilitating industrial expansion through tax-exempt financing by providing companies with access to the tax-exempt credit market through the facilities of the IDC.

Any company with a project that qualifies for tax-exempt financing and qualifies under RCW 39.84 and IDC policy may apply for IDC financing. The Port is not the lender and cannot lend credit or give money to the IDC. Debt issued by a company through the IDC is the sole responsibility of the company and is always non-recourse to the Port and to the IDC. Bond proceeds go directly to the company borrowing through the IDC. The companies pay their debt service (principal and interest) to a trustee.

Any city, county or port in Washington state may establish an IDC, and a number of other jurisdictions have done so, including King and Pierce Counties; the cities of Seattle, Auburn, Redmond and Kent; and several other ports.

An annual IDC fellowship program made 21 awards from 2001 to 2011. The program offered one or more fellowships to eligible Port employees who wished to improve their skills to pursue the "economic development" core mission of the Port. While the program ended in 2011, and because the recipients have five years to spend the award, the IDC reserves balance, currently \$28,578, represents the unspent balances of the fellowships.

The IDC is governed by a board of directors comprised of the members of the Port Commission; accordingly, both the IDC Board and the Port Commission must approve any IDC bond issue. The IDC Board meets at a minimum once a year during a Commission meeting to elect new officers and review the IDC's annual financial results.

ANNUAL REPORT SUMMARY:

Attached are the financial statements of the IDC. The IDC had assets totaling \$261,304 at year-end 2012. Total income of \$167,759 came primarily from a Delta Air Lines, Inc., application and customer fees for refunding the Northwest Airlines Corp bonds. Administrative expenses of \$11,808 were also incurred.

STATUS OF IDC BONDS:

At the end of 2012, there were three companies with outstanding IDC debt totaling \$82,725,000, and they are shown in the following table:

Company	Outstanding Debt (12/31/2012)	Maturity Date
Crowley Marine Services	\$ 8,700,000	2021
Sysco Food Services of Seattle, Inc.	8,000,000	2025
Delta Air Lines, Inc. ⁽¹⁾	<u>66,025,000</u>	2030
TOTAL	\$ 82,725,000	

⁽¹⁾Previously Northwest Airlines Corp. (NWA). NWA merged with Delta Air Lines, Inc. (Delta) in 2008. NWA bonds refunded with Delta bonds, October 2012.

MANAGEMENT DISCUSSION:

The IDC collects customer fees from the companies, based on a customer fee rate and their annual debt service. The fee can be paid annually or a one-time lump sum paid at the time the company issues bonds, and is calculated using the present value of debt service over the life of the bonds. Annual, on-going customer fees are collected from Sysco and Crowley Marine Services. Delta Airlines made a one-time lump-sum payment in 2012 for refunding the Northwest Airlines bonds.

Customer fees in 2012 includes Delta's one-time lump-sum fee of \$164,655. Since the other two IDC companies' debt is variable rate, the annual ongoing customer fee fluctuates with interest rates. Over the last two years, this amount has been relatively small, averaging \$80, due to the low interest rate environment. The estimated customer fee for 2013 is projected to be close to that average, \$80.

IDC assets are invested in the Port's investment pool. The IDC's allocated interest income from the pool in 2012 was \$1,513. The investment income for 2013 is projected to be higher, due to a higher IDC fund balance.

Expenses totaled \$11,800, are primarily administrative, and are related to Port's staff time working on the NWA/Delta bonds refunding. Expenses anticipated for 2013 are audit expenses. The IDC is subject to the Washington State Auditor process, an audit that happens approximately every three years. The last audit expense in 2010 was \$3,655, and covered the time period 2007 to 2009.

The IDC's charter permits its funds to be transferred only to the Port. Under an amendment to RCW 39.84.130, funds of the IDC that are not otherwise encumbered for the payment of revenue bonds and are not anticipated to be necessary for administrative expenses of the IDC may be transferred to the Port to be used for growth management, planning or other economic development purposes. In order to transfer funds, the Board of Directors of the IDC needs to adopt a resolution authorizing the transfer. Any transfer of funds would reduce the assets of the IDC and the interest earnings on these assets.

MINIMUM FUND BALANCE RECOMMENDATION:

Staff recommends that the IDC maintain the current balance of \$261,184 to ensure adequate investment earnings to fund annual operating expenses. The low interest rate environment is expected to result in income less than the anticipated operating expenses due to the costs of the triennial audit.

**INDUSTRIAL DEVELOPMENT CORPORATION
OF THE PORT OF SEATTLE
BALANCE SHEET**

	December 31, 2012	December 31, 2011	December 31, 2010
ASSETS			
Cash and Cash Equivalents	\$ 261,184	\$ 114,285	\$ 280,250
Accounts Receivable	120	116	64
TOTAL ASSETS	\$ 261,304	\$ 114,401	\$ 280,314
LIABILITIES AND EQUITY			
Economic & Trade Fellowship Reserves	\$ 28,578	\$ 37,628	\$ 41,624
Accounts Payable	-	-	40
Equity	232,725	76,774	238,650
TOTAL LIABILITIES & EQUITY	\$ 261,304	\$ 114,402	\$ 280,314

**INDUSTRIAL DEVELOPMENT CORPORATION
OF THE PORT OF SEATTLE
INCOME STATEMENT
AND CHANGES IN EQUITY**

	December 31, 2012	December 31, 2011	December 31, 2010
INCOME			
Customer Fee	\$ 166,232	\$ 82	\$ 97
Investment Income	1,513	4,181	7,224
Miscellaneous Income	15		678
EXPENSE			
Administrative Expense	\$ 8,817	\$ 628	\$ 218
Scholarship Expense	-	10,000	15,000
B&O Tax Expense	2,991		
Miscellaneous Expense	-	-	160
Other Expenses:			
China Trade Mission	-	-	45,139
State Audit	-	511	3,144
Washington State Tourism Promotion	-	155,000	-
NET INCOME	<u>\$ 155,952</u>	<u>\$ (161,876)</u>	<u>\$ (55,662)</u>
BEGINNING EQUITY	<u>\$ 76,774</u>	<u>\$ 238,650</u>	<u>\$ 294,313</u>
ENDING EQUITY	<u>\$ 232,725</u>	<u>\$ 76,774</u>	<u>\$ 238,650</u>

**INDUSTRIAL DEVELOPMENT CORPORATION
OF THE PORT OF SEATTLE
STATEMENT OF CASH FLOWS**

	December 31, 2012	December 31, 2011	December 31, 2010
CASH FLOWS FROM OPERATING ACTIVITIES:			
Cash received from bond issuers	\$ 166,228	\$ 29	\$ 134
Cash received from Port of Seattle	-	-	-
Miscellaneous cash receipts	15	-	-
Cash paid for expenses	(20,858)	(170,175)	(51,571)
Net cash provided by operating activities	\$ 145,385	\$ (170,146)	\$ (51,438)
CASH FLOWS FROM INVESTING ACTIVITIES:			
Purchase of investment securities	\$ -	\$ -	\$ -
Sale of investment securities	-	-	-
Interest on investments	1,514	4,181	7,224
Net cash provided by investing activities	\$ 1,514	\$ 4,181	\$ 7,224
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	146,899	(165,965)	(44,213)
CASH AND CASH EQUIVALENTS			
Beginning of year	\$ 114,285	\$ 280,250	\$ 324,464
End of year	\$ 261,184	\$ 114,285	\$ 280,250