



WORKSHOP MEETING BOARD OF TRUSTEES

225 Douglass Street, Portland, Maine
Jeff P. Nixon Training Center

6:30 p.m. on Monday, February 12, 2024

Remote Meeting Participation Available to the Public via Zoom at:

<https://us06web.zoom.us/j/83261859831?pwd=tcSamXqtOpDyiuaaaa205QmdmpahOnT.1>

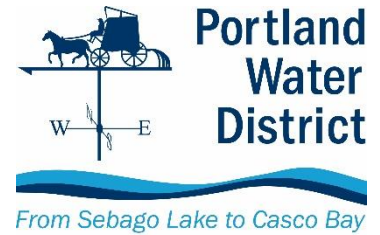
There will be a Workshop Meeting of the Board of Trustees of the Portland Water District on Monday, February 12, 2024. The meeting will begin at 6:30 p.m. in the Nixon Training Center at the general offices of the District located at 225 Douglass Street, Portland, Maine.

The Workshop will be preceded by meetings of the following Board Committees:

<u>Committee</u>	<u>Room / Location</u>	<u>Time</u>
Pension	General Manager's Conference Room	5:15 p.m.
Administration & Finance	Monie Room	5:30 p.m.
Operations	EOC 2 nd Floor	5:30 p.m.
Planning	Nixon Training Center	5:30 p.m.

AGENDA – WORKSHOP

- 1. Statutory/Legal Provisions Related to Bonding and PWD Charter Elements**
Staff will discuss potential statutory changes, including changes to the PWD charter, to optimize PWD's bond credit rating and other potential PWD charter changes.
- 2. Other Business**
- 3. Adjourn**



MEMORANDUM PORTLAND WATER DISTRICT

TO: Pension Committee/Board of Trustees

FROM: Mary Demers, Director of Employee Services

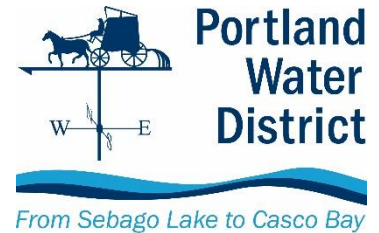
DATE: February 7, 2024

RE: Pension Committee Meeting – February 12, 2024

A meeting of the Pension Committee of the Portland Water District Board of Trustees is scheduled for Monday, February 12, 2024, in the General Manager's Conference Room at the District office, 225 Douglass Street, Portland, Maine. The meeting is scheduled to start at 5:15 p.m.

AGENDA

1. Approval of Pension Distributions
Staff will present a request to approve benefits for two retirees.
2. Other Business



MEMORANDUM PORTLAND WATER DISTRICT

TO: Administration and Finance Committee/Board of Trustees

FROM: David Kane, Executive Director of Administration
Mary Demers, Director of Employee Services

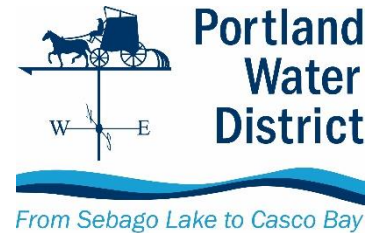
DATE: February 7, 2024

RE: **Administration and Finance Committee Meeting – February 12, 2024**

A meeting of the Administration and Finance Committee of the Portland Water District Board of Trustees will be held on Monday, February 12, 2024, at 5:30 p.m., in the Monie Conference Room of the District, 225 Douglass Street, Portland, Maine.

AGENDA

1. **2024 Water Bonds – ‘Green’ Designation**
Staff will present a motion declaring the proposed 2024 Water bonds to be declared ‘Green’ bonds. The declaration allows the bonds to be marketed as financing projects that are environmentally beneficial. (See attached memo)
2. **Pension Plan Administrative Services Consolidation**
Staff will present a motion authorizing a contract be signed with Principal Financial Group to provide the administrative services of the defined benefit pension plans. (See attached memo)
3. **Bond Legal Structure**
At a previous meeting, the Committee discussed possible steps to improve its bond rating (see attachment 3.3.A A Road to AAA). An update will be provided to the Committee including a potential change to state law (see attachment 3.3.B PWD §6103 tax warrant amendment proposal).
4. **Other Business**



ADMINISTRATION AND FINANCE COMMITTEE / AGENDA ITEM SUMMARY

Agenda Item: 1A
Date of Meeting: February 12, 2024
Subject: Designation of Water Bonds as 'Green Bonds'
Presented By: David Kane, Executive Director of Administration

RECOMMENDATION

The following proposed language is presented for Board of Trustee approval:

ORDERED, that the \$15.71 million water bonds authorized on January 22, 2024 (Resolution 24-002) are designated as 'Green Bonds', with the proceeds to be used for 'Green' purposes.

BACKGROUND ANALYSIS

The Board previously adopted Resolution 24-002 authorizing water bonds of up to \$15.71 million to finance the installation and renewal of water mains, replacement of the Sebago Lake Water Treatment Facility's roof, upgrade of the Windham Water Pump Station, and obtaining service lines' GPS data points and related infrastructure projects. These are environmentally beneficial projects designed to ensure safe drinking water for the public in the State in accordance with State, Federal, and local standards. Therefore, the bonds can be designated as 'Green Bonds'.

Based on discussions with Moors & Cabot, PWD's Financial Advisor, and published materials staff has reviewed, a 'Green Bonds' designation results in yields that, on average, are about 6 basis points below yields on otherwise equivalent bonds that do not have that designation. To obtain these debt savings, PWD's Financial Advisor has recommended the Board pass an order indicating the bond proceeds will be used for 'Green' purposes. Other than declaring the bonds as 'Green' in the bond's Official Statement, the only other obligation of PWD would be to provide certain post-issuance reporting showing the actual use of the bond proceeds for its declared purpose.

Staff currently estimates that \$10.31 million of the authorized water bonds will be sold on or about August 1, 2024. The remaining amount will be sold in future years. The 'Green Bonds' designation applies to the full \$15.71 of bonds authorized by Resolution 24-002.

FINANCIAL REVIEW

PWD intends to issue \$10.31 million of bonds on or about August 1. The estimated annual interest savings in the first year of this 'Green' bond could be on the order of \$60,000.

LEGAL REVIEW

Corporate Counsel reviewed the proposed motion and approved it as to form.

CONCLUSION(S)

Staff recommends the Committee approve the motion.

ATTACHMENT(S)

A-section 1 Support for Estimated Debt Service Savings
A-section 2 Draft Language to be included in the Bond's Official Statement

1. Excerpt from 'Financing the Response to Climate Change: The Pricing and Ownership of U.S. Green Bonds' by Malcolm Baker Harvard Business School and NBER, Daniel Bergstresser Brandeis International Business School, George Serafeim Harvard Business School and Jeffrey Wurgler NYU Stern School of Business and NBER.

We confirm that green municipal bonds are indeed priced at a premium. After-tax yields at issue for green bonds versus ordinary bonds are, on average, about 6 basis points below yields paid by otherwise equivalent bonds. The estimates control for numerous factors related to ratings maturity, tax status, the yield curve, and other time-varying and bond-specific characteristics, even issuer fixed effects. On a bond with a 10-year duration, a yield difference of 6 basis points corresponds to approximately a 0.60 percentage-point difference in value, which seems plausible and economically meaningful.

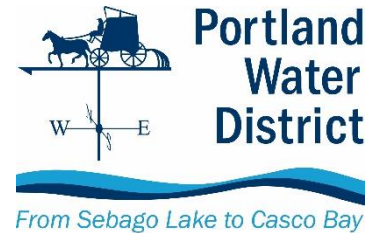
2. Bond Official Statement – Draft Statement

PWD has designated the “X” Bonds as ‘Green Bonds’ based on the intended use of the proceeds of the bonds to finance environmentally beneficial projects as described below. Such projects are designed to ensure safe drinking for the public in accordance with State and Federal standards. The purpose of labeling the bonds as ‘Green Bonds’ is to allow investors to invest directly in bonds that finance such environmentally beneficial purposes. The holders of the bonds do not assume any specific project risk or economic benefit related to any of the funded projects as a result of the ‘Green Bonds’ designation.

Use of Bond Proceeds. Below is a brief description of the projects expected to be refinanced with the proceeds of the refunding bonds.

- To finance the installation and renewal of water mains, replacement of the Sebago Lake Water Treatment Facility’s Roof, upgrade of the Windham Water Pump Station, and obtaining Service Lines’ GPS data points and related infrastructure projects.

Post-issuance Reporting. PWD will report on the expenditure of the proceeds in its Annual Report until all the proceeds of the bond have been spent. The Annual Report will be available at the following web address: www.pwd.org. Once all the bond proceeds have been spent, no further reports will be provided.



ADMINISTRATION AND FINANCE COMMITTEE / AGENDA ITEM SUMMARY

Agenda Item: 1B
Date of Meeting: February 12, 2024
Subject: Designation of Refunding Water Bonds as 'Green Bonds'
Presented By: David Kane, Executive Director of Administration

RECOMMENDATION

The following proposed language is presented for Board of Trustee approval:

ORDERED, that the water bonds to be issued to refund and refinance the current outstanding callable principal of PWD's \$4,541,000 water bonds previously issued in 2014 pursuant to Resolution 14-002 adopted February 24, 2014, are designated as 'Green Bonds', with the proceeds to be used for 'Green' purposes.

BACKGROUND ANALYSIS

The Board previously adopted Resolution 14-002 and authorized water bonds of up to \$5 million to finance the installation of water mains, fire hydrants, and related infrastructure. PWD issued its \$4.541 million bonds for these purposes on June 30, 2014. Those 2014 bonds are eligible to be refinanced this year and the PWD's Financial Advisor, Moors & Cabot, recommends including the refinancing in the PWD's regular annual water bond issue in August. The 2014 bonded projects relate to the installation of water mains and related infrastructure. These are environmentally beneficial projects designed to ensure safe drinking water for the public in the State in accordance with State, Federal, and local standards. Therefore, the refunding bonds can be designated as 'Green Bonds'.

Based on discussions with PWD's Financial Advisor, and published materials staff has reviewed, a 'Green Bonds' designation results in yields that, on average, are about 6 basis points below yields on otherwise equivalent bonds that do not have that designation. To obtain these debt savings, the District's Financial Advisor has recommended the Board pass an order indicating the bond proceeds will be used for 'Green' purposes. Other than declaring the bonds as 'Green' in the bond's Official Statement, the only other obligation of PWD would be to provide certain post-issuance reporting showing the actual use of the bond proceeds for its declared purpose.

FINANCIAL REVIEW

If debt service savings are available when the District issues its regular annual water bond issue in August, PWD may also issue \$1.25 million of refunding bonds on or about August 1. The annual interest savings will be determined on or about the bond sale date, and the refunding will only be done if it results in lower debt service costs.

LEGAL REVIEW

Corporate Counsel reviewed the proposed motion and approved it as to form.

CONCLUSION(S)

Staff recommends the Committee approve the motion.

ATTACHMENT(S)

A-section 1 Support for Estimated Debt Service Savings
A-section 2 Draft Language to be included in the Bond's Official Statement

1. Excerpt from 'Financing the Response to Climate Change: The Pricing and Ownership of U.S. Green Bonds' by Malcolm Baker Harvard Business School and NBER, Daniel Bergstresser Brandeis International Business School, George Serafeim Harvard Business School and Jeffrey Wurgler NYU Stern School of Business and NBER.

We confirm that green municipal bonds are indeed priced at a premium. After-tax yields at issue for green bonds versus ordinary bonds are, on average, about 6 basis points below yields paid by otherwise equivalent bonds. The estimates control for numerous factors related to ratings maturity, tax status, the yield curve, and other time-varying and bond-specific characteristics, even issuer fixed effects. On a bond with a 10-year duration, a yield difference of 6 basis points corresponds to approximately a 0.60 percentage-point difference in value, which seems plausible and economically meaningful.

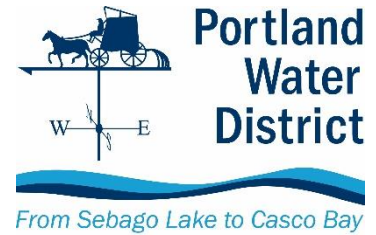
2. Bond Official Statement – Draft Statement

PWD has designated the "X" Bonds as 'Green Bonds' based on the intended use of the proceeds of the bonds to finance environmentally beneficial projects as described below. Such projects are designed to ensure safe drinking for the public in accordance with State and Federal standards. The purpose of labeling the bonds as 'Green Bonds' is to allow investors to invest directly in bonds that finance such environmentally beneficial purposes. The holders of the bonds do not assume any specific project risk or economic benefit related to any of the funded projects as a result of the 'Green Bonds' designation.

Use of Bond Proceeds. Below is a brief description of the projects expected to be refinanced with the proceeds of the refunding bonds.

- To finance and refinance the installation of water mains, fire hydrants, and related infrastructure.

Post-issuance Reporting. PWD will report on the expenditure of the proceeds in its Annual Report until all the proceeds of the bond have been spent. The Annual Report will be available at the following web address: www.pwd.org. Once all the bond proceeds have been spent, no further reports will be provided.



ADMINISTRATION AND FINANCE COMMITTEE / AGENDA ITEM SUMMARY

Agenda Item: 2
Date of Meeting: February 12, 2024
Subject: Pension Plan Administrative Services Consolidation
Presented By: David Kane, Executive Director of Administration
Mary Demers, Director of Employee Services

RECOMMENDATION

The following proposed language is presented for Board of Trustee approval:

ORDERED, that the General Manager is authorized to sign a contract with Principal Financial Group to provide the bargaining and non-bargaining pension plans administrative services.

BACKGROUND ANALYSIS

PWD provides employees a defined benefit and deferred compensation (457) pension benefit. The administrative services are currently provided by different service providers. The defined benefit plan services are provided by Morgan Stanley (investment advice and asset custody) and Key Bank (retiree services). The deferred compensation plan services are provided by Principal Financial Group.

The defined benefit plan costs approximately \$160,000 (0.59% of assets) to administer through Morgan Stanley. Staff investigated ways to reduce the cost without compromising services or significantly changing the investment portfolio strategy. Principal Financial Group provided a proposal to provide services for \$95,000, \$65,000, or 40% lower than Morgan Stanley. An independent review of the proposal was performed by Pension Professionals to verify the potential savings.

FINANCIAL REVIEW

The defined benefit plan costs are paid by the plan assets so the change has no impact on the 2024 operating budget. However, future contributions to the plan should be lower as fewer plan assets will be required to pay the plan administrative services.

LEGAL REVIEW

Corporate Counsel reviewed the proposed motion and approved it as to form.

CONCLUSION(S)

Staff recommends the Committee approve the motion.

ATTACHMENT(S)

- A. Pension Profession Report – Consolidation of Defined Benefit Plans with 457 Plan at Principal Financial Group



Portland Water District

Consolidation of Defined Benefit Plans with 457 Plan at Principal Fee Analysis

23 October 2023

OBJECTIVE:

To verify cost savings that may be realized by having Principal be the provider of retirement plan services to the Bargaining and Non-Bargaining Defined Benefit Plans versus the current service providers: Morgan Stanley Smith Barney (Custody), Graystone Consulting (Investment Advisor) and Key Bank (Retiree Services). Also, to ensure that any operational cost savings are not offset by the prospective investment portfolio to be constructed by Principal Global Advisors.

STAGE 1:

Review pricing in proposals provided by Principal for Plan services, which include Trust/Custody, Retiree Services and Investment Advisory Services. Investigate the processes and vehicles used in the construction of the Defined Benefit Plan allocation.

STAGE 2:

Conduct an in-person interview with representatives of Principal to discuss details around timelines and process for implementing services. This interview will include representatives of Principal Global Advisors that will be directly involved with portfolio construction. Discussions regarding operational changes that would occur separating from the current service providers and have Principal representatives respond to questions from Portland Water District representatives.

Roland P. Gagne, MSFS, ChFC®, CFP®, AIF®
Retirement Plan Consultant

Pension Professionals
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Biddeford, ME 04005

207-282-1122
rgagne@valueofadvice.com

CURRENT PLAN EXPENSE DETAILS (as of 8/18/23)

PWD Bargaining Plan:	\$14,589,430
PWD Non-Bargaining Plan:	\$12,745,775
Total DB Plan Assets:	\$27,335,205

Custodian: (Annual Cost=\$0)

Morgan Stanley Smith Barney serves as Custodian for both Defined Benefit Plans. There appears to be no separate charge for MSSB to act as custodian.

Investment Advisor/Consultant: (Annual Cost=\$114,807.86)

Graystone Consulting is a business unit within MSSB and serves as the Plans' Investment Advisor/Consultant. The fee schedule identified in the Graystone Consulting Institutional Services Agreement is as follows:

First \$50mm:	0.35%
Assets over \$50m:	0.20%

Exhibit C of the consulting agreement indicates your use of The Select UMA® Program, where MSSB's Private Portfolio Group (PPG) acts as an overlay manager, which assists in reviewing investment objectives and the selection of a portfolio. The cost for PPG is 0.07%. Graystone Consulting and PPG work together for a combined fee of 0.42%.

Retiree Services : (Annual Cost = \$4,800)

Key Bank provides these services, which include preparing checks for Plan participants for a fixed quarterly fee of \$1,200 across both defined benefit plans.

Portfolio/Investment Costs : (\$41,002.81)

The current portfolio is composed of ETF indexed funds, Separate Accounts and Mutual Funds. The total portfolio weighted expense is 0.15%.

TOTAL CURRENT PLAN EXPENSES : \$160,610.67 (0.59%)¹

¹ See Appendix A



PROPOSED PLAN EXPENSE DETAILS (as of 8/18/23)

PWD Bargaining Plan:	\$14,589,430
PWD Non-Bargaining Plan:	\$12,745,775
Total DB Plan Assets:	\$27,335,205

Trust, Custody, Retiree and Investment Services: (Annual Cost=\$43,736.33)²

Principal will serve as Custodian for both Defined Benefit Plans. They will also provide Retiree Services that include benefit distributions and annuity payments with required tax withholding.

Investment Advisor/Consultant: (Annual Cost=\$32,802.25)

Principal's proposal adds an additional fee to include Principal Global Advisors to work with the Plan Investment Advisor/Consultant in the management of the portfolios within both DB Plans. This would be the equivalent of the MSSB unit PPG.

The pricing on the PWD Bargaining Plan is 0.07% and the PWD Non-Bargaining Plan it's 0.08%. The proposal seems to be based on lower plan assets than what you provided me as of 8/18/23, so I suspect if a new pricing proposal were to be produced, they might be uniform at 0.07%.

Pension Professionals can serve as the Plan's Investment Advisor/Consultant for 0.05% working closely with PGA as occurs with the current Graystone Consulting/PPG relationship. Pension Professionals and PGA would work together for a combined fee of 0.12%.

Portfolio/Investment Costs : (\$32,200.87-passive)³

PGA has constructed three different portfolio approaches made up of institutionally designed separately managed accounts available only to their defined benefit plans.

Primarily Active	0.3525%	\$96,356.60
Primarily Hybrid	0.2109%	\$57,649.95
Primarily Passive	0.1178%	\$32,200.87

EPIC Retirement Plan Services is eligible to receive a 0.05% marketing subsidy from Principal's platform offsetting their service billing to PWD equating to additional savings of \$13,667.60.

TOTAL PROPOSED PLAN EXPENSES : \$95,071.85 (0.35%)

² See Appendix B

³ See Appendix C

SUMMARY OF PROPOSED PLAN SAVINGS

Current Plan Expenses:	\$160,610.67
Proposed Plan Expenses:	\$95,071.85
Total Plan Savings (41%):	\$65,538.82

ADVANTAGES

- Significant cost savings of 41% to the Defined Benefit Plans.
- Principal will be able to include EPIC on its platform thereby producing a 0.05% marketing subsidy that could be applied to offset EPIC billing.
- We asked if Principal would be able to add the DB Plan values to the 457 Statements if they administered both Plans. They said there's a possibility if Principal were to receive a feed from EPIC on the DB values for each participant. This would add greater clarity and understanding for the participant on the combined retirement plan values. This feature is being investigated further by Principal and should be a discussion point at the interview in Stage II. If it's possible, there may be a programming charge that would apply. This is not a certainty at this point.
- PWD and Plan participants will have a web login for the DB Plans.
- Customer Service Center is available to Plan Sponsor and Plan Participants.
- Principal has the resources available for discussion on winding down one or both of the DB Plans at some point in the future.
- Working with Principal Global Advisors and appointing them as the Plan's 3(38) investment manager will allow for a tailored investment strategy and delegate fiduciary investment decisions. It will also give access to a portfolio of products that are designed specifically for the qualified plan marketplace using a Separately Managed Account structure. We can see the pricing advantage when looking at the Primarily Passive portfolio construction.
- Working with Pension Professionals, we'll coordinate quarterly meetings with PGA, we'll continue to oversee plan fees to make sure they're reasonable, monitor PGA's investment performance, provide opinion on economic forecast and risk positioning, collaborate with PWD and PGA to understand and communicate risk tolerance and work with EPIC to ensure a consistent strategy matching up with DB Plan Investment Objectives and Guidelines. We'll also be able to participate in future discussions around winding down the DB Plans and employee facing communications and discussions.

DISADVANTAGES

- Bundling all services with a single provider puts a lot of reliance on good service. If a particular function breaks down, it's difficult to carve those services away from Principal and work with another provider. Service standards should be discussed as part of the interview in Stage II.

APPENDIX A

CURRENT EXPENSE STRUCTURE
AND
INVESTMENT ALLOCATIONS

PWD Bargaining		\$14,589,430		As of 8/18/2023					
Category	Investment Manager	Identifier	Type	Allocation	PWD IPS			Current Market Value	Expense Ratio
					Min	Target	Max		
Large Core	Vanguard S&P 500	VOO	ETF	15%				\$2,127,422	0.03%
Large Value	Vanguard Russell 1000 Value	VONV	ETF	5%				\$728,057	0.06%
Large Growth	iShares Russell 1000 Growth	IWF	ETF	8%				\$1,124,202	0.18%
Large Growth	iShares Russell Top 200 Growth	IWY	ETF	8%				\$1,227,996	0.20%
Mid Value	Earnst Mid Cap Value	EPI-S	Sep Acct	3%				\$428,601	0.38%
Mid Value	Vanguard MidCap Value	VOE	ETF	2%				\$288,242	0.05%
Small Growth	Vanguard Small Growth	VBK	ETF	3%				\$445,950	0.07%
Small Value	Vanguard Small Value	VBR	ETF	3%				\$430,839	0.07%
	US EQUITIES			47%	30%	40%	50%	\$6,801,310	
Global	iShares S&P Global 100 Index	IOO	ETF	4%				\$583,745	0.10%
Developed Core	Renaissance Int'l ADR	REN-1	Sep Acct	6%				\$874,551	0.30%
International	Vanguard FTSE All World xUS	VEU	ETF	4%				\$577,129	0.35%
Emerging Mkt	iShares MSCI Emerging Markets	IEMG	ETF	3%				\$433,803	0.09%
	INTERNATIONAL EQUITIES			17%	10%	25%	30%	\$2,469,228	
	ALL EQUITIES			64%	40%	65%	80%	\$9,270,538	
Interm Core	Vanguard Intermediate	BIV	ETF	22%				\$3,273,590	0.05%
High Yield	SPDR High Yield Index	JNK	ETF	4%				\$588,293	0.40%
	FIXED INCOME			26%	20%	25%	30%	\$3,861,883	
REIT	Vanguard REIT	VNQ	ETF	4%				\$574,241	0.12%
Hedged	Calamos Equity Market Neutral	CMNIX	Mutual Fund	2%				\$295,983	0.90%
Metals	iShares Gold Trust	IAU	ETF	3%	0%	10%	15%	\$437,539	0.25%
	ALTERNATIVES			9%				\$1,307,762	
	Cash			1%	0%	0%	20%	\$149,246	0.04%
				100%				\$14,589,430	
								Portfolio	0.15%
								Transactional	0.07%
								Graystone	0.35%
								Custody	0.00%
								TOTAL	0.57%

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PWD Non-Bargaining \$12,745,775

As of 8/18/2023

Category	Investment Manager	Identifier	Type	Allocation	PWD IPS			Current Market Value	Expense Ratio
					Min	Target	Max		
Large Core	Vanguard S&P 500	VOO	ETF	14%				\$1,783,890	0.03%
Large Value	Vanguard Russell 1000 Value	VONV	ETF	5%				\$637,104	0.06%
Large Growth	iShares Russell 1000 Growth	IWF	ETF	7%				\$897,042	0.18%
Large Growth	iShares Russell Top 200 Growth	IWY	ETF	9%				\$1,141,690	0.20%
Mid Value	Earnst Mid Cap Value	EPI-S	Sep Acct	3%				\$382,405	0.38%
Mid Value	Vanguard MidCap Value	VOE	ETF	2%				\$254,428	0.05%
Small Growth	Vanguard Small Growth	VBK	ETF	3%				\$378,236	0.07%
Small Value	Vanguard Small Value	VBR	ETF	3%				\$380,307	0.07%
	US EQUITIES			46%	30%	40%	50%	\$5,855,102	
Global	iShares S&P Global 100 Index	IOO	ETF	4%				\$509,737	0.10%
Developed Core	Renaissance Int'l ADR	REN-1	Sep Acct	6%				\$765,565	0.30%
International	Vanguard FTSE All World xUS	VEU	ETF	4%				\$509,735	0.35%
Emerging Mkt	iShares MSCI Emerging Markets	IEMG	ETF	3%				\$382,262	0.09%
	INTERNATIONAL EQUITIES			17%	10%	25%	30%	\$2,167,299	
	ALL EQUITIES			63%	40%	65%	80%	\$8,022,402	
Interm Core	Vanguard Intermediate	BIV	ETF	23%				\$2,930,677	0.05%
High Yield	SPDR High Yield Index	JNK	ETF	4%				\$513,746	0.40%
	FIXED INCOME			27%	20%	25%	30%	\$3,444,423	
REIT	Vanguard REIT	VNQ	ETF	4%				\$508,683	0.12%
Hedged	Calamos Equity Market Neutral	CMNIX	Mutual Fund	2%				\$256,023	0.90%
Metals	iShares Gold Trust	IAU	ETF	3%	0%	10%	15%	\$382,381	0.25%
	ALTERNATIVES			9%				\$1,147,087	
	Residual Cash							\$1,532	
	Cash			1%	0%	0%	20%	\$130,331	0.04%
				100%				\$12,745,775	
								Portfolio	0.15%
								Transactional	0.07%
								Graystone	0.35%
								Custody	0.00%
								TOTAL	0.57%

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APPENDIX B

PRINCIPAL PRICING PROPOSAL

Defined Benefit Proposal for PORTLAND WATER DISTRICT

As of: 03/28/2023

Your Plan Pricing is Based On

Current Total Assets	\$13,500,000
Annual Deposits	\$500,000
Active Participants	1
Vested Termed Participants	0
Retired Lives	108
Service model	TPA ¹

Annual Plan & Services Fees

	Percentage of assets	Cost in dollars
Trust and/or Custody Services, Investment Related Services, and Retiree Services	0.16%	\$21,400
Annual Plan & Services Fees²	0.16%	\$21,400

Trust and/or Custody, Investment Related Services, and Retiree Services include a package of Core Services and Optional Services elected. There are no additional Fees from any member company of the Principal Financial Group® for this service package.

See details on Services Specific to Your Plan, and Participant Transaction Fees pages.

Additional Fees*

	Percentage of assets	Cost in dollars
Investment Advisory Services from Principal Global Advisors (PGA)	0.07%	\$9,900

Core services snapshot

You receive a package of Core Services to help ensure your retirement plan needs are met. In addition to necessary plan services, our Core Services include a number of value-added features to help make managing your retirement plan easier. Principal Life Insurance Company stands behind our services with our Service Warranty³; providing a promise of quality service and level of indemnification protection. The listing of our core services and optional services selected by you can be found in your Service and Expense Agreement. You will also have access to an updated list of available services on principal.com.

Our Core Services are provided for the Trust and or Custody Services, Investment Related Services and Retiree Services fees listed.

A comprehensive list of Core Services is available upon request.



General Services and Reports

Trust and/or Custody, Investment Related Services and Retiree Services

- Employer login on principal.com
- Client Service Team
- Comprehensive investment option material & reporting
- Daily account valuation
- Due diligence process
- Investment support for fiduciary
- Principal blog
- Plan transition services
- Sample investment policy
- Service Warranty³
- Retirement Plan & Investment Review
- Retiree listing



Distribution Services

Trust and/or Custody, Investment Related Services and Retiree Services

- Benefit distributions & annuity payments, including required tax withholding



Plan Compliance & Government Filing Services

Trust and/or Custody, Investment Related Services and Retiree Services

- ASC 820 fair market value assessment
- ASC 715-20 valuing and reporting
- Form 5500 Schedule A report
- Government relations
- SOC1 report



Participant Services

Trust and/or Custody, Investment Related Services and Retiree Services

- Verification of life audit

PORTLAND WATER DISTRICT

You have options related to how annual costs and investment fees are collected.

Costs can be:

- Deducted from plan assets
- Billed to you (plan sponsor)
- Offset by revenue share from investment providers

What's unique to my plan?

Services Specific to Your Plan

	Cost
Principal® Platform Connectivity Program Fee	Included
Retiree annuity payments	Included

This list represents services unique to your Plan. These are included in the fees illustrated unless stated otherwise.

To help ensure your specific retirement plan needs are met, you may elect to include Optional Services as part of the overall service package provided for your plan. A comprehensive list of Optional Services is available on request. Additional fees may apply.

Participant Transaction Fees

	Cost
Lump Sum Defined Benefit (DB) Participant Distributions	\$50.00 per distribution

The lump sum DB participant distribution fee is a plan-level fee and will be collected according to the collection method established for other plan fees. This fee does not apply to repetitive monthly payments to retirees.

Important information

- This Fee Summary is based on the following information:
 - This is a Defined Benefit plan.
 - No data management or participant services are being provided on this plan.
 - Billed fees are collected quarterly.
 - Deducted fees are determined and processed monthly.
 - State of Delivery: MAINE
 - Up to 32 investment options may be used. Additional investments may incur a fee.
 - An outside plan document is used (no SPD provided).
 - Coding changes to implement and operate employer requested amended or restated plan provisions on custom plan documents or outside plan documents will be charged at the time the service is performed.
 - Settlor services and estimated fees included in this fee summary which will be billed directly to you at the time the service is performed include:
 - Investment Advisory Services provided through Principal Global Advisors, Fee \$9,900
 - We reserve the right to adjust fees if plan characteristics are incorrect or should change. This expense projection is valid for 120 days from the Print Date.
- Deposit Year End Date: 12/31/2023
- Principal® charges most Investment Providers an annual Principal® Platform Connectivity Program (Program) Fee for investment options on our platform. If an Investment Provider chooses not to participate in the Program, your Plan may be charged an annual Program Fee of \$1,000 to be included as part of your Principal Recordkeeping Fee. Please contact Principal for information on how the Program Fee is paid for any investment options you are considering for your Plan. Specifics on the Program Fee will be set out in your Confirmation of Investment Options (COIO) Letter.
- The First Deposit Year begins on the stated effective date and ends on the Deposit Year End Date. Subsequent Deposit Years end on the 12-month anniversary of the deposit Year End Date.
- This Fee Summary must be presented by an individual licensed in the applicable State of Delivery. Individual may also need to be a Registered Representative if registered securities are involved.
- This Fee Summary is for illustrative purposes only and does not create, affect or alter any past, present or future agreement or understanding.
- The fee allocated to recordkeeping services is the sum of the Fee Paid by Plan Sponsor, Settlor Fees, and Revenue Sharing to Recordkeeper from the actual investment options chosen for the plan, less the fee for Investment Advisory Services through Principal Global Advisors, Inc. Revenue Sharing to Recordkeeper are amounts Principal Life as Recordkeeper or an affiliate expects to receive from the investment options chosen for the plan in connection with the services provided for your plan. The amounts received or retained are taken into consideration in setting the price for the investment and service package and do not offset our fees on a dollar-for-dollar basis.
- Principal Life is not paying broker compensation to any Financial Professional for your plan. You may direct us to pay third parties from plan assets, including Financial Professionals. If you want information regarding any Financial Professional compensation, please contact your Financial Professional for this information.
- This Fee Summary Principal Life Insurance Company (Principal Life), a member company of The Principal, is submitting for your consideration is based on information concerning your plan submitted to The Principal by your representative. The proposal reflects specific rate level / share class(es) that you and your representative decided upon. You should consider whether the rate level/share class(es) illustrated is most appropriate for you.
- The Fee Summary is based on our understanding of the plan at this time. We reserve the right to adjust these expenses if any assumptions are incorrect or should change upon a review of your plan documents, most recent actuarial valuation, or plan records. We expect that we will receive data in good-working order and all necessary documents and information in a timely manner.
- Capitalized terms not defined in this Fee Summary have the same meaning assigned to them under other applicable agreements or contracts.

Important information continued

- The Investment Providers and distributors of certain products and investment options have chosen to offer for sale fund share classes and rate levels with service-and distribution-related fees that may or may not be higher than other available share classes or rate levels of the same product or investment option.
- Financial Professionals can make available a variety of products and investment options from a variety of Investment Providers.
- Insurance products and plan administrative services are provided by Principal Life Insurance Company. Principal mutual funds are part of the Principal Funds, Inc. series. Principal Funds, Inc. is distributed by Principal Funds Distributor, Inc. Securities sold or services offered by a Principal Securities Registered Representative are offered through Principal Securities, Inc., 800-547-7754, member SIPC and/or independent broker/dealers. Principal Funds Distributor, Principal Securities and Principal Life are members of the Principal Financial Group®, Des Moines, IA 50392. Certain investment options may not be available in all states or U.S. commonwealths.
- Before directing retirement funds to a separate account, investors should carefully consider the investment objectives, risks, charges and expenses of the separate account as well as their individual risk tolerance, time horizon and goals. For additional information contact us at 1-800-547-7754 or visit principal.com
- Investment information given or made available to your Financial Professional is representative of a platform you or another plan fiduciary may select from or use to monitor investment alternatives and is not individualized to the needs of any plan. Principal, its affiliates and their employees have not and will not undertake to provide you or your Financial Professional impartial investment advice or to give you or your Financial Professional advice in a fiduciary capacity, unless so indicated under a separate writing. As a service provider, at your direction, we'll provide investment information to assist you and your Financial Professional (if applicable) with your fiduciary responsibilities. You, or another appropriate plan fiduciary, may select a different platform (or set of investment options) which may have an effect on pricing.
- The compensation Principal, as an entity, receives will vary based on investments you or your Financial Professional chooses for your plan. We have detailed the amounts we receive from the various investments you have chosen on your Fee Summary. Our financial interest in other investments available on our platforms may be found on our website under the Investments tab on principal.com.
- Estimated Total Annual Plan Costs does not include indirect compensation such as float, slippage/breakage, certain optional services, or participant transaction fees or other qualified plan expenses that may be incurred for other service providers. Fees include Principal Trust Company Directed Trust Services or Custodial Services, if applicable.
- Principal Life is the legal owner of the Principal Life Separate Account assets under state insurance laws. For purposes of computing its federal income tax obligations, Principal Life must include dividend income received on separate account assets in taxable income and may be eligible for certain deductions and credits attributable to its ownership of separate account holdings. Such deductions and credits include dividends received deductions and foreign tax credits. To the extent available, Principal Life generally seeks to utilize deductions and credits attributable to its separate account assets for purposes of reducing its federal income tax liability. The possibility that Principal Life will receive any financial benefits as a result of the application of U.S. tax laws to the activities of its separate accounts does not influence the separate account investment strategies of Principal Life or their implementation. Please refer to the Principal Disclosure Statement for more information.

Footnotes

- 1 Any additional fees charged by the third party administrator (TPA) will be disclosed separately by the TPA. The TPA may also receive compensation from us in addition to any remuneration that the TPA receives from you or the retirement plan.
- 2 On an annual basis, Principal Life will review the Annual Fee Requirement and the expected Revenue Sharing to Recordkeeper generated by the investment options chosen for the plan. Based on the expected Revenue Sharing to Recordkeeper, Your Fee Balance may change from year to year to meet the Annual Fee Requirement. If the Annual Fee Requirement is not met by the Revenue Sharing to Recordkeeper, Your Fee Balance may be billed to you, or deducted from plan assets, as directed by an appropriate plan fiduciary. If the Revenue Sharing to Recordkeeper exceeds the Annual Fee Requirement, the difference, will be made available through an ERISA Budget to pay legitimate plan expenses. A separate legal agreement is required.
- 3 For comprehensive warranty details on the levels of coverage we offer, see the Service Warranty document. Principal Life is not a fiduciary in the broader context of operating any plan.

Defined Benefit Proposal for PORTLAND WATER DISTRICT

As of: 03/28/2023

Your Plan Pricing is Based On

Current Total Assets	\$11,800,000
Annual Deposits	\$500,000
Active Participants	1
Vested Termed Participants	0
Retired Lives	47
Service model	TPA ¹

Annual Plan & Services Fees

	Percentage of assets	Cost in dollars
Trust and/or Custody Services, Investment Related Services, and Retiree Services	0.16%	\$18,955
Annual Plan & Services Fees²	0.16%	\$18,955

Trust and/or Custody, Investment Related Services, and Retiree Services include a package of Core Services and Optional Services elected. There are no additional Fees from any member company of the Principal Financial Group® for this service package.

See details on Services Specific to Your Plan, and Participant Transaction Fees pages.

Additional Fees*

	Percentage of assets	Cost in dollars
Investment Advisory Services from Principal Global Advisors (PGA)	0.08%	\$9,220

Core services snapshot

You receive a package of Core Services to help ensure your retirement plan needs are met. In addition to necessary plan services, our Core Services include a number of value-added features to help make managing your retirement plan easier. Principal Life Insurance Company stands behind our services with our Service Warranty³; providing a promise of quality service and level of indemnification protection. The listing of our core services and optional services selected by you can be found in your Service and Expense Agreement. You will also have access to an updated list of available services on principal.com.

Our Core Services are provided for the Trust and or Custody Services, Investment Related Services and Retiree Services fees listed.

A comprehensive list of Core Services is available upon request.



General Services and Reports

Trust and/or Custody, Investment Related Services and Retiree Services

- Employer login on principal.com
- Client Service Team
- Comprehensive investment option material & reporting
- Daily account valuation
- Due diligence process
- Investment support for fiduciary
- Principal blog
- Plan transition services
- Sample investment policy
- Service Warranty³
- Retirement Plan & Investment Review
- Retiree listing



Distribution Services

Trust and/or Custody, Investment Related Services and Retiree Services

- Benefit distributions & annuity payments, including required tax withholding



Plan Compliance & Government Filing Services

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Trust and/or Custody, Investment Related Services and Retiree Services

- Verification of life audit

PORTLAND WATER DISTRICT

You have options related to how annual costs and investment fees are collected.

Costs can be:

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What's unique to my plan?

Services Specific to Your Plan

	Cost
Principal® Platform Connectivity Program Fee	Included
Retiree annuity payments	Included

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- Principal Life is not paying broker compensation to any Financial Professional for your plan. You may direct us to pay third parties from plan assets, including Financial Professionals. If you want information regarding any Financial Professional compensation, please contact your Financial Professional for this information.
- This Fee Summary Principal Life Insurance Company (Principal Life), a member company of The Principal, is submitting for your consideration is based on information concerning your plan submitted to The Principal by your representative. The proposal reflects specific rate level / share class(es) that you and your representative decided upon. You should consider whether the rate level/share class(es) illustrated is most appropriate for you.
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- Before directing retirement funds to a separate account, investors should carefully consider the investment objectives, risks, charges and expenses of the separate account as well as their individual risk tolerance, time horizon and goals. For additional information contact us at 1-800-547-7754 or visit principal.com
- Investment information given or made available to your Financial Professional is representative of a platform you or another plan fiduciary may select from or use to monitor investment alternatives and is not individualized to the needs of any plan. Principal, its affiliates and their employees have not and will not undertake to provide you or your Financial Professional impartial investment advice or to give you or your Financial Professional advice in a fiduciary capacity, unless so indicated under a separate writing. As a service provider, at your direction, we'll provide investment information to assist you and your Financial Professional (if applicable) with your fiduciary responsibilities. You, or another appropriate plan fiduciary, may select a different platform (or set of investment options) which may have an effect on pricing.
- The compensation Principal, as an entity, receives will vary based on investments you or your Financial Professional chooses for your plan. We have detailed the amounts we receive from the various investments you have chosen on your Fee Summary. Our financial interest in other investments available on our platforms may be found on our website under the Investments tab on principal.com.
- Estimated Total Annual Plan Costs does not include indirect compensation such as float, slippage/breakage, certain optional services, or participant transaction fees or other qualified plan expenses that may be incurred for other service providers. Fees include Principal Trust Company Directed Trust Services or Custodial Services, if applicable.
- Principal Life is the legal owner of the Principal Life Separate Account assets under state insurance laws. For purposes of computing its federal income tax obligations, Principal Life must include dividend income received on separate account assets in taxable income and may be eligible for certain deductions and credits attributable to its ownership of separate account holdings. Such deductions and credits include dividends received deductions and foreign tax credits. To the extent available, Principal Life generally seeks to utilize deductions and credits attributable to its separate account assets for purposes of reducing its federal income tax liability. The possibility that Principal Life will receive any financial benefits as a result of the application of U.S. tax laws to the activities of its separate accounts does not influence the separate account investment strategies of Principal Life or their implementation. Please refer to the Principal Disclosure Statement for more information.

Footnotes

- 1 Any additional fees charged by the third party administrator (TPA) will be disclosed separately by the TPA. The TPA may also receive compensation from us in addition to any remuneration that the TPA receives from you or the retirement plan.
- 2 On an annual basis, Principal Life will review the Annual Fee Requirement and the expected Revenue Sharing to Recordkeeper generated by the investment options chosen for the plan. Based on the expected Revenue Sharing to Recordkeeper, Your Fee Balance may change from year to year to meet the Annual Fee Requirement. If the Annual Fee Requirement is not met by the Revenue Sharing to Recordkeeper, Your Fee Balance may be billed to you, or deducted from plan assets, as directed by an appropriate plan fiduciary. If the Revenue Sharing to Recordkeeper exceeds the Annual Fee Requirement, the difference, will be made available through an ERISA Budget to pay legitimate plan expenses. A separate legal agreement is required.
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APPENDIX C

PRINCIPAL GLOBAL ADVISORS PROPOSED INVESTMENT ALLOCATIONS AND FACT SHEETS

Principal Global Advisors

Managing your investment strategy

As a retirement plan sponsor,

you face significant challenges in managing your organization's pension plan on behalf of the participants: fiduciary responsibility, risk management and plan investment decisions, just to name a few.

It's a lot of pressure, but you don't have to go it alone. What if you could reduce some of the burden by delegating some of your fiduciary investment decisions to us? By appointing Principal Global Advisors as the plan's ERISA Section 3(38) investment manager, we'll develop, implement, and monitor a customized investment strategy for your plan.

Whether your employees continue to accrue benefits each year or the plan is frozen and you're looking to wind it down, we have over 35 years of experience working with pension plans and the capability to help you accomplish your goals.*

*Providing 3(38) investment management services since 1987.



We can help your organization's plan succeed

Since we oversee \$29 billion in assets and provide investment advice to over 550 plans, we know every plan has different needs.¹ That's why we create an investment strategy tailored to your organization's plan and your goals. And while every plan strategy may look a little different, we'll base it on these principles:

- Asset allocation selection and implementation are critical to meeting plan objectives.
- Careful analysis of retirement plan assets, liabilities, and unique attributes guides asset allocation decisions.
- Diversifying by asset class, style, and investment manager helps control risk.
- A portfolio's success can depend on selecting appropriate managers and carefully monitoring performance over time.

Our fiduciary responsibility

When you choose Principal Global Advisors, you'll remain the named fiduciary. We serve as the plan's ERISA 3(38) investment manager. With over 35 years of experience managing investment strategies, our team takes great care to prudently manage plan assets while providing access to premier investment managers.²



¹ As of Mar. 31, 2022

² Providing 3(38) investment management services since 1987.

Creating your customized strategy

Managing your investment strategy is a complex process with many considerations. That's why we've broken it down into five key steps.





STEP 1 > Review current strategy

Our strategy focuses on finding balance between a pension plan's contribution strategy, interest rate exposure, and capital appreciation. Our in-house actuarial consultants can conduct a comprehensive asset/liability study to examine how assets, liabilities, and financial statements are affected under multiple scenarios to determine a starting point for asset allocation.

Actuarial services of Principal®



If you'd like a more detailed look at the plan or an alternative investment strategy, the Principal actuarial team can help.

Asset liability modeling (ALM)

To understand the plan a little better, the actuarial team at Principal uses ALM studies to compare pension risk (volatility) and reward (greater returns or lowered volatility) under several different asset allocation scenarios. By using this study, you'll see the likelihood of different outcomes so you can balance your desired levels of contributions and potential returns with your desired risk level.

You can also view plan costs under different asset allocation strategies to project how plan contributions may look over time. This can make it easier to set an asset allocation and contribution level as well as manage plan expenses and budget.

If you choose an ALM, Principal Global Advisors will coordinate directly with the actuarial team to seamlessly implement your customized asset allocation strategy.

Liability-driven investing (LDI)

If managing plan volatility is your primary goal, you may want to consider an alternative investment strategy called liability-driven investing (LDI). LDI focuses on reducing plan volatility by managing the plan's assets to its future liabilities—the asset's true benchmark. This may be of particular interest if you've seen significant volatility in the plan's funded status and required contributions in recent years.

In collaboration with our Principal Global Advisors consultants, the Principal actuarial team can explain how implementing an LDI strategy will work whether your organization's plan is active or frozen. And if you choose to move forward, we'll help you transition to this approach.



STEP 2 > Formalize objectives

Next, we help formalize objectives and define pension guideposts. The appropriate funding strategy depends on the funded status of plan, the risk parameters willing to accept, and long-term intentions for the plan. We help develop a customized Investment Policy Statement (IPS) to capture long-term pension strategy, allowable asset categories and allocation ranges, specific targets where portfolio shifts will be made, and rebalancing policy.

A strong IPS aligns organization objectives and investment policies, allowing the client to focus on the bigger picture.



STEP 3 > Develop customized solution

Once we have defined a starting point and the ending goal for the plan, we connect the two together. The dynamic glide path is a customized strategy that can help bring the pension plan from where it is today to a chosen destination.



STEP 4 > Construct portfolio

We follow an open architecture “manager-of-managers” approach when building a portfolio. Our cost-effective portfolio construction seeks to provide diversification and volatility control with the goal of delivering risk-adjusted returns that regularly exceed the portfolio benchmark. We believe in full fee transparency and in creating a portfolio to match a plan’s specific needs.



STEP 5 > Monitor, review, adjust as needed

State-of-the-art reporting system for daily monitoring of your investments offers up-to-date information, comprehensive risk analytics and reporting, as well as “what if” modeling. We provide you with a quarterly pension scorecard to track how your asset and liability values, funded status, and discount rates change over time.

You'll hear from us regularly with ongoing consultation including:



Strategic discussions with your team



Quarterly commentary



Comprehensive reporting



Specialized communication when changes are made

We're here for you. When you're ready to explore our ERISA 3(38) asset allocation and fiduciary services, we're ready to develop your personalized strategy. From ongoing engagement to implementation and monitoring, we can help you accomplish your goals.

If you value expert advice, but want to retain control over your investment decisions, we can help with that, too. We can provide a one-time asset allocation recommendation for a point-in-time strategy. Or if you want guidance with a liability-driven investing (LDI) allocation we can analyze the plan's liabilities and suggest how to allocate your plan's fixed income assets among multiple fixed income duration bands.

We want to help you and your employees live your best lives. Contact us to find out how Principal Global Advisors can ease some of your burden. Let's work together to help achieve your retirement plan goals.



This document is intended to be educational in nature and is not intended to be taken as a recommendation.

Before directing retirement funds to a separate account, investors should carefully consider the investment objectives, risks, charges and expenses of the separate account as well as their individual risk tolerance, time horizon and goals. For additional information contact us at 800-547-7754 or by visiting principal.com.

Asset allocation and diversification do not ensure a profit or protect against a loss.

Principal Global Advisors has fiduciary responsibility for investment decisions it makes for your defined benefit plan when providing you the Investment Advisory Services described in the Principal Global Investors® Investment Advisory Agreement and Part II of the Form ADV. Principal Global Advisors is a specialized investment management group within Principal Global Investors®.

Principal Global Investors leads global asset management at Principal®. Insurance products and plan administrative services provided through Principal Life Insurance Company®. Referenced companies are members of the Principal Financial Group®, Des Moines, Iowa 50392. Certain investment options and contract riders may not be available in all states or U.S. commonwealths. Separate Accounts are available through a group annuity contract with Principal Life Insurance Company. See the group annuity contract for the full name of the Separate Account. Principal Life Insurance Company reserves the right to defer payments or transfers from Principal Life Separate Accounts as permitted by the group annuity contracts providing access to the Separate Accounts or as required by applicable law. Such deferment will be based on factors that may include situations such as: unstable or disorderly financial markets; investment conditions which do not allow for orderly investment transactions; or investment, liquidity and other risks inherent in real estate (such as those associated with general and local economic conditions). If you elect to allocate funds to a Separate Account, you may not be able to immediately withdraw them.

Principal®, Principal Financial Group®, and Principal and the logomark design are registered trademarks of Principal Financial Services, Inc., a Principal Financial Group company, in the United States and are trademarks and services marks of Principal Financial Services, Inc., in various countries around the world.

Portland Water District Bargaining and Non-Bargaining Pension Plans
 Sample Target Allocation by Asset Class/Investment Style

PRIMARILY PASSIVE

Asset Class/Investment Style	Current Target	Expected Inv. Expense	Weighted Inv. Expense	Expected Return	Expected Risk	Weighted Expected Return	Weighted Expected Risk
U.S. Equity (Using Passive Allocations)							
Large Cap	41.6%	0.05%	0.0208%	7.80%	17.00%	3.2448%	7.0720%
Mid Cap	5.0%	0.05%	0.0025%	8.70%	20.00%	0.4350%	1.0000%
Small Cap	2.4%	0.05%	0.0012%	9.00%	21.00%	0.2160%	0.5040%
U.S. Equity - Totals	49.0%		0.0245%			3.8958%	8.5760%
International Equity							
Core International	21.0%	0.23%	0.0483%	8.10%	18.00%	1.7010%	3.7800%
International Equity Totals	21.0%		0.0483%			1.7010%	3.7800%
Total Equity	70.0%						
Fixed Income							
Core Bond	30.0%	0.15%	0.0450%	4.30%	6.70%	1.2900%	2.0100%
Fixed Income Total	30.0%		0.0450%			1.2900%	2.0100%
Plan Totals	100.0%		0.1178%			6.89%	14.4%

Portland Water District Bargaining and Non-Bargaining Pension Plans
Sample Target Allocation by Asset Class/Investment Style

PRIMARILY HYBRID

Asset Class/Investment Style	Current Target	Expected Inv. Expense	Weighted Inv. Expense	Expected Return	Expected Risk	Weighted Expected Return	Weighted Expected Risk
U.S. Equity (Using Passive Allocations)							
Large Cap	41.6%	0.05%	0.0208%	7.80%	17.00%	3.2448%	7.0720%
Mid Cap	5.0%	0.05%	0.0025%	8.70%	20.00%	0.4350%	1.0000%
Small Cap	2.4%	0.05%	0.0012%	9.00%	21.00%	0.2160%	0.5040%
U.S. Equity - Totals	49.0%		0.0245%			3.8958%	8.5760%
International Equity							
Core International	21.0%	0.48%	0.1008%	8.10%	18.00%	1.7010%	3.7800%
International Equity Totals	21.0%		0.1008%			1.7010%	3.7800%
Total Equity	70.0%						
Fixed Income							
High Yield	2.4%	0.46%	0.0110%	5.70%	9.50%	0.1368%	0.2280%
Core Bond	27.6%	0.27%	0.0745%	4.30%	6.70%	1.1868%	1.8492%
Fixed Income Total	30.0%		0.0856%			1.3236%	2.0772%
Plan Totals	100.0%		0.2109%			6.92%	14.4%

Portland Water District Bargaining and Non-Bargaining Pension Plans
Sample Target Allocation by Asset Class/Investment Style

PRIMARILY ACTIVE

Asset Class/Investment Style	Current Target	Expected Inv. Expense	Weighted Inv. Expense	Expected Return	Expected Risk	Weighted Expected Return	Weighted Expected Risk
U.S. Equity (Primarily Active)							
Large Cap Value	17.2%	0.30%	0.0516%	7.50%	16.00%	1.2900%	2.7520%
Large Cap Core	7.2%	0.05%	0.0036%	7.80%	17.00%	0.5616%	1.2240%
Large Cap Growth	17.2%	0.39%	0.0671%	8.20%	19.00%	1.4104%	3.2680%
Mid Cap Value	2.5%	0.49%	0.0123%	8.60%	19.00%	0.2150%	0.4750%
Mid Cap Growth	2.5%	0.60%	0.0150%	8.70%	20.00%	0.2175%	0.5000%
Small Value	1.2%	0.65%	0.0078%	9.30%	22.00%	0.1116%	0.2640%
Small Growth	1.2%	0.63%	0.0076%	9.30%	22.00%	0.1116%	0.2640%
U.S. Equity - Totals	49.0%		0.1649%			3.9177%	8.7470%
International Equity							
Large Value	6.5%	0.61%	0.0397%	8.40%	19.00%	0.5460%	1.2350%
Core International	14.5%	0.43%	0.0624%	8.10%	18.00%	1.1745%	2.6100%
International Equity Totals	21.0%		0.1020%			1.7205%	3.8450%
Total Equity	70.0%						
Fixed Income							
High Yield	2.4%	0.46%	0.0110%	5.70%	9.50%	0.1368%	0.2280%
Core Bond	27.6%	0.27%	0.0745%	4.30%	6.70%	1.1868%	1.8492%
Fixed Income Total	30.0%		0.0856%			1.3236%	2.0772%
Plan Totals	100.0%		0.3525%			6.96%	14.7%

Overseas Separate Account-Z as of 06/30/2023

Investment Strategy

The investment seeks long-term growth of capital. Under normal circumstances, the fund invests at least 80% of its net assets, plus any borrowings for investment purposes, in equity securities that are tied economically to countries outside the U.S. at the time of purchase. It invests in emerging market securities. The fund invests in value equity securities, an investment strategy that emphasizes buying equity securities that appear to be undervalued. It invests in equity securities of small, medium, and large market capitalization companies.

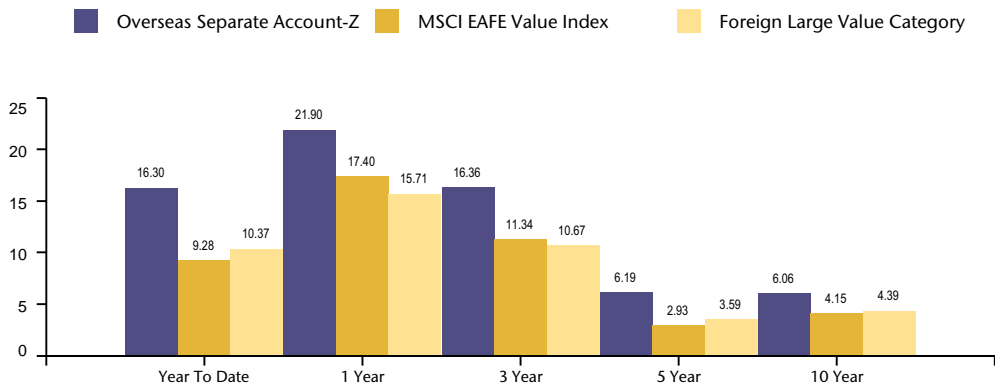


Portfolio managers

James W. Fennessy, CFA. Since 06/02/2009. B.S., Truman State University

Randy L. Welch Since 06/02/2009. M.B.A., Drake University

Long-term returns % as of 06/30/2023



Performance disclosure

Investment results shown represent historical performance and do not guarantee future results. Investment returns and principal values fluctuate with changes in interest rates and other market conditions so the value, when redeemed, may be worth more or less than original costs. Current performance may be lower or higher than the performance data shown. For more performance information, including the most recent month-end performance, visit principal.com, contact your representative of Principal®, or call our Participant Contact Center at 1-800-547-7754.

Where gross and net expense ratios differ or where a contractual cap and/or waiver date is given, the mutual fund, collective investment trust, or underlying applicable investment in which this investment option invests has waived/capped a portion of its management fees through the date displayed in the waiver expiration date or contractual cap expiration date column.

Long Term Returns	Year To Date	1 Year	3 Year	5 Year	10 Year
Total Return %	16.30	21.90	16.36	6.19	6.06
MSCI EAFE Value Index %	9.28	17.40	11.34	2.93	4.15
Foreign Large Value Category %	10.37	15.71	10.67	3.59	4.39
Morningstar Percentile Rankings	-	9	4	7	4
# of Funds in Category	376	373	335	306	193
Annual Returns	2022	2021	2020	2019	2018
Total Return %	-4.58	11.55	4.41	21.27	-17.57
MSCI EAFE Value Index %	-5.58	10.89	-2.63	16.09	-14.78
Foreign Large Value Category %	-9.09	11.83	0.88	17.80	-15.44
Morningstar Percentile Rankings	14	52	26	11	74
# of Funds in Category	354	348	352	346	315

Morningstar percentile rankings are based on total returns and in accordance with the appropriate Morningstar peer group. Returns shown for less than one year are not annualized.

Morningstar category

Foreign Large Value

Morningstar Style Box™

As of 05/31/2023

Investment style			Market capitalization	
Value	Blend	Growth		
				Large
				Medium
			Small	

Risk and Return Statistics

as of 06/30/2023 Relative to MSCI EAFE Value Index

	3Yr	5Yr
Alpha	3.85	3.30
Beta	1.09	1.12
R-Squared	95.94	96.46
Standard Deviation	21.36	22.11
Mean	16.36	6.19
Sharpe Ratio	0.74	0.31
Excess Return	5.02	3.26
Tracking Error	4.64	4.76
Information Ratio	1.08	0.68

Operations

Total Investment Expense Net	0.61%
Total Investment Expense Gross	0.63%
Waiver Expiration Date	02/29/2024
Inception Date	09/30/2008
Total Net Assets (mil)	\$2,420.48



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Risk and return statistical data is calculated by Morningstar, Inc. Excess Return is calculated by Principal Life Insurance Company.

Overseas Separate Account-Z as of 06/30/2023

Portfolio information[†]

Composition as of 05/31/2023

Asset Distribution		Asset Type	Net %	Short %	Long %
		Non-U.S. Stocks	97.34	0.00	97.34
		Cash	2.44	0.99	3.44
		U.S. Stocks	0.16	0.00	0.16
		Other	0.06	0.00	0.06

Top ten holdings

as of 05/31/2023

	% of net assets
1. Principal Government Money Market R-6	2.97
2. Enel SpA	2.27
3. Danone SA	1.99
4. Rolls-Royce Holdings PLC	1.96
5. ING Groep NV	1.84
6. Akzo Nobel NV	1.82
7. HSBC Holdings PLC	1.77
8. Samsung Electronics Co Ltd	1.73
9. SK Hynix Inc	1.60
10. Allianz SE	1.53
% of net assets in top ten holdings*	19.50

Analysis

# of Stock Hldgs	524
# of Bond Hldgs	0
# of Other Hldgs	6
AvgMktCap (mil)	\$32,517.38
Turnover Ratio	62%
P/C Ratio	5.65
P/E Ratio	11.09
P/B Ratio	1.30

Top 5 Countries

	% of net assets
United Kingdom	21.75
Japan	15.22
France	12.37
Germany	10.19
Switzerland	5.38

Regional exposure

	% of net assets
Europe	70.50
Japan	15.22
Pacific Rim	10.23
Other	3.60
Latin America	0.29
United States	0.16

Separate Accounts are available through a group annuity contract with Principal Life Insurance Co. Insurance products and plan administrative services, if applicable, are provided by Principal Life Insurance Company, a member of the Principal Financial Group, Des Moines, IA 50392. See the fact sheet for the full name of the Separate Account. Certain investment options may not be available in all states or U.S. commonwealths. Principal Life Insurance Company reserves the right to defer payments or transfers from Principal Life Separate Accounts as described in the group annuity contracts providing access to the Separate Accounts or as required by applicable law. Such deferral will be based on factors that may include situations such as: unstable or disorderly financial markets; investment conditions which do not allow for orderly investment transactions; or investment, liquidity, and other risks (such as those associated with general and local economic conditions). If you elect to allocate funds to a Separate Account, you may not be able to immediately withdraw them.

The full name of this investment option is Principal Overseas Separate Account-Z. Principal Overseas investment option is available as a mutual fund and as a Separate Account that invests wholly in Institutional class shares of the Principal Funds, Inc. Overseas Inst Fund. All voting rights associated with ownership of shares in the mutual fund are the rights of the Separate Account, not of contract holders investing in the Separate Account. For further information on the underlying mutual fund, see the prospectus of the fund (PINZX) at <http://www.principal-funds.com/PrincipalsiteMF>.

Before directing retirement funds to a separate account, investors should carefully consider the investment objectives, risks, charges and expenses of the separate account as well as their individual risk tolerance, time horizon and goals. For additional information contact us at 1-800-547-7754 or by visiting principal.com.

Investment and Insurance products are:

- **Not Insured by the FDIC or Any Federal Government Agency**
- **Not a Deposit or Other Obligation of, or Guaranteed by Credit Union or Bank**
- **Subject to Investment Risks, Including Possible Loss of the Principal Amount Invested**

MSCI EAFE Value Index is a subset of the MSCI EAFE Index, which is an unmanaged index that measures the stock returns of companies in developed economies outside of North America. The MSCI EAFE Value Index consists of securities classified by MSCI as most representing the value style.

Past performance is no guarantee of future results. Market indices have been provided for comparison purposes only. They are unmanaged and do not reflect fees or expenses. Individuals cannot invest directly in an index.

Investment Options may charge a short-term trading or redemption fee to protect the interests of long-term Contractholders.

Alpha - The difference between an investment's actual returns and its expected performance, given its level of risk (as measured by beta). **Beta** - An investment's sensitivity to market movements. **R-squared** - Ranges from 0 to 100 and reveals how closely an investment's returns track those of a benchmark index. **Standard Deviation** - Measures how much an investment's returns are likely to fluctuate. **Mean** - Represents the annualized total return for a fund over 3 and 5 years. **Sharpe Ratio** - Measures how an investment balances risks and rewards. The higher the Sharpe ratio, the better the investment's historical risk-adjusted performance. **Excess Return** - The difference between a manager's return and the return of an external standard such as a passive index.

Tracking Error - The standard deviation or volatility of excess returns. **Information Ratio** - A risk-adjusted measure commonly used to evaluate an active manager's involvement skill. It's defined as the manager's excess return divided by the variability or standard deviation of the excess return.

Average Market Cap - The overall "size" of a stock investment option's portfolio. It is the geometric mean of the market capitalization for all of the stocks it owns and is calculated by raising the market capitalization of each stock to a power equal to that stock's stake in the portfolio. The resulting numbers are multiplied together to produce the geometric mean of the market caps of the stocks in the portfolio, which is reported as average market capitalization.

Price/Cash Flow (projected) Ratio - The ratio of the company's most recent month-end share price to the company's estimated cash flow per share (CPS) for the current fiscal year. Cash flow measures the ability of a business to generate cash and it acts as a gauge of liquidity and solvency. Morningstar calculates internal estimates for the current year CPS based on the most recently reported CPS and average historical cash flow growth rates. Price/cash flow (projected) is one of the five value factors used to calculate the Morningstar Style Box. For portfolios, this data point is calculated by taking an asset-weighted average of the cash flow yields (C/P) of all the stocks in the portfolio and then taking the reciprocal of the result. **Price/Projected Earnings Ratio** - The ratio of the company's most recent month-end share price to the company's estimated earnings per share (EPS) for the current fiscal year. If a third-party estimate for the current year EPS is not available, Morningstar will calculate an internal estimate based on the most recently reported EPS and average historical earnings growth rates. Price/projected earnings is one of the five value factors used to calculate the Morningstar Style Box. For portfolios, this data point is calculated by taking an asset-weighted average of the earnings yields (E/P) of all the stocks in the portfolio and then taking the reciprocal of the result. **Price/Book (projected) Ratio** - The ratio of the company's most recent month-end share price to the company's estimated book value per share (BPS) for the current fiscal year. Book value is the total assets of a company, less total liabilities. Morningstar calculates internal estimates for the current year BPS based on the most recently reported BPS and average historical book value growth rates.

Turnover Ratio - This is a measure of the fund's trading activity, which is computed by taking the lesser of purchases or sales (excluding all securities with maturities of less than one year) and dividing by average monthly net assets.

Total Investment Expense - Gross is the current maximum expense ratio, as a percentage of assets that can be applied to this investment option. This does not represent the recordkeeping or individual transactional fees that can be deducted from or reduce the earnings for an investment under your account. However, it does include operating expenses, management fees, including 12b-1 fees, and administrative fees.

Total Investment Expense - Net; you will be responsible for this expense and it will be automatically taken prior to calculating performance. Total Investment Expense - Net is the Total Investment Expense - Gross expense ratio less any fee waivers, reimbursements or caps, if applicable. The expenses ratio, as a percentage of net assets, includes operating expenses, management fees, including 12b-1 fees, and administrative fees.

† Portfolio information under the Asset Distribution Table depicts a breakdown of the investment option's portfolio holdings, as of the date listed, into general investment classes. The x-axis represents the percentage each investment group holds, with the y-axis representing a zero value. Values to the right of the y-axis represent long security positions, while values to the left of the y-axis represent short security positions. The table to the right of the bar chart sums these two values to present the net emphasis of each investment group. Due to rounding, the total net position may not equal 100%. Long positions involve buying a security and selling it later, with the hope that the security price rises over time. In contrast, short positions are taken to benefit from anticipated price declines. Portfolio holdings are subject to change and companies referenced in this report may not currently be held. Information is current as of the creation of this piece. Keep in mind that portfolio holdings are subject to risk. For a complete list of the most recent publicly available holdings visit principal.com.

^The Morningstar Category and Style Box will sometimes differ because they examine different time periods. The Morningstar style box is recalculated each month and is a snapshot of where the portfolio was most recently invested based on the available portfolio statistics. The Morningstar Category is based on the fund's average portfolio statistics over the past three years. If there is a discrepancy between the fund's category and its style box, this indicates a change from a previous investment style that may or may not be temporary. To determine the most current investment style of a fund, use the style box. When making historical performance comparisons, use the Morningstar category. If a fund's investment style box designation continues to drift away from its Morningstar category, Morningstar will update the category.

International and global investment options are subject to additional risk due to fluctuating exchange rates, foreign accounting and financial policies, and other economic and political environments.

This Separate Account invests solely in the least expensive share class of a mutual fund (Fund) from Principal Funds, Inc. Principal Global Investors, LLC invests up to 30% of the Fund's assets in equity securities in an attempt to match the performance of the Fund's benchmark index. The Fund's remaining assets are managed by the sub-advisors.

Investment manager/sub-advisor means either the Investment Advisor or Sub-Advisor to the investment option or the underlying asset(s).

* Values may exceed 100% if both long and short positions are included in the portfolio.

High Income Separate Account-Z as of 06/30/2023

Investment Strategy

The investment seeks high current income. Under normal circumstances, the fund invests primarily in below investment grade bonds and bank loans which are rated, at the time of purchase, Ba1 or lower by Moody's Investors Service, Inc. ("Moody's") and BB+ or lower by S&P Global Ratings ("S&P Global") (if the bond or bank loan has been rated by only one of those agencies, that rating will determine whether it is below investment grade; if the bond or bank loan has not been rated by either of those agencies, those selecting such investments will determine whether it is of a quality comparable to those rated below investment grade).

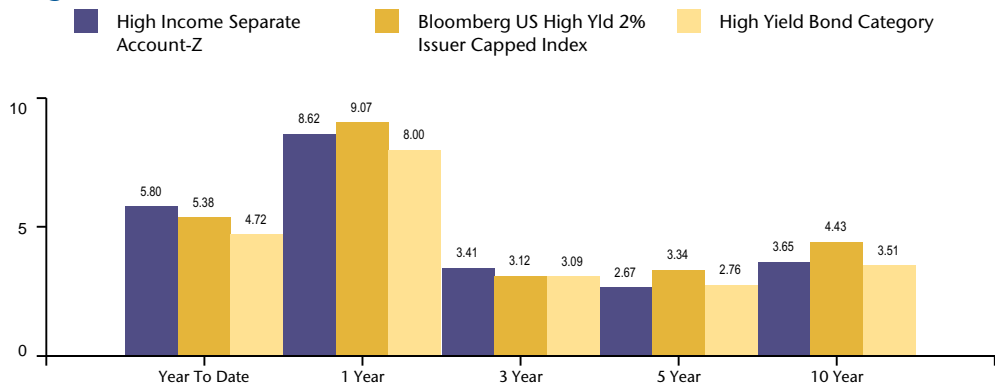


Portfolio managers

James W. Fennessey, CFA. Since 07/19/2007. B.S., Truman State University

Randy L. Welch Since 07/19/2007. M.B.A., Drake University

Long-term returns % as of 06/30/2023



Performance disclosure

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Where gross and net expense ratios differ or where a contractual cap and/or waiver date is given, the mutual fund, collective investment trust, or underlying applicable investment in which this investment option invests has waived/capped a portion of its management fees through the date displayed in the waiver expiration date or contractual cap expiration date column.

Long Term Returns	Year To Date	1 Year	3 Year	5 Year	10 Year
Total Return %	5.80	8.62	3.41	2.67	3.65
Bloomberg US High Yld 2% Issuer Capped Index %	5.38	9.07	3.12	3.34	4.43
High Yield Bond Category %	4.72	8.00	3.09	2.76	3.51
Morningstar Percentile Rankings	-	41	38	56	44
# of Funds in Category	692	686	625	583	417
Annual Returns	2022	2021	2020	2019	2018
Total Return %	-10.85	5.20	5.58	11.90	-2.55
Bloomberg US High Yld 2% Issuer Capped Index %	-11.18	5.26	7.05	14.32	-2.08
High Yield Bond Category %	-10.09	4.77	4.91	12.62	-2.59
Morningstar Percentile Rankings	51	37	43	68	45
# of Funds in Category	682	678	676	711	695

Morningstar percentile rankings are based on total returns and in accordance with the appropriate Morningstar peer group. Returns shown for less than one year are not annualized.

Morningstar category

High Yield Bond

Risk and Return Statistics

as of 06/30/2023 Relative to Bloomberg US High Yld 2% Issuer Capped Index

	3Yr	5Yr
Alpha	0.34	-0.61
Beta	0.95	0.96
R-Squared	99.32	98.88
Standard Deviation	7.97	8.98
Mean	3.41	2.67
Sharpe Ratio	0.26	0.15
Tracking Error	0.80	1.01
Information Ratio	0.35	-0.67

Operations

Total Investment Expense Net	0.46%
Total Investment Expense Gross	0.48%
Waiver Expiration Date	02/29/2024
Inception Date	12/31/2004
Total Net Assets (mil)	\$3,194.35



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Risk and return statistical data is calculated by Morningstar, Inc. Excess Return is calculated by Principal Life Insurance Company.

High Income Separate Account-Z as of 06/30/2023

Portfolio information†

Composition as of 05/31/2023

Asset Distribution	Asset Type	Net %	Short %	Long %
	U.S. Bonds	85.89	0.00	85.89
	Non-U.S. Bonds	11.71	0.00	11.71
	Cash	1.84	1.01	2.84
	U.S. Stocks	0.42	0.00	0.42
	Non-U.S. Stocks	0.08	0.00	0.08
	Preferred	0.04	0.00	0.04
	Convertibles	0.02	0.00	0.02

Top ten holdings

as of 05/31/2023

	% of net assets
1. Principal Government Money Market R-6	2.71
2. NFP Corp. 6.875%	1.12
3. Acrisure Llc / Acrisure Fin Inc 7%	0.73
4. Tenet Healthcare Corporation 6.125%	0.72
5. ASURION	0.65
6. UKG INC	0.64
7. 1011778 B.C. Unlimited Liability Company / New Red Finance, Inc. 4%	0.62
8. SS&C Technologies, Inc. 5.5%	0.58
9. Cinemark USA Inc. 5.25%	0.56
10. Ardagh Metal Packaging Finance PLC / Ardagh Metal Packaging Finance USA LLC	0.55
% of net assets in top ten holdings*	8.87

Analysis

# of Stock Hldgs	6
# of Bond Hldgs	1901
# of Other Hldgs	12
Turnover Ratio	48%

Credit Analysis

As of 05/31/2023

	% Bonds
AAA	4.30
AA	0.00
A	0.00
BBB	0.21
BB	26.16
B	47.51
Below B	19.83
Not Rated	1.99

Statistics

Avg Eff Duration (Yrs)	3.89
Avg Eff Maturity (Yrs)	5.15
Avg Weighted Price	89.51

Separate Accounts are available through a group annuity contract with Principal Life Insurance Co. Insurance products and plan administrative services, if applicable, are provided by Principal Life Insurance Company, a member of the Principal Financial Group, Des Moines, IA 50392. See the fact sheet for the full name of the Separate Account. Certain investment options may not be available in all states or U.S. commonwealths. Principal Life Insurance Company reserves the right to defer payments or transfers from Principal Life Separate Accounts as described in the group annuity contracts providing access to the Separate Accounts or as required by applicable law. Such deferment will be based on factors that may include situations such as: unstable or disorderly financial markets; investment conditions which do not allow for orderly investment transactions; or investment, liquidity, and other risks (such as those associated with general and local economic conditions). If you elect to allocate funds to a Separate Account, you may not be able to immediately withdraw them.

The full name of this investment option is Principal High Income Separate Account-Z. Principal High Yield I investment option is available as a mutual fund and as a Separate Account that invests wholly in Institutional class shares of the Principal Funds, Inc. High Yield I Inst Fund. All voting rights associated with ownership of shares in the mutual fund are the rights of the Separate Account, not of contract holders investing in the Separate Account. For further information on the underlying mutual fund, see the prospectus of the fund (PYHIX) at <http://www.principal.com/retirement/prospectuses/prospect.htm>.

Before directing retirement funds to a separate account, investors should carefully consider the investment objectives, risks, charges and expenses of the separate account as well as their individual risk tolerance, time horizon and goals. For additional information contact us at 1-800-547-7754 or by visiting principal.com.

Investment and Insurance products are:

- **Not Insured by the FDIC or Any Federal Government Agency**
- **Not a Deposit or Other Obligation of, or Guaranteed by Credit Union or Bank**
- **Subject to Investment Risks, Including Possible Loss of the Principal Amount Invested**

The credit analysis shows the percentage of fixed-income securities that fall within each credit-quality rating, as assigned by Standard & Poor's or Moody's, and depicts the quality of bonds in the portfolio. Higher ratings indicate a lower credit risk, and lower ratings indicate a higher credit risk. Per the Morningstar Fixed Income Survey guidelines, if two rating agencies rate a security, then the lowest rating is used. The credit analysis may not reflect the current portfolio composition. AAA-rated securities include cash and cash equivalents.

The Bloomberg US High Yld 2% Issuer Capped Index measures the performance of USD-denominated, non-investment grade, fixed-rate, taxable corporate bonds. It follows the same rules as the uncapped index but limits the exposure of each issuer to 2% of the total market value and redistributes any excess market value index-wide on a pro-rata basis.

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Turnover Ratio - This is a measure of the fund's trading activity, which is computed by taking the lesser of purchases or sales (excluding all securities with maturities of less than one year) and dividing by average monthly net assets.

Average Effective Duration - A time measure of a bond portfolio's interest-rate sensitivity, based on the weighted average of the time periods over which the cash flows of all of the portfolio's bond holdings accrue to the portfolio. Time periods are weighted by multiplying by the present value of each bond's cash flow divided by that bond's price. (A bond's cash flows consist of coupon payments and repayment of capital.)

Total Investment Expense - Gross is the current maximum expense ratio, as a percentage of assets that can be applied to this investment option. This does not represent the recordkeeping or individual transactional fees that can be deducted from or reduce the earnings for an investment under your account. However, it does include operating expenses, management fees, including 12b-1 fees, and administrative fees.

Total Investment Expense - Net; you will be responsible for this expense and it will be automatically taken prior to calculating performance. Total Investment Expense - Net is the Total Investment Expense - Gross expense ratio less any fee waivers, reimbursements or caps, if applicable. The expenses ratio, as a percentage of net assets, includes operating expenses, management fees, including 12b-1 fees, and administrative fees.

† Portfolio information under the Asset Distribution Table depicts a breakdown of the investment option's portfolio holdings, as of the date listed, into general investment classes. The x-axis represents the percentage each investment group holds, with the y-axis representing a zero value. Values to the right of the y-axis represent long security positions, while values to the left of the y-axis represent short security positions. The table to the right of the bar chart sums these two values to present the net emphasis of each investment group. Due to rounding, the total net position may not equal 100%. Long positions involve buying a security and selling it later, with the hope that the security price rises over time. In contrast, short positions are taken to benefit from anticipated price declines. Portfolio holdings are subject to change and companies referenced in this report may not currently be held. Information is current as of the creation of this piece. Keep in mind that portfolio holdings are subject to risk. For a complete list of the most recent publicly available holdings visit principal.com.

High yield investment options are subject to greater credit risk and volatility that is associated with high yield bonds.

Fixed-income investment options are subject to interest rate risk, and their value will decline as interest rates rise. Neither the principal of bond investment options nor their yields are guaranteed by the U.S. government.

Fixed-income and asset allocation investment options that invest in mortgage securities are subject to increased risk due to real estate exposure.

Investment manager/sub-advisor means either the Investment Advisor or Sub-Advisor to the investment option or the underlying asset(s).

* Values may exceed 100% if both long and short positions are included in the portfolio.

Core Fixed Income Separate Account-Z as of 06/30/2023

Investment Strategy

The investment seeks to provide a high level of current income consistent with preservation of capital. The fund invests primarily in a diversified pool of investment-grade fixed-income securities, including corporate securities, U.S. government securities, asset-backed securities and mortgage-backed securities. It maintains an average portfolio duration that is within 25% of the duration of the Bloomberg U.S. Aggregate Bond Index.

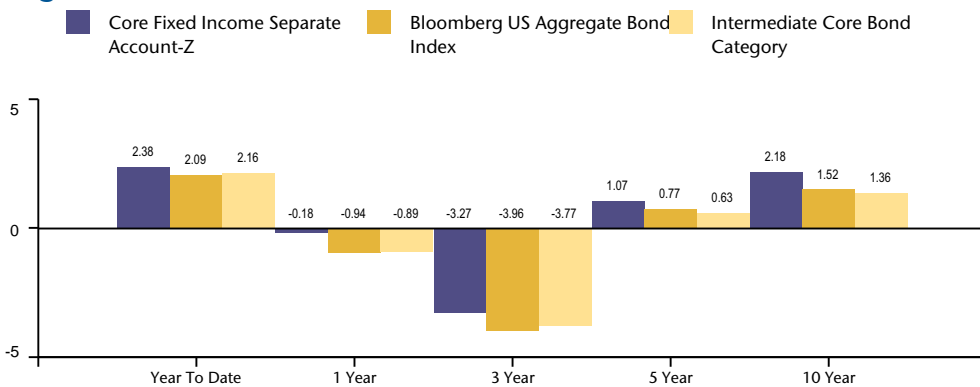


Portfolio managers

John R. Friedl, CFA. Since 03/01/2005. M.S., Seattle University

Scott J. Peterson, CFA. Since 05/19/2010. M.B.A., New York University

Long-term returns % as of 06/30/2023



Performance disclosure

Investment results shown represent historical performance and do not guarantee future results. Investment returns and principal values fluctuate with changes in interest rates and other market conditions so the value, when redeemed, may be worth more or less than original costs. Current performance may be lower or higher than the performance data shown. For more performance information, including the most recent month-end performance, visit principal.com, contact your representative of Principal®, or call our Participant Contact Center at 1-800-547-7754.

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Long Term Returns	Year To Date	1 Year	3 Year	5 Year	10 Year
Total Return %	2.38	-0.18	-3.27	1.07	2.18
Bloomberg US Aggregate Bond Index %	2.09	-0.94	-3.96	0.77	1.52
Intermediate Core Bond Category %	2.16	-0.89	-3.77	0.63	1.36
Morningstar Percentile R rankings	-	15	21	19	4
# of Funds in Category	471	466	411	379	277
Annual Returns	2022	2021	2020	2019	2018
Total Return %	-12.58	-1.59	8.48	9.27	0.38
Bloomberg US Aggregate Bond Index %	-13.01	-1.54	7.51	8.72	0.01
Intermediate Core Bond Category %	-13.32	-1.48	7.52	8.06	-0.50
Morningstar Percentile R rankings	21	47	24	20	14
# of Funds in Category	453	423	415	430	1019

Morningstar percentile rankings are based on total returns and in accordance with the appropriate Morningstar peer group. Returns shown for less than one year are not annualized.

Morningstar category

Intermediate Core Bond

Risk and Return Statistics

as of 06/30/2023 Relative to Bloomberg US Aggregate Bond Index

	3Yr	5Yr
Alpha	0.68	0.33
Beta	0.99	1.01
R-Squared	98.83	89.76
Standard Deviation	6.16	5.80
Mean	-3.27	1.07
Sharpe Ratio	-0.77	-0.07
Tracking Error	0.67	1.85
Information Ratio	1.05	0.17

Operations

Total Investment Expense Net	0.28%
Total Investment Expense Gross	0.28%
Inception Date	06/30/2009
Extended Performance	
Inception Date#	12/31/1975
Total Net Assets (mil)	\$10,157.73



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Risk and return statistical data is calculated by Morningstar, Inc. Excess Return is calculated by Principal Life Insurance Company.

Core Fixed Income Separate Account-Z as of 06/30/2023

Portfolio information[†]

Composition as of 05/31/2023

Asset Distribution		Asset Type	Net %	Short %	Long %
		U.S. Bonds	93.01	0.00	93.01
		Cash	3.97	0.29	4.27
		Non-U.S. Bonds	2.61	0.00	2.61
		U.S. Stocks	0.21	0.00	0.21
		Preferred	0.20	0.00	0.20

Top ten holdings

as of 05/31/2023

	% of net assets
1. Principal Government Money Market R-6	4.06
2. Fifth Third Bancorp 2.375%	0.54
3. Biogen Inc 2.25%	0.53
4. Cards li Trust	0.52
5. American Tower Corporation 2.75%	0.48
6. Five Corners Funding Trust 4.419%	0.48
7. Fnma Pass-Thru I	0.48
8. Interstate Power & Light Company 3.5%	0.47
9. The Bank of New York Mellon Corporation 2.1%	0.47
10. Truist Bank (North Carolina) 2.636%	0.47
% of net assets in top ten holdings*	8.52

Analysis

# of Stock Hldgs	1
# of Bond Hldgs	480
# of Other Hldgs	5
Turnover Ratio	14%

Credit Analysis

As of 05/31/2023

	% Bonds
AAA	51.42
AA	1.65
A	18.29
BBB	27.32
BB	0.65
B	0.49
Below B	0.05
Not Rated	0.14

Statistics

Avg Eff Duration (Yrs)	6.33
Avg Eff Maturity (Yrs)	9.02
Avg Weighted Price	89.93

Separate Accounts are available through a group annuity contract with Principal Life Insurance Co. Insurance products and plan administrative services, if applicable, are provided by Principal Life Insurance Company, a member of the Principal Financial Group, Des Moines, IA 50392. See the fact sheet for the full name of the Separate Account. Certain investment options may not be available in all states or U.S. commonwealths. Principal Life Insurance Company reserves the right to defer payments or transfers from Principal Life Separate Accounts as described in the group annuity contracts providing access to the Separate Accounts or as required by applicable law. Such deferral will be based on factors that may include situations such as: unstable or disorderly financial markets; investment conditions which do not allow for orderly investment transactions; or investment, liquidity, and other risks (such as those associated with general and local economic conditions). If you elect to allocate funds to a Separate Account, you may not be able to immediately withdraw them.

The full name of this investment option is Principal Core Fixed Income Separate Account-Z. Principal Income investment option is available as a mutual fund and as a Separate Account that invests wholly in R6 class shares of the Principal Funds, Inc. Income R6 Fund. All voting rights associated with ownership of shares in the mutual fund are the rights of the Separate Account, not of contract holders investing in the Separate Account. For further information on the underlying mutual fund, see the prospectus of the fund (PICNX) at <http://www.principal.com/retirement/prospectuses/prospect.htm>.

Before directing retirement funds to a separate account, investors should carefully consider the investment objectives, risks, charges and expenses of the separate account as well as their individual risk tolerance, time horizon and goals. For additional information contact us at 1-800-547-7754 or by visiting principal.com.

Investment and Insurance products are:

- **Not Insured by the FDIC or Any Federal Government Agency**
- **Not a Deposit or Other Obligation of, or Guaranteed by Credit Union or Bank**
- **Subject to Investment Risks, Including Possible Loss of the Principal Amount Invested**

The credit analysis shows the percentage of fixed-income securities that fall within each credit-quality rating, as assigned by Standard & Poor's or Moody's, and depicts the quality of bonds in the portfolio. Higher ratings indicate a lower credit risk, and lower ratings indicate a higher credit risk. Per the Morningstar Fixed Income Survey guidelines, if two rating agencies rate a security, then the lowest rating is used. The credit analysis may not reflect the current portfolio composition. AAA-rated securities include cash and cash equivalents.

The Bloomberg US Aggregate Bond Index measures the performance of investment grade, U.S. dollar-denominated, fixed-rate taxable bond market, including Treasuries, government-related and corporate securities, MBS (agency fixed-rate and hybrid ARM passthroughs), ABS, and CMBS. It rolls up into other Bloomberg flagship indices, such as the multi-currency Global Aggregate Index and the U.S. Universal Index, which includes high yield and emerging markets debt.

Past performance is no guarantee of future results. Market indices have been provided for comparison purposes only. They are unmanaged and do not reflect fees or expenses. Individuals cannot invest directly in an index.

Investment Options may charge a short-term trading or redemption fee to protect the interests of long-term Contractholders.

Alpha - The difference between an investment's actual returns and its expected performance, given its level of risk (as measured by beta). **Beta** - An investment's sensitivity to market movements. **R-squared** - Ranges from 0 to 100 and reveals how closely an investment's returns track those of a benchmark index. **Standard Deviation** - Measures how much an investment's returns are likely to fluctuate. **Mean** - Represents the annualized total return for a fund over 3 and 5 years. **Sharpe Ratio** - Measures how an investment balances risks and rewards. The higher the Sharpe ratio, the better the investment's historical risk-adjusted performance. **Excess Return** - The difference between a manager's return and the return of an external standard such as a passive index. **Tracking Error** - The standard deviation or volatility of excess returns. **Information Ratio** - A risk-adjusted measure commonly used to evaluate an active manager's involvement skill. It's defined as the manager's excess return divided by the variability or standard deviation of the excess return.

Turnover Ratio - This is a measure of the fund's trading activity, which is computed by taking the lesser of purchases or sales (excluding all securities with maturities of less than one year) and dividing by average monthly net assets.

Average Effective Duration - A time measure of a bond portfolio's interest-rate sensitivity, based on the weighted average of the time periods over which the cash flows of all of the portfolio's bond holdings accrue to the portfolio. Time periods are weighted by multiplying by the present value of each bond's cash flow divided by that bond's price. (A bond's cash flows consist of coupon payments and repayment of capital.)

Total Investment Expense - Gross is the current maximum expense ratio, as a percentage of assets that can be applied to this investment option. This does not represent the recordkeeping or individual transactional fees that can be deducted from or reduce the earnings for an investment under your account. However, it does include operating expenses, management fees, including 12b-1 fees, and administrative fees.

Total Investment Expense - Net; you will be responsible for this expense and it will be automatically taken prior to calculating performance. Total Investment Expense - Net is the Total Investment Expense - Gross expense ratio less any fee waivers, reimbursements or caps, if applicable. The expenses ratio, as a percentage of net assets, includes operating expenses, management fees, including 12b-1 fees, and administrative fees.

† Portfolio information under the Asset Distribution Table depicts a breakdown of the investment option's portfolio holdings, as of the date listed, into general investment classes. The x-axis represents the percentage each investment group holds, with the y-axis representing a zero value. Values to the right of the y-axis represent long security positions, while values to the left of the y-axis represent short security positions. The table to the right of the bar chart sums these two values to present the net emphasis of each investment group. Due to rounding, the total net position may not equal 100%. Long positions involve buying a security and selling it later, with the hope that the security price rises over time. In contrast, short positions are taken to benefit from anticipated price declines. Portfolio holdings are subject to change and companies referenced in this report may not currently be held. Information is current as of the creation of this piece. Keep in mind that portfolio holdings are subject to risk. For a complete list of the most recent publicly available holdings visit principal.com.

#These calculated returns reflect the historical performance of the oldest share class of the fund, adjusted to reflect a portion of the fees and expenses of this share class. For time periods prior to inception date of the fund, predecessor performance is reflected. Please see the fund's prospectus for more information on specific expenses, and the fund's most recent shareholder report for actual date of first sale. Expenses are deducted from income earned by the fund. As a result, dividends and investment results will differ for each share class.

Fixed-income investment options are subject to interest rate risk, and their value will decline as interest rates rise. Neither the principal of bond investment options nor their yields are guaranteed by the U.S. government.

Fixed-income and asset allocation investment options that invest in mortgage securities are subject to increased risk due to real estate exposure.

Investment manager/sub-advisor means either the Investment Advisor or Sub-Advisor to the investment option or the underlying asset(s). Principal Life Insurance Company is the Investment Manager as defined by ERISA, with regard to the assets of the Separate Accounts. Principal Global Investors is a member of the Principal Financial Group.

* Values may exceed 100% if both long and short positions are included in the portfolio.

Diversified International Separate Account-Z as of 06/30/2023

Investment Strategy

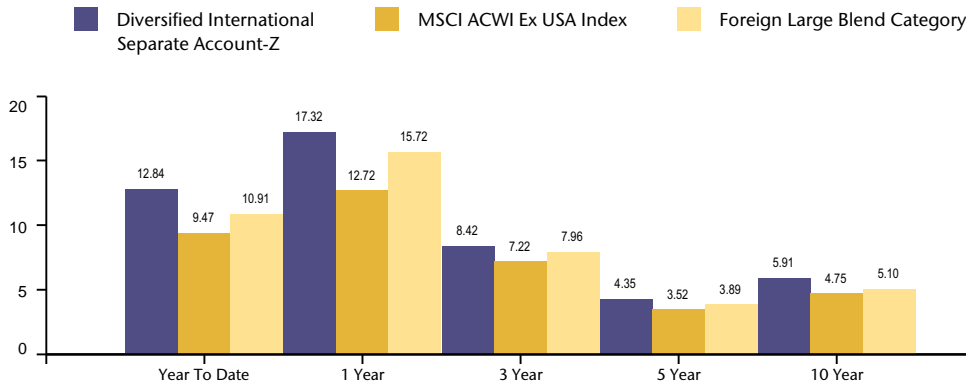
The investment option normally invests the majority of assets in companies in at least three different countries. It invests in securities of companies with their principal place of business or principal office outside of the United States; companies for which the principal securities trade on a foreign exchange; and companies, regardless of where their securities are traded, that derive 50% or more of their total revenue from goods or services produced or sold outside of the United States. The Separate Account may invest in securities of companies with small to medium market capitalizations.



Portfolio managers

Paul H. Blankenhagen, CFA. Since 12/01/2003. M.B.A., Drake University
Juliet Cohn Since 05/01/2004. B.A., Trinity College

Long-term returns % as of 06/30/2023



Performance disclosure

Investment results shown represent historical performance and do not guarantee future results. Investment returns and principal values fluctuate with changes in interest rates and other market conditions so the value, when redeemed, may be worth more or less than original costs. Current performance may be lower or higher than the performance data shown. For more performance information, including the most recent month-end performance, visit principal.com, contact your representative of Principal®, or call our Participant Contact Center at 1-800-547-7754.

Where gross and net expense ratios differ or where a contractual cap and/or waiver date is given, the mutual fund, collective investment trust, or underlying applicable investment in which this investment option invests has waived/capped a portion of its management fees through the date displayed in the waiver expiration date or contractual cap expiration date column.

Long Term Returns	Year To Date	1 Year	3 Year	5 Year	10 Year
Total Return %	12.84	17.32	8.42	4.35	5.91
MSCI ACWI Ex USA Index %	9.47	12.72	7.22	3.52	4.75
Foreign Large Blend Category %	10.91	15.72	7.96	3.89	5.10
Morningstar Percentile R rankings	-	36	46	36	16
# of Funds in Category	744	730	678	616	409
Annual Returns	2022	2021	2020	2019	2018
Total Return %	-19.83	9.87	17.22	23.49	-17.26
MSCI ACWI Ex USA Index %	-16.00	7.82	10.65	21.51	-14.20
Foreign Large Blend Category %	-15.84	9.72	9.30	21.59	-14.59
Morningstar Percentile R rankings	89	56	9	24	83
# of Funds in Category	744	767	785	732	741

Morningstar percentile rankings are based on total returns and in accordance with the appropriate Morningstar peer group. Returns shown for less than one year are not annualized.

Morningstar category

Foreign Large Blend

Morningstar Style Box™

As of 05/31/2023

Investment style			Market capitalization	
Value	Blend	Growth		
				Large
				Medium
			Small	

Risk and Return Statistics

as of 06/30/2023 Relative to MSCI ACWI Ex USA Index

	3Yr	5Yr
Alpha	1.28	0.91
Beta	0.99	1.02
R-Squared	94.23	95.53
Standard Deviation	17.37	18.17
Mean	8.42	4.35
Sharpe Ratio	0.46	0.24
Excess Return	1.20	0.82
Tracking Error	4.17	3.85
Information Ratio	0.29	0.22

Operations

Total Investment Expense Net	0.43%
Total Investment Expense Gross	0.43%
Inception Date	05/20/1987
Total Net Assets (mil)	\$2,780.80



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Risk and return statistical data is calculated by Morningstar, Inc. Excess Return is calculated by Principal Life Insurance Company.

Diversified International Separate Account-Z as of 06/30/2023

Portfolio information[†]

Composition as of 05/31/2023

Asset Distribution		Asset Type	Net %	Short %	Long %
92.07		Non-U.S. Stocks	92.07	0.00	92.07
2.97		Cash	2.97	0.00	2.97
2.95		U.S. Stocks	2.95	0.00	2.95
2.01		Other	2.01	0.00	2.01
0	25	50	75	100	

Top ten holdings

as of 05/31/2023

	% of net assets
1. Taiwan Semiconductor Manufacturing Co Ltd	2.74
2. Novo Nordisk A/S Class B	2.48
3. Samsung Electronics Co Ltd	2.30
4. ASML Holding NV	2.27
5. AstraZeneca PLC	2.04
6. 3i Group Ord	2.01
7. LVMH Moet Hennessy Louis Vuitton SE	1.91
8. Nestle SA	1.75
9. Unilever PLC	1.42
10. Roche Holding AG	1.41

% of net assets in top ten holdings* 20.32

Analysis

# of Stock Hldgs	148
# of Bond Hldgs	0
# of Other Hldgs	2
AvgMktCap (mil)	\$54,917.33
Turnover Ratio	42%
P/C Ratio	7.75
P/E Ratio	14.53
P/B Ratio	2.00

Top 5 Countries

	% of net assets
Japan	15.80
United Kingdom	13.99
France	10.33
Canada	9.70
Germany	4.87

Regional exposure

	% of net assets
Europe	45.85
Pacific Rim	20.25
Japan	15.80
Other	10.66
Latin America	4.34
United States	3.10

Separate Accounts are available through a group annuity contract with Principal Life Insurance Co. Insurance products and plan administrative services, if applicable, are provided by Principal Life Insurance Company, a member of the Principal Financial Group, Des Moines, IA 50392. See the fact sheet for the full name of the Separate Account. Certain investment options may not be available in all states or U.S. commonwealths. Principal Life Insurance Company reserves the right to defer payments or transfers from Principal Life Separate Accounts as described in the group annuity contracts providing access to the Separate Accounts or as required by applicable law. Such deferment will be based on factors that may include situations such as: unstable or disorderly financial markets; investment conditions which do not allow for orderly investment transactions; or investment, liquidity, and other risks (such as those associated with general and local economic conditions). If you elect to allocate funds to a Separate Account, you may not be able to immediately withdraw them.

The full name of this investment option is Principal Diversified International Separate Account-Z.

Before directing retirement funds to a separate account, investors should carefully consider the investment objectives, risks, charges and expenses of the separate account as well as their individual risk tolerance, time horizon and goals. For additional information contact us at 1-800-547-7754 or by visiting principal.com.

Investment and Insurance products are:

- **Not Insured by the FDIC or Any Federal Government Agency**
- **Not a Deposit or Other Obligation of, or Guaranteed by Credit Union or Bank**
- **Subject to Investment Risks, Including Possible Loss of the Principal Amount Invested**

MSCI ACWI Ex USA Index is a free float-adjusted market capitalization index that is designed to measure the combined equity market performance of developed and emerging market countries excluding the US.

Past performance is no guarantee of future results. Market indices have been provided for comparison purposes only. They are unmanaged and do not reflect fees or expenses. Individuals cannot invest directly in an index.

Investment Options may charge a short-term trading or redemption fee to protect the interests of long-term Contractholders.

Alpha - The difference between an investment's actual returns and its expected performance, given its level of risk (as measured by beta). **Beta** - An investment's sensitivity to market movements. **R-squared** - Ranges from 0 to 100 and reveals how closely an investment's returns track those of a benchmark index. **Standard Deviation** - Measures how much an investment's returns are likely to fluctuate. **Mean** - Represents the annualized total return for a fund over 3 and 5 years. **Sharpe Ratio** - Measures how an investment balances risks and rewards. The higher the Sharpe ratio, the better the investment's historical risk-adjusted performance. **Excess Return** - The difference between a manager's return and the return of an external standard such as a passive index.

Tracking Error - The standard deviation or volatility of excess returns. **Information Ratio** - A risk-adjusted measure commonly used to evaluate an active manager's involvement skill. It's defined as the manager's excess return divided by the variability or standard deviation of the excess return.

Average Market Cap - The overall "size" of a stock investment option's portfolio. It is the geometric mean of the market capitalization for all of the stocks it owns and is calculated by raising the market capitalization of each stock to a power equal to that stock's stake in the portfolio. The resulting numbers are multiplied together to produce the geometric mean of the market caps of the stocks in the portfolio, which is reported as average market capitalization.

Price/Cash Flow (projected) Ratio - The ratio of the company's most recent month-end share price to the company's estimated cash flow per share (CPS) for the current fiscal year. Cash flow measures the ability of a business to generate cash and it acts as a gauge of liquidity and solvency. Morningstar calculates internal estimates for the current year CPS based on the most recently reported CPS and average historical cash flow growth rates. Price/cash flow (projected) is one of the five value factors used to calculate the Morningstar Style Box. For portfolios, this data point is calculated by taking an asset-weighted average of the cash flow yields (C/P) of all the stocks in the portfolio and then taking the reciprocal of the result.

Price/Projected Earnings Ratio - The ratio of the company's most recent month-end share price to the company's estimated earnings per share (EPS) for the current fiscal year. If a third-party estimate for the current year EPS is not available, Morningstar will calculate an internal estimate based on the most recently reported EPS and average historical earnings growth rates. Price/projected earnings is one of the five value factors used to calculate the Morningstar Style Box. For portfolios, this data point is calculated by taking an asset-weighted average of the earnings yields (E/P) of all the stocks in the portfolio and then taking the reciprocal of the result.

Price/Book (projected) Ratio - The ratio of the company's most recent month-end share price to the company's estimated book value per share (BPS) for the current fiscal year. Book value is the total assets of a company, less total liabilities. Morningstar calculates internal estimates for the current year BPS based on the most recently reported BPS and average historical book value growth rates.

Turnover Ratio - This is a measure of the fund's trading activity, which is computed by taking the lesser of purchases or sales (excluding all securities with maturities of less than one year) and dividing by average monthly net assets.

Total Investment Expense - Gross is the current maximum expense ratio, as a percentage of assets that can be applied to this investment option. This does not represent the recordkeeping or individual transactional fees that can be deducted from or reduce the earnings for an investment under your account. However, it does include operating expenses, management fees, including 12b-1 fees, and administrative fees.

Total Investment Expense - Net; you will be responsible for this expense and it will be automatically taken prior to calculating performance. Total Investment Expense - Net is the Total Investment Expense - Gross expense ratio less any fee waivers, reimbursements or caps, if applicable. The expenses ratio, as a percentage of net assets, includes operating expenses, management fees, including 12b-1 fees, and administrative fees.

† Portfolio information under the Asset Distribution Table depicts a breakdown of the investment option's portfolio holdings, as of the date listed, into general investment classes. The x-axis represents the percentage each investment group holds, with the y-axis representing a zero value. Values to the right of the y-axis represent long security positions, while values to the left of the y-axis represent short security positions. The table to the right of the bar chart sums these two values to present the net emphasis of each investment group. Due to rounding, the total net position may not equal 100%. Long positions involve buying a security and selling it later, with the hope that the security price rises over time. In contrast, short positions are taken to benefit from anticipated price declines. Portfolio holdings are subject to change and companies referenced in this report may not currently be held. Information is current as of the creation of this piece. Keep in mind that portfolio holdings are subject to risk. For a complete list of the most recent publicly available holdings visit principal.com.

^The Morningstar Category and Style Box will sometimes differ because they examine different time periods. The Morningstar style box is recalculated each month and is a snapshot of where the portfolio was most recently invested based on the available portfolio statistics. The Morningstar Category is based on the fund's average portfolio statistics over the past three years. If there is a discrepancy between the fund's category and its style box, this indicates a change from a previous investment style that may or may not be temporary. To determine the most current investment style of a fund, use the style box. When making historical performance comparisons, use the Morningstar category. If a fund's investment style box designation continues to drift away from its Morningstar category, Morningstar will update the category.

International and global investment options are subject to additional risk due to fluctuating exchange rates, foreign accounting and financial policies, and other economic and political environments.

Investment manager/sub-advisor means either the Investment Advisor or Sub-Advisor to the investment option or the underlying asset(s). Principal Life Insurance Company is the Investment Manager as defined by ERISA, with regard to the assets of the Separate Accounts. Principal Global Investors is a member of the Principal Financial Group.

* Values may exceed 100% if both long and short positions are included in the portfolio.

LargeCap S&P 500 Index Separate Account-Z as of 06/30/2023

Investment Strategy

The investment option normally invests the majority of assets in common stocks of companies that compose the S&P 500 Index. Management attempts to mirror the investment performance of the index by allocating assets in approximately the same weightings as the S&P 500 Index. Over the long-term, management seeks a very close correlation between the performance of the Separate Account before expenses and that of the S&P 500 Index.

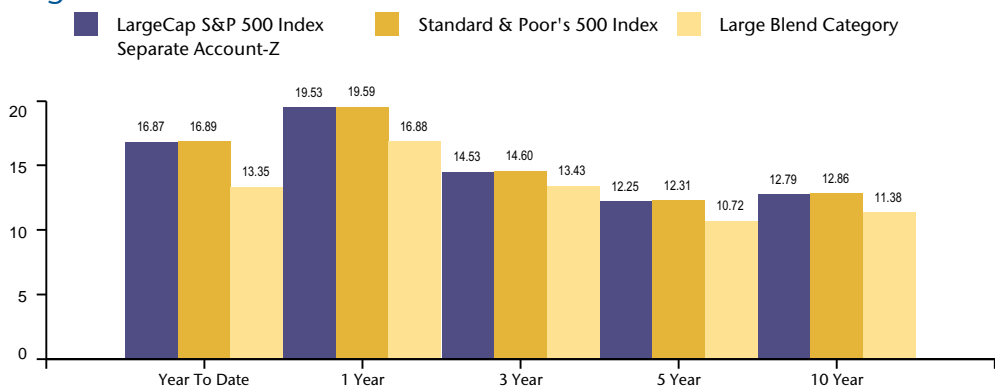


Portfolio managers

Jeffrey A. Schwarte, CPA, CFA. Since 07/29/2016. B.A., University of Northern Iowa

Aaron J. Siebel Since 10/15/2018. B.A., University of Iowa

Long-term returns % as of 06/30/2023



Performance disclosure

Investment results shown represent historical performance and do not guarantee future results. Investment returns and principal values fluctuate with changes in interest rates and other market conditions so the value, when redeemed, may be worth more or less than original costs. Current performance may be lower or higher than the performance data shown. For more performance information, including the most recent month-end performance, visit principal.com, contact your representative of Principal®, or call our Participant Contact Center at 1-800-547-7754.

Where gross and net expense ratios differ or where a contractual cap and/or waiver date is given, the mutual fund, collective investment trust, or underlying applicable investment in which this investment option invests has waived/capped a portion of its management fees through the date displayed in the waiver expiration date or contractual cap expiration date column.

Long Term Returns	Year To Date	1 Year	3 Year	5 Year	10 Year
Total Return %	16.87	19.53	14.53	12.25	12.79
Standard & Poor's 500 Index %	16.89	19.59	14.60	12.31	12.86
Large Blend Category %	13.35	16.88	13.43	10.72	11.38
Morningstar Percentile R rankings	-	26	28	20	12
# of Funds in Category	1469	1424	1280	1175	872
Annual Returns	2022	2021	2020	2019	2018
Total Return %	-18.15	28.61	18.36	31.38	-4.41
Standard & Poor's 500 Index %	-18.11	28.71	18.40	31.49	-4.38
Large Blend Category %	-16.96	26.07	15.83	28.78	-6.27
Morningstar Percentile R rankings	52	25	38	27	25
# of Funds in Category	1358	1382	1363	1387	1402

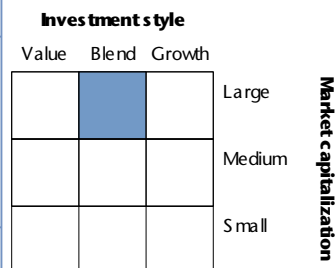
Morningstar percentile rankings are based on total returns and in accordance with the appropriate Morningstar peer group. Returns shown for less than one year are not annualized.

Morningstar category

Large Blend

Morningstar Style Box™

As of 05/31/2023



Risk and Return Statistics

as of 06/30/2023 Relative to Standard & Poor's 500 Index

	3Yr	5Yr
Alpha	-0.05	-0.05
Beta	1.00	1.00
R-Squared	100.00	100.00
Standard Deviation	18.18	18.78
Mean	14.53	12.25
Sharpe Ratio	0.75	0.62
Excess Return	-0.06	-0.06
Tracking Error	0.02	0.03
Information Ratio	-2.79	-2.32

Operations

Total Investment Expense Net	0.05%
Total Investment Expense Gross	0.05%
Inception Date	01/01/1990
Total Net Assets (mil)	\$31,363.63



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Risk and return statistical data is calculated by Morningstar, Inc. Excess Return is calculated by Principal Life Insurance Company.

LargeCap S&P 500 Index Separate Account-Z as of 06/30/2023

Portfolio information[†]

Composition as of 05/31/2023

Asset Distribution		Asset Type	Net %	Short %	Long %
		U.S. Stocks	98.06	0.00	98.06
		Non-U.S. Stocks	1.03	0.00	1.03
		Cash	0.91	0.00	0.91

Top ten holdings

as of 05/31/2023

	% of net assets
1. Apple Inc	7.47
2. Microsoft Corp	6.93
3. Amazon.com Inc	3.05
4. NVIDIA Corp	2.64
5. Alphabet Inc Class A	2.07
6. Alphabet Inc Class C	1.82
7. Meta Platforms Inc Class A	1.67
8. Berkshire Hathaway Inc Class B	1.64
9. Tesla Inc	1.55
10. UnitedHealth Group Inc	1.29
% of net assets in top ten holdings*	30.13

Analysis

# of Stock Hldgs	503
# of Bond Hldgs	0
# of Other Hldgs	2
AvgMktCap (mil)	\$211,104.24
Turnover Ratio	2%
P/C Ratio	11.91
P/B Ratio	3.46
P/E Ratio	18.82

Stock Sector Breakdown

	% of net assets		% of net assets		% of net assets	
	Cyclical	Defensive	Sensitive			
Consumer Cyclical	10.32	Healthcare	13.79	Technology		28.68
Basic Materials	2.18	Consumer Defensive	6.84	Industrials		8.02
Financial Svcs	12.03	Utilities	2.68	Energy		4.18
Real Estate	2.51			Comm Svcs		8.76

Separate Accounts are available through a group annuity contract with Principal Life Insurance Co. Insurance products and plan administrative services, if applicable, are provided by Principal Life Insurance Company, a member of the Principal Financial Group, Des Moines, IA 50392. See the fact sheet for the full name of the Separate Account. Certain investment options may not be available in all states or U.S. commonwealths. Principal Life Insurance Company reserves the right to defer payments or transfers from Principal Life Separate Accounts as described in the group annuity contracts providing access to the Separate Accounts or as required by applicable law. Such deferment will be based on factors that may include situations such as: unstable or disorderly financial markets; investment conditions which do not allow for orderly investment transactions; or investment, liquidity, and other risks (such as those associated with general and local economic conditions). If you elect to allocate funds to a Separate Account, you may not be able to immediately withdraw them.

The full name of this investment option is Principal LargeCap S&P 500 Index Separate Account-Z.

Before directing retirement funds to a separate account, investors should carefully consider the investment objectives, risks, charges and expenses of the separate account as well as their individual risk tolerance, time horizon and goals. For additional information contact us at 1-800-547-7754 or by visiting principal.com.

Investment and Insurance products are:

- **Not Insured by the FDIC or Any Federal Government Agency**
- **Not a Deposit or Other Obligation of, or Guaranteed by Credit Union or Bank**
- **Subject to Investment Risks, Including Possible Loss of the Principal Amount Invested**

Standard & Poor's 500 Index is a market capitalization-weighted index of 500 widely held stocks often used as a proxy for the stock market.

Past performance is no guarantee of future results. Market indices have been provided for comparison purposes only. They are unmanaged and do not reflect fees or expenses. Individuals cannot invest directly in an index.

Investment Options may charge a short-term trading or redemption fee to protect the interests of long-term Contractholders.

Alpha - The difference between an investment's actual returns and its expected performance, given its level of risk (as measured by beta). **Beta** - An investment's sensitivity to market movements. **R-squared** - Ranges from 0 to 100 and reveals how closely an investment's returns track those of a benchmark index. **Standard Deviation** - Measures how much an investment's returns are likely to fluctuate. **Mean** - Represents the annualized total return for a fund over 3 and 5 years. **Sharpe Ratio** - Measures how an investment balances risks and rewards. The higher the Sharpe ratio, the better the investment's historical risk-adjusted performance. **Excess Return** - The difference between a manager's return and the return of an external standard such as a passive index.

Tracking Error - The standard deviation or volatility of excess returns. **Information Ratio** - A risk-adjusted measure commonly used to evaluate an active manager's involvement skill. It's defined as the manager's excess return divided by the variability or standard deviation of the excess return.

Average Market Cap - The overall "size" of a stock investment option's portfolio. It is the geometric mean of the market capitalization for all of the stocks it owns and is calculated by raising the market capitalization of each stock to a power equal to that stock's stake in the portfolio. The resulting numbers are multiplied together to produce the geometric mean of the market caps of the stocks in the portfolio, which is reported as average market capitalization.

Price/Cash Flow (projected) Ratio - The ratio of the company's most recent month-end share price to the company's estimated cash flow per share (CPS) for the current fiscal year. Cash flow measures the ability of a business to generate cash and it acts as a gauge of liquidity and solvency. Morningstar calculates internal estimates for the current year CPS based on the most recently reported CPS and average historical cash flow growth rates. Price/cash flow (projected) is one of the five value factors used to calculate the Morningstar Style Box. For portfolios, this data point is calculated by taking an asset-weighted average of the cash flow yields (C/P) of all the stocks in the portfolio and then taking the reciprocal of the result. **Price/Projected Earnings Ratio** - The ratio of the company's most recent month-end share price to the company's estimated earnings per share (EPS) for the current fiscal year. If a third-party estimate for the current year EPS is not available, Morningstar will calculate an internal estimate based on the most recently reported EPS and average historical earnings growth rates. Price/projected earnings is one of the five value factors used to calculate the Morningstar Style Box. For portfolios, this data point is calculated by taking an asset-weighted average of the earnings yields (E/P) of all the stocks in the portfolio and then taking the reciprocal of the result. **Price/Book (projected) Ratio** - The ratio of the company's most recent month-end share price to the company's estimated book value per share (BPS) for the current fiscal year. Book value is the total assets of a company, less total liabilities. Morningstar calculates internal estimates for the current year BPS based on the most recently reported BPS and average historical book value growth rates.

Turnover Ratio - This is a measure of the fund's trading activity, which is computed by taking the lesser of purchases or sales (excluding all securities with maturities of less than one year) and dividing by average monthly net assets.

Total Investment Expense - Gross is the current maximum expense ratio, as a percentage of assets that can be applied to this investment option. This does not represent the recordkeeping or individual transactional fees that can be deducted from or reduce the earnings for an investment under your account. However, it does include operating expenses, management fees, including 12b-1 fees, and administrative fees.

Total Investment Expense - Net; you will be responsible for this expense and it will be automatically taken prior to calculating performance. Total Investment Expense - Net is the Total Investment Expense - Gross expense ratio less any fee waivers, reimbursements or caps, if applicable. The expenses ratio, as a percentage of net assets, includes operating expenses, management fees, including 12b-1 fees, and administrative fees.

† Portfolio information under the Asset Distribution Table depicts a breakdown of the investment option's portfolio holdings, as of the date listed, into general investment classes. The x-axis represents the percentage each investment group holds, with the y-axis representing a zero value. Values to the right of the y-axis represent long security positions, while values to the left of the y-axis represent short security positions. The table to the right of the bar chart sums these two values to present the net emphasis of each investment group. Due to rounding, the total net position may not equal 100%. Long positions involve buying a security and selling it later, with the hope that the security price rises over time. In contrast, short positions are taken to benefit from anticipated price declines. Portfolio holdings are subject to change and companies referenced in this report may not currently be held. Information is current as of the creation of this piece. Keep in mind that portfolio holdings are subject to risk. For a complete list of the most recent publicly available holdings visit principal.com.

^The Morningstar Category and Style Box will sometimes differ because they examine different time periods. The Morningstar style box is recalculated each month and is a snapshot of where the portfolio was most recently invested based on the available portfolio statistics. The Morningstar Category is based on the fund's average portfolio statistics over the past three years. If there is a discrepancy between the fund's category and its style box, this indicates a change from a previous investment style that may or may not be temporary. To determine the most current investment style of a fund, use the style box. When making historical performance comparisons, use the Morningstar category. If a fund's investment style box designation continues to drift away from its Morningstar category, Morningstar will update the category.

Each index based investment option is invested in the stocks or bonds of the index it tracks. Performance of indexes reflects the unmanaged results for the market segment the selected stocks or bonds represent. There is no assurance an index based investment option will match the performance of the index tracked.

S&P 500 is a trademark of S&P Global and is used under license. The product is not sponsored, endorsed, sold or promoted by Standard & Poor's and Standard & Poor's makes no representation regarding the advisability of investing in the product.

The risks associated with derivative investments include that the underlying security, interest rate, market index, or other financial asset will not move in the direction the Investment Adviser and/or Sub-Advisor anticipated, the possibility that there may be no liquid secondary market, the risk that adverse price movements in an instrument can result in a loss substantially greater than a fund's initial investment, the possibility that the counterparty may fail to perform its obligations; and the inability to close out certain hedged positions to avoid adverse tax consequences.

Investment manager/sub-advisor means either the Investment Advisor or Sub-Advisor to the investment option or the underlying asset(s). Principal Life Insurance Company is the Investment Manager as defined by ERISA, with regard to the assets of the Separate Accounts. Principal Global Investors is a member of the Principal Financial Group.

For the NE Rate level, Principal Life Insurance Company (Principal Life) 1. pays the Sub-Advisor the management fee and compensation for services provided to the separate account, and 2. pays the separate account the expected operating expenses proportionally attributable to the NE Rate level in the maintenance of the Separate Account. Operating expenses may be greater or less than expected in any given period. The NE Rate level is only available to Contract holders who meet certain requirements and select certain additional products and services made available by Principal Life or an affiliate. Ask your Principal representative for additional details.

* Values may exceed 100% if both long and short positions are included in the portfolio.

MidCap S&P 400 Index Separate Account-Z as of 06/30/2023

Investment Strategy

The investment option normally invests the majority of assets in common stocks of companies that compose the S&P MidCap 400 Index. Management attempts to mirror the investment performance of the index by allocating assets in approximately the same weightings as the S&P MidCap 400 Index. Over the long-term, management seeks a very close correlation between the performance of the Separate Account before expenses and that of the S&P MidCap 400 Index.



Portfolio managers

Jeffrey A. Schwarte, CPA, CFA. Since 07/29/2016. B.A., University of Northern Iowa

Aaron J. Siebel Since 10/15/2018. B.A., University of Iowa

Long-term returns % as of 06/30/2023



Performance disclosure

Investment results shown represent historical performance and do not guarantee future results. Investment returns and principal values fluctuate with changes in interest rates and other market conditions so the value, when redeemed, may be worth more or less than original costs. Current performance may be lower or higher than the performance data shown. For more performance information, including the most recent month-end performance, visit principal.com, contact your representative of Principal®, or call our Participant Contact Center at 1-800-547-7754.

Where gross and net expense ratios differ or where a contractual cap and/or waiver date is given, the mutual fund, collective investment trust, or underlying applicable investment in which this investment option invests has waived/capped a portion of its management fees through the date displayed in the waiver expiration date or contractual cap expiration date column.

Long Term Returns	Year To Date	1 Year	3 Year	5 Year	10 Year
Total Return %	8.84	17.56	15.37	7.71	10.12
Standard & Poor's 400 MidCap Stock Index %	8.84	17.61	15.44	7.79	10.21
Mid Cap Blend Category %	8.25	13.96	13.42	7.44	9.32
Morningstar Percentile R rankings	-	19	19	39	18
# of Funds in Category	429	417	384	359	235
Annual Returns	2022	2021	2020	2019	2018
Total Return %	-13.10	24.64	13.54	26.12	-11.16
Standard & Poor's 400 MidCap Stock Index %	-13.06	24.76	13.66	26.20	-11.08
Mid Cap Blend Category %	-14.01	23.40	12.39	26.21	-11.15
Morningstar Percentile R rankings	36	39	34	51	46
# of Funds in Category	405	391	407	404	464

Morningstar percentile rankings are based on total returns and in accordance with the appropriate Morningstar peer group. Returns shown for less than one year are not annualized.

Morningstar category

Mid Cap Blend

Morningstar Style Box™

As of 05/31/2023

Investment style

Value	Blend	Growth	Market capitalization	
				Large
				Medium
			Small	

Risk and Return Statistics

as of 06/30/2023 Relative to Standard & Poor's 400 MidCap Stock Index

	3Yr	5Yr
Alpha	-0.06	-0.06
Beta	1.00	1.00
R-Squared	100.00	100.00
Standard Deviation	20.20	22.69
Mean	15.37	7.71
Sharpe Ratio	0.73	0.37
Excess Return	-0.07	-0.07
Tracking Error	0.08	0.07
Information Ratio	-0.87	-1.02

Operations

Total Investment Expense Net	0.05%
Total Investment Expense Gross	0.05%
Inception Date	08/31/1999
Total Net Assets (mil)	\$7,232.31



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Risk and return statistical data is calculated by Morningstar, Inc. Excess Return is calculated by Principal Life Insurance Company.

MidCap S&P 400 Index Separate Account-Z as of 06/30/2023

Portfolio information†

Composition as of 05/31/2023

Asset Distribution		Asset Type	Net %	Short %	Long %
		U.S. Stocks	97.13	0.00	97.13
		Cash	1.93	0.00	1.93
		Non-U.S. Stocks	0.95	0.00	0.95

Top ten holdings

as of 05/31/2023

	% of net assets
1. Builders FirstSource Inc	0.82
2. Hubbell Inc	0.72
3. Reliance Steel & Aluminum Co	0.66
4. Graco Inc	0.62
5. Deckers Outdoor Corp	0.60
6. Jabil Inc	0.57
7. Penumbra Inc	0.56
8. Manhattan Associates Inc	0.54
9. Dynatrace Inc Ordinary Shares	0.53
10. Lattice Semiconductor Corp	0.53
% of net assets in top ten holdings*	6.15

Analysis

# of Stock Hldgs	401
# of Bond Hldgs	0
# of Other Hldgs	2
AvgMktCap (mil)	\$6,076.58
Turnover Ratio	17%
P/C Ratio	6.33
P/B Ratio	1.81
P/E Ratio	13.58

Stock Sector Breakdown

	% of net assets		% of net assets		% of net assets
Cyclical	42.10	Defensive	18.07	Sensitive	39.83
Consumer Cyclical	14.62	Healthcare	9.97	Technology	13.09
Basic Materials	5.81	Consumer Defensive	4.61	Industrials	20.56
Financial Svcs	13.01	Utilities	3.49	Energy	4.35
Real Estate	8.66			Comm Svcs	1.83

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- **Not a Deposit or Other Obligation of, or Guaranteed by Credit Union or Bank**
- **Subject to Investment Risks, Including Possible Loss of the Principal Amount Invested**

Standard & Poor's 400 MidCap Stock Index includes approximately 10% of the capitalization of U.S. equity securities. These are comprised of stocks in the middle capitalization range.

Past performance is no guarantee of future results. Market indices have been provided for comparison purposes only. They are unmanaged and do not reflect fees or expenses. Individuals cannot invest directly in an index.

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Alpha - The difference between an investment's actual returns and its expected performance, given its level of risk (as measured by beta). **Beta** - An investment's sensitivity to market movements. **R-squared** - Ranges from 0 to 100 and reveals how closely an investment's returns track those of a benchmark index. **Standard Deviation** - Measures how much an investment's returns are likely to fluctuate. **Mean** - Represents the annualized total return for a fund over 3 and 5 years. **Sharpe Ratio** - Measures how an investment balances risks and rewards. The higher the Sharpe ratio, the better the investment's historical risk-adjusted performance. **Excess Return** - The difference between a manager's return and the return of an external standard such as a passive index. **Tracking Error** - The standard deviation or volatility of excess returns. **Information Ratio** - A risk-adjusted measure commonly used to evaluate an active manager's involvement skill. It's defined as the manager's excess return divided by the variability or standard deviation of the excess return.

Average Market Cap - The overall "size" of a stock investment option's portfolio. It is the geometric mean of the market capitalization for all of the stocks it owns and is calculated by raising the market capitalization of each stock to a power equal to that stock's stake in the portfolio. The resulting numbers are multiplied together to produce the geometric mean of the market caps of the stocks in the portfolio, which is reported as average market capitalization.

Price/Cash Flow (projected) Ratio - The ratio of the company's most recent month-end share price to the company's estimated cash flow per share (CPS) for the current fiscal year. Cash flow measures the ability of a business to generate cash and it acts as a gauge of liquidity and solvency. Morningstar calculates internal estimates for the current year CPS based on the most recently reported CPS and average historical cash flow growth rates. Price/cash flow (projected) is one of the five value factors used to calculate the Morningstar Style Box. For portfolios, this data point is calculated by taking an asset-weighted average of the cash flow yields (C/P) of all the stocks in the portfolio and then taking the reciprocal of the result. **Price/Projected Earnings Ratio** - The ratio of the company's most recent month-end share price to the company's estimated earnings per share (EPS) for the current fiscal year. If a third-party estimate for the current year EPS is not available, Morningstar will calculate an internal estimate based on the most recently reported EPS and average historical earnings growth rates. Price/projected earnings is one of the five value factors used to calculate the Morningstar Style Box. For portfolios, this data point is calculated by taking an asset-weighted average of the earnings yields (E/P) of all the stocks in the portfolio and then taking the reciprocal of the result. **Price/Book (projected) Ratio** - The ratio of the company's most recent month-end share price to the company's estimated book value per share (BPS) for the current fiscal year. Book value is the total assets of a company, less total liabilities. Morningstar calculates internal estimates for the current year BPS based on the most recently reported BPS and average historical book value growth rates.

Turnover Ratio - This is a measure of the fund's trading activity, which is computed by taking the lesser of purchases or sales (excluding all securities with maturities of less than one year) and dividing by average monthly net assets.

Total Investment Expense - Gross is the current maximum expense ratio, as a percentage of assets that can be applied to this investment option. This does not represent the recordkeeping or individual transactional fees that can be deducted from or reduce the earnings for an investment under your account. However, it does include operating expenses, management fees, including 12b-1 fees, and administrative fees.

Total Investment Expense - Net; you will be responsible for this expense and it will be automatically taken prior to calculating performance. Total Investment Expense - Net is the Total Investment Expense - Gross expense ratio less any fee waivers, reimbursements or caps, if applicable. The expenses ratio, as a percentage of net assets, includes operating expenses, management fees, including 12b-1 fees, and administrative fees.

† Portfolio information under the Asset Distribution Table depicts a breakdown of the investment option's portfolio holdings, as of the date listed, into general investment classes. The x-axis represents the percentage each investment group holds, with the y-axis representing a zero value. Values to the right of the y-axis represent long security positions, while values to the left of the y-axis represent short security positions. The table to the right of the bar chart sums these two values to present the net emphasis of each investment group. Due to rounding, the total net position may not equal 100%. Long positions involve buying a security and selling it later, with the hope that the security price rises over time. In contrast, short positions are taken to benefit from anticipated price declines. Portfolio holdings are subject to change and companies referenced in this report may not currently be held. Information is current as of the creation of this piece. Keep in mind that portfolio holdings are subject to risk. For a complete list of the most recent publicly available holdings visit principal.com.

^The Morningstar Category and Style Box will sometimes differ because they examine different time periods. The Morningstar style box is recalculated each month and is a snapshot of where the portfolio was most recently invested based on the available portfolio statistics. The Morningstar Category is based on the fund's average portfolio statistics over the past three years. If there is a discrepancy between the fund's category and its style box, this indicates a change from a previous investment style that may or may not be temporary. To determine the most current investment style of a fund, use the style box. When making historical performance comparisons, use the Morningstar category. If a fund's investment style box designation continues to drift away from its Morningstar category, Morningstar will update the category.

Small-cap and mid-cap investment options are subject to more fluctuation in value and may have additional risks than other investment options with stocks of larger, more stable companies.

Each index based investment option is invested in the stocks or bonds of the index it tracks. Performance of indexes reflects the unmanaged results for the market segment the selected stocks or bonds represent. There is no assurance an index based investment option will match the performance of the index tracked.

S&P 400 is a trademark of S&P Global and is used under license. The product is not sponsored, endorsed, sold or promoted by Standard & Poor's and Standard & Poor's makes no representation regarding the advisability of investing in the product.

The risks associated with derivative investments include that the underlying security, interest rate, market index, or other financial asset will not move in the direction the Investment Adviser and/or Sub-Advisor anticipated, the possibility that there may be no liquid secondary market, the risk that adverse price movements in an instrument can result in a loss substantially greater than a fund's initial investment, the possibility that the counterparty may fail to perform its obligations; and the inability to close out certain hedged positions to avoid adverse tax consequences.

Investment manager/sub-advisor means either the Investment Advisor or Sub-Advisor to the investment option or the underlying asset(s). Principal Life Insurance Company is the Investment Manager as defined by ERISA, with regard to the assets of the Separate Accounts. Principal Global Investors is a member of the Principal Financial Group.

For the NE Rate level, Principal Life Insurance Company (Principal Life) 1. pays the Sub-Advisor the management fee and compensation for services provided to the separate account, and 2. pays the separate account the expected operating expenses proportionally attributable to the NE Rate level in the maintenance of the Separate Account. Operating expenses may be greater or less than expected in any given period. The NE Rate level is only available to Contract holders who meet certain requirements and select certain additional products and services made available by Principal Life or an affiliate. Ask your Principal representative for additional details.

* Values may exceed 100% if both long and short positions are included in the portfolio.

SmallCap S&P 600 Index Separate Account-Z as of 06/30/2023

Investment Strategy

The investment seeks long-term growth of capital and normally invests the majority of assets in common stocks of companies that compose the S&P SmallCap 600 Index. Management attempts to mirror the investment performance of the index by allocating assets in approximately the same weightings as the S&P 600 Index. Over the long-term, management seeks a very close correlation between the performance of the Separate Account before expenses and that of the S&P 600 Index.



Portfolio managers

Jeffrey A. Schwarte, CPA, CFA. Since 07/29/2016. B.A., University of Northern Iowa

Aaron J. Siebel Since 10/15/2018. B.A., University of Iowa

Long-term returns % as of 06/30/2023



Performance disclosure

Investment results shown represent historical performance and do not guarantee future results. Investment returns and principal values fluctuate with changes in interest rates and other market conditions so the value, when redeemed, may be worth more or less than original costs. Current performance may be lower or higher than the performance data shown. For more performance information, including the most recent month-end performance, visit principal.com, contact your representative of Principal®, or call our Participant Contact Center at 1-800-547-7754.

Where gross and net expense ratios differ or where a contractual cap and/or waiver date is given, the mutual fund, collective investment trust, or underlying applicable investment in which this investment option invests has waived/capped a portion of its management fees through the date displayed in the waiver expiration date or contractual cap expiration date column.

Long Term Returns	Year To Date	1 Year	3 Year	5 Year	10 Year
Total Return %	6.06	9.75	15.01	5.12	9.72
Standard & Poor's 600 Stock Index %	6.03	9.75	15.19	5.22	9.81
Small Blend Category %	7.41	12.53	14.13	5.24	8.28
Morningstar Percentile R rankings	-	75	39	57	11
# of Funds in Category	624	617	596	551	380
Annual Returns	2022	2021	2020	2019	2018
Total Return %	-16.23	26.43	11.34	22.77	-8.61
Standard & Poor's 600 Stock Index %	-16.10	26.82	11.29	22.78	-8.48
Small Blend Category %	-16.24	24.19	10.99	23.75	-12.72
Morningstar Percentile R rankings	48	37	50	61	12
# of Funds in Category	611	630	671	702	769

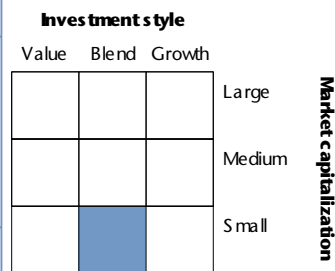
Morningstar percentile rankings are based on total returns and in accordance with the appropriate Morningstar peer group. Returns shown for less than one year are not annualized.

Morningstar category

Small Blend

Morningstar Style Box™

As of 05/31/2023



Risk and Return Statistics

as of 06/30/2023 Relative to Standard & Poor's 600 Stock Index

	3Yr	5Yr
Alpha	-0.14	-0.09
Beta	1.00	1.00
R-Squared	100.00	100.00
Standard Deviation	21.77	24.15
Mean	15.01	5.12
Sharpe Ratio	0.68	0.26
Excess Return	-0.18	-0.10
Tracking Error	0.12	0.11
Information Ratio	-1.39	-0.87

Operations

Total Investment Expense Net	0.05%
Total Investment Expense Gross	0.05%
Inception Date	08/31/1999
Total Net Assets (mil)	\$4,377.59



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Neither Morningstar nor its content providers are responsible for any damages or losses arising from any use of this information.

Risk and return statistical data is calculated by Morningstar, Inc. Excess Return is calculated by Principal Life Insurance Company.

SmallCap S&P 600 Index Separate Account-Z as of 06/30/2023

Portfolio information[†]

Composition as of 05/31/2023

Asset Distribution		Asset Type	Net %	Short %	Long %
		U.S. Stocks	96.76	0.00	96.76
		Cash	1.97	0.00	1.98
		Non-U.S. Stocks	1.26	0.00	1.26

Top ten holdings

as of 05/31/2023

	% of net assets
1. Rambus Inc	0.77
2. SPS Commerce Inc	0.63
3. Onto Innovation Inc	0.60
4. e.l.f. Beauty Inc	0.59
5. Comfort Systems USA Inc	0.59
6. Axcelis Technologies Inc	0.58
7. Ensign Group Inc	0.55
8. Applied Industrial Technologies Inc	0.53
9. Merit Medical Systems Inc	0.53
10. Asbury Automotive Group Inc	0.52
% of net assets in top ten holdings*	5.90

Analysis

# of Stock Hldgs	601
# of Bond Hldgs	0
# of Other Hldgs	2
AvgMktCap (mil)	\$1,960.93
Turnover Ratio	12%
P/C Ratio	5.28
P/B Ratio	1.41
P/E Ratio	12.14

Stock Sector Breakdown

	% of net assets		% of net assets		% of net assets
Cyclical	41.09	Defensive	19.26	Sensitive	39.64
Consumer Cyclical	13.81	Healthcare	11.14	Technology	15.27
Basic Materials	4.85	Consumer Defensive	5.75	Industrials	17.64
Financial Svcs	14.22	Utilities	2.37	Energy	4.20
Real Estate	8.21			Comm Svcs	2.53

Separate Accounts are available through a group annuity contract with Principal Life Insurance Co. Insurance products and plan administrative services, if applicable, are provided by Principal Life Insurance Company, a member of the Principal Financial Group, Des Moines, IA 50392. See the fact sheet for the full name of the Separate Account. Certain investment options may not be available in all states or U.S. commonwealths. Principal Life Insurance Company reserves the right to defer payments or transfers from Principal Life Separate Accounts as described in the group annuity contracts providing access to the Separate Accounts or as required by applicable law. Such deferment will be based on factors that may include situations such as: unstable or disorderly financial markets; investment conditions which do not allow for orderly investment transactions; or investment, liquidity, and other risks (such as those associated with general and local economic conditions). If you elect to allocate funds to a Separate Account, you may not be able to immediately withdraw them.

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- **Subject to Investment Risks, Including Possible Loss of the Principal Amount Invested**

Standard & Poor's 600 Stock Index is a small cap index that consists of 600 domestic stocks chosen for market size, liquidity, and industry group representation.

Past performance is no guarantee of future results. Market indices have been provided for comparison purposes only. They are unmanaged and do not reflect fees or expenses. Individuals cannot invest directly in an index.

Investment Options may charge a short-term trading or redemption fee to protect the interests of long-term Contractholders.

Alpha - The difference between an investment's actual returns and its expected performance, given its level of risk (as measured by beta). **Beta** - An investment's sensitivity to market movements. **R-squared** - Ranges from 0 to 100 and reveals how closely an investment's returns track those of a benchmark index. **Standard Deviation** - Measures how much an investment's returns are likely to fluctuate. **Mean** - Represents the annualized total return for a fund over 3 and 5 years. **Sharpe Ratio** - Measures how an investment balances risks and rewards. The higher the Sharpe ratio, the better the investment's historical risk-adjusted performance. **Excess Return** - The difference between a manager's return and the return of an external standard such as a passive index.

Tracking Error - The standard deviation or volatility of excess returns. **Information Ratio** - A risk-adjusted measure commonly used to evaluate an active manager's involvement skill. It's defined as the manager's excess return divided by the variability or standard deviation of the excess return.

Average Market Cap - The overall "size" of a stock investment option's portfolio. It is the geometric mean of the market capitalization for all of the stocks it owns and is calculated by raising the market capitalization of each stock to a power equal to that stock's stake in the portfolio. The resulting numbers are multiplied together to produce the geometric mean of the market caps of the stocks in the portfolio, which is reported as average market capitalization.

Price/Cash Flow (projected) Ratio - The ratio of the company's most recent month-end share price to the company's estimated cash flow per share (CPS) for the current fiscal year. Cash flow measures the ability of a business to generate cash and it acts as a gauge of liquidity and solvency. Morningstar calculates internal estimates for the current year CPS based on the most recently reported CPS and average historical cash flow growth rates. Price/cash flow (projected) is one of the five value factors used to calculate the Morningstar Style Box. For portfolios, this data point is calculated by taking an asset-weighted average of the cash flow yields (C/P) of all the stocks in the portfolio and then taking the reciprocal of the result. **Price/Projected Earnings Ratio** - The ratio of the company's most recent month-end share price to the company's estimated earnings per share (EPS) for the current fiscal year. If a third-party estimate for the current year EPS is not available, Morningstar will calculate an internal estimate based on the most recently reported EPS and average historical earnings growth rates. Price/projected earnings is one of the five value factors used to calculate the Morningstar Style Box. For portfolios, this data point is calculated by taking an asset-weighted average of the earnings yields (E/P) of all the stocks in the portfolio and then taking the reciprocal of the result. **Price/Book (projected) Ratio** - The ratio of the company's most recent month-end share price to the company's estimated book value per share (BPS) for the current fiscal year. Book value is the total assets of a company, less total liabilities. Morningstar calculates internal estimates for the current year BPS based on the most recently reported BPS and average historical book value growth rates.

Turnover Ratio - This is a measure of the fund's trading activity, which is computed by taking the lesser of purchases or sales (excluding all securities with maturities of less than one year) and dividing by average monthly net assets.

Total Investment Expense - Gross is the current maximum expense ratio, as a percentage of assets that can be applied to this investment option. This does not represent the recordkeeping or individual transactional fees that can be deducted from or reduce the earnings for an investment under your account. However, it does include operating expenses, management fees, including 12b-1 fees, and administrative fees.

Total Investment Expense - Net; you will be responsible for this expense and it will be automatically taken prior to calculating performance. Total Investment Expense - Net is the Total Investment Expense - Gross expense ratio less any fee waivers, reimbursements or caps, if applicable. The expenses ratio, as a percentage of net assets, includes operating expenses, management fees, including 12b-1 fees, and administrative fees.

† Portfolio information under the Asset Distribution Table depicts a breakdown of the investment option's portfolio holdings, as of the date listed, into general investment classes. The x-axis represents the percentage each investment group holds, with the y-axis representing a zero value. Values to the right of the y-axis represent long security positions, while values to the left of the y-axis represent short security positions. The table to the right of the bar chart sums these two values to present the net emphasis of each investment group. Due to rounding, the total net position may not equal 100%. Long positions involve buying a security and selling it later, with the hope that the security price rises over time. In contrast, short positions are taken to benefit from anticipated price declines. Portfolio holdings are subject to change and companies referenced in this report may not currently be held. Information is current as of the creation of this piece. Keep in mind that portfolio holdings are subject to risk. For a complete list of the most recent publicly available holdings visit principal.com.

^The Morningstar Category and Style Box will sometimes differ because they examine different time periods. The Morningstar style box is recalculated each month and is a snapshot of where the portfolio was most recently invested based on the available portfolio statistics. The Morningstar Category is based on the fund's average portfolio statistics over the past three years. If there is a discrepancy between the fund's category and its style box, this indicates a change from a previous investment style that may or may not be temporary. To determine the most current investment style of a fund, use the style box. When making historical performance comparisons, use the Morningstar category. If a fund's investment style box designation continues to drift away from its Morningstar category, Morningstar will update the category.

Small-cap and mid-cap investment options are subject to more fluctuation in value and may have additional risks than other investment options with stocks of larger, more stable companies.

Each index based investment option is invested in the stocks or bonds of the index it tracks. Performance of indexes reflects the unmanaged results for the market segment the selected stocks or bonds represent. There is no assurance an index based investment option will match the performance of the index tracked.

S&P 600 is a trademark of S&P Global and is used under license. The product is not sponsored, endorsed, sold or promoted by Standard & Poor's and Standard & Poor's makes no representation regarding the advisability of investing in the product.

The risks associated with derivative investments include that the underlying security, interest rate, market index, or other financial asset will not move in the direction the Investment Adviser and/or Sub-Advisor anticipated, the possibility that there may be no liquid secondary market, the risk that adverse price movements in an instrument can result in a loss substantially greater than a fund's initial investment, the possibility that the counterparty may fail to perform its obligations; and the inability to close out certain hedged positions to avoid adverse tax consequences.

Investment manager/sub-advisor means either the Investment Advisor or Sub-Advisor to the investment option or the underlying asset(s). Principal Life Insurance Company is the Investment Manager as defined by ERISA, with regard to the assets of the Separate Accounts. Principal Global Investors is a member of the Principal Financial Group.

For the NE Rate level, Principal Life Insurance Company (Principal Life) 1. pays the Sub-Advisor the management fee and compensation for services provided to the separate account, and 2. pays the separate account the expected operating expenses proportionally attributable to the NE Rate level in the maintenance of the Separate Account. Operating expenses may be greater or less than expected in any given period. The NE Rate level is only available to Contract holders who meet certain requirements and select certain additional products and services made available by Principal Life or an affiliate. Ask your Principal representative for additional details.

* Values may exceed 100% if both long and short positions are included in the portfolio.

APPENDIX D

TRANSITION TIMELINE FROM CURRENT PROVIDERS TO PRINCIPAL



“SAMPLE”

Defined Benefit Plan Transition to the Principal Financial Group® (Principal®) Transition Timeline

Getting Started

Role

Weeks 1 - 3	Select Principal as your new service provider	Client
	Introduction call with pertinent parties	All
	Send notification letters to prior providers/investment manager with copies to Principal	Principal/Client
	Send copy of completed Plan Provision Checklist and Plan Document	TPA
	Request retiree data from prior provider and receive electronically	Principal
	Select investment options	Client/Principal Advisors
	Send installation documents for review, completion, and signature	Principal

Investments

Role

Weeks 4 - 6	Liquidate retirement funds and wire transfer to Principal	Investment Manager
	Invest retirement funds according to investment strategy	Principal

Retiree Payments

Role

Week 7	Build retiree records	Principal
	Begin retiree payments	Principal

Transition Complete

If Funded Status Tracking services apply, they will commence on a quarterly basis throughout the ongoing administration of the plan. All other related services such as Liability Driven Investing (LDI) and/or Dynamic Asset Allocation (DAA) will be completed at that same time as well.



MOORS & CABOT

INVESTMENTS

To: David M. Kane, Treasurer
James M. Saffian, Esq.
Fr: Joseph P Cuetara, SVP
Date: February 1, 2023
Re: PWD Ratings

We have provided our Municipal Advisory services for the Portland Water District (“PWD” or the “District”) since 2007 and are honored to continue this engagement today. On behalf of the Trustees you had asked me to provide insight as to how the District might achieve a AAA rating from Moody’s Investors Service (“Moody’s”) and/or from S&P Global Ratings (“S&P”) with regard to its publicly issued Water Bonds.

Wastewater System Debt (Sewer Bonds)

The District provides for sewer interception and treatment services (referred to as its Interceptor System and Treatment System, respectively) to its Participating Municipalities (as defined in the District’s Charter). Participating Municipalities served by the District may own and maintain collector and/or storm drain lines or collector lines and contract with the District for wastewater delivered through the District’s Interceptor System from collector lines to the District’s Treatment System. The District owns and operates a sewer interceptor system, all pumping stations within the municipality served for treatment of wastewater and a variety of treatment plants for sewage delivered to the plant. The District allocates the costs for provided wastewater services among the Participating Municipalities whereby the respective municipality adopts sewer user fees for the use of collector lines with the District’s allocated costs for the Interceptor System and Treatment System (including associated debt service for its Sewer Bonds) and establishes monthly fees, with the District serving as billing agent. Participating Municipalities served for treatment of wastewater are responsible for the debt service for Sewer Bonds required to finance the District’s treatment plants (or portion thereof) serving that Participating Municipality. Sewer Bonds are an overlapping debt obligation of the Participating Municipality.

Because the District’s Sewer Bonds are an overlapping debt obligation of the Participating Municipality, the rating agencies will apply a debt rating that is entirely based on the “underlying” rating(s) of the Participating Municipality. So, for example, Sewer Bonds issued to finance a project in Portland would most likely receive a Aa1/AAA rating, reflecting the City of Portland’s current general obligation bond rating of Aa1/AAA. Similarly, Sewer Bonds issued to finance a project in Westbrook would most likely receive a Aa3/AA rating, reflecting the City of Westbrook’s current general obligation bond rating of Aa3/AA.

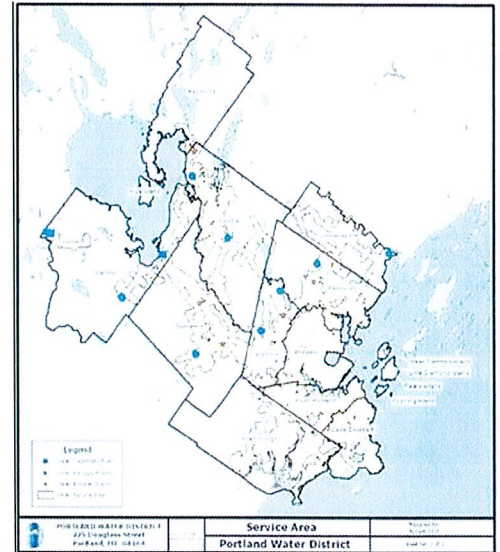
Water System Debt (Water Bonds)

The District owns, operates and maintains water supply facilities (the “Water System”) in order to provide water to the inhabitants of the Member Municipalities and Non-Member Municipalities (as defined in the District’s Charter). The debt of the District with respect to the Water System (“Water Bonds”) is a direct obligation of the District and, unlike the District’s Sewer Bonds, are not considered an overlapping debt or obligation of the Member Municipalities or Non-Member Municipalities. However, pursuant to Title 35, Section 6103 of the Maine Revised Statutes, the District’s Water Bonds are pro-rata, several but not joint, contingent obligations of the respective Member Municipality, as further discussed herein.

Section 6103

Title 35-A, Section 6103 of the Maine Revised Statutes, as amended (“Section 6103”) states that “If there is a default in the payment of the principal of, or interest on, a note, bond or other evidence of indebtedness issued by a water district created by special Act of the Legislature, the trustees, directors or managing board of the district shall, unless the default is cured, issue their warrant immediately to those portions of the municipality or municipalities which constitute the district” Within 30 days after the date fixed by the municipalities on which their *next* taxes are due (thus, a significant “timing issue” of up to 18 months before cure), the treasurer of the municipality pays the tax assessed to the treasurer of the District. Such assessment is allocated, pro-rata, severally but not jointly, to each Member Municipality based upon 100% of its respective equalized State valuation. Thus, the District’s Water Bonds are a wholly-separate, pro-rata, joint not several contingent obligation of the respective Member Municipality.

Member Municipality	Debt Rating	2022 Eq State Val	% Share	2022 Contingent Obligation
Portland	Aa1/AAA	\$12,095,550,000	31.54%	\$18,548,653
So. Port.	Aaa/AAA	5,183,800,000	13.52%	7,949,412
Scarborough	Aa3/AA+	4,988,750,000	13.01%	7,650,301
Falmouth	Aaa/AAA	3,069,300,000	8.00%	4,706,804
Windham	Aa2/AA	2,608,150,000	6.80%	3,999,625
Westbrook	Aa3/AA	2,600,450,000	6.78%	3,987,817
Cape Eliz.	Aa1/AAA	2,598,150,000	6.78%	3,984,290
Gorham	Aa2/AA+	2,280,050,000	5.95%	3,496,481
Cumberland	Aa2/AA+	1,614,950,000	4.21%	2,476,543
Raymond	NR/AAA	<u>1,307,150,000</u>	<u>3.41%</u>	<u>2,004,528</u>
Member Totals		\$38,346,300,000	100.00%	\$58,804,455



SOURCE: PWD 2021 AFCR, Note 3, page 58,
<https://emma.msrb.org/MarketActivity/ContinuingDisclosureDetails/P21203130>;
https://www.maine.gov/revenue/sites/maine.gov.revenue/files/inline-files/2022_state_valuation.pdf, page 5.

Moody's		S&P	
% Aaa	21.52%	% AAA	63.25%
% Aa1	38.32%	% AA+	23.17%
% Aa2	16.96%	% AA	13.58%
% Aa3	19.79%		
% NR	3.41%		

While PWD’s Water Bonds are not direct or overlapping obligations of its Member Municipalities, there are certain credit linkages to its Member Municipalities including: common boundaries, a common economic environment, common demographics and income levels. As a result of these credit linkages, the credit quality of the District, as a municipally-owned utility, and each Member Municipality’s ability to meet its own general obligations are still important considerations in the rating assigned to the District and affect the metrics used to assess credit rating scorecard factors. *However, even based on these credit linkages, a municipally-owned utility’s revenue bond rating is typically not rated higher than two notches below the issuer or general obligation rating of the participating local government(s).* [Attribution to Moody’s *US Municipal Revenue Debt Methodology*, April 13, 2022]

Current Ratings

In summary, while the underlying debt rating of the District's Member Municipalities can affect the District's own Water Bond rating, PWD's Water Bond debt rating is still primarily based on PWD's Water System's operations; The PWD's Water Bonds' ratings since our tenure started in 2007, and the improvement in the rating, from A3/A in 2007 to AA3/AA in 2016 and thereafter is shown in the following table:

PWD (Wtr)	09/01/07	A3/A-
PWD (Wtr)	11/04/13	A1/A+
PWD (Wtr)	06/30/14	A1/A+
PWD (Wtr)	06/25/15	A1/A+
PWD (Wtr)	06/30/16	Aa3/AA
PWD (Wtr)	08/01/17	Aa3/AA
PWD (Wtr)	08/01/18	Aa3/AA
PWD (Wtr)	08/01/19	Aa3/AA
PWD (Wtr)	07/30/20	Aa3/AA
PWD (Wtr)	07/29/21	Aa3/AA
PWD (Wtr)	08/01/22	Aa3/AA

Additional Security

We had been frustrated by credit rating agencies continued criticism that quasi-municipal utilities in Maine issue their debt with "archaic" or "weak legal provisions". In so doing, they contend that such issuers do not provide adequate protection to bondholders. This, despite strong financial operations and positive demographics.

Their position is that the legal provisions of a public utility revenue bond form the backbone of its security. When a municipality assigns its general obligation pledge to a bond, it has promised to use any revenues or resources at its disposal to pay debt service; in contrast, a utility revenue bond enjoys no such open-ended pledge, making the legal edifice of the bond critical to bondholder security. Most commonly, the pledge for municipal utility revenue bonds is a lien on the net revenues of the system.

Utilities abide by many different types of covenants. Typically, the most important are a rate covenant, an additional bonds test, a debt service reserve fund as well as maintaining adequate cash available to pay both operations and debt service. Weak or non-existent covenants allow the utility to operate on a thin margin or even at a net loss, incur a lot of leverage, or maintain inadequate cash, each of which may be detrimental to bondholders. Covenants specify the minimum factors management must contractually abide by. Utilities frequently exceed the minimum and many ratings represent the expectation of performance at levels that exceed covenants.

The following are typical covenants that provide additional security to bondholders:

- The series of debt will be a pledge of Net Revenues
- Net Revenues for each fiscal year shall equal or exceed 125% of annual debt service requirements ("Debt Service Coverage").
- Provision that Debt Service Coverage must be attained with the inclusion of new bonds before the issuance of additional bonds.
- A Debt Service Reserve Fund, pledged to the series of debt of an amount equal to the lesser of (1) the maximum amount of annual debt service payable in any current or future

fiscal year or other appropriate 12-month period on the Bonds; (2) 125 % of the average annual debt service payable with respect to the Bonds; or (3) 10% of the original proceeds of the bonds (also called a *4R Fund* or “reasonably required reserve or replacement” fund).

Master Trust or Charter?

The above-listed debt covenants are typically located in a Master Trust Indenture (the “Master Trust”), and govern both current and certain future financings of the borrower, as long as bonds under the Master Trust are outstanding. Each series of debt issued under such a Master Trust are issued pursuant to a Series Indenture (the “Series Indenture”), which acts as the operative vehicle for each “Indentured” series issued.

As an alternative structure the Master Trust approach, I have proposed that these, and other, amendments to the District’s Charter could alleviate the costs, potential conflicts (i.e., vis-à-vis other future debt NOT issued under a Master Trust) and repetition of documents for a Series Indenture. The operative vehicle would be the individual bond order adopted by the District as a part of its debt authorization.

I opined that a difference with a distinction is that a Master Trust is a “contractual agreement” whereas PWD’s Charter is “statutory” and, arguably, of stronger authority. Our proposed amendments to the District’s Charter include:

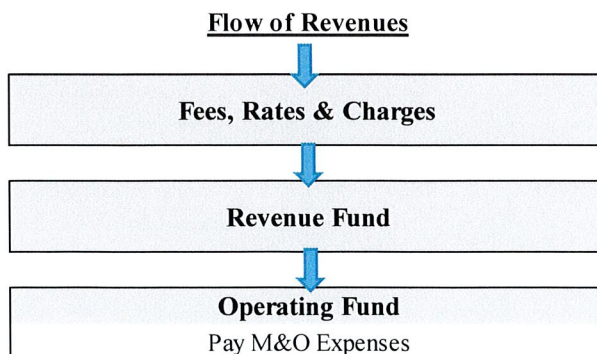
To Section 9:

- Bonds or notes will be a pledge of Net Revenues pursuant to section 11 subsection (D).
- Net Revenues for each fiscal year shall equal or exceed 125% of annual debt service requirements (“Debt Service Coverage”)
- Provision that Debt Service Coverage must be attained with the inclusion of new bonds before the issuance of additional bonds (“Additional Bonds Test”)
- Certain series’ of Water Bonds or notes may establish a Debt Service Reserve Fund, pledged to that specific series of Water Bonds or notes pursuant to section 11 subsection ????

To Section 11:

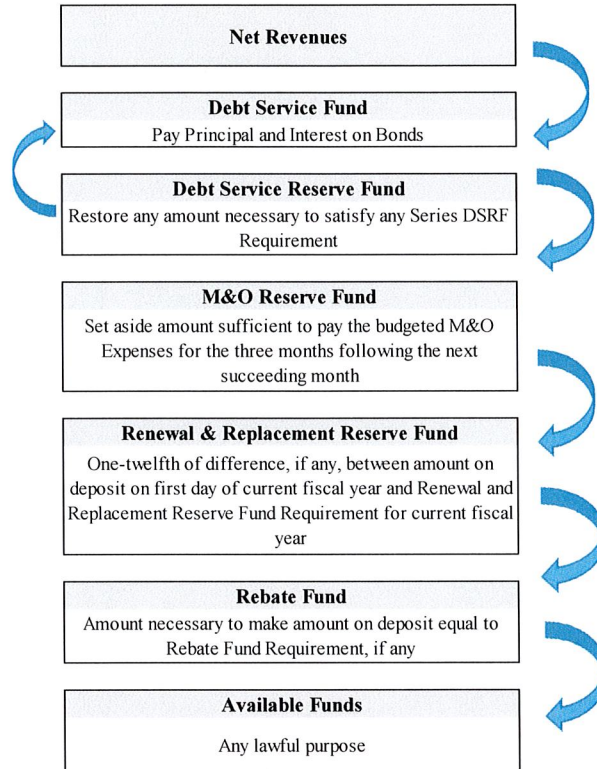
Water rates; Apportionment of Annual Revenue

D. “Net Revenues” shall mean, with respect to a period of time, an amount equal to all Revenues accrued in such period in accordance with generally accepted accounting principles minus the O&M Expenses incurred or payable during such period in accordance with generally accepted accounting principles, as follows:



E. At the pleasure of the Trustees, establishment of a Debt Service Reserve Fund for any individual series of Water Bonds or notes, if established, of an amount equal to the lesser of (1) the maximum amount of annual debt service payable in any current or future fiscal year or other appropriate 12-month period on the series of Water Bonds; (2) 125 % of the average annual debt service payable with respect to the series of Water Bonds; or (3) 10% of the original proceeds of the series of Water Bonds. The terms, conditions and cures, if any, would be contained in that series' Bond Order. Should a Debt Service Reserve Fund be established for a series of Water Bonds the following is a proposed flow of funds:

Flow of Funds



F. "Financing costs" shall include:

- (1) Payment of unfunded capital outlay: namely, capital outlay items the cost of which is not to be funded or paid from the proceeds of a government grant or other donation;
- (2) Payment of interest: namely, interest due and payable in such year on indebtedness created or assumed by the District in providing a Water System, exclusive of interest on temporary notes in anticipation of assessments;
- (3) Payment of principal: namely, principal due and payable in such year on indebtedness created or assumed by the District in providing a Water System and not to be refunded and for the payment of which indebtedness funds are not in the judgment of the trustees otherwise available; and

G. "Operating and Maintenance costs" shall include:

- (1) Operating expenses: namely, the current expenses of operating the Water System, and including interest on notes issued in anticipation of assessments;
- (2) Deficit: namely, any deficit incurred in the operation of said Water System outstanding at the end of the prior calendar year for the payment of which funds are not, or in the judgment of the trustees will not be, available in the calendar year;
- (3) Current expenses: namely, the current expenses of repairing and maintaining the Water System, including renewals and replacements and all other expenses not otherwise specifically provided herein.

Comparisons of Comments at Dates of Rating Changes

The following observations are extracted from the respective Rating Reports issued for Water Bond sales as ratings changed.

June 5, 2015	
<p style="text-align: center;"><u>Moody's (A1)</u></p> <ul style="list-style-type: none"> + essential service + satisfactory reserves - "weak" legal provisions - no Add't'l Bonds test - no DSRF - go up - stronger legal provisions - "available" revenues 	<p style="text-align: center;"><u>S&P (A+)</u></p> <ul style="list-style-type: none"> + good service area + historically strong DSC - "... until exempt from MPUC" + statute requires 1.25x, offset lack of indenture + 352 days cash on hand + must maintain "good liquidity"
June 1, 2016	
<p style="text-align: center;"><u>Moody's (Aa3)</u></p> <ul style="list-style-type: none"> + now deregulated MPUC + exclusive franchise - "weak" legal provisions + 325 days cash on hand 	<p style="text-align: center;"><u>S&P (AA)</u></p> <ul style="list-style-type: none"> - no DSRF pledge - no pledge of "Net Revenues" + formal Policy 1.25x DSC + formal Policy 1.25x Add't'l Bonds Test + conservative coverage partially offsets risk + good-strong FMA + 468 days cash on hand
July 7, 2022	
<p style="text-align: center;"><u>Moody's (Aa3)</u></p> <ul style="list-style-type: none"> + sound DSC + manageable debt + strong liquidity - "weak" security provisions - needs stronger legal provisions + 436 days cash on hand - "available" revenues + formal Policy 1.25x DSC + formal Policy 1.25x Add't'l Bonds Test 	<p style="text-align: center;"><u>S&P (AA)</u></p> <ul style="list-style-type: none"> + bond provisions credit neutral - no Add't'l Bonds Test is permissive - growth or EPA demands could cause dilution (ESG) + rates are currently affordable - debt service will be increasing in the near term if outperforms current DSC projections, while sustaining + robust liquidity, could raise the rating

NOTE: "+" indicates positive observations; "-" indicates negative observations

Add't'l Moody's verbal discussion with Christopher Yared, Analyst:

- ✓ Even though Charter is statutory Committee would balk at previously unseen security
- ✓ Committee would favor an Indenture.
- ✓ A municipally-owned utility's revenue rating is typically not higher than two notches above the issuer or general obligation rating of the parent government (see Section 6103, herein).
- ✓ Even with Indenture could not currently expect any higher than Aa2, at this time.

Add't'l S&P verbal discussion with Scott D. Garrigan, Director – Lead Analyst:

- ✓ At the AA rating, a DSRF is not as much as a rating driver as a substantially lower rated (e.g., BBB).
- ✓ PWD's positive >365 days cash; historical rate increases; demographics; historical DSC >1.25x led to the AA.
- ✓ At PWD's Water Bonds current rating, the Committee is agnostic as to Debt Policy requirements.
- ✓ A Master Trust Indenture would not encourage an upgrade.

In summary, neither agency would encourage that the above suggestions or amendments would result in a significant rating upgrade; as such, a AAA is virtually unattainable at this time.

However ...

Below is a comparison of ten water utility systems that Moody's rates as "Aaa". These provide metrics (the "Aaa Matrices") that, if adopted or embraced as PWD policy, would enhance the credit quality of PWD's Water Bonds as well as provide guidance for continued strong management. Each of which could provide stimuli to consider an increase in the District's bond rating(s).

After review and consideration of the Aaa Matrices the District's staff has identified items that would emulate some of the items. These are:

- To update PWD's Water System Master Plan to encompass at least a 20-year horizon.
- To expand PWD's Water System CIP out for more years. This process is currently being implemented and is scheduled to be completed by calendar year 2024.
- The Water System's Master Plan and CIP should also include "pay-as-you-go in lieu of bond issues", for future capital expenditure financing. This should also highlight the distinction(s) between the two methods of capitalizing assets with a five or ten year tracking of past and pro-forma (five year?) planned expenditures.
- To seek "Waiver Assurance". This includes obtaining a sense from the MPUC on pulling the waiver; and to formalize this in writing.
- Consider amending our Water System rate-making policy to approve multi-year increases. If in agreement, then this should be implemented;

Also, our additional suggestions:

- On page 25 of the 2021 AFCR, "Debt Service Coverage" "allows" a depreciation adjustment that reconciles with the table on page 35 of the 2022 Water Bonds OS. Could this be footnoted on page 25 to explain the difference with a distinction? Also, you may consider adding the tables (on page 34 and 35 of the 2022 Water Bonds OS), along with appropriate footnotes for at least a five year (preferably 10 year) history as part of "Statistics – Financial Trends", or some other appropriate space, in your AFCR's STATISTICS section?

While we can give no assurances of higher investment grade ratings for future Water Bond issues, we propose that, in our experience, these innovations stand a greater likelihood of achieving improved rating(s) at a minimum of cost and inconvenience to a borrower or the District.

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Appendix: US Municipal Utility Revenue Debt Scorecard

EXHIBIT 6

	Aaa	Aa	A	Baa	Ba	B and Below	
Numerical score	0.5 to 1.5	1.5 to 2.5	2.5 to 3.5	3.5 to 4.5	4.5 to 5.5	5.5 to 6.5	
System Characteristics (30%)							
Asset Condition (10%)	Net Fixed Assets/Annual Depreciation: > 75 years	75 years \geq n > 25 years	25 years \geq n > 12 years	12 years \geq n > 9 years	9 Years \geq n > 6 Years	\leq 6 Years	
System Size (7.5%)	Water and/or Sewer/ Solid Waste:	O&M > \$65M	\$65M \geq O&M > \$30M	\$30M \geq O&M > \$10M	\$10M \geq O&M > \$3M	\$3M \geq O&M > \$1M	O&M \leq \$1M
	Stormwater:	O&M > \$30M	\$30M \geq O&M > \$15M	\$15M \geq O&M > \$8M	\$8M \geq O&M > \$2M	\$2M \geq O&M > \$750K	O&M \leq \$750K
	Gas or Electric:	O&M > \$100M	\$100M \geq O&M > \$50M	\$50M \geq O&M > \$20M	\$20M \geq O&M > \$8M	\$8M \geq O&M > \$3M	O&M \leq \$3M
Service Area Wealth (12.5%)	> 150% of US median	150% \geq US median > 90%	90% \geq US median > 75%	75% \geq US median > 50%	50% \geq US median > 40%	\leq 40% of US median	
Financial Strength (40%)							
Annual Debt Service Coverage (15%)	> 2.00x	2.00x \geq n > 1.70x	1.70x \geq n > 1.25x	1.25x \geq n > 1.00x	1.00x \geq n > 0.70x	\leq 0.70x	
Days Cash on Hand (15%)	> 250 Days	250 Days \geq n > 150 Days	150 Days \geq n > 35 Days	35 Days \geq n > 15 Days	15 Days \geq n > 7 Days	\leq 7 Days	
Debt to Operating Revenues (10%)	< 2.00x	2.00x < n \leq 4.00x	4.00x < n \leq 7.00x	7.00x < n \leq 8.00x	8.00x < n \leq 9.00x	\geq 9.00x	
Management (20%)							
Rate Management (10%)	Excellent rate-setting record; no material political, practical, or regulatory limits on rate increases	Strong rate-setting record; little political, practical, or regulatory limits on rate increases	Average rate-setting record; some political, practical, or regulatory limits on rate increases	Adequate rate-setting record; political, practical, or regulatory impediments place material limits on rate increases	Below average rate-setting record; political, practical, or regulatory impediments place substantial limits on rate increases	Record of insufficiently adjusting rates; political, practical, or regulatory obstacles prevent implementation of necessary rate increases	
Regulatory Compliance and Capital Planning (10%)	Fully compliant OR proactively addressing compliance issues; Maintains sophisticated and manageable Capital Improvement Plan that addresses more than a 10-year period	Actively addressing minor compliance issues; Maintains comprehensive and manageable 10-year Capital Improvement Plan	Moderate violations with adopted plan to address issues; Maintains manageable 5-year Capital Improvement Plan	Significant compliance violations with limited solutions adopted; Maintains single year Capital Improvement Plan	Not fully addressing compliance issues; Limited or weak capital planning	Not addressing compliance issues; No capital planning	
Legal Provisions (10%)							
Rate Covenant (5%)	> 1.30x	1.30x \geq n > 1.20x	1.20x \geq n > 1.10x	1.10x \geq n > 1.00x		\leq 1.00x ¹⁴	
Debt Service Reserve Requirement (5%)	DSRF funded at MADS	DSRF funded at lesser of standard 3-prong test	DSRF funded at less than 3-prong test OR springing DSRF	NO explicit DSRF; OR funded with speculative grade surety ¹⁵			

Source: Moody's Investors Service

¹⁴ Scores as a Ba.¹⁵ Scores as a Baa.

			<u>Portland Water District</u>		<u>Cincinnati (City of) Water Enterprise, OH</u>	
	<u>2021</u>	<u>2020</u>	<u>2021</u>	<u>2020</u>	<u>2021</u>	<u>2020</u>
General Entity Information						
Current Senior Most Rating	Aaa	Aaa	Aa3/AA	Aa3/AA	Aaa	Aaa
Revenue Backed Rating Description					LT SR REV	LT SR REV
State					OH	OH
Moody's Org ID					808818216	808818216
Financial Data : Balance Sheet Data (\$000)						
Total Current Cash, Cash Equivalents and Investments	108,520	128,175	22,480	24,023	212,828	182,308
Total Current Assets	131,906	156,467	31,306	29,762	258,361	225,777
Total Non-Current Assets	1,423,264	1,384,426	237,531	229,811	1,421,972	1,372,337
Total Assets	1,599,773	1,551,888	268,837	259,573	1,680,333	1,598,114
Total Current Liabilities	56,405	57,073	12,957	12,189	58,360	63,862
Total Non-Current Liabilities	529,914	512,092	62,633	60,288	896,282	762,136
Total Revenue Bonds	322,270	331,078	58,804	54,932	421,950	444,600
Total General Obligation-backed Bonds	5,418	4,796	N/A	N/A	5,418	4,796
Total State Loan/SRF Debt	41,476	39,043	N/A	N/A	60,225	53,309
Total Long Term Debt	384,635	363,754	58,874	54,944	487,593	502,705
Debt Service Funds and Reserves	6,368	14,797	N/A	N/A	52,096	53,948
Net Funded Debt	352,364	339,491	58,874	54,944	435,497	448,757
Total Liabilities	589,211	569,164	75,590	72,477	954,642	825,998
Net Fixed Assets	1,272,712	1,240,298	235,449	227,248	1,203,860	1,168,707
Total Net Assets	922,454	900,733	195,757	190,620	727,582	782,137
Total Unrestricted Net Assets	48,982	48,489	12,679	13,868	(108,317)	(31,687)
Total Net Assets Restricted for Debt Service	5,812	15,236	N/A	N/A	N/A	N/A
Total Net Assets Restricted for Capital Projects	20,353	20,292	N/A	N/A	N/A	N/A
Financial Data : Key Financial Ratios						
3-Year Avg of Moody's ANPL / Operating Revenues (x)	0.8	0.8			N/A	1.6
Operating ratio (%)	48.5	50.4	66.0	64.4	46.2	52.8
Net Take-Down (%)	53.4	52.8	34.5	37.1	53.9	50.1
Debt Service Safety Margin (%)	33.7	33.8	11.7	14.0	30.5	26.8
Debt Ratio (%)	22.7	20.8	23.1	22.1	30.0	31.7
Total Annual Senior Lien Debt Service Coverage (x)	2.7	2.9	1.5	1.6	2.6	2.4
Total Annual Debt Service Coverage (x)	2.7	2.9	1.5	1.6	2.3	2.2
Maximum Annual Debt Service Coverage(x)	2.2	2.3	1.3	1.3	2.0	1.9
Net Working Capital as a Percentage of O&M (%)	169.2	168.9	101.6	124.2	298.5	268.4
Unrestricted Reserves as a Percentage of O&M (%)	152.4	167.7	119.6	141.9	254.1	197.7
Days Cash on Hand	556.3	612.0	436.4	517.8	927.5	721.5
Financial Data : Income Statement Data (\$000)						
Total Operating Revenues	177,766	171,128	28,476	26,313	181,350	174,786
Connection Fees	20,693	14,286	N/A	N/A	N/A	N/A
Gross Revenues	189,080	188,245	28,694	26,903	181,487	184,790
Total O&M Expenses	86,804	90,861	18,801	16,934	83,752	92,234
Depreciation & Amortization Expenses	37,554	35,699	5,879	5,454	27,655	26,780
Total Operating Expenses w/Depreciation and Amortization	124,206	126,560	24,680	22,388	111,407	119,014
Net Revenues	100,924	94,231	9,893	9,968	97,735	92,556
Total Annual Senior Lien Debt Service	33,204	33,227	6,536	6,210	37,388	38,777
Total Annual Debt Service	34,541	33,227	6,536	6,210	42,346	42,949
Maximum Annual Debt Service	38,175	38,175	7,428	7,428	48,470	48,470
Net Working Capital	135,216	144,066	19,100	21,030	250,039	247,534
Demographic Data						
Area Median Family Income			80,679		45,235	
US Median Family Income	70,784		70,784		70,784	
SCORECARD WEIGHTING						
System Characteristics (30%)						
Asset Condition (Remaining Useful Life) 10%	43.1		40		43.5	
System Size (O&M) 7.5%	89,856		18,801		83,752	
Service Area Wealth 12.5%						
Financial Strength 40%						
Annual Debt Service Coverage 15%	2.8		1.5		2.3	
Days Cash on Hand 15%	556.30		436.4		927.5	
Debt to Operating Revenue 10%	2.0		2.1		2.7	
Management 20%						
Rate Management 10%						
Regulatory Compliance and Capital Planning 10%						
Legal Provisions (10%)						
Rate Covenant 55						
Debt Service Reserve Requirement 5%						

Cobb County & Marietta Water Authority, GA		Denver Board of Water Commissioners Water		East Bay Municipal Utility District, Water Enterprise, CA		Fairfax County Water Authority, VA		Greenville (City of) Water Enterprise, SC			
2021		2020		2021		2020		2021		2020	
Aaa		Aaa		Aaa		Aaa		Aaa		Aaa	
LT SR REV	LT SR REV	LT SR REV	LT SR REV	LT SR REV	LT SR REV	LT SR REV	LT SR REV	LT SR REV	LT SR REV	LT SR REV	LT SR REV
GA	GA	CO	CO	CA	CA	VA	VA	SC	SC	SC	SC
800007456	800007456	800009860	800009860	808795506	808795506	800012136	800012136	808858479	808858479		
244,721	230,445	41,852	232,047	509,075	583,766	58,102	33,203	123,055	115,588		
254,047	240,871	88,393	266,669	592,497	656,312	85,618	63,448	129,263	121,747		
586,778	563,232	3,657,448	3,062,209	5,241,258	4,935,447	2,154,004	2,060,140	522,709	514,743		
840,825	804,102	3,745,841	3,328,878	5,833,755	5,591,759	2,239,622	2,123,587	651,972	636,490		
9,221	17,138	108,274	103,831	190,077	184,349	64,143	59,784	28,121	21,135		
47,436	48,295	1,145,496	830,259	3,679,368	3,655,938	640,796	580,559	43,889	63,520		
39,380	40,775	966,985	668,480	N/A	N/A	484,045	424,755	18,525	30,095		
N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A		
N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A		
39,380	40,775	966,985	668,480	2,674,462	2,767,058	484,045	424,755	18,525	30,095		
131	118	4,374	4,497	(5,930)	(5,802)	35,197	32,148	5,520	14,797		
39,249	40,657	962,611	663,983	2,680,392	2,772,860	448,848	392,607	13,005	15,298		
56,657	65,434	1,253,770	934,090	3,869,445	3,840,287	704,939	640,343	72,011	84,654		
577,764	556,903	3,240,866	2,980,200	4,693,309	4,479,848	1,867,058	1,858,949	502,233	495,195		
784,168	738,669	2,552,617	2,438,411	1,966,064	1,752,311	1,539,014	1,489,679	582,893	554,401		
249,913	230,932	183,693	179,898	(86,317)	25,142	62,886	32,302	91,184	73,358		
414	408	4,385	4,497	3,763	4,220	40,157	36,517	5,812	15,236		
N/A	N/A	N/A	N/A	20,353	20,292	N/A	N/A	N/A	N/A		
0.2	0.2	0.9	0.8	2.6	2.4	1.7	1.7	0.9	0.8		
32.1	31.8	64.8	58.7	44.0	45.4	53.1	57.2	49.4	45.4		
69.0	70.3	35.9	43.0	63.3	63.3	52.9	50.0	51.7	55.6		
66.1	67.4	23.1	30.9	38.1	36.7	32.6	30.1	34.8	39.0		
4.8	5.2	28.4	21.0	51.6	54.9	22.3	20.7	2.1	2.5		
23.5	24.9	2.8	3.6	2.5	2.4	2.6	2.5	3.1	3.3		
23.5	24.9	2.8	3.6	2.5	2.4	2.6	2.5	3.1	3.3		
21.7	22.9	1.9	2.4	2.3	2.2	2.2	2.1	3.3	3.7		
804.4	737.4	69.4	86.5	183.9	220.2	154.5	36.8	313.4	326.6		
803.1	758.9	19.2	110.7	185.3	224.2	62.8	34.7	346.1	339.1		
2,931.4	2,770.1	70.1	404.1	676.3	818.2	229.1	126.5	1,263.2	1,237.8		
94,854	95,455	335,994	357,201	625,044	573,702	174,181	167,469	71,915	75,030		
N/A	N/A	N/A	N/A	71,693	71,087	20,693	14,286	N/A	N/A		
98,420	102,086	339,649	367,375	749,312	710,000	196,672	191,699	73,665	76,775		
30,471	30,364	217,779	209,580	274,753	260,420	92,560	95,793	35,558	34,086		
19,941	19,475	60,919	55,691	129,483	124,640	59,256	56,988	12,555	13,495		
50,412	49,839	278,698	265,271	404,236	385,060	151,815	152,781	48,113	47,581		
67,949	71,721	121,870	157,795	474,559	449,580	104,112	95,906	38,107	42,690		
2,889	2,879	43,302	44,154	189,055	189,287	40,061	38,177	12,464	12,759		
2,889	2,879	43,302	44,154	189,055	189,287	40,061	38,177	12,464	12,759		
3,137	3,137	65,006	65,006	202,704	202,704	46,327	46,327	11,592	11,592		
245,104	223,908	151,147	181,276	505,337	573,528	143,008	35,248	111,441	111,339		
85,402		72,661		85,628		133,974		65,513			
70,784		70,784		70,784		70,784		70,784			
29		53.2		36.2		31.5		40			
30,471		217,779		274,753		92,560		35,558			
23.5		2.8		2.5		2.6		3.1			
2931.4		70.1		676.3		229.1		1263.2			
0.4		2.9		4.3		2.8		0.3			

	<u>Johnson County Water District 1, KS</u>		<u>Kentucky Infrastructure Authority</u>		<u>Louisville Water Works Board, KY</u>	
	<u>2021</u>	<u>2020</u>	<u>2021</u>	<u>2020</u>	<u>2021</u>	<u>2020</u>
General Entity Information	Aaa	Aaa	Aaa	Aaa	Aaa	Aaa
Current Senior Most Rating						
Revenue Backed Rating Description	LT SR REV	LT SR REV	LT SR REV	LT SR REV	LT SR REV	LT SR REV
State	KS	KS	KY	KY	KY	KY
Moody's Org ID	600031469	600031469	800019453	800019453	800022159	800022159
Financial Data : Balance Sheet Data (\$000)						
Total Current Cash, Cash Equivalents and Investments	114,020	107,854	N/A	N/A	74,017	85,893
Total Current Assets	134,549	126,471	N/A	N/A	98,223	109,147
Total Non-Current Assets	1,229,551	1,199,643	N/A	N/A	1,424,556	1,396,514
Total Assets	1,364,100	1,326,113	N/A	N/A	1,522,778	1,505,661
Total Current Liabilities	35,220	36,295	N/A	N/A	54,449	54,361
Total Non-Current Liabilities	260,600	268,768	N/A	N/A	419,032	443,624
Total Revenue Bonds	222,590	237,400	N/A	N/A	N/A	N/A
Total General Obligation-backed Bonds	N/A	N/A	N/A	N/A	N/A	N/A
Total State Loan/SRF Debt	N/A	N/A	N/A	N/A	N/A	N/A
Total Long Term Debt	222,590	237,400	N/A	N/A	285,224	302,753
Debt Service Funds and Reserves	18,697	18,682	N/A	N/A	15,994	16,378
Net Funded Debt	203,893	218,718	N/A	N/A	269,230	286,375
Total Liabilities	295,820	305,063	N/A	N/A	473,482	497,985
Net Fixed Assets	1,170,113	1,145,344	N/A	N/A	1,353,185	1,311,889
Total Net Assets	1,088,414	1,027,050	N/A	N/A	1,060,740	1,019,329
Total Unrestricted Net Assets	86,731	79,472	N/A	N/A	(30,765)	(20,049)
Total Net Assets Restricted for Debt Service	32,322	32,378	N/A	N/A	42,282	52,487
Total Net Assets Restricted for Capital Projects	N/A	N/A	N/A	N/A	N/A	N/A
Financial Data : Key Financial Ratios						
3-Year Avg of Moody's ANPL / Operating Revenues (x)	0.3	0.3	N/A	N/A	0.8	0.8
Operating ratio (%)	47.7	48.0	N/A	N/A	41.9	44.4
Net Take-Down (%)	56.1	56.5	N/A	N/A	58.6	56.0
Debt Service Safety Margin (%)	40.0	40.2	N/A	N/A	45.3	42.1
Debt Ratio (%)	15.7	17.3	N/A	N/A	18.7	20.2
Total Annual Senior Lien Debt Service Coverage (x)	3.5	3.5	N/A	N/A	4.4	4.0
Total Annual Debt Service Coverage (x)	3.5	3.5	N/A	N/A	4.4	4.0
Maximum Annual Debt Service Coverage(x)	2.9	2.8	N/A	N/A	4.2	3.8
Net Working Capital as a Percentage of O&M (%)	219.4	213.6	N/A	N/A	99.4	121.2
Unrestricted Reserves as a Percentage of O&M (%)	196.3	193.5	N/A	N/A	82.4	96.0
Days Cash on Hand	716.6	706.2	N/A	N/A	300.7	350.3
Financial Data : Income Statement Data (\$000)						
Total Operating Revenues	121,635	116,054	N/A	N/A	214,600	201,752
Connection Fees	9,785	9,048	N/A	N/A	N/A	N/A
Gross Revenues	132,291	128,173	N/A	N/A	217,302	203,375
Total O&M Expenses	58,075	55,744	N/A	N/A	89,856	89,488
Depreciation & Amortization Expenses	27,958	26,583	N/A	N/A	47,150	44,617
Total Operating Expenses w/Depreciation and Amortization	86,033	82,327	N/A	N/A	137,005	134,105
Net Revenues	74,216	72,429	N/A	N/A	127,446	113,887
Total Annual Senior Lien Debt Service	21,275	20,879	N/A	N/A	29,020	28,277
Total Annual Debt Service	21,275	20,879	N/A	N/A	29,020	28,277
Maximum Annual Debt Service	25,858	25,858	N/A	N/A	30,023	30,023
Net Working Capital	127,424	119,057	N/A	N/A	89,313	108,454
Demographic Data						
Area Median Family Income	96,059		NA		58,357	
US Median Family Income	70,784		70,784		70,784	
SCORECARD WEIGHTING						
System Characteristics (30%)						
Asset Condition (Remaining Useful Life) 10%	41.9		0		28.7	
System Size (O&M) 7.5%	58,075		134,338		89,856	
Service Area Wealth 12.5%						
Financial Strength 40%						
Annual Debt Service Coverage 15%	3.5		3.8		4.4	
Days Cash on Hand 15%	716.6		N/A		300.7	
Debt to Operating Revenue 10%	1.8		26.1		1.3	
Management 20%						
Rate Management 10%						
Regulatory Compliance and Capital Planning 10%						
Legal Provisions (10%)						
Rate Covenant 55						
Debt Service Reserve Requirement 5%						

**Seattle (City of) Water
Enterprise, WA**

<u>2021</u>		<u>2020</u>	
Aaa		Aaa	
LT	SR REV	LT	SR REV
WA		WA	
806867576		806867576	
103,020		140,762	
154,864		186,463	
1,521,903		1,500,133	
1,676,767		1,686,596	
86,565		81,304	
876,171		963,518	
664,455		728,490	
N/A		N/A	
22,727		24,777	
687,182		753,267	
6,368		2,525	
680,814		750,741	
962,736		1,044,822	
1,341,564		1,338,083	
723,561		651,985	
35,078		64,676	
N/A		N/A	
N/A		N/A	
0.8		0.8	
57.1		57.4	
44.6		44.9	
19.4		19.6	
46.6		49.8	
1.8		1.8	
1.8		1.8	
1.6		1.5	
69.2		105.8	
59.5		88.1	
217.1		321.4	
303,499		278,578	
N/A		N/A	
312,705		290,037	
173,182		159,855	
55,722		54,486	
228,904		214,341	
139,523		130,183	
76,482		72,168	
78,882		73,426	
86,947		86,947	
119,861		169,075	
105,391			
70,784			
24.1			
173,182			
1.8			
217.1			
2.3			

§6103. Authority for taxation under default

1. Issuance of a warrant following a default. If there is a default in the payment of the principal of, or interest on, a note, bond or other evidence of indebtedness issued by a water district created by special Act of the Legislature, the trustees, directors or managing board of the district shall, unless the default is cured, issue their warrant immediately to those portions of the municipality or municipalities which constitute the district.

1-A. Issuance of a warrant prior to a default.

A. Notwithstanding subsection 1, if prior to a default in the payment of the principal of, or interest on, a note, bond or other evidence of indebtedness issued by the district, the district makes a reasonable determination that on the due date of such payment, the normal payment of water charges for services rendered, after taking into account the operating expenses to be paid on or before the due date of such payment, will be insufficient to make such payment, the district may borrow money temporarily in an amount sufficient to make such payment, and the trustees, directors or managing board of the district may issue their warrant immediately to those portions of the municipality or municipalities which constitute the district to repay the temporary amount so borrowed, plus interest.

B. This sub-section may not take effect until it has been approved at a regular or special meeting by a majority of the legislative body of the municipality or municipalities which constitute the district. The appropriate municipal official shall declare the action of the legislative body, file a certificate of it with the Secretary of State and with the clerk of the district.

2. Form of warrant. The form of the warrant shall be reasonably similar to the warrant used by the Treasurer of State for real estate taxes.

3. Assessment and collection of taxes. In the warrant for payment of the sum, the assessors in each municipality shall assess the sum allocated to the municipality or portion of the municipality upon the taxable estates within the municipality or portion of the municipality and shall commit their assessment to the constable or collector of the municipality, who shall have all authority, powers and duty to collect the taxes as is vested by law to collect state, county and municipal taxes.

4. Allocation if district is composed of more than one municipality. If the district is composed of more than one municipality or portion of a municipality, the trustees shall make the allocation on a basis resulting in a uniform rate applied to 100% of the state valuation on all taxable property within the water district.

5. Treasurer to pay tax within 30 days. Within 30 days after the date fixed by the municipalities on which their taxes are due, the treasurer of the municipality shall pay the tax assessed to the treasurer of the district.

6. Section not effective until approved by municipality. This section may not take effect until it or former Title 35, section 3211, has been approved at a regular or special meeting by a majority of the legislative body of the municipality or municipalities which constitute the district. The appropriate municipal official shall declare the action of the legislative body, file a certificate of it with the Secretary of State and with the clerk of the district.



MEMORANDUM PORTLAND WATER DISTRICT

TO: Operations Committee/Board of Trustees

FROM: Scott Firmin, Director of Operations - Wastewater
James Wallace, Director of Operations - Water

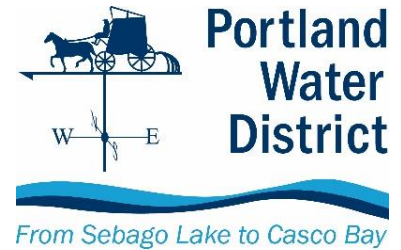
DATE: February 7, 2024

RE: **Operations Committee Meeting – February 12, 2024**

A meeting of the Operations Committee of the Portland Water District Board of Trustees will be held on Monday, February 12, 2024, at 5:30 p.m., in the Emergency Operations Center (EOC) Room of the District, 225 Douglass Street, Portland, Maine.

AGENDA

1. **General Engineering Services – Professional Services Contract Selection**
Staff will provide a recommendation to execute professional services contracts with nine qualified firms for General Engineering Services for a three-year period. (See attached memo)
2. **Construction Services – Douglass St. HVAC Phase 1**
Staff will provide a recommendation to amend the CIP and execute a construction contract for upgrades at the Douglass St. Facility. (See attached memo)
3. **Recent Water Main Breaks**
Staff will review some repairs from January 2024, and discuss how they compare to previous years.
4. **Other Business**



OPERATIONS COMMITTEE / AGENDA ITEM SUMMARY

Agenda Item: 1
Date of Meeting: February 12, 2024
Subject: General Engineering Services – Professional Services Contract Selection
Presented By: Greg Pellerin, Senior Project Engineer

RECOMMENDATION

The following proposed language is presented for Committee approval:

ORDERED, the General Manager is authorized to execute professional services contracts with the firms listed in this Order for General Engineering Services for a three-year period beginning March 1, 2024, and that the General Manager and the Treasurer, each acting singly, are authorized to take such steps as may be necessary to accomplish the intent of the vote. The firms selected are as follows:

- Kleinfelder
- Hazen
- Woodard & Curran
- Tighe & Bond
- Sebago Technics
- Brown & Caldwell
- Gorrill Palmer
- Wright-Pierce
- Stantec

BACKGROUND ANALYSIS

PWD is facing diverse capital needs in the next few years requiring a mix of small, medium, and large projects of varying types and complexities to address aging infrastructure, regulatory requirements, and an increased need for extreme weather resiliency. In aggregate, these diverse projects will increase the total Capital Improvements Plan (CIP) workload. In order to deliver projects to meet this elevated demand, staff is recommending a range of project delivery mechanisms to effectively leverage engineering consultants including General Engineering Services contracts.

As approved by Board Order 23-007 on February 27, 2023, the General Engineering Method was approved for this program. PWD issued a Request for Qualifications (RFQ) in November 2023 for General Engineering Services. PWD received 12 qualifications packages, indicating substantial interest. A selection committee consisting of staff in the Engineering Services Group reviewed the proposals and selected a group of qualified firms. In addition to the qualifications packages, each firm provided a sealed rate summary for the key staff included on the firm's project team.

Staff will select from the pre-qualified firms for certain small to medium sized CIP projects based on expertise and delivery capability, specific to each project. PWD and the selected firm(s) shall

negotiate a scope and fee, and develop a task order amendment to the original General Engineering Services agreement. PWD and the Engineering Services Group will continue to utilize a separate competitive procurement process for larger and more complex projects, as needed. Additionally, PWD will identify opportunities to work with new firms in order to ensure a consistent and competitive pool of service providers.

FISCAL REVIEW/ FUNDING

General Engineering Services for projects will be funded through their respective capital projects approved by the Board through the annual CIP program or through engineering operating accounts approved in the annual operating budgets.

LEGAL REVIEW

Corporate Counsel has reviewed and approved the form of motion.

CONCLUSION(S)

Staff recommends awarding General Engineering Services contracts to the firms listed here:

- Kleinfelder
- Hazen
- Woodard & Curran
- Tighe & Bond
- Sebago Technics
- Brown & Caldwell
- Gorrill Palmer
- Wright-Pierce
- Stantec

ATTACHMENT(S)

Supporting Information

SUPPORTING INFORMATION

PWD issued an On Call General Engineering Services Request for Qualifications (RFQ) in November of 2023. Firms were asked to provide a qualifications package which was to include a summary of their technical and administrative project management and delivery capabilities pursuant to our needs.

PWD received 12 qualifications packages, indicating substantial interest in this program. The proposals were reviewed and scored by a selection committee consisting of staff in the Engineering Services Group. Firms were scored and selected using the following criteria:

Criteria Description	Weighting Factor
Proposal Approach: Demonstrates a clear process for providing high value Engineering services in adherence with PWD's project delivery process.	25%
Project Management: Shows an understanding of the Firm's role in project management and leadership.	25%
Project Team Qualifications: Demonstrates specific experience of the firm's proposed team members with related projects and technical matter.	25%
Technical Approach and Standardization: Shows an understanding of the importance of PWD Operations' input and Design Standards, and willingness integrate them into designs.	25%

These criteria were designed to reward firms who have a demonstrated understanding of the PWD's standards and project delivery process due to past collaborative experience. Ultimately, firms were scored and selected based on the selection committee's assessment of the firms' ability to provide high value service to the PWD. The selected firms are listed here:

- Kleinfelder
- Hazen
- Woodard & Curran
- Tighe & Bond
- Sebago Technics
- Brown & Caldwell
- Gorrill Palmer
- Wright-Pierce
- Stantec

In addition to the qualifications packages, each firm provided a sealed rate summary for the key staff included on the firm's project team. These rates were not reviewed at the time of scoring/selection in compliance with the SRF program's Qualification Based Selection (QBS) requirements. With the Board's approval, PWD will work toward entering an agreement with each of the selected firms, and agree to pay these firms at the rates provided. Each firm will be allowed to update their rates on an annual basis.

The Engineering Group will continue to utilize competitive procurement on a discretionary basis for larger more consequential projects. Additionally, PWD will identify opportunities to work with new firms in order to ensure a consistent and competitive pool of service providers.

OPERATIONS COMMITTEE / AGENDA ITEM SUMMARY

Agenda Item: 2
Date of Meeting: February 12, 2024
Subject: Douglass St HVAC Phase 1
Presented By: Joshua Hudak, CFM Facilities Manager

RECOMMENDATION

The following proposed language is presented for Committee approval:

ORDERED, a construction contract with AAA Energy Service is hereby authorized, in the amount of \$872,811 for the HVAC Improvements Phase 1- 2023 CIP 068-3054 and Office Renovations- 2024 CIP 068-3217; and

BE IT FURTHER ORDERED, that the project budget is amended by increasing it by \$200,000 and that the total budget for the Project is hereby authorized not to exceed \$800,000; and that the General Manager, and the Treasurer, each acting singly, are authorized to take such steps as may be necessary to accomplish the intent of the vote.

BACKGROUND ANALYSIS

The HVAC Improvements Phase 1 was programmed in the 2023 CIP at \$600,000 to begin the first phase of the HVAC Improvements for the office building. The project was sent out as an RFP for engineering design-build services and AAA Energy Service was the lowest qualified bidder. Upon working on a design with AAA, it was determined that the original scope of work which was heat pumps for the office facility was not going to provide the comfort and control that PWD wanted to achieve in this project. Due to this decision, it was determined that PWD would need to adjust the scope of work to include a new chiller in this phase of the project to be able to support this new system.

Staff recommends amending the original CIP 068-3054 budget from \$600,000 to \$790,000 to replace the outdated and no longer supported chiller. The staff further recommends we issue the design-build contract to AAA Energy Services.

FISCAL REVIEW/FUNDING

The estimated balance in the Douglass Street R&R reserve fund as of 12/31/2024 - \$338,706. The requested \$190,000 will be taken from this reserve.

LEGAL REVIEW

Corporate Counsel has reviewed the proposed order as to form.

CONCLUSION(S)

Staff recommends awarding the contract to the lowest responsive and responsible bidder for the project, AAA Energy Service.

ATTACHMENT(S)

Supporting Information

Supporting Information

Project	Budget	Add	Total
068-3054 HVAC Improvements Phase 1	\$ 600,000.00	\$ 200,000.00	\$ 800,000.00
068-3217 Office Renovations Post HVAC	\$ 100,000.00	\$ -	\$ 100,000.00
		Total	\$ 900,000.00
	AAA Energy	Contract	\$ 872,811.00
		Contingency	\$ 27,189.00



Scarborough, ME (207) 883-1473 | Pittsfield, ME (207) 487-3706 | Auburn, NH (603) 626-4884

Brief Project Description:	New Chiller Plant
Scope of Work:	<ul style="list-style-type: none"> • Stamped Mechanical and Electrical Plans for Permit • 70 Ton Chiller • (2) 185 GPM Base Mounted Pumps • New Expansion Tank • Asbestos Abatement on Insulation at chiller plant • Draining and Filling • Insulating new Piping/Equipment • Reusing existing glycol • Owner training • One year warranty on installation • Demolition of existing 60 ton chiller, 170 GPM pumps and expansion tank
Items NOT Included:	<ul style="list-style-type: none"> • Off-hours work • Cutting and Patching
Note(s):	<ol style="list-style-type: none"> 1. Equipment lead time is currently (35-40) weeks from date of order. 2. All work on owner-provided equipment will be done on a time-and-material basis.
Project Cost:	The cost for the above scope, including material and labor will be \$ 246,854



MEMORANDUM PORTLAND WATER DISTRICT

TO: Planning Committee/Board of Trustees

FROM: Christopher Crovo, P.E., Executive Director of Asset Management and Planning

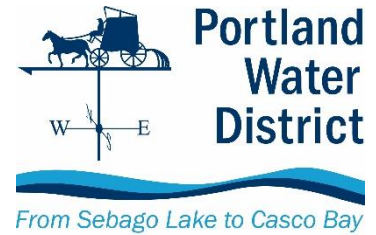
DATE: February 7, 2024

RE: **Planning Committee Meeting – February 12, 2024**

A meeting of the Planning Committee of the Portland Water District Board of Trustees will be held on Monday, February 12, 2024, at 5:30 p.m., in the Nixon Room of the District, 225 Douglass Street, Portland, Maine.

AGENDA

1. **Surplus Property -Walnut Street Property and Underground Reservoir**
Staff will recommend entering into a Purchase and Sale agreement with Silver Street LLC on the sale of the Munjoy Hill Reservoir property. (See attached memo)
2. **MOU and Lease Agreement - Gambo Pit Property – Windham**
Staff will recommend entering into a Memorandum of Understanding with the Town of Windham for leasing a portion of the Gambo Pit Property. (See attached memo)
3. **Review the District’s Proposed Pollinator Work Plan**
Staff will review the proposed 2024 work plan. (See attached)
4. **Other Business**



PLANNING COMMITTEE / AGENDA ITEM SUMMARY

Agenda Item: 1
Date of Meeting: February 12, 2024
Subject: Sale of Walnut Street Property and Underground Reservoir
Presented By: Laurel Jackson, Right of Way Agent

RECOMMENDATION

The following proposed language is presented for Board of Trustee approval:

ORDER, The General Manager is authorized to execute a Purchase and Sale Agreement in substantial form as that attached hereto, with Island View Apartments II, LLC for the sale of surplus District property on Walnut Street in Portland known as the Munjoy Hill Reservoir; and

BE IT FURTHER ORDERED, that the General Manager and the Treasurer, each acting singly, are authorized to take such other steps as may be necessary to accomplish the intent of this vote.

BACKGROUND ANALYSIS

The District owns a 1.56-acre parcel of land in Portland at the intersection of Walnut and North Streets that contains an abandoned underground water storage reservoir. The property has been declared surplus in accordance with the District's Policy for the Sale or Other Use of District Real Property. Silver Street Development Corporation, owners of the adjacent parcel, submitted a Letter of Intent to the District proposing to purchase the property with the ultimate goal of developing it into affordable housing. In its November 2023 meeting, the Board of Trustees approved accepting the Letter of Intent.

The Purchase and Sale Agreement follows the terms outlined in the Letter of Intent approved by the Board in November, 2023. Island View Apartments II, LLC is an entity of Silver Street Development Corporation.

The deed will specify that it is being sold "As is, where is" and will absolve the District of all further responsibility or liability for the reservoir or the property.

FISCAL REVIEW / FUNDING

The sale price will be \$15,000.00.

LEGAL REVIEW

Corporate Counsel will review the proposed deed prior to execution.

CONCLUSION(S)

Staff recommends that the District enters into a Purchase and Sale Agreement with Island View Apartments II, LLC.

ATTACHMENT(S)

Purchase and Sale Agreement

PURCHASE AND SALE AGREEMENT

THIS PURCHASE AND SALE AGREEMENT IS made this day of February , 2024 (the "Effective Date") by and between the Portland Water District, a quasi-municipal corporation created by Private and Special Law in Maine, with a business office located at 255 Douglass Street, Cumberland County, Maine, ("Seller" or "PWD"), and Island View Apartments II, LLC, a Maine corporation with a mailing address of 33 Silver Street, Suite 200, Portland, Maine 04101 ("BUYER) (Buyer and Seller are referred to in this agreement as the "parties").

RECITALS

WHEREAS, the PWD is the owner of certain real estate, including land and underground concrete reservoir and associated infrastructure thereon, located at or about 1 Walnut Street, Portland, Maine, which property is also known as Parcel ID 015 A003001 and as more fully described in the description attached to this Agreement as Exhibit 1, which is incorporated into this Agreement by reference (the "Premises"); and

WHEREAS, BUYER seeks to acquire the Premises for use either as part of an affordable housing development, or in conjunction with its ownership of Island View Apartments which is adjacent to the Premises; and

WHEREAS, PWD desires to convey the Premises to BUYER, in as is, where is condition, subject to the terms and conditions set forth herein.

NOW THEREFORE, in consideration of the foregoing and for other good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, the parties, intending to be legally bound, hereby agree as follows:

1. SALE.

PWD agrees to sell the Premises to BUYER, and BUYER agrees to purchase the Premises in accordance with the terms and conditions set forth in this Agreement. To the extent that there is any disagreement between the provisions of this Agreement and its attachments, the provisions of this Agreement shall govern.

2. CONSIDERATION.

The purchase price for the Premises shall be Fifteen Thousand Dollars (\$15,000.00) (the "Purchase Price"), payable as follows:

- a. Upon execution of this Agreement, BUYER shall pay to PWD a Five Thousand Dollar (\$5,000.00) deposit, which the PWD shall hold in escrow without interest and apply to the Purchase Price at closing. The deposit will become non-refundable upon BUYER'S's waiver of its right to terminate the purchase and sale agreement during the Due Diligence Period as set forth below;

b. The BUYER shall pay the remainder of the Purchase Price to PWD at closing.

3. TITLE.

Title to the Premises shall be conveyed by quitclaim deed without covenant. Title to the Premises shall be subject to (i) easements described herein; (ii) easements for utilities servicing or otherwise affecting the property and (ii) City of Portland ordinances. Further, Buyer acknowledges that the deed will contain a conveyance of the concrete reservoir tank and its associated appurtenances to be conveyed with no warranties whatsoever, in as is, where is condition.

3A. BUYER'S CONTINGENCIES.

The BUYER'S obligation to move forward and purchase the Property as set forth in this Agreement is contingent upon:

1. BUYER being satisfied at the end of the due diligence period that the condition of the property will not impede BUYER's use of the Premises for its intended use;
2. Satisfactory Title Commitment; and
3. Satisfactory survey of the second chamber of the concrete reservoir. SELLER shall provide personnel with appropriate training and equipment to assist in BUYER's inspection, which shall occur within the due diligence period.

4. DUE DILIGENCE PERIOD; CONDITION OF PREMISES; PERSONAL PROPERTY.

BUYER has had and shall continue to have an opportunity to inspect the Premises and to hire professionals to do so during the period of 180 days after the Effective Date (the "Due Diligence Period"), except that if the Phase 1 environmental study conducted by BUYER determines that a Phase II study is recommended, the Due Diligence Period shall be extended for an additional thirty days. Any person entering the Premises must sign a Release, Assumption Of Risk And Indemnity Agreement form provided by PWD. BUYER shall provide the PWD with copies of any data, reports, or other documents provided to BUYER as a result of such inspections if requested by PWD. BUYER acknowledges and agrees that the Premises will be conveyed "as is, where is" and "with all faults."

If during the Due Diligence Period the BUYER determines that the title to the Premises is unsatisfactory, or the condition of the Premises is such that BUYER will not be able to utilize the Premises in the manner that is intended by BUYER, BUYER may terminate this agreement and neither party shall owe the other any further obligation hereunder, and BUYER's deposit shall become fully refundable and returned to BUYER.

PWD and its agents make no representations or warranties with respect to the accuracy

of any statement as to boundaries or acreage, or as to any other matters contained in any description of the Premises, or as to the fitness of the Premises for a particular purpose, or as to development rights, merchantability, habitability, or as to any other matter, including without limitation, land use, zoning and subdivision issues or the environmental, mechanical, or structural condition of the Premises.

Furthermore, PWD and its agents make no representations or warranties regarding the condition of any appurtenances or fixtures associated with the concrete reservoir. Acceptance by BUYER of the Deed and Bill of Sale at closing and payment of the purchase price shall be deemed to be full performance and discharge by PWD of every agreement and obligation contained herein.

5. ENTRY TO PROPERTY; RELEASE AND INDEMNIFICATION.

BUYER, which term includes its agents, acknowledges that there may be dangerous conditions on the Premises that may expose persons entering the Premises in the course of Due Diligence investigations to bodily injury, death, or property damage, and BUYER agrees its entry to the Premises is at its own risk. BUYER hereby releases PWD and its officers, agents and personnel (collectively, the "Releasees") from any and all claims, liabilities, damages, losses, costs, judgments, fees and expenses arising out of or resulting, directly or indirectly, from BUYER's entry of the Premises, including, without limitation, injuries, losses and damages for bodily injury (including disability or death) and property damage, regardless of cause, including any and all claims, damages and liabilities that arise out of or result from any actions or omissions, including negligence, on the part of any of the Releasees. BUYER promises not to sue any of the Releasees with respect to any such claims or liabilities. This waiver and release is intended to be as broad as the law allows and shall survive termination of this agreement.

BUYER further agrees, to the fullest extent permitted by law, that BUYER shall defend, indemnify and hold PWD's officers, agents and employees, harmless at all times from any claims, liability, losses, costs, expenses (including, without limitation, reasonable attorney's fees) fines, damages or judgments (collectively, "Claims"), just or unjust, that arise out or are related to any entry of the Premises by BUYER, its agents, officers, directors, employees, contractors, subcontractors, invitees, or anyone else entering the Premises on behalf of BUYER, which Claims include, without being limited to, Claims for personal injury, death, or property damage and including Claims based upon violation of any environmental law or regulation governing hazardous substances.

BUYER's obligations under this paragraph shall survive the termination of this Agreement.

6. REAL ESTATE TAXES, PRORATIONS AND TRANSFER TAX.

The Maine real estate transfer tax shall be paid for by BUYER in accordance with 36 M.R.S. § 4641-A. PWD is exempt from paying the transfer tax pursuant to 36 M.R.S. § 4641-C. The recording fee for the deed of conveyance and any expenses relating to BUYER's closing shall be paid for by BUYER.

7. DEFAULT AND REMEDIES.

In the event that BUYER defaults hereunder for a reason other than the default of the PWD, PWD shall retain the deposit and shall have the right to pursue all legal or equitable remedies available to the PWD. In the event PWD defaults under this Agreement, and if BUYER is not then in default hereunder, BUYER shall have the right to pursue specific performance, but at all times may elect in substitution therefor, as its sole remedy, the right to a return of its deposit.

8. ENVIRONMENTAL INDEMNIFICATION.

BUYER covenants and agrees to indemnify, defend, and hold PWD harmless from and against any and all claims, damages, losses, liabilities, obligations, settlement payments, penalties, assessments, citations, directives, claims, litigation, demands, defenses, judgments, costs, or expenses of any kind, including, without limitation, reasonable attorneys', consultants', and experts' fees incurred in investigating, defending, settling, or prosecuting any claim, litigation or proceeding, that may at any time be imposed upon, incurred by or asserted or awarded against BUYER or PWD and relating directly or indirectly to the violation of or compliance with any federal, state, or local environmental laws, rules, or regulations governing the release, handling or storage of hazardous wastes or hazardous materials and affecting all or any portion of the Premises. This duty to indemnify, defend, and hold harmless shall be included in a covenant in the deed and shall run with the land conveyed and be binding upon BUYER's successors, assigns, and transferees.

9. CLOSING.

Time is of the essence in the performance of this agreement. The closing shall be held at the offices of PWD at a time agreeable to the parties. Buyer shall have the option of closing on the later of: (i) 30 days after the expiration of the Due Diligence Period or (ii) closing on the financing necessary to commence development of the Buyer's proposed affordable housing project.

At the Closing:

- a. PWD shall execute, acknowledge and deliver to BUYER a quitclaim deed and bill of sale conveying the Premises to BUYER.
- b. BUYER shall deliver the Purchase Price to the PWD; and
- c. BUYER shall deliver evidence, reasonably satisfactory to PWD's Corporate Counsel, that the entity receiving title to the Premises is in good standing under Maine law, and that the individuals acting at Closing and executing documents on behalf of BUYER are authorized to do so.

10. ENTIRE AGREEMENT.

This Agreement represents the entire and complete Agreement and understanding between the parties and supersedes any prior agreement or understanding, written or oral, between the parties with respect to the acquisition or exchange of the Premises hereunder. This Agreement cannot be amended except by written instrument executed by PWD and BUYER.

11. NON-WAIVER.

No waiver of any breach of any one or more of the conditions of this Agreement by either party shall be deemed to imply or constitute a waiver of any succeeding or other breach hereunder.

12. HEADINGS AND CAPTIONS.

The headings and captions appearing herein are for the convenience of reference only and shall not in any way affect the substantive provisions hereof.

13. BINDING EFFECT.

This Agreement shall be binding upon and inure to the benefit of the parties hereto and their respective heirs, administrators, successors and assigns.

14. TIME.

PWD and BUYER each confirm and agree that each of the time periods set forth herein are essential provisions of the terms of this Agreement.

15. GOVERNING LAW.

This Agreement shall be construed in all respects in accordance with, and governed by, the laws of the State of Maine. All parties hereto hereby consent to the exclusive jurisdiction of the Superior Court for the County of Cumberland in the State of Maine, for all actions, proceedings and litigation arising from or relating directly or indirectly to this Agreement or any of the obligations hereunder, and any dispute not otherwise resolved as provided herein shall be litigated solely in said Court. If any provision of this Agreement is determined to be invalid or unenforceable, it shall not affect the validity or enforcement of the remaining provisions hereof.

16. NOTICE.

All notices, demands and other communications hereunder shall be in writing and

shall be deemed to have been duly given on the date of service if served personally on the party to whom notice is to be given, or on the first business day after mailing if mailed to the party to whom notice is to be given by first class mail, postage prepaid, certified, return receipt requested, addressed to the recipient at the addresses set forth below. Either party may change addresses for purposes of this paragraph by giving the other party notice of the new address in the manner described herein.

Portland Water District: General Manager
225 Douglass Street
Portland, Maine 04240
With a copy to the Corporate Counsel (same address)

Buyer: Island View Apartments II, LLC
Attn: Matthew Kesselhaut
33 Silver Street, Suite 200
Portland, ME 04101

17. SIGNATURES: MULTIPLE COUNTERPARTS.

This Agreement may be executed in any number of counterparts and by different parties in separate counterparts. Each counterpart when so executed shall be deemed to be an original and all of which together shall constitute one and the same agreement. A signature in a faxed, pdf or other reproduced or electronic document shall be considered the equivalent of an original signature.

18. BROKERS.

PWD and BUYER each represent and warrant that they have not dealt with a real estate broker in connection with this transaction.

19. RECITALS INCORPORATED BY REFERENCE.

The recitals set forth above are incorporated herein by reference and made a part of this Agreement.

20. ASSIGNMENT.

BUYER may not assign its rights and obligations under this Agreement without the PWD's prior written consent, except to an entity related to Buyer.

Signature page follows.

IN WITNESS WHEREOF, the parties hereto have caused this instrument to be executed by their duly authorized officers or representatives, as of the day and year first written above.

PORTLAND WATER DISTRICT

WITNESS

Seth Garrison
General Manager

ISLAND VIEW APARTMENTS II, LLC

WITNESS

Exhibit 1

A certain lot or parcel of land in said City of Portland, County of Cumberland and State of Maine, bounded and described as follows:

Beginning at a point on the northwesterly sideline of Walnut Street, which point is ninety-one and five-tenths (91.5) feet from the northeasterly line of North Street when measured along the northwesterly side of Walnut Street;

thence North 20° 21' 30" West, three hundred fifty-eight and seventeen hundredths (358.17) feet to a point;

thence North 73° 18' 00" East, two hundred twenty-one and ninety-three hundredths (221.93) feet to a point;

thence South 16° 43' 30" East, one hundred seventy-two and six tenths (172.6) feet to a point;

thence South 82° 27' 35" East, one hundred eighty-seven and thirteen hundredths (187.13) feet to a point;

thence North 59° 15' 00" East three hundred seventeen and thirteen hundredths (317.13) feet, more or less, to the southwesterly sideline of Eastern Promenade;

thence southeasterly by the Eastern Promenade, fifteen and eighty-seven hundredths (15.87) feet, more or less, to the northwesterly side line of Walnut Street;

thence southwesterly by the northwesterly line of said Walnut Street, three hundred thirty-five and fifty-eight hundredths (335.58) feet to a point;

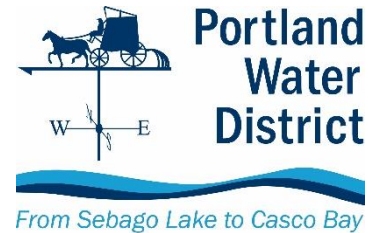
thence North 82° 27' 35" West, one hundred sixty-one and thirty-eight hundredths (161.38) feet to a point;

thence South 59° 15' 00" West, one hundred seven and eight hundredths (107.08) feet to a point;

thence South 00° 01' 45" East, one hundred sixteen and thirty-two hundredths (116.32) feet, more or less, to the northwesterly side line of said Walnut Street;

thence southwesterly by the northwesterly line of said Walnut Street, seventy-eight and five tenths (78.5) feet to the point of beginning.

Meaning and intending to convey a parcel of land originally conveyed to the District by a deed recorded in the Cumberland County Registry of Deeds Book 938, Page 139 and being further described as the parcel of land reserved to the District in a deed recorded in Cumberland County Registry of Deeds Book 3314, Page 221.



PLANNING COMMITTEE / AGENDA ITEM SUMMARY

Agenda Item: 2
Date of Meeting: February 12, 2024
Subject: Memorandum of Understanding with Town of Windham for use of Gambo Road Property
Presented By: Laurel Jackson, Right of Way Agent

RECOMMENDATION

The following proposed language is presented for Board of Trustee approval:

ORDER, the General Manager is authorized to execute a Memorandum of Understanding and subsequent Lease Agreement with the Town of Windham for the use of a portion of the District's Gambo Road property; and

BE IT FURTHER ORDERED, that the General Manager and the Treasurer, each acting singly, are authorized to take such other steps as may be necessary to accomplish the intent of this vote.

BACKGROUND ANALYSIS

The District owns approximately 100 acres of land off Gambo Road in Windham. The undeveloped parcel contains a gravel pit and is primarily used by Water Operations for material storage and spoils disposal. The Town of Windham is in need of a laydown area for public works projects and has requested joint use of the District's property. Staff is not opposed to the Town's use of the property, and has outlined the proposed terms of a lease agreement in a Memorandum of Understanding.

The District will lease a portion of the property to the Town for the storage of materials, supplies, pipe, and equipment for town projects, as well as for the storage of snow removed from municipal property. Additionally, the Town will be permitted to mine gravel on the site within limits set by the District.

The Town will improve the access road and will be responsible for snow removal and road maintenance. The District will have reasonable use of the Town's loader, its covered storage bins, and materials.

FISCAL REVIEW / FUNDING

The Town shall pay to the District the sum of \$2,000.00 per year as a lease payment.

LEGAL REVIEW

Corporate Counsel will prepare the agreements.

CONCLUSION(S)

Staff recommends entering into a memorandum of understanding and a subsequent lease agreement with the Town of Windham based on the terms outlined in the Memorandum of Understanding.

ATTACHMENT(S)

Memorandum of Understanding Between the Town of Windham, Maine, and the Portland Water District

**MEMORANDUM OF UNDERSTANDING
BETWEEN THE
TOWN OF WINDHAM, MAINE
AND THE
PORTLAND WATER DISTRICT**

This Memorandum of Understanding (the “MOU”) is made this ____ day of _____, 2024, by and BETWEEN the Portland Water District, a quasi-municipal corporation located at Portland, Maine (“District”); the Town of Windham, a municipal corporation located at Windham, Maine (the “Town”).

WHEREAS, the District is the owner of certain land located on Gambo Road in Windham; and

WHEREAS, the Town is in need of a storage and laydown area for its materials used by its Public Works Department for maintenance of its infrastructure and Town projects; and

WHEREAS, the District is amenable to allowing a portion of its Gambo Road property for use by the Town in the manner described herein;

WHEREAS, it is the intent of this MOU and any subsequent agreement that any costs incurred in developing and operating a Town materials storage and laydown facility on District land be borne entirely by the Town.

NOW THEREFORE: In consideration of the foregoing and the promises and material obligations contained herein, the Town and the District agree as follows:

- I. The District shall:
 - A. Provide a ten (10) year lease to the Town of a parcel of land identified on the town tax maps as a portion of Tax Map 5, lots 8 and 14G (the Property), as defined on the plan attached hereto as Exhibit A and incorporated herein by reference. The Lease shall allow the Town to use the Property for a lay down area for storage of materials, supplies, pipe, equipment and the placement of storage bins, as well as a snow storage area for snow removed from municipal property. Access to the Property shall be through either Soccer Drive or Plainview Rd and the proposed new access Road on Cherry Lane.
 - B. Allow the Town to renew the lease for an additional ten-year term on essentially the same terms and conditions providing that the Lease has not been otherwise terminated as described herein.
 - C. Allow the Town to construct an access road by extending Cherry Lane on the Property in accordance with a design plan approved by the District, for said activities at Town expense. The District recognizes that the Town has no direct financial obligation apart from the design, development, building, permitting, operation and maintenance of improvements necessary to facilitate its use of the Property except as specifically referenced hereunder.

- D. If the District terminates the lease for any reason during the first 20-year lease term, the District will compensate the Town for the site development costs (design and construction on the site) prorated on the remaining years in the lease. Subsequent renewals may be terminated without reimbursement.
- E. The District shall allow the Town to mine and utilize the gravel found on the Property, provided that such mining and processing will be done at Town expense and within any limitations established by the District. The District shall have use of the gravel mined by the Town as agreed to by the parties. The parties agree that for the first five years of the lease agreement, Town may process a total of 5000 yards of gravel. Any mining in excess of said amount shall be approved by the District with payment negotiated at that time. After the first five years, Town may mine and process up to 500 yards of gravel per year for the remainder of any lease term..
- F. The District shall have reasonable use of the Town's covered storage bins materials and use of its loader (when on location) for its emergency operations.

II. The Town shall:

- A. The Town shall work with the District in developing a design plan for the lay down area and the access road into the Property, and a lease that satisfies both the Town and the District while also satisfying Federal, State, and local ordinances.
- B. The Town shall obtain all permits and notify all abutters prior to constructing and improving the access road into the Property.
- C. The Town will be responsible for all costs associated with the planning, design, permitting, construction, maintenance and operation of its facilities located on the Property. The Town shall also be responsible for snow removal and road maintenance necessary for access to and within the Property.
- D. The Town shall be responsible for placing and maintaining proper signage and gates, as needed.

III. Financial: The Town shall pay to the District the sum of \$2,000.00 per year as a lease payment.

IV. Upon acceptance of this MOU by the Town Council and the District Board of Trustees, and the, the parties here shall negotiate, execute and be bound by a formal Lease implementing the terms herein. The Town shall have use of the Property at such time as shall be defined in the Lease.

IN WITNESS WHEREOF, the parties hereto have caused this MOU to be executed by their duly authorized representatives as of the day and year first written above.

For the Town:

TOWN OF WINDHAM

By: _____

Name: Barry Tibbetts

Title: Town Manager

For the District:

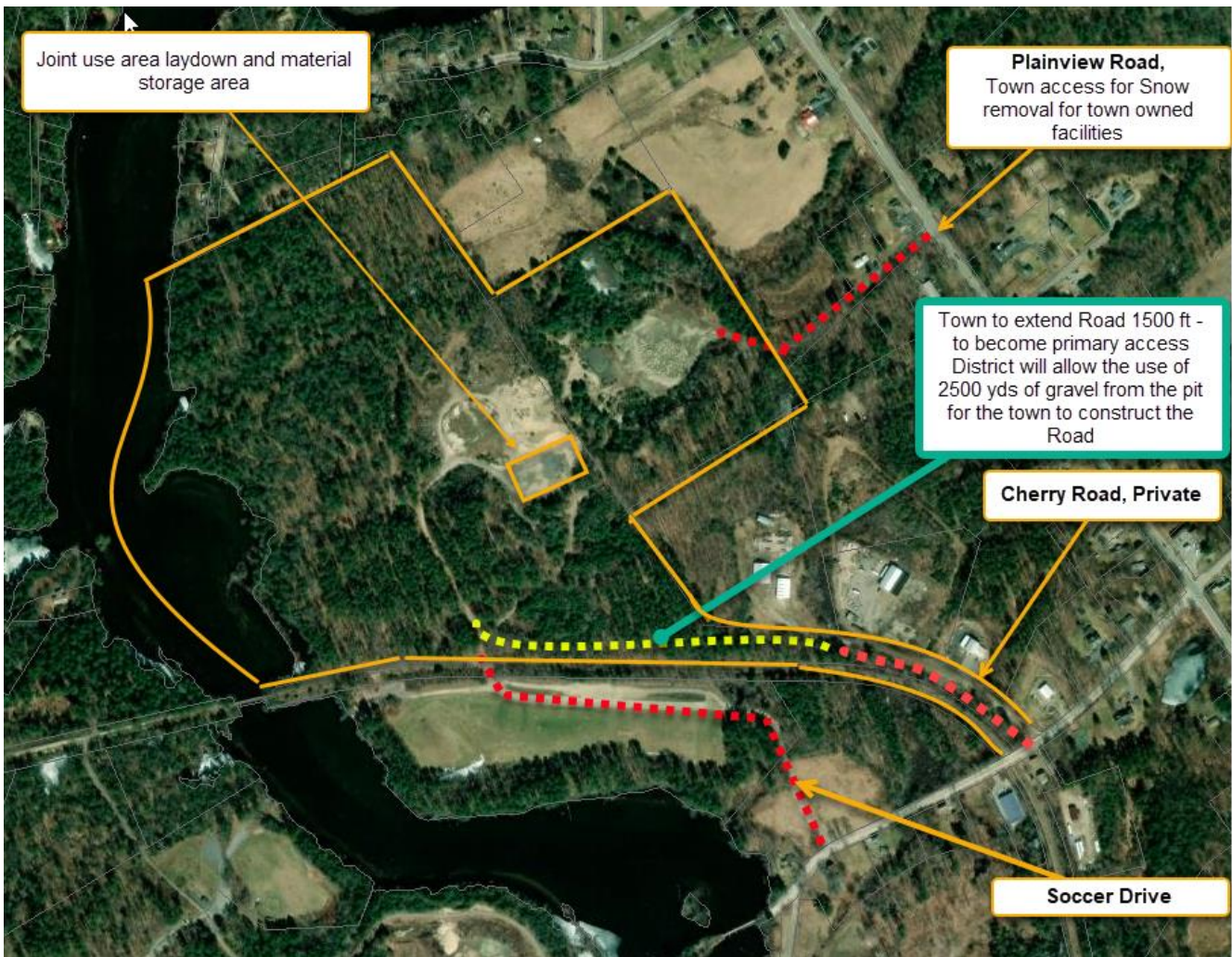
PORTLAND WATER DISTRICT

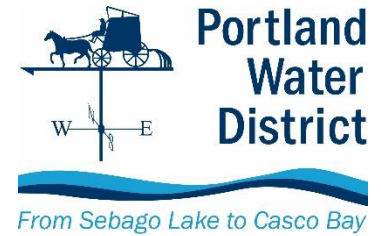
By: _____

Name: Seth Garrison

Title: General Manager

Appendix A





District's Pollinator Program

2023 – report

- ✓ Met with Wild Seed Project and Maine Audubon about potential partnerships
- ✓ highlighting native plants in the summer edition of Sebago in Depth
- ✓ installation of more native plants and pollinators at the Sebago Lake Protection Office
- ✓ native plant garden installation at the Standish Boat Launch in partnership with the Town of Standish,
- ✓ highlighting native plants in the summer edition of Sebago in Depth, Facebook posts,
- ✓ Completed native pollinator plantings on Boat Launch garden and
- ✓ Select sites for 2024 plantings – Ozone Plant, East End

2024 – pollinator work plan

1. Consult with Wild Seed Project and Maine Audubon about potential partnerships.
2. Water Resource Techs – Training on pollinators, plant recommendations through our Sebago Lakescaping program
3. Work with Water Operations on selected sites at Ozone Plant to plant pollinator garden consult (Plantings)
4. Work with WW Operations on removal invasive species and selected sites East End for improving habitat for pollinators (Plantings)
5. Forest Management Plans – restoration of Laydown areas and specific pollinator plantings for cutover areas
6. Construction Specifications – grass planting to encourage pollinators (wild flower mix and clover mix)
7. 319 grant construction projects – specifications to include native pollinators plants
8. Complete inventory on District owned land to determined which areas are candidates for pollinator plantings
9. Work with District Forester to remove invasive species and select sites for pollinator plantings
10. Highlight Pollinator plantings – outreach (facebook, Sebago In-depth)