

City of Manzanita

Washington Federal Bank

February 2020

Washington Federal Bank

Market Update

Disclosure

Washington Federal (the “Bank”) is providing the information contained in this document for discussion purposes only in connection with a proposed arm’s-length commercial banking transaction between you and the Bank. In providing this information, the Bank: (i) is acting for its own financial and other interests that may differ from yours; (ii) is not acting as your municipal advisor or financial advisor and has no fiduciary duty to you in connection with these materials; and (iii) is not recommending any action with respect to the information contained in this document. Before acting on this information, it should be discussed with the financial and/or municipal, legal, accounting, tax and other advisors you deem appropriate.

This Presentation is not a commitment to lend, either expressed or implied, and does not impose any obligation on WA Fed. This Presentation is merely a non-binding indication of interest in the referenced loan transaction. No oral agreement, past or future action, or course of conduct in relation to the referenced loan transaction, except by the mutual execution and delivery of the final loan agreement, will give rise to any obligation on the part of the parties.

Please Note: This is not an offer to lend money. The interest rates quoted in this presentation are only an example of rates might be if Washington Federal Bank were able (after proper due diligence) to lend money to the City.

Washington Federal Bank

Market Update

WA Fed's Key Financial Metrics

	Fiscal YE 2018	Fiscal YE 2019	Notes
Earnings	\$203,850,000	\$210,256,000	8.8% increase in earning per share.
Total Assets	\$15.9 Billion	\$16.5 Billion	3.8% increase (\$453 million in net receivables).
Non Performing Assets	0.44%	0.29%	\$3.6 million in net recoveries of loans (not charge offs).
Delinquency on Loans	0.42%	0.27%	Non-performing assets of \$44 million - a 12 year low.
Deposits	\$11.4 Billion	\$12.0 Billion	5.3% increase (\$604 million).
Dividend	\$0.18 per share	\$0.21 per share	36th consecutive year of paying quarterly dividends.
Net Interest Income	\$472 Million	\$481 Million	1.9% increase (\$8.9 million).
Net interest Margin	3.27%	3.16%	Net interest margin is a metric used to measure the effectiveness a Bank's lending decisions (3% + is an industry average)
Tier 1 Common Capital Ratio	14.81%	14.17%	The Tier 1 common capital ratio is utilized by regulators and investors to show how well a bank can withstand financial stress and remain solvent during difficult economic times.

Washington Federal Bank

Market Update

Rate Environment

Economy – Actual vs. Target

- Unemployment: 11.1% June (CBO Target: 4.4%).
 - Fed's June SEP Forecast by YE: 9.3%.
 - July's unemployment release date, 8/7/20.
- Core PCE: 1.0% May (FOMC Target: 2.0%).
 - Fed's June SEP Forecast by YE: 1.0%.
- GDP: -5.0% Q1 (SF Fed Long Trend: 1.75%).
 - Fed's June SEP Forecast by YE: -6.5%.

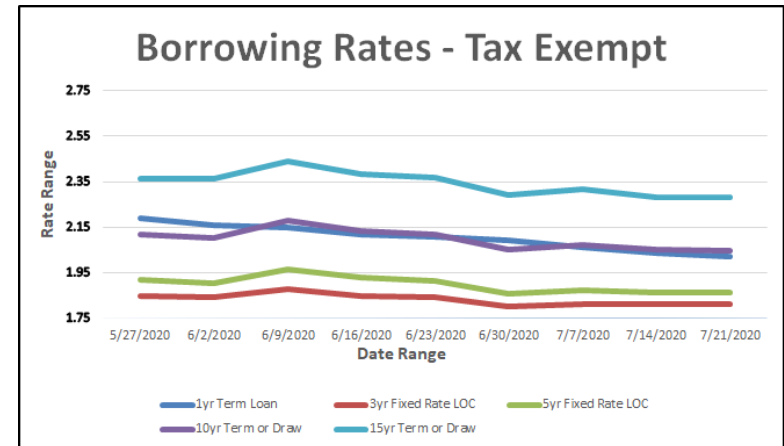
Fed Reserve Board and Presidents (FOMC)

- Next FOMC meeting – July 28-29.
- Next SEP release – September 16.

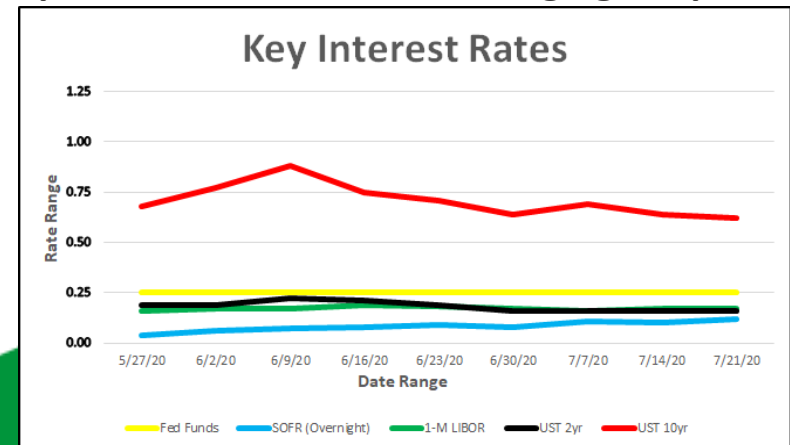
Consumer Spending / Consumer Sentiment

- “Consumer spending is the largest single component of GDP, making up 68% of the total in 2019.” – 6/9/20 CBO letter to House of Representatives.
- University of Michigan, Consumer Sentiment.
 - Sentiment equals optimism about finances.
 - 2020 – May: 72.3; June: 78.1; July: 73.2.
 - 2019 – May: 100.0; June: 98.2; July: 98.4.
 - “Unfortunately, declines are more likely in the months ahead as the coronavirus spreads and causes continued economic harm, social disruptions, and permanent scarring.”

Rate Trends – Stable Over the Last 9-Weeks



Spread Trends – 2/10 is Averaging 53bps



Washington Federal Bank

Market Update

Borrowing Rates - Tax Exempt				5/27/20	6/2/20	6/9/20	6/16/20	6/23/20	6/30/20	7/7/20	7/14/20	7/21/20	9-Week Average	9-Wk Avg vs. 7/21/20	9-Week Change	
1 Year	Line of Credit	Floating	Monthly	2.57	2.54	2.53	2.51	2.50	2.49	2.46	2.44	2.42	2.49	↓	(0.07)	(0.15)
	Line of Credit	Fixed	n/a	2.19	2.16	2.15	2.12	2.11	2.09	2.06	2.04	2.02	2.10	↓	(0.08)	(0.17)
	Term Loan	Fixed	n/a	2.19	2.16	2.15	2.12	2.11	2.09	2.06	2.04	2.02	2.10	↓	(0.08)	(0.17)
3 Year	Line of Credit	Floating	Monthly	2.27	2.26	2.30	2.27	2.26	2.23	2.23	2.23	2.23	2.25	↓	(0.02)	(0.04)
	Line of Credit	Fixed	n/a	1.85	1.84	1.88	1.85	1.84	1.80	1.81	1.81	1.81	1.83	↓	(0.02)	(0.04)
	Term Loan	Fixed	n/a	1.85	1.84	1.88	1.85	1.84	1.80	1.81	1.81	1.81	1.83	↓	(0.02)	(0.04)
5 Year	Line of Credit	Floating	Monthly	2.33	2.32	2.37	2.34	2.32	2.28	2.29	2.28	2.28	2.31	↓	(0.03)	(0.05)
	Line of Credit	Fixed	n/a	1.92	1.90	1.97	1.93	1.91	1.86	1.87	1.86	1.86	1.90	↓	(0.03)	(0.06)
	Term Loan	Fixed	n/a	1.92	1.90	1.97	1.93	1.91	1.86	1.87	1.86	1.86	1.90	↓	(0.03)	(0.06)
10 Year	Term Loan	Fixed	n/a	2.12	2.10	2.18	2.13	2.12	2.05	2.07	2.05	2.05	2.10	↓	(0.05)	(0.07)
	Draw to Term (2yr Draw)	Fixed	n/a	2.12	2.10	2.18	2.13	2.12	2.05	2.07	2.05	2.05	2.10	↓	(0.05)	(0.07)
15 Year	Term Loan	Fixed	n/a	2.36	2.36	2.44	2.39	2.37	2.29	2.31	2.28	2.28	2.34	↓	(0.06)	(0.08)
	Draw to Term (2yr Draw)	Fixed	n/a	2.36	2.36	2.44	2.39	2.37	2.29	2.31	2.28	2.28	2.34	↓	(0.06)	(0.08)

Key Interest Rates		5/27/20	6/2/20	6/9/20	6/16/20	6/23/20	6/30/20	7/7/20	7/14/20	7/21/20	9-Week Average	9-Wk Avg vs. 7/21/20	9-Week Change	
Federal Funds Target Rate		0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25	-	0.00	0.00
SOFR (overnight)		0.04	0.06	0.07	0.08	0.09	0.08	0.11	0.10	0.12	0.08	↑	0.04	0.08
Overnight LIBOR (will discontinue on 12/31/21)		0.06	0.06	0.06	0.06	0.06	0.08	0.08	0.08	0.08	0.07	↑	0.01	0.02
SOFR (30-day average)		0.03	0.04	0.05	0.05	0.07	0.07	0.08	0.09	0.10	0.06	↑	0.04	0.07
1-Month LIBOR (will discontinue on 12/31/21)		0.16	0.17	0.17	0.19	0.18	0.17	0.16	0.17	0.17	0.17	↓	(0.00)	0.01
1-Year LIBOR (will discontinue on 12/31/21)		0.67	0.63	0.62	0.58	0.57	0.55	0.51	0.48	0.46	0.56	↓	(0.10)	(0.21)
Municipal Market Data (MMD) - 5-Year		0.41	0.38	0.38	0.39	0.41	0.41	0.41	0.38	0.31	0.39	↓	(0.08)	(0.10)
Municipal Market Data (MMD) - 10-Year		0.84	0.84	0.89	0.87	0.88	0.90	0.90	0.81	0.75	0.85	↓	(0.10)	(0.09)
Municipal Market Data (MMD) - 15-Year		1.23	1.23	1.28	1.23	1.23	1.23	1.23	1.13	1.07	1.21	↓	(0.14)	(0.16)
US Treasury - 2-Year		0.19	0.19	0.22	0.21	0.19	0.16	0.16	0.16	0.16	0.18	↓	(0.02)	(0.03)
US Treasury - 5-Year		0.34	0.38	0.45	0.34	0.34	0.28	0.31	0.30	0.29	0.34	↓	(0.05)	(0.05)
US Treasury - 10-Year		0.68	0.77	0.88	0.75	0.71	0.64	0.69	0.64	0.62	0.71	↓	(0.09)	(0.06)
US Treasury - 20-Year		1.19	1.32	1.43	1.31	1.23	1.16	1.21	1.11	1.10	1.23	↓	(0.13)	(0.09)
Muni Ratios														
5-Year Ratio (MMD divided by US Treasury)		120.6%	100.0%	84.4%	114.7%	120.6%	146.4%	132.3%	126.7%	106.9%	117.0%	↓	-10.1%	(0.14)
10-Year Ratio (MMD divided by US Treasury)		123.5%	109.1%	101.1%	116.0%	123.9%	140.6%	130.4%	126.6%	121.0%	121.4%	↓	-0.4%	(0.03)
SOFR and LIBOR Spreads														
SOFR minus LIBOR --- Overnight		(0.02)	0.00	0.01	0.02	0.03	0.00	0.03	0.02	0.04	0.01	↑	0.03	0.06
SOFR minus LIBOR --- 30-Day/1-Month		(0.13)	(0.13)	(0.12)	(0.14)	(0.11)	(0.10)	(0.08)	(0.08)	(0.07)	(0.11)	↑	0.04	0.06
Treasury Yield Curve Spread														
10-Year minus 2-Year		0.49	0.58	0.66	0.54	0.52	0.48	0.53	0.48	0.46	0.53	↓	(0.07)	(0.03)

Washington Federal Bank

Market Update

Draw to Term Loan – Draw Period

- Draw Period – ability to draw when funds needed.
- The draw period functions like a line of credit.
- Interest only during the draw period.
- No unused fee.
- Up to a 2-year draw period is possible.
- Fixed Interest Rate during draw period.
- At the end of the draw period, if the full commitment amount hasn't been drawn, the commitment amount for the amortization schedule can be adjusted to what was actually drawn for the project.
 - For example: If the Borrower had \$5 million available on the Draw to Term Loan and only used \$4 million, the amortization schedule would be set up for only \$4 million and the remaining \$1 million of the commitment would be released back to the bank.

Draw to Term Loan – Term Loan Period

- Traditional Amortization – Annual Principal.
- Semi-Annual Interest (dates are flexible).
- Call provisions can be placed at any point.
- Maturity can be 10, 20 or 30 years.
- Usually there are prepayment penalties.
- Interest Rates can only be fixed for 15 years.
- Fixed interest rate for 1st 15 years, including the draw period – rate reset at year 15.
 - Most bonds are called at 10 years.
 - Only pay interest on advanced amounts.

Washington Federal Bank

Market Update

Scenario #1 – \$5 Million Financing

- \$1.5 million – refinance of existing debt.
- \$3.5 million – new debt for City Hall project.

Date	Draw to Term - Draw Period				
	Amount	Term	Rate (Estimated)	Internal Cost (Estimated)	Fees (Estimated)
	5,000,000	2	2.40%	0	0
2021	Draw	Prin Outstan	Rate	Monthly Int	Int Total
Jan	0	0	2.40%	0	0
Feb	0	0	2.40%	0	0
Mar	1,500,000	1,500,000	2.40%	3,000	3,000
Apr	500,000	2,000,000	2.40%	4,000	7,000
May	500,000	2,500,000	2.40%	5,000	12,000
Jun	0	2,500,000	2.40%	5,000	17,000
Jul	0	2,500,000	2.40%	5,000	22,000
Aug	500,000	3,000,000	2.40%	6,000	28,000
Sep	0	3,000,000	2.40%	6,000	34,000
Oct	0	3,000,000	2.40%	6,000	40,000
Nov	0	3,000,000	2.40%	6,000	46,000
Dec	0	3,000,000	2.40%	6,000	52,000
	3,000,000			52,000	52,000
2022	Draw	Prin Outstan	Rate	Monthly Int	Int Total
Jan	0	3,000,000	2.40%	6,000	6,000
Feb	0	3,000,000	2.40%	6,000	12,000
Mar	0	3,000,000	2.40%	6,000	18,000
Apr	1,000,000	4,000,000	2.40%	8,000	26,000
May	500,000	4,500,000	2.40%	9,000	35,000
Jun	500,000	5,000,000	2.40%	10,000	45,000
Jul	0	5,000,000	2.40%	10,000	55,000
Aug	0	5,000,000	2.40%	10,000	65,000
Sep	0	5,000,000	2.40%	10,000	75,000
Oct	0	5,000,000	2.40%	10,000	85,000
Nov	0	5,000,000	2.40%	10,000	95,000
Dec	0	5,000,000	2.40%	10,000	105,000
	2,000,000			105,000	105,000
Total	5,000,000			157,000	157,000

Date	Draw to Term				
	Amount	Term	Rate (Estimated)	Unused Fees	Bank Set Up Fee
	5,000,000	20	2.40%	0	0
	Principal	Rate	Interest	Debt Service	Balance
2021	0	2.40%	52,000	52,000	5,000,000
2022	250,000	2.40%	105,000	355,000	4,750,000
2023	250,000	2.40%	114,000	364,000	4,500,000
2024	250,000	2.40%	108,000	358,000	4,250,000
2025	250,000	2.40%	102,000	352,000	4,000,000
2026	250,000	2.40%	96,000	346,000	3,750,000
2027	250,000	2.40%	90,000	340,000	3,500,000
2028	250,000	2.40%	84,000	334,000	3,250,000
2029	250,000	2.40%	78,000	328,000	3,000,000
2030	250,000	2.40%	72,000	322,000	2,750,000
2031	250,000	2.40%	66,000	316,000	2,500,000
2032	250,000	2.40%	60,000	310,000	2,250,000
2033	250,000	2.40%	54,000	304,000	2,000,000
2034	250,000	2.40%	48,000	298,000	1,750,000
2035	250,000	2.40%	42,000	292,000	1,500,000
2036	250,000			250,000	1,250,000
2037	250,000			250,000	1,000,000
2038	250,000			250,000	750,000
2039	250,000			250,000	500,000
2040	250,000			250,000	250,000
2041	250,000			250,000	0
	5,000,000		901,000	6,171,000	

Washington Federal Bank

Market Update

Scenario #2 – \$7.5 Million Financing

















- \$1.5 million – refinance of existing debt.
- \$6.0 million – new debt for City Hall project.

Date	Draw to Term - Draw Period				
	Amount	Term	Rate (Estimated)	Internal Cost (Estimated)	Fees (Estimated)
	7,000,000	2	2.40%	0	0
2021	Draw	Prin Outstan	Rate	Monthly Int	Int Total
Jan	0	0	2.40%	0	0
Feb	0	0	2.40%	0	0
Mar	1,500,000	1,500,000	2.40%	3,000	3,000
Apr	500,000	2,000,000	2.40%	4,000	7,000
May	1,000,000	3,000,000	2.40%	6,000	13,000
Jun	0	3,000,000	2.40%	6,000	19,000
Jul	0	3,000,000	2.40%	6,000	25,000
Aug	1,000,000	4,000,000	2.40%	8,000	33,000
Sep	0	4,000,000	2.40%	8,000	41,000
Oct	0	4,000,000	2.40%	8,000	49,000
Nov	0	4,000,000	2.40%	8,000	57,000
Dec	0	4,000,000	2.40%	8,000	65,000
	4,000,000			65,000	65,000
2022	Draw	Prin Outstan	Rate	Monthly Int	Int Total
Jan	0	4,000,000	2.40%	8,000	8,000
Feb	0	4,000,000	2.40%	8,000	16,000
Mar	0	4,000,000	2.40%	8,000	24,000
Apr	1,500,000	5,500,000	2.40%	11,000	35,000
May	1,000,000	6,500,000	2.40%	13,000	48,000
Jun	500,000	7,000,000	2.40%	14,000	62,000
Jul	0	7,000,000	2.40%	14,000	76,000
Aug	0	7,000,000	2.40%	14,000	90,000
Sep	0	7,000,000	2.40%	14,000	104,000
Oct	0	7,000,000	2.40%	14,000	118,000
Nov	0	7,000,000	2.40%	14,000	132,000
Dec	0	7,000,000	2.40%	14,000	146,000
	3,000,000			146,000	146,000
Total	7,000,000			211,000	211,000

Date	Draw to Term				
	Amount	Term	Rate (Estimated)	Unused Fees	Bank Set Up Fee
	7,000,000	20	2.40%	0	0
	Principal	Rate	Interest	Debt Service	Balance
2021	0	2.40%	65,000	65,000	7,000,000
2022	350,000	2.40%	146,000	496,000	6,650,000
2023	350,000	2.40%	159,600	509,600	6,300,000
2024	350,000	2.40%	151,200	501,200	5,950,000
2025	350,000	2.40%	142,800	492,800	5,600,000
2026	350,000	2.40%	134,400	484,400	5,250,000
2027	350,000	2.40%	126,000	476,000	4,900,000
2028	350,000	2.40%	117,600	467,600	4,550,000
2029	350,000	2.40%	109,200	459,200	4,200,000
2030	350,000	2.40%	100,800	450,800	3,850,000
2031	350,000	2.40%	92,400	442,400	3,500,000
2032	350,000	2.40%	84,000	434,000	3,150,000
2033	350,000	2.40%	75,600	425,600	2,800,000
2034	350,000	2.40%	67,200	417,200	2,450,000
2035	350,000	2.40%	58,800	408,800	2,100,000
2036	350,000			350,000	1,750,000
2037	350,000			350,000	1,400,000
2038	350,000			350,000	1,050,000
2039	350,000			350,000	700,000
2040	350,000			350,000	350,000
2041	350,000			350,000	0
	7,000,000		1,252,600	8,630,600	

Washington Federal Bank

Market Update

 <p>\$50,000,000 3-Year Fixed Rate Line Emergency Funding</p> <p>2020</p> 	 <p>\$50,000,000 2-Year Fixed Rate Line Transportation Projects</p> <p>2020</p> 	 <p>\$8,643,149 15-Year Term Loan Transportation Projects</p> <p>2020</p> 	 <p>\$783,195 15-Year Term Loan Fiber LID #3 Financing</p> <p>2020</p> 
 <p>\$1,268,200 15-Year Term Loan Refinance Building Debt</p> <p>2020</p> 	 <p>\$5,000,000 5-Year Fixed Rate Line Liquidity for Capital Projects</p> <p>2020</p> 	 <p>\$2,182,951 10-year Term Loan Refinance & Capital Projects</p> <p>2018</p> 	 <p>\$3,222,000 3.5-Year Term Loan Dept of Environmental Quality</p> <p>2017</p> 

Washington Federal Bank

Market Update

Washington Federal Bank

- Founded in 1917 – 100 Years of Banking Experience
- Operate over 230 branches in 8 western states.
- Largest bank headquartered in Washington State
- Over \$16 billion in assets
- Corporate headquarters: 425 Pike St, Seattle, WA.
- Municipal Banking:

Pete Sullivan

VP, Relationship Manager

206-626-8111

pete.sullivan@wafd.com

