

ITEM NO. 11d

DATE OF
MEETING March 5, 2009

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

NOTICE OF THE SPECIAL (ANNUAL) MEETING

The Special (Annual) Meeting of the Industrial Development Corporation of the Port of Seattle will be held on Thursday, March 5, 2009, in the Commission Chambers, Pier 69, 2711 Alaskan Way, Seattle 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 minutes of the Industrial Development Corporation of the Port of Seattle Special (Annual) Meeting of April 8, 2008 and the Special Meeting of August 12, 2008.
2. Approval of the Industrial Development Corporation of the Port of Seattle Board of Directors and Officers for 2009.
3. Review of the Annual Report for the Industrial Development Corporation for year ending December 31, 2008.

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

INDUSTRIAL DEVELOPMENT CORPORATION AGENDA

Item No. 2
Date of Meeting March 5, 2009

DATE: February 18, 2009
TO: Tay Yoshitani, Chief Executive Officer
FROM: Diane Campbell, Senior Corporate Financial Analyst
SUBJECT: Election of Officers

BACKGROUND

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

Bill Bryant, President
Gael Tarleton, Vice President
Lloyd Hara, Secretary
John Creighton, Assistant Secretary
Patricia Davis, 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 designed by the Board of Directors.”

REQUESTED ACTION

Approval of the Industrial Development Corporation of the Port of Seattle Board of Directors and Officers for 2009.

INDUSTRIAL DEVELOPMENT CORPORATION AGENDA

Item No. 3

Date of Meeting 3/5/2009

DATE: February 18, 2009
TO: Tay Yoshitani, Chief Executive Officer
FROM: Diane Campbell, Senior Corporate Financial Analyst
SUBJECT: Industrial Development Corporation Annual Report for 2008

Attached are the financial statements of the Industrial Development Corporation of the Port of Seattle (IDC). The IDC had assets totaling \$ 325,872 at year-end 2008. Total income of \$14,153 came primarily from investment income on the IDC account balance, as well as from the customer fee paid by companies with outstanding IDC debt. The IDC incurred administrative expense of \$658 and economic development expense of \$10,000 in August 2008 for its contribution to the Port's Economic and Trade Fellowship program.

STATUS OF IDC BONDS

At the end of 2008, there were three companies with outstanding IDC debt totaling \$81,000,000. The IDC collects a customer fee from these companies based on their annual debt service payments. This fee is collected each year, except for Northwest Airlines, which made a lump sum payment at the time their bonds were issued. The table shows the companies, their outstanding balance and final maturity date of their debt as of December 31, 2008.

Company	Outstanding Debt (12/31/08)	Maturity Date
Sysco (refunding CCC Realty)	\$ 8,000,000	2025
Northwest Airlines	64,300,000	2030
Crowley Marine Services	<u>8,700,000</u>	2021
TOTAL	\$ 81,000,000	

INDUSTRIAL DEVELOPMENT CORPORATION

Tay Yoshitani, Chief Executive Officer

February 18, 2009

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MANAGEMENT DISCUSSION

The customer fee for 2008 is \$824, and is lower than the customer fee for 2007 of \$1,250. Since most IDC debt is variable rate, the customer fee amount fluctuates with interest rates. Interest rates declined during 2008 and are anticipated to remain at a low level for 2009. Accordingly, the customer fee for 2009 is projected to be lower than the 2008 amount. The customer fee is for debt service paid on the Sysco and Crowley bonds. The IDC will be receiving on-going customer fees from these two companies; Northwest Airlines made a one-time lump sum fee payment in 2001 when the bonds were issued.

IDC assets are invested in the Port's investment pool. The IDC's allocated interest income from the pool in 2008 was \$13,328; and due to the projected lower interest rate environment the investment income for 2009 is projected to be lower than the 2008 amount.

The administrative expense increased to \$658 in 2008. There were no other expenses in 2008. Other expense of \$2,279 in 2007 is attributable to the Washington State Auditor for the audit process that happens approximately every three years. Scholarship expense was \$10,000 in 2008 as requested and approved by the Board. The scholarship expense anticipated in 2009 is the economic development expense, which is the contribution to the Port's 9th annual Economic and Trade Fellowship of an estimated \$5,000. (The amount may be increased at the IDC Board's discretion.) Similar to last year, staff is planning to request the approval for the expenditure in the summer.

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.

RECOMMENDATION

Staff recommends that the IDC maintains a minimum fund balance of \$50,000 to ensure adequate investment earnings to fund annual operating expenses. Should the IDC board wish to continue the Fellowship program, staff recommends that an additional fund balance of \$200,000 be maintained in order to generate sufficient investment earnings to fund the Fellowship. However, the Board may elect to use any IDC funds in excess of operating expenses needs for any allowable purpose.

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

	December 31, 2008	December 31, 2007	December 31, 2006
ASSETS			
Cash and Cash Equivalents	\$ 325,316	\$ 321,032	\$ 293,729
Accounts Receivable	556	793	748
TOTAL ASSETS	\$ 325,872	\$ 321,825	\$ 294,477
LIABILITIES AND EQUITY			
E&T Fellowship Reserves ⁽¹⁾	\$ 30,035	\$ 29,482	\$ -
Equity	295,837	292,343	294,477
TOTAL LIABILITIES & EQUITY	\$ 325,872	\$ 321,825	\$ 294,477

⁽¹⁾ The Economic & Trade (E&T) Fellowship Reserve, the "Reserve", is the undistributed balance of approved Scholarship awards to the E&T Fellowship. The Reserve balance was \$16,709 at 12/31/2006. The Reserves are included in this report due to a change in accounting methodology in 2007. In prior years the Reserve was accounted for and presented in the Port of Seattle financial statements.

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

	December 31, 2008	December 31, 2007	December 31, 2006
INCOME			
Customer Fee	\$ 824	\$ 1,250	\$ 1,159
Investment Income	13,328	14,451	11,076
EXPENSE			
Administrative Expense	\$ 658	\$ 556	\$ 481
Scholarship Expense	10,000	15,000	10,000
Other Expense - Audit		2,279	-
NET INCOME	\$ 3,494	\$ (2,134)	\$ 1,755
BEG. EQUITY	\$ 292,343	\$ 294,477	\$ 292,722
ENDING EQUITY	\$ 295,837	\$ 292,343	\$ 294,477

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

	December 31, 2008	December 31, 2007	December 31, 2006
CASH FLOWS FROM OPERATING ACTIVITIES:			
Cash received from bond issuers	\$ 1,061	\$ 1,206	\$ 6,380
Cash received from Port of Seattle ⁽¹⁾	0	16,709	0
Cash paid for expenses	(10,105)	(5,063)	(10,481)
Net cash provided by operating activities	\$ (9,044)	\$ 12,852	\$ (4,101)
CASH FLOWS FROM INVESTING ACTIVITIES:			
Purchase of investment securities			
Sale of investment securities			
Interest on investments	\$ 13,328	\$ 14,451	\$ 11,076
Net cash provided by investing activities	\$ 13,328	\$ 14,451	\$ 11,076
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	4,284	27,303	6,976
CASH AND CASH EQUIVALENTS			
Beginning of year	\$ 321,032	\$ 293,729	\$ 286,753
End of year	\$ 325,316	\$ 321,032	\$ 293,729

⁽¹⁾ Cash received from the Port of Seattle represents the Economic & Trade (E&T) Fellowship Reserve, the "Reserve". The Reserve is the undistributed balance of approved Scholarship awards to the E&T Fellowship. The Reserve balance was \$16,709 at 12/31/2006. The Reserves are included in this report due to a change in accounting methodology in 2007. In prior years the Reserve was accounted for and presented in the Port of Seattle financial statements.