

Quarterly Financial Review

for the quarter ended September 30, 2024



November 4, 2024

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 2024 Key Highlights

Bottom-line results through Q3: better than budget

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

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

- Revenues are expected to be slightly below budget for the year
- Operating Expense forecasted below budget, more than offsetting lower revenues, and includes significant project work for 2024
- Schedule delays and inflation are driving long-term project costs higher

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 \$9M below budget YTD

- ↓ Lower Off-System sales due to lower usage and lower market price component
- ↓ Residential sales lower due to mild weather

Net Wholesale Revenue \$30M below budget YTD

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

Hydro Contract Revenue \$27M above budget YTD

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

Other Operating Revenue \$11M above budget YTD

- ↑ Climate Commitment Act (CCA) Allowance
- ↑ Variable portion of real-time agreement

Total Revenues forecast to be \$5M below budget for the year

Expense

Operating Expenses \$26M below budget YTD

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

Non-Operating Activity–Inc/(Exp) \$4M better than budget YTD

- ↑ Higher interest income
- ↑ Peshastin Water District acquisition

Total Net Expenses forecasted to be \$34M below budget for the year

Bottom Line

Bottom Line \$125M YTD: \$29M better than budget

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

Bottom Line forecast of \$155M for the year

- ↑ \$29M better than budget

Q3 Overview

Capital

Capital expenditures of \$115M YTD

↓ \$38M below budget YTD

2024 Capital spending adjustments due to project schedule revisions

- ↑ Jumpoff Ridge
- ↑ Ravenwing Ranch
- ↑ RI Spillway Crack Repair
- ↑ RI PH1 B3 Modernization
- ↓ RI PH2 U1-U8 Rehab
- ↓ Bavarian Substation
- ↓ HTCF Abatement Pond
- ↓ RI PH2 MCC Replacement

Total capital forecast of \$184M

↓ \$34M below original budget for the year (\$47M below revised budget)

Cash

Q3 Cash and investments balance of \$521M

- ↓ Decreased by \$19M from year-end
- ↓ Capital spending
- ↑ Improved bottom line
- ↓ Scheduled debt payments

Cash balance being utilized for capital spending and debt principal payments

Year-end cash balance forecast of \$541M

↑ Higher than budget by \$97M

Debt

Q3 Debt balance of \$283M

2024 Planned debt reduction of \$54M

- ↓ \$39M of net scheduled payments
- ↓ \$15M of accelerated 2025 payments

Year-end \$285M debt forecast

↓ Down \$39M from YE; \$15M higher than budget due to elimination of prepayment

2024 Bottom Line Forecast

(in 000s)	2024 Current Forecast	2024 Budget	% of budget
Service Revenue	127,102	137,760	92%
Net Wholesale Revenue	87,493	117,883	74%
Hydro LT Contract Rev/Other PP	204,587	179,175	114%
Other Operating Revenue	39,838	28,821	138%
Total Revenue	459,019	463,638	99%
Operating Expense	(236,213)	(263,650)	90%
Depreciation & Tax Expense	(77,883)	(80,338)	97%
Operating Income/(Loss)	144,923	119,650	121%
Non-Operating Activity	9,840	6,011	164%
Bottom Line	154,763	125,661	123%

2024 Business Line Bottom Line Forecast

(in 000s)	2024 Current Forecast	2024 Budget	% of budget
Integrated Electric	151,514	125,810	120%
Fiber & Telecom	350	(144)	---
Water	3,429	386	887%
Wastewater	(531)	(391)	136%
Combined Bottom Line	154,763	125,661	123%

- Integrated Electric (IE) includes \$2.3M in other revenue for make-ready work; \$2.85M in non-operating expenses for PPB transfers; and \$1.0M transfer for water rights in the Peshastin Water District acquisition.
- Fiber & Telecom includes \$2.85M in non-operating income for PPB transfers and \$2.3M in expenses for make-ready work.
- Water includes \$1.0M transfer from IE for PWD water rights and \$1.5M in non-operating income (non-cash) related to net activity of the PWD acquisition.

Capital Expenditures

(in 000s)	2024 YTD Actuals	2024 YTD Budget	% of budget	2024 Current Forecast	2024 Current Budget	% of budget
Electric Distribution	31,031	40,832	76%	53,706	61,243	88%
Network Transmission	20,003	24,131	83%	29,585	30,720	96%
Rocky Reach	4,996	10,256	49%	8,452	16,770	50%
Rock Island	35,892	55,557	65%	57,398	86,626	66%
Lake Chelan	680	530	128%	761	814	93%
Internal Services	14,252	14,648	97%	21,671	21,160	102%
Fiber & Telecom	3,390	5,028	67%	5,691	8,201	69%
Water	3,164	1,974	160%	3,847	3,297	117%
Wastewater	2,063	1,458	141%	2,505	2,528	99%
Total Expenditures	115,471	154,415	75%	183,616	231,357	79%
Contributions	(5,889)	(5,467)	108%	(7,077)	(7,279)	97%
Capital net of CIAC	109,582	148,948	74%	176,539	224,078	79%

2024 Cash Flow Year-To-Date

	\$ Million
Bottom line result (YTD-2024)	\$ 125
Add back non-cash expense items (deprec./amort.)	\$ 47
Subtract non-cash revenue items	(\$ 11)
Estimated earned funds from operations	\$ 161
Capital project expenditures	(\$ 115)
Net debt activity (principal payments net of capitalized interest)	(\$ 38)
Other misc. impacts (change in A/R, A/P, inventory, debt, etc.)	(\$ 27)
Estimated use of funds	(\$ 180)
Added to (Use of) cash reserves	\$ (19)

Cash and investments, beginning of year	\$ 540
Added to (Use of) cash reserves	(\$ 19)
Cash and investments, Q3 of 2024	\$ 521

Cash & Investments Balance

(\$ Millions)	<u>9/30/24</u>	<u>12/31/23</u>
Unrestricted funds	\$245	\$345
Board Designated*: Electric Rate Support Fund	<u>14</u>	<u>14</u>
Total Unrestricted Funds	\$259	\$359
Restricted funds for hydro capital/debt	<u>160</u>	<u>65</u>
Total Liquidity (policy minimum \$231M calculated)	\$419	\$424
Restricted – bond reserve funds	41	46
Restricted – customer deposit substation - Microsoft	13	36
Restricted – power contract deposits	34	18
Restricted – self insurance and other funds	<u>14</u>	<u>15</u>
Total Cash and Investments	<u>\$521</u>	<u>\$540</u>

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

Quarterly Reporting Requirement - Financial Policies

District Combined	2024	2025	2026	2027	2028
Liquidity (Greater calculated min \$225M-\$284M, Expected)	\$459M	\$414M	\$354M	\$362M	\$405M
Liquidity (Greater calculated min \$225M-\$284M, Unusual)		\$394M	\$312M*	\$297M*	\$290M*
Debt Ratio (Expected case <35%)	13.6%	10.2%	8.7%	7.3%	5.9%
Debt Ratio (Unusual case <35%)		10.3%	8.9%	7.9%	6.5%
Days Cash on Hand (Expected case >150)	301	311	332	329	368
Days Cash on Hand (Unusual case > 150)		293	292	269	264
Combined Debt Cover (Expected case > 2.00x)	4.13	4.29	5.81	6.81	7.55
Combined Debt Cover (Unusual case >1.25x)		3.98	5.18	5.73	6.03
Bottom Line Results (Expected case)	\$155M	\$160M	\$124M	\$147M	\$174M
Bottom Line Results (Unusual case)		\$143M	\$102M	\$115M	\$125M
Debt Outstanding (Expected case)	\$285M	\$226M	\$201M	\$177M	\$151M
Debt Outstanding (Unusual case)		\$226M	\$201M	\$186M	\$160M

* - 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.

Prior quarter

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)	101.4%	57.2%	80.4%
Cash Reserves – Unrestricted (target by 2024)	>\$1.25M	>\$200K	>\$2.0M
Cash Reserves – Unrestricted (forecast Q3)	\$3.1M	\$1.3M	\$22.1M
Debt Service as a % of Rev (target by 2024)	<12.0%	<2.0%	<10.0%
Debt Service as a % of Rev (forecast Q3)	9.0%	18.5%	---

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 2023	Q1 2024	Q2 2024	Q3 2024	YTD 2024	WAM
Average Invested Book Value (\$M)	\$545	\$552	\$532	\$507	\$530	
District Yield	3.11%	3.21%	3.25%	3.30%	3.25%	709
Benchmarks:						
3 Month T-Bill	5.35%	5.29%	5.31%	5.04%	5.22%	92
S&P US Treasury 1-3 Year Index	3.84%	4.24%	4.52%	4.60%	4.45%	692

- Q3 2024 yield increased to 3.30%
- Our longer duration portfolio is lagging more responsive short-term rates
- Federal Open Market Committee lowered the target range for fed funds by 0.5% and 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
<ul style="list-style-type: none"> ✚ Safety ✚ Liquidity ✚ Maturity ✖ Return on Investment 	<ul style="list-style-type: none"> ✚ Diversification ✚ Duration ✚ Internal Controls

Full report in Appendix

Q3 Key Messages

- Year-end 2024 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 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 \$30 million below budget (\$63M vs. \$93M)

↓ Annual forecast \$31M below budget (\$87M vs. \$118M)

Drivers:

- ↓ Low water - Generation 77% of budget
- ↓ Higher purchases
- ↓ Lower market prices

Hydro Long-Term Contract Revenue:

↑ YTD result \$27 million above budget (\$162M vs. \$135M)

↑ Annual forecast \$25M higher than budget (\$205M vs. \$179M)

Drivers:

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

Financial Highlights - Revenue

Service Revenue:

↓ YTD result \$9M below budget
(\$93M vs. \$102M)

↓ Forecast result \$11M below budget
(\$127M vs. \$138M)

Drivers:

- ↓ Residential & Commercial -\$0.7M
- ↓ Lower Off-System sales due to lower usage and lower market price component of sales

Other Operating Revenue:

↑ YTD results \$11 million above budget
(\$32M vs. \$21M)

↑ Forecast results \$11M above budget
(\$40M vs. \$29M)

Drivers:

- ↑ Real-Time Agreement variable portion better than budget +\$3.0M
- ↑ Renewable energy credit and CCA sales better than budget +\$8.7M

Financial Highlights - Expenses

Operating Expense:

↓ YTD result \$26M million below budget (\$234M vs. \$260M)

↓ Forecast result \$30M below budget (\$314M vs. \$344M)

Drivers:

- ↓ Hydro operations and maintenance at 80% of budget
- ↓ Hydro Fish & Wildlife at 75% of budget
- ↓ Electric Transmission at 85% of budget
- ↑ Admin & General at 102% of budget

Non-Operating Activity–Inc/(Exp) :

↓ YTD result \$4.3M better than budget (\$8.8M vs. \$4.5M)

↓ Forecast results \$3.8M better than budget (\$9.8M vs. \$6.0M)

Drivers:

- ↑ Higher interest income from higher cash balances and higher interest rates
- ↑ Net activity related to the Peshastin Water District acquisition
- ↑ Fiber portal write-off

Financial Highlights – Balance Sheet

Capital Expenditures lower than budget

- 2024 YTD Q3 \$115 million vs. budget of \$154 million
- 2024 forecast \$184 million vs. budget of \$231Million (orig. \$219M)

Selected individual project adjustments:

↑	Jumpoff Ridge	\$6.4M accelerated progress
	Ravenwing Ranch	\$5.4M land purchase
	RI PH1 B3 Modernization	\$3.3M schedule delay and cost increase
↓	RI PH2 U1-U8 Rehab	\$34.9M schedule delays shift out spending
	Bavarian Substation	\$4.6M shifted to 2025
	HTCF Abatement Pond Improv	\$3.8M project on hold
	RI PH2 MCC Replacement	\$3.0M shifted to 2025

Cash remains strong, with continued debt reduction

- Cash balance decreased \$19 million due to positive bottom line result being used to fund capital and debt service and remains strong at \$521M
- Debt balance decreased \$40 million to \$283M due to principal payments offset by capitalized interest

Service Revenue

(in 000s)	2024 Actuals YTD	2024 Budget YTD	% of budget	Variance
Residential Electric	23,880	24,339	98%	In line with budget
Commercial Electric	13,337	13,550	98%	In line with budget
Industrial Electric	3,947	3,585	110%	Higher usage
High Density Load	7,613	7,745	98%	In line with budget
Off-System End-Use Sales	28,158	37,283	76%	Lower use and market price component
EV Charging Stations	173	155	111%	New charging stations
Other Electric	1,696	1,218	139%	Weather based usage
Electric Service	78,804	87,874	90%	
Water Service	6,428	6,289	102%	Peshastin Water District acquisition
Wastewater Service	663	676	98%	In line with budget
Fiber & Telecom	6,681	6,921	97%	In line with budget
Service Revenue	92,576	101,761	91%	

Note: Excludes internal intersystem revenues

Net Surplus Energy Revenue

(in 000s)	Actuals YTD 2024	Budget YTD 2024	% of budget	Variance
Slice Contracts	90,382	90,400	100%	In line with budget
Net Block Trades & Other	(27,313)	2,813	---	Lower streamflow and higher market purchases
Net Wholesale Revenue	63,069	93,214	68%	
LT Hydro Contracts	162,418	135,745	120%	Retained surplus revenues; offset by lower revenues from lower hydro operating expenses
Other Purchased Power	(681)	(724)	94%	Lower billed costs-Nine Canyon
Hydro LT Contract Rev/ Other PP	161,737	135,021	120%	
Surplus Energy Revenue	224,806	228,234	98%	

Operating Expense

(in 000s)	2024 Actuals YTD	2024 Budget YTD	% of budget	Variance
Hydro Operations & Maintenance	52,937	65,853	80%	Project delays: RR large unit repairs
Hydro Fish & Wildlife	13,436	17,894	75%	RI Lt Ladder Drop Structure to capital
Hydro Parks & Recreation	7,505	8,053	93%	Contract and project timing
Electric Distribution	15,293	17,399	88%	Open positions; contract spending
Electric Transmission	11,569	13,677	85%	Open positions; lower contract spend
Misc. Power Supply Expenses	4,684	5,456	86%	Contract timing
Water & Wastewater	3,425	3,292	104%	PWD acquisition
Fiber Network	4,011	3,929	102%	Contract timing
Customer Accounts & Service	3,451	4,407	78%	Open positions; lower contract spend
Conservation & Customer Assist	3,964	5,441	73%	Higher labor to Reg. assets; lower contract spending
Insurance & FERC Fees	11,948	11,405	105%	Higher insurance premiums
Admin & General	43,445	42,625	102%	Labor shift from other areas vs. budget
Total	175,667	199,429	88%	

Non-Operating Activity

(in 000s)	2024 Actuals YTD	2024 Budget YTD	% of budget	Variance
Interest Earnings	12,867	11,926	108%	Higher cash balances and interest rates
Capital Contributions	6,533	6,129	107%	In line with budget
Interest Expense	(11,334)	(11,702)	97%	In line with budget
Other Inc/(Exp)	734	(1,884)	---	Peshastin Water District acquisition; offset by fiber portal writeoff
Non-Operating Activity	8,800	4,469	197%	

Integrated Electric

(in 000s)	2024 Actuals YTD	2024 Budget YTD	% of budget	Variance
Service Revenue	78,898	87,951	90%	Lower Off System sales usage and market price rate component
Net Wholesale Revenue	63,069	93,214	68%	Lower streamflows requiring higher market purchases
Hydro LT Contact Rev/ Other PP	161,737	135,021	120%	Retained surplus proceeds
Other Operating Revenue	35,856	24,630	146%	Variable portion of real-time agreement, CCA sales
Operating Expense	(168,086)	(191,123)	88%	Lower Hydro O&M
Depreciation & Taxes	(52,174)	(54,426)	96%	In line with budget
Operating Income/(Loss)	119,300	95,266	125%	
Non-Operating Activity	2,764	396	699%	Higher interesting earnings, offset by lower contributions
Bottom Line	122,064	95,661	128%	

Fiber & Telecom

(in 000s)	2024 Actuals YTD	2024 Budget YTD	% of budget	Variance
Service Revenue	9,181	9,056	101%	In line with budget
Other Operating Revenue	9	2	349%	Small \$ variance
Operating Expense	(8,134)	(8,681)	94%	Lower labor costs
Depreciation and Taxes	(3,402)	(3,297)	103%	In line with budget
Operating Income/(Loss)	(2,346)	(2,920)	80%	
Non-Operating Activity	2,795	3,384	83%	Accounting adjustment
Bottom Line	449	464	97%	

Water

(in 000s)	2024 Actuals YTD	2024 Budget YTD	% of budget	Variance
Service Revenue	6,682	6,448	104%	Peshastin Water District acquisition
Other Operating Revenue	69	46	151%	Dryden connection fees
Operating Expense	(4,712)	(4,465)	106%	Peshastin Water District acquisition
Depreciation and Taxes	(2,225)	(2,168)	103%	Peshastin Water District acquisition
Operating Income/(Loss)	(186)	(138)	135%	
Non-Operating Activity	3,099	534	>100%	Peshastin Water District acquisition
Bottom Line	2,913	396	736%	

Wastewater

(in 000s)	2024 Actuals YTD	2024 Budget YTD	% of budget	Variance
Service Revenue	663	676	98%	In line with budget
Other Operating Revenue	2	1	141%	Small \$ variance
Operating Expense	(824)	(806)	102%	In line with budget
Depreciation and Taxes	(341)	(342)	100%	In line with budget
Operating Income/(Loss)	(499)	(471)	106%	
Non-Operating Activity	141	156	90%	Lower capital contributions
Bottom Line	(358)	(315)	114%	

Actual Cash Balance Comparison to Budget

(millions)	2024
Total Cash – Budgeted year-end balance	\$ 444
Key changes in cash results:	
Decrease / (Increase) in capital projects	\$ 35
Increase / (Decrease) in operating activity	\$ 29
Other changes in A/R, A/P, inventory, etc.	\$ 33
Total Cash – Current forecast year-end balance	\$ 541
Prior quarter – 2024 Q2 forecasted year-end balance for 2024	\$ 444

Five-year outlook

Key modeling assumptions:

- Past water history and current forward price curve
- Rate increases Electric – 3%, Water & Wastewater 4% (Effective 12/1/2020, each 6/1 thereafter through 2026); Fiber – 3% through 2024
- Avista Long-term Power Sales Contract beginning in 2026
- Puget Slice executed in March 2024 included for 2025
- Environmental attribute sales from LT Hydro contract amendment included per contract rates and forecasted generation
- Off-system load extended through 2025
- Planned expenditures from 5-year business plans
- Debt reduction plan based on revised 2024 plan of finance
- Hydro contract terms set at maximum rates
 - Debt Reduction Charge (DRC) - 3% (2022-26)
 - Capital Recovery Charge (CRC) - 50% (2022-26)
- Investment earnings rate
 - (2024-28: 3.20%, 3.25%, 3.56%, 3.88%, 4.03%)

Combined Five-Year Forecast

(in 000s)	Forecast 2024	Forecast 2025	Forecast 2026	Forecast 2027	Forecast 2028
Service Revenue	127,102	131,926	97,245	100,060	101,631
Net Wholesale Revenue	87,493	156,181	127,564	153,772	192,467
Hydro LT Contract Rev/Other PP	204,587	185,798	204,375	214,265	202,671
Other Operating Revenue	39,838	28,056	26,149	26,748	26,082
Total Revenue	459,019	501,961	455,333	494,846	522,851
Operating Expense	(236,213)	(264,509)	(256,631)	(270,092)	(269,499)
Depreciation & Tax Expense	(77,883)	(83,707)	(85,656)	(90,234)	(95,957)
Operating Income/(Loss)	144,923	153,745	113,046	134,520	157,396
Non-Operating Activity	9,840	6,084	11,134	12,827	16,320
Bottom Line	154,763	159,830	124,181	147,347	173,716

<i>Prior Quarter Reported Forecast</i>	131,262	139,467	116,124	141,971	161,270
-----------------------------------------------	----------------	----------------	----------------	----------------	----------------

<i>Forecast at 2024 Budget</i>	125,694	144,937	125,365	155,211	171,013
---------------------------------------	----------------	----------------	----------------	----------------	----------------

Capital Projects

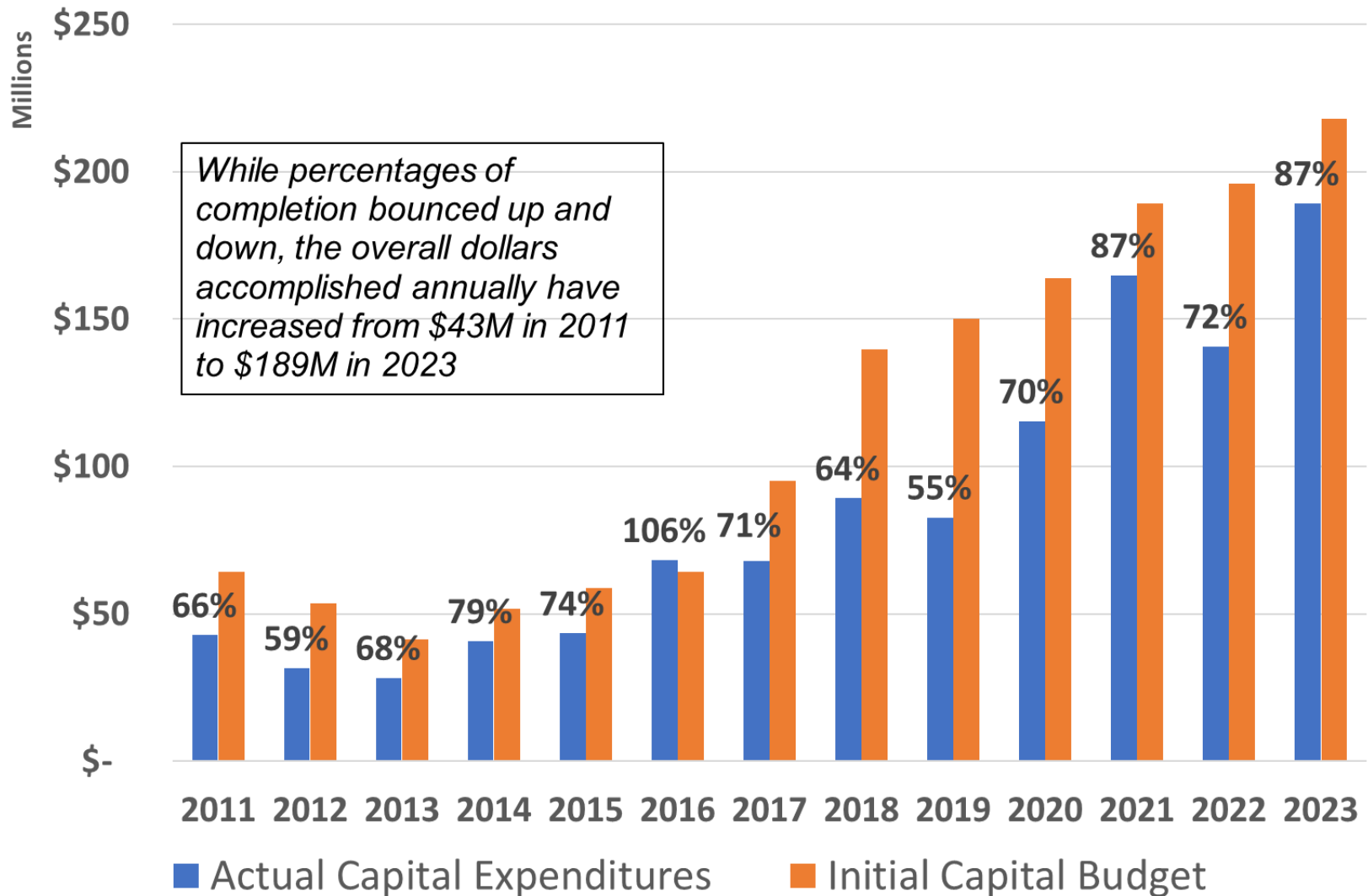
(in 000s)	Forecast 2024	Forecast 2025	Forecast 2026	Forecast 2027	Forecast 2028
Electric Distribution	53,706	52,529	59,953	34,054	38,511
Network Transmission	29,585	12,391	18,558	9,029	14,254
Rocky Reach	8,452	14,449	17,679	16,314	19,478
Rock Island	57,398	99,397	115,842	93,228	77,966
Lake Chelan	761	3,924	4,131	1,350	846
Internal Services	21,671	11,540	11,496	12,279	7,037
Fiber & Telecom	5,691	9,086	4,212	3,892	2,927
Water	3,847	3,789	5,399	6,121	4,295
Wastewater	2,505	27	81	84	447
Total Expenditures	183,616	207,133	237,351	176,352	165,761

<i>Prior Quarter Reported Forecast</i>	213,797	212,565	175,505	186,853	155,017
-----------------------------------------------	----------------	----------------	----------------	----------------	----------------

<i>Forecast at 2024 Budget</i>	218,512	210,196	192,511	175,968	127,230
---------------------------------------	----------------	----------------	----------------	----------------	----------------

Capital Expenditures History

District Capital Spending vs. Budget





Quarterly Investment Report

for the quarter ending September 30, 2024

All \$ values are shown in '000s

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

Portfolio Summary

	Q4 2023	Q1 2024	Q2 2024	Q3 2024	YTD 2024	WAM	
Average Invested Book Value	\$545 M	\$552 M	\$532 M	\$507 M	\$530 M		
Interest Earned	\$4.3 M	\$4.4 M	\$4.3 M	\$4.2 M	\$12.9 M		
District Yield	3.11%	3.21%	3.25%	3.30%	3.25%	709	
Benchmarks:							
3 Month T-Bill	5.35%	5.29%	5.31%	5.04%	5.22%	92	
S&P US Treasury 1-3 Year Index	3.84%	4.24%	4.52%	4.60%	4.45%	692	
LGIP (State Pool)	5.42%	5.41%	5.40%	5.36%	5.39%	15	
Fed Funds Effective	5.33%	5.33%	5.33%	5.26%	5.31%	1	

Policy Objectives & Compliance

- + Safety
- + Liquidity
- + Maturity Length
- Return on Investment
- + Diversification

Policy Objectives and Compliance:

The District continues to focus on meeting investment policy objectives and compliance limits. Safety of principal is the foremost objective of the District. Diversification limits mitigate credit risk and support the preservation of capital in the overall portfolio. The laddered investment structure continues to be our strategy to support liquidity and maturity objectives and mitigate interest rate volatility over time. However, the laddered structure can result in the District's yield lagging the shorter term 3 month T-Bill benchmark in both declining and rising interest rate conditions. Bank demand deposits and US Treasuries continue to be held in addition to other investments with higher yields such as bank CDs, US Agencies, and Municipal Bonds. For Q3 2024, the District's yield increased slightly to 3.30% (2024 budgeted rate is 3.13%) on an average invested book value of \$507 million due to reinvestment of maturing funds in higher yielding accounts and securities. 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 September 18, 2024 meeting reported recent indicators suggest that economic activity has continued to expand at a solid pace. Job gains have slowed, and the unemployment rate has moved up but remains low. Inflation has made further progress toward the committee's 2 percent objective but remains elevated. The Committee has gained greater confidence that inflation is moving sustainably toward 2 percent, and judges that the risks to achieving its employment and inflation goals are roughly in balance. The economic outlook is uncertain, and the Committee is attentive to risks to both sides of its dual mandate. The Committee seeks to achieve maximum employment and inflation at the rate of 2 percent over the longer run. In light of the progress on inflation and the balance of risks, the Committee decided to lower the target range for the federal funds rate by 1/2 percentage point to 4-3/4 to 5 percent. In considering additional adjustments to the target range for the federal funds rate, the Committee will carefully assess incoming data, the evolving outlook, and the balance of risks. 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 gradual future rate declines going into 2025. Global and national events can influence financial markets, which may impact the District.



Quarterly Investment Report

for the quarter ending September 30, 2024

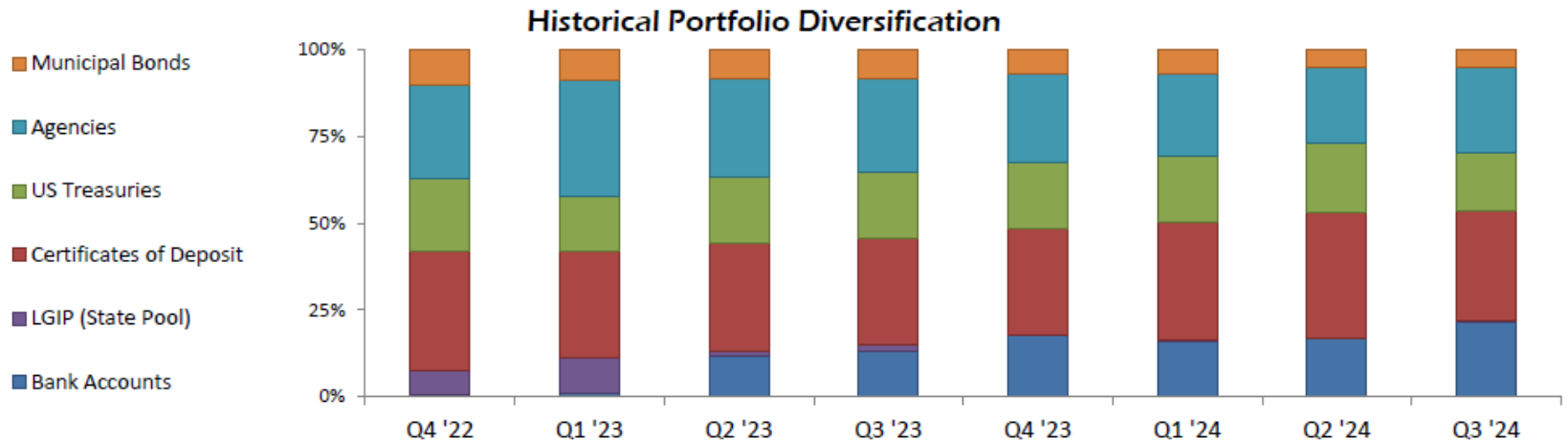
All \$ values are shown in '000s

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

Investments by Type - as of September 30, 2024

	Par Value	GASB 31 Reported Value	Book Value	Book Value as % of Portfolio	Policy % Limit	WAM
Bank Accounts	\$ 113,109	\$ 113,109	\$ 113,109	21.4%	75%	1
Certificates of Deposit	\$ 165,108	\$ 165,108	\$ 165,108	31.2%	40%	629
US Treasuries	\$ 90,516	\$ 85,851	\$ 88,313	16.7%	100%	1,247
LGIP (State Pool)	\$ 3,992	\$ 3,992	\$ 3,992	0.8%	25%	1
US Agencies	\$ 138,249	\$ 130,724	\$ 132,255	25.0%	75%	1,055
Municipal Bonds	\$ 24,660	\$ 23,960	\$ 25,595	4.8%	30%	824
Total:	\$ 535,634	\$ 522,743	\$ 528,372			709

Numbers may not foot due to rounding





Quarterly Investment Report for the quarter ending September 30, 2024

All \$ values are shown in '000s

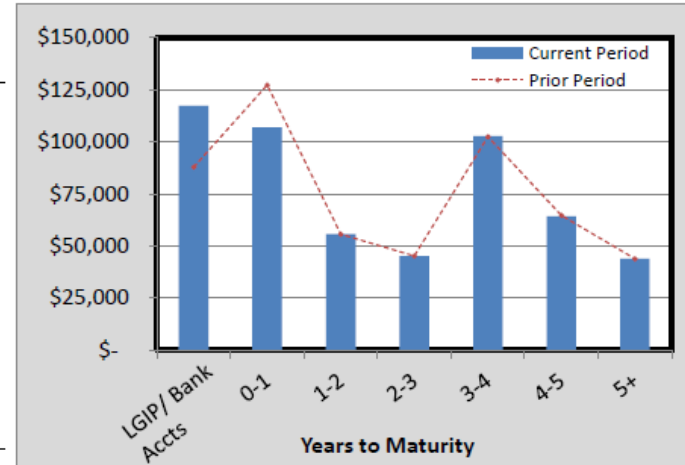
Prepared in accordance with District Banking and Investment Policy #22-14648

Maturity Distribution - as of September 30, 2024

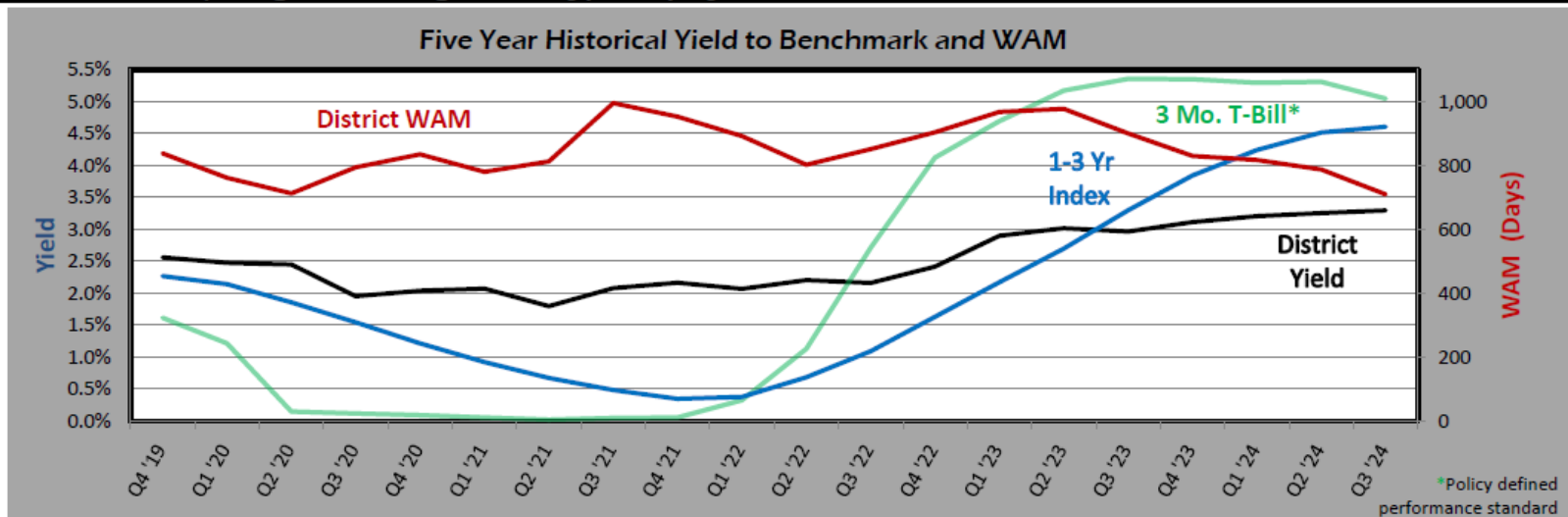
Maturity	Par Value	% of Portfolio	Cumulative % of Portfolio
LGIP \$	3,992	0.7%	0.7%
Bank Accounts \$	113,109	21.1%	21.9%
1-90 Days \$	18,338	3.4%	25.3%
91-180 Days \$	13,568	2.5%	27.8%
181-365 Days \$	74,985	14.0%	41.8%
1-2 Yrs \$	55,601	10.4%	52.2%
2-3 Yrs \$	45,224	8.4%	60.6%
3-4 Yrs \$	102,777	19.2%	79.8%
4-5 Yrs \$	64,212	12.0%	91.8%
5+ Yrs \$	43,829	8.2%	100.0%

Total: \$ 535,634 100%

Numbers may not foot due to rounding



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



*Policy defined performance standard



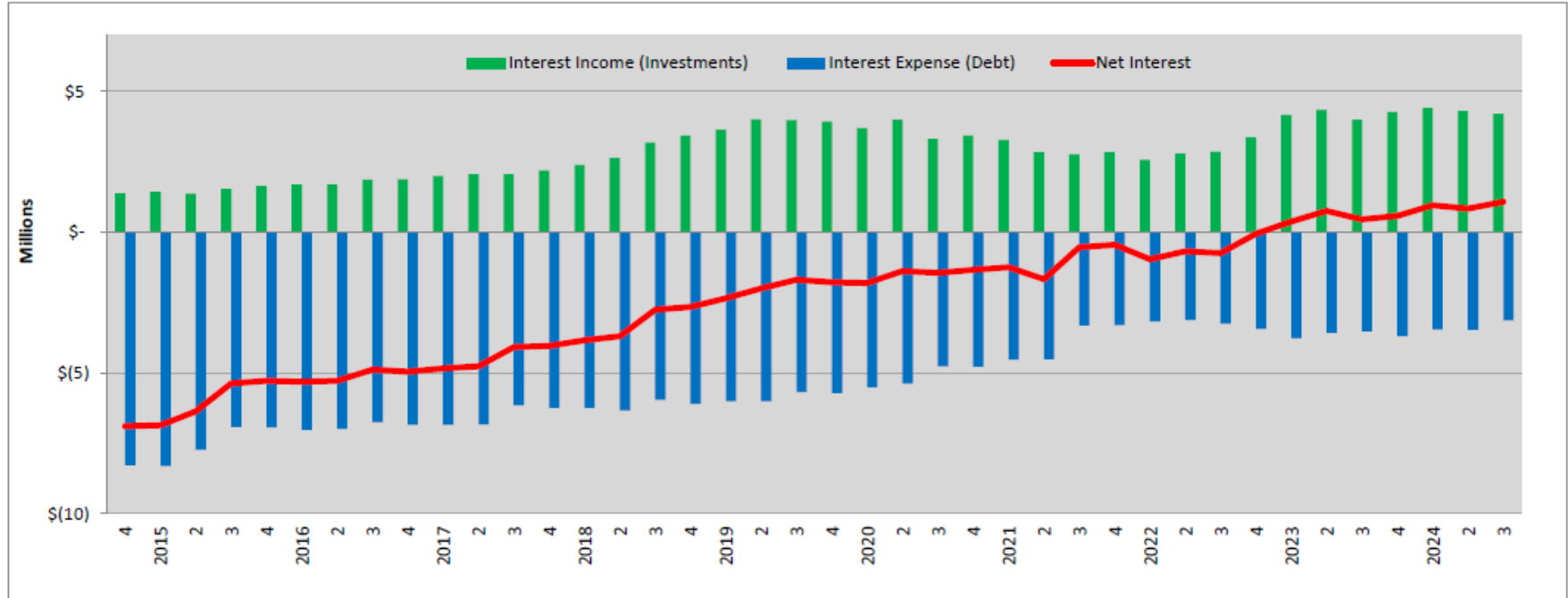
Quarterly Investment Report

for the quarter ending September 30, 2024

All \$ values are shown in '000s

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

Historical Net Interest, by Quarter



Q3 2024 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: Due to changes in Accounting and Human Resources staffing

Banks: None



Quarterly Investment Report

for the quarter ending September 30, 2024

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.