

Chelan County PUD 2023 Financial Review



February 20, 2024
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What We Will Cover Today

- **Financial highlights**
- **Year-end results**
- **Look back**
- **Look ahead**
- **Investment report**
- **Key take-aways**

Update only, no action required

Appendix: Additional detailed information not covered today

2023 Key Highlights

Bottom-line results better than budget

- Higher long term contract revenues and lower operating costs more than offset lower wholesale revenues due to low streamflow conditions for strong 2023 results

Accomplished significant level of investment in core assets

- Capital spending at the highest level in recent years with good progress on key projects

Financial targets on-track

- Financial metrics were met for 2023 and on track for the 5-year forecast

2023 Overview

Revenue

Service Revenue \$11M below budget

- ↓ Lower Off-System load and market price component
- ↑ Residential/Commercial sales higher due to cooler spring and warmer early summer temperatures

Net Wholesale Revenue \$52M below budget

- ↓ Lower energy production due to lower streamflow
- ↓ Higher volume of market purchases

Hydro Contract Revenue \$48M above budget

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

Other Operating Revenue \$19M above budget

- ↑ Variable portion of real-time agreement
- ↑ Renewable energy credits revenue
- ↑ Climate Commitment Act (CCA) Allowances

Total Revenues \$5M better than budget

Expense

Operating Expenses \$26M below budget

- ↓ O&M lower at the hydros due to project schedules

Non-Operating Net Expense \$4M better than budget

- ↑ Higher interest income
- ↑ Unallocated PPB allocated to capital
- ↓ Lower customer line extension contributions

Total Net Expenses \$30M below budget

Bottom Line

Bottom Line \$138M for the year *

- ↑ Higher LT hydro contract and Other revenues along with lower expenses, partially offset by lower net wholesale revenue

* Includes non-budgeted revenue items that the District cannot count on from year to year

Total Bottom Line \$35M better than budget

2023 Overview

Capital

Capital expenditures of \$190M

- ↓ \$45M below \$235M adjusted budget
- ↓ \$29M below \$218M original budget

Capital forecast adjustments

- ↑ RI PH1 B3 Modernization
- ↑ N Shore Chelan Substation
- ↓ Jumpoff Ridge Switchyard
- ↓ RI PH1 Intake Gantry Crane
- ↓ RR Tailrace Gantry Crane

Q3 forecast of \$185M

Capital expenditures of \$611M over the last four years

Cash

Cash and investments balance of \$540M

↔ In-line with 2022 year-end

- ↓ Capital spending
- ↑ Improved bottom line

Improved results allowed for funding of capital spending and debt reductions while maintaining reserve levels

↑ \$125M higher than forecast at budget

Q3 forecast \$534M

Debt

Debt balance of \$324M

2023 Debt reduction of \$25M

- ↓ \$25M of net scheduled payments
- ↑ \$13M higher than budget due to elimination of prepayment

2023 Bottom Line Results

(in 000s)	2023 Actuals	2023 Budget	% of budget
Service Revenue	121,136	131,772	92%
Net Wholesale Revenue	45,411	96,943	47%
Hydro LT Contract Rev/Other PP	221,502	173,638	128%
Other Operating Revenue	45,641	26,724	171%
Total Revenue	433,691	429,077	101%
Operating Expense	(228,034)	(253,385)	90%
Depreciation & Tax Expense	(72,353)	(73,426)	99%
Operating Income/(Loss)	133,304	102,266	130%
Non-Operating Activity	4,580	443	>100% *
Bottom Line	137,884	102,709	134%

Bottom Line forecast for Q3 2023 was \$134M, 130% of budget

*Budget includes \$3M of unallocated PPB O&M spending now allocated and included in Capital PPB forecasts

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

2023 Business Line Bottom Line Results

(in 000s)	2023 Actuals	2023 Budget	% of budget
Integrated Electric	133,837	100,273	133%
Fiber & Telecom	(2,233)	(1,760)	127%
Water	842	671	126%
Wastewater	1,815	1,109	164%
Intra-system eliminations	3,623	2,416	150%
Combined Bottom Line	137,884	102,709	134%

- Integrated Electric includes \$4.2M in non-operating expenses for PPB transfers
- Fiber & Telecom includes \$2.0M in non-operating income for PPB transfers and \$3.6M in expenses for make-ready work.
- Wastewater includes \$2.2M in non-operating income from PPB transfers.

Capital Expenditures

(in 000s)	2023 Actuals	2023 Budget	% of budget
Electric Distribution	40,406	46,560	87%
Network Transmission	4,430	21,985	20%
Rocky Reach	3,289	11,277	29%
Rock Island	76,772	80,000	96%
Lake Chelan	519	2,787	19%
Internal Services	54,688	58,352	94%
Fiber & Telecom	5,732	6,451	89%
Water	881	2,923	30%
Wastewater	2,841	4,500	63%
Total Expenditures	189,560	234,833	81%
Contributions	(6,702)	(7,248)	92%
Capital net of CIAC	182,858	227,586	80%

Accomplishing strategic goal to invest in assets with \$611M in capital investment over the past four years

Overview - 2023 Cash Flow

	\$ Million
Bottom line result (2023)	\$ 138
Add back non-cash expense items (deprec./amort.)	\$ 58
Subtract non-cash revenue items	(\$ 14)
Estimated earned funds from operations	\$ 182
Capital project expenditures	(\$ 190)
Net debt activity (principal payments net of capitalized interest)	(\$ 25)
Other misc. impacts (change in A/R, A/P, inventory, debt, etc.)	\$ 32
Estimated use of funds	(\$ 182)
Added to (Use of) cash reserves	\$ 0

Cash and investments, beginning of year	\$ 540
Added to (Use of) cash reserves	\$ 0
Cash and investments 2023	\$ 540

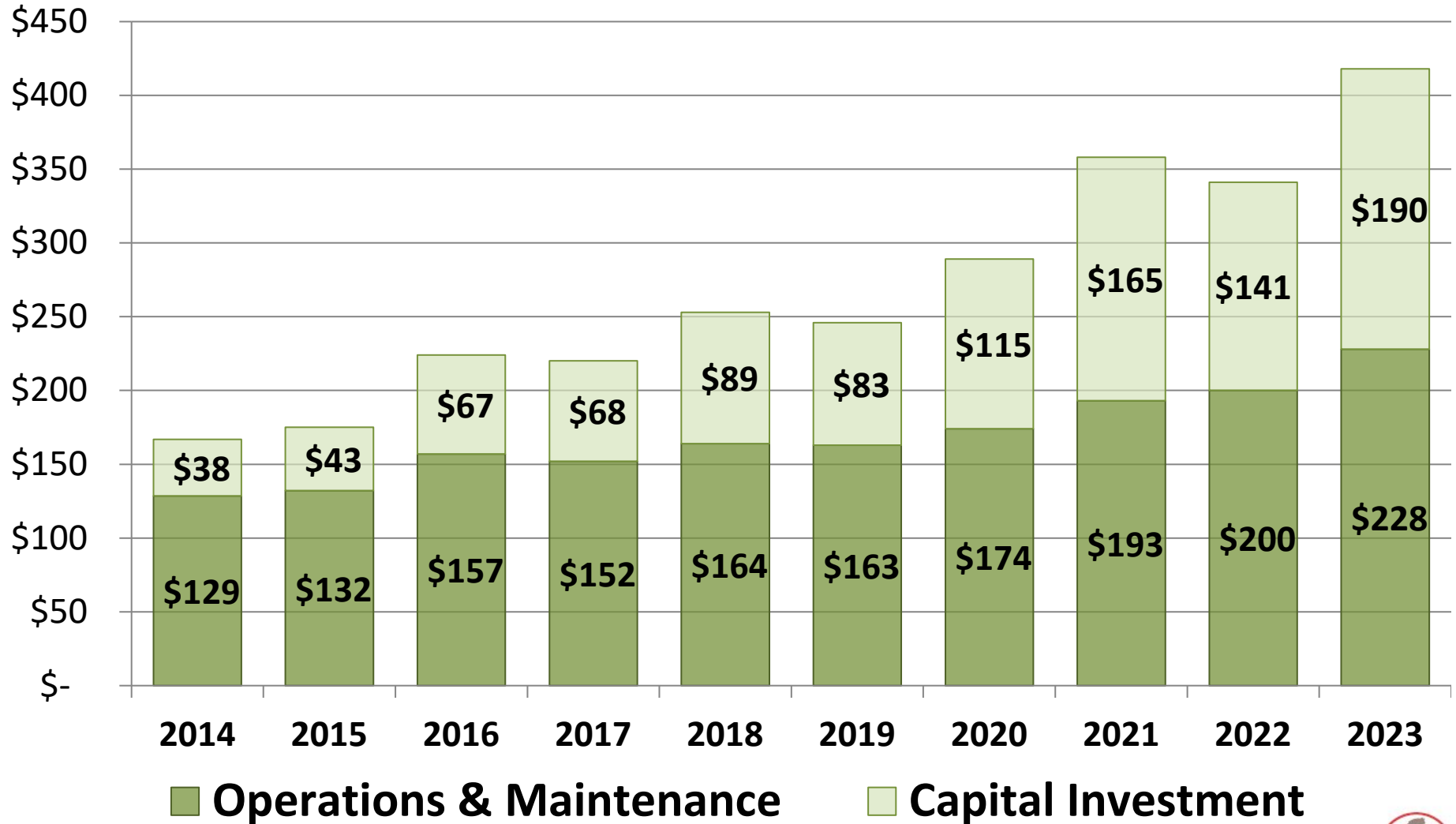
Cash & Investments Balance

(\$ Millions)	<u>12/31/23</u>	<u>12/31/22</u>
Unrestricted funds	\$345	\$340
Board Designated*:		
Electric Rate Support Fund	14	7
Headquarters/Service Center Strategic Facilities Fund	<u>0</u>	<u>42</u>
Total Unrestricted Funds	\$359	\$389
Restricted funds for hydro capital/debt	<u>65</u>	<u>31</u>
Total Liquidity (policy minimum \$231M calculated)	\$424	\$420
Restricted – bond reserve funds	46	46
Restricted – customer deposit substation - Microsoft	36	42
Restricted – power contract deposits	18	17
Restricted – self insurance and other funds	<u>15</u>	<u>15</u>
Total Cash and Investments	<u>\$540</u>	<u>\$540</u>

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

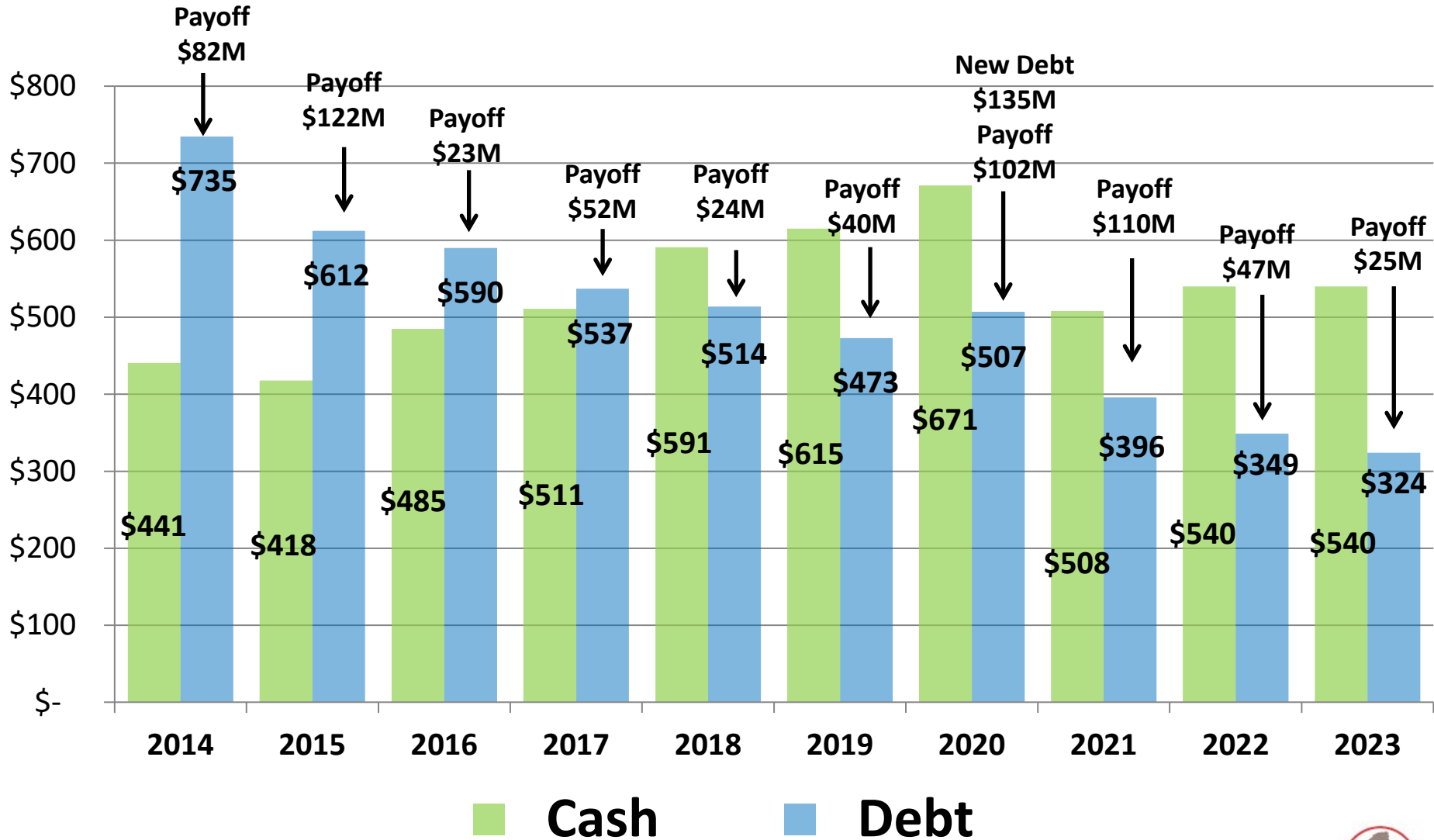
Historical Review of the District's Financial Results

(amounts in millions)



Historical Review of the District's Financial Results

(amounts in millions)



Quarterly Reporting Requirement - Financial Policies

District Combined	2023	2024	2025	2026	2027
Liquidity (Greater calculated min \$175M-\$279M, Expected)	\$424M	\$340M	\$306M	\$281M	\$312M
Liquidity (Greater calculated min \$175M-\$279M, Unusual)		\$327M	\$270M	\$262M	\$283M
Debt Ratio (Expected case <35% by 2019)	16.3%	13.2%	10.5%	9.0%	7.5%
Debt Ratio (Unusual case <35% by 2019)		13.3%	10.9%	11.4%	11.2%
Days Cash on Hand (Expected case >250)	363	299	284	269*	296
Days Cash on Hand (Unusual case > 250)		287	251*	251*	269*
Combined Debt Cover (Expected case > 2.00x)	4.94	3.42	5.58	5.97	7.14
Combined Debt Cover (Unusual case >1.25x)		3.17	4.87	4.59	4.93
<i>Bottom Line Results (Expected case)</i>	<i>\$138M</i>	<i>\$112M</i>	<i>\$145M</i>	<i>\$123M</i>	<i>\$153M</i>
<i>Bottom Line Results (Unusual case)</i>		<i>\$99M</i>	<i>\$118M</i>	<i>\$93M</i>	<i>\$110M</i>
<i>Debt Outstanding (Expected case)</i>	<i>\$324M</i>	<i>\$270M</i>	<i>\$226M</i>	<i>\$201M</i>	<i>\$177M</i>
<i>Debt Outstanding (Unusual case)</i>		<i>\$270M</i>	<i>\$230M</i>	<i>\$253M</i>	<i>\$262M</i>

* - Financial Policy Metrics within 10% of target which requires Board communication per resolution. Action plan is to consider issuance of external debt 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)	96.1%	61.1%	76.5%
Cash Reserves – Unrestricted (target by 2024)	>\$1.25M	>\$200K	>\$2.0M
Cash Reserves – Unrestricted (forecast)	\$3.6M	\$1.3M	\$18.5M
Debt Service as a % of Rev (target by 2024)	<12.0%	<2.0%	<10.0%
Debt Service as a % of Rev (forecast)	8.3%	18.7%	---

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 #22-14648

	Q1 2023	Q2 2023	Q3 2023	Q4 2023	YTD 2023	WAM
Average Invested Book Value (\$M)	\$584	\$579	\$535	\$545	\$560	
District Yield	2.90%	3.02%	2.96%	3.11%	3.00%	830
Benchmarks:						
3 Month T-Bill	4.69%	5.17%	5.35%	5.35%	5.14%	92
S&P US Treasury 1-3 Year Index	2.17%	2.70%	3.30%	3.84%	3.00%	692

- Q4 2023 yield increased to 3.11%
- Our longer duration portfolio is lagging rapidly rising short-term rates
- Federal Open Market Committee will continue to monitor related information and expectations
- Laddered investment structure continues to be our strategy to support safety of principal and liquidity and mitigate interest rate volatility

Policy Objectives	Compliance
+ Safety	+ Diversification
+ Liquidity	+ Duration
+ Maturity	+ Internal Controls
■ Return on Investment	

Full report in Appendix

2023 Key Messages

- 2023 results are better than budget
- Accomplished significant level of investment
- Long-term financial metrics remain strong
- Stay the long-term course

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:

↓ 2023 result \$52 million below budget (\$45M vs. \$97M)

↓ Annual result \$5M lower than Q3 forecast (\$45M vs. \$50M)

Drivers:

- ↓ Low water - Generation 79% of budget
- ↓ Higher purchases

Hydro Long-Term Contract Revenue:

↑ 2023 result \$48 million above budget (\$222M vs. \$174M)

↑ Annual result \$9M higher than Q3 forecast (\$222M vs. \$213M)

Drivers:

- ↑ Retained surplus proceeds +\$63M
- ↓ Combined hydro operating expenses below budget

Financial Highlights - Revenue

Service Revenue:

↓ 2023 result \$11M below budget
(\$121M vs. \$132M)

↓ Annual result \$3M below Q3 forecast
(\$121M vs. \$124M)

Drivers:

- ↑ Residential and commercial +\$1.3M
- ↓ Load shift from Crypto to HDL -\$0.7M
- ↓ Lower Off-System sales -\$11M due to lower usage and market price component of sales

Other Operating Revenue:

↑ 2023 results \$19 million above budget
(\$46M vs. \$27M)

↑ Annual results \$9M above Q3 forecast
(\$46M vs. \$37M)

Drivers:

- ↑ Renewable energy credit and CCA sales better than budget +\$10.5M
- ↑ Real-Time Agreement variable portion better than budget +\$7.6M
- ↑ Cost based contract admin fees better than budget +\$0.9M

Financial Highlights - Expenses

Operating Expense:

↓ 2023 result \$26M million below budget (\$301M vs. \$327M)

↓ Annual result \$4M above Q3 forecast (\$301M vs. \$297M)

Drivers:

- ↓ Hydro operations and maintenance at 80% of budget
- ↓ Hydro Fish & Wildlife at 77% of budget
- ↓ Electric Distribution at 92% of budget
- ↓ Electric Transmission at 90% of budget
- ↑ Admin & General at 104% of budget

Non-Operating Net Expense:

↓ 2023 result \$4.2M better than budget (\$4.6M vs. \$0.4M)

↓ Annual results \$4.6M lower than Q3 forecast (\$4.3M vs. \$8.9M)

Drivers:

- ↑ Higher interest income from higher cash balances and higher interest rates
- ↓ Unallocated PPB budget allocated to capital projects
- ↓ Lower electric line extension contributions

Financial Highlights – Balance Sheet

Capital Expenditures below budget

- 2023 \$190 million vs. budget of \$235 million (Orig. \$218M)
- 2023 Annual result \$5M above Q3 forecast of \$185 million

Selected individual project adjustments:

↑	RI PH1 B3 Modernization	\$7.2M increase in 2023 spend
	N Shore Chelan Substation	\$3.5M schedule moved forward and cost increase
↓	Jumpoff Ridge Switchyard	\$27M shifted to 2024+
	RR Tailrace Gantry Crane	\$4.0M shifted to 2025+
	RI PH1 Intake Gantry Crane	\$3.8M shifted to 2024+

Cash remains strong, with continued debt reduction

- Cash balance was unchanged in 2023 due to positive bottom line result being used to fund capital and pay scheduled debt payments and remains strong at \$540M
- Debt balance decreased \$25 million in 2023 to \$324M

Service Revenue

(in 000s)	2023 Actuals	2023 Budget	% of budget	Variance
Residential Electric	32,881	32,077	103%	Cool spring and hot early summer
Commercial Electric	18,154	17,708	103%	Cool spring and hot early summer
Industrial Electric	5,065	5,304	95%	Lower load than forecasted
High Density Load	9,322	10,060	93%	Loads shifted from Crypto to HDL
Off-System End-Use Sales	36,760	47,472	77%	Lower usage and market price rate component
EV Charging Stations	142	101		Small \$ variance
Other Electric	1,634	1,755	93%	Small \$ variance
Electric Service	103,957	114,476	91%	
Water Service	7,642	7,642	100%	In line with budget
Wastewater Service	890	895	99%	In line with budget
Fiber & Telecom	8,647	8,759	99%	In line with budget
Service Revenue	121,136	131,772	92%	

Note: Excludes internal intersystem revenues

Net Surplus Energy Revenue

(in 000s)	2023 Actuals	2023 Budget	% of budget	Variance
Slice Contracts	65,863	65,863	100%	In line with budget
Net Block Trades & Other	(20,452)	31,080	---	Lower streamflow and higher market purchases offset by lower volume of purchases for Off-System sales
Net Wholesale Revenue	45,411	96,943	47%	
LT Hydro Contracts	222,523	174,649	127%	Retained surplus revenues, offset by lower hydro operating expenses
Other Purchased Power	(1,021)	(1,011)	101%	In line with budget
Hydro LT Contract Rev/ Other PP	221,502	173,638	128%	
Surplus Energy Revenue	266,913	270,581	99%	

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

Operating Expense

(in 000s)	2023 Actuals	2023 Budget	% of budget	Variance
Hydro Operations & Maintenance	68,783	86,061	80%	Project delays: RR large unit repairs
Hydro Fish & Wildlife	21,180	27,339	77%	Project delays: RI Lt Ladder Drop Structure
Hydro Parks & Recreation	9,781	9,582	102%	In line with budget
Electric Distribution	18,425	20,004	92%	Open positions; technology-related contract spending
Electric Transmission	15,464	17,097	90%	Open positions; lower contract spend
Misc. Power Supply Expenses	6,152	6,138	100%	In line with budget
Water & Wastewater	4,063	4,000	102%	In line with budget
Fiber Network	5,276	5,902	89%	Open positions; lower contract spend
Customer Accounts & Service	5,059	5,291	96%	In line with budget
Conservation & Customer Assist	5,502	6,042	91%	Higher labor to Reg. assets; lower contract spending
Insurance & FERC Fees	13,940	13,804	101%	In line with budget
Admin & General	54,409	52,124	104%	Labor shift from other areas
Total	228,034	253,385	90%	

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

Non-Operating Activity

(in 000s)	2023 Actuals	2023 Budget	% of budget	Variance
Interest Earnings	16,762	12,816	131%	Higher cash balances and interest rates
Capital Contributions	6,334	8,131	78%	Lower electric line extensions
Interest Expense	(16,585)	(17,123)	97%	In line with budget
Other Inc/(Exp)	(1,931)	(3,381)	57%	Unallocated PPB allocated to capital
Non-Operating Activity	4,580	443	1034%	

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

Integrated Electric

(in 000s)	2023 Actuals	2023 Budget	% of budget	Variance
Service Revenue	104,065	114,565	91%	Lower Off System sales usage and market price rate component
Net Wholesale Revenue	45,411	96,943	47%	Higher prices and lower streamflows requiring higher market purchases
Hydro LT Contact Rev/Other	221,502	173,638	128%	Retained surplus proceeds
Other Operating Revenue	47,680	28,282	169%	Variable portion of real-time agreement, CCA sales
Operating Expense	(218,569)	(242,423)	90%	Lower Hydro O&M
Depreciation & Taxes	(64,737)	(65,935)	98%	In line with budget
Operating Income/(Loss)	135,352	105,070	129%	
Non-Operating Activity	(1,516)	(4,798)	32%	Higher interesting earnings offset by lower contributions
Bottom Line	133,837	100,273	133%	

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

Fiber & Telecom

(in 000s)	2023 Actuals	2023 Budget	% of budget	Variance
Service Revenue	11,811	11,769	100%	In line with budget
Other Operating Revenue	354	-	---	Intersystem charge for new service center
Operating Expense	(12,787)	(11,835)	108%	Higher make-ready work
Depreciation and Taxes	(4,413)	(4,314)	102%	In line with budget
Operating Income/(Loss)	(5,035)	(4,379)	115%	-
Non-Operating Activity	2,803	2,619	107%	Higher line extensions
Bottom Line	(2,233)	(1,760)	127%	

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

Water

(in 000s)	2023 Actuals	2023 Budget	% of budget	Variance
Service Revenue	7,872	7,887	100%	In line with budget
Other Operating Revenue	256	59	433%	Intersystem charge for new service center
Operating Expense	(5,533)	(5,548)	100%	In line with budget
Depreciation and Taxes	(2,754)	(2,729)	101%	In line with budget
Operating Income/(Loss)	(158)	(331)	48%	
Non-Operating Activity	1,000	1,002	100%	In line with budget
Bottom Line	842	671	126%	

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

Wastewater

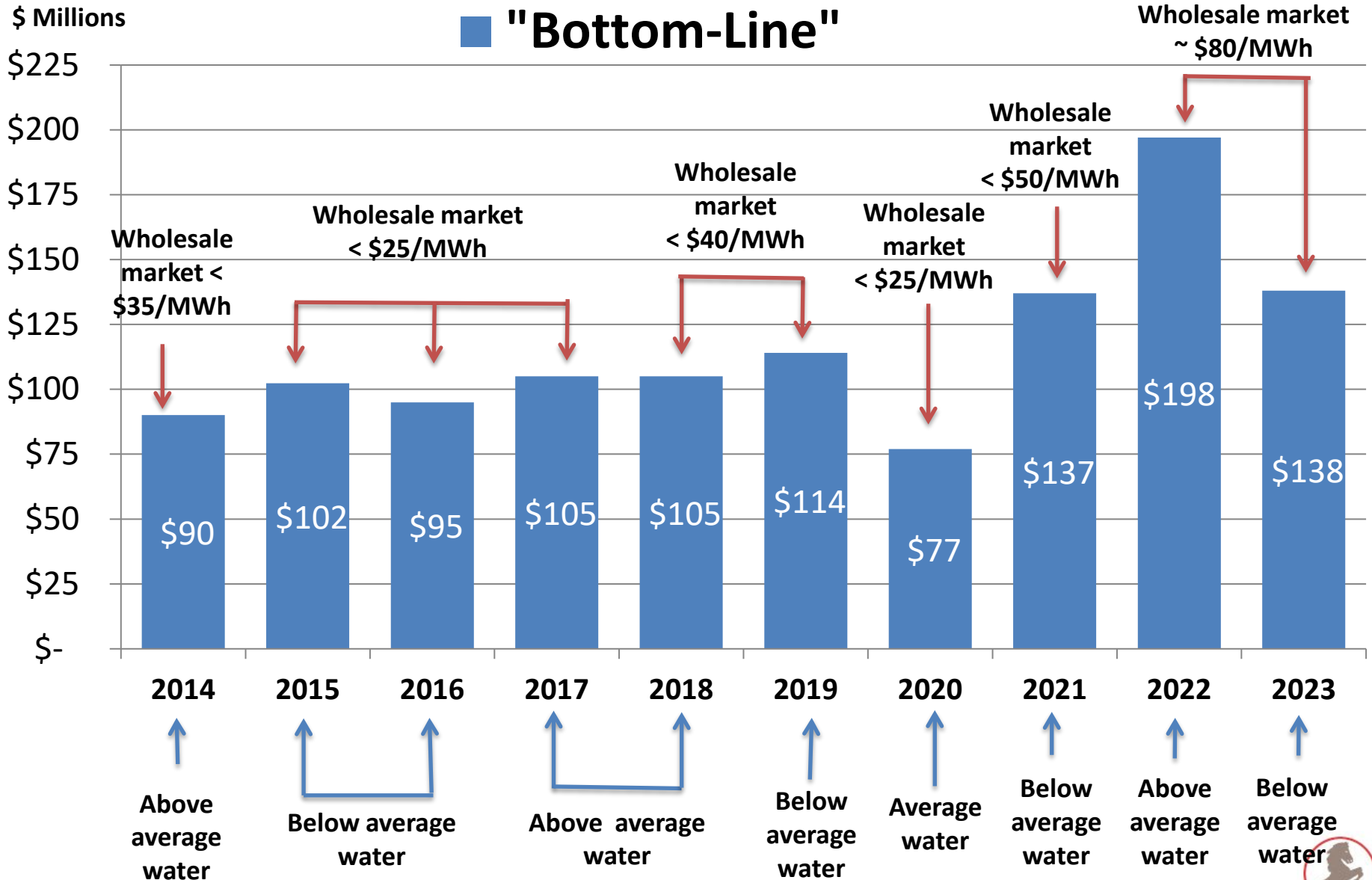
(in 000s)	2023 Actuals	2023 Budget	% of budget	Variance
Service Revenue	890	895	99%	In line with budget
Other Operating Revenue	2	2	98%	In line with budget
Operating Expense	(920)	(959)	96%	In line with budget
Depreciation and Taxes	(450)	(449)	100%	In line with budget
Operating Income/(Loss)	(478)	(511)	94%	
Non-Operating Activity	2,293	1,620	142%	Increased PPB allocation
Bottom Line	1,815	1,109	164%	

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

Actual Cash Balance Comparison to Budget

(millions)	2023
Total Cash – Budgeted year-end balance	\$ 415
Key changes in cash results:	
Decrease in capital projects	\$29
Increase in operating activity	\$35
Change in plan of finance to not make the advance 2024 debt payment	\$13
Other changes in A/R, A/P, inventory, etc.	\$48
Total Cash – Year-end balance	\$ 540
Prior quarter – 2023 Q3 forecasted year-end balance for 2023	\$ 534

Review of the District's Past Financial Results



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 through 2024)
- Avista Long-term Power Sales Contract beginning in 2026
- Environmental attribute sales from LT Hydro contract amendment included per contract rates and forecasted generation
- New five-year 5% slice beginning in 2024 included
- Off-system load extended through 2025
- Planned expenditures from 5-year business plans
- Debt reduction plan based on 2023 plan of finance (modified for 2023 to eliminate advance payment)
- Hydro contract terms set at maximum rates
 - Debt Reduction Charge (DRC) - 3% (2022-26)
 - Capital Recovery Charge (CRC) - 50% (2022-26)
- Investment earnings rate
 - (2023-27: 3.22%, 3.13%, 3.27%, 3.59%, 3.86%)

Combined Five-Year Forecast

(in 000s)	Forecast 2024	Forecast 2025	Forecast 2026	Forecast 2027	Forecast 2028
Service Revenue	136,558	138,756	92,576	93,976	95,308
Net Wholesale Revenue	107,140	144,046	133,705	160,841	191,496
Hydro LT Contract Rev/Other PP	177,674	179,555	202,875	208,380	199,211
Other Operating Revenue	28,823	24,052	26,360	26,924	25,789
Total Revenue	450,195	486,409	455,515	490,120	511,804
Operating Expense	(263,649)	(257,598)	(249,203)	(253,331)	(262,330)
Depreciation & Tax Expense	(79,810)	(88,818)	(89,725)	(94,050)	(99,273)
Operating Income/(Loss)	106,736	139,993	116,587	142,740	150,201
Non-Operating Activity	5,473	4,808	6,860	9,834	14,757
Bottom Line	112,210	144,801	123,447	152,575	164,958

Prior Quarter Reported Forecast	114,946	141,023	128,255	157,036	171,569
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Forecast at 2023 Budget	102,531	125,026	113,339	130,027	135,562
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Capital Projects

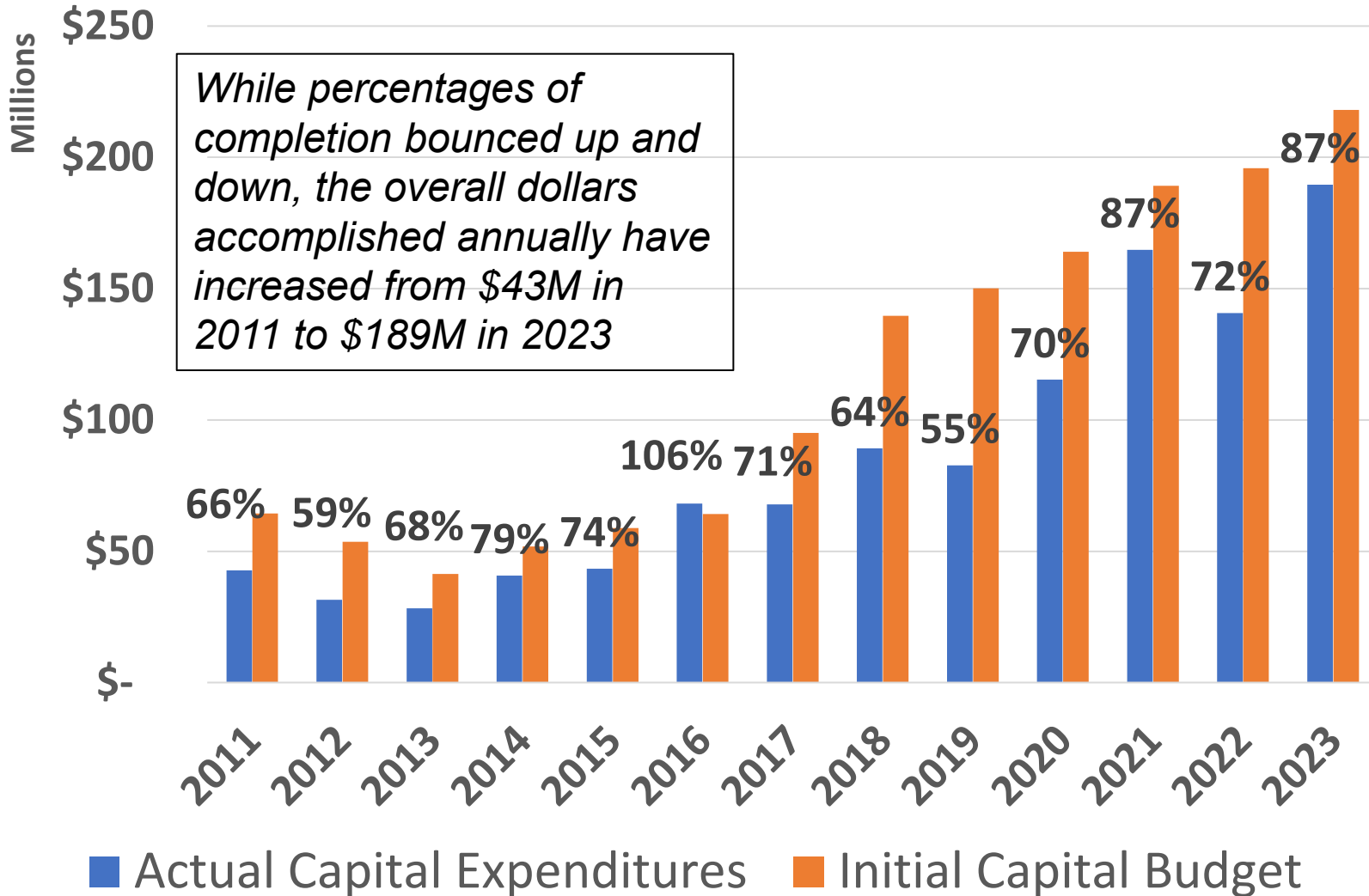
(in 000s)	Forecast 2024	Forecast 2025	Forecast 2026	Forecast 2027	Forecast 2028
Electric Distribution	62,736	42,100	35,168	41,516	36,665
Network Transmission	18,230	25,210	14,243	7,316	1,327
Rocky Reach	16,783	17,834	24,656	23,318	16,130
Rock Island	86,067	94,647	96,970	87,935	61,147
Lake Chelan	789	5,863	538	750	846
Internal Services	21,465	10,368	14,462	5,789	4,171
Fiber & Telecom	8,191	6,415	3,912	4,264	2,927
Water	3,297	3,234	2,467	4,003	3,558
Wastewater	2,498	78	81	84	447
Total Expenditures	220,056	205,749	192,498	174,976	127,217

<i>Prior Quarter Reported Forecast</i>	208,767	217,359	199,128	158,422	129,733
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<i>Forecast at 2023 Budget</i>	174,238	195,936	116,009	105,061	139,718
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Capital Expenditures History

District Capital Spending vs. Budget





Quarterly Investment Report for the quarter ending December 31, 2023

All \$ values are shown in '000s

Prepared in accordance with District Banking and Investment Policy #22-14648

Portfolio Summary

	Q1 2023	Q2 2023	Q3 2023	Q4 2023	YTD 2023	WAM	
Average Invested Book Value	\$584 M	\$579 M	\$535 M	\$545 M	\$560 M		
Interest Earned	\$4.2 M	\$4.4 M	\$4.0 M	\$4.3 M	\$16.8 M		
District Yield	2.90%	3.02%	2.96%	3.11%	3.00%	830	Policy Objectives & Compliance
Benchmarks:							+ Safety
3 Month T-Bill	4.69%	5.17%	5.35%	5.35%	5.14%	92	+ Liquidity
S&P US Treasury 1-3 Year Index	2.17%	2.70%	3.30%	3.84%	3.00%	692	+ Maturity Length
LGIP (State Pool)	4.59%	5.08%	5.32%	5.42%	5.10%	14	Return on Investment
Fed Funds Effective	4.51%	4.99%	5.26%	5.33%	5.02%	1	+ Diversification

Policy Objectives and Compliance:

The District continues to focus on meeting investment policy objectives and compliance limits. Safety of principal is the foremost objective of the District. Diversification limits mitigate credit risk and support the preservation of capital in the overall portfolio. The laddered investment structure continues to be our strategy to support liquidity and maturity objectives and mitigate interest rate volatility over time. However, the laddered structure can result in the District's yield lagging the shorter term 3 month T-Bill benchmark in both declining and rising interest rate conditions. Bank demand deposits and US Treasuries continue to be held in addition to other investments with higher yields such as bank CDs, US Agencies, and Municipal Bonds. For Q4 2023, the District's yield increased slightly to 3.11% (2023 budgeted rate was 2.63%) on an average invested book value of \$545 million due to utilizing higher yielding liquid funds for large capital projects as planned. The multi-year laddered investment strategy continues to maintain healthy 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 13, 2023 meeting reported recent indicators suggest that growth of economic activity has slowed from its strong pace in the third quarter. Job gains have moderated since earlier in the year but remain strong, and the unemployment rate has remained low. Inflation has eased over the past year but remains elevated. The U.S. banking system is sound and resilient. Tighter financial and credit conditions for households and businesses are likely to weigh on economic activity, hiring, and inflation. The Committee is highly attentive to inflation risks. The Committee seeks to achieve maximum employment and inflation at the rate of 2 percent over the longer run. In support of these goals, the Committee decided to maintain the target range for the federal funds rate to 5.25 to 5.50 percent. The Committee is strongly committed to returning inflation to its 2 percent objective. 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 labor market conditions, inflation pressures and inflation expectations, and financial and international developments. The District anticipates decreasing rates in 2024 at a slow pace. Global and national events can influence financial markets, which may impact the District.



Quarterly Investment Report for the quarter ending December 31, 2023

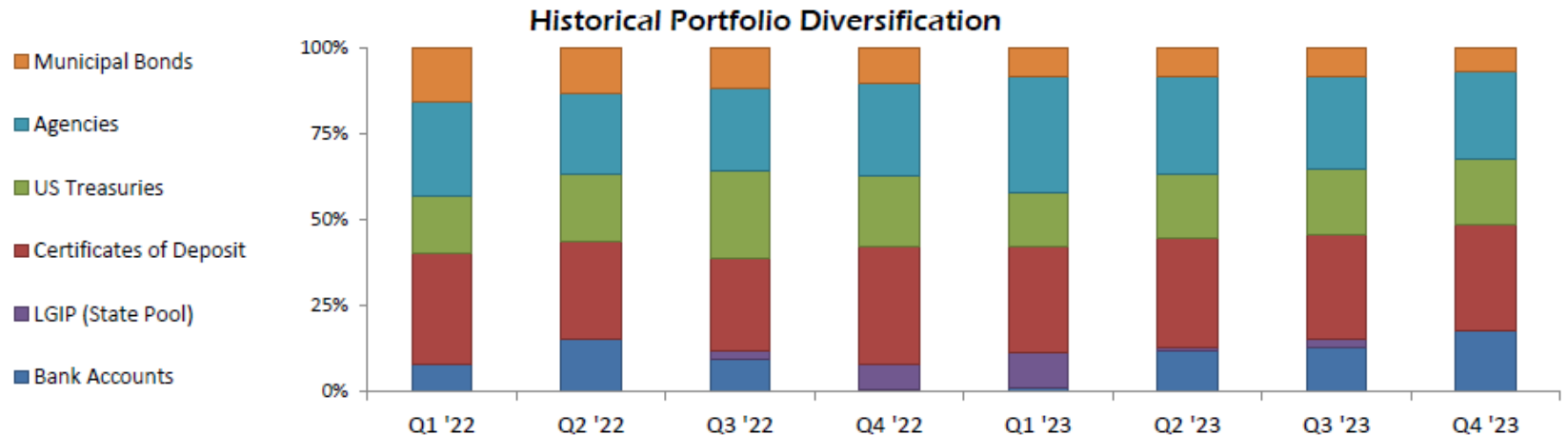
All \$ values are shown in '000s

Prepared in accordance with District Banking and Investment Policy #22-14648

Investments by Type - as of December 31, 2023

	Par Value	GASB 31 Reported Value	Book Value	Book Value as % of Portfolio	Policy % Limit	WAM
Bank Accounts	\$ 97,350	\$ 97,350	\$ 97,350	17.7%	75%	1
Certificates of Deposit	\$ 169,797	\$ 169,797	\$ 169,797	30.8%	40%	721
US Treasuries	\$ 107,248	\$ 100,017	\$ 104,259	18.9%	100%	1,290
LGIP (State Pool)	\$ 892	\$ 892	\$ 892	0.2%	25%	1
US Agencies	\$ 147,279	\$ 136,117	\$ 140,337	25.5%	75%	1,212
Municipal Bonds	\$ 37,400	\$ 36,064	\$ 38,485	7.0%	30%	781
Total:	\$ 559,966	\$ 540,237	\$ 551,119			830

Numbers may not foot due to rounding





Quarterly Investment Report for the quarter ending December 31, 2023

All \$ values are shown in '000s

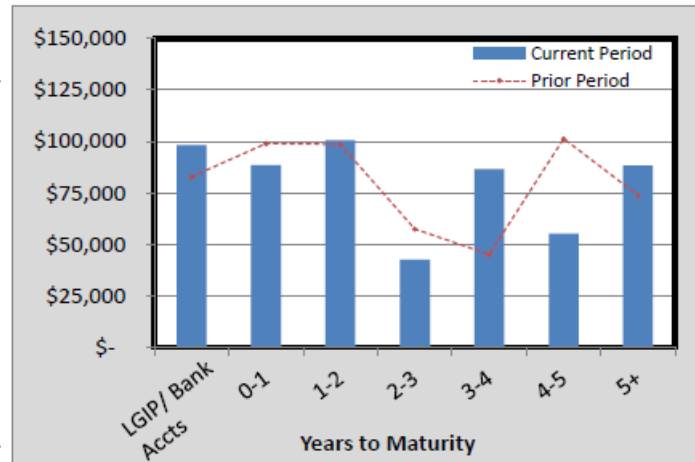
Prepared in accordance with District Banking and Investment Policy #22-14648

Maturity Distribution - as of December 31, 2023

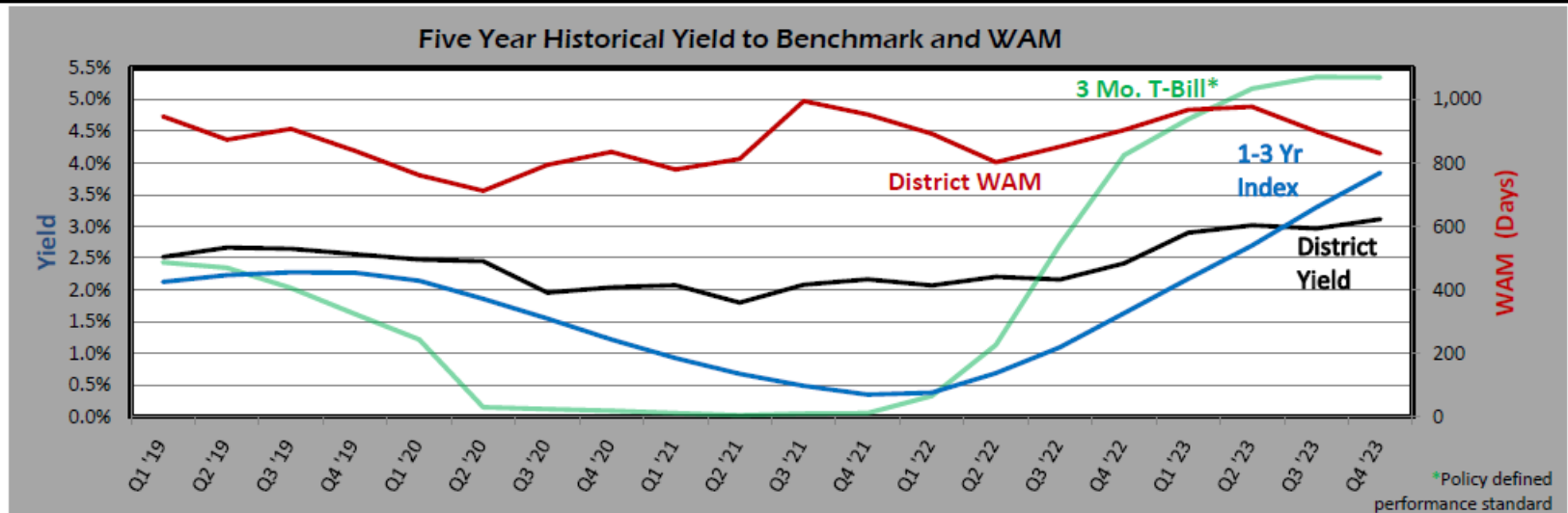
Maturity	Par Value	% of Portfolio	Cumulative % of Portfolio
LGIP	\$ 892	0.2%	0.2%
Bank Accounts	\$ 97,350	17.4%	17.5%
1-90 Days	\$ 12,850	2.3%	19.8%
91-180 Days	\$ 27,290	4.9%	24.7%
181-365 Days	\$ 48,367	8.6%	33.4%
1-2 Yrs	\$ 100,474	17.9%	51.3%
2-3 Yrs	\$ 42,600	7.6%	58.9%
3-4 Yrs	\$ 86,590	15.5%	74.4%
4-5 Yrs	\$ 55,273	9.9%	84.2%
5+ Yrs	\$ 88,280	15.8%	100.0%

Total: \$ 559,966 100%

Numbers may not foot due to rounding



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



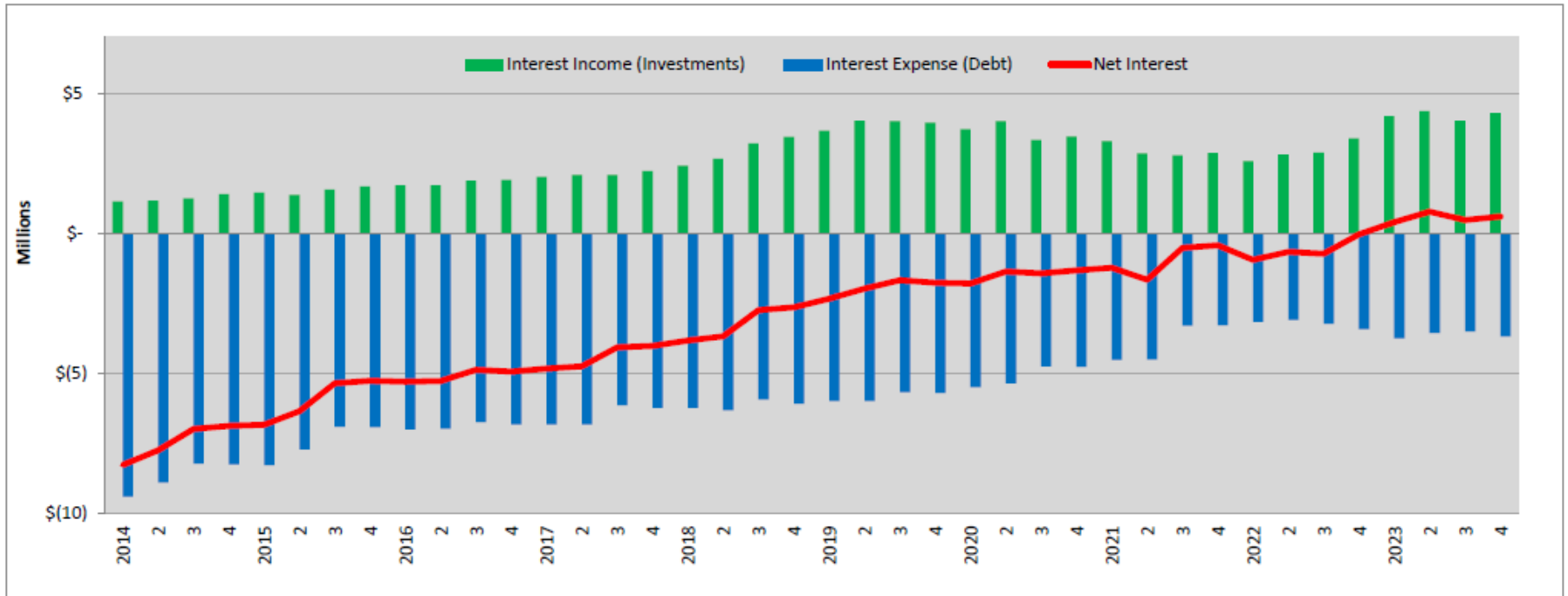


Quarterly Investment Report for the quarter ending December 31, 2023

All \$ values are shown in '000s

Prepared in accordance with District Banking and Investment Policy #22-14648

Historical Net Interest, by Quarter



Q4 2023 Administrative Updates:

In accordance with Resolution Number 22-14648, during this quarter the District's Treasurer, with concurrence of the Chief Financial Officer, has authorized the following updates:

Signers: None

Initiators: None

Banks: None

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.