

Quarterly Financial Review

for the quarter ended September 30, 2020



Board Presentation

November 2, 2020

What We Will Cover Today

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

Update only, no action required

Appendix: Additional detailed information not covered today

Q3 2020 Key Highlights

Bottom-line results through Q3 better than budget

- Lower retail revenues and lower long-term cost-based power contract revenue more than offset by lower operating costs due to slowed project schedules and adapting work to COVID-19 requirements.

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

- Operating expenses are expected to finish the year below budget and continue to more than offset the impacts of lower retail and long-term contract revenues resulting in the forecasted bottom line being better than budget expectations.
- Capital and O&M project schedules are being fine-tuned and portion of expenditures are shifting out to later periods.

Financial metrics

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

Stay the course with new 2020-2024 strategic goals

- Stay the long-term course while continuing to adapt to near-term changes needed for COVID-19 uncertainty.

COVID-19 financial impacts continue to be manageable

Overview

Revenue

- Service Revenue was below budget year-to-date (YTD) due to lower commercial sales from COVID-related load impacts and milder winter weather conditions. Off-system end-use sales were also lower as wholesale market prices have decreased the market element of the rate. HDL load growth continues to lag behind expectations as well: (-\$7.6M)
- Net Wholesale Revenue in line with YTD budget expectations (101% of budget): (+\$0.5M)
- Hydro Long-Term Contract Revenue below budget YTD due to lower hydro production costs for the cost-based contracts: (-\$10.1M)
- Other Operating Revenue in line with budget expectations (98%): (\$0.2M)

Total Revenues forecast to be below budget for the year: -\$14.9M

Expense

- Operating Expenses below budget YTD primarily due to lower O&M at Rocky Reach with deferral of C10/C11 to focus on C2-C7 work and the impacts of COVID-19 delaying projects across the District. Expecting some catch-up of costs during remainder of year: (+\$27.9M)
- Non-Operating Net Expense better than budget YTD primarily due to amortization of the premium on the 2020 bond issue not included in the budget: (+\$1.5M)

Total Net Expenditures forecasted to be below budget for the year: \$23.4M

Bottom Line

- Reduction in expenses greater than reduction in revenues for a better Bottom Line YTD: (+\$12.4M)

Bottom Line forecast for the year expected to be better than budget at \$64.6M: \$8.5M

Overview

Capital

- Capital expenditures overall are lagging the planned pace and below budget YTD: (\$31.2)
- Capital expenditure forecast reduced ~\$44M for the year
- Primary projects that are driving the lower estimate included Rock Island modernization, RR & RI facilities upgrade projects, Operations and Service Center and Distribution substation projects

(Total capital forecast to hit \$120M which is below budget for the year: (\$44M))

Cash

- Cash and investments balance has increased by \$81M primarily due to the net proceeds of \$103M from the May bond issue/refunding with a portion held for liquidity flexibility: (\$696M)

(Year-end cash balance forecasted to be better than budget: \$656M)

Debt

- Total debt has had a net increase of \$42M from the year-end balance driven by new bonds issued in May, bond funds held for liquidity and offsetting scheduled payments of \$35M.

(Year-end debt forecasted to be higher than budget: \$507M (+\$73M))

2020 Bottom Line Results

(in 000s)	2020 Current Forecast	2020 Budget	% of budget
Service Revenue	83,172	90,561	92%
Net Wholesale Revenue	74,436	74,113	100%
Sub	157,609	164,674	96%
Hydro LT Contract Rev/Other PP	134,293	142,794	94%
Other Operating Revenue	24,639	23,977	103%
Other Operating Expense	(190,664)	(209,945)	91%
Depreciation & Tax Expense	(55,710)	(57,152)	97%
Operating Income/(Loss)	70,166	64,348	109%
Non-Operating Activity	(5,520)	(8,210)	67%
Bottom Line	64,646	56,138	115%

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

Business Line Bottom Line Results

(in 000s)	2020 Current Forecast	2020 Budget	% of budget
Integrated Electric	61,216	53,038	115%
Fiber & Telecom	2,806	1,583	177%
Water	356	613	58%
Wastewater	(382)	(227)	169%
Intra-system eliminations	650	1,130	58%
Combined Bottom Line	64,646	56,138	115%

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

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

Capital Expenditures

(in 000s)	2020 YTD Actuals	2020 YTD Budget	% of budget	2020 Current Forecast	2020 Current Budget	% of budget
Electric Distribution	9,561	18,849	51%	18,161	29,026	63%
Network Transmission	2,225	2,801	79%	3,493	3,570	98%
Rocky Reach	3,766	8,191	46%	9,110	12,155	75%
Rock Island	30,746	37,432	82%	62,820	77,970	81%
Lake Chelan	736	548	134%	836	994	84%
Internal Services	10,542	20,276	52%	19,194	33,621	57%
Fiber & Telecom	3,514	3,980	88%	5,472	5,538	99%
Water	205	396	52%	517	704	73%
Wastewater	20	101	20%	48	176	27%
Total Expenditures	61,315	92,574	66%	119,651	163,755	73%
Contributions	(3,408)	(3,511)	97%	(4,414)	(4,682)	94%
Capital net of CIAC	57,908	89,062	65%	115,237	159,073	72%

Overview YTD - 2020 Cash Flow

	\$ Million
Bottom line result (YTD-2020)	\$53
Add back non-cash related items (depreciation)	\$34
Estimated earned funds from operations	\$ 87
Capital project expenditures	(\$ 61)
Net debt activity (issue, refunding & payments)	\$33
Other misc. impacts (change in A/R, A/P, Inventory, Etc.)	\$22
Estimated use of funds	(\$6)
Added to cash reserves	\$81

Cash and investments, beginning of year	\$ 615
Added to cash reserves	\$81
Cash and investments, Q3 of 2020	\$ 696

Cash & Investments Balance

(\$ Millions)	<u>9/30/20</u>	<u>12/31/19</u>
Unrestricted funds	\$384	\$363
Board Designated*:		
Headquarters/Service Center Strategic Facilities Fund	<u>50</u>	<u>50</u>
Total Unrestricted Funds	\$434	\$413
Restricted funds for hydro capital/debt	<u>87</u>	<u>117</u>
Total Liquidity (policy minimum \$175M)	\$521	\$530
Restricted - bond reserve funds	53	53
Restricted - construction funds (2020 bonds)	89	0
Restricted - power contract deposits	19	19
Restricted - self insurance and other funds	<u>14</u>	<u>13</u>
Total Cash and Investments	<u>\$696</u>	<u>\$615</u>

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

Quarterly Reporting Requirement - Financial Policies

District Combined	2020	2021	2022	2023	2024
Liquidity (Greater calculated min \$175M-\$210M, Expected)	\$491M	\$352M	\$200M*	\$195M*	\$197M*
Liquidity (Greater calculated min \$175M-\$210M, Unusual)		\$344M	\$199M*	\$194M*	\$197M*
Debt Ratio (Expected case <35% by 2019)	30.1%	24.3%	21.5%	20.7%	18.9%
Debt Ratio (Unusual case <35% by 2019)		24.4%	22.4%	22.1%	21.4%
Days Cash on Hand (Expected case >250)	620	468	253*	261*	263*
Days Cash on Hand (Unusual case > 250)		457	251*	260*	262*
Combined Debt Cover (Expected case > 2.00x)	2.58	2.27	2.08	2.93	3.06
Combined Debt Cover (Unusual case >1.25x)		2.14	1.91	2.64	2.50
Bottom Line Results (Expected case)	\$65M	\$55M	\$41M	\$54M	\$59M
Bottom Line Results (Unusual case)		\$48M	\$33M	\$44M	\$40M
Debt Outstanding (Expected case)	\$507M	\$396M	\$349M	\$346M*	\$323M*
Debt Outstanding (Unusual case)		\$396M	\$364M	\$370M*	\$366M*

* - 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.

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 Q3)	107.3%	58.7%	87.8%
Cash Reserves – Unrestricted (target by 2024)	>\$1.25M	>\$200K	>\$2.0M
Cash Reserves – Unrestricted (forecast Q3)	\$1.1M	\$2.5M	\$19.1M
Debt Service as a % of Rev (target by 2024)	<12.0%	<2.0%	<10.0%
Debt Service as a % of Rev (forecast Q3)	8.4%	12.2%	---

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

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

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

Quarterly Investment Report

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

	Q4 2019	Q1 2020	Q2 2020	Q3 2020	YTD 2020	WAM
Average Invested Book Value (\$M)	\$610	\$599	\$654	\$674	\$643	
District Yield	2.56%	2.48%	2.45%	1.95%	2.28%	794
Benchmarks:						
3 Month T-Bill	1.61%	1.21%	0.15%	0.12%	0.49%	92
S&P US Treasury 1-3 Year Index	2.27%	2.14%	1.86%	1.55%	1.85%	690

- Q3 2020 yield decreased to 1.95% due to the declining market interest rates. (2020 budgeted rate is 2.61%)
- September 16, 2020 Federal Open Market Committee meeting report:
 - Committee is prepared to use its full range of tools to support the economy and promote maximum employment and price stability goals.
 - Committee will continue to monitor information related to the economic outlook, public health, labor market conditions, global developments and inflation pressures and expectations
 - Federal funds target rate range was maintained at 0.00% to 0.25%
 - (0.00% to 0.25% for Q2)
- 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.

Q3 Key Messages

Year-end 2020 forecasts are better than budget

- Q3 YTD results are better than budget by \$12M
- Year-end forecasts anticipate continued lower revenues and some catch-up in operating expenses which will bring bottom line results closer to budget expectations but still better than budget by \$8.5M

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 near-term changes needed for COVID-19 uncertainty

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 \$0.5 million above budget
(\$57.1M vs. \$56.6M)

Annual forecast slightly above
budget (\$74.4M vs. \$74.1M)

Drivers:

- Generation 96% of budget
(Q3 forecast for YE @ 96% of budget)
- + Retail load 86% of budget
- Market prices below budget

Hydro Long-Term Contract Revenue:

YTD result \$10.1 million below
budget (\$96.4M vs. \$106.5M)

Annual forecast lower than budget
(\$134.3M vs. \$142.8M)

Drivers:

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

Financial Highlights - Revenue

Service Revenue:

YTD result \$7.6 million below budget
(\$58.6M vs. \$66.2M)

Forecast result lower than budget
(\$83.2M vs. \$90.6M)

Drivers:

- Lower retail off-system sale due to lower market element of the rate
~\$3.9M
- Lower commercial sales due to mild winter temperatures and impacts from Covid-19 and lower HDL sales due to lagging ramping plans

Other Operating Revenue:

YTD results \$0.2 million above budget
(\$18.3M vs. \$18.1M)

Forecast results slightly above budget
\$0.6M)

Drivers:

- +Variable portion of Real Time Agreement slightly better than budget
~\$.6M

Financial Highlights - Expenses

Operating Expense:

YTD result \$26.7M million below budget (\$130.6M vs. \$157.3M)

Forecast results below budget (\$190.7M vs. \$209.9M)

Drivers:

- Hydro operations and maintenance at 72% of budget
- Hydro parks and recreation at 67% of budget
- Hydro fish and wildlife 79% of budget

Non-Operating Net Expense:

YTD result \$1.5M better than budget (\$4.7M vs. \$6.2M)

Forecast results below budget (\$5.5M vs. \$8.2M)

Drivers:

- Increase in Public Power Benefit spending from \$4M to \$6M
- + Impacts of debt refunding and bond issue
- Increase forecast in interest expense due to bond issue

Financial Highlights – Balance Sheet

Capital expenditures below budget

- YTD - 2020 \$61.3 million vs. budget of \$92.6 million
- 2020 Forecast results below 2020 budget (\$119.7M vs \$163.8M)

Selected individual project adjustments:

- ↓ RR-CM Facilities Upgrade (~\$11.3M shifted to 2021-2022)
- ↓ Operations and Service Center (~\$5M shifted to 2022)
- ↓ RI PH2 U1-U8 Rehab (~\$4.5M forecast decrease in 2020)
- ↓ RI PH1 B3 Modernization (~\$7.7M shifted to 2021-2022)
- ↑ RI PH1 B5 Modernization (~\$5.8M forecast increase in 2020)
- ↓ Wenatchee Substation Capacity Inc. (~\$2.4M shifted to 2021-2022)
- ↓ N Shore Chelan Substation (~\$1.4M shifted to 2022)
- ↓ RI Facilities Upgrade (~\$8.0M shifted to 2021)

Cash remains strong (Plan of finance executed in May)

- Cash balance forecasted to increase ~\$41 million in 2020
- Debt balance forecasted to increase ~\$34 million in 2020

Service Revenue

(in 000s)	2020 Actuals YTD	2020 Budget YTD	% of budget	Variance
Residential Electric	19,248	19,278	100%	In line with budget
Commercial Electric	10,941	12,510	87%	Mild winter temperatures / COVID Impacts
Industrial Electric	3,488	3,801	92%	In line with budget
HDL/Cryptocurrency	2,064	3,861	53%	Lower than expected load growth
Off-System End-Use Sales	10,400	14,312	73%	Lower wholesale market pricing
Other Electric	1,515	1,536	99%	Small dollar variance
Electric Service	47,656	55,298	86%	
Water Service	4,798	4,927	97%	Small dollar variance
Wastewater Service	579	549	106%	Small dollar variance
Fiber & Telecom	5,568	5,430	103%	In line with budget
Service Revenue	58,600	66,204	89%	

Note: Excludes internal intersystem revenues

Net Surplus Energy Revenue

(in 000s)	Actuals YTD 2020	Budget YTD 2020	% of budget	Variance
Slice Contracts	51,614	52,892	98%	Powerex Slice delayed one month
Net Block Trades & Other	5,456	3,715	147%	Lower retail load
Net Wholesale Revenue	57,070	56,607	101%	
LT Hydro Contracts	97,438	107,473	91%	Lower hydro operating expenses (82% of bud)
Less: Other Purchased Power	(993)	(990)	100%	In line with budget
Hydro LT Contract Rev/Other PP	96,445	106,482	91%	
Surplus Energy Revenue	153,515	163,090	94%	

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

Operating Expense

(in 000s)	2020 Actuals YTD	2020 Budget YTD	% of budget	Variance
Hydro Operations & Maintenance	39,548	55,261	72%	Deferral of C10 & C11 turbine repairs/Unit maintenance
Hydro Fish & Wildlife	10,146	12,874	79%	Hatchery Operations
Hydro Parks & Recreation	5,355	8,008	67%	Parks maintenance contracts/Visitor Center Contracts
Electric Distribution	11,369	13,607	84%	Line maintenance/Tree trimming
Electric Transmission	9,787	10,793	91%	Control systems contractual support/Line maintenance
Misc. Power Supply Expenses	3,521	3,806	93%	EP&T vacant positions / Travel & Training
Water & Wastewater	2,386	2,689	89%	Reservoir tank fall restraint project moved to capital
Fiber Network	3,665	3,865	95%	Maintenance support contract
Customer Accounts & Service	2,941	3,469	85%	Small dollar variance
Conservation & Customer Assist	2,844	3,666	78%	Amortization of reg. assets/ Customer Energy Programs
Insurance & FERC Fees	4,301	7,289	59%	Self Insurance claims expense elimination
Other Admin & General	34,690	31,945	109%	Shift in labor charges due to Covid-19
Total	130,554	157,273	83%	

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

Non-Operating Activity

(in 000s)	2020 Actuals YTD	2020 Budget YTD	% of budget	Variance
Interest Earnings	10,751	11,055	97%	In line with budget
Capital Contributions	3,875	3,206	121%	Electric line extensions/Water SDC's
Interest Expense	(18,020)	(17,224)	105%	Higher debt balance
Other Inc/(Exp)	(1,313)	(3,269)	40%	Debt premium amortization
Non Operating Activity	(4,706)	(6,233)	75%	

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

Integrated Electric

(in 000s)	2020 Actuals YTD	2020 Budget YTD	% of budget	Variance
Service Revenue	47,726	55,379	86%	Lower Off-system sales/Commercial & HDL load
Net Wholesale Revenue	57,070	56,607	101%	In line with budget
Hydro LT Contact Rev/Other PP	96,445	106,482	91%	Lower operating expenses
Other Operating Revenue	19,743	19,326	102%	In line with budget
Other Operating Expense	(124,349)	(150,801)	82%	Hydro O&M lagging
Depreciation & Taxes	(36,820)	(37,930)	97%	In line with budget
Operating Income/(Loss)	59,815	49,064	122%	
Non-Operating Activity	(8,355)	(10,518)	79%	Debt premium amortization
Bottom Line	51,460	38,547	134%	

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

Fiber & Telecom

(in 000s)	2020 Actuals YTD	2020 Budget YTD	% of budget	Variance
Service Revenue	7,823	7,931	99%	In line with budget
Other Operating Revenue	2	1	148%	Small dollar variance
Other Operating Expense	(6,330)	(7,132)	89%	Pole contact make ready costs
Depreciation and Taxes	(2,701)	(2,699)	100%	In line with budget
Operating Income/(Loss)	(1,206)	(1,899)	64%	
Non Operating Activity	2,904	2,998	97%	In line with budget
Bottom Line	1,698	1,099	154%	

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

Water

(in 000s)	2020 Actuals YTD	2020 Budget YTD	% of budget	Variance
Service Revenue	4,997	5,083	98%	In line with budget
Other Operating Revenue	39	52	74%	Small dollar variance
Other Operating Expense	(3,267)	(3,596)	91%	Fall restraint project moved to capital
Depreciation and Taxes	(1,895)	(1,897)	100%	In line with budget
Operating Income/(Loss)	(126)	(358)	35%	
Non Operating Activity	658	1,031	64%	Shared asset transfer
Bottom Line	532	673	79%	

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

Wastewater

(in 000s)	2020 Actuals YTD	2020 Budget YTD	% of budget	Variance
Service Revenue	579	549	106%	Small dollar variance
Other Operating Revenue	1	2	45%	Small dollar variance
Other Operating Expense	(641)	(645)	99%	In line with budget
Depreciation and Taxes	(332)	(358)	93%	Small dollar variance
Operating Income/(Loss)	(394)	(453)	87%	
Non Operating Activity	87	256	34%	Shared asset transfer
Bottom Line	(306)	(197)	155%	

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

Actual Cash Balance Comparison to Budget

(millions)	2020
Total Cash – Budgeted year-end balance	\$ 484
Key changes in cash results:	
Net proceeds from bond activity	\$100
Decrease in capital projects	\$44
Increase in operating activity	\$9
Other changes in A/R, A/P, inventory, etc.	\$19
Total Cash – Current forecast year-end balance	\$ 656
Prior quarter – 2020 year-end forecasted balance	\$ 633

Five-year outlook

Key modeling assumptions:

- Past water history and current forward price curve
- Rate increases Electric – 3%, Fiber – 3%, Water & Wastewater 4% (Effective 12/1/2020, each 6/1 thereafter)
- Planned expenditures from 5-year business plans
- Debt reduction plan based on Q2 plan of finance
- Hydro contract terms set at maximum rates
 - Debt Reduction Charge (DRC) - 3% (2020-24)
 - Capital Recovery Charge (CRC) - 50% (2020-24)
- Investment earning rate
 - (2020-24: 1.99%, 2.17%, 2.48%, 2.43%, 2.00%)

Combined Five-Year Forecast

(in 000s)	Forecast 2020	Forecast 2021	Forecast 2022	Forecast 2023	Forecast 2024
Service Revenue	83,172	96,532	103,667	106,644	93,476
Net Wholesale Revenue	74,436	68,927	68,376	76,279	95,674
Sub	157,609	165,458	172,044	182,924	189,150
Hydro LT Contract Rev/Other PP	134,293	142,138	147,985	140,894	140,906
Other Operating Revenue	24,639	23,865	21,808	22,410	23,026
Other Operating Expense	(190,664)	(214,622)	(227,931)	(212,090)	(212,387)
Depreciation & Tax Expense	(55,710)	(58,396)	(65,237)	(69,989)	(71,280)
Operating Income/(Loss)	70,166	58,442	48,669	64,148	69,415
Non-Operating Activity	(5,520)	(3,863)	(7,960)	(10,560)	(10,472)
Bottom Line	64,646	54,579	40,709	53,589	58,942

Prior Quarter Reported Forecast	60,235	50,158	46,300	46,566	55,315
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Forecast at 2020 Budget	58,087	41,513	46,056	56,588	64,433
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Capital Projects

(in 000s)	Forecast 2020	Forecast 2021	Forecast 2022	Forecast 2023	Forecast 2024
Electric Distribution	18,161	33,571	34,721	27,535	17,699
Network Transmission	3,493	1,325	1,155	1,369	999
Rocky Reach	9,110	11,331	7,539	14,147	4,778
Rock Island	62,820	59,998	57,059	41,871	38,001
Lake Chelan	836	1,571	3,632	488	616
Internal Services	19,194	75,248	64,979	4,865	4,268
Fiber & Telecom	5,472	3,564	5,484	5,498	5,551
Water	517	1,265	1,934	2,443	4,059
Wastewater	48	401	1,602	1,334	76
Total Expenditures	119,651	188,274	178,104	99,549	76,046

<i>Prior Quarter Reported Forecast</i>	<i>135,478</i>	<i>201,239</i>	<i>173,490</i>	<i>92,053</i>	<i>75,871</i>
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<i>Forecast at 2020 Budget</i>	<i>168,946</i>	<i>205,496</i>	<i>144,984</i>	<i>85,361</i>	<i>80,279</i>
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Quarterly Investment Report for the quarter ending September 30, 2020

All \$ values are shown in '000s

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

Portfolio Summary

	Q4 2019	Q1 2020	Q2 2020	Q3 2020	YTD 2020	WAM	
Average Invested Book Value	\$610 M	\$599 M	\$654 M	\$674 M	\$643 M		
Interest Earned	\$3.9 M	\$3.7 M	\$4.0 M	\$3.3 M	\$11.0 M		
District Yield	2.56%	2.48%	2.45%	1.95%	2.28%	794	
Benchmarks:							<u>Policy Objectives & Compliance</u>
3 Month T-Bill	1.61%	1.21%	0.15%	0.12%	0.49%	92	+ Safety
S&P US Treasury 1-3 Year Index	2.27%	2.14%	1.86%	1.55%	1.85%	690	+ Liquidity
LGIP (State Pool)	1.89%	1.56%	0.51%	0.26%	0.78%	43	+ Maturity Length
Fed Funds Effective	1.65%	1.25%	0.06%	0.09%	0.47%	1	+ 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 Q3 2020, the District's yield decreased to 1.95% (2.28% year-to-date yield, 2020 budgeted rate was 2.61%) on an average invested book value of \$674 million due to the declining market interest rates. Q2 2020 yield had been supported by a one-time gain related to 2020 bond financing transactions. The Weighted Average Maturity (WAM) increased in Q3 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 September 16, 2020 meeting reported that the coronavirus outbreak is causing tremendous human and economic hardship across the United States and around the world. The Committee stated that it is committed to using its full range of tools to support the U.S. economy in this challenging time, thereby promoting its maximum employment and price stability goals. It is expected that the ongoing public health crisis will continue to weigh on economic activity, employment, and inflation in the near term, and poses considerable risks to the economic outlook over the medium term. Therefore, the Committee decided to maintain the target range for the federal funds rate at 0 to 0.25 percent and expects it will be appropriate to maintain this target range until labor market conditions have reached levels consistent with the Committee's assessments of maximum employment and inflation has risen to 2 percent and is on track to moderately exceed 2 percent for some time. In assessing the appropriate stance of monetary policy, the Committee will continue to monitor the implications of incoming information for the economic outlook, including readings on public health, labor market conditions, inflation pressures and inflation expectations, and financial and international developments. The District anticipates low rates through 2020 and 2021. Global and national events can influence financial markets, which may impact the District.



Quarterly Investment Report for the quarter ending September 30, 2020

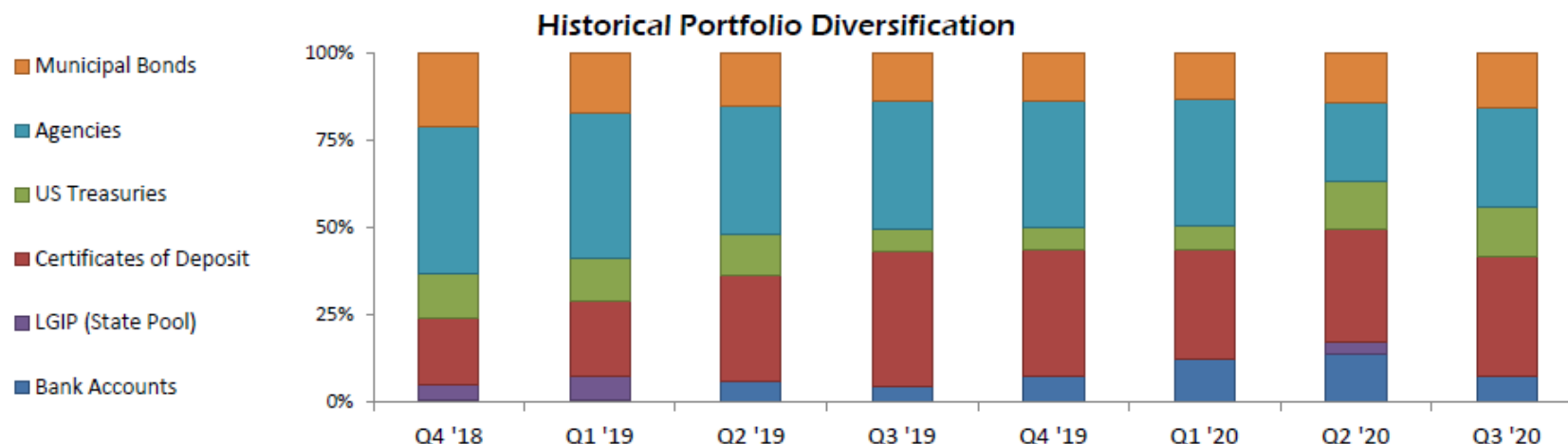
All \$ values are shown in '000s

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

Investments by Type - as of September 30, 2020

	Par Value	GASB 31 Reported Value	Book Value	Book Value as % of Portfolio	Policy % Limit	WAM
Bank Accounts	\$ 50,883	\$ 50,883	\$ 50,883	7.4%	75%	1
Certificates of Deposit	\$ 234,330	\$ 234,330	\$ 234,330	34.3%	40%	812
US Treasuries	\$ 96,644	\$ 100,220	\$ 97,248	14.2%	100%	531
LGIP (State Pool)	\$ 64	\$ 64	\$ 64	0.0%	25%	1
US Agencies	\$ 193,399	\$ 200,191	\$ 193,507	28.3%	75%	977
Municipal Bonds	\$ 104,945	\$ 110,929	\$ 107,562	15.7%	30%	1,042
Total:	\$ 680,265	\$ 696,617	\$ 683,594			794

Numbers may not foot due to rounding



Quarterly Investment Report for the quarter ending September 30, 2020

All \$ values are shown in '000s

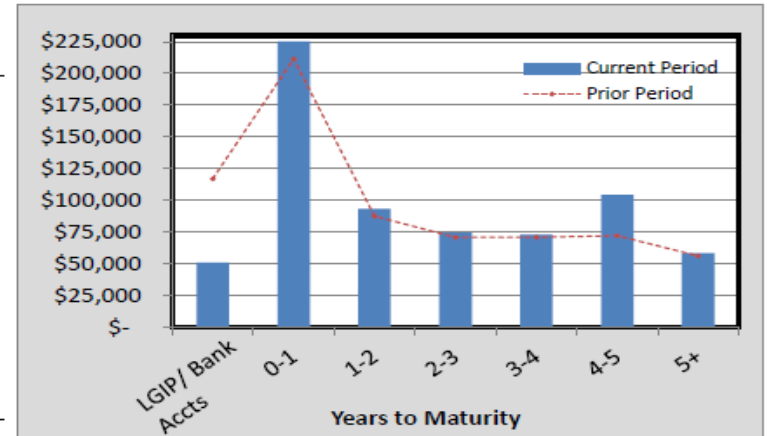
Prepared in accordance with District Banking and Investment Policy #16-14094

Maturity Distribution - as of September 30, 2020

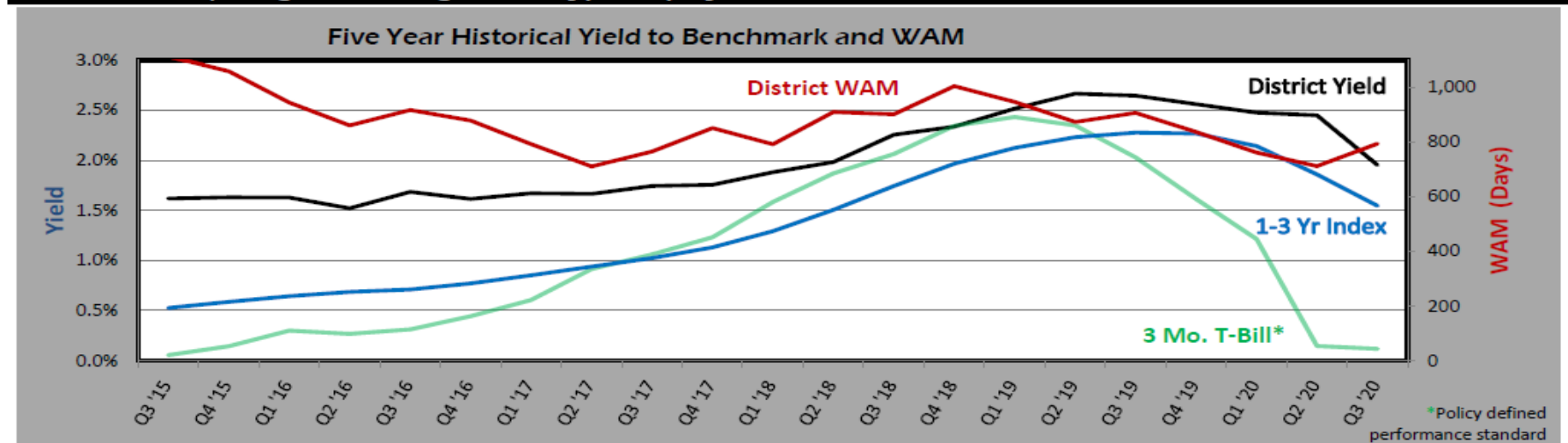
Maturity	Par Value	% of Portfolio	Cumulative % of Portfolio
LGIP	\$ 64	0.0%	0.0%
Bank Accounts	\$ 50,883	7.5%	7.5%
1-90 Days	\$ 29,743	4.4%	11.9%
91-180 Days	\$ 23,114	3.4%	15.3%
181-365 Days	\$ 172,272	25.3%	40.6%
1-2 Yrs	\$ 93,455	13.7%	54.3%
2-3 Yrs	\$ 74,546	11.0%	65.3%
3-4 Yrs	\$ 73,065	10.7%	76.0%
4-5 Yrs	\$ 104,542	15.4%	91.4%
5+ Yrs	\$ 58,582	8.6%	100.0%

Total: \$ 680,265 100%

Numbers may not foot due to rounding



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



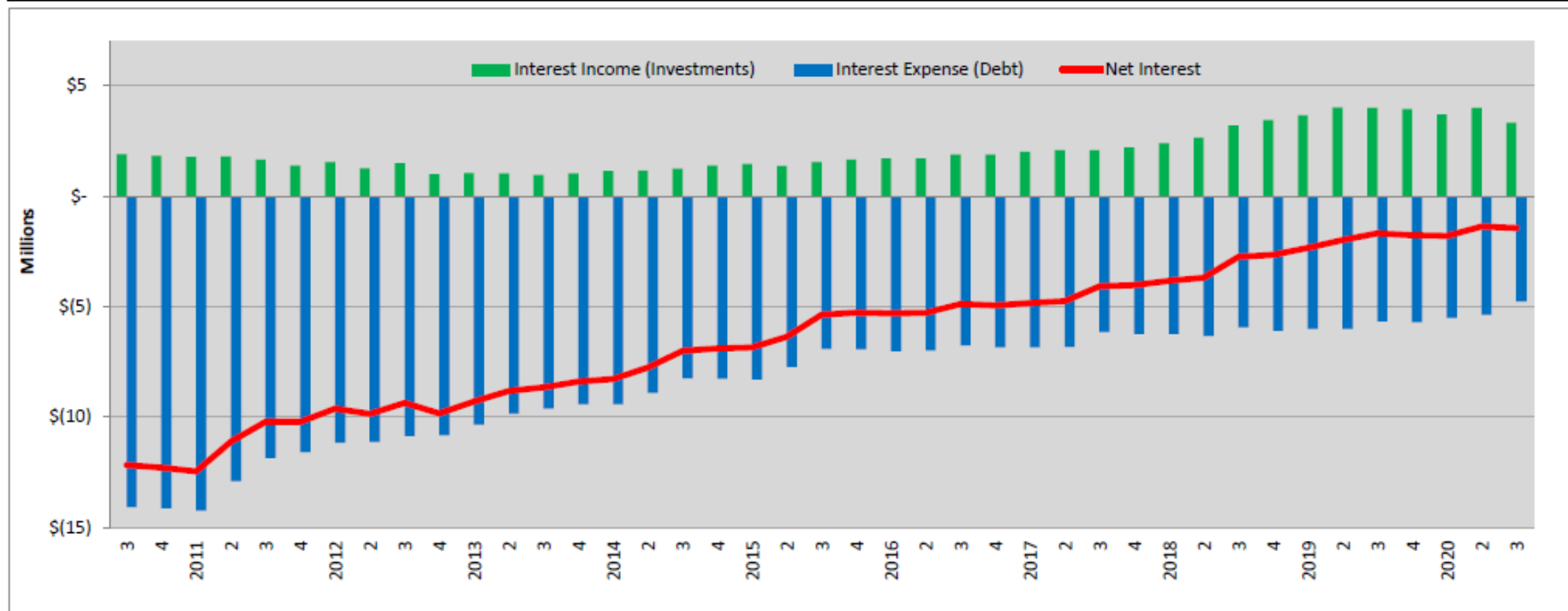


Quarterly Investment Report for the quarter ending September 30, 2020

All \$ values are shown in '000s

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

Historical Net Interest, by Quarter





Quarterly Investment Report for the quarter ending September 30, 2020

All \$ values are shown in '000s

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

Definitions

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

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

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

Book Value- original cost of a bond less amortization.

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

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