

Quarterly Financial Review

for the quarter ended September 30, 2023



November 6, 2023

Mark Mullins

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 2023 Key Highlights

Bottom-line results through Q3: better than budget

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

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

- Operating costs and revenues are expected to be below budget for the year
- Capital and O&M project schedules reflect heavy spending for 2023
- Supply chain/inflation impacting costs and schedules but are manageable

Financial metrics for the 5-year forecast: meeting targets

- District financial metrics are being met for the 5-year planning horizon
- Low debt leverage and high debt service coverage provides financial flexibility

Stay the long-term course

Q3 Overview

Revenue

Service Revenue \$8M below budget YTD

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

Net Wholesale Revenue \$35M below budget YTD

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

Hydro Contract Revenue \$39M above budget YTD

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

Other Operating Revenue \$10M above budget YTD

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

Total Revenues forecast to be \$7M below budget for the year

Expense

Operating Expenses \$31M below budget YTD

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

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

- ↑ Higher interest income
- ↓ Lower customer line extension contributions

Total Net Expenses forecasted to be \$38M below budget for the year

Bottom Line

Bottom Line \$118M YTD: \$42M better than budget YTD

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

Bottom Line forecast of \$134M for the year

- ↑ \$31M better than budget

Q3 Overview

Capital

Capital expenditures of \$131M YTD

↓ \$1M below budget YTD

Capital forecast adjustments due to project schedule revisions

↑ RI PH1 B3 Modernization

↑ N Shore Chelan Substation

↓ Jumpoff Ridge Switchyard

↓ RI PH1 Intake Gantry Crane

↓ RR Tailrace Gantry Crane

Total capital forecast of \$185M

↓ \$33M below budget for the year

Cash

Q3 Cash and investments balance of \$531M

↓ Decreased by \$9M from year-end

↓ Capital spending

↑ Improved bottom line

Cash balance being utilized for planned capital spending and scheduled debt principal payments

Year-end cash balance forecast of \$534M

↑ \$119M better than budget

Debt

Q3 Debt balance of \$322M

2023 Planned debt reduction of \$25M

↓ \$25M of net scheduled payments

Year-end \$324M debt forecast

↓ Down \$25M from YE; \$13M higher than budget due to elimination of prepayment

2023 Bottom Line Forecast

(in 000s)	2023 Current Forecast	2023 Budget	% of budget
Service Revenue	123,508	131,772	94%
Net Wholesale Revenue	49,607	96,943	51%
Hydro LT Contract Rev/Other PP	212,141	173,638	122%
Other Operating Revenue	36,987	26,724	138%
Total Revenue	422,243	429,077	98%
Operating Expense	(225,233)	(253,385)	89%
Depreciation & Tax Expense	(71,974)	(73,426)	98%
Operating Income/(Loss)	125,036	102,266	122%
*Non-Operating Activity	8,897	443	>100%
Bottom Line	133,933	102,709	130%

*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 Forecast

(in 000s)	2023 Current Forecast	2023 Budget	% of budget
Integrated Electric	129,372	100,273	129%
Fiber & Telecom	(611)	(1,760)	35%
Water	889	671	132%
Wastewater	1,818	1,109	164%
Intra-system eliminations	2,466	2,416	102%
Combined Bottom Line	133,933	102,709	130%

- 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 \$2.5M in expenses for make-ready work.
- Wastewater includes \$2.2M in non-operating income from PPB transfers.

Capital Expenditures

(in 000s)	2023 YTD Actuals	2023 YTD Budget	% of budget	2023 Current Forecast	2023 Current Budget	% of budget
Electric Distribution	25,825	29,340	88%	37,157	46,380	80%
Network Transmission	2,581	14,926	17%	3,526	21,985	16%
Rocky Reach	1,701	6,582	26%	3,741	11,227	33%
Rock Island	51,643	37,468	138%	73,179	63,618	115%
Lake Chelan	474	1,641	29%	831	2,787	30%
Internal Services	42,449	34,154	124%	55,525	58,330	95%
Fiber & Telecom	3,987	3,834	104%	4,919	6,251	79%
Water	353	1,645	21%	1,866	2,923	64%
Wastewater	1,750	2,442	72%	3,906	4,500	87%
Total Expenditures	130,763	132,032	99%	184,650	217,999	85%
Contributions	(5,924)	(5,436)	109%	(7,702)	(7,248)	106%
Capital net of CIAC	124,839	126,596	99%	176,949	210,752	84%

2023 Cash Flow Year-To-Date

	\$ Million
Bottom line result (YTD-2023)	\$ 118
Add back non-cash expense items (deprec./amort.)	\$ 42
Subtract non-cash revenue items	(\$ 11)
Estimated earned funds from operations	\$ 150
Capital project expenditures	(\$ 131)
Net debt activity (principal payments net of capitalized interest)	(\$ 27)
Other misc. impacts (change in A/R, A/P, inventory, debt, etc.)	\$ (1)
Estimated use of funds	(\$ 159)
Added to (Use of) cash reserves	\$ (9)

Cash and investments, beginning of year	\$ 540
Added to (Use of) cash reserves	(\$ 9)
Cash and investments, Q3 of 2023	\$ 531

Cash & Investments Balance

(\$ Millions)	<u>9/30/23</u>	<u>12/31/22</u>
Unrestricted funds	\$337	\$340
Board Designated*:		
Electric Rate Support Fund	7	7
Headquarters/Service Center Strategic Facilities Fund	<u>3</u>	<u>42</u>
Total Unrestricted Funds	\$347	\$389
Restricted funds for hydro capital/debt	<u>73</u>	<u>31</u>
Total Liquidity (policy minimum \$231M calculated)	\$420	\$420
Restricted – bond reserve funds	41	46
Restricted – customer deposit substation - Microsoft	36	42
Restricted – power contract deposits	17	17
Restricted – self insurance and other funds	<u>17</u>	<u>15</u>
Total Cash and Investments	<u>\$531</u>	<u>\$540</u>

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

Quarterly Reporting Requirement - Financial Policies

District Combined	2023	2024	2025	2026	2027
Liquidity (Greater calculated min \$175M-\$245M, Expected)	\$416M	\$343M	\$299M	\$277M	\$307M
Liquidity (Greater calculated min \$175M-\$245M, Unusual)		\$313M	\$272M	\$263M	\$267M
Debt Ratio (Expected case <35% by 2019)	16.4%	13.2%	10.5%	9.0%	7.5%
Debt Ratio (Unusual case <35% by 2019)		13.4%	12.4%	12.7%	11.6%
Days Cash on Hand (Expected case >250)	350	301	276	263*	289
Days Cash on Hand (Unusual case > 250)		273	250*	251*	251*
Combined Debt Cover (Expected case > 2.00x)	4.73	3.42	5.41	6.02	7.16
Combined Debt Cover (Unusual case >1.25x)		2.98	4.32	4.29	4.86
<i>Bottom Line Results (Expected case)</i>	<i>\$134M</i>	<i>\$115M</i>	<i>\$141M</i>	<i>\$128M</i>	<i>\$157M</i>
<i>Bottom Line Results (Unusual case)</i>		<i>\$91M</i>	<i>\$109M</i>	<i>\$96M</i>	<i>\$117M</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>\$261M</i>	<i>\$283M</i>	<i>\$272M</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 Q3)	97.6%	60.1%	66.4%
Cash Reserves – Unrestricted (target by 2024)	>\$1.25M	>\$200K	>\$2.0M
Cash Reserves – Unrestricted (forecast Q3)	\$3.3M	\$2.0M	\$15.7M
Debt Service as a % of Rev (target by 2024)	<12.0%	<2.0%	<10.0%
Debt Service as a % of Rev (forecast Q3)	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

	Q4 2022	Q1 2023	Q2 2023	Q3 2023	YTD 2023	WAM
Average Invested Book Value (\$M)	\$554	\$584	\$579	\$535	\$566	
District Yield	2.42%	2.90%	3.02%	2.96%	2.96%	899
Benchmarks:						
3 Month T-Bill	4.12%	4.69%	5.17%	5.35%	5.07%	92
S&P US Treasury 1-3 Year Index	1.63%	2.17%	2.70%	3.30%	2.72%	692

- Q3 2023 yield decreased to 2.96%
- 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

Q3 Key Messages

- Year-end 2023 forecasts are better than budget
- 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:

↓ YTD result \$35 million below budget (\$38M vs. \$73M)

↓ Annual forecast \$47M below budget (\$50M vs. \$97M)

Drivers:

- ↓ Low water - Generation 78% of budget
- ↓ Higher purchases
- ↑ Higher market prices

Hydro Long-Term Contract Revenue:

↑ YTD result \$39 million above budget (\$170M vs. \$131M)

↑ Annual forecast \$39M higher than budget (\$213M vs. \$174M)

Drivers:

- ↑ Retained surplus proceeds
- ↓ YTD Combined hydro operating expenses below budget

Financial Highlights - Revenue

Service Revenue:

↓ YTD result \$8M below budget
(\$90M vs. \$98M)

↓ Forecast result \$8M below budget
(\$124M vs. \$132M)

Drivers:

- ↑ Residential and commercial +\$1.9M
- ↓ Lower HDL/Crypto sales due to lower crypto usage -\$0.7M
- ↓ Lower Off-System sales due to lower usage and market price component of sales

Other Operating Revenue:

↑ YTD results \$10 million above budget
(\$30M vs. \$20M)

↑ Forecast results \$10M above budget
(\$37M vs. \$27M)

Drivers:

- ↑ Real-Time Agreement variable portion better than budget +\$5.3M
- ↑ Cost based contract admin fees better than budget +\$0.9M
- ↑ Renewable energy credit and CCA sales better than budget +\$3.9M

Financial Highlights - Expenses

Operating Expense:

↓ YTD result \$31M million below budget (\$214M vs. \$245M)

↓ Forecast result \$30M below budget (\$297M vs. \$327M)

Drivers:

- ↓ Hydro operations and maintenance at 70% of budget
- ↓ Hydro Fish & Wildlife at 73% of budget
- ↓ Electric Transmission at 82% of budget
- ↑ Admin & General at 103% of budget

Non-Operating Net Expense:

↓ YTD result \$4.4M better than budget (\$4.7M vs. \$0.3M)

↓ Forecast results \$8.5M better than budget (\$8.9M vs. \$0.4M)

Drivers:

- ↑ Higher interest income from higher cash balances and higher interest rates

Financial Highlights – Balance Sheet

Capital Expenditures below budget YTD, Forecast below budget

- 2023 YTD Q3 \$131 million vs. budget of \$132 million
- 2023 forecast \$185 million vs. budget of \$218 million

Selected individual project adjustments:

↑	RI PH1 B3 Modernization	\$6.7M increase in 2023 spend
	N Shore Chelan Substation	\$3.6M schedule moved forward and cost increase
↓	Jumpoff Ridge Switchyard	\$28M shifted to 2024+
	RR Tailrace Gantry Crane	\$3.8M shifted to 2025+
	RI PH1 Intake Gantry Crane	\$3.7M shifted to 2025+
	RI PH2 U1-U8 Rehab	\$3.3M shifted to 2024

Cash remains strong, with continued debt reduction

- Cash balance decreased \$9 million in 2023 YTD; Positive bottom line result being used to fund capital and pay scheduled debt payments
- Debt balance decreased \$27 million in 2023 YTD to \$322M due to principal payment net of capitalized interest

Service Revenue

(in 000s)	2023 Actuals YTD	2023 Budget YTD	% of budget	Variance
Residential Electric	24,001	22,582	106%	Cool spring and hot early summer
Commercial Electric	13,396	12,945	103%	Cool spring and hot early summer
Industrial Electric	3,594	3,798	95%	Lower load than forecasted
High Density Load	6,770	7,504	90%	Lower crypto loads
Off-System End-Use Sales	27,781	36,318	76%	Lower usage and market price rate component
EV Charging Stations	99	75	131%	Small \$ variance
Other Electric	1,526	1,699	90%	Small \$ variance
Electric Service	77,167	84,920	91%	
Water Service	5,765	5,879	98%	In line with budget
Wastewater Service	646	659	98%	In line with budget
Fiber & Telecom	6,384	6,545	98%	In line with budget
Service Revenue	89,961	98,003	92%	

Note: Excludes internal intersystem revenues

Net Surplus Energy Revenue

(in 000s)	Actuals YTD 2023	Budget YTD 2023	% of budget	Variance
Slice Contracts	49,378	49,397	100%	In line with budget
Net Block Trades & Other	(11,463)	23,310	---	Lower streamflow and higher market prices on purchases offset by lower volume of purchases for Off-System sales
Net Wholesale Revenue	37,915	72,707	52%	
LT Hydro Contracts	170,406	131,047	130%	Retained surplus revenues, offset by lower hydro operating expenses
Other Purchased Power	(780)	(758)	103%	Small dollar variance
Hydro LT Contract Rev/ Other PP	169,626	130,289	130%	
Surplus Energy Revenue	207,542	202,996	102%	

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

Operating Expense

(in 000s)	2023 Actuals YTD	2023 Budget YTD	% of budget	Variance
Hydro Operations & Maintenance	45,402	64,689	70%	Project delays
Hydro Fish & Wildlife	14,581	20,062	73%	Project expense forecast reduction
Hydro Parks & Recreation	7,178	7,300	98%	In line with budget
Electric Distribution	14,138	15,050	94%	Open positions, technology-related contract spending
Electric Transmission	10,731	13,062	82%	Contract spending
Misc. Power Supply Expenses	4,387	4,621	95%	Lower Energy Resources contracts
Water & Wastewater	3,024	3,010	100%	In line with budget
Fiber Network	4,311	4,408	98%	In line with budget
Customer Accounts & Service	3,679	3,920	94%	Contract payment timing
Conservation & Customer Assist	3,954	4,531	87%	Higher labor to Customer Energy Programs Reg. assets, lower contract spending
Insurance & FERC Fees	9,041	10,376	87%	Lower self insurance claims and stop loss expenses
Admin & General	40,546	39,329	103%	Expected to be in line with budget by YE
Total	160,971	190,360	85%	

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

Non-Operating Activity

(in 000s)	2023 Actuals YTD	2023 Budget YTD	% of budget	Variance
Interest Earnings	12,490	9,612	130%	Higher cash balances and interest rates
Capital Contributions	5,343	6,098	88%	Lower electric line extensions
Interest Expense	(12,465)	(12,842)	97%	In line with budget
Other Inc/(Exp)	(586)	(2,536)	23%	Unallocated PPB allocated to capital
Non-Operating Activity	4,781	332	1439%	

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

Integrated Electric

(in 000s)	2023 Actuals YTD	2023 Budget YTD	% of budget	Variance
Service Revenue	77,248	84,986	91%	Lower Off System sales usage and market price rate component
Net Wholesale Revenue	37,915	72,707	52%	Higher prices and lower streamflows requiring high market price purchases ; offset by higher market prices on sales
Hydro LT Contact Rev/ Other PP	169,626	130,289	130%	Retained surplus proceeds
Other Operating Revenue	31,224	21,348	146%	Variable portion of real-time agreement, CCA sales
Operating Expense	(153,924)	(182,100)	85%	Lower Hydro O&M
Depreciation & Taxes	(47,386)	(49,417)	96%	In line with budget
Operating Income/(Loss)	114,704	77,814	147%	
Non-Operating Activity	(189)	(4,473)	4%	Higher interest earnings
Bottom Line	114,516	73,340	156%	

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

Fiber & Telecom

(in 000s)	2023 Actuals YTD	2023 Budget YTD	% of budget	Variance
Service Revenue	8,721	8,803	99%	In line with budget
Other Operating Revenue	207	-	---	Intersystem charge for new service center
Operating Expense	(6,768)	(8,972)	75%	Open positions, less make-ready work
Depreciation and Taxes	(3,294)	(3,235)	102%	In line with budget
Operating Income/(Loss)	(1,133)	(3,404)	33%	
Non-Operating Activity	2,526	2,465	102%	In line with budget
Bottom Line	1,392	(940)	---	

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

Water

(in 000s)	2023 Actuals YTD	2023 Budget YTD	% of budget	Variance
Service Revenue	5,953	6,067	98%	In line with budget
Other Operating Revenue	236	44	532%	Intersystem charge for new service center
Operating Expense	(4,069)	(4,169)	98%	Contract costs lagging
Depreciation and Taxes	(2,066)	(2,067)	100%	In line with budget
Operating Income/(Loss)	53	(125)	---	
Non-Operating Activity	853	751	114%	Higher system connections
Bottom Line	906	626	145%	

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

Wastewater

(in 000s)	2023 Actuals YTD	2023 Budget YTD	% of budget	Variance
Service Revenue	646	659	98%	In line with budget
Other Operating Revenue	1	1	88%	Small \$ variance
Operating Expense	(702)	(716)	98%	In line with budget
Depreciation and Taxes	(337)	(337)	100%	In line with budget
Operating Income/(Loss)	(392)	(392)	100%	
Non-Operating Activity	1,591	1,590	100%	PPB allocation
Bottom Line	1,200	1,197	100%	

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	\$33
Increase in operating activity	\$31
Change in plan of finance to not make the advance 2024 debt payment	\$13
Other changes in A/R, A/P, inventory, etc.	\$42
Total Cash – Current forecast year-end balance	\$ 534
Prior quarter – 2023 Q2 forecasted year-end balance for 2023	\$ 504

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%, 3.30%, 3.63%, 3.90%)

Combined Five-Year Forecast

(in 000s)	Forecast 2023	Forecast 2024	Forecast 2025	Forecast 2026	Forecast 2027
Service Revenue	123,508	136,116	138,530	92,575	93,977
Net Wholesale Revenue	49,607	104,868	134,481	132,454	158,865
Hydro LT Contract Rev/Other PP	212,141	177,368	179,520	202,921	208,668
Other Operating Revenue	36,987	28,601	24,525	26,810	27,387
Total Revenue	422,243	446,953	477,056	454,760	488,897
Operating Expense	(225,233)	(259,442)	(253,944)	(245,584)	(249,601)
Depreciation & Tax Expense	(71,974)	(78,351)	(86,697)	(87,933)	(92,498)
Operating Income/(Loss)	125,036	109,159	136,414	121,243	146,798
Non-Operating Activity	8,897	5,786	4,608	7,011	10,238
Bottom Line	133,933	114,946	141,023	128,255	157,036

<i>Prior Quarter Reported Forecast</i>	<i>118,782</i>	<i>118,768</i>	<i>149,708</i>	<i>131,180</i>	<i>160,152</i>
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<i>Forecast at 2023 Budget</i>	<i>102,746</i>	<i>102,531</i>	<i>125,026</i>	<i>113,339</i>	<i>130,027</i>
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Capital Projects

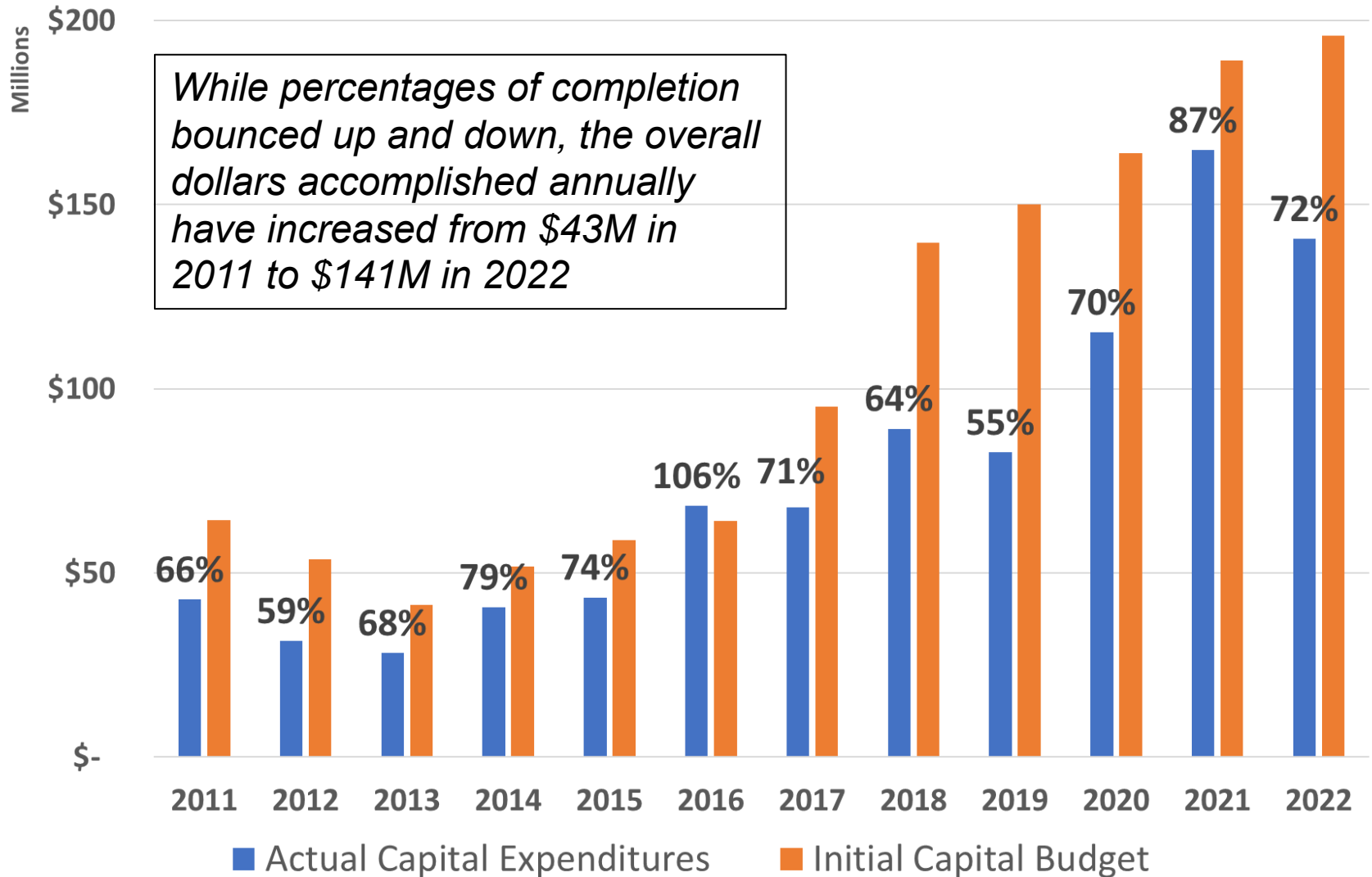
(in 000s)	Forecast 2023	Forecast 2024	Forecast 2025	Forecast 2026	Forecast 2027
Electric Distribution	37,157	41,897	43,115	39,377	30,892
Network Transmission	3,526	32,508	32,933	16,713	1,296
Rocky Reach	3,741	16,740	17,829	24,656	23,318
Rock Island	73,179	83,524	97,862	97,147	88,013
Lake Chelan	831	789	5,863	538	750
Internal Services	55,525	21,381	10,278	14,372	5,801
Fiber & Telecom	4,919	8,201	6,303	3,912	4,264
Water	1,866	2,621	3,099	2,332	4,003
Wastewater	3,906	1,107	78	81	84
Total Expenditures	184,650	208,767	217,359	199,128	158,422

<i>Prior Quarter Reported Forecast</i>	192,245	199,475	198,942	146,474	140,378
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<i>Forecast at 2023 Budget</i>	218,156	174,238	195,936	116,009	105,061
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Capital Expenditures History

District Capital Spending vs. Budget





Quarterly Investment Report

for the quarter ending September 30, 2023

All \$ values are shown in '000s

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

Portfolio Summary

	Q4 2022	Q1 2023	Q2 2023	Q3 2023	YTD 2023	WAM	
Average Invested Book Value	\$554 M	\$584 M	\$579 M	\$535 M	\$566 M		
Interest Earned	\$3.4 M	\$4.2 M	\$4.4 M	\$4.0 M	\$12.5 M		
District Yield	2.42%	2.90%	3.02%	2.96%	2.96%	899	<u>Policy Objectives & Compliance</u>
Benchmarks:							+ Safety
3 Month T-Bill	4.12%	4.69%	5.17%	5.35%	5.07%	92	+ Liquidity
S&P US Treasury 1-3 Year Index	1.63%	2.17%	2.70%	3.30%	2.72%	692	+ Maturity Length
LGIP (State Pool)	3.64%	4.59%	5.08%	5.32%	5.00%	18	+ Return on Investment
Fed Funds Effective	3.65%	4.51%	4.99%	5.26%	4.92%	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 Q3 2023, the District's yield decreased slightly to 2.96% (2023 budgeted rate is 2.63%) on an average invested book value of \$535 million due to utilizing higher yielding liquid funds for capital projects and to make scheduled debt service payments as planned. The multi-year laddered investment strategy continues to maintain overall average investment durations near 2.5 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 20, 2023 meeting reported recent indicators suggest economic activity has continued to expand at a solid pace. Job gains have slowed but remain strong, and the unemployment rate has remained low. Inflation remains elevated. The U.S. banking system is sound and resilient. Tighter 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 raise the target range for the federal funds rate to 5.25 to 5.50 percent (up from 5.00 to 5.25 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 public health, labor market conditions, inflation pressures and inflation expectations, and financial and international developments. The District anticipates increasing rates in 2023, although at a slowing pace. Global and national events can influence financial markets, which may impact the District.



Quarterly Investment Report

for the quarter ending September 30, 2023

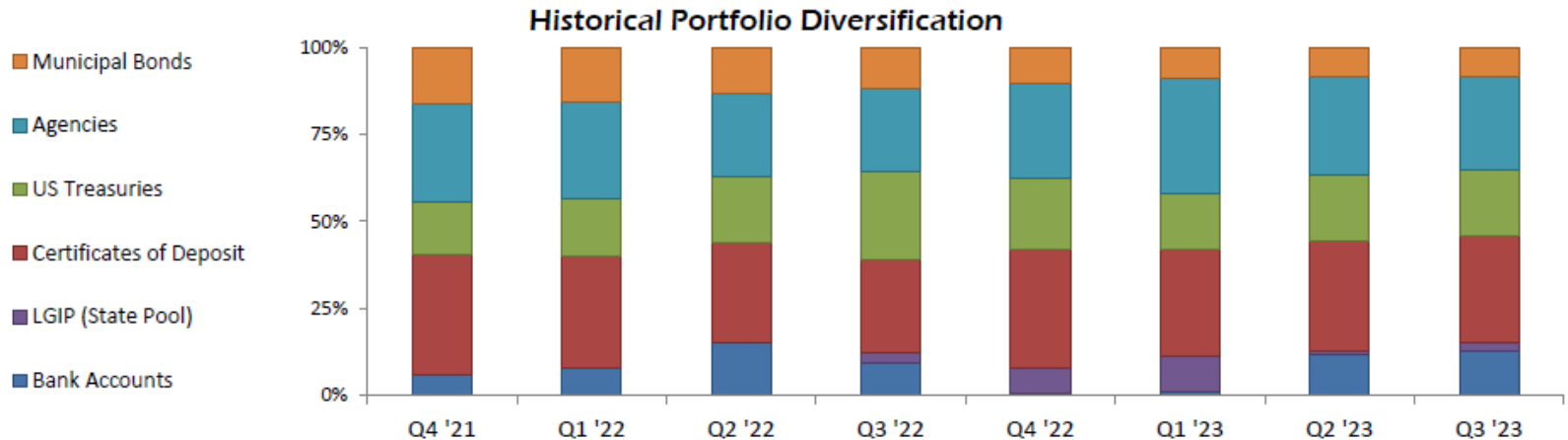
All \$ values are shown in '000s

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

Investments by Type - as of September 30, 2023

	Par Value	GASB 31 Reported Value	Book Value	Book Value as % of Portfolio	Policy % Limit	WAM
Bank Accounts	\$ 71,158	\$ 71,158	\$ 71,158	12.9%	75%	1
Certificates of Deposit	\$ 168,581	\$ 168,581	\$ 168,581	30.7%	40%	813
US Treasuries	\$ 107,241	\$ 97,663	\$ 104,474	19.0%	100%	1,344
LGIP (State Pool)	\$ 11,774	\$ 11,774	\$ 11,774	2.1%	25%	1
US Agencies	\$ 154,779	\$ 139,628	\$ 147,537	26.8%	75%	1,239
Municipal Bonds	\$ 44,900	\$ 43,028	\$ 46,028	8.4%	30%	736
Total:	\$ 558,432	\$ 531,831	\$ 549,551			899

Numbers may not foot due to rounding





Quarterly Investment Report

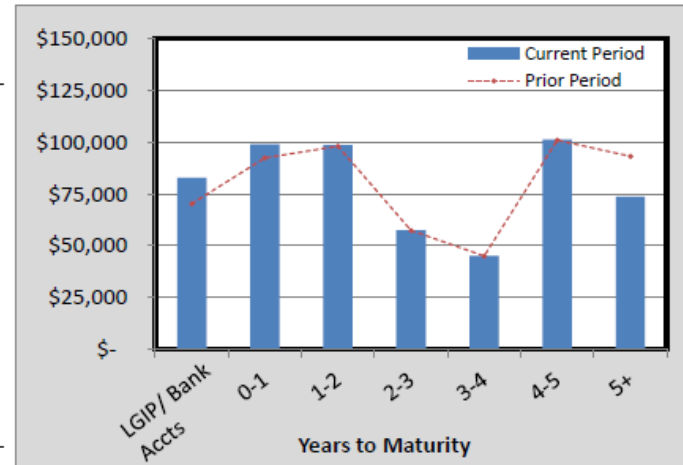
for the quarter ending September 30, 2023

All \$ values are shown in '000s

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

Maturity Distribution - as of September 30, 2023

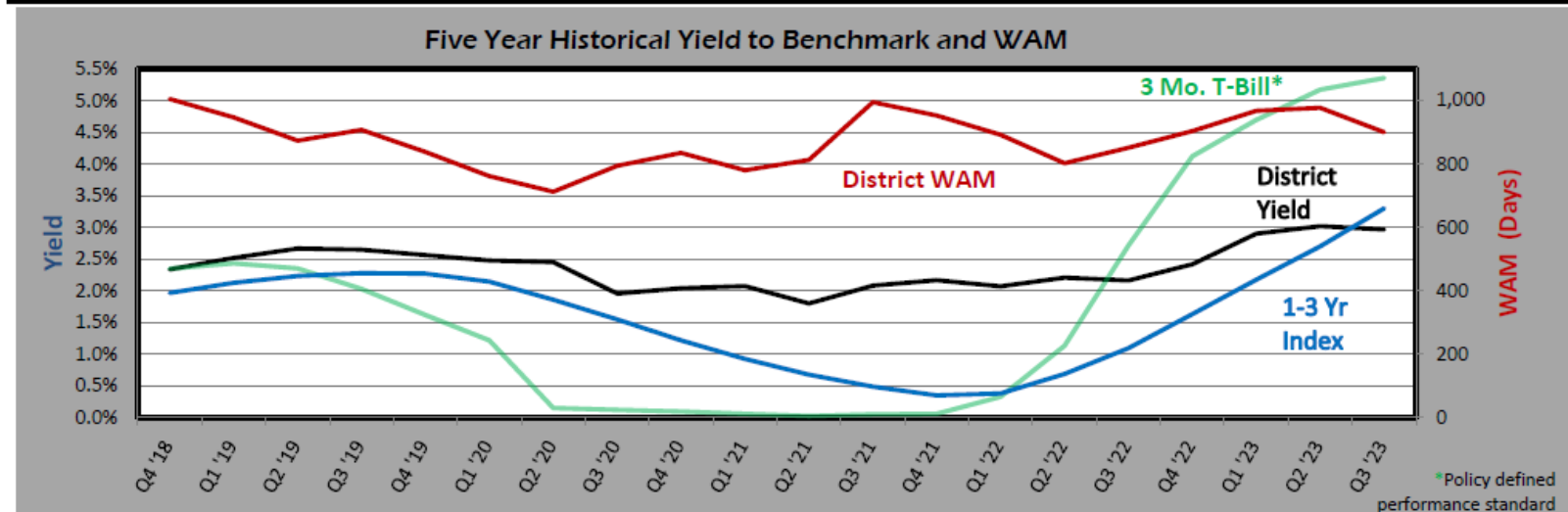
Maturity	Par Value	% of Portfolio	Cumulative % of Portfolio
LGIP	\$ 11,774	2.1%	2.1%
Bank Accounts	\$ 71,158	12.7%	14.9%
1-90 Days	\$ 34,444	6.2%	21.0%
91-180 Days	\$ 12,850	2.3%	23.3%
181-365 Days	\$ 51,704	9.3%	32.6%
1-2 Yrs	\$ 98,680	17.7%	50.2%
2-3 Yrs	\$ 57,504	10.3%	60.5%
3-4 Yrs	\$ 45,121	8.1%	68.6%
4-5 Yrs	\$ 101,369	18.2%	86.8%
5+ Yrs	\$ 73,829	13.2%	100.0%



Total: \$ 558,432 100%

Numbers may not foot due to rounding

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



* Policy defined performance standard

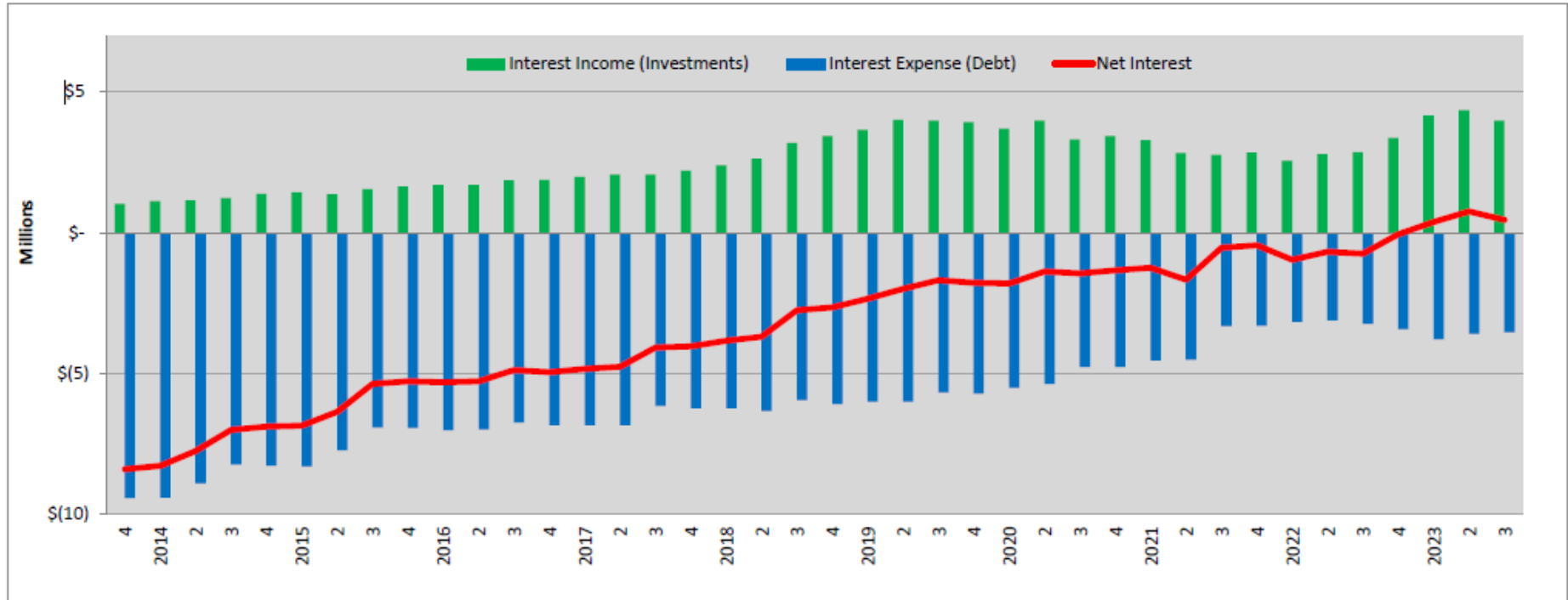


Quarterly Investment Report for the quarter ending September 30, 2023

All \$ values are shown in '000s

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

Historical Net Interest, by Quarter



Q3 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



Quarterly Investment Report

for the quarter ending September 30, 2023

All \$ values are shown in '000s

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

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.