

Quarterly Financial Review

for the quarter ended March 31, 2021



Board Presentation

May 3, 2021

What We Will Cover Today

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

Update only, no action required

Appendix: Additional detailed information not covered today

Q1 2021 Key Highlights

Bottom-line results through Q1: better than budget

- Lower operating costs due to modified project schedules combined with higher wholesale revenues to more than offset lower retail revenues

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

- Combination of higher revenues and lower operating expenses versus budget is expected to continue for the year, more than offsetting lower retail revenues
- Capital and O&M project schedules are being fine-tuned and reflect heavy spending in 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

Q1 Overview

Revenue

Service Revenue below budget \$2.8M YTD

- ↓ Retail & commercial sales from milder winter weather conditions and COVID-related load impacts
- ↓ Off-system end-use sales volume and average market price rate component lower
- ↓ HDL load as growth continues to lag

Net Wholesale Revenue \$1.4M above YTD budget

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

Hydro Contract Revenue \$0.6M above Q1 budget

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

Other Operating Revenue \$0.4M above budget

- ↑ Variable portion of real time agreement

Total Revenues forecast to be \$3.8M above budget for the year

Expense

Operating Expenses \$7.2M below budget YTD

- ↓ O&M at the Hydros due to project schedules
- Expecting some catch-up of costs during remainder of year

Non-Operating Net Expense \$0.6M better than budget YTD

Total Net Expenditures forecasted to be \$2.8M below budget for the year

Bottom Line

Bottom-Line \$21M YTD: \$7.4M better than budget

- ↑ Lower expenses and higher wholesale revenue partially offset by lower retail revenues in Q1

Bottom-Line forecast of \$58.1M for the year

- ↑ \$6.6M better than budget

Q1 Overview

Capital

Capital expenditures of \$16.9M YTD

↓ \$9M below budget YTD

Capital expenditures forecasted to exceed budget by ~\$2M for the year

↑ 2020 budget carryforwards

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

↑ Added RI PH2 Draft Tube Gate Cylinders & Hydraulic Power Units

↓ RI PH1 Modernization delays

↓ Wenatchee Substation Capacity

Total capital forecast of \$191M

↑ \$2M above budget for the year
(too soon to request budget revision)

Cash

Q1 Cash and investments balance of \$660M

↓ Decreased by \$11M

↓ Capital expenditures

↓ Reduction of payables

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

Year-end cash balance forecast of \$446M

↑ \$11M better than budget

Debt

Q1 Debt balance of \$509M

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	95,241	96,433	99%
Net Wholesale Revenue	67,984	67,340	101%
Hydro LT Contract Rev/Other PP	145,123	141,459	103%
Other Operating Revenue	24,542	23,898	103%
Total Revenue	332,890	329,130	101%
Other Operating Expense	(211,983)	(213,294)	99%
Depreciation & Tax Expense	(58,803)	(60,657)	97%
Operating Income/(Loss)	62,103	55,179	113%
Non-Operating Activity	(3,983)	(3,700)	108%
Bottom Line	58,120	51,479	113%

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	53,651	47,811	112%
Fiber & Telecom	1,915	2,630	73%
Water	565	517	109%
Wastewater	(374)	(379)	99%
Intra-system eliminations	2,362	900	262%
Combined Bottom Line	58,120	51,479	113%

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	3,703	3,612	103%	31,692	33,403	95%
Network Transmission	202	412	49%	1,322	1,325	100%
Rocky Reach	1,978	1,932	102%	11,241	11,248	100%
Rock Island	4,960	11,221	44%	59,083	61,291	96%
Lake Chelan	92	186	50%	1,634	1,571	104%
Internal Services	5,095	8,272	62%	78,205	75,110	104%
Fiber & Telecom	723	595	122%	5,856	3,564	164%
Water	182	82	221%	1,427	1,263	113%
Wastewater	1	26	2%	396	400	99%
Total Expenditures	16,937	26,339	64%	190,856	189,176	101%
Contributions	(1,236)	(1,111)	111%	(5,958)	(4,444)	134%
Capital net of CIAC	15,701	25,228	62%	184,898	184,731	100%

Overview YTD - 2021 Cash Flow

	\$ Million
Bottom line result (YTD-2021)	\$21
Add back non-cash related items (depreciation)	\$12
Estimated earned funds from operations	\$ 33
Capital project expenditures	(\$ 17)
Net debt activity (issue, refunding & payments)	(\$ 3)
Other misc. impacts (change in A/R, A/P, Inventory, Etc.)	(\$ 24)
Estimated use of funds	(\$44)
Added to (Use of) cash reserves	(\$11)

Cash and investments, beginning of year	\$ 671
Added to (Use of) cash reserves	(\$11)
Cash and investments, Q1 of 2021	\$ 660

Cash & Investments Balance

(\$ Millions)	<u>3/31/21</u>	<u>12/31/20</u>
Unrestricted funds	\$331	\$377
Board Designated*:		
Headquarters/Service Center Strategic Facilities Fund	<u>50</u>	<u>50</u>
Total Unrestricted Funds	\$381	\$427
Restricted funds for hydro capital/debt	<u>117</u>	<u>74</u>
Total Liquidity (policy minimum \$175M)	\$498	\$501
Restricted - bond reserve funds	63	58
Restricted - construction funds (2020 bonds)	65	78
Restricted - power contract deposits	19	19
Restricted - self insurance and other funds	<u>15</u>	<u>15</u>
Total Cash and Investments	<u>\$660</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)	\$364M	\$212M	\$188M*	\$186M*	\$193M*
Liquidity (Greater calculated min \$175M-\$210M, Unusual)		\$211M	\$187M*	\$186M*	\$192M*
Debt Ratio (Expected case <35% by 2019)	24.1%	21.3%	20.4%	18.8%	17.8%
Debt Ratio (Unusual case <35% by 2019)		21.8%	21.5%	20.9%	21.2%
Days Cash on Hand (Expected case >250)	384	253*	252*	253*	255*
Days Cash on Hand (Unusual case > 250)		252*	252*	252*	254*
Combined Debt Cover (Expected case > 2.00x)	2.34	2.08	2.91	3.02	2.84
Combined Debt Cover (Unusual case >1.25x)		1.91	2.65	2.53	2.14
Bottom Line Results (Expected case)	\$58M	\$44M	\$56M	\$63M	\$54M
Bottom Line Results (Unusual case)		\$36M	\$47M	\$46M	\$29M
Debt Outstanding (Expected case)	\$396M	\$349M	\$346M*	\$327M*	\$318M*
Debt Outstanding (Unusual case)		\$358M	\$364M	\$363M*	\$377M*

* - 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 Q1)	107.8%	58.8%	89.3%
Cash Reserves – Unrestricted (target by 2024)	>\$1.25M	>\$200K	>\$2.0M
Cash Reserves – Unrestricted (forecast Q1)	\$0.8M	\$2.0M	\$18.6M
Debt Service as a % of Rev (target by 2024)	<12.0%	<2.0%	<10.0%
Debt Service as a % of Rev (forecast Q1)	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

	Q2 2020	Q3 2020	Q4 2020	Q1 2021	YTD 2021	WAM
Average Invested Book Value (\$M)	\$654	\$674	\$670	\$644	\$644	
District Yield	2.45%	1.95%	2.04%	2.07%	2.07%	779
Benchmarks:						
3 Month T-Bill	0.15%	0.12%	0.09%	0.05%	0.05%	90
S&P US Treasury 1-3 Year Index	1.86%	1.55%	1.22%	0.92%	0.92%	699

- Q1 2021 yield increased to 2.07% (2021 budgeted rate is 2.17%)
- March 17, 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 2020 Q4)
- 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.

Q1 Key Messages

Year-end 2021 forecasts are better than budget

- Q1 YTD results are better than budget by \$7.4M
- Year-end forecasts anticipate slightly higher revenues and some catch-up in operating expenses which will bring bottom line results closer to budget expectations but still better than budget by \$6.6M

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 \$1.4 million above budget (\$14.4M vs. \$13.0M)

↑ Annual forecast slightly above budget (\$68.0M vs. \$67.3M)

Drivers:

- ↓ Generation 94% of budget (Q1 forecast for YE @ 97% of budget)
- ↑ Retail load 94% of budget
- ↑ Higher February Market prices

Hydro Long-Term Contract Revenue:

↑ YTD result \$0.6 million above budget (\$35.1M vs. \$34.5M)

↑ Annual forecast \$3.6M higher than budget (\$145.1M vs. \$141.5M)

Drivers:

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

Financial Highlights - Revenue

Service Revenue:

↓ YTD result \$2.8 million below budget
(\$25.0M vs. \$27.8M)

↓ Forecast result lower than budget
(\$95.2M vs. \$96.4M)

Drivers:

- ↓ Lower retail off-system sale due to lower usage ~\$0.8M
- ↓ Lower residential and commercial sales due to mild winter temperatures and impacts from Covid-19
- ↓ Lower HDL sales due to lagging ramping plans

Other Operating Revenue:

↑ YTD results \$0.4 million above budget
(\$6.5M vs. \$6.1M)

↑ Forecast results \$0.6M above budget

Drivers:

- ↑ Real Time Agreement variable portion slightly better than budget ~\$0.4M

Financial Highlights - Expenses

Operating Expense:

↓ YTD result \$7.2M million below budget (\$58.8M vs. \$66.0M)

↓ Forecast results below budget (\$270.8M vs. \$274.0M)

Drivers:

- ↓ Hydro operations and maintenance at 75% of budget
- ↓ Fiber Network spending at 53% of budget
- ↓ Hydro Parks and Recreation at 72% of budget

Non-Operating Net Expense:

↓ YTD result \$0.6M better than budget (\$1.2M vs. \$1.8M)

↓ Forecast results below budget (\$4.0M vs. \$3.7M)

Drivers:

- ↓ Public Power Benefit O&M forecast

Financial Highlights – Balance Sheet

Capital Expenditures below budget		
<ul style="list-style-type: none"> • YTD 2021 \$16.9 million vs. budget of \$26.3 million • 2021 Forecast results above budget at \$190.9M vs \$189.2M 		
Selected individual project adjustments:		
↑	RR-CM Facilities Upgrade	\$3.8M shifted from 2020
	Ohme Substation	\$2.3M 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 DTG Cyl & HPU Upgrade	\$2.2M added
	Fiber Build-Out Make Ready	\$1.3M shifted to 2021
↓	RI PH1 Modernization	\$12.8M shifted to 2022-2024
	Wenatchee Substation Capacity Inc	\$2.5M shifted to 2022
Cash remains strong, with continued debt reduction		
<ul style="list-style-type: none"> • Cash balance forecasted to decrease ~\$225 million in 2021 to fund debt reduction and capital expenditures, while remaining strong at \$446M • Debt balance forecasted to decrease ~\$110 million in 2021 		

Service Revenue

(in 000s)	2021 Actuals YTD	2021 Budget YTD	% of budget	Variance
Residential Electric	10,399	11,131	93%	Mild winter temperatures
Commercial Electric	4,688	5,394	87%	Mild winter temperatures / COVID Impacts
Industrial Electric	1,257	1,353	93%	In line with budget
HDL/Cryptocurrency	820	1,247	66%	Lower than expected load growth
Off-System End-Use Sales	4,269	5,106	84%	Lower usage and wholesale market pricing
Other Electric	81	74	109%	In line with budget
Electric Service	21,514	24,306	89%	
Water Service	1,321	1,292	102%	In line with budget
Wastewater Service	207	205	101%	In line with budget
Fiber & Telecom	1,980	2,007	99%	In line with budget
Service Revenue	25,022	27,810	90%	

Note: Excludes internal intersystem revenues

Net Surplus Energy Revenue

(in 000s)	Actuals YTD 2021	Budget YTD 2021	% of budget	Variance
Slice Contracts	18,175	18,400	99%	In line with budget
Net Block Trades & Other	(3,778)	(5,372)	70%	Lower retail load
Net Wholesale Revenue	14,397	13,029	110%	
LT Hydro Contracts	35,461	34,828	102%	Retained surplus revenues, offset by lower hydro operating expenses
Less: Other Purchased Power	(330)	(330)	100%	In line with budget
Hydro LT Contract Rev/Other PP	35,131	34,498	102%	
Surplus Energy Revenue	49,528	47,527	104%	

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	13,393	17,808	75%	Project expense timing
Hydro Fish & Wildlife	4,445	3,741	119%	RI Fishway repairs, RR JFB screens
Hydro Parks & Recreation	1,391	1,940	72%	Timing of Discovery Center projects
Electric Distribution	3,991	4,443	90%	In line with budget
Electric Transmission	3,102	3,575	87%	Open positions and contract timing
Misc. Power Supply Expenses	1,282	1,317	97%	In line with budget
Water & Wastewater	739	816	91%	In line with budget
Fiber Network	776	1,452	53%	Timing of maintenance & operations contract spending
Customer Accounts & Service	998	1,089	92%	In line with budget
Conservation & Customer Assist	915	1,179	78%	Amortization of reg. assets/ Customer Energy Programs
Insurance & FERC Fees	2,068	2,480	83%	Self insurance claims
Other Admin & General	11,108	10,940	102%	In line with budget
Total	44,209	50,782	87%	

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	3,254	3,152	103%	In line with budget
Capital Contributions	1,147	1,055	109%	Electric line extensions
Interest Expense	(6,059)	(6,131)	99%	In line with budget
Other Inc/(Exp)	481	147	328%	PPB and property disposition accounting and timing
Non Operating Activity	(1,177)	(1,776)	66%	

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	21,536	24,330	89%	Mild winter temperatures, lower Off-system sales & HDL load
Net Wholesale Revenue	14,397	13,029	110%	Lower retail load
Hydro LT Contact Rev/Other PP	35,131	34,498	102%	Retained surplus proceeds
Other Operating Revenue	7,231	6,588	110%	Variable portion of real-time agreement
Other Operating Expense	(42,752)	(48,410)	88%	Hydro O&M lagging
Depreciation & Taxes	(13,008)	(13,591)	96%	In line with budget
Operating Income/(Loss)	22,535	16,444	137%	
Non-Operating Activity	(6,643)	(7,275)	91%	In line with budget
Bottom Line	15,892	9,169	173%	

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	2,762	2,773	100%	In line with budget
Other Operating Revenue	0	0	44%	Small dollar variance
Other Operating Expense	(1,825)	(2,559)	71%	Timing of maintenance & operations contract spending
Depreciation and Taxes	(955)	(964)	99%	In line with budget
Operating Income/(Loss)	(17)	(748)	2%	
Non Operating Activity	5,342	5,327	100%	In line with budget
Bottom Line	5,325	4,579	116%	

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	1,333	1,314	101%	In line with budget
Other Operating Revenue	11	16	72%	Small dollar variance
Other Operating Expense	(1,042)	(1,146)	91%	In line with budget
Depreciation and Taxes	(560)	(583)	96%	In line with budget
Operating Income/(Loss)	(257)	(399)	65%	
Non Operating Activity	101	143	71%	Lower system connections
Bottom Line	(156)	(256)	61%	

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	207	205	101%	In line with budget
Other Operating Revenue	0	0	21%	Small dollar variance
Other Operating Expense	(179)	(211)	85%	Small dollar variance
Depreciation and Taxes	(111)	(111)	100%	In line with budget
Operating Income/(Loss)	(83)	(116)	71%	
Non Operating Activity	23	28	82%	Small dollar variance
Bottom Line	(60)	(88)	68%	

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:	
Increase in capital projects	(\$2)
Increase in operating activity	\$7
Other changes in A/R, A/P, inventory, etc.	\$6
Total Cash – Current forecast year-end balance	\$ 446
Prior quarter – 2020 year-end forecasted balance for 2021	\$ 444

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 earning rate
 - (2021-25: 2.09%, 2.36%, 2.32%, 1.95%, 1.53%)

Combined Five-Year Forecast

(in 000s)	Forecast 2021	Forecast 2022	Forecast 2023	Forecast 2024	Forecast 2025
Service Revenue	95,241	102,356	105,450	93,314	90,396
Net Wholesale Revenue	67,984	68,736	77,557	94,713	98,835
Hydro LT Contract Rev/Other PP	145,123	151,207	141,873	141,865	142,041
Other Operating Revenue	24,542	21,921	22,524	23,142	23,710
Total Revenue	332,890	344,221	347,404	353,034	354,982
Other Operating Expense	(211,983)	(230,466)	(213,837)	(213,095)	(219,300)
Depreciation & Tax Expense	(58,803)	(62,282)	(67,042)	(68,917)	(70,350)
Operating Income/(Loss)	62,103	51,473	66,526	71,023	65,331
Non-Operating Activity	(3,983)	(7,811)	(10,373)	(7,882)	(11,789)
Bottom Line	58,120	43,662	56,152	63,141	53,542

<i>Prior Quarter Reported Forecast</i>	50,315	40,035	52,329	54,667	45,752
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<i>Forecast at 2021 Budget</i>	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	31,692	35,642	31,057	17,818	18,802
Network Transmission	1,322	1,262	1,369	999	6,905
Rocky Reach	11,241	7,440	12,371	6,437	4,499
Rock Island	59,083	59,081	58,503	45,554	40,731
Lake Chelan	1,634	3,745	488	678	839
Internal Services	78,205	62,874	4,955	5,168	3,434
Fiber & Telecom	5,856	5,491	5,528	5,021	4,308
Water	1,427	2,296	2,457	4,140	4,422
Wastewater	396	522	2,414	76	78
Total Expenditures	190,856	178,352	119,142	85,892	84,018

<i>Prior Quarter Reported Forecast</i>	189,909	179,956	109,046	78,125	84,019
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<i>Forecast at 2021 Budget</i>	189,176	179,506	100,248	76,132	83,525
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Quarterly Investment Report for the quarter ending March 31, 2021

All \$ values are shown in '000s

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

Portfolio Summary

	Q2 2020	Q3 2020	Q4 2020	Q1 2021	YTD 2021	WAM	
Average Invested Book Value	\$654 M	\$674 M	\$670 M	\$644 M	\$644 M		
Interest Earned	\$4.0 M	\$3.3 M	\$3.4 M	\$3.3 M	\$3.3 M		
District Yield	2.45%	1.95%	2.04%	2.07%	2.07%	779	<u>Policy Objectives & Compliance</u>
Benchmarks:							+ Safety
3 Month T-Bill	0.15%	0.12%	0.09%	0.05%	0.05%	90	+ Liquidity
S&P US Treasury 1-3 Year Index	1.86%	1.55%	1.22%	0.92%	0.92%	699	+ Maturity Length
LGIP (State Pool)	0.51%	0.26%	0.17%	0.13%	0.13%	47	+ Return on Investment
Fed Funds Effective	0.06%	0.09%	0.09%	0.08%	0.08%	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 Q1 2021, the District's yield increased to 2.07% (2021 budgeted rate is 2.17%) on an average invested book value of \$644 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 in Q1 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 March 17, 2021 meeting reported that the COVID-19 pandemic 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. While indicators of economic activity and employment have turned up recently, the sectors most adversely affected by the pandemic remain weak and the ongoing public health crisis continues to weigh on economic activity, employment, and inflation, and poses considerable risks to the economic outlook. 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 March 31, 2021

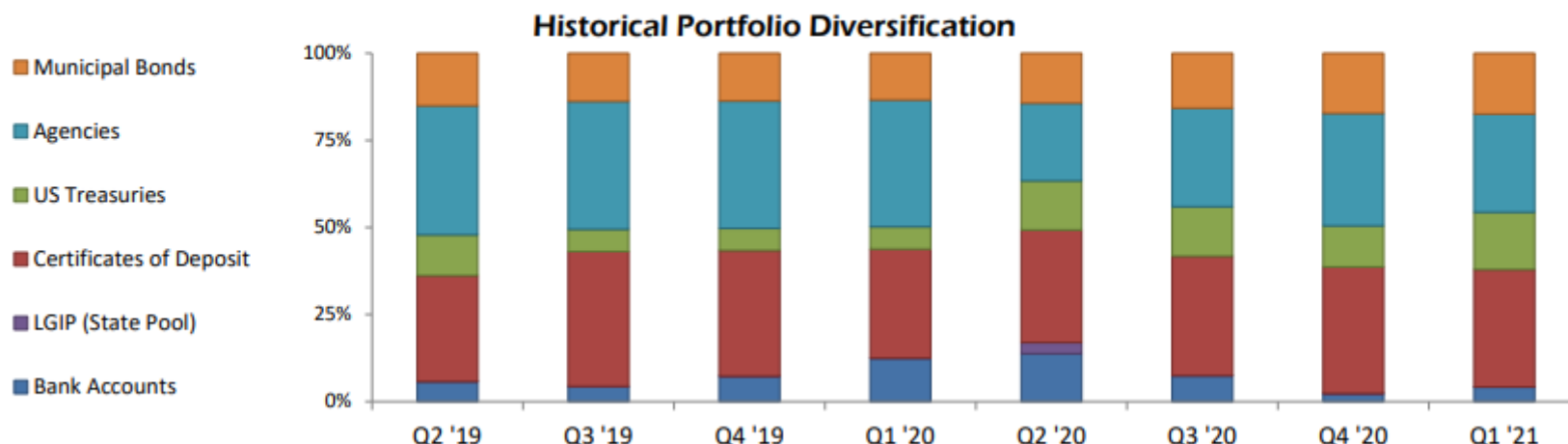
All \$ values are shown in '000s

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

Investments by Type - as of March 31, 2021

	Par Value	GASB 31 Reported Value	Book Value	Book Value as % of Portfolio	Policy % Limit	WAM
Bank Accounts	\$ 27,423	\$ 27,423	\$ 27,423	4.2%	75%	1
Certificates of Deposit	\$ 219,357	\$ 219,357	\$ 219,357	33.7%	40%	876
US Treasuries	\$ 106,177	\$ 108,962	\$ 106,963	16.4%	100%	553
LGIP (State Pool)	\$ 64	\$ 64	\$ 64	0.0%	25%	1
US Agencies	\$ 183,401	\$ 188,195	\$ 183,483	28.2%	75%	780
Municipal Bonds	\$ 111,225	\$ 115,998	\$ 113,551	17.4%	30%	994
Total:	\$ 647,647	\$ 659,999	\$ 650,841			779

Numbers may not foot due to rounding





Quarterly Investment Report for the quarter ending March 31, 2021

All \$ values are shown in '000s

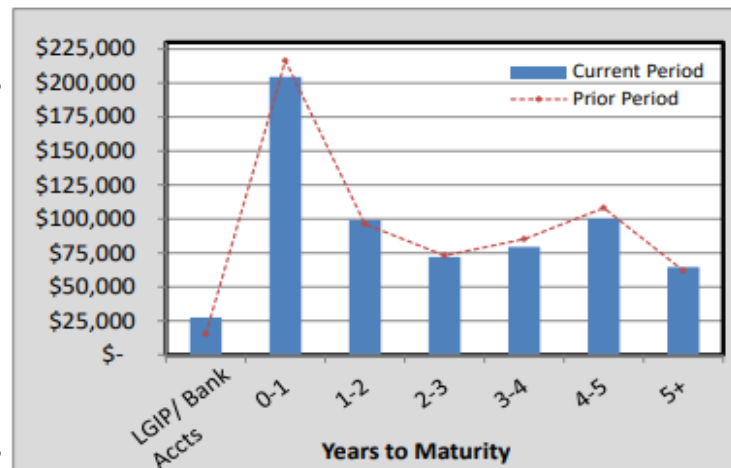
Prepared in accordance with District Banking and Investment Policy #16-14094

Maturity Distribution - as of March 31, 2021

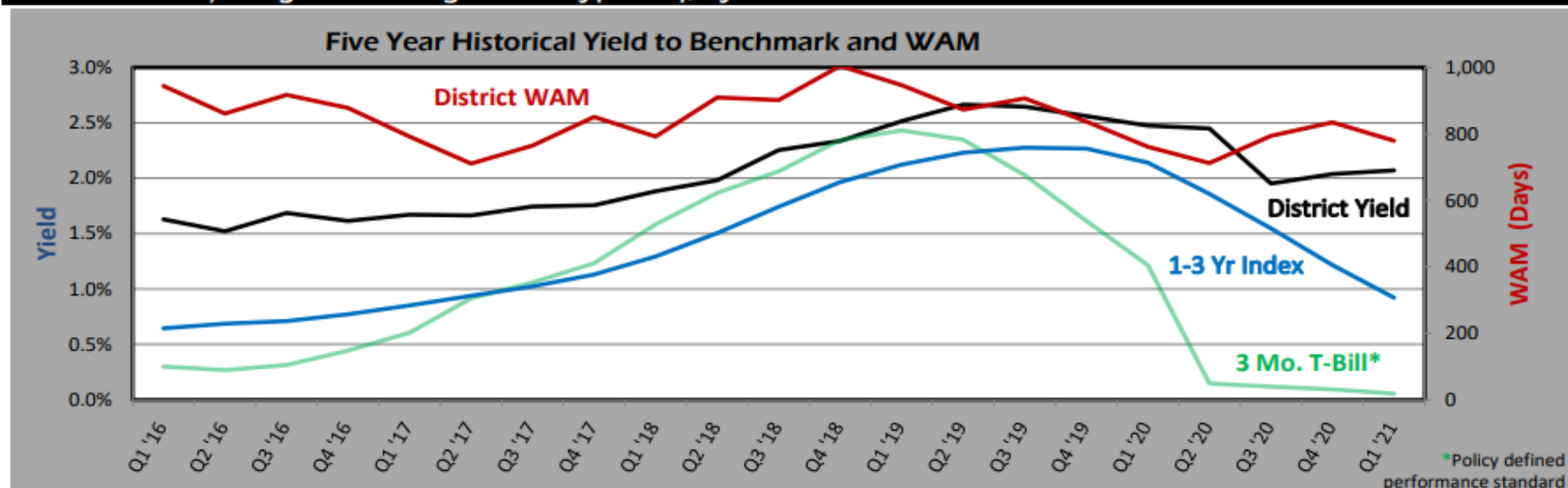
Maturity	Par Value	% of Portfolio	Cumulative % of Portfolio
LGIP \$	64	0.0%	0.0%
Bank Accounts \$	27,423	4.2%	4.2%
1-90 Days \$	111,144	17.2%	21.4%
91-180 Days \$	61,596	9.5%	30.9%
181-365 Days \$	31,898	4.9%	35.8%
1-2 Yrs \$	99,188	15.3%	51.2%
2-3 Yrs \$	71,999	11.1%	62.3%
3-4 Yrs \$	79,431	12.3%	74.5%
4-5 Yrs \$	100,273	15.5%	90.0%
5+ Yrs \$	64,630	10.0%	100.0%

Total: \$ 647,647 100%

Numbers may not foot due to rounding



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



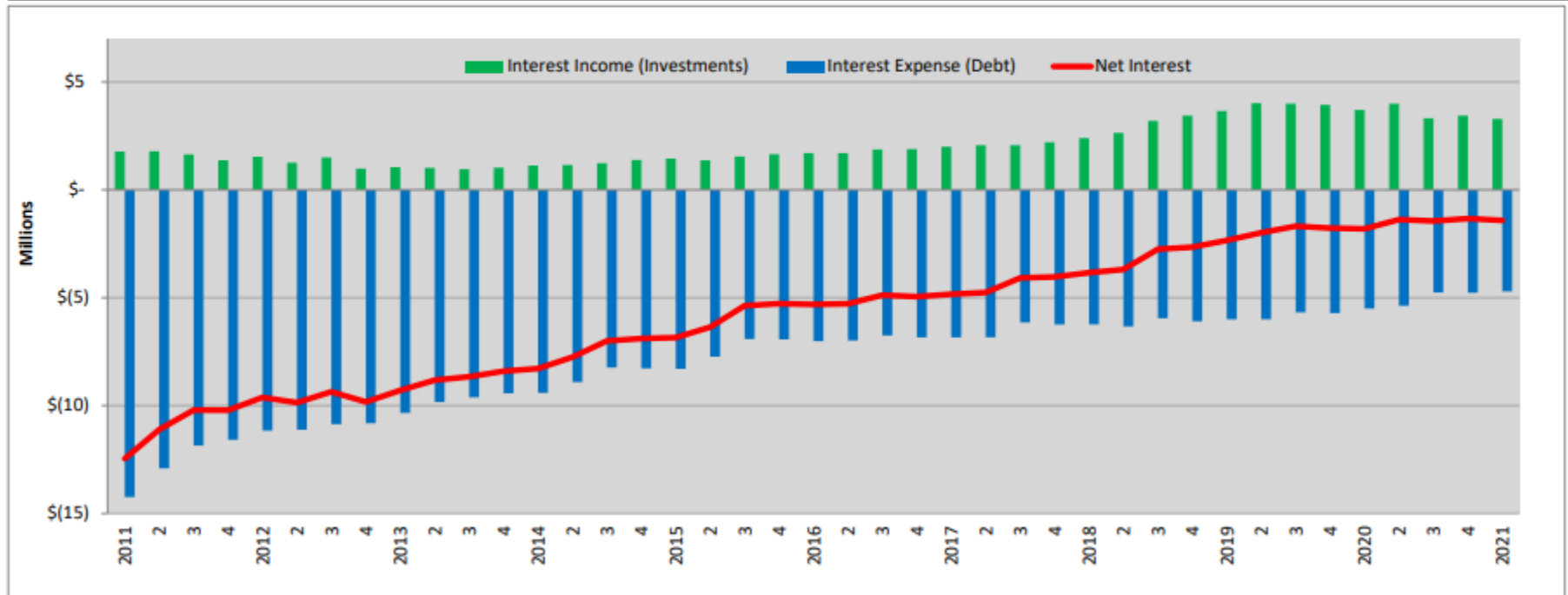


Quarterly Investment Report for the quarter ending March 31, 2021

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 March 31, 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.