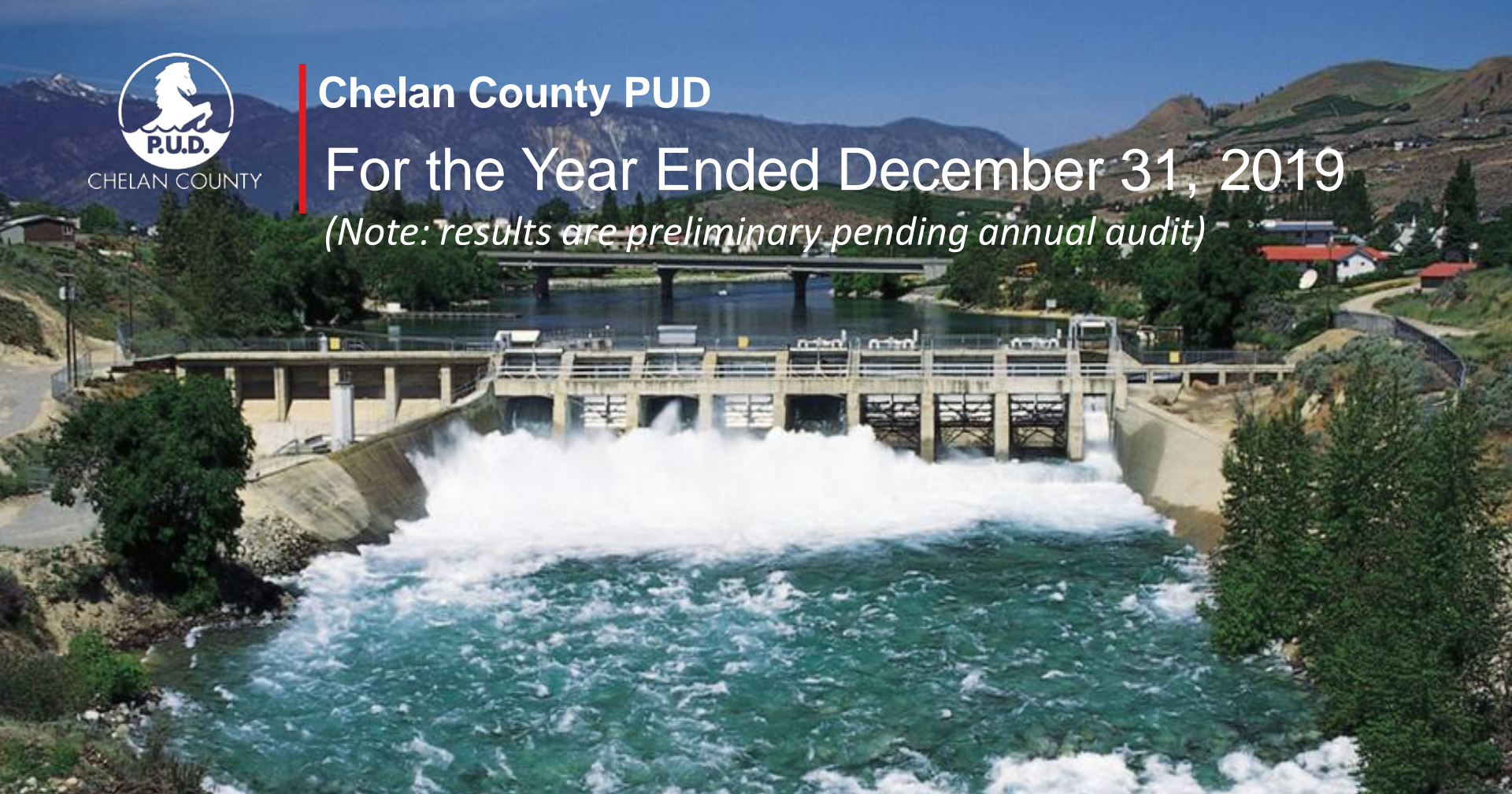




Chelan County PUD

For the Year Ended December 31, 2019

(Note: results are preliminary pending annual audit)



Board Presentation
Quarterly Financial Review
Feb. 3, 2020

What we will cover today

Financial highlights

Year-end results

Historical review

Five-year look ahead

Investment report

Key messages

Update only, no action required

Appendix: Additional detailed information

2019 Key Highlights

Bottom-line results better than budget

- Consistent with Q3, higher power contract revenues and lower costs more than offset impacts from low stream flows and unit outages
- Unique and infrequent activity in 2019 positively impacted bottom line approx. \$37M (can't count on similar for next year)
 - RR C8-C11 insurance claim settlement
 - Retained surplus proceeds on LT hydro contract
 - Actuarial reduction in pension expense (no change to pension program)
- Capital expenditures lower than expectations rolling costs into future periods

Financial metrics meeting targets

Long-term capital plans fully utilize positive results

Stay the course with new 2020-2024 strategic goals

Overview

Revenue

- Service Revenue better than budget due to off-system end-use sale of \$12.9M included in the NWR budget offset by lower than expected HDL/Crypto load : (+\$10.2M)
- Net Wholesale Revenue below budget due to off-system end-use sale (included in service revenue) and lower generation (83% of budget): (\$26.8M)
- Hydro Long-Term Contract Revenue better than budget due to retained surplus proceeds of \$20M partially offset by reduction in hydro production costs due to insurance claim settlement proceeds at Rocky Reach: (+\$6.0M)
- Other Operating Revenue better than budget due to insurance claim settlement proceeds received in Q2 for Rocky Reach and variable component of real time agreement: (+\$19.0M)

Total Revenues better than budget for the year: +\$8.5M

Q3 forecast \$7.1M better than budget

2/3/2020

Expense

- Operating Expenses below budget primarily due to less spent in hydros, receipt of insurance claim settlement proceeds, and actuarial reduction in pension expense (no change to pension program) : (+\$23.5M)
- Non-Operating Net Expense better than budget with higher interest earnings from the higher cash balances: (+\$4.1M YTD)

Total Net Expenses below budget for the year: (\$27.6M)

Q3 forecast \$19.2M below budget

Bottom Line

- Combination of higher revenues and lower expenses result in a better Bottom Line: (+\$36.1M)

Better bottom line for the year of \$114.1M: +\$36.1M

Q3 forecast \$103.4M: +\$26.2M

Overview

Capital

- Actual capital expenditures for the year were \$83M: \$69M below the total budget of \$152M
- 54% of total 2019 budget
- Major drivers were the Rock Island projects with shifted timelines:
 - B1-B4 modernization (\$11M)
 - B8 modernization (\$3M)
 - RI facilities upgrade (\$18M)
 - PH2 modernization (\$10M)

(Compares to Q3 forecast of \$102M and 68% of budget)

Cash

- Positive bottom line and lower capital spending have increased cash and investments balance for the year by \$24M (\$615M)

(Compares to Q3 forecast of \$594M)

Debt

- Total debt is slightly lower than budget
 - Loan for Peshastin wastewater upgrade reduced \$2M from budget expectations

(\$40M reduction with balance at year end: \$473M (\$475M budget))

2019 Bottom Line Results

(in 000s)	2019 Actuals	2019 Budget	% of budget
Service Revenue	79,706	69,512	115%
Net Wholesale Revenue	75,598	102,381	74%
Hydro LT Contract Rev/Other PP	138,976	132,976	105%
Other Operating Revenue	42,094	23,060	183%
Other Operating Expense	(162,796)	(186,233)	87%
Depreciation & Tax Expense	(53,317)	(53,321)	100%
Operating Income/(Loss)	120,261	88,376	136%
Non-Operating Activity	(6,113)	(10,385)	59%
Bottom Line	114,148	77,991	146%

Revenues: > 100% of budget, positive for District / Expenses: < 100% of budget, positive for District

Business Line Bottom Line Results

(in 000s)	2019 Actuals	2019 Budget	% of budget
Integrated Electric	111,872	75,304	149%
Fiber & Telecom	2,432	2,521	96%
Water	210	555	38%
Wastewater	(367)	(390)	94%
Combined Bottom Line	114,148	77,991	146%

Revenues: > 100% of budget, positive for District / Expenses: < 100% of budget, positive for District

Capital Expenditures

(in 000s)	2019 Actuals	2019 Budget	% of budget
Electric Distribution	14,648	22,844	64%
Network Transmission	484	3,987	12%
Rocky Reach	3,289	6,011	55%
Rock Island	28,274	71,590	39%
Lake Chelan	108	111	97%
Internal Services	26,379	34,745	76%
Fiber & Telecom	4,153	7,273	57%
Water	1,436	1,439	100%
Wastewater	3,799	3,849	99%
Total Expenditures	82,569	151,849	54%
Contributions	(5,523)	(5,298)	104%
Capital net of CIAC	77,046	146,551	53%

Overview - 2019 Cash Flow

	\$ Million
Bottom-line result (2019)	\$ 114
Add back non-cash related items (depreciation)	\$ 44
Estimated earned funds from operations	\$ 158
Capital Project Expenditures	\$ 83
Net Debt Reductions	\$ 40
Other Misc. Impacts (change in A/R, A/P, Inventory, Etc.)	(\$11)
Added to cash reserves	\$ 24
Estimated use of funds	\$158

Cash and investments, beginning of year	\$ 591
Added to cash reserves	\$24
Cash and investments, end of Q4	\$ 615

Cash & Investments Balance

(\$ Millions)	<u>12/31/19</u>	<u>12/31/18</u>
Unrestricted funds	\$363	\$407
Board Designated*:		
Headquarters/Service Center Strategic Facilities Fund	<u>50</u>	<u>50</u>
Total Unrestricted Funds	\$413	\$457
Restricted funds for hydro capital/debt	<u>117</u>	<u>50</u>
Total Liquidity (policy minimum \$175M)	\$530	\$507
Restricted - bond reserve funds	53	53
Restricted - power contract deposits	19	19
Restricted - self insurance and other funds	<u>13</u>	<u>12</u>
Total Cash and Investments	<u>\$615</u>	<u>\$591</u>

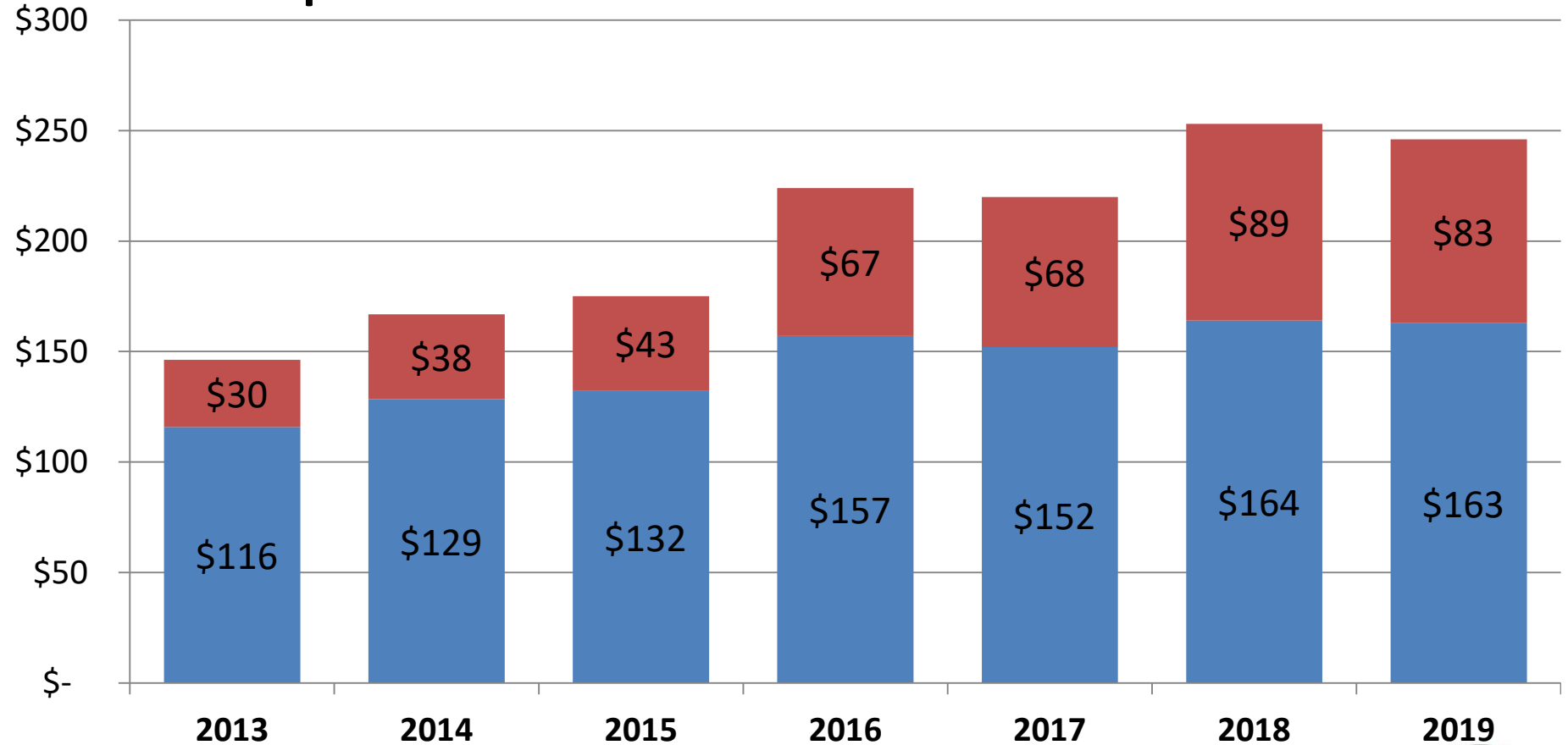
* Board Designated Funds qualify as unrestricted for liquidity and external reporting purposes

Historical Review of the District's Financial Results

(amounts in millions)

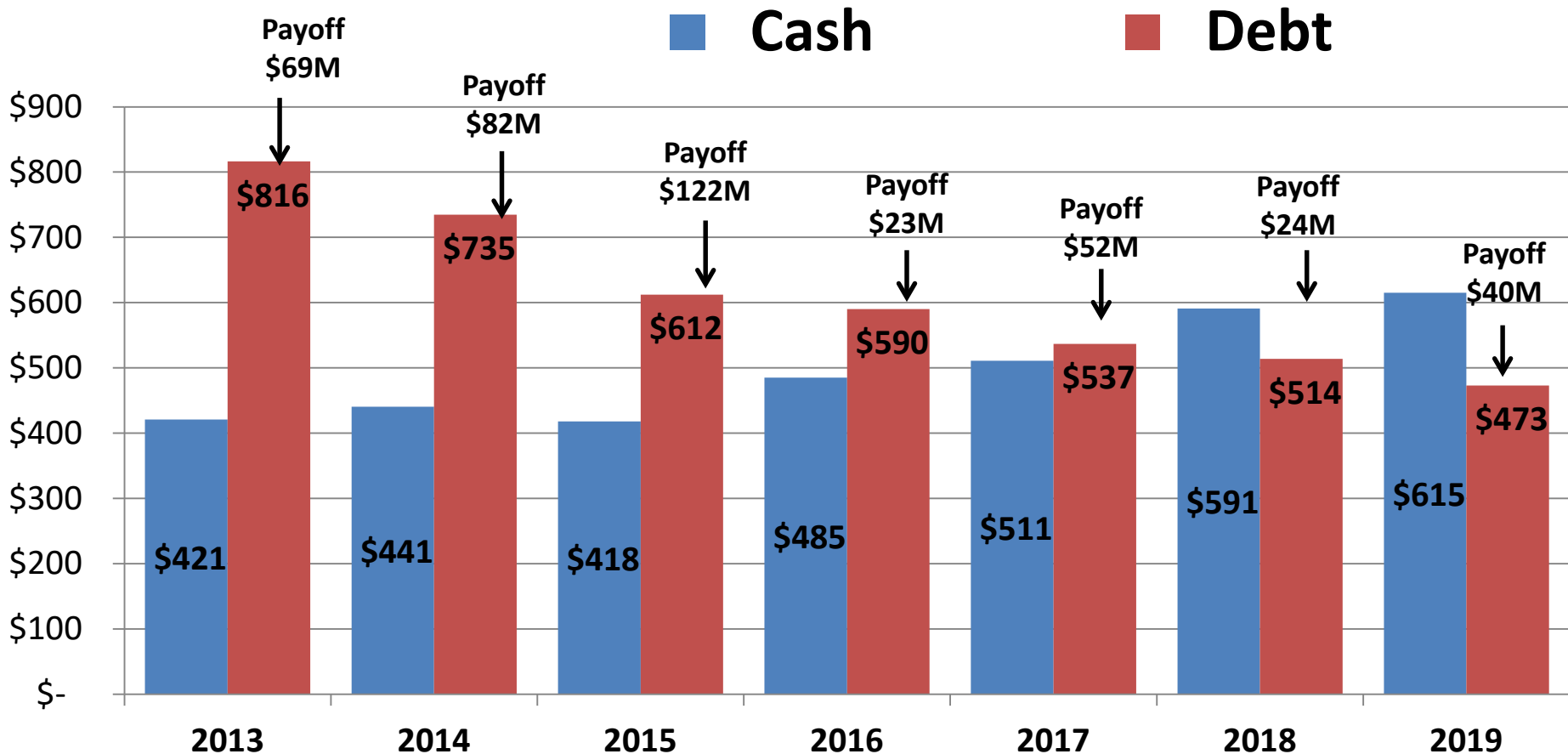
■ Operations & Maintenance

■ Plant Additions



Historical Review of the District's Financial Results

(amounts in millions)



Quarterly Reporting Requirement - Financial Policies

District Combined	2019	2020	2021	2022	2023
Liquidity (Greater calculated min \$175M-\$210M, Expected)	\$530M	\$414M	\$246M	\$182M*	\$204M*
Liquidity (Greater calculated min \$175M-\$210M, Unusual)		\$409M	\$234M	\$181M*	\$203M*
Debt Ratio (Expected case <35% by 2019)	30.0%	27.1%	24.5%	23.5%	23.0%
Debt Ratio (Unusual case <35% by 2019)		27.2%	24.6%	24.7%	25.3%
Days Cash on Hand (Expected case >250)	679	516	329	252*	278*
Days Cash on Hand (Unusual case > 250)		509	313	251*	277*
Combined Debt Cover (Expected case > 2.00x)	3.54	2.50	2.27	2.34	2.41
Combined Debt Cover (Unusual case >1.25x)		2.39	2.14	2.13	1.98
Rate of Return (Expected case > 4% thru 2019)	9.6%	Sunset			
Rate of Return (Unusual case > 2% thru 2019)					
<i>Bottom Line Results (Expected case)</i>	<i>\$114M</i>	<i>\$58M</i>	<i>\$43M</i>	<i>\$46M</i>	<i>\$53M</i>
<i>Bottom Line Results (Unusual case)</i>		<i>\$53M</i>	<i>\$36M</i>	<i>\$38M</i>	<i>\$34M</i>
<i>Debt Outstanding (Expected case)</i>	<i>\$473M</i>	<i>\$435M</i>	<i>\$393M</i>	<i>\$386M*</i>	<i>\$392M*</i>
<i>Debt Outstanding (Unusual case)</i>		<i>\$435M</i>	<i>\$393M</i>	<i>\$406M*</i>	<i>\$431M*</i>

* - Financial Policy Metrics within 10% of target which requires Board communication per resolution. Action plan assumes issuance of debt in 2022 and 2023 to maintain liquidity and meet financial targets.

Quarterly Reporting Requirement Individual Business Line Financial Policies

Business Lines	2019	2020	2021	2022	2023
WATER Business Line					
Operating Expense Coverage (target >120%)	124%	117%	129%	133%	134%
Cash Reserves – unrestricted (target > \$1.25 million)	\$3.1M	\$2.8M	\$(1.0M)	(\$1.6M)	(\$2.5M)
Debt Ratio (target <35%)	8%	5%	-%	-%	-%
WASTEWATER Business Line					
Operating Expense Coverage (target >100% by 2019)	80%	89%	95%	96%	98%
Cash Reserves – unrestricted (target > \$200K)	\$0.7M	\$1.6M	\$1.6M	\$1.4M	\$1.6M
Debt Ratio (target <35%)	5%	11%	9%	7%	7%
FIBER Business Line					
Operating Expense Coverage (target >120%)	147%	119%	111%	124%	128%
Cash Reserves - unrestricted (target > \$2.0 million)	\$18.2M	\$19.3M	\$15.1M	\$12.5M	\$12.8M
Debt Ratio (target <35%)	---	---	---	---	---

Financial Policy not met. Action plan is to implement actions recently adopted in the 2020-2024 Strategic Plan.

Financial Policy Metric within 10% of target which requires Board communication per resolution. Action plan is to monitor ongoing forecasts

Integrated Electric test metrics impacted by new off-system end use sale and are being reevaluated in 2020.

Quarterly Investment Report

In compliance with District Banking and Investment Policy #16-14094

	Q1 2019	Q2 2019	Q3 2019	Q4 2019	YE 2019	WAM
Average Invested Book Value (\$M)	\$589	\$604	\$598	\$610	\$600	
District Yield	2.52%	2.67%	2.65%	2.56%	2.60%	837
Benchmarks:						
3 Month T-Bill	2.43%	2.35%	2.03%	1.61%	2.11%	92
S&P US Treasury 1-3 Year Index	2.12%	2.23%	2.28%	2.27%	2.22%	680

- Q4 2019 yield decreased slightly to 2.56% due to the timing of interest earnings on a long-term Forward Purchase and Sale Agreement (FPSA) (2019 budgeted rate is 2.41%)
- December 11, 2019 Federal Open Market Committee meeting report:
 - Labor market has remained strong and that economic activity is rising at a moderate rate
 - Inflation is running below the 2% longer-run objective
 - Federal funds target rate range was unchanged at 1.50% to 1.75% (1.75% to 2.00% for Q3)
 - The target rate was lowered in October meeting 0.25%
- Global and national events can influence financial markets, which may impact the District
- Laddered investment structure continues to be our strategy to support safety of principal and liquidity and mitigate interest rate volatility

Policy Objectives & Compliance

- Safety
- Liquidity
- Return on Investment
- Diversification
- Maturity Length

Full report is in the Appendix.

2019 Summary

2019 results are better than budget

- Unique and infrequent activity in 2019 positively impacted bottom line approx. \$37M (can't count on similar for next year)

Capital expenditures lower than expectations rolling costs into future periods

Plans for significant capital investments are expected to fully use cash reserves

Long-term financial metrics on track with an assumed new debt issuance in the next five-year planning horizon

Stay the course with 2020-2024 strategic plan goals

Appendix

A scenic view of a dam and bridge over a river in a mountainous area. The dam is a concrete structure with multiple spillways, and the bridge is a multi-span concrete bridge. The river is flowing through the dam, creating white water rapids. The background shows a town and mountains under a clear blue sky.

The information in the appendix contains forward-looking information and projections. Such projections are necessarily subject to various risks and uncertainties. Actual results could, and likely will, differ materially from those projected, in part as a result of differences between assumptions utilized in making such projections and actual outcomes and certain other risks.

Financial Highlights - Revenue

Net Wholesale Revenue:

2019 results \$26.8 million below budget (\$75.6M vs. \$102.4M)

Annual result slightly lower than Q3 forecast of \$77.7M

Drivers:

- Generation 83% of budget (Q3 forecast for YE @ 85% of budget)
 - Retail load 109% of budget (Q3 forecast for YE @ 109% of budget)
- new retail off-system end-use sale shifts revenues from wholesale to retail service revenue.

Hydro Long-Term Contract Revenue:

2019 results \$6.0 million above budget (\$139.0M vs. \$133.0M)

Annual result slightly better than Q3 forecast of \$137.4M

Drivers:

- Combined hydro “cost based” operating expenses below budget (87%)
 - Insurance claim settlement proceeds received for units C8-C11 at Rocky Reach offset against hydro production costs
- + “Plus” contract charges above budget (138%): retained surplus proceeds \$20M

Financial Highlights - Revenue

Service Revenue:

2019 results \$10.2 million above budget (\$79.7M vs. \$69.5M)

Annual result slightly lower Q3 forecast of \$80.4M

Drivers:

- + New retail-off system sale shifts forecasted revenue to retail service revenue from wholesale revenue ~\$12.9M
- HDL and Cryptocurrency loads 59% of budget

Other Operating Revenue:

2019 results \$19.0 million above budget (\$42.1M vs. \$23.1M)

Annual result slightly higher than Q3 forecast of \$39.5M)

Drivers:

- + Insurance claim settlement proceeds received for units C8-C11 at Rocky Reach
- + Variable component of real-time agreement ~\$3.7M

Financial Highlights - Expenses

Operating Expense:

2019 results \$23.4 million below budget (\$162.8M vs. \$186.2M)

Annual result lower than Q3 forecast of \$170.7M

Drivers:

- Hydro operations and maintenance at 78% of budget (influenced by Rocky Reach claim settlement)
- Actuarial reduction in pension expense

Non-Operating Net Expense:

2019 results \$4.3M better than budget (\$6.1M vs. \$10.4M)

Annual result slightly better than Q3 forecast of \$7.5M

Drivers:

- + Increased forecasted interest earnings on higher cash reserves

Financial Highlights – Balance Sheet

Capital expenditures below budget

- 2019 \$82.6 million vs. budget of \$151.8 million
- 2019 Results below Q3 forecast of \$101.9M (\$19.3M)

Selected individual project adjustments:

- ↓ RI Facilities Upgrade (~\$18M shifted to 2020)
- ↓ RI PH2 U1-U8 Rehab (~\$10M shifted to 2021)
- ↓ RI B1-B4 Modernization (~\$11M shifted to outer years)
- ↓ RI B8 Modernization (~\$3M shifted to 2023)
- ↓ RR CM Facilities Upgrade (~\$5M shifted to 2020)
- ↓ RI Bridge and Gantry Cranes (~\$6M shifted to 2020)

Cash remains strong / Debt reduction strategy on track

- Cash balance increased ~\$24 million in 2019
- Debt balance decreased ~\$40 million in 2019

Service Revenue

(in 000s)	2019 Actuals	2019 Budget	% of budget	Variance
Residential Electric	27,985	27,785	101%	In line with budget
Commercial Electric	16,438	17,322	95%	Commercial usage at 94%
Industrial Electric	5,072	5,101	99%	In line with budget
High Density Load	1,845	3,681	50%	Lower than expected load growth
Off-System End-Use Sales	12,953	-	-	Revenue included in NWR for budget
Other Electric	1,465	1,547	95%	Small dollar variance
Electric Service	65,757	55,435	119%	-
Water Service	6,001	6,162	97%	In line with budget
Wastewater Service	782	725	108%	Small dollar variance
Fiber & Telecom	7,165	7,190	100%	In line with budget
Service Revenue	79,706	69,512	115%	-

Note: Excludes internal intersystem revenues

Net Surplus Energy Revenue

(in 000s)	2019 Actuals	2019 Budget	% of budget	Variance
Slice Contracts	70,241	70,241	100%	In line with budget
Net Block Trades & Other	5,357	32,140	17%	Lower generation / off-system sales in retail
Net Wholesale Revenue	75,598	102,381	74%	
LT Hydro Contracts	140,298	134,296	104%	Retained surplus proceeds / RR proceeds
Less: Other Purchased Power	(1,322)	(1,320)	100%	In line with budget
Hydro LT Contract Rev/Other PP	138,976	132,976	105%	
Surplus Energy Revenue	214,574	235,358	91%	

Revenues: > 100% of budget, positive for District / **Expenses:** < 100% of budget, positive for District

Operating Expense

(in 000s)	2019 Actuals	2019 Budget	% of budget	Variance
Hydro Operations & Maintenance	52,007	66,605	78%	Large unit repairs / Impacts of RR Settlement
Hydro Fish & Wildlife	15,593	16,212	96%	Small dollar variance
Hydro Parks & Recreation	7,613	7,493	102%	Small dollar variance
Electric Distribution	15,821	16,290	97%	In line with budget
Electric Transmission	13,003	14,458	90%	Peak RC dues / other contractual support
Misc. Power Supply Expenses	4,248	4,933	86%	Reduced contract spending & vacant positions
Water & Wastewater	3,439	3,191	108%	Leak repairs and customer response work
Fiber Network	4,933	5,228	94%	Node HVAC replacement behind schedule
Customer Accounts & Service	3,944	3,807	104%	Small dollar variance
Conservation & Customer Assist	3,324	4,452	75%	Amortization of regulatory asset/contractual support
Insurance & FERC Fees	7,960	8,472	94%	FERC Fees - prior year true-up & lower admin fees
Other Admin & General	30,913	35,091	88%	Actuarial pension expense adjustment
Total	162,796	186,233	87%	

Revenues: > 100% of budget, positive for District / **Expenses:** < 100% of budget, positive for District

Non-Operating Activity

(in 000s)	2019 Actuals	2019 Budget	% of budget	Variance
Interest Earnings	15,426	13,712	113%	Higher cash balances
Capital Contributions	5,817	5,867	99%	In line with budget
Interest Expense	(23,944)	(24,990)	96%	In line with budget
Other Inc/(Exp)	(3,413)	(4,975)	69%	Gain on disposition of property
Non Operating Activity	(6,113)	(10,385)	59%	

Revenues: > 100% of budget, positive for District / **Expenses:** < 100% of budget, positive for District

Integrated Electric

(in 000s)	2019 Actuals	2019 Budget	% of budget	Variance
Service Revenue	65,839	55,520	119%	Off system sales (budgeted in NWR)
Net Wholesale Revenue	75,598	102,381	74%	Lower generation / Off-system sales
Hydro LT Contact Rev/Other PP	138,976	132,976	105%	Surplus proceeds / C8-C11 claim
Other Operating Revenue	43,868	24,184	181%	C8-C11 claim / RTA - Variable
Other Operating Expense	(156,111)	(178,767)	87%	Large unit work / Pension expense adjustment
Depreciation & Taxes	(47,232)	(47,285)	100%	In line with budget
Operating Income/(Loss)	120,938	89,010	136%	
Non-Operating Activity	(9,066)	(13,706)	66%	Higher interest earnings
Bottom Line	111,872	75,304	149%	

Revenues: > 100% of budget, positive for District / **Expenses:** < 100% of budget, positive for District

Fiber & Telecom

(in 000s)	2019 Actuals	2019 Budget	% of budget	Variance
Service Revenue	10,505	10,512	100%	In line with budget
Other Operating Revenue	3	1	255%	Small dollar variance
Other Operating Expense	(7,116)	(7,398)	96%	In line with budget
Depreciation and Taxes	(3,384)	(3,266)	104%	Small dollar variance
Operating Income/(Loss)	9	(151)	---	-
Non Operating Activity	2,424	2,672	91%	Horan land purchase adjustment
Bottom Line	2,432	2,521	96%	

Revenues: > 100% of budget, positive for District / **Expenses:** < 100% of budget, positive for District

Water

(in 000s)	2019 Actuals	2019 Budget	% of budget	Variance
Service Revenue	6,193	6,399	97%	Small dollar variance
Other Operating Revenue	77	62	124%	Small dollar variance
Other Operating Expense	(4,087)	(4,056)	101%	Small dollar variance
Depreciation and Taxes	(2,417)	(2,473)	98%	Small dollar variance
Operating Income/(Loss)	(234)	(67)	348%	-
Non Operating Activity	444	622	71%	Horan land purchase adjustment
Bottom Line	210	555	38%	

Revenues: > 100% of budget, positive for District / **Expenses:** < 100% of budget, positive for District

Wastewater

(in 000s)	2019 Actuals	2019 Budget	% of budget	Variance
Service Revenue	782	725	108%	Small dollar variance
Other Operating Revenue	3	2	143%	Small dollar variance
Other Operating Expense	(952)	(846)	113%	Unplanned Plant/lab equipment repair
Depreciation and Taxes	(284)	(297)	95%	Small dollar variance
Operating Income/(Loss)	(452)	(416)	109%	-
Non Operating Activity	85	26	325%	Capital Contributions - System Dev
Bottom Line	(367)	(390)	94%	

Revenues: > 100% of budget, positive for District / **Expenses:** < 100% of budget, positive for District

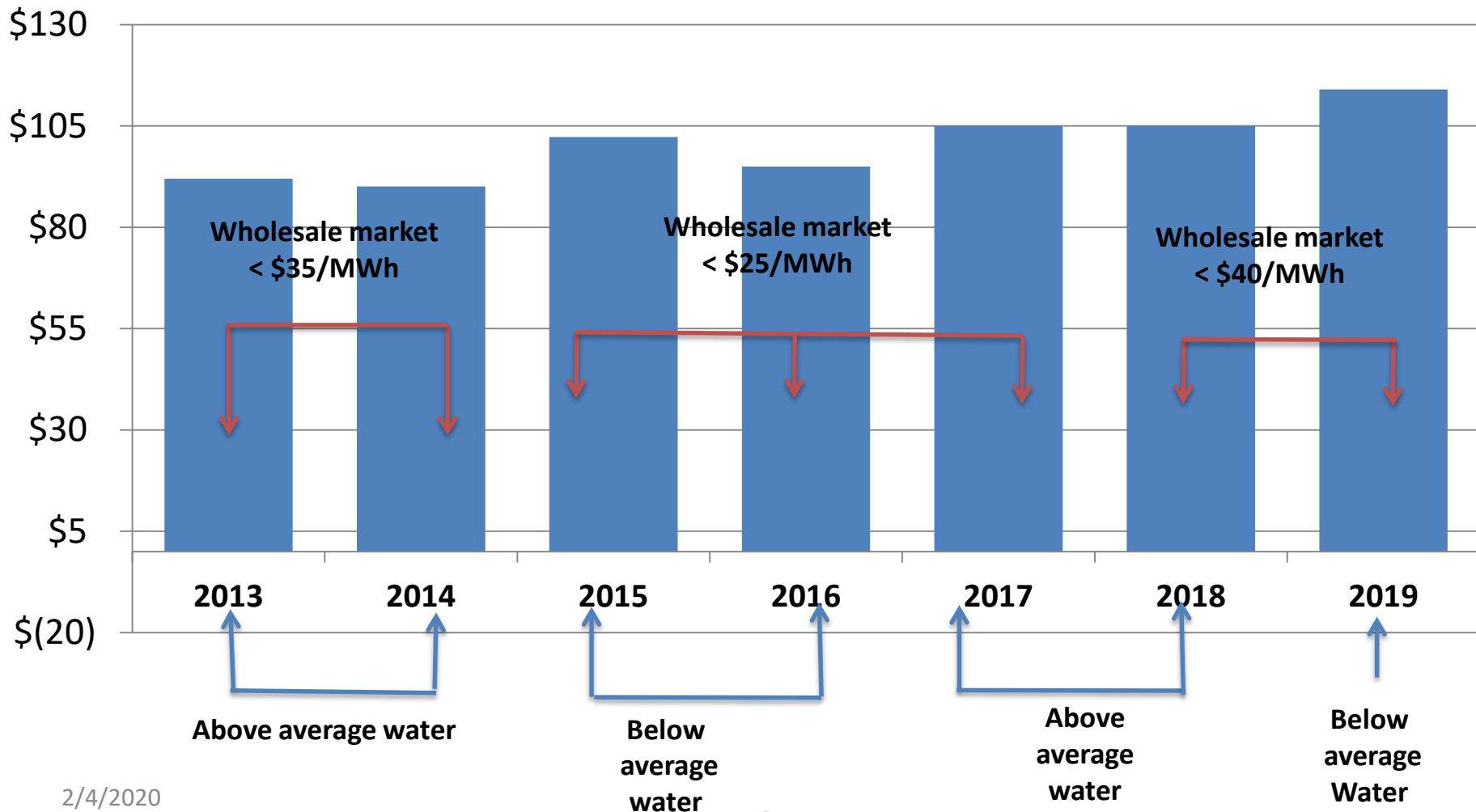
Actual Cash Balance Comparison to Budget

(millions)	2019
Total Cash – Budgeted year-end balance	\$ 502
Key changes in cash results:	
Decrease in capital projects	\$66
Improvement in operating activity	\$36
Other changes in A/R, A/P, inventory, etc.	\$11
Total Cash – Actual year-end balance	\$ 615
Prior quarter – 2019 year-end forecasted balance	\$ 594

Review of the District's Past Financial Results

(amounts in millions)

■ "Bottom-Line"



Five-year outlook

Key modeling assumptions:

- Past water history and current forward price curve
- Placeholder rate increases (pending Board approval)
Electric – 3%, Fiber – 3%, Water & Wastewater 4%
(Starting 1/1/2021 for conservative forecasting purposes)
- Planned expenditures from 5-year business plans
- Debt reduction plan based on 5-year business plans
- Hydro contract terms set at maximum rates
 - Debt Reduction Charge (DRC) - 3% (2020-24)
 - Capital Recovery Charge (CRC) - 50% (2020-24)
- Investment earning rate
 - (2020-24: 2.63%, 2.77%, 2.98%, 2.96%, 2.76%)

Combined Five-Year Forecast

(in 000s)	Forecast 2020	Forecast 2021	Forecast 2022	Forecast 2023	Forecast 2024
Service Revenue	88,745	95,197	102,694	106,081	92,820
Net Wholesale Revenue	76,022	70,828	68,760	77,235	94,894
Sub	164,767	166,025	171,455	183,316	187,714
Hydro LT Contract Rev/Other PP	142,273	142,165	137,913	140,793	141,473
Other Operating Revenue	23,942	20,876	21,263	21,945	22,745
Other Operating Expense	(207,999)	(212,923)	(202,820)	(207,051)	(208,470)
Depreciation & Tax Expense	(57,115)	(62,890)	(68,828)	(72,767)	(73,334)
Operating Income/(Loss)	65,870	53,253	58,983	66,235	70,128
Non-Operating Activity	(7,435)	(10,391)	(12,577)	(13,181)	(11,726)
Bottom Line	58,435	42,862	46,406	53,054	58,403

<i>Prior Quarter Reported Forecast</i>	56,363	41,149	45,370	52,855	61,296
---	---------------	---------------	---------------	---------------	---------------

<i>Forecast at 2019 Budget</i>	54,176	51,226	49,957	46,702	52,381
---------------------------------------	---------------	---------------	---------------	---------------	---------------

Capital Projects

(in 000s)	Forecast 2020	Forecast 2021	Forecast 2022	Forecast 2023	Forecast 2024
Electric Distribution	31,177	36,001	24,469	23,684	20,270
Network Transmission	3,817	1,905	1,206	1,626	7,752
Rocky Reach	11,373	9,276	11,811	9,264	2,125
Rock Island	80,539	67,189	56,863	40,209	40,074
Lake Chelan	994	1,185	1,421	615	559
Internal Services	36,561	79,785	42,844	2,969	4,068
Fiber & Telecom	5,418	7,370	6,818	3,921	3,761
Water	722	4,998	1,967	2,302	2,795
Wastewater	176	522	1,332	1,334	76
Total Expenditures	170,777	208,232	148,731	85,923	81,479

Prior Quarter Reported Forecast	151,633	201,034	145,348	96,587	79,825
--	----------------	----------------	----------------	---------------	---------------

Forecast at 2019 Budget	149,458	143,516	135,016	77,088	94,513
--------------------------------	----------------	----------------	----------------	---------------	---------------



Quarterly Investment Report for the quarter ending December 31, 2019

All \$ values are shown in '000s

Prepared in accordance with District Banking and Investment Policy #16-14094

Portfolio Summary

	Q1 2019	Q2 2019	Q3 2019	Q4 2019	YE 2019	WAM	
Average Invested Book Value	\$589 M	\$604 M	\$598 M	\$610 M	\$600 M		
Interest Earned	\$3.7 M	\$4.0 M	\$4.0 M	\$3.9 M	\$15.6 M		
District Yield	2.52%	2.67%	2.65%	2.56%	2.60%	837	<u>Policy Objectives & Compliance</u>
Benchmarks:							+ Safety
3 Month T-Bill	2.43%	2.35%	2.03%	1.61%	2.11%	92	+ Liquidity
S&P US Treasury 1-3 Year Index	2.12%	2.23%	2.28%	2.27%	2.22%	680	+ Maturity Length
LGIP (State Pool)	2.50%	2.51%	2.32%	1.89%	2.30%	53	+ Return on Investment
Fed Funds Effective	2.40%	2.40%	2.19%	1.65%	2.16%	1	+ Diversification

Policy Objectives and Compliance:

The District continues to focus on meeting investment policy objectives and compliance limits. Safety of principal is the foremost objective of the District. Diversification limits mitigate credit risk and support the preservation of capital in the overall portfolio. The laddered investment structure continues to be our strategy to support liquidity and maturity objectives and mitigate interest rate volatility over time. However, the laddered structure can result in the District's yield lagging the shorter term 3 month T-Bill benchmark in both declining and rising interest rate conditions. Bank demand deposits and US Treasuries continue to be held in addition to other investments with higher yields such as bank CDs, US Agencies, and Municipal Bonds. For Q4 2019, the District's yield decreased slightly to 2.56% (2019 budgeted rate was 2.41%) on an average invested book value of \$610 million due to the timing of interest earnings from a long-term Forward Purchase and Sale Agreement (FPSA). Interest on FPSA supplied securities may not be earned evenly over the reporting period, but will average out to the appropriate contract rate over time. The Weighted Average Maturity (WAM) decreased slightly in Q4 and the multi-year laddered investment strategy continues to maintain overall average investment durations near 2 years. All investments continue to be matched to specific cash flows or mature within 5 years as specified in the investment policy.

General Commentary:

The Federal Open Market Committee's December 11, 2019 meeting reported that the labor market remains strong and that economic activity is rising at a moderate rate. Job gains have been solid, on average, and the unemployment rate has remained low. Although household spending has been rising at a strong pace, business fixed investment and exports remain weak. Overall inflation is running below the Committee's 2 percent objective. In light of the implications of global developments for the economic outlook as well as muted inflation pressures, the Committee decided to maintain the target range for the federal funds rate at 1.50 to 1.75 percent (the target range for the federal funds rate was lowered 0.25 percent at the Committee's October 2019 meeting). In determining the timing and size of future adjustments, the Committee will continue to monitor the implications of incoming information for the economic outlook and will act as appropriate relative to its dual maximum employment and 2 percent inflation objectives. The District anticipates relatively rates through 2020. Global and national events can influence financial markets, which may impact the District.



Quarterly Investment Report for the quarter ending December 31, 2019

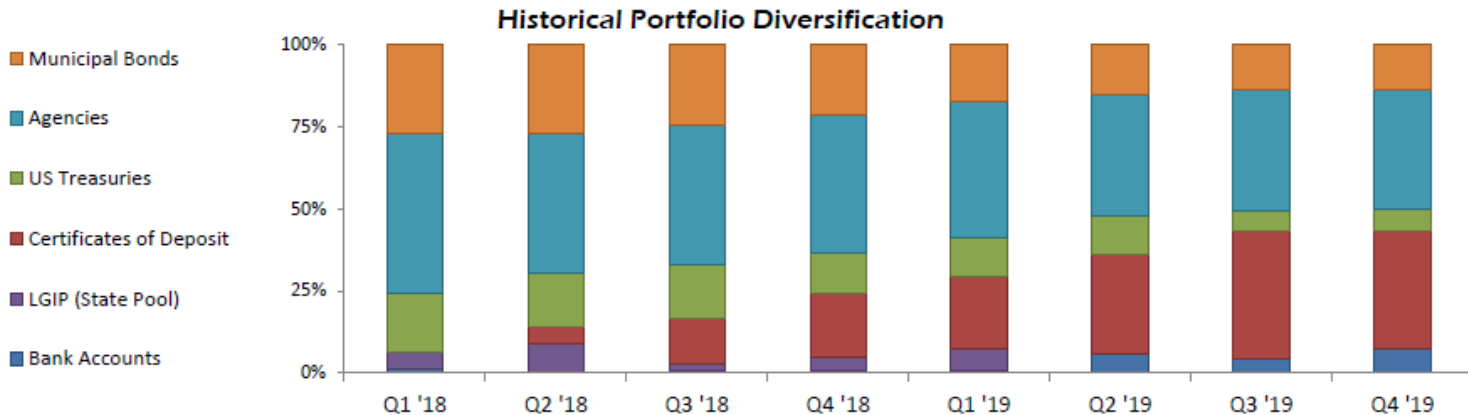
All \$ values are shown in '000s

Prepared in accordance with District Banking and Investment Policy #16-14094

Investments by Type - as of December 31, 2019

	Par Value	GASB 31 Reported Value	Book Value	Book Value as % of Portfolio	Policy % Limit	WAM
Bank Accounts	\$ 44,617	\$ 44,617	\$ 44,617	7.3%	75%	1
Certificates of Deposit	\$ 219,678	\$ 219,678	\$ 219,678	36.1%	40%	950
US Treasuries	\$ 38,765	\$ 40,731	\$ 38,693	6.4%	100%	1,314
LGIP (State Pool)	\$ 21	\$ 21	\$ 21	0.0%	25%	1
US Agencies	\$ 222,899	\$ 225,709	\$ 222,676	36.6%	75%	735
Municipal Bonds	\$ 82,920	\$ 84,679	\$ 83,507	13.7%	30%	1,039
Total:	\$ 608,900	\$ 615,435	\$ 609,192			837

Numbers may not foot due to rounding





Quarterly Investment Report for the quarter ending December 31, 2019

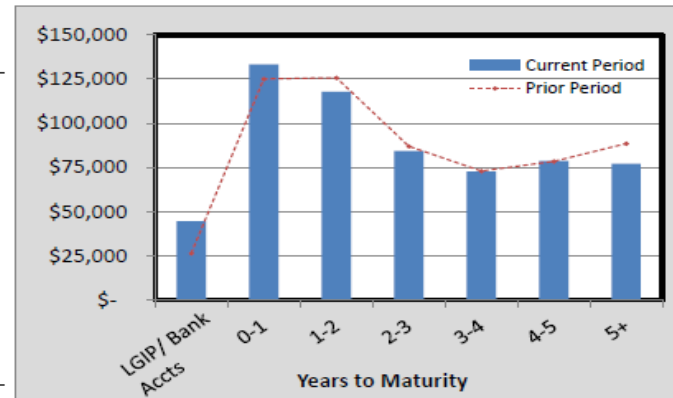
All \$ values are shown in '000s

Prepared in accordance with District Banking and Investment Policy #16-14094

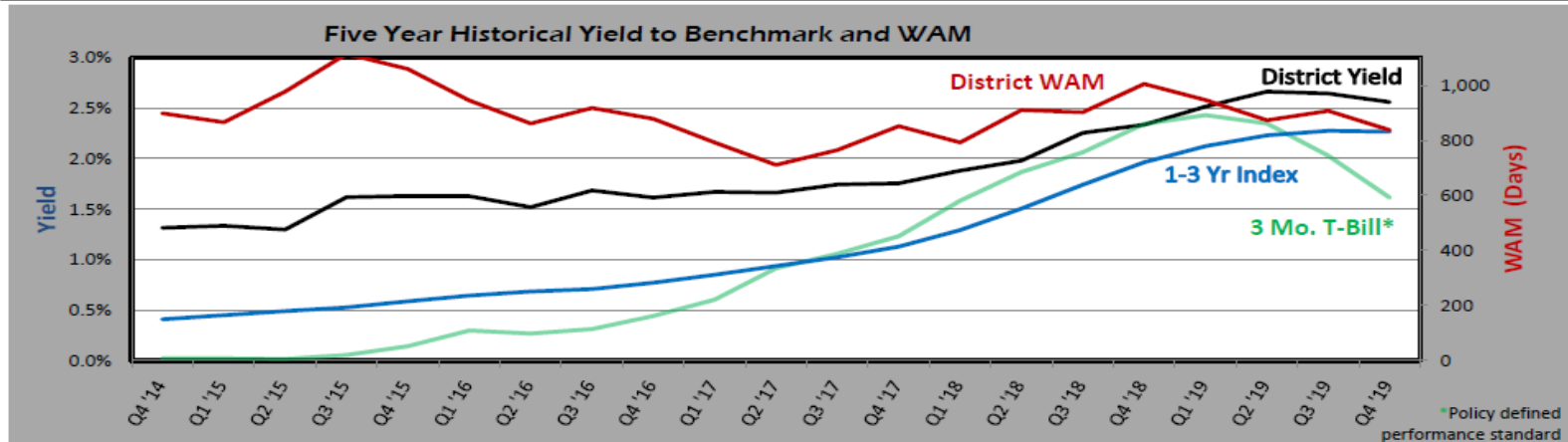
Maturity Distribution - as of December 31, 2019

Maturity	Par Value	% of Portfolio	Cumulative % of Portfolio
LGIP \$	21	0.0%	0.0%
Bank Accounts \$	44,617	7.3%	7.3%
1-90 Days \$	31,367	5.2%	12.5%
91-180 Days \$	68,718	11.3%	23.8%
181-365 Days \$	33,222	5.5%	29.2%
1-2 Yrs \$	117,880	19.4%	48.6%
2-3 Yrs \$	84,353	13.9%	62.4%
3-4 Yrs \$	72,856	12.0%	74.4%
4-5 Yrs \$	78,722	12.9%	87.3%
5+ Yrs \$	77,143	12.7%	100.0%
Total:	\$ 608,900	100%	

Numbers may not foot due to rounding



Historical Yields/Weighted Average Maturity(WAM), by Quarter



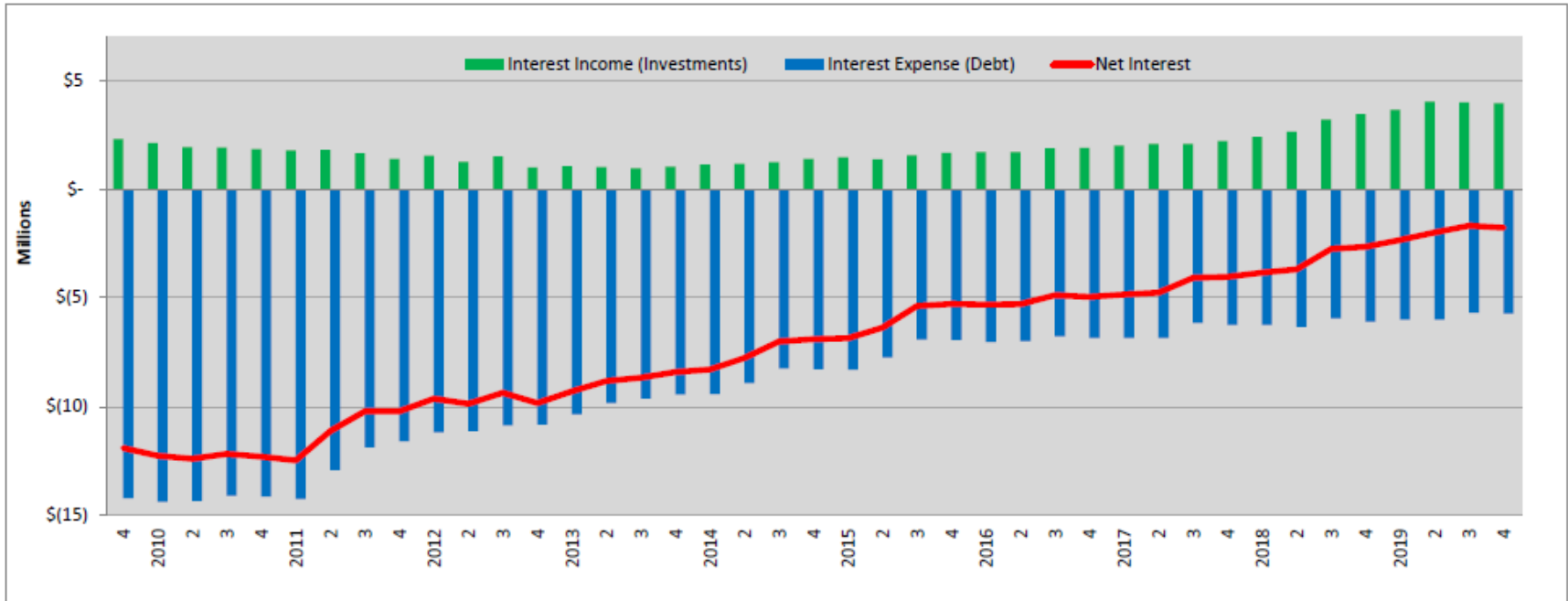


Quarterly Investment Report for the quarter ending December 31, 2019

All \$ values are shown in '000s

Prepared in accordance with District Banking and Investment Policy #16-14094

Historical Net Interest, by Quarter





Quarterly Investment Report for the quarter ending December 31, 2019

All \$ values are shown in '000s

Prepared in accordance with District Banking and Investment Policy #16-14094

Definitions

All investment types listed below are authorized by the State Investment Board, RCWs, and District Policy

Average Rate of Return- the amount earned on investments, expressed as an annualized percent of average book value.

Bank Accounts- a savings account, checking account or similar account at qualified public depositories. Demand deposit accounts, negotiable order of withdrawal (NOW) accounts, and automatic transfer service (ATS) accounts are examples of bank accounts.

Book Value- original cost of a bond less amortization.

Commercial Paper (CP) - short term unsecured money market obligation, issued by prime rated commercial firms and financial companies, with maturities from 2 to 270 days, that is a promissory note of the issuer used to finance current obligations.

Federal Agency Securities (Agency) - interest bearing debt securities of U.S. departments and agencies which include the 12 Federal Home Loan Banks, the Federal National Mortgage Association, and the Federal Housing Authority. (e.g.: Fannie Mae (FNMA, FNDN), Freddie Mac (FHLMC, FMCDN), Federal Home Loan Bank (FHLB, FHDN) and Federal Farm Credit Bank Notes (FFCB)).

Forward Purchase and Sale Agreement (FPSA) - contract that provides for the delivery of specific types of securities on specified future dates at fixed yields.

GASB 31 Market Value- the securities' reported value, according to Government Accounting Standards Board Rule 31. If a security has a maturity of greater than one year at the time of purchase, it is reported at market value. If it has a maturity of less than one year at the time of purchase, it is reported at its book value.

Local Government Investment Pool (LGIP) - funds from political subdivisions that are placed in the custody of the State Treasurer for investment and reinvestment. These funds are completely liquid, there is no required holding period or fixed maturity date.

Municipal Bonds - Debt (bonds, notes, warrants, etc) issued by a state or local government or municipality as authorized by RCW 39.59.020.

Par Value- the stated or face value of a bond.

Treasury Bills (T-Bill) - short-term U.S. Treasury security with maturities of 13, 26, or 52 weeks.

Treasury Notes (T-Note) - intermediate-term, coupon bearing U.S. Treasury securities having initial maturities of less than 10 years and paying interest semiannually.

Unamortized Book Value - remaining premium/discount on a fixed income security, equal to the difference between par and book value.

Weighted Average Maturity (WAM)- average amount of time for securities to mature, weighted by each security's book value.