

ITEM NO. 6a

DATE OF
MEETING March 6, 2012

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

NOTICE OF THE ANNUAL MEETING

The Special Annual Meeting of the Industrial Development Corporation of the Port of Seattle will be held on Tuesday, March 6, 2012, 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 proposed minutes of the Industrial Development Corporation of the Port of Seattle Special Meeting of August 23, 2011.
2. Approval of the Industrial Development Corporation of the Port of Seattle Board of Directors and Officers for 2012.
3. Review of the Annual Report for the Industrial Development Corporation for year ending December 31, 2011.

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 March 6, 2012

DATE: February 24, 2012

TO: Tay Yoshitani, Chief Executive Officer

FROM: Diane Campbell, Senior Corporate Financial Analyst

SUBJECT: Approval of the Proposed Minutes of the Industrial Development Corporation of the Port of Seattle Meeting of August 23, 2011

ACTION REQUESTED:

Request Board approval of the proposed minutes of the Industrial Development Corporation of the Port of Seattle meeting of August 23, 2011. 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>March 6, 2012</u>

DATE: February 24, 2012
TO: Tay Yoshitani, Chief Executive Officer
FROM: Diane Campbell, Senior Corporate Financial Analyst
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 2012.

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:

Gael Tarleton, President
John Creighton, Vice President
Tom Albro, Secretary
Bill Bryant, Assistant Secretary
Rob Holland, 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. 3

Date of Meeting March 6, 2012

DATE: February 24, 2012

TO: Tay Yoshitani, Chief Executive Officer

FROM: Diane Campbell, Senior Corporate Financial Analyst

SUBJECT: Industrial Development Corporation Annual Report for 2011

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.

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. In addition to electing new officers and reviewing the IDC's annual financial results, the IDC's Board provides guidance about the level of funding for approved uses of IDC assets, at the annual winter meeting or at additional meetings as necessary.

ANNUAL REPORT SUMMARY:

Attached are the financial statements of the IDC. The IDC had assets totaling \$114,401 at year-end 2011. Total income of \$4,300 came primarily from investment income on the IDC fund balance, as well as from the customer fee paid by companies with outstanding IDC debt. Administrative expense of \$629 and scholarship expenses of \$10,000 related to the Port's Economic and Trade Fellowship program were incurred. Other expenses were \$155,000 associated with the funding of Washington State's tourism promotion, as approved by the Board in March 2011, and \$511 for the 2010 State Auditor's Office audit.

STATUS OF IDC BONDS:

At the end of 2011, 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, with the exception of Northwest Airlines. The table below shows the companies, their outstanding balance and final maturity date of their debt as of December 31, 2011.

Company	Outstanding Debt (12/31/2011)	Maturity Date
Crowley Marine Services	\$ 8,700,000	2021
Sysco (refunding CCC Realty)	8,000,000	2025
Northwest Airlines	<u>64,300,000</u>	2030
TOTAL	\$ 81,000,000	

MANAGEMENT DISCUSSION:

The customer fee decreased from \$97 in 2010 to \$82 in 2011. Since most IDC debt is variable rate, the customer fee amount fluctuates with interest rates. Lower interest rates seen in 2011 are anticipated to remain through 2012. Accordingly, the customer fee for 2012 is projected to remain close to the 2011 amount. The IDC receives on-going customer fees from Sysco and Crowley Marine Services. Northwest Airlines made a one-time lump sum fee payment in 2001 when its bonds were issued.

IDC assets are invested in the Port’s investment pool. The IDC’s allocated interest income from the pool in 2011 was \$4,181. The investment income for 2012 is projected to be lower, a combination of low interest rates and lower IDC fund balance.

The Administrative Expense was \$629 in 2011. Scholarship Expense was \$10,000 in 2011 as requested and approved by the Board. There were two Other Expenses in 2011: (i) \$155,000 toward funding of Washington State’s tourism promotion, and (ii) \$511 attributable to the 2010 Washington State Auditor for the audit process that happens approximately every three years. The last audit fee in 2007 was \$2,279. The total expense for the 2010 audit is \$3,655.

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 a minimum fund balance of \$114,000 to ensure adequate investment earnings to fund annual operating expenses. Funds in excess of this amount may be transferred to the Port for allowable purposes like the Economic Development Fellowship, or retained by the IDC and generate interest income.

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

	December 31, 2011	December 31, 2010	December 31, 2009
ASSETS			
Cash and Cash Equivalents	\$ 114,285	\$ 280,250	\$ 324,464
Accounts Receivable	116	64	100
TOTAL ASSETS	\$ 114,401	\$ 280,314	\$ 324,564
 LIABILITIES AND EQUITY			
E&T Fellowship Reserves ⁽¹⁾	\$ 37,628	\$ 41,624	\$ 30,251
Accounts Payable	-	40	-
Equity	76,773	238,650	294,313
TOTAL LIABILITIES & EQUITY	\$ 114,401	\$ 280,314	\$ 324,564

⁽¹⁾ The Economic & Trade (E&T) Fellowship Reserve, the "Reserve", is the undistributed balance of approved Scholarship awards to the E&T Fellowship.

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

	December 31, 2011	December 31, 2010	December 31, 2009
INCOME			
Customer Fee	\$ 82	\$ 97	\$ 174
Investment Income	4,181	7,224	9,141
Miscellaneous Income	-	678	-
EXPENSE			
Administrative Expense	\$ 629	\$ 218	\$ 840
Scholarship Expense	10,000	15,000	10,000
Miscellaneous Expense	-	160	-
Other Expenses:			
China Trade Mission	-	45,139	-
State Audit	511	3,144	-
Washington State Tourism Promotion	155,000	-	-
NET INCOME	\$ (161,878)	\$ (55,662)	\$ (1,525)
 BEGINNING EQUITY	 \$ 238,650	 \$ 294,313	 \$ 295,837
ENDING EQUITY	\$ 76,773	\$ 238,650	\$ 294,313

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

	December 31, 2011	December 31, 2010	December 31, 2009
CASH FLOWS FROM OPERATING ACTIVITIES:			
Cash received from bond issuers	\$ 29	\$ 134	\$ 630
Cash paid for expenses	(170,175)	(51,571)	(10,624)
Net cash provided by operating activities	\$ (170,146)	\$ (51,438)	\$ (9,993)
CASH FLOWS FROM INVESTING ACTIVITIES:			
Interest on investments	\$ 4,181	\$ 7,224	\$ 9,141
Net cash provided by investing activities	\$ 4,181	\$ 7,224	\$ 9,141
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(165,965.28)	(44,213.45)	(852.17)
CASH AND CASH EQUIVALENTS			
Beginning of year	\$ 280,250	\$ 324,464	\$ 325,316
End of year	\$ 114,285	\$ 280,250	\$ 324,464