

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

**NOTICE OF THE ANNUAL MEETING**

The Annual Meeting of the Industrial Development Corporation of the Port of Seattle will be held on Tuesday, February 23, 2010, 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 March 5, 2009 and the Special Meeting of July 28, 2009.
2. Approval of the Industrial Development Corporation of the Port of Seattle Board of Directors and Officers for 2010.
3. Review of the Annual Report for the Industrial Development Corporation for year ending December 31, 2009.

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** February 23, 2010

**DATE:** February 5, 2010

**TO:** Tay Yoshitani, Chief Executive Officer

**FROM:** Diane Campbell, Senior Corporate Financial Analyst

**SUBJECT:** Election of Officers

**REQUESTED ACTION:**

Approval of the Industrial Development Corporation of the Port of Seattle Board of Directors and Officers for 2010.

**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  
Rob Holland, Secretary  
John Creighton, Assistant Secretary  
Tom Albro, 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.”

## **INDUSTRIAL DEVELOPMENT CORPORATION AGENDA**

Item No. 3

Date of Meeting February 23, 2010

**DATE:** February 5, 2010

**TO:** Tay Yoshitani, Chief Executive Officer

**FROM:** Diane Campbell, Senior Corporate Financial Analyst

**SUBJECT:** Industrial Development Corporation Annual Report for 2009

### **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 the 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.

The IDC also offers one or more Fellowships to eligible Port employees who wish to improve their skills to pursue the “economic development” core mission of the Port. The annual Fellowship(s) commenced in 2001, and 16 awards have been made since then.

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 currently meets twice a year during a Commission meeting. In addition to electing new officers and reviewing the IDC’s annual financial results at the winter meeting, the IDC’s Board provides guidance about the level of funding to be approved for the IDC Fellowship Program. At the summer meeting, the IDC’s Board, approves the fellowship nominations.

### **ANNUAL REPORT SUMMARY:**

Attached are the financial statements of the Industrial Development Corporation of the Port of Seattle (IDC). The IDC had assets totaling \$324,564 at year-end 2009. Total income of \$9,315 came primarily from investment income on the IDC fund balance, as well as from the customer fee paid by companies with outstanding IDC debt. The IDC incurred administrative expense of \$840

and economic development expense of \$10,000 in July 2009 for its contribution to the Port's Economic and Trade Fellowship program.

**STATUS OF IDC BONDS:**

At the end of 2009, there were three companies with outstanding IDC debt totaling \$81,000,000. The IDC collects an annual customer fee from the companies based on their annual debt service payments, 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, 2009.

Company	Outstanding Debt (12/31/09)	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 5, 2010

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### **MANAGEMENT DISCUSSION:**

The customer fee for 2009 is \$174, and is lower than the customer fee for 2008 of \$824. Since most IDC debt is variable rate, the customer fee amount fluctuates with interest rates. Interest rates declined during 2009 and are anticipated to remain at a low level for 2010. Accordingly, the customer fee for 2010 is projected to be the same as the 2009 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 2009 was \$9,141; and, due to the continued lower interest rate environment, the investment income for 2010 is projected to be the same as the 2009 amount.

The administrative expense increased to \$840 in 2009. There were no other expenses in 2009. 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 2009 as requested and approved by the Board. The scholarship expense anticipated in 2010 is the economic development expense, which is the contribution to the Port's 10<sup>th</sup> 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.

### **OTHER DOCUMENT(S) ASSOCIATED WITH THIS ANNUAL REPORT:**

- Industrial Development Corporation Frequently Asked Questions (FAQs)

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

	December 31, 2009	December 31, 2008	December 31, 2007
<b>ASSETS</b>			
Cash and Cash Equivalents	\$ 324,464	\$ 325,316	\$ 321,032
Accounts Receivable	100	556	793
<b>TOTAL ASSETS</b>	<b>\$ 324,564</b>	<b>\$ 325,872</b>	<b>\$ 321,825</b>
 <b>LIABILITIES AND EQUITY</b>			
E&T Fellowship Reserves <sup>(1)</sup>	\$ 30,251	\$ 30,035	\$ 29,482
Equity	294,313	295,837	292,343
<b>TOTAL LIABILITIES &amp; EQUITY</b>	<b>\$ 324,564</b>	<b>\$ 325,872</b>	<b>\$ 321,825</b>

<sup>(1)</sup> 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, 2009	December 31, 2008	December 31, 2007
<b>INCOME</b>			
Customer Fee	\$ 174	\$ 824	\$ 1,250
Investment Income	9,141	13,328	14,451
 <b>EXPENSE</b>			
Administrative Expense	\$ 840	\$ 658	\$ 556
Scholarship Expense	10,000	10,000	15,000
Other Expense - Audit			2,279
 <b>NET INCOME</b>	<u>\$ (1,525)</u>	<u>\$ 3,494</u>	<u>\$ (2,134)</u>
 <b>BEG. EQUITY</b>	<u>\$ 295,837</u>	<u>\$ 292,343</u>	<u>\$ 294,477</u>
<b>ENDING EQUITY</b>	<u>\$ 294,313</u>	<u>\$ 295,837</u>	<u>\$ 292,343</u>

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

	December 31, 2009	December 31, 2008	December 31, 2007
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>			
Cash received from bond issuers	\$ 630	\$ 1,061	\$ 1,206
Cash received from Port of Seattle <sup>(1)</sup>	0	0	16,709
Cash paid for expenses	(10,624)	(10,105)	(5,063)
Net cash provided by operating activities	\$ (9,993)	\$ (9,044)	\$ 12,852
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>			
Purchase of investment securities			
Sale of investment securities			
Interest on investments	\$ 9,141	\$ 13,328	\$ 14,451
Net cash provided by investing activities	\$ 9,141	\$ 13,328	\$ 14,451
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	(852)	4,284	27,303
<b>CASH AND CASH EQUIVALENTS</b>			
Beginning of year	\$ 325,316	\$ 321,032	\$ 293,729
End of year	\$ 324,464	\$ 325,316	\$ 321,032

<sup>(1)</sup> 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.