

Chelan County PUD 2024 Financial Review



February 18, 2025
Dave Nelson

What We Will Cover Today

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

Update only, no action required

Appendix: Additional detailed information not covered today

2024 Key Highlights

Bottom-line results better than budget

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

Significant investment in core assets

- Capital spending continued at a high level in 2024 with strong progress on key projects

Financial targets on-track

- District financial metrics were met for 2024 and are on track for the 5-year planning horizon
- Low debt leverage and high debt service coverage provides financial flexibility

2024 Overview

Revenue

Service Revenue \$15M below budget

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

Net Wholesale Revenue \$30M below budget

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

Hydro Contract Revenue \$34M above budget

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

Other Operating Revenue \$14M above budget

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

Total Revenues \$3M above budget for the year

Expense

Operating Expenses \$16M below budget

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

Non-Operating Activity–Inc/(Exp) \$6M better than budget

- ↑ Higher interest income
- ↑ Peshastin Water District acquisition
- ↑ Higher customer contributions

Total Net Expenses \$22M below budget

Bottom Line

Bottom Line \$150M for the year *

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

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

Bottom Line \$25M better than budget

2024 Overview

Capital

Capital expenditures of \$191M

- ↓ \$43M below \$234M adjusted budget
- ↓ \$27M below \$219M original budget

Capital spending adjustments

- ↑ Jumpoff Ridge
- ↑ Ravenwing Ranch
- ↓ RI PH2 U1-U8 Rehab
- ↓ Bavarian Substation
- ↓ HTCF Abatement Pond
- ↓ RI PH2 MCC Replacement
- ↓ RI PH1 Intake Gantry Crane

Q3 forecast of \$184M

Capital expenditures of \$800M over the last five years

Cash

Cash and investments balance of \$566M

- ↑ increased by \$26M from year-end
- ↓ Capital spending
- ↑ Improved bottom line
- ↑ Customer deposits

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

- ↑ \$122M higher than forecast at budget

Q3 forecast \$541M

Debt

Debt balance of \$285M

- ↑ \$15M higher than budget due to elimination of prepayment

2024 Debt reduction of \$39M

- ↓ \$39M of net scheduled payments

2024 Bottom Line Results

(in 000s)	2024 Actuals	2024 Budget	% of budget
Service Revenue	122,946	137,760	89%
Net Wholesale Revenue	87,776	117,883	74%
Hydro LT Contract Rev/Other PP	213,075	179,175	119%
Other Operating Revenue	42,972	28,821	149%
Total Revenue	466,769	463,638	101%
Operating Expense	(250,039)	(263,650)	95%
Depreciation & Tax Expense	(78,090)	(80,338)	97%
Operating Income/(Loss)	138,640	119,650	116%
Non-Operating Activity	11,709	6,011	>100%
Bottom Line	150,349	125,661	120%

2024 Business Line Bottom Line Results

(in 000s)	2024 Actuals	2024 Budget	% of budget
Integrated Electric	148,396	125,810	118%
Fiber & Telecom	(677)	(144)	470%
Water	3,314	386	858%
Wastewater	(685)	(391)	175%
Combined Bottom Line	150,349	125,661	120%

- Integrated Electric (IE) includes \$2.9M 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 \$2.9M 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 Actuals	2024 Budget	% of budget
Electric Distribution	55,435	61,466	90%
Network Transmission	29,837	30,720	97%
Rocky Reach	10,859	16,770	65%
Rock Island	58,484	86,631	68%
Lake Chelan	766	814	94%
Internal Services	23,496	23,544	100%
Fiber & Telecom	6,674	8,201	81%
Water	3,490	3,847	91%
Wastewater	2,274	2,547	89%
Total Expenditures	191,315	234,539	82%
Contributions	(8,410)	(7,279)	116%
Capital net of CIAC	182,905	227,260	80%

Accomplishing strategic goal to invest in assets with \$800M in capital investment over the past five years

2024 Cash Flow

	\$ Million
Bottom line result 2024	\$ 150
Add back non-cash expense items (deprec./amort.)	\$ 63
Subtract non-cash revenue items	(\$ 14)
Estimated earned funds from operations	\$ 199
Capital project expenditures	(\$ 191)
Net debt activity (principal payments net of capitalized interest)	(\$ 39)
Other misc. impacts (change in A/R, A/P, inventory, debt, etc.)	\$ 57
Estimated use of funds	(\$ 173)
Added to (Use of) cash reserves	\$ 26

Cash and investments, beginning of year	\$ 540
Added to (Use of) cash reserves	\$ 26
Cash and investments 2024	\$ 566

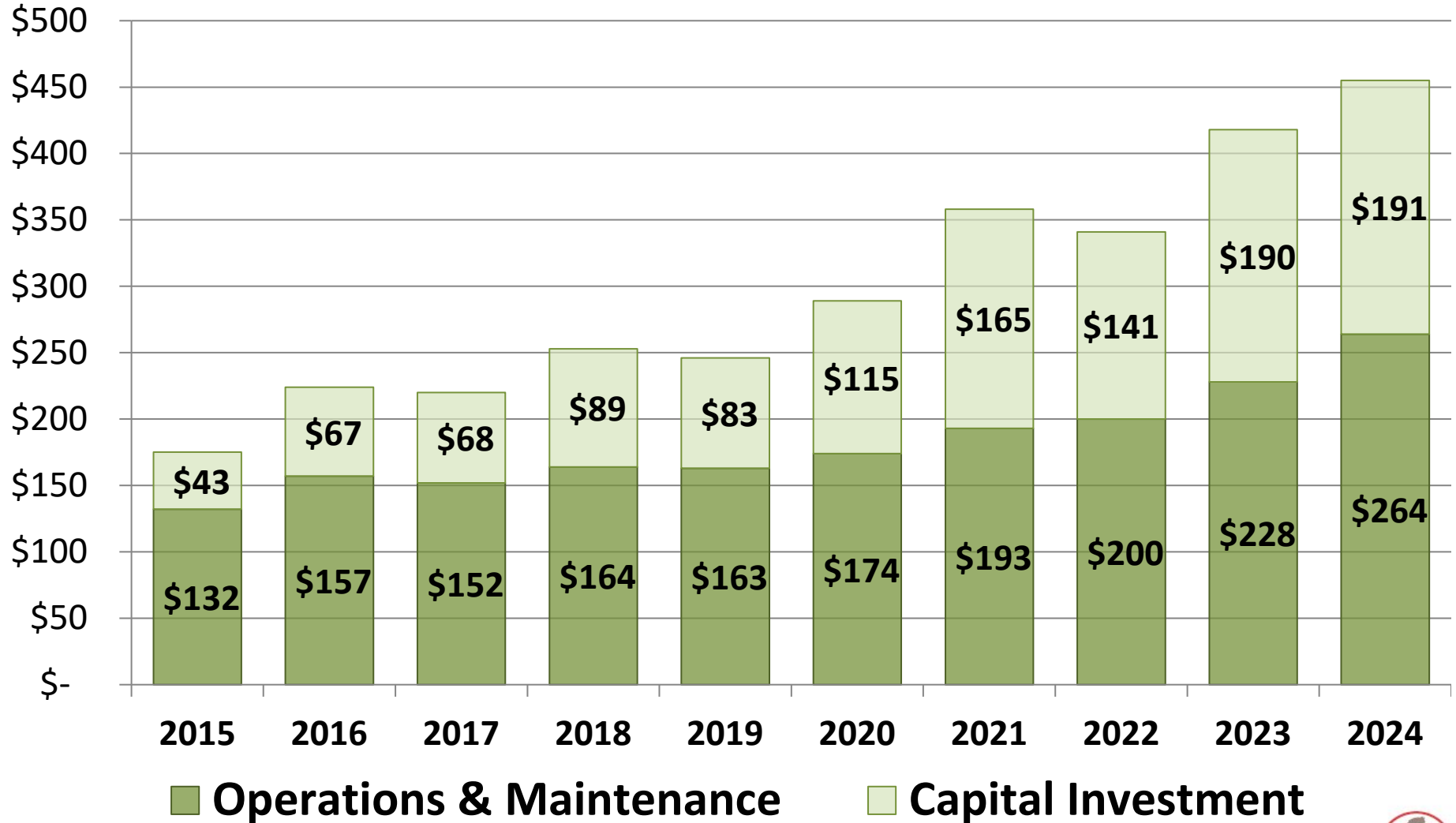
Cash & Investments Balance

(\$ Millions)	<u>12/31/24</u>	<u>12/31/23</u>
Unrestricted funds	\$256	\$345
Board Designated*: Electric Rate Support Fund	<u>23</u>	<u>14</u>
Total Unrestricted Funds	\$279	\$359
Restricted funds for hydro capital/debt	<u>155</u>	<u>65</u>
Total Liquidity (policy minimum \$231M calculated)	\$434	\$424
Restricted – bond reserve funds	47	46
Restricted – customer deposit substation - Microsoft	40	36
Restricted – power contract deposits	33	18
Restricted – self insurance and other funds	<u>12</u>	<u>15</u>
Total Cash and Investments	<u>\$566</u>	<u>\$540</u>

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

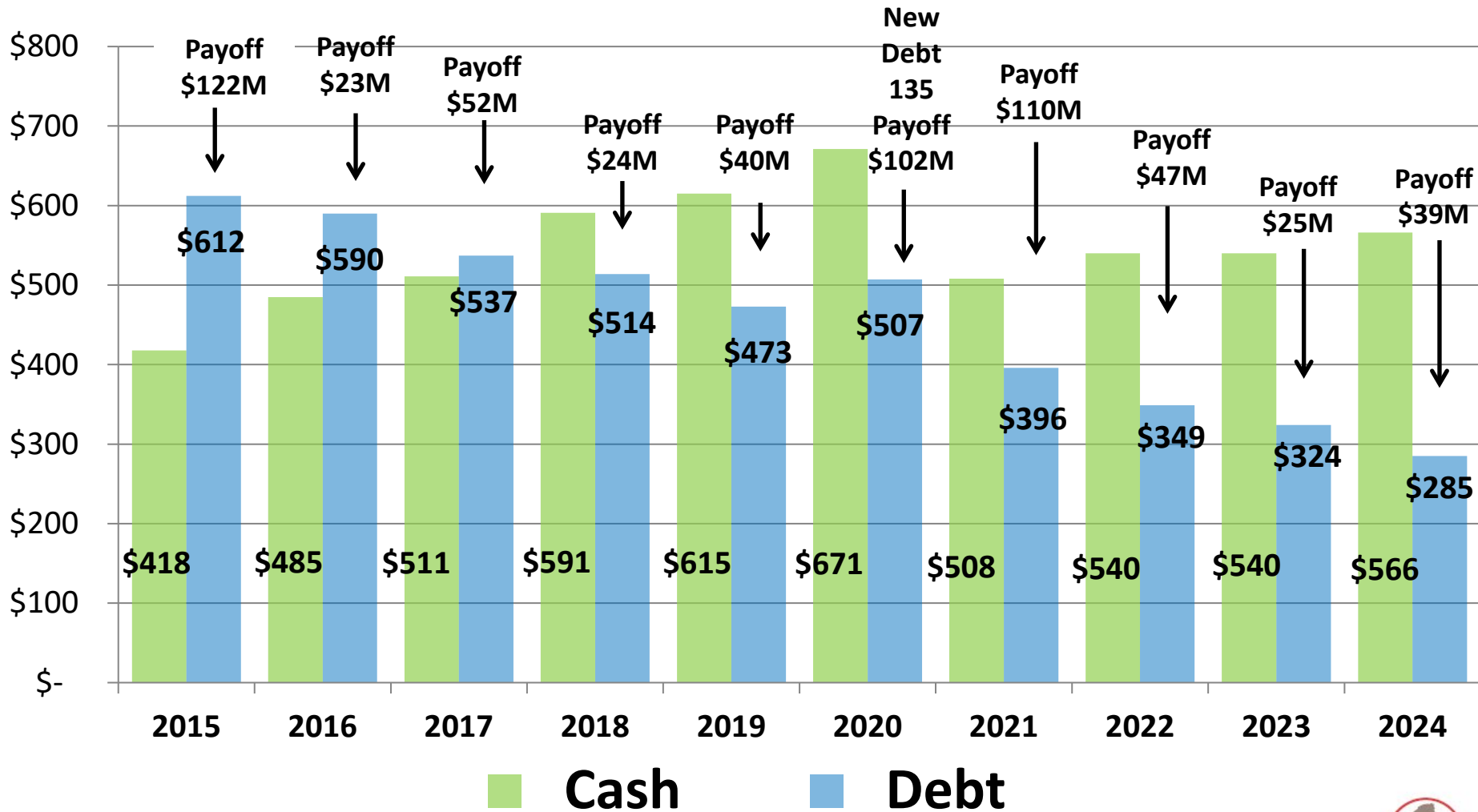
Historical Review of the District's Financial Results

(amounts in millions)



Historical Review of the District's Financial Results

(amounts in millions)



Quarterly Reporting Requirement - Financial Policies

District Combined	2024	2025	2026	2027	2028
Liquidity (Greater calculated min \$225M-\$302M, Expected)	\$434M	\$393M	\$328M	\$327M	\$359M
Liquidity (Greater calculated min \$225M-\$302M, Unusual)		\$394M	\$300M*	\$289M*	\$305M*
Debt Ratio (Expected case <35%)	13.6%	10.3%	8.8%	7.4%	5.9%
Debt Ratio (Unusual case <35%)		10.4%	8.9%	8.4%	8.1%
Days Cash on Hand (Expected case >150)	273	301	318	308	334
Days Cash on Hand (Unusual case > 150)		293	291	272	284
Combined Debt Cover (Expected case > 2.00x)	4.01	4.02	5.86	6.70	7.30
Combined Debt Cover (Unusual case >1.25x)		3.86	5.30	5.55	5.39
Bottom Line Results (Expected case)	\$150M	\$146M	\$125M	\$143M	\$164M
Bottom Line Results (Unusual case)		\$137M	\$106M	\$113M	\$119M
Debt Outstanding (Expected case)	\$285M	\$226M	\$201M	\$177M	\$151M
Debt Outstanding (Unusual case)		\$226M	\$201M	\$198M	\$201M

* - 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
	Actuals for 2024		
Operating Cover Percentage (2024 target)	>104.0%	>62.0%	>80.0%
Operating Cover Percentage (2024 actual)	95.4%	51.7%	76.3%
Cash Reserves – Unrestricted (2024 target)	>\$1.25M	>\$200K	>\$2.0M
Cash Reserves – Unrestricted (2024 actual)	\$4.8M	\$1.3M	\$17.9M
Debt Service as a % of Rev (2024 target)	<12.0%	<2.0%	<10.0%
Debt Service as a % of Rev (2024 actual)	8.9%	12.7%	---

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

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

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

Quarterly Investment Report

In compliance with District Banking and Investment Policy #22-14648

	Q1 2024	Q2 2024	Q3 2024	Q4 2024	YTD 2024	WAM
Average Invested Book Value (\$M)	\$552	\$532	\$507	\$552	\$536	
District Yield	3.21%	3.25%	3.30%	3.30%	3.26%	797
Benchmarks:						
3 Month T-Bill	5.29%	5.31%	5.04%	4.44%	5.02%	92
S&P US Treasury 1-3 Year Index	4.24%	4.52%	4.60%	4.57%	4.48%	692

- Q4 2024 yield remained at 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
+ Safety	+ Diversification
+ Liquidity	+ Duration
+ Maturity	+ Internal Controls
■ Return on Investment	

Full report in Appendix

2024 Key Messages

- 2024 results are better than budget
- Accomplished significant level of investment
- Long-term financial metrics remain strong
- Stay the long-term course

Appendix



The information in the appendix contains forward-looking information and projections 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:

↓ 2024 result \$30 million below budget (\$88M vs. \$118M)

↓ Annual result \$1M above Q3 forecast (\$88M vs. \$87M)

Drivers:

- ↓ Low water - Generation 81% of budget
- ↓ Higher purchases
- ↓ Lower market prices

Hydro Long-Term Contract Revenue:

↑ 2024 result \$34 million above budget (\$213M vs. \$179M)

↑ Annual result \$8M higher than Q3 forecast (\$213M vs. \$205M)

Drivers:

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

Financial Highlights - Revenue

Service Revenue:

↓ 2024 result \$15M below budget
(\$123M vs. \$138M)

↓ Annual result \$4M below Q3 forecast
(\$123M vs. \$127M)

Drivers:

- ↓ Residential & Commercial -\$1.3M
- ↓ Lower Off-System sales due to lower usage and lower market price component of sales -\$14.2M

Other Operating Revenue:

↑ 2024 results \$14 million above budget
(\$43M vs. \$29M)

↑ Annual results \$3M above Q3 forecast
(\$43M vs. \$40M)

Drivers:

- ↑ Real-Time Agreement variable portion better than budget +\$6.8M
- ↑ Renewable energy credit and CCA sales better than budget +\$8.5M

Financial Highlights - Expenses

Operating Expense:

↓ 2024 result \$16M million below budget (\$328M vs. \$344M)

↓ Annual result \$14M above Q3 forecast (\$328M vs. \$314M)

Drivers:

- ↓ Hydro operations and maintenance at 90% of budget
- ↓ Hydro Fish & Wildlife at 84% of budget
- ↓ Electric Transmission at 87% of budget
- ↑ Admin & General at 107% of budget
- ↑ Insurance & Claims at 123% of budget

Non-Operating Activity–Inc/(Exp) :

↓ YTD result \$5.7M better than budget (\$11.7M vs. \$6.0M)

↓ Annual results \$1.9M better than Q3 forecast (\$11.7M vs. \$9.8M)

Drivers:

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

Financial Highlights – Balance Sheet

Capital Expenditures lower than budget

- 2024 \$190 million vs. budget of \$234 million (Orig \$219M)
- 2024 Annual result \$6 million above Q3 forecast of \$184 million

Selected individual project adjustments:

↑	Jumpoff Ridge	\$6.3M accelerated progress
	Ravenwing Ranch	\$5.4M land purchase
↓	RI PH2 U1-U8 Rehab	\$36.5M schedule delays shift out spending
	Bavarian Substation	\$5.9M shifted to 2025 & 2026
	HTCF Abatement Pond Improv	\$4.1M project on hold
	RI PH2 MCC Replacement	\$3.2M shifted to 2025
	RI PH1 Intake Gantry Crane	\$3.1M shifted to 2025

Cash remains strong, with continued debt reduction

- Cash balance increased \$26 million due to positive bottom line result being used to fund capital and debt service and remains strong at \$566M.
- Debt balance decreased \$39 million to \$285M due to principal payments offset by capitalized interest

Service Revenue

(in 000s)	2024 Actuals	2024 Budget	% of budget	Variance
Residential Electric	33,049	33,898	97%	In line with budget
Commercial Electric	18,255	18,664	98%	In line with budget
Industrial Electric	5,448	5,007	109%	Higher usage
High Density Load	10,311	10,438	99%	In line with budget
Off-System End-Use Sales	35,411	49,582	71%	Lower use and market price component
EV Charging Stations	238	207	115%	New charging stations
Other Electric	1,832	1,623	113%	Weather based usage
Electric Service	104,544	119,419	88%	
Water Service	8,509	8,192	104%	Peshastin Water District acquisition
Wastewater Service	902	921	98%	In line with budget
Fiber & Telecom	8,990	9,228	97%	In line with budget
Service Revenue	122,946	137,760	89%	

Note: Excludes internal intersystem revenues

Net Surplus Energy Revenue

(in 000s)	2024 Actuals	2024 Budget	% of budget	Variance
Slice Contracts	120,534	120,534	100%	In line with budget
Net Block Trades & Other	(32,758)	(2,651)	---	Lower streamflow and higher market purchases
Net Wholesale Revenue	87,776	117,883	74%	
LT Hydro Contracts	213,949	180,140	119%	Retained surplus revenues; offset by lower revenues from lower hydro operating expenses
Other Purchased Power	(874)	(965)	91%	Lower billed costs-Nine Canyon
Hydro LT Contract Rev/ Other PP	213,075	179,175	119%	
Surplus Energy Revenue	300,851	297,057	101%	

Operating Expense

(in 000s)	2024 Actuals	2024 Budget	% of budget	Variance
Hydro Operations & Maintenance	77,890	86,619	90%	Project delays: RR large units
Hydro Fish & Wildlife	20,371	24,292	84%	RI Lt Ladder Drop Structure to capital
Hydro Parks & Recreation	9,927	10,278	97%	In line with budget
Electric Distribution	20,355	23,000	88%	Open positions; lower contract spending
Electric Transmission	15,585	17,874	87%	Open positions; lower contract spend
Misc. Power Supply Expenses	6,522	7,203	91%	Lower contract spending
Water & Wastewater	4,765	4,352	109%	PWD acquisition
Fiber Network	5,245	5,215	101%	In line with budget
Customer Accounts & Service	4,618	5,789	80%	Open positions; lower contract spend
Conservation & Customer Assist	5,349	7,237	74%	Higher labor to Reg. assets; lower contract spending
Insurance & FERC Fees	18,674	15,242	123%	Higher insurance claims
Admin & General	60,736	56,548	107%	Labor shift from other areas vs. budget
Total	250,039	263,650	95%	

Non-Operating Activity

(in 000s)	2024 Actuals	2024 Budget	% of budget	Variance
Interest Earnings	17,441	15,901	110%	Higher cash balances and interest rates
Capital Contributions	9,335	8,162	114%	Higher electric and water new service contributions
Interest Expense	(14,913)	(15,446)	97%	In line with budget
Other Inc/(Exp)	(155)	(2,607)	6%	Peshastin Water District acquisition; offset by fiber portal writeoff
Non-Operating Activity	11,709	6,011	195%	

Integrated Electric

(in 000s)	2024 Actuals	2024 Budget	% of budget	Variance
Service Revenue	104,668	119,521	88%	Lower Off System sales usage and market price rate component
Net Wholesale Revenue	87,776	117,883	74%	Lower streamflows requiring higher market purchases
Hydro LT Contact Rev/Other	213,075	179,175	119%	Retained surplus proceeds
Other Operating Revenue	47,893	33,013	145%	Variable portion of real-time agreement, CCA sales
Operating Expense	(239,595)	(252,695)	95%	Lower Hydro O&M
Depreciation & Taxes	(70,050)	(72,624)	96%	In line with budget
Operating Income/(Loss)	143,767	124,271	116%	
Non-Operating Activity	4,630	1,538	301%	Higher interest earnings and new service contributions
Bottom Line	148,396	125,810	118%	

Fiber & Telecom

(in 000s)	2024 Actuals	2024 Budget	% of budget	Variance
Service Revenue	12,292	12,075	102%	In line with budget
Other Operating Revenue	104	3	---	Small \$ variance
Operating Expense	(11,677)	(11,388)	103%	In line with budget
Depreciation and Taxes	(4,569)	(4,396)	104%	In line with budget
Operating Income/(Loss)	(3,850)	(3,706)	104%	
Non-Operating Activity	3,173	3,562	89%	Fiber portal write-off
Bottom Line	(677)	(144)	470%	

Water

(in 000s)	2024 Actuals	2024 Budget	% of budget	Variance
Service Revenue	8,821	8,401	105%	Peshastin Water District acquisition
Other Operating Revenue	87	61	142%	Dryden connection fees
Operating Expense	(6,366)	(5,926)	107%	Peshastin Water District acquisition
Depreciation and Taxes	(2,974)	(2,862)	104%	Peshastin Water District acquisition
Operating Income/(Loss)	(432)	(326)	132%	
Non-Operating Activity	3,746	713	>100%	Peshastin Water District acquisition
Bottom Line	3,314	386	858%	

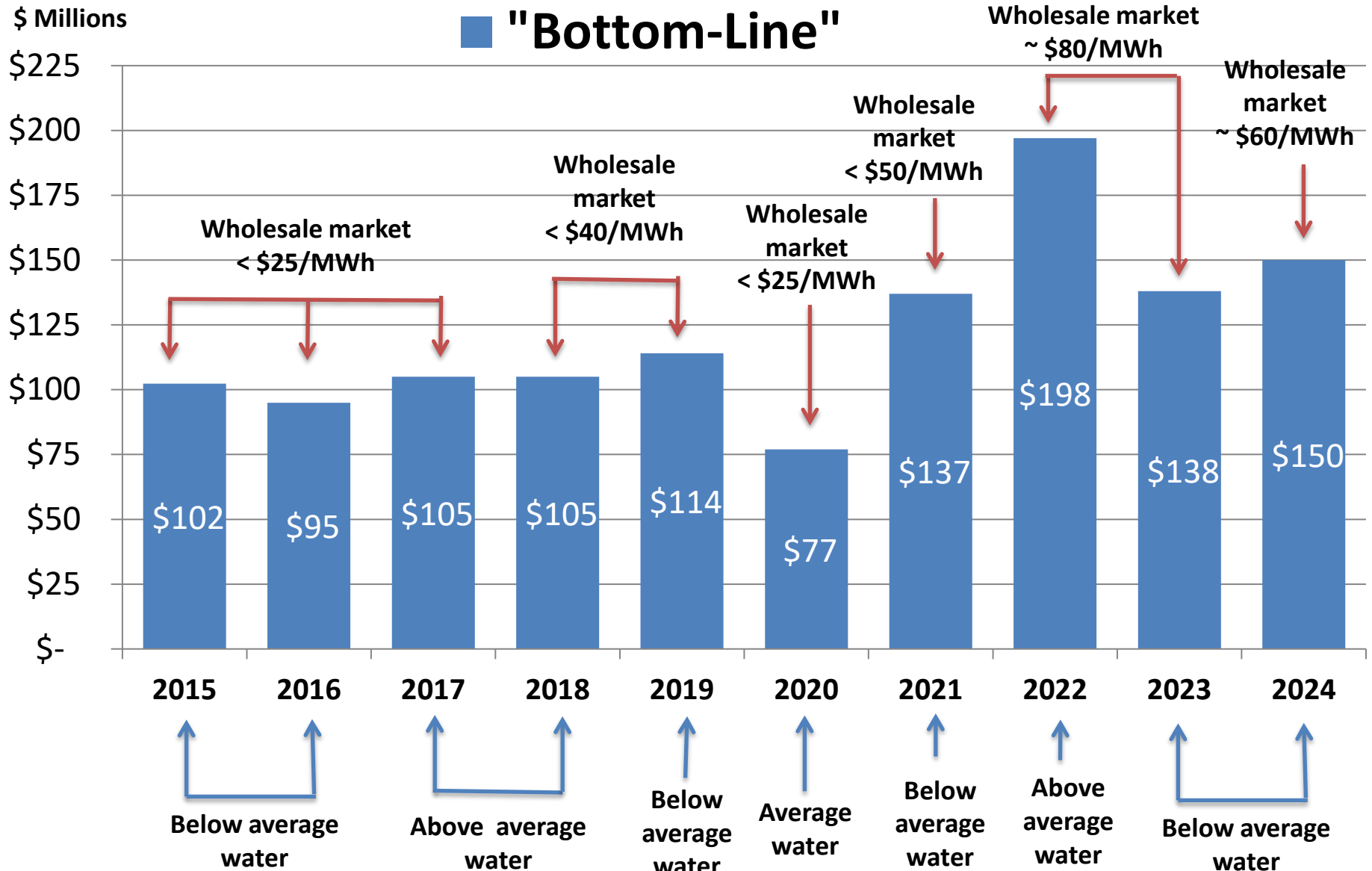
Wastewater

(in 000s)	2024 Actuals	2024 Budget	% of budget	Variance
Service Revenue	902	921	98%	In line with budget
Other Operating Revenue	2	2	139%	Small \$ variance
Operating Expense	(1,252)	(1,055)	119%	New WW plant in service
Depreciation and Taxes	(498)	(456)	109%	In line with budget
Operating Income/(Loss)	(845)	(589)	143%	
Non-Operating Activity	160	198	81%	Lower capital contributions
Bottom Line	(685)	(391)	175%	

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	\$ 27
Increase / (Decrease) in operating activity	\$ 25
Change in plan of finance to not make the advance 2025 debt payment	\$ 15
Other changes in A/R, A/P, inventory, etc.	\$ 55
Total Cash – Year-end balance	\$ 566
Prior quarter – 2024 Q3 forecasted year-end balance for 2024	\$ 541

Review of the District's Past Financial Results



Five-year outlook

Key modeling assumptions:

- Past water history and current forward price curve
- Rate increases Electric – 3%, 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%, 3.43%, 3.78%, 4.11%, 4.36%)

Combined Five-Year Forecast

(in 000s)	Forecast 2025	Forecast 2026	Forecast 2027	Forecast 2028	Forecast 2029
Service Revenue	126,797	97,145	99,952	101,516	103,247
Net Wholesale Revenue	148,497	127,315	147,617	184,467	179,398
Hydro LT Contract Rev/Other PP	185,904	204,943	213,656	202,878	192,257
Other Operating Revenue	28,100	26,111	26,704	26,039	27,245
Total Revenue	489,299	455,514	487,929	514,900	502,147
Operating Expense	(268,836)	(255,237)	(266,034)	(269,702)	(276,934)
Depreciation & Tax Expense	(81,764)	(86,484)	(91,555)	(96,672)	(99,757)
Operating Income/(Loss)	138,698	113,793	130,340	148,526	125,456
Non-Operating Activity	7,124	11,692	12,397	15,879	20,646
Bottom Line	145,823	125,486	142,737	164,405	146,102

Prior Quarter Reported Forecast	159,830	124,181	147,347	173,716	157,033
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Forecast at 2024 Budget	144,937	125,365	155,211	171,013	142,127
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Capital Projects

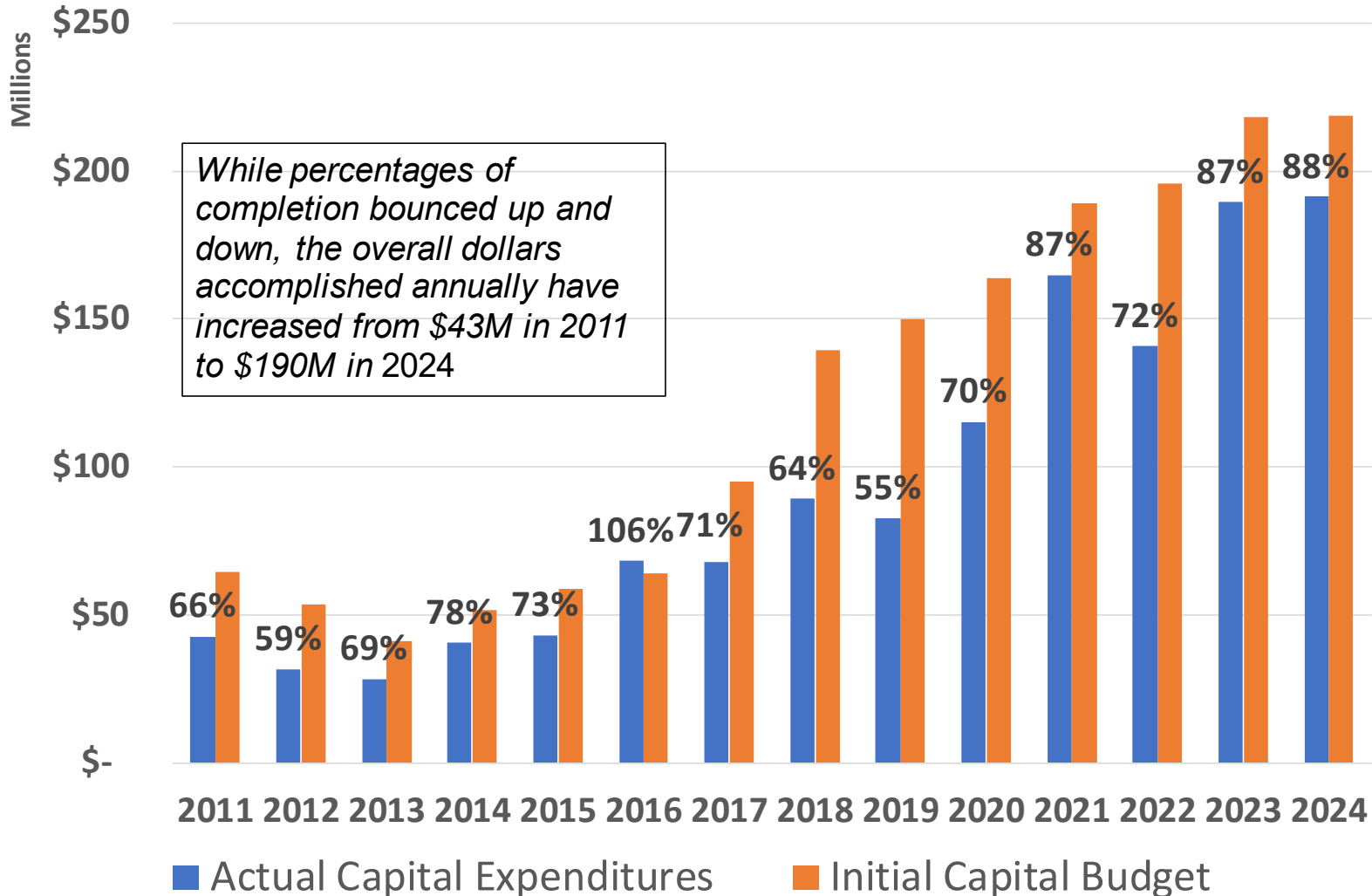
(in 000s)	Forecast 2025	Forecast 2026	Forecast 2027	Forecast 2028	Forecast 2029
Electric Distribution	51,036	63,946	35,652	38,217	33,631
Network Transmission	12,779	17,797	9,217	14,442	22,479
Rocky Reach	14,671	17,679	16,113	19,478	19,595
Rock Island	101,383	109,237	95,443	79,256	59,907
Lake Chelan	3,922	4,131	1,350	846	485
Internal Services	10,520	11,476	11,634	6,615	10,963
Fiber & Telecom	7,527	7,077	2,736	2,927	3,144
Water	3,650	5,975	5,584	4,288	4,395
Wastewater	27	81	84	447	89
Total Expenditures	205,514	237,399	177,812	166,515	154,687

<i>Prior Quarter Reported Forecast</i>	207,133	237,351	176,352	165,761	153,493
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<i>Forecast at 2024 Budget</i>	210,196	192,511	175,968	127,230	146,681
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Capital Expenditures History

District Capital Spending vs. Budget





Quarterly Investment Report

for the quarter ending December 31, 2024

All \$ values are shown in '000s

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

Portfolio Summary

	Q1 2024	Q2 2024	Q3 2024	Q4 2024	YTD 2024	WAM	
Average Invested Book Value	\$552 M	\$532 M	\$507 M	\$552 M	\$536 M		
Interest Earned	\$4.4 M	\$4.3 M	\$4.2 M	\$4.6 M	\$17.5 M		
District Yield	3.21%	3.25%	3.30%	3.30%	3.26%	797	
Benchmarks:							
3 Month T-Bill	5.29%	5.31%	5.04%	4.44%	5.02%	92	
S&P US Treasury 1-3 Year Index	4.24%	4.52%	4.60%	4.57%	4.48%	692	
LGIP (State Pool)	5.41%	5.40%	5.36%	4.75%	5.23%	24	
Fed Funds Effective	5.33%	5.33%	5.26%	4.65%	5.14%	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 Q4 2024, the District's yield remained at 3.30% (2024 budgeted rate was 3.13%) on an average invested book value of \$552 million due to a combination of declining short term interest rates and reinvestment of longer term 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 December 18, 2024 meeting reported recent indicators suggest that economic activity has continued to expand at a solid pace. Since earlier in the year, labor market conditions have generally eased, and the unemployment rate has moved up but remains low. Inflation has made progress toward the committee's 2 percent objective but remains somewhat elevated. The Committee 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. In support of its goals, during Q4 2024 the Committee lowered the target range for the federal funds rate twice by a combined total of 1/2 percentage to 4-1/4 to 4-1/2 percent. In considering the extent and timing of 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 supporting maximum employment and 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 declines in 2025. Global and national events can influence financial markets, which may impact the District.



Quarterly Investment Report for the quarter ending December 31, 2024

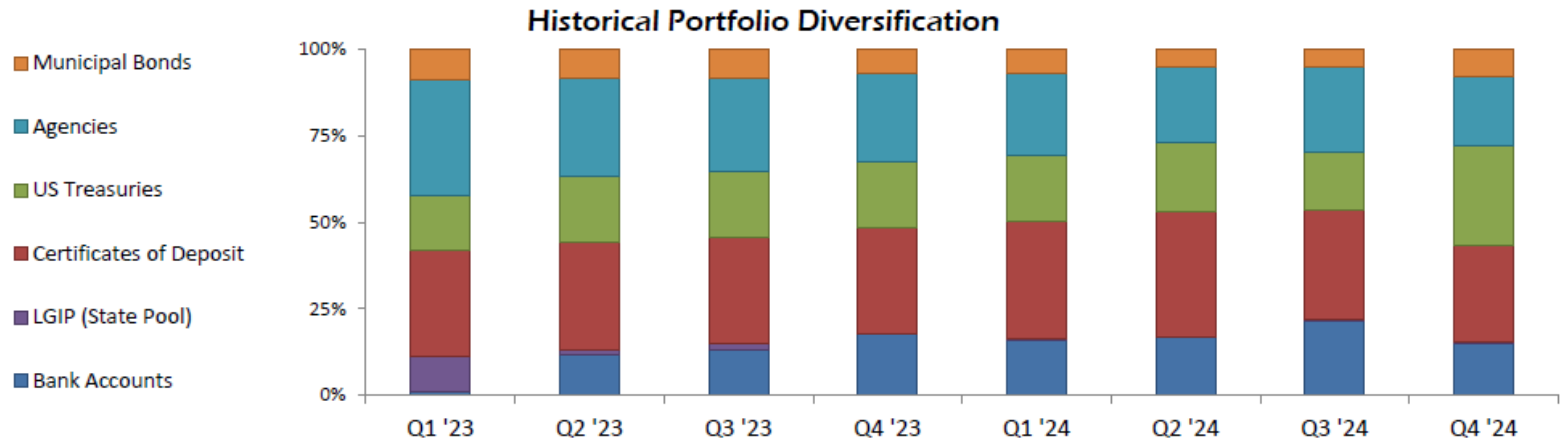
All \$ values are shown in '000s

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

Investments by Type - as of December 31, 2024

	Par Value	GASB 31 Reported Value	Book Value	Book Value as % of Portfolio	Policy % Limit	WAM
Bank Accounts	\$ 85,003	\$ 85,003	\$ 85,003	14.7%	75%	1
Certificates of Deposit	\$ 161,876	\$ 161,876	\$ 161,876	28.1%	40%	775
US Treasuries	\$ 175,110	\$ 162,739	\$ 166,974	29.0%	100%	904
LGIP (State Pool)	\$ 3,024	\$ 3,024	\$ 3,024	0.5%	25%	1
US Agencies	\$ 119,429	\$ 110,063	\$ 113,753	19.7%	75%	1,130
Municipal Bonds	\$ 47,185	\$ 43,922	\$ 45,743	7.9%	30%	1,189
Total:	\$ 591,627	\$ 566,627	\$ 576,373			797

Numbers may not foot due to rounding





Quarterly Investment Report for the quarter ending December 31, 2024

All \$ values are shown in '000s

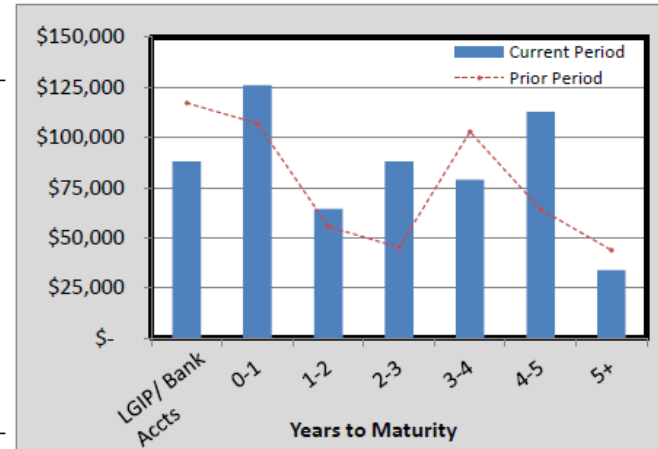
Prepared in accordance with District Banking and Investment Policy #22-14648

Maturity Distribution - as of December 31, 2024

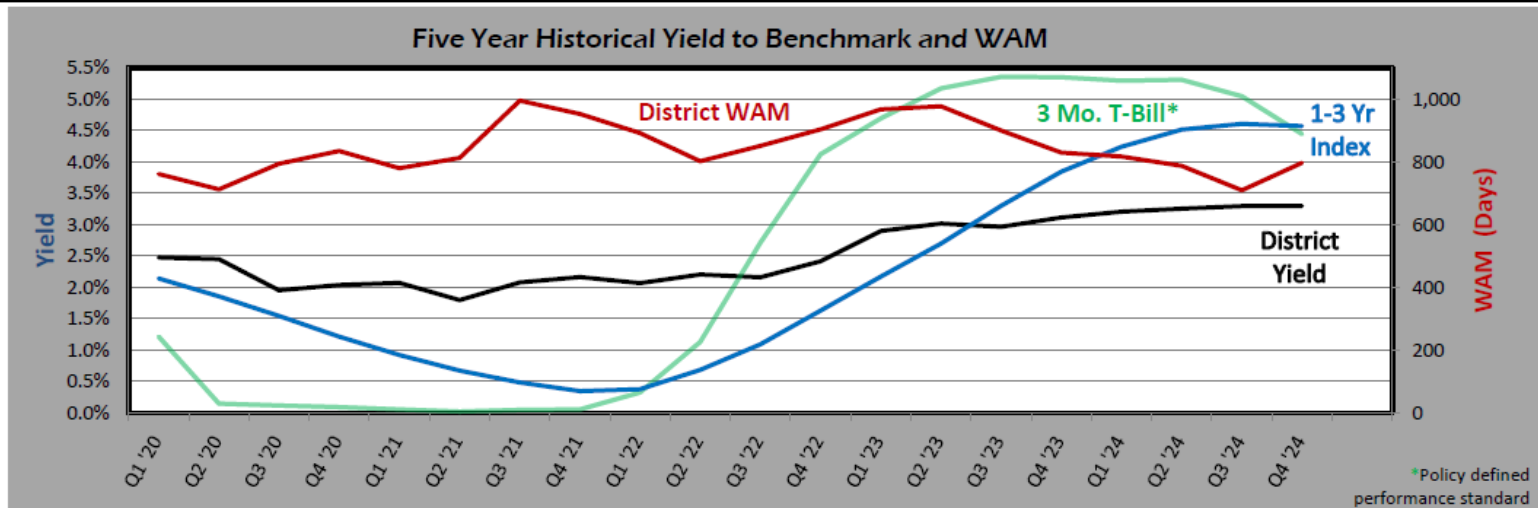
Maturity	Par Value	% of Portfolio	Cumulative % of Portfolio
LGIP	\$ 3,024	0.5%	0.5%
Bank Accounts	\$ 85,003	14.4%	14.9%
1-90 Days	\$ 7,531	1.3%	16.2%
91-180 Days	\$ 33,709	5.7%	21.8%
181-365 Days	\$ 84,721	14.3%	36.2%
1-2 Yrs	\$ 64,250	10.9%	47.0%
2-3 Yrs	\$ 87,999	14.9%	61.9%
3-4 Yrs	\$ 78,892	13.3%	75.2%
4-5 Yrs	\$ 112,670	19.0%	94.3%
5+ Yrs	\$ 33,829	5.7%	100.0%

Total: \$ 591,627 100%

Numbers may not foot due to rounding



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





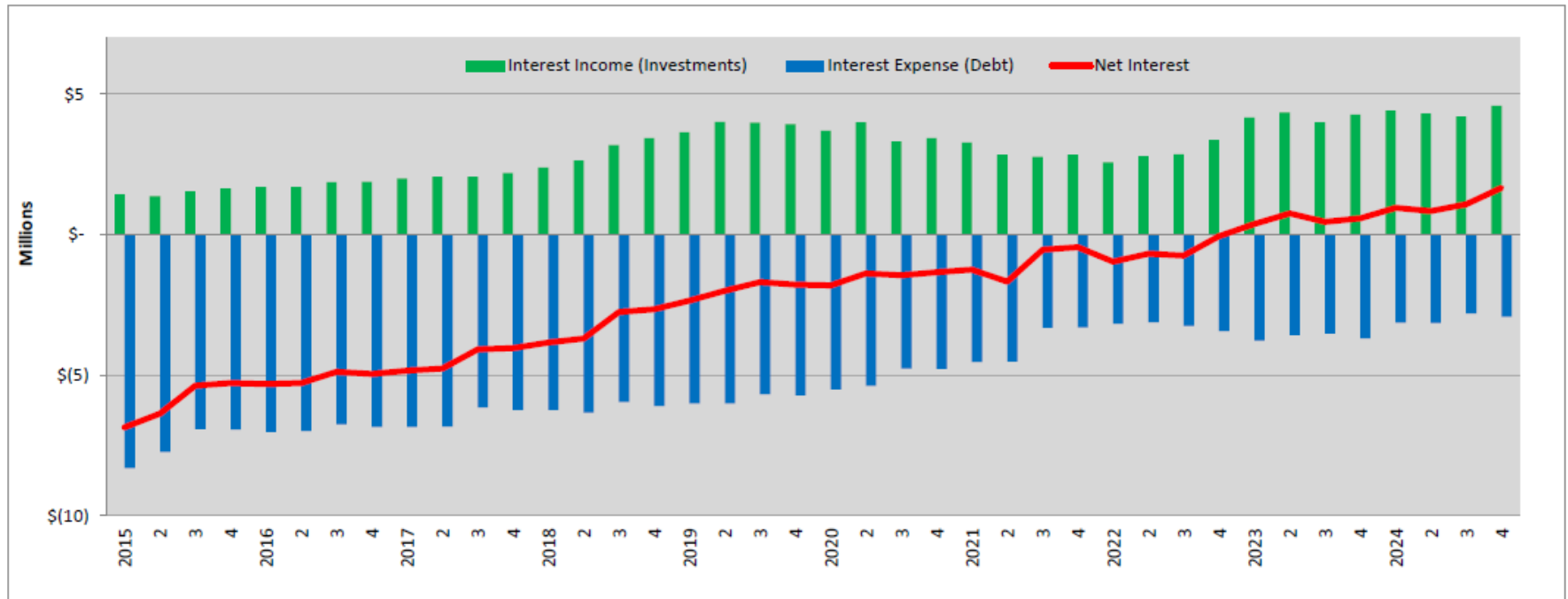
Quarterly Investment Report

for the quarter ending December 31, 2024

All \$ values are shown in '000s

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

Historical Net Interest, by Quarter



Q4 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 Human Resource staffing

Banks: None



Quarterly Investment Report

for the quarter ending December 31, 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.