

Chelan County PUD

For the Year Ended December 31, 2020

(Note: results are preliminary pending annual audit)



Board Presentation Quarterly Financial Review Feb. 16, 2021

What we will cover today

- **Financial highlights**
- **Year-end results**
- **Look back**
- **Look forward**
- **Investment report**
- **Key messages**

Update only, no action required

Appendix: Additional detailed information

2020 Key Highlights

Bottom-line results better than budget

- Lower retail revenues and lower long-term, cost-based power contract revenue more than offset by lower operating costs due to slowed project schedules and adapting work to COVID-19 requirements.
- Accomplished significant level of investment in core assets even though capital expenditures were lower than budgets and some projects were shifted to future periods

Financial metrics meeting targets

- District financial metrics are being met with borrowing expected in 2023 to fund a portion of capital spending.

COVID-19 financial impacts continue to be manageable

Stay the course with 2020-2024 strategic goals

Overview

Revenue

- Service Revenue below budget due to lower Off-system end-use sales resulting from lower usage and lower wholesale market prices that decreased the market element of the rate. Commercial sales were also lower due to COVID-related load impacts and milder winter weather conditions. HDL load growth was lower than expected as well : (-\$9.7M)
- Net Wholesale Revenue in line with budget expectations (101% of budget): (+\$0.6M)
- Hydro Long-Term Contract Revenue below budget due to lower hydro production costs for the cost-based contracts : (-\$10.6M)
- Other Operating Revenue better than budget due to the variable component of real-time agreement: (+\$1.0M)

Expense

- Operating Expenses below budget due to less spent at hydros, deferral of Rocky Reach C10/C11 to focus on C2-C7 work, impacts of COVID-19 delaying projects across the District, and actuarial reduction in pension expense (no change to pension program) : (+\$36.9M)
- Non-Operating Net Expense better than budget primarily due to positive impacts from 2020 bond issue: (+\$2.3M YTD)

Bottom Line

- Reduction in expenses greater than reduction in revenues for net positive gain: (+\$20.5M)

**Better bottom line for 2020 of \$76.6M:
+\$20.5M**

(Compares to Q3 forecast \$64.6M: +\$8.5M)



Overview

Capital

- Actual capital expenditures for the year were \$115M: \$49M below the total budget of \$164M (70% of budget)
- Major drivers were Rock Island and facilities projects due to delays and shifted timelines:
 - PH1 modernization (\$25M)
 - RR-CM facilities upgrade (\$15M)
 - Service Center (\$6M)
- Capital investments surpassed previous annual high in 2002 (Fish Bypass)
 - On strategic path to ensure long-term value

(Compares to Q3 forecast of \$120M and 73% of budget)

Cash

- Net bond proceeds, positive bottom line and lower capital spending have increased cash and investments balance for the year by \$56M (\$671M)

(Compares to Q3 forecast of \$656M)

Debt

- Total debt has had a net increase of \$33M for the year driven by new bonds issued in May, bond funds held for liquidity and offsetting scheduled payments and retirements

(\$33M increase with balance at year end: \$507M (\$434M budget)



2020 Bottom-Line Results

(in 000s)	2020 Actuals	2020 Budget	% of budget
Service Revenue	80,917	90,561	89%
Net Wholesale Revenue	74,710	74,113	101%
Hydro LT Contract Rev/Other PP	132,162	142,794	93%
Other Operating Revenue	24,976	23,977	104%
Other Operating Expense	(174,214)	(209,945)	83%
Depreciation & Tax Expense	(55,998)	(57,152)	98%
Operating Income/(Loss)	82,554	64,348	128%
Non-Operating Activity	(5,914)	(8,210)	72%
Bottom Line	76,640	56,138	137%

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

Business Line Bottom-Line Results

(in 000s)	2020 Actuals	2020 Budget	% of budget
Integrated Electric	72,462	53,038	137%
Fiber & Telecom	3,804	1,583	240%
Water	724	613	118%
Wastewater	(350)	(227)	155%
Intra-system eliminations	-	1,130	0%
Combined Bottom Line	76,640	56,138	137%

Note: Bottom line results reflect the 2020-2024 strategic planning guidance for Fiber, Water and Wastewater Systems to lean toward self-sustainability over the long term which includes the reduction of shared cost support from the Integrated Electric System

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

Capital Expenditures

(in 000s)	2020 Actuals	2020 Budget	% of budget
Electric Distribution	21,559	29,015	74%
Network Transmission	3,329	3,570	93%
Rocky Reach	7,996	12,155	66%
Rock Island	52,962	77,970	68%
Lake Chelan	745	994	75%
Internal Services	23,234	33,621	69%
Fiber & Telecom	5,155	5,906	87%
Water	363	704	51%
Wastewater	28	176	16%
Total Expenditures	115,370	164,111	70%
Contributions	(4,823)	(4,682)	103%
Capital net of CIAC	110,548	159,429	69%

*

*

Accomplishing strategic goal to invest in assets with 2020 Total Expenditures surpassing previous top spending of \$114.8M in 2002 for the Fish Bypass system

Overview - 2020 Cash Flow

	\$ Million
Bottom line result (2020)	\$77
Add back non-cash related items (depreciation and amortization)	46
Estimated earned funds from operations	\$ 123
Capital project expenditures	(\$115)
Net debt activity (issue, refunding & payments)	22
Other misc. impacts (change in A/R, A/P, Inventory, Etc.)	26
Estimated use of funds	(\$67)
Added to cash reserves	\$56

Cash and investments, beginning of year	\$ 615
Added to cash reserves	56
Cash and investments, end of Q4	\$ 671



Cash & Investments Balance

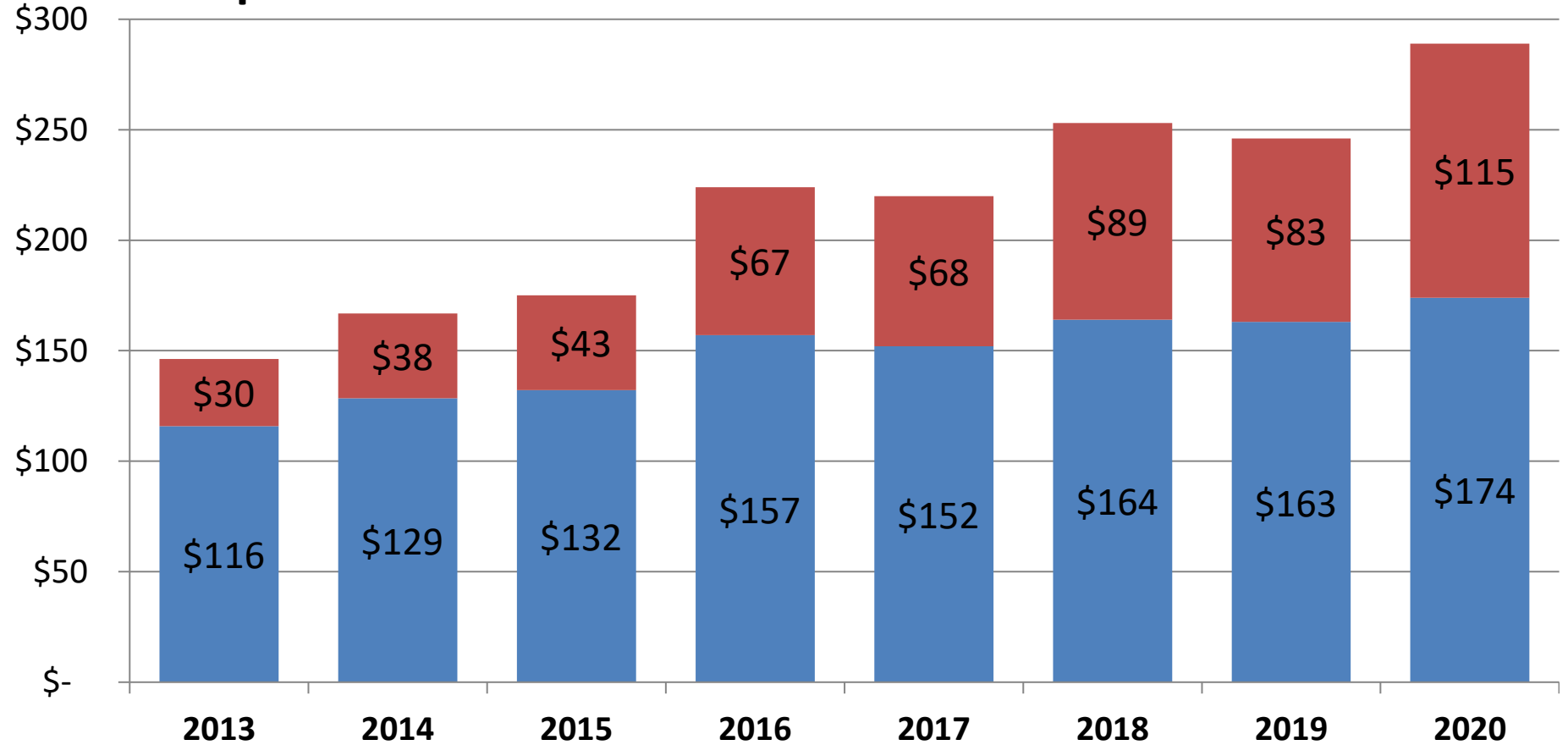
(\$ Millions)	<u>12/31/20</u>	<u>12/31/19</u>
Unrestricted funds	\$377	\$363
Board Designated*:		
Service Center Strategic Facilities Fund	<u>50</u>	<u>50</u>
Total Unrestricted Funds	\$427	\$413
Restricted funds for hydro capital/debt	<u>74</u>	<u>117</u>
Total Liquidity (policy minimum \$175M)	\$501	\$530
Restricted - bond reserve funds	58	53
Restricted - construction funds (2020 bonds)	78	0
Restricted - power contract deposits	19	19
Restricted - self insurance and other funds	<u>15</u>	<u>13</u>
Total Cash and Investments	<u>\$671</u>	<u>\$615</u>

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

Historical Review of the District's Financial Results

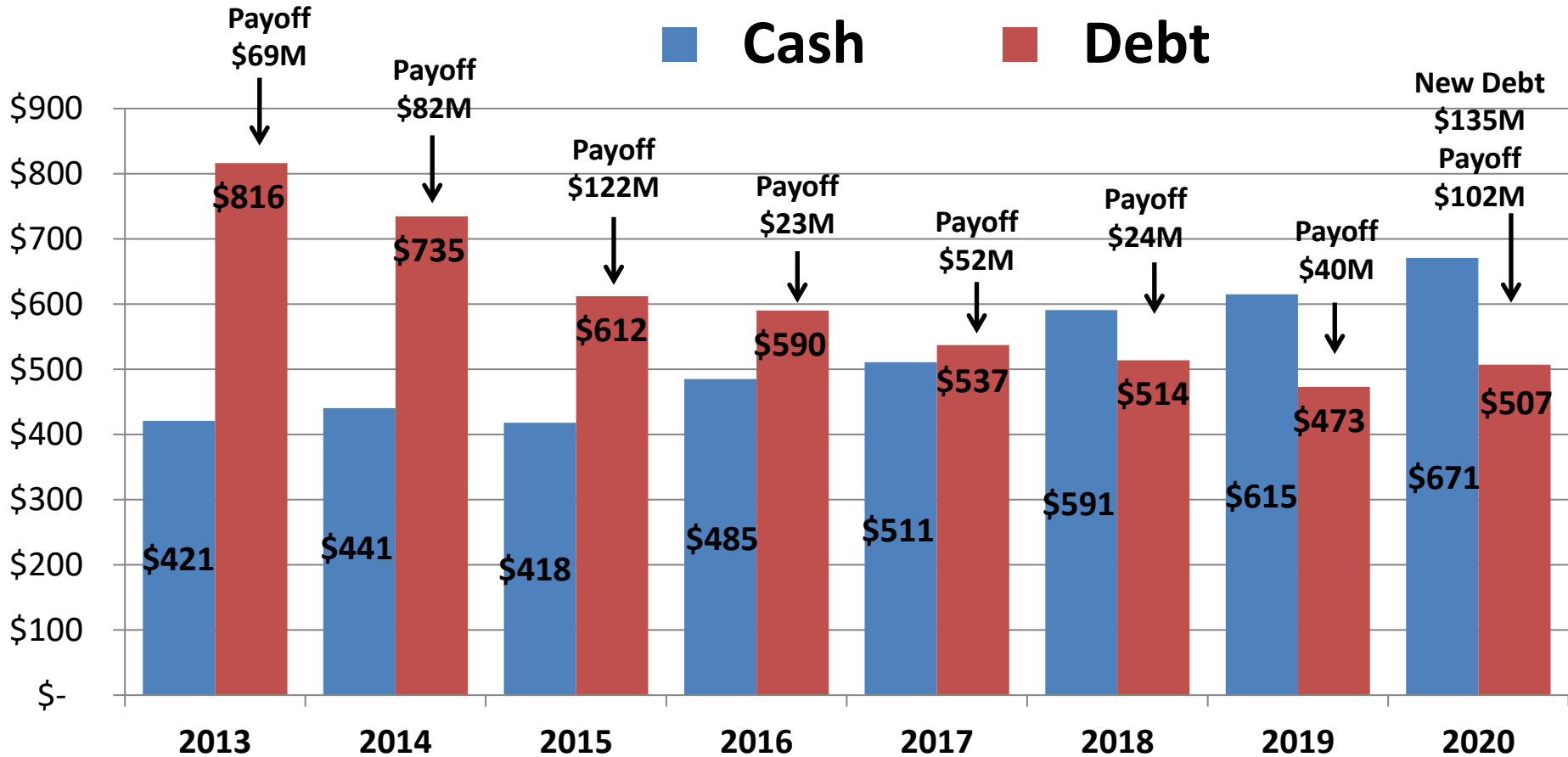
(amounts in millions)

■ Operations & Maintenance ■ Plant Additions



Historical Review of the District's Financial Results

(amounts in millions)



Quarterly Reporting Requirement - Financial Policies

District Combined	2020	2021	2022	2023	2024
Liquidity (Greater calculated min \$175M-\$216M, Expected)	\$501M	\$361M	\$206M*	\$182M*	\$182M*
Liquidity (Greater calculated min \$175M-\$216M, Unusual)		\$357M	\$194M*	\$182M*	\$182M*
Debt Ratio (Expected case <35% by 2019)	29.9%	24.2%	21.4%	20.2%	18.7%
Debt Ratio (Unusual case <35% by 2019)		24.2%	21.6%	21.5%	20.9%
Days Cash on Hand (Expected case >250)	693	496	269*	252*	252*
Days Cash on Hand (Unusual case > 250)		491	253*	252*	251*
Combined Debt Cover (Expected case > 2.00x)	2.85	2.23	2.06	2.92	2.99
Combined Debt Cover (Unusual case >1.25x)		2.15	1.90	2.64	2.50
Bottom Line Results (Expected case)	\$77M	\$50M	\$40M	\$52M	\$55M
Bottom Line Results (Unusual case)		\$46M	\$32M	\$43M	\$39M
Debt Outstanding (Expected case)	\$507M	\$396M	\$349M	\$338M*	\$320M*
Debt Outstanding (Unusual case)		\$396M	\$349M	\$359M*	\$357M*

* - Financial Policy Metrics within 10% of target which requires Board communication per resolution. Action plan assumes issuance of debt in 2023 and 2024 to fund a portion of the capital spending program and balance maintaining our financial targets.

The information in this schedule 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.

Quarterly Reporting Requirement Individual Business Line Financial Policies

Business Lines	Water	Waste water	Fiber
	Forecast for 2024		
Operating Cover Percentage (target by 2024)	>104.0%	>62.0%	>80.0%
Operating Cover Percentage (forecast Q4)	107.4%	58.7%	88.5%
Cash Reserves – Unrestricted (target by 2024)	>\$1.25M	>\$200K	>\$2.0M
Cash Reserves – Unrestricted (forecast Q4)	\$1.3M	\$2.3M	\$19.1M
Debt Service as a % of Rev (target by 2024)	<12.0%	<2.0%	<10.0%
Debt Service as a % of Rev (forecast Q4)	8.4%	12.2%	---

NOTE: Board resolution for business line financial targets are defined as “by 2024” and “by 2029” with 2024 is shown here as the first target date to meet.

Financial Policy not met. Action plan is to implement actions recently adopted in the 2020-2024 Strategic Plan and consider internal loaning to improve cash position to help meet capital needs.

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

Quarterly Investment Report

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

	Q1 2020	Q2 2020	Q3 2020	Q4 2020	YE 2020	WAM
Average Invested Book Value (\$M)	\$599	\$654	\$674	\$670	\$649	
District Yield	2.48%	2.45%	1.95%	2.04%	2.22%	835
Benchmarks:						
3 Month T-Bill	1.21%	0.15%	0.12%	0.09%	0.39%	92
S&P US Treasury 1-3 Year Index	2.14%	1.86%	1.55%	1.22%	1.69%	694

- Q4 2020 yield increased to 2.04% due to a reduction in short term cash and timing of interest earnings from a long-term Forward Purchase and Sale Agreement. (2020 budgeted rate is 2.61%)
- December 16, 2020 Federal Open Market Committee meeting report:
 - Committee is prepared to use its full range of tools to support the economy and promote maximum employment and price stability goals.
 - Committee will continue to monitor information related to the economic outlook, public health, labor market conditions, global developments and inflation pressures and expectations
 - Federal funds target rate range was maintained at 0.00% to 0.25% (0.00% to 0.25% for Q3)
- 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.

2020 Summary

- 2020 results are better than budget
- Accomplished significant level of investment in core assets on strategic path to ensure long-term value
- Plans for significant capital investments are expected to fully use cash reserves in next few years
- Long-term financial metrics on track with an assumed new debt issuance in the next five-year planning horizon
- COVID-19 impacts continue to be manageable
- Stay the course with 2020-2024 strategic plan goals

Appendix



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:

2020 results \$0.6 million above budget (\$74.7M vs. \$74.1M)

Annual result slightly higher than Q3 forecast of \$74.4M

Drivers:

- Generation 96% of budget (Q3 forecast for YE @ 96% of budget)
- + Retail load 90% of budget (Q3 forecast for YE @ 94% of budget)
- Market prices below budget

Hydro Long-Term Contract Revenue:

2020 results \$10.6 million below budget (\$132.2M vs. \$142.8M)

Annual result slightly lower than Q3 forecast of \$134.3M

Drivers:

- Combined hydro “cost based” operating expenses below budget (82%)

Financial Highlights - Revenue

Service Revenue:

2020 results \$9.7 million below budget (\$80.9M vs. \$90.6M)

Annual result lower than Q3 forecast of \$83.2M

Drivers:

- Lower retail off-system sale due to lower usage and wholesale market prices ~\$4.6M
- Lower commercial sales due to mild winter temperatures and impacts from Covid-19 ~\$2.0M
- Lower HDL sales due to lagging ramping plans ~\$2.6M

Other Operating Revenue:

2020 results \$1.0 million above budget (\$25.0M vs. \$24.0M)

Annual result slightly higher than Q3 forecast of \$24.6M)

Drivers:

- + Variable portion of Real Time Agreement better than budget ~\$1.3M

Financial Highlights - Expenses

Operating Expense:

2020 results \$35.7 million below budget (\$174.2M vs. \$209.9M)

Annual result lower than Q3 forecast of \$190.7M

Drivers:

- Hydro operations and maintenance at 76% of
- Actuarial reduction in pension expense (no change to pension program)
- Hydro Parks and Recreation 72% of budget

Non-Operating Net Expense:

2020 results \$2.3M better than budget (\$5.9M vs. \$8.2M)

Annual result slightly lower than Q3 forecast of \$5.5M

Drivers:

- + Impacts of debt refunding and bond issue
- Increase forecast in interest expense due to bond issue

Financial Highlights – Balance Sheet

Capital expenditures below budget

- 2020 \$115.3 million vs. budget of \$164.1 million
- 2020 Results below Q3 forecast of \$120.3M (\$5.0M)

Selected individual project adjustments:

- ↓ RR-CM Facilities Upgrade (~\$15M shifted to 2021-2022)
- ↓ Operations and Service Center (~\$7M shifted to 2022)
- ↓ RI PH2 U1-U8 Rehab (~\$5M shifted to outer years)
- ↓ RI PH1 B1- B8 Modernization (~\$25M shifted to 2021 and beyond)
- ↑ RI PH2 Gantry Crane (~\$3M shifted to 2021)
- ↓ Wenatchee Substation Capacity Inc. (~\$2.4M shifted to 2021-2022)
- ↓ N Shore Chelan Substation (~\$1.8M shifted to 2022)
- ↓ RI Facilities Upgrade (~\$9M shifted to 2021)

Cash remains strong (Plan of finance executed in May)

- Cash balance increased ~\$56 million in 2020
- Debt balance increased ~\$33 million in 2020

Service Revenue

(in 000s)	2020 Actuals	2020 Budget	% of budget	Variance
Residential Electric	27,123	27,384	99%	In line with budget
Commercial Electric	15,194	17,114	89%	Mild winter temperatures / COVID Impacts
Industrial Electric	4,890	5,309	92%	In line with budget
High Density Load	2,756	5,426	51%	Lower than expected load growth
Off-System End-Use Sales	14,822	19,434	76%	Lower usage and wholesale market pricing
Other Electric	1,577	1,607	98%	In line with budget
Electric Service	66,362	76,274	87%	-
Water Service	6,216	6,302	99%	In line with budget
Wastewater Service	788	744	106%	Small dollar variance
Fiber & Telecom	7,551	7,241	104%	In line with budget
Service Revenue	80,917	90,561	89%	-

Note: Excludes internal intersystem revenues

Net Surplus Energy Revenue

(in 000s)	2020 Actuals	2020 Budget	% of budget	Variance
Slice Contracts	69,245	70,523	98%	Powerex Slice delayed one month
Net Block Trades & Other	5,465	3,590	152%	Lower retail load
Net Wholesale Revenue	74,710	74,113	101%	
LT Hydro Contracts	133,485	144,115	93%	Lower hydro operating expenses (82% of bud)
Less: Other Purchased Power	(1,323)	(1,320)	100%	In line with budget
Hydro LT Contract Rev/Other PP	132,162	142,794	93%	
Surplus Energy Revenue	206,872	216,907	95%	

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

Operating Expense

(in 000s)	2020 Actuals	2020 Budget	% of budget	Variance
Hydro Operations & Maintenance	56,317	73,707	76%	Deferral of C10 & C11 turbine repairs/Unit maintenance
Hydro Fish & Wildlife	16,212	18,722	87%	Hatchery Operations
Hydro Parks & Recreation	7,512	10,410	72%	RR Discovery Center Projects
Electric Distribution	15,654	18,201	86%	Line maintenance/Tree trimming
Electric Transmission	13,932	14,261	98%	In line with budget
Misc. Power Supply Expenses	4,726	5,054	94%	EP&T vacant positions / Contract Spending
Water & Wastewater	3,254	3,607	90%	Reservoir tank fall restraint project moved to capital
Fiber Network	4,816	5,204	93%	Vacant positions / Contract spending
Customer Accounts & Service	4,154	4,781	87%	Small dollar variance
Conservation & Customer Assist	3,808	4,890	78%	Amortization of reg. assets/ Customer Energy Programs
Insurance & FERC Fees	7,684	9,848	78%	Self Insurance claims expense elimination
Other Admin & General	36,145	41,260	88%	Actuarial pension expense adjustment
Total	174,214	209,945	83%	

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

Non-Operating Activity

(in 000s)	2020 Actuals	2020 Budget	% of budget	Variance
Interest Earnings	14,362	14,740	97%	In line with budget
Capital Contributions	5,225	4,258	123%	Electric line extensions/Water SDC's
Interest Expense	(24,125)	(22,849)	106%	Higher debt balance
Other Inc/(Exp)	(1,376)	(4,359)	32%	Debt premium amortization
Non Operating Activity	(5,914)	(8,210)	72%	

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

Integrated Electric

(in 000s)	2020 Actuals	2020 Budget	% of budget	Variance
Service Revenue	66,451	76,382	87%	Lower Off-system sales/Commercial & HDL load
Net Wholesale Revenue	74,710	74,113	101%	In line with budget
Hydro LT Contact Rev/Other PP	132,162	142,794	93%	Lower operating expenses
Other Operating Revenue	27,103	25,490	106%	Variable portion of real-time agreement
Other Operarating Expense	(166,752)	(201,249)	83%	Large unit work / Pension expense adjustment
Depreciation & Taxes	(49,449)	(50,569)	98%	In line with budget
Operating Income/(Loss)	84,225	66,961	126%	
Non-Operating Activity	(11,763)	(13,923)	84%	Debt premium amortization
Bottom Line	72,462	53,038	137%	

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

Fiber & Telecom

(in 000s)	2020 Actuals	2020 Budget	% of budget	Variance
Service Revenue	10,560	10,575	100%	In line with budget
Other Operating Revenue	2	2	131%	Small dollar variance
Other Operating Expense	(7,995)	(9,392)	85%	Pole contact make ready costs
Depreciation and Taxes	(3,614)	(3,599)	100%	In line with budget
Operating Income/(Loss)	(1,047)	(2,414)	43%	-
Non Operating Activity	4,852	3,997	121%	Fiber Expansion PPB transfer
Bottom Line	3,804	1,583	240%	

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

Water

(in 000s)	2020 Actuals	2020 Budget	% of budget	Variance
Service Revenue	6,434	6,506	99%	In line with budget
Other Operating Revenue	51	70	72%	Small dollar variance
Other Operating Expense	(4,149)	(4,830)	86%	Fall restraint project moved to capital
Depreciation and Taxes	(2,491)	(2,507)	99%	In line with budget
Operating Income/(Loss)	(156)	(761)	20%	
Non Operating Activity	879	1,375	64%	Shared asset transfer
Bottom Line	724	613	118%	

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

Wastewater

(in 000s)	2020 Actuals	2020 Budget	% of budget	Variance
Service Revenue	788	744	106%	Small dollar variance
Other Operating Revenue	1	2	46%	Small dollar variance
Other Operating Expense	(813)	(837)	97%	In line with budget
Depreciation and Taxes	(444)	(477)	93%	Small dollar variance
Operating Income/(Loss)	(468)	(568)	82%	
Non Operating Activity	118	341	34%	Shared asset transfer \ PPB transfer
Bottom Line	(350)	(227)	155%	

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

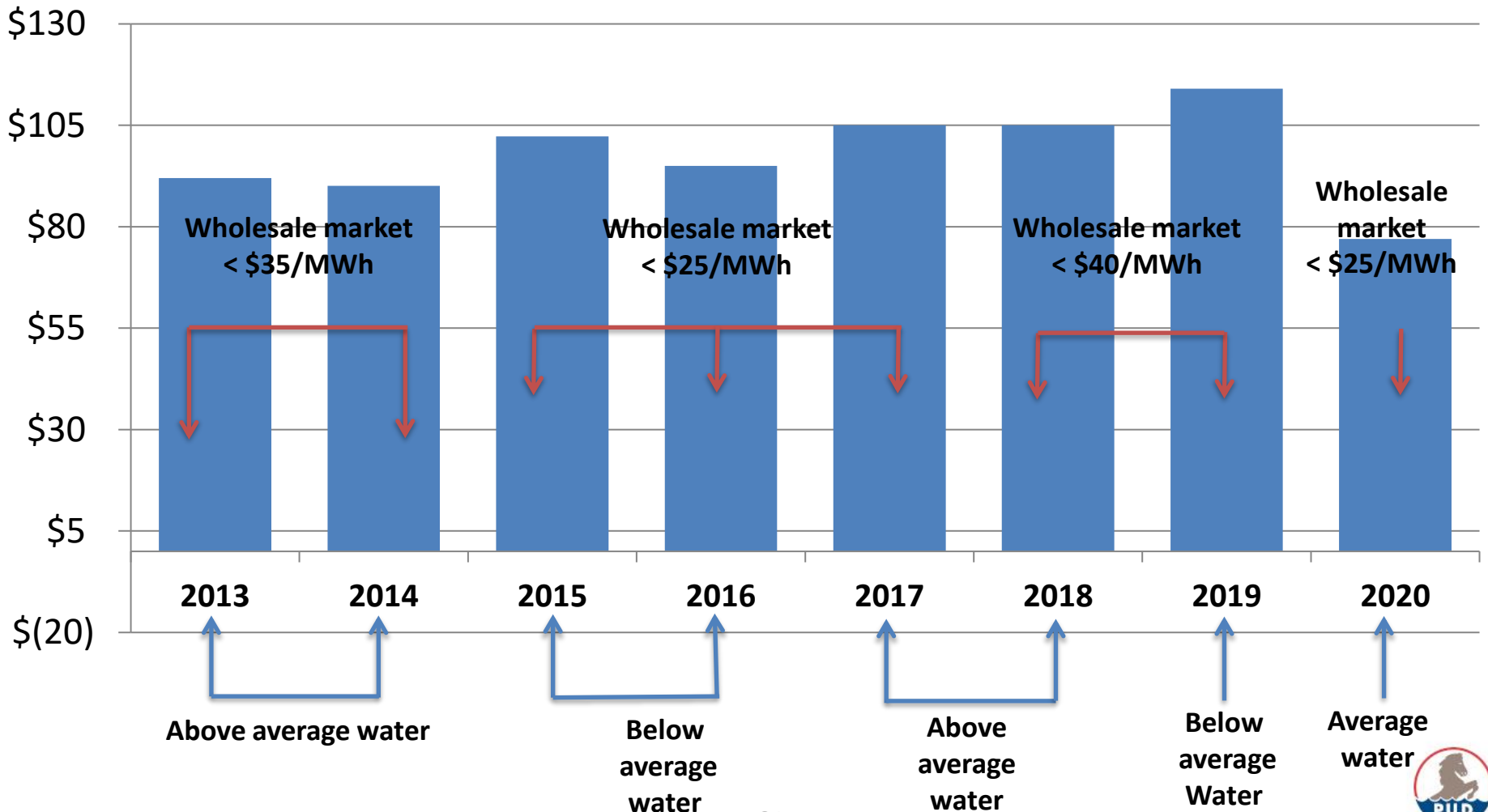
Actual Cash Balance Comparison to Budget

(millions)	2020
Total Cash – Budgeted year-end balance	\$ 484
Key changes in cash results:	
Net proceeds from bond activity	\$100
Decrease in capital projects	\$49
Increase in operating activity	\$21
Other changes in A/R, A/P, inventory, etc.	\$17
Total Cash – Current forecast year-end balance	\$ 671
Prior quarter – 2020 year-end forecasted balance	\$ 656

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
- Rate increases Electric – 3%, Fiber – 3%, Water & Wastewater 4% (Effective 12/1/2020 each 6/1 thereafter)
- Planned expenditures from 5-year business plans
- Debt reduction plan based on Q2 plan of finance
- Hydro contract terms set at maximum rates
 - Debt Reduction Charge (DRC) - 3% (2020-24)
 - Capital Recovery Charge (CRC) - 50% (2020-24)
- Investment earning rate
 - (2021-25: 2.09%, 2.36%, 2.32%, 1.53%, 1.57%)

Combined Five-Year Forecast

(in 000s)	Forecast 2021	Forecast 2022	Forecast 2023	Forecast 2024	Forecast 2025
Service Revenue	95,736	103,891	106,625	93,397	90,419
Net Wholesale Revenue	66,705	66,526	74,478	91,617	94,267
Sub	162,440	170,417	181,103	185,015	184,686
Hydro LT Contract Rev/Other PP	141,758	147,640	140,835	141,529	141,482
Other Operating Revenue	23,899	21,840	22,443	23,060	23,626
Other Operating Expense	(213,356)	(226,901)	(211,957)	(212,810)	(219,114)
Depreciation & Tax Expense	(60,517)	(64,865)	(69,631)	(71,082)	(72,213)
Operating Income/(Loss)	54,224	48,130	62,793	65,712	58,467
Non-Operating Activity	(3,909)	(8,096)	(10,463)	(11,044)	(12,715)
Bottom Line	50,315	40,035	52,329	54,667	45,752

<i>Prior Quarter Reported Forecast</i>	54,579	40,709	53,589	58,942	48,037
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<i>Forecast at 2020 Budget</i>	41,513	46,056	56,588	64,433	59,877
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Capital Projects

(in 000s)	Forecast 2021	Forecast 2022	Forecast 2023	Forecast 2024	Forecast 2025
Electric Distribution	33,454	34,728	27,535	17,699	18,926
Network Transmission	1,325	1,155	1,369	999	6,905
Rocky Reach	11,551	7,415	11,952	6,066	4,420
Rock Island	56,413	58,914	53,563	38,792	40,752
Lake Chelan	1,571	3,745	488	616	425
Internal Services	78,996	64,979	4,865	4,268	3,434
Fiber & Telecom	4,821	5,484	5,498	5,551	4,308
Water	1,377	1,934	2,443	4,059	4,771
Wastewater	401	1,602	1,334	76	78
Total Expenditures	189,909	179,956	109,046	78,125	84,019

<i>Prior Quarter Reported Forecast</i>	188,274	178,104	99,549	76,046	83,446
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<i>Forecast at 2020 Budget</i>	205,496	144,984	85,361	80,279	110,977
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Quarterly Investment Report for the quarter ending December 31, 2020

All \$ values are shown in '000s

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

Portfolio Summary

	Q1 2020	Q2 2020	Q3 2020	Q4 2020	YE 2020	WAM	
Average Invested Book Value	\$599 M	\$654 M	\$674 M	\$670 M	\$649 M		
Interest Earned	\$3.7 M	\$4.0 M	\$3.3 M	\$3.4 M	\$14.4 M		
District Yield	2.48%	2.45%	1.95%	2.04%	2.22%	835	
Benchmarks:							
3 Month T-Bill	1.21%	0.15%	0.12%	0.09%	0.39%	92	
S&P US Treasury 1-3 Year Index	2.14%	1.86%	1.55%	1.22%	1.69%	694	
LGIP (State Pool)	1.56%	0.51%	0.26%	0.17%	0.62%	45	
Fed Funds Effective	1.25%	0.06%	0.09%	0.09%	0.37%	1	

Policy Objectives & Compliance

- + Safety
- + Liquidity
- + Maturity Length
- + Return on Investment
- + 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 2020, the District's yield increased to 2.04% (2.22% year end yield, 2020 budgeted rate was 2.61%) on an average invested book value of \$670 million due to a reduction in short term cash and 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) increased 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 16, 2020 meeting reported that the coronavirus outbreak is causing tremendous human and economic hardship across the United States and around the world. The Committee stated that it is committed to using its full range of tools to support the U.S. economy in this challenging time, thereby promoting its maximum employment and price stability goals. It is expected that the ongoing public health crisis will continue to weigh on economic activity, employment, and inflation in the near term, and poses considerable risks to the economic outlook over the medium term. Therefore, the Committee decided to maintain the target range for the federal funds rate at 0 to 0.25 percent and expects it will be appropriate to maintain this target range until labor market conditions have reached levels consistent with the Committee's assessments of maximum employment and inflation has risen to 2 percent and is on track to moderately exceed 2 percent for some time. In assessing the appropriate stance of monetary policy, the Committee will continue to monitor the implications of incoming information for the economic outlook, including readings on public health, labor market conditions, inflation pressures and inflation expectations, and financial and international developments. The District anticipates low rates through 2021. Global and national events can influence financial markets, which may



Quarterly Investment Report for the quarter ending December 31, 2020

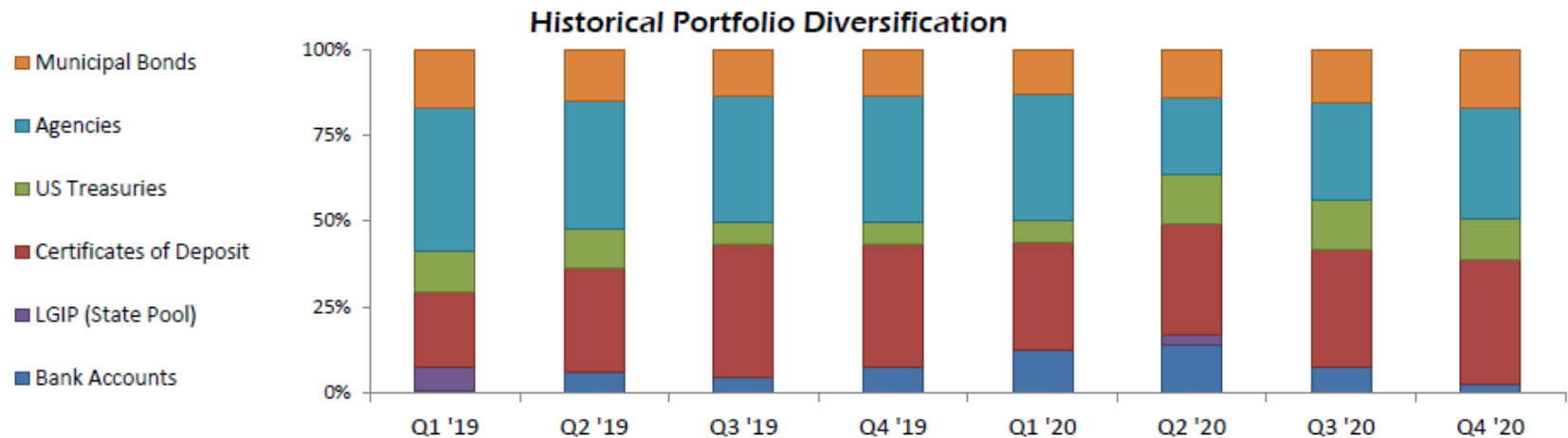
All \$ values are shown in '000s

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

Investments by Type - as of December 31, 2020

	Par Value	GASB 31 Reported Value	Book Value	Book Value as % of Portfolio	Policy % Limit	WAM
Bank Accounts	\$ 15,210	\$ 15,210	\$ 15,210	2.3%	75%	1
Certificates of Deposit	\$ 239,658	\$ 239,658	\$ 239,658	36.4%	40%	881
US Treasuries	\$ 77,357	\$ 80,638	\$ 77,929	11.8%	100%	554
LGIP (State Pool)	\$ 64	\$ 64	\$ 64	0.0%	25%	1
US Agencies	\$ 212,834	\$ 218,544	\$ 212,502	32.2%	75%	812
Municipal Bonds	\$ 111,225	\$ 117,178	\$ 113,732	17.3%	30%	1,084
Total:	\$ 656,348	\$ 671,293	\$ 659,095			835

Numbers may not foot due to rounding





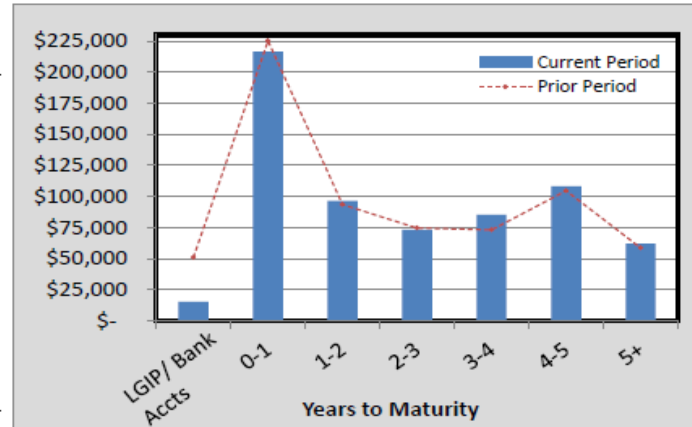
Quarterly Investment Report for the quarter ending December 31, 2020

All \$ values are shown in '000s

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Maturity Distribution - as of December 31, 2020

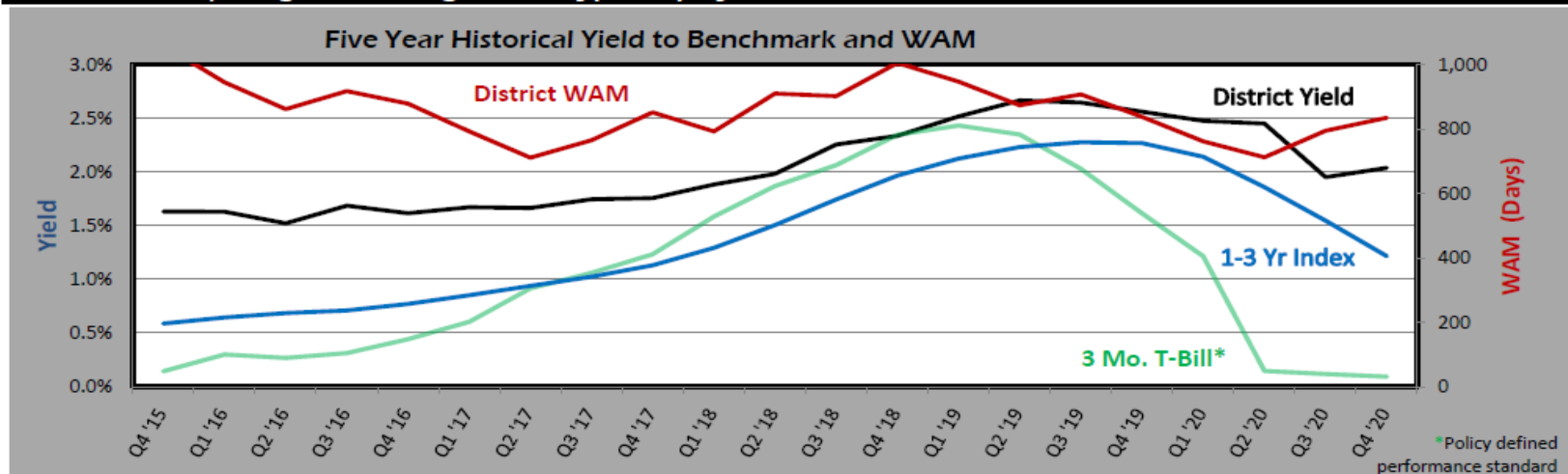
Maturity	Par Value	% of Portfolio	Cumulative % of Portfolio
LGIP	\$ 64	0.0%	0.0%
Bank Accounts	\$ 15,210	2.3%	2.3%
1-90 Days	\$ 23,279	3.5%	5.9%
91-180 Days	\$ 111,102	16.9%	22.8%
181-365 Days	\$ 82,046	12.5%	35.3%
1-2 Yrs	\$ 96,303	14.7%	50.0%
2-3 Yrs	\$ 73,080	11.1%	61.1%
3-4 Yrs	\$ 85,171	13.0%	74.1%
4-5 Yrs	\$ 108,137	16.5%	90.6%
5+ Yrs	\$ 61,955	9.4%	100.0%



Total: \$ 656,348 100%

Numbers may not foot due to rounding

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



*Policy defined performance standard



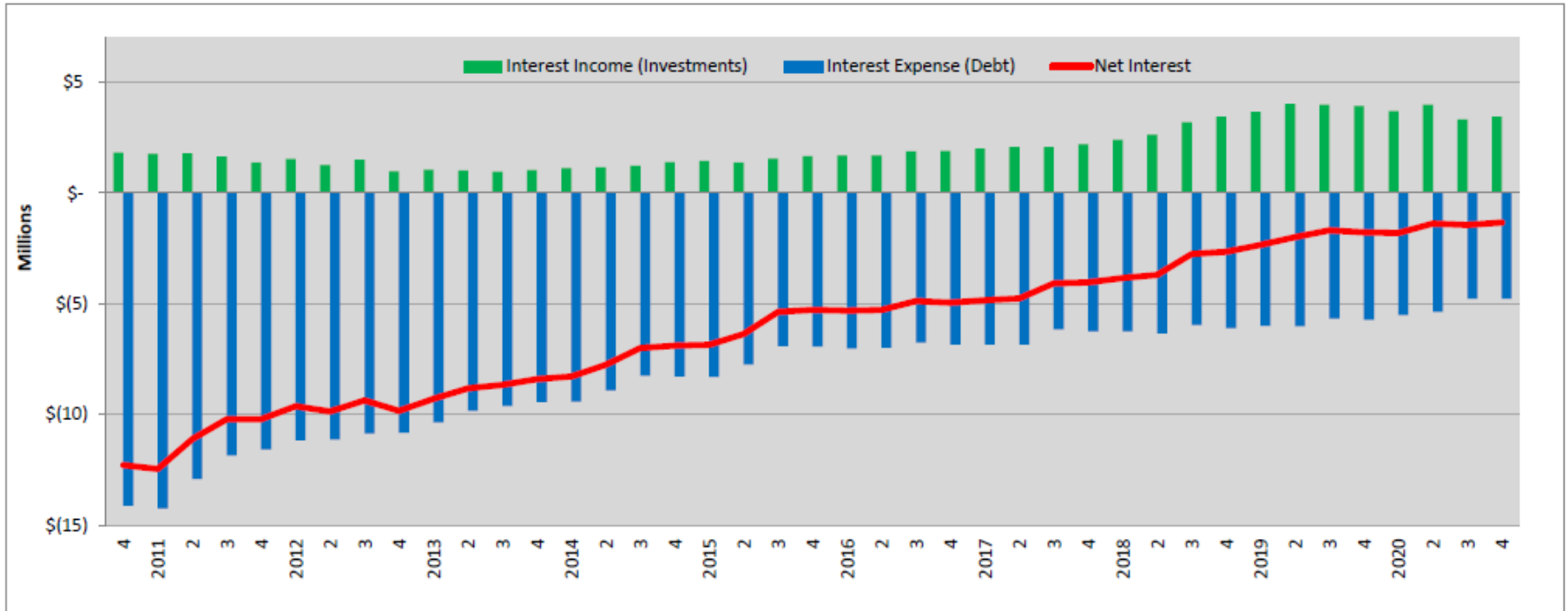
Quarterly Investment Report

for the quarter ending December 31, 2020

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, 2020

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

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.