



Quarterly Financial Review

for the quarter ended June 30, 2021



Board Presentation

August 16, 2021



What We Will Cover Today

- **Financial highlights**
- **Second quarter results**
- **Five-year look ahead**
- **Investment report**
- **Key messages**

Update only, no action required

Appendix: Additional detailed information not covered today

Q2 2021 Key Highlights

Bottom-line results through Q2: better than budget

- Lower operating costs and higher revenue from retained surplus proceeds from cost-based contract more than offset lower local retail revenues

Forecasted bottom-line results for the year: better than budget

- Higher operating revenues are expected to continue for the year
- Capital and O&M project schedules are being fine-tuned and reflect heavy spending in remainder of 2021 with several significant projects well underway

Financial metrics: meeting targets

- District financial metrics are being met for the 5-year planning horizon with borrowing expected around 2023 to fund a portion of capital spending

COVID-19 financial impacts: continue to be manageable

Stay the course with 2020-2024 strategic goals

Q2 Overview

Revenue

Service Revenue below budget \$1M YTD

- ↓ HDL load growth continues to lag
- ↓ Commercial sales COVID-related load impacts
- ↑ Off-system end-use sales; volume down but average market price rate component higher

Net Wholesale Revenue in line with budget YTD

- ↓ Lower energy production due to lower streamflow
- ↑ More energy available to sell due to lower retail use
- ↑ Stronger market prices

Hydro Contract Revenue \$7M above Q2 budget

- ↑ Retained surplus proceeds on cost-based contract
- ↓ Hydro O&M costs lower for cost-based revenues

Other Operating Revenue \$2M above budget

- ↑ Variable portion of real-time agreement

Total Revenues forecast to be \$17M above budget for the year

Expense

Operating Expenses \$12M below budget YTD

- ↓ O&M at the hydros due to project schedules; expecting some catch-up of costs for remainder of year

Non-Operating Net Expense \$2M better than budget YTD

- ↑ Higher customer line extension contributions

Total Net Expenditures forecasted to be \$2M below budget for the year

Bottom Line

Bottom Line \$45M YTD: \$21M better than budget

- ↑ Lower expenses and higher Hydro Contract Revenues

Bottom Line forecast of \$70M for the year

- ↑ \$19M better than budget

Q1 Bottom-Line forecast \$58M for the year

Q2 Overview

Capital

Capital expenditures of \$51M YTD

↓ \$24M below budget YTD

Capital forecast adjustments

↑ 2020 budget carryforwards

- RR-CM facilities upgrade
- RI PH2 Bridge crane
- RI PH2 Gantry crane

↑ RI PH2 Rehab

↑ RI PH2 Draft Tube Gate Cylinders & Hydraulic Power Units

↓ Operations and Service Center

↓ RI PH1 Modernization delays

↓ Substation schedule adjustments

↓ RI PH1 Intake Gantry deferred

↓ RR Tailrace Gantry deferred

Total capital forecast of \$182M

↓ \$8M below budget for the year

Cash

Q2 Cash and investments balance of \$625M

↓ Decreased by \$46M from year-end

↓ Scheduled debt service

↓ Capital spending

↓ Reduction of payables

Cash balance being utilized for planned capital spending and scheduled debt reductions

Year-end cash balance forecast of \$466M

↑ \$31M better than budget

Debt

Q2 Debt balance of \$488M

2021 Planned debt reduction of \$110M

↓ \$73M of retirements (2020 debt refinance)

↓ \$37M of net scheduled payments, 6-month accelerated payments

Year-end \$396M debt forecast

↓ Down \$110M in line with budget



2021 Bottom Line Results

(in 000s)	2021 Current Forecast	2021 Budget	% of budget
Service Revenue	102,599	96,433	106%
Net Wholesale Revenue	64,436	67,340	96%
Hydro LT Contract Rev/Other PP	153,850	141,459	109%
Other Operating Revenue	25,367	23,898	106%
Total Revenue	346,253	329,130	105%
Other Operating Expense	(213,133)	(213,294)	100%
Depreciation & Tax Expense	(59,853)	(60,657)	99%
Operating Income/(Loss)	73,266	55,179	133%
Non-Operating Activity	(2,915)	(3,700)	79%
Bottom Line	70,351	51,479	137%

Bottom Line Forecast for Q1 2021 was \$58.1M, 113% better than budget

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

2021 Business Line Bottom Line Results

(in 000s)	2021 Current Forecast	2021 Budget	% of budget
Integrated Electric	64,969	47,811	136%
Fiber & Telecom	2,513	2,630	96%
Water	854	517	165%
Wastewater	(347)	(379)	92%
Intra-system eliminations	2,362	900	262%
Combined Bottom Line	70,351	51,479	137%

Note – Intra-system elimination is Fiber/Distribution make ready work, variance is due to accelerated plan

Bottom line: >100% better than budget / <100% less than budget

Capital Expenditures

(in 000s)	2021 YTD Actuals	2021 YTD Budget	% of budget	2021 Current Forecast	2021 Current Budget	% of budget
Electric Distribution	10,721	10,464	102%	26,467	33,403	79%
Network Transmission	650	825	79%	1,299	1,325	98%
Rocky Reach	4,829	4,704	103%	10,757	11,248	96%
Rock Island	15,448	30,910	50%	60,293	61,291	98%
Lake Chelan	181	739	25%	1,563	1,571	99%
Internal Services	16,765	25,791	65%	74,084	75,110	99%
Fiber & Telecom	2,026	1,418	143%	5,673	3,564	159%
Water	348	316	110%	1,254	1,263	99%
Wastewater	12	100	12%	286	400	71%
Total Expenditures	50,981	75,268	68%	181,676	189,176	96%
Contributions	(3,120)	(2,247)	139%	(4,232)	(4,619)	92%
Capital net of CIAC	47,860	73,020	66%	177,444	184,556	96%

Overview YTD - 2021 Cash Flow

	\$ Million
Bottom line result (YTD-2021)	\$45
Add back non-cash related items (depreciation)	\$23
Estimated earned funds from operations	\$ 68
Capital project expenditures	(\$ 51)
Net debt activity (issue, refunding and payments)	(\$ 18)
Other misc. impacts (change in A/R, A/P, Inventory, Etc.)	(\$ 45)
Estimated use of funds	(\$114)
Added to (Use of) cash reserves	(\$46)

Cash and investments, beginning of year	\$ 671
Added to (Use of) cash reserves	(\$46)
Cash and investments, Q2 of 2021	\$ 625

Cash & Investments Balance

(\$ Millions)	<u>6/30/21</u>	<u>12/31/20</u>
Unrestricted funds	\$326	\$377
Board Designated*:		
Headquarters/Service Center Strategic Facilities Fund	<u>50</u>	<u>50</u>
Total Unrestricted Funds	\$376	\$427
Restricted funds for hydro capital/debt	<u>112</u>	<u>74</u>
Total Liquidity (policy minimum \$175M)	\$488	\$501
Restricted - bond reserve funds	46	58
Restricted - construction funds (2020 bonds)	58	78
Restricted - power contract deposits	19	19
Restricted - self insurance and other funds	<u>14</u>	<u>15</u>
Total Cash and Investments	<u>\$625</u>	<u>\$671</u>

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

Quarterly Reporting Requirement - Financial Policies

District Combined	2021	2022	2023	2024	2025
Liquidity (Greater calculated min \$175M-\$210M, Expected)	\$384M	\$231M	\$188M*	\$184M*	\$193M*
Liquidity (Greater calculated min \$175M-\$210M, Unusual)		\$220M	\$187M*	\$184M*	\$192M*
Debt Ratio (Expected case <35% by 2019)	23.9%	21.1%	19.6%	18.1%	17.3%
Debt Ratio (Unusual case <35% by 2019)		21.2%	21.0%	20.1%	20.5%
Days Cash on Hand (Expected case >250)	410	285	251*	251*	257*
Days Cash on Hand (Unusual case > 250)		270*	251*	251*	255*
Combined Debt Cover (Expected case > 2.00x)	2.56	2.16*	3.11	3.37	3.28
Combined Debt Cover (Unusual case >1.25x)		1.98	2.78	2.91	2.56
Bottom Line Results (Expected case)	\$70M	\$49M	\$63M	\$73M	\$72M
Bottom Line Results (Unusual case)		\$39M	\$52M	\$59M	\$48M
Debt Outstanding (Expected case)	\$396M	\$349M	\$335M*	\$318M*	\$316M*
Debt Outstanding (Unusual case)		\$349M	\$357M	\$354M*	\$376M*

* - Financial Policy Metrics within 10% of target which requires Board communication per resolution. Action plan assumes issuance of debt in 2023-2025 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 Q2)	108.4%	59.9%	88.5%
Cash Reserves – Unrestricted (target by 2024)	>\$1.25M	>\$200K	>\$2.0M
Cash Reserves – Unrestricted (forecast Q2)	-\$0.3M	\$2.0M	\$18.7M
Debt Service as a % of Rev (target by 2024)	<12.0%	<2.0%	<10.0%
Debt Service as a % of Rev (forecast Q2)	8.3%	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

	Q3 2020	Q4 2020	Q1 2021	Q2 2021	YTD 2021	WAM
Average Invested Book Value (\$M)	\$674	\$670	\$644	\$634	\$639	
District Yield	1.95%	2.04%	2.07%	1.80%	1.93%	813
Benchmarks:						
3 Month T-Bill	0.12%	0.09%	0.05%	0.02%	0.04%	91
S&P US Treasury 1-3 Year Index	1.55%	1.22%	0.92%	0.67%	0.80%	702

- Q2 2021 yield decreased to 1.80% (2021 budgeted rate is 2.17%)
- June 16, 2021 Federal Open Market Committee meeting report:
 - Committee stated that it is committed to using its full range of tools to support the U.S. economy in this challenging time
 - 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 2021 Q1)
- 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.

Q2 Key Messages

Year-end 2021 forecasts are better than budget

- Q2 YTD results are better than budget by \$21M
- Year-end forecasts anticipate higher revenues and some catch-up in operating expenses which will bring bottom line results down slightly but still better than budget by \$19M

Long-term financial metrics remain strong

- Includes assumed borrowing in the next five-year planning horizon to fund a portion of our capital spending program while maintaining our financial metrics

Stay the course with 2020-2024 strategic goals

- Stay the long-term course while continuing to adapt to COVID-19 impacts which have been manageable to date

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:

↔ YTD result within \$0.1 million of budget (\$34.0M vs. \$34.1M)

↓ Annual forecast below budget (\$64.4M vs. \$67.3M)

Drivers:

- ↓ Generation 92% of budget (Q2 forecast for YE @ 94% of budget)
- ↑ Retail load 93% of budget
- ↑ Higher market prices

Hydro Long-Term Contract Revenue:

↑ YTD result \$7.1 million above budget (\$77.5M vs. \$70.4M)

↑ Annual forecast \$12.4M higher than budget (\$153.9M vs. \$141.5M)

Drivers:

- ↑ Retained surplus proceeds
- ↑ Debt cost on new Internal Hydro loans
- ↓ YTD Combined hydro “cost based” operating expenses below budget

Financial Highlights - Revenue

Service Revenue:

↓ YTD result \$0.7 million below budget
(\$45.2M vs. \$45.9M)

↑ Forecast result higher than budget
(\$102.6M vs. \$96.4M)

Drivers:

- ↓ Lower HDL sales due to lagging ramping plans
- ↑ Higher retail off-system sale due to market prices ~\$1.1M
- ↓ Lower commercial sales due to impacts from Covid-19

Other Operating Revenue:

↑ YTD results \$1.7 million above budget
(\$13.8M vs. \$12.1M)

↑ Forecast results \$1.5M above budget

Drivers:

- ↑ Real-Time Agreement variable portion better than budget ~\$1.3M

Financial Highlights - Expenses

Operating Expense:

↓ YTD result \$11.7M million below budget (\$123.2M vs. \$134.9M)

↓ Forecast results slightly below budget (\$273.0M vs. \$274.0M)

Drivers:

- ↓ Hydro operations and maintenance at 82% of budget
- ↓ Electric Distribution at 87% of budget
- ↓ Fiber Network spending at 59% of budget

Non-Operating Net Expense:

↓ YTD result \$1.6M better than budget (\$1.9M vs. \$3.5M)

↓ Forecast results below budget (\$2.9M vs. \$3.7M)

Drivers:

- ↑ Customer line extension contributions exceeding budget

Financial Highlights – Balance Sheet

Capital Expenditures below budget

- YTD 2021 \$51.0 million vs. budget of \$75.3 million
- 2021 Forecast results below budget at \$181.7M vs \$189.2M

Selected individual project adjustments:

↑	RR-CM Facilities Upgrade	\$3.8M shifted from 2020
	Ohme Substation	\$1.4M shifted to 2021
	RI PH2 Bridge Crane	\$4.6M forecast shift from 2020
	RI PH2 Gantry Crane	\$1.8M forecast shift from 2020
	RI PH2 Rehab U1-U8	\$2.5M added
	RI PH2 DTG Cyl & HPU Upgrade	\$2.2M added
↓	RI PH1 Modernization	\$9.4M shifted to 2022-2023
	Operations and Service Center	\$6.0M shifted to 2022
	Substations (Wen, Bav, N. Shore)	\$4.6M shifted to 2022-2024
	RI Intake Gantry Crane	\$3.2M shifted to 2022
	RR Tailrace Gantry Crane	\$2.9M shifted to 2022

Cash remains strong, with continued debt reduction

- Cash balance forecasted to decrease ~\$205 million in 2021 to fund debt reduction and capital expenditures, while remaining strong at \$466M
- Debt balance forecasted to decrease ~\$110 million in 2021

Service Revenue

(in 000s)	2021 Actuals YTD	2021 Budget YTD	% of budget	Variance
Residential Electric	15,198	15,349	99%	In line with budget
Commercial Electric	8,109	8,907	91%	Mild winter temperatures / COVID Impacts
Industrial Electric	2,401	2,575	93%	Small dollar variance
HDL/Cryptocurrency	1,762	2,591	68%	Lower than expected load growth
Off-System End-Use Sales	9,665	8,540	113%	Lower usage but higher market pricing
Other Electric	749	592	127%	Small dollar variance
Electric Service	37,884	38,554	98%	
Water Service	2,968	2,973	100%	In line with budget
Wastewater Service	394	397	99%	In line with budget
Fiber & Telecom	3,987	4,013	99%	In line with budget
Service Revenue	45,233	45,937	98%	

Note: Excludes internal intersystem revenues

Net Surplus Energy Revenue

(in 000s)	Actuals YTD 2021	Budget YTD 2021	% of budget	Variance
Slice Contracts	36,575	36,801	99%	In line with budget
Net Block Trades & Other	(2,537)	(2,727)	93%	Small dollar variance
Net Wholesale Revenue	34,038	34,074	100%	
LT Hydro Contracts	78,117	71,022	110%	Retained surplus revenues, offset by lower hydro operating expenses
Less: Other Purchased Power	(662)	(660)	100%	In line with budget
Hydro LT Contract Rev/Other PP	77,455	70,362	110%	
Surplus Energy Revenue	111,493	104,436	107%	

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

Operating Expense

(in 000s)	2021 Actuals YTD	2021 Budget YTD	% of budget	Variance
Hydro Operations & Maintenance	29,394	35,662	82%	Project expense timing
Hydro Fish & Wildlife	8,851	9,255	96%	RI Fishway repairs, RR JFB screens
Hydro Parks & Recreation	4,585	4,851	95%	Timing of Discovery Center projects
Electric Distribution	8,218	9,477	87%	Tree Trimming, Underground line work
Electric Transmission	6,385	7,135	89%	Open positions and contract timing
Misc. Power Supply Expenses	2,354	2,572	92%	Small dollar variance
Water & Wastewater	1,706	1,670	102%	In line with budget
Fiber Network	1,854	3,128	59%	Timing of maintenance & operations contract spending
Customer Accounts & Service	2,064	2,285	90%	Contract spending timing
Conservation & Customer Assist	1,940	2,389	81%	Amortization of reg. assets/ Customer Energy Programs
Insurance & FERC Fees	3,741	5,274	71%	Self insurance claims
Other Admin & General	23,234	21,209	110%	In line with budget
Total	94,324	104,907	90%	

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

Non-Operating Activity

(in 000s)	2021 Actuals YTD	2021 Budget YTD	% of budget	Variance
Interest Earnings	5,956	6,305	94%	Lower interest rates
Capital Contributions	3,426	2,111	162%	Electric line extensions
Interest Expense	(12,032)	(12,199)	99%	In line with budget
Other Inc/(Exp)	752	293	256%	PPB and property disposition accounting and timing
Non Operating Activity	(1,897)	(3,490)	54%	

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

Integrated Electric

(in 000s)	2021 Actuals YTD	2021 Budget YTD	% of budget	Variance
Service Revenue	37,931	38,602	98%	Mild winter temperatures, lower HDL load: offset by higher Off-system sales
Net Wholesale Revenue	34,038	34,074	100%	In line with budget
Hydro LT Contact Rev/Other PP	77,455	70,362	110%	Retained surplus proceeds
Other Operating Revenue	14,956	12,812	117%	Variable portion of real-time agreement
Other Operating Expense	(90,942)	(99,920)	91%	Hydro O&M lagging
Depreciation & Taxes	(25,558)	(26,672)	96%	In line with budget
Operating Income/(Loss)	47,880	29,258	164%	
Non-Operating Activity	(7,753)	(9,287)	83%	Higher capital contributions that offset debt expenses
Bottom Line	40,127	19,971	201%	

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

Fiber & Telecom

(in 000s)	2021 Actuals YTD	2021 Budget YTD	% of budget	Variance
Service Revenue	5,569	5,547	100%	In line with budget
Other Operating Revenue	3	1	293%	Small dollar variance
Other Operating Expense	(3,733)	(5,149)	72%	Timing of maintenance & operations contract spending
Depreciation and Taxes	(1,915)	(1,927)	99%	In line with budget
Operating Income/(Loss)	(76)	(1,528)	5%	
Non Operating Activity	5,480	5,455	100%	In line with budget
Bottom Line	5,404	3,927	138%	

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

Water

(in 000s)	2021 Actuals YTD	2021 Budget YTD	% of budget	Variance
Service Revenue	3,017	3,058	99%	In line with budget
Other Operating Revenue	23	32	74%	Small dollar variance
Other Operating Expense	(2,285)	(2,291)	100%	In line with budget
Depreciation and Taxes	(1,169)	(1,201)	97%	In line with budget
Operating Income/(Loss)	(413)	(402)	103%	
Non Operating Activity	335	286	117%	Higher system connections
Bottom Line	(78)	(116)	67%	

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

Wastewater

(in 000s)	2021 Actuals YTD	2021 Budget YTD	% of budget	Variance
Service Revenue	394	397	99%	In line with budget
Other Operating Revenue	0	1	36%	Small dollar variance
Other Operating Expense	(419)	(430)	97%	In line with budget
Depreciation and Taxes	(222)	(222)	100%	In line with budget
Operating Income/(Loss)	(246)	(254)	97%	
Non Operating Activity	41	56	72%	Small dollar variance
Bottom Line	(206)	(197)	104%	

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

Actual Cash Balance Comparison to Budget

(millions)	2021
Total Cash – Budgeted year-end balance	\$ 435
Key changes in cash results:	
Decrease in capital projects	\$8
Increase in operating activity	\$19
Other changes in A/R, A/P, inventory, etc.	\$4
Total Cash – Current forecast year-end balance	\$ 466
Prior quarter – 2021 Q1 year-end forecasted balance for 2021	\$ 446

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 2021 plan of finance
- Hydro contract terms set at maximum rates
 - Debt Reduction Charge (DRC) - 3% (2021-25)
 - Capital Recovery Charge (CRC) - 50% (2021-25)
- Investment earnings rate
 - (2021-25: 1.98%, 2.26%, 2.27%, 2.08%, 1.86%)

Combined Five-Year Forecast

(in 000s)	Forecast 2021	Forecast 2022	Forecast 2023	Forecast 2024	Forecast 2025
Service Revenue	102,599	106,993	109,762	94,204	90,407
Net Wholesale Revenue	64,436	69,253	82,914	110,299	120,897
Hydro LT Contract Rev/Other PP	153,850	153,052	145,847	143,191	144,585
Other Operating Revenue	25,367	21,217	21,650	22,039	22,053
Total Revenue	346,253	350,515	360,173	369,733	377,941
Other Operating Expense	(213,133)	(232,352)	(219,746)	(216,454)	(222,934)
Depreciation & Tax Expense	(59,853)	(63,627)	(68,018)	(69,563)	(71,382)
Operating Income/(Loss)	73,266	54,536	72,409	83,716	83,626
Non-Operating Activity	(2,915)	(5,760)	(9,844)	(10,250)	(11,375)
Bottom Line	70,351	48,776	62,565	73,466	72,251

Prior Quarter Reported Forecast	58,120	43,662	56,152	63,141	53,542
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Forecast at 2021 Budget	51,553	40,583	53,090	56,664	44,597
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Capital Projects

(in 000s)	Forecast 2021	Forecast 2022	Forecast 2023	Forecast 2024	Forecast 2025
Electric Distribution	26,467	26,807	29,583	25,773	20,527
Network Transmission	1,299	1,200	1,032	1,374	9,530
Rocky Reach	10,757	7,296	13,985	8,419	4,320
Rock Island	60,293	65,490	69,581	46,894	61,844
Lake Chelan	1,563	3,437	488	903	839
Internal Services	74,084	69,264	6,562	5,168	4,334
Fiber & Telecom	5,673	5,764	4,622	5,442	5,306
Water	1,254	2,560	2,691	5,310	2,982
Wastewater	286	376	2,587	131	78
Total Expenditures	181,676	182,197	131,129	99,414	109,760

<i>Prior Quarter Reported Forecast</i>	<i>190,856</i>	<i>178,352</i>	<i>119,142</i>	<i>85,892</i>	<i>84,018</i>
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<i>Forecast at 2021 Budget</i>	<i>189,176</i>	<i>179,506</i>	<i>100,248</i>	<i>76,132</i>	<i>83,525</i>
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Quarterly Investment Report

for the quarter ending June 30, 2021

All \$ values are shown in '000s

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

Portfolio Summary

	Q3 2020	Q4 2020	Q1 2021	Q2 2021	YTD 2021	WAM	
Average Invested Book Value	\$674 M	\$670 M	\$644 M	\$634 M	\$639 M		
Interest Earned	\$3.3 M	\$3.4 M	\$3.3 M	\$2.8 M	\$6.1 M		
District Yield	1.95%	2.04%	2.07%	1.80%	1.93%	813	
Benchmarks:							
3 Month T-Bill	0.12%	0.09%	0.05%	0.02%	0.04%	91	
S&P US Treasury 1-3 Year Index	1.55%	1.22%	0.92%	0.67%	0.80%	702	
LGIP (State Pool)	0.26%	0.17%	0.13%	0.08%	0.11%	44	
Fed Funds Effective	0.09%	0.09%	0.08%	0.06%	0.07%	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 Q2 2021, the District's yield decreased to 1.80% (2021 budgeted rate is 2.17%) on an average invested book value of \$634 million due to lower market interest rates in comparison to the District's maturing investments. The Weighted Average Maturity (WAM) increased in Q2 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 June 16, 2021 meeting reported that progress on vaccinations has reduced the spread of COVID-19 in the United States. Amid this progress and strong policy support, indicators of economic activity and employment have strengthened. The sectors most adversely affected by the pandemic remain weak but have shown improvement. Inflation has risen, largely reflecting transitory factors. The path of the economy will depend significantly on the course of the virus and risks to the economic outlook remain. The Committee also 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. 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 impact the District.



Quarterly Investment Report for the quarter ending June 30, 2021

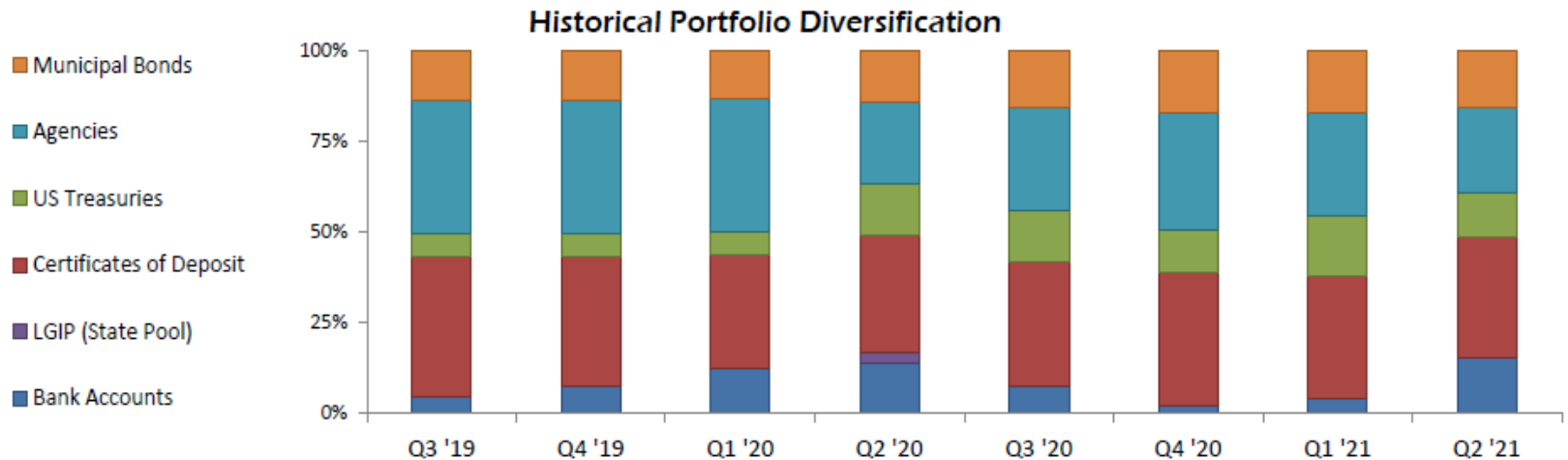
All \$ values are shown in '000s

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

Investments by Type - as of June 30, 2021

	Par Value	GASB 31 Reported Value	Book Value	Book Value as % of Portfolio	Policy % Limit	WAM
Bank Accounts	\$ 93,640	\$ 93,640	\$ 93,640	15.2%	75%	1
Certificates of Deposit	\$ 204,954	\$ 204,954	\$ 204,954	33.2%	40%	847
US Treasuries	\$ 76,126	\$ 77,044	\$ 76,057	12.3%	100%	1,273
LGIP (State Pool)	\$ 64	\$ 64	\$ 64	0.0%	25%	1
US Agencies	\$ 144,676	\$ 149,088	\$ 144,750	23.4%	75%	888
Municipal Bonds	\$ 95,725	\$ 100,172	\$ 97,875	15.9%	30%	1,049
Total:	\$ 615,185	\$ 624,962	\$ 617,339			813

Numbers may not foot due to rounding





Quarterly Investment Report for the quarter ending June 30, 2021

All \$ values are shown in '000s

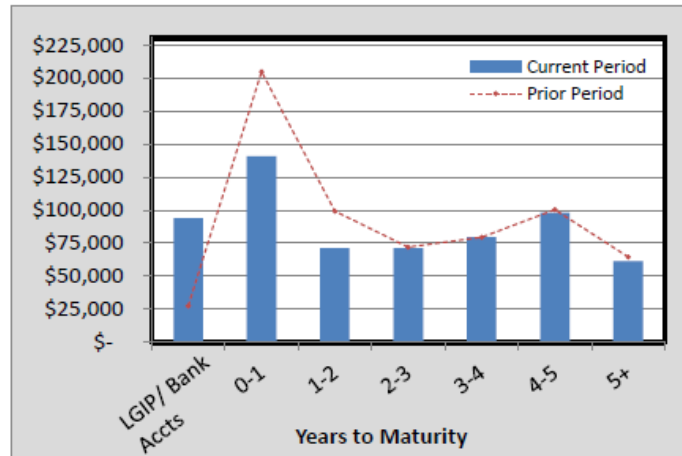
Prepared in accordance with District Banking and Investment Policy #16-14094

Maturity Distribution - as of June 30, 2021

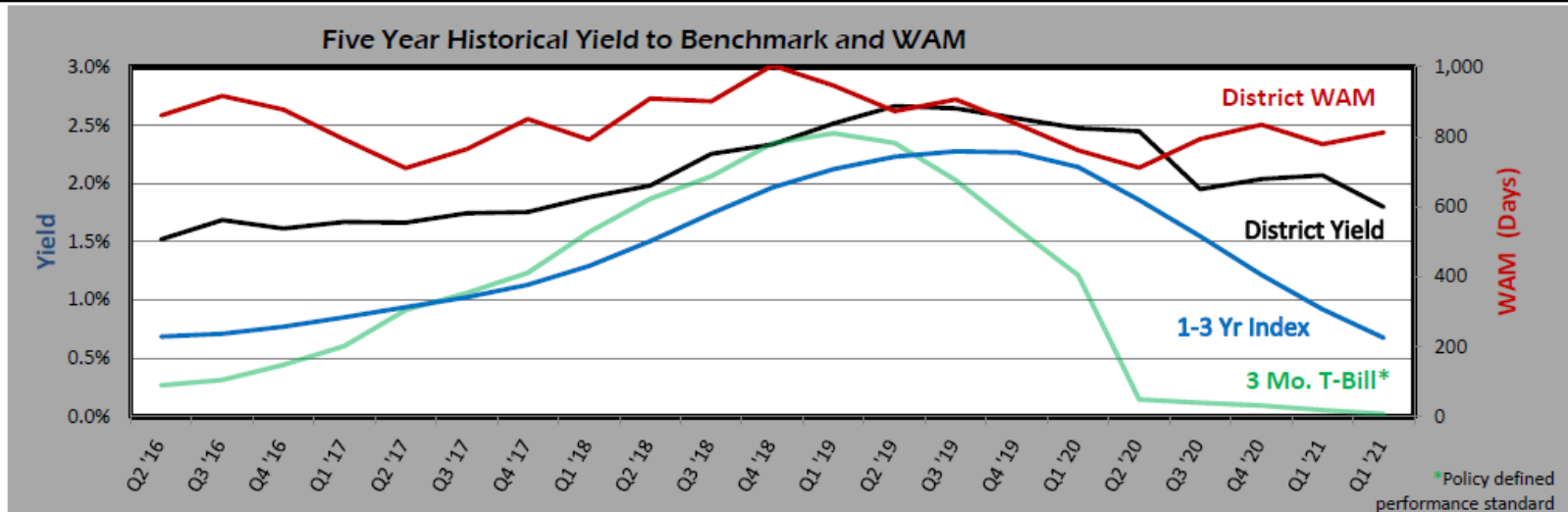
Maturity	Par Value	% of Portfolio	Cumulative % of Portfolio
LGIP \$	64	0.0%	0.0%
Bank Accounts \$	93,640	15.2%	15.2%
1-90 Days \$	51,767	8.4%	23.6%
91-180 Days \$	20,640	3.4%	27.0%
181-365 Days \$	68,156	11.1%	38.1%
1-2 Yrs \$	71,186	11.6%	49.7%
2-3 Yrs \$	71,054	11.5%	61.2%
3-4 Yrs \$	79,336	12.9%	74.1%
4-5 Yrs \$	98,037	15.9%	90.0%
5+ Yrs \$	61,306	10.0%	100.0%

Total: \$ 615,185 100%

Numbers may not foot due to rounding



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



*Policy defined performance standard

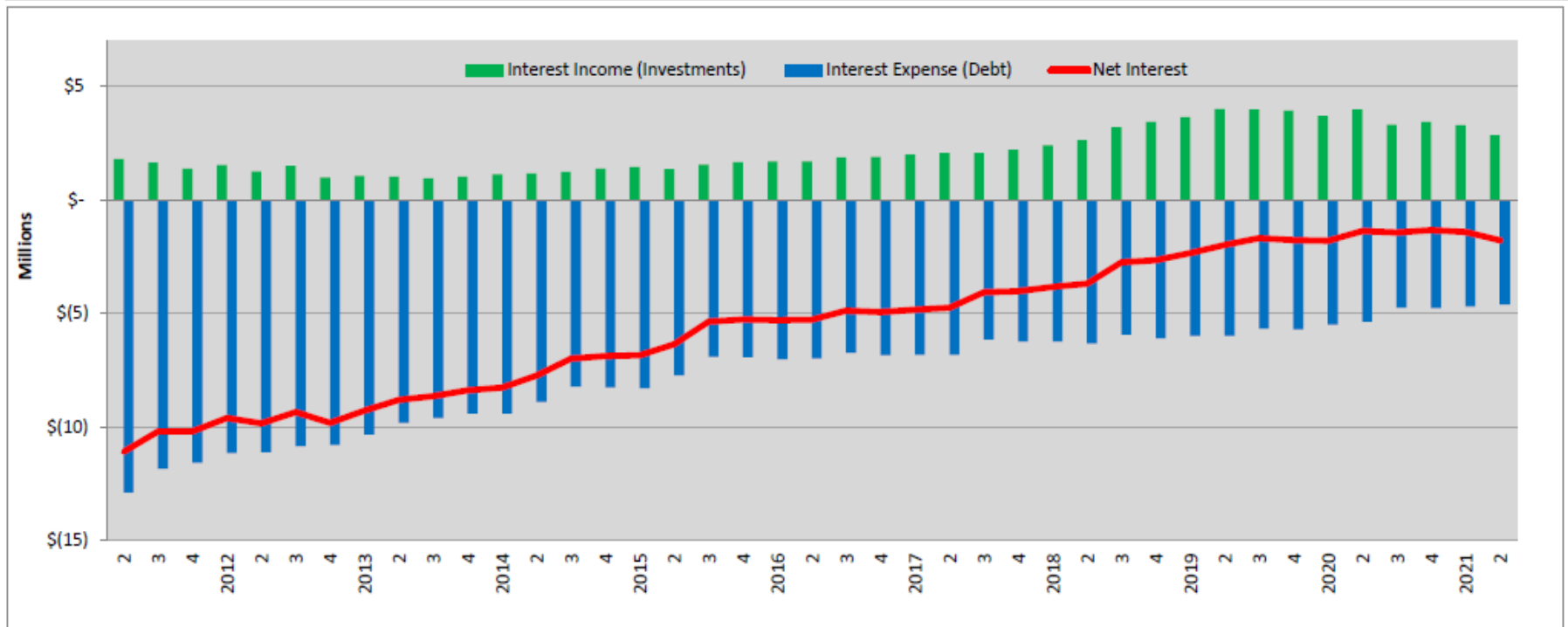


Quarterly Investment Report for the quarter ending June 30, 2021

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 June 30, 2021

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.