


Budgetary Status Reports Fiscal Year 2020-2021

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Date: December 8, 2020

To: Commissioner Sophie Maxwell, President
Commissioner Anson Moran, Vice President
Commissioner Tim Paulson
Commissioner Ed Harrington

Through: Harlan L. Kelly Jr., General Manager 

From: Eric Sandler, CFO and AGM Business Services 

Subject: **SFPUC First Quarter Budgetary Report**
through September 30, 2020

The FY 2020-21 first quarter budgetary reports are attached for the three Enterprises and CleanPowerSF, with high-level changes to revenues and expenses summarized in the following table:

FY 2020-21 Operations

| | Beginning Available Fund Balance | Fund Balance Budgeted to be (Used) | Projected Sources Variance | Projected Operating Uses variance | Net Operating Results Surplus / (Shortfall) | General Reserve & Project Closeout | Projected Year End Available Fund Balance |
|--------------|---|--|----------------------------------|--|---|--|---|
| Water | 258.4 | (27.8) | 11.2 | 5.9 | 17.0 | 9.0 | 256.7 |
| Wastewater | 211.7 | (12.1) | (1.3) | 1.5 | 0.2 | 10.8 | 210.6 |
| Power | 36.8 | - | (1.6) | 12.0 | 10.5 | 28.8 | 77.8 |
| CleanPowerSF | 52.6 | - | (0.4) | 4.1 | 3.7 | 15.5 | 71.8 |

Summary:

- Positive net operating results projected for all enterprises and CleanPowerSF.
- Water revenues are up from budget due to higher sales to wholesale customers. In addition, recent debt refinancing has led to \$5M in debt service savings for Water this fiscal year.
- Wastewater, Power and CleanPowerSF revenues are projected to be slightly below budget.
- Salary savings projected across the agency due to vacant positions through the first quarter.

London N. Breed
Mayor

Sophie Maxwell
President

Anson Moran
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Ed Harrington
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Harlan L. Kelly, Jr.
General Manager



- In Power, \$3.5M increased cost of purchased power due to distribution cost proposals, set to begin in January 2021, is offset by \$4.0M power purchase contingency budget, as well as \$9.1M in prior year unspent funds carried forward from FY 2019-20.
- Emergency customer assistance programs are assumed to continue through June 2021.
- All enterprises are projected to meet their financial policy minimums and coverage ratios.

Please note that the attached reports show Capital Project cost “savings” in Water, Wastewater and Hetch Hetchy Water & Power. These savings reflect cuts to previously appropriated revenue-funded capital and programmatic projects to rebalance the FY 2019-20 budget, as well as to provide a source to help rebalance the FY 2020-21 and FY 2021-22 budgets:

Project Cost Savings for Budget Rebalancing

| <i>\$ Millions</i> | Water | Wastewater | Hetch Hetchy |
|--------------------|--------------|-------------------|---------------------|
| Capital Projects | 7.0 | 10.2 | 27.3 |
| Programmatic | 2.0 | 0.6 | - |
| Total | 9.0 | 10.8 | 27.3 |

If you have questions, please contact me at (415) 934-5707.

CC: Michael Carlin, Deputy General Manager, SFPUC
 Juliet Ellis, AGM, External Affairs, SFPUC
 Barbara Hale, AGM, Power Enterprise, SFPUC
 Kathryn How, AGM, Infrastructure, SFPUC
 Greg Norby, AGM, Wastewater Enterprise, SFPUC
 Steve Ritchie, AGM, Water Enterprise, SFPUC
 Ashley Groffenberger, Acting Budget Director, Mayor’s Office
 Ben Rosenfield, Controller

Attachments:

Appendix A Water Enterprise
 Appendix B Wastewater Enterprise
 Appendix C Hetch Hetchy Water & Power, including the Power Enterprise
 Appendix D CleanPowerSF

Appendix A

WATER ENTERPRISE OPERATING FUNDS FY 2020-21 1st Quarter - Budgetary Basis, Funds 25940, 25950, 25960, 26570, 26600 (\$ Millions)

| | | FY 2020-21 | | | |
|---|-----------------------|---|--|--|---|
| | FY 2019-20 Actuals | Original Budget | Revised Budget (includes carryforwards) | Projection (includes carryforwards) | Variance (Projection -Revised Budget) |
| Sources | | | | | |
| Retail Water Sales | 291.9 | 305.7 | 306.3 | 302.8 | (3.4) A |
| Wholesale Water Sales | 270.6 | 262.4 | 262.4 | 281.8 | 19.4 B |
| Interest Income | 8.7 | 5.1 | 5.1 | 5.1 | - |
| Rental Income | 13.0 | 12.5 | 12.5 | 12.5 | - |
| Miscellaneous Income | 18.9 | 20.9 | 21.6 | 16.8 | (4.8) C |
| Departmental Transfer Adjustment | (34.5) | (44.2) | (44.2) | (44.2) | - |
| Federal Bond Interest Subsidy | 23.8 | 21.8 | 21.8 | 21.8 | - |
| Appropriated/Budgeted Use of Fund Balance | 55.8 | 27.8 | 95.1 | 95.1 | - |
| Total Sources | 648.1 | 611.9 | 680.5 | 691.7 | 11.2 |
| Operating Uses | | | | | |
| Personnel | 95.6 | 102.3 | 102.3 | 101.4 | 0.9 D |
| Non-Personnel Services | 16.4 | 21.8 | 30.5 | 30.5 | - |
| Materials and Supplies | 12.9 | 15.3 | 16.9 | 16.9 | - |
| Equipment | 3.1 | 4.5 | 9.9 | 9.9 | - |
| Light, Heat, and Power | 9.9 | 10.0 | 10.0 | 10.0 | - |
| Overhead (SFPUC Bureaus) | 45.5 | 54.4 | 60.0 | 60.0 | - |
| Services of Other Departments | 12.8 | 14.6 | 16.2 | 16.2 | - |
| Debt Service | 291.1 | 304.2 | 304.2 | 299.3 | 5.0 E |
| Total Operating Uses | 487.4 | 527.2 | 550.2 | 544.3 | 5.9 |
| Net Operating Results | 160.7 | | | 147.4 | 17.0 |
| Adjustments to Operating Fund Balance | | | | | |
| | FY 2019-20 Actuals | Current Year Transfers from Operating | Total Available Funds | Projection (current & future years spending) | Project Closeouts |
| Capital Projects | 51.8 | 47.6 | 197.4 | 190.4 | 7.0 F |
| Facilities Maintenance/Programmatic | 33.2 | 37.1 | 81.5 | 79.5 | 2.0 G |
| Total Adjustments to Operating Fund Balance | \$ 85.0 | \$ 84.7 | \$ 278.9 | \$ 269.9 | \$ 9.0 |
| | check | - | | | |
| Available Fund Balance as of Fiscal Year-End | \$ 258.4 | | | | 256.7 |
| Available Fund Balance, % of Operating Uses (H) 25-68% | 93.4% | | | | 79.1% |
| Debt Service Coverage (Year-End Budgetary Basis) | | | | | |
| Indenture Basis (includes Available Fund Balance) (I) ≥ 1.35 | 2.38* | 1.93 | | | 2.06 |
| Current Basis (J) ≥ 1.10 | 1.32* | 1.17 | | | 1.29 |

Appendix A

WATER ENTERPRISE OPERATING FUNDS FY 2020-21 1st Quarter - Budgetary Basis, Funds 25940, 25950, 25960, 26570, 26600 (\$ Millions)

Revenue Variances

- A.** Retail water sales forecasted to be 57.2 MGD, a 3.9% decrease from prior year actuals of 59.3 MGD, and a 0.5% decrease from budgeted volumes of 57.5 MGD. Projections incorporate \$650k cost of COVID-19 emergency discount programs.
- B.** Wholesale water sales forecasted to be 136.9 MGD, a 3.6% increase from prior year actuals of 131.8 MGD, and a 6.3% increase from budgeted volumes of 128.8 MGD. Revenues also include \$2.5M in unbudgeted payments from customers not meeting minimum purchase requirements.
- C.** Miscellaneous revenue projected to decrease from budget, primarily driven by \$2.1M reduction in water service installations charges and \$2.7M reduced revenues or additional costs related to collections moratorium.

Expenditure Variances

- D.** Salary savings due to vacant positions.
- E.** Debt Service savings due to Water Revenue Bonds Refunding.
- F.** Project savings to offset lower revenues from Covid sales reductions.
- G.** Project savings to offset lower revenues from Covid sales reductions.

Other Notes

- H.** Calculated as Ending Available Fund Balance (including additions to General Reserve) as a percent of Operating Uses plus Facilities Maintenance/Programmatic Uses. SFPUC's Fund Balance Reserve Policy requires this to be within a range of 25-68%.
- I.** Calculated as ratio between (a) Total Sources plus Beginning Available Fund Balance plus Capacity Charges, less Operating Uses less Facilities Maintenance/Programmatic, excluding all revenues and expenses related to the 525 Golden Gate COPs, and (b) Debt Service. The Indenture requires this ratio to be a minimum of 1.25 times, and SFPUC's Debt Service Coverage Policy requires this ratio to be a minimum of 1.35 times.
- J.** Calculated as ratio between (a) Total Sources plus any appropriated fund balance, plus Capacity Charges, less Operating Uses less Facilities Maintenance/Programmatic, excluding all revenues and expenses related to the 525 Golden Gate COPs, and (b) Debt Service. SFPUC's Debt Service Coverage Policy requires this ratio to be a minimum of 1.10 times.

* Preliminary, unaudited

Appendix B

WASTEWATER ENTERPRISE OPERATING FUNDS

FY 2020-21 1st Quarter - Budgetary Basis, Funds 20160, 20550, 20170, 20210
(\$ Millions)

| | FY 2019-20 Actuals | FY 2020-21 | | | |
|---|-------------------------------|--|--|---|---|
| | | Original Budget | Revised Budget (includes carryforwards) | Projection (current year spending) | Variance (Projection - Revised Budget) |
| Sources | | | | | |
| Sewer Service Charges | 338.4 | 353.4 | 353.6 | 352.4 | (1.1) A |
| Interest Income | 8.0 | 5.9 | 5.9 | 5.9 | - |
| Miscellaneous Income | 4.4 | 5.2 | 5.2 | 5.0 | (0.2) B |
| Federal Bond Interest Subsidy | 4.0 | 3.5 | 3.5 | 3.5 | - |
| Appropriated/Budgeted Use of Fund Balance | 18.0 | 12.1 | 27.5 | 27.5 | - |
| Total Sources | 372.8 | 380.1 | 395.6 | 394.3 | (1.3) |
| Operating Uses | | | | | |
| Personnel | 70.9 | 76.3 | 76.2 | 74.7 | 1.5 C |
| Non-Personnel Services | 20.7 | 23.4 | 26.6 | 26.6 | - |
| City Grant Programs | 0.0 | 0.3 | 0.5 | 0.5 | - |
| Materials and Supplies | 8.4 | 11.2 | 12.5 | 12.5 | - |
| Equipment | 1.3 | 1.8 | 4.3 | 4.3 | - |
| Light, Heat, and Power | 10.8 | 11.9 | 11.9 | 11.9 | - |
| Overhead (SFPUC Bureaus) | 27.9 | 30.5 | 33.5 | 33.5 | - |
| Services of Other Departments | 24.6 | 26.1 | 27.1 | 27.1 | - |
| Debt Service | 68.7 | 87.5 | 87.5 | 87.5 | - |
| Total Operating Uses | 233.3 | 268.9 | 280.1 | 278.6 | 1.5 |
| Net Operating Results | 139.5 | | | 115.7 | \$ 0.2 |
| Adjustments to Operating Fund Balance | FY 2019-20 Actuals | Current Year Transfers from Operating | Total Available Funds | Projection (current & future years spending) | Project Closeouts |
| Capital Projects | 32.0 | 102.1 | 169.3 | 159.1 | 10.2 D |
| Facilities Maintenance/Programmatic | 6.4 | 7.3 | 11.4 | 11.4 | 0.6 E |
| General Reserve | - | 0.4 | 0.4 | 0.4 | - |
| Total Adjustments to Operating Fund Balance | \$ 38.4 | \$ 109.8 | \$ 181.1 | \$ 170.9 | \$ 10.8 |
| Available Fund Balance as of Fiscal Year-End | \$ 211.7 | | | | 210.6 |
| Available Fund Balance, % of Operating Uses (F) 25-68% | 113.4% | | | | 104.0% |
| Debt Service Coverage (Year-End Budgetary Basis) | | | | | |
| Indenture Basis (includes Available Fund Balance) (G) ≥ 1.35 | 6.06 * | 4.80 | | | 4.56 |
| Current Basis (H) ≥ 1.10 | 3.00 * | 2.48 | | | 2.31 |

Appendix B

WASTEWATER ENTERPRISE OPERATING FUNDS

**FY 2020-21 1st Quarter - Budgetary Basis, Funds 20160, 20550, 20170, 20210
(\$ Millions)**

Revenue Variances

- A.** Wastewater retail billable volumes projected to be 47.8 MGD, a 2.3% increase from budget of 46.7 MGD and a 1.5% decrease from prior year actuals of 48.5 MGD. Projection accounts for \$1.5M in COVID-19 emergency discounts.
- B.** Miscellaneous income projected to decrease from budget due to \$230k reduced revenues related to collections moratorium.

Expenditure Variances

- C.** Salary savings reflect vacant positions.
- D.** Project savings to offset lower revenues from Covid sales reductions.
- E.** Project savings to offset lower revenues from Covid sales reductions.

Other Notes

- F.** Calculated as Ending Available Fund Balance (including additions to General Reserve) as a percent of Operating Uses plus Facilities Maintenance/Programmatic Uses. SFPUC's Fund Balance Reserve Policy requires this to be within a range of 25-68%.
- G.** Calculated as ratio between (a) Total Sources plus Beginning Available Fund Balance plus Capacity Charges, less Operating Uses less Facilities Maintenance/Programmatic (excluding all revenues and expenses related to the 525 Golden Gate COPs), and (b) Debt Service. The Indenture requires this ratio to be a minimum of 1.25 times, and SFPUC's Debt Service Coverage Policy requires this ratio to be a minimum of 1.35 times.
- H.** Calculated as ratio between (a) Total Sources plus any appropriated fund balance plus Capacity Charges, less Operating Uses less Facilities Maintenance/Programmatic (excluding all revenues and expenses related to the 525 Golden Gate COPs), and (b) Debt Service. SFPUC's Debt Service Coverage Policy requires this ratio to be a minimum of 1.10 times.

* Preliminary, unaudited

Appendix C

HETCH HETCHY WATER & POWER OPERATING FUNDS FY 2020-21 1st Quarter - Budgetary Basis - 24970, 24980, 24990 & 25030 (\$ Millions)

| | FY 2020-21 | | | | |
|---|-----------------------|---|--|--|---|
| | FY 2019-20 Actuals | Original Budget | Revised Budget (includes carryforwards) | Projection (current year spending) | Variance (Projection - Revised Budget) |
| Sources | | | | | |
| Electric Sales - Retail | 128.6 | 117.8 | 118.0 | 116.1 | (1.9) A |
| Electric Sales - Wholesale | 15.9 | 20.8 | 20.8 | 22.6 | 1.7 B |
| Water Sales - Transfer from Water Department | 34.6 | 44.1 | 44.1 | 44.1 | - |
| Natural Gas & Steam - City Work Orders | 10.8 | 13.0 | 14.2 | 12.8 | (1.4) C |
| Interest Income | 5.6 | 4.5 | 4.5 | 4.5 | - |
| Federal Interest Subsidy - Power Bonds | 0.5 | 0.5 | 0.5 | 0.5 | - |
| Miscellaneous Income | 3.1 | 2.5 | 2.5 | 2.5 | - |
| Appropriated/Budgeted Use of Fund Balance | 23.8 | - | 29.4 | 29.4 | - |
| Total Sources | 222.9 | 203.2 | 234.1 | 232.5 | (1.6) |
| Operating Uses | | | | | |
| Personnel | 44.9 | 49.0 | 49.0 | 48.2 | 0.8 D |
| Non-Personnel Services | 24.3 | 38.1 | 46.0 | 46.0 | - |
| Power Purchases, Transmission Distribution & Related Char | 49.0 | 46.8 | 55.9 | 46.0 | 9.8 E |
| Natural Gas & Steam | 9.7 | 13.0 | 14.2 | 12.8 | 1.4 F |
| Materials and Supplies | 3.3 | 3.4 | 3.5 | 3.5 | - |
| Equipment | 0.6 | 1.8 | 3.9 | 3.9 | - |
| Overhead (SFPUC Bureaus) | 16.9 | 18.5 | 20.1 | 20.1 | - |
| Services of Other Departments | 6.3 | 8.5 | 10.2 | 10.2 | - |
| Debt Service | 6.0 | 5.7 | 5.7 | 5.7 | - |
| Total Operating Uses | 161.1 | 184.7 | 208.5 | 196.5 | 12.0 |
| Net Operating Results | 61.8 | | | 36.0 | 10.5 |
| Adjustments to Operating Fund Balance | | | | | |
| | FY 2019-20 Actuals | Current Year Transfers from Operating | Total Available Funds | Projection (current & future years spending) | Project Closeouts |
| Facilities Maintenance/Programmatic | 12.0 | 16.2 | 21.8 | 21.8 | - |
| Capital projects | 28.5 | 0.6 | 149.7 | 122.5 | 27.3 G |
| General Reserve | - | 1.5 | 1.5 | - | 1.5 H |
| Total Adjustments to Operating Fund Balance | 40.4 | 18.3 | 173.0 | 144.2 | 28.8 |
| Available Fund Balance as of Fiscal Year-End | 38.6 | | | | 77.8 |
| Available Fund Balance, % of Operating Uses (T) 25-68% | 25.5% | | | | 45.8% |
| Debt Service Coverage... Year-End Budgetary Basis | | | | | |
| Indenture Basis (includes Available Fund Balance) (U) ≥ 1.35 | 23.56 * | 17.61 | | | 10.97 |
| Current Basis (V) ≥ 1.10 | 12.21 * | 1.77 | | | 7.37 |

Revenue Variances

- A. Retail sales slightly below budget due to lower than expected volumes.
- B. Wholesale sales slightly above budget, mainly due to higher than budgeted prices.
- C. Natural gas & steam sales projected to be slightly below revised budget due to continuing shelter in place orders at City Departments.

Expenditure Variances

- D. Salary savings due to vacant positions
- E. \$3.5M Increased cost of purchased power due to distribution cost proposals, set to begin in January 2021, is offset by \$4.0M power purchase contingency budget, as well as \$9.1M in prior year unspent funds carried forward from FY 2019-20.
- F. Natural gas & steam sales projected to be slightly below budget due to continuing shelter in place orders at City Departments.
- G. Project savings to offset lower revenues from Covid sales reductions.
- H. General Reserve was intentionally budgeted and planned to go unspent to supplement reserves.

* Preliminary, unaudited

Appendix D
CleanPowerSF
FY 2020-21 1st Quarter - Budgetary Basis - 24870, 24750, 24760 & 24765
(\$ Millions)

| | FY 2020-21 | | | | |
|---|-----------------------|---|--|---|---|
| | FY 2019-20 Actuals | Original Budget | Revised Budget (includes carryforwards) | Projection (includes carryforwards) | Variance (Projection - Revised Budget) |
| Operating Sources | | | | | |
| Electric Sales - Green Product | 233.3 | 214.8 | 214.8 | 214.0 | (0.8) A |
| Electric Sales - SuperGreen Product | 11.7 | 10.8 | 10.8 | 11.2 | 0.4 B |
| Wholesale Sales | - | - | - | - | - |
| Subtotal - Electric Revenues | 245.0 | 225.6 | 225.6 | 225.2 | (0.4) |
| Interest Income | 1.0 | 0.9 | 0.9 | 0.9 | - |
| Appropriated/Budgeted Use of Fund Balance | - | - | 10.4 | 10.4 | - |
| Total Sources | 245.9 | 226.5 | 236.9 | 236.5 | (0.4) |
| Operating Uses | | | | | |
| Personnel | 3.0 | 6.8 | 6.8 | 5.8 | 1.0 C |
| Overhead | 2.0 | 2.5 | 2.6 | 2.6 | - |
| Non Personnel Services | 10.4 | 12.3 | 13.5 | 13.5 | - |
| Materials & Supplies | 0.0 | 0.2 | 0.2 | 0.2 | - |
| Power Purchases | 175.4 | 181.9 | 190.8 | 187.7 | 3.1 D |
| Services of Other Departments | 2.4 | 3.6 | 3.7 | 3.7 | - |
| Debt Service | 2.0 | 1.0 | 1.0 | 1.0 | - |
| Total Operating Uses | 195.3 | 208.3 | 218.6 | 214.5 | 4.1 |
| Net Operating Results | 50.6 | | | 21.9 | 3.7 |
| Adjustments to Operating Fund Balance | | | | | |
| | FY 2019-20 Actuals | Current Year Transfers from Operating | Total Available Funds | Projection (current & future years spending) | Project Closeouts |
| Programmatic | 0.1 | 0.7 | 0.9 | 0.9 | - |
| Capital Projects | - | 1.9 | 1.9 | 1.9 | - |
| General Reserve | - | 15.5 | 15.5 | - | 15.5 E |
| Total Adjustments to Operating Fund Balance | 0.1 | 18.1 | 18.3 | 2.8 | 15.5 |
| Available Fund Balance as of Fiscal Year-End | 52.6 G | | | | 71.8 F |

Revenue Variances

- A. Electric sales are slightly lower than budget due to fewer sales than budgeted during first few months of fiscal year.
B. SuperGreen sales are slightly higher than budget due to more commercial accounts on SuperGreen than budgeted.

Expenditure Variances

- C. Salary savings due to vacant positions.
D. Savings are due to carryforwards from conservative assumptions in FYE20 budget request.
E. General Reserve was intentionally budgeted and planned to go unspent to build reserves.

Other Notes

F. Available fund balance at fiscal year end is calculated within this report by taking beginning fund balance, less any fund balance budgeted to be used as a source, and adding the projected variances as well as project closeouts. As the CleanPowerSF Trust Fund is a continuing fund, amounts budgeted therein will automatically roll forward to the following year and will not be closed out to fund balance. As such, variances related to revenues, purchase of power, and general reserves will not close out to fund balance at the end of the year without manual intervention. However, as those funds are not considered restricted and CleanPowerSF may choose to close them out to fund balance, we are presenting them here as part of fund balance.

G. Available fund balance at the beginning of the fiscal year consists of amounts closed out to fund balance within the financial system as of the prior year end.



Date: February 23, 2021

To: Commissioner Sophie Maxwell, President
Commissioner Anson Moran, Vice President
Commissioner Tim Paulson
Commissioner Ed Harrington
Commissioner Newsha Ajami

Through: Michael Carlin, Acting General Manager

From: Eric Sandler, CFO and AGM Business Services

Subject: **SFPUC Second Quarter Budgetary Report**
through December 31, 2020

The FY 2020-21 second quarter budgetary reports are attached for the three Enterprises and CleanPowerSF, with high-level changes to revenues and expenses summarized in the following table:

FY 2020-21 Operations

| | Beginning Available Fund Balance | Fund Balance Budgeted to be (Used) | Projected Sources | Projected Uses (excluding Capital & General Reserve) | Net Operating Results Surplus / (Shortfall) | General Reserve | Projected Year End Available Fund Balance |
|--------------|---|--|----------------------|---|---|--------------------|---|
| Water | \$ 258.4 | (27.8) | (6.5) | 7.3 | 0.8 | 9.0 | \$ 240.4 |
| Wastewater | \$ 211.7 | (12.1) | (12.2) | 6.8 | (5.4) | 10.8 | \$ 205.0 |
| Power | \$ 38.6 | - | 4.2 | 11.3 | 15.5 | 29.7 | \$ 83.7 |
| CleanPowerSF | \$ 52.6 | - | (10.2) | 3.7 | (6.5) | 15.5 | \$ 61.6 |

London N. Breed
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Ed Harrington
Commissioner

Newsha Ajami
Commissioner

Michael Carlin
Acting
General Manager

Summary:

- Water/Wastewater: Weakened operating results projected, due to the continued impact of the COVID-19 pandemic stay at home orders on retail sales.
- Power: Improved year end projected position largely due to the following:
 - \$2.2M unbudgeted wholesale resource adequacy sales to CleanPowerSF

OUR MISSION: To provide our customers with high-quality, efficient and reliable water, power and sewer services in a manner that values environmental and community interests and sustains the resources entrusted to our care.



- Lawrence Livermore National Labs resuming water purchases that were on hold in prior years
- Increased distribution costs from PG&E WDT3 tariff set to begin May 2021, offset by \$4.0M power purchase contingency budget, as well as \$9.1M in prior year unspent funds carried forward from FY 2019-20.
- CleanPowerSF: Negative operating results projected due to a 16% rate decrease effective January 1, 2021 as a result of PG&E tariff changes.
- Salary savings projected across the agency due to vacant positions through the second quarter
- All enterprises projected to meet financial policy minimums and coverage ratios

Please note that project savings reflected in this report are the result of cuts to currently appropriated revenue-funded capital and programmatic projects. These cuts were a part of a comprehensive strategy to rebalance the FY 2019-20, FY 2020-21 and FY 2021-22 budgets from reduced sales volumes resulting from the COVID-19 pandemic and resulting economic recession.

If you have questions, please contact me at (415) 934-5707.

CC:

Masood Ordikhani, Acting AGM, External Affairs, SFPUC
 Barbara Hale, AGM, Power Enterprise, SFPUC
 Kathryn How, AGM, Infrastructure, SFPUC
 Greg Norby, AGM, Wastewater Enterprise, SFPUC
 Steve Ritchie, AGM, Water Enterprise, SFPUC
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 Ben Rosenfield, Controller

Attachments:

Appendix A Water Enterprise

Appendix B Wastewater Enterprise

Appendix C Hetch Hetchy Water & Power, including the Power Enterprise

Appendix D CleanPowerSF

Appendix A

WATER ENTERPRISE OPERATING FUNDS FY 2020-21 2nd Quarter - Budgetary Basis, Funds 25940, 25950, 25960, 26570, 26600 (\$ Millions)

| | FY 2020-21 | | | | |
|---|-------------------------------|--|--|---|---|
| | FY 2019-20 Actuals | Original Budget | Revised Budget (includes carryforwards) | Projection (includes carryforwards) | Variance (Projection -Revised Budget) |
| Sources | | | | | |
| Retail Water Sales | 291.9 | 305.7 | 306.3 | 292.1 | (14.2) A |
| Wholesale Water Sales | 270.6 | 262.4 | 262.4 | 275.6 | 13.2 B |
| Interest Income | 8.7 | 5.1 | 5.1 | 5.1 | - |
| Rental Income | 13.0 | 12.5 | 12.5 | 12.5 | - |
| Miscellaneous Income | 18.9 | 20.9 | 21.6 | 16.1 | (5.5) C |
| Departmental Transfer Adjustment | (34.5) | (44.2) | (44.2) | (44.2) | - |
| Federal Bond Interest Subsidy | 23.8 | 21.8 | 21.8 | 21.8 | - |
| Appropriated/Budgeted Use of Fund Balance | 55.8 | 27.8 | 95.1 | 95.1 | - |
| Total Sources | 648.1 | 611.9 | 680.5 | 674.0 | (6.5) |
| Operating Uses | | | | | |
| Personnel | 95.6 | 102.3 | 102.3 | 99.9 | 2.3 D |
| Non-Personnel Services | 16.4 | 21.8 | 30.5 | 30.5 | - |
| Materials and Supplies | 12.9 | 15.3 | 16.9 | 16.9 | - |
| Equipment | 3.1 | 4.5 | 9.9 | 9.9 | - |
| Light, Heat, and Power | 9.9 | 10.0 | 10.0 | 10.0 | - |
| Overhead (SFPUC Bureaus) | 45.5 | 54.4 | 60.0 | 60.0 | - |
| Services of Other Departments | 12.8 | 14.6 | 16.2 | 16.2 | - |
| Debt Service | 291.1 | 304.2 | 304.2 | 299.3 | 5.0 E |
| Total Operating Uses | 487.4 | 527.2 | 550.1 | 542.8 | 7.3 |
| Net Operating Results | 160.7 | | | 131.1 | 0.8 |
| Adjustments to Operating Fund Balance | FY 2019-20 Actuals | Current Year Transfers from Operating | Total Available Funds | Projection (current & future years spending) | Project Closeouts |
| Capital Projects | 51.8 | 47.6 | 197.4 | 190.4 | 7.0 F |
| Facilities Maintenance/Programmatic | 33.2 | 37.1 | 81.5 | 79.5 | 2.0 G |
| Total Adjustments to Operating Fund Balance | \$ 85.0 | \$ 84.7 | \$ 278.9 | \$ 269.9 | \$ 9.0 |
| | <i>check</i> | - | | | |
| Available Fund Balance as of Fiscal Year-End | \$ 258.4 | | | | 240.4 |
| Available Fund Balance, % of Operating Uses (H) 25-68% | 93.4% | | | | 74.4% |
| Debt Service Coverage (Year-End Budgetary Basis) | | | | | |
| Indenture Basis (includes Available Fund Balance) (I) ≥ 1.35 | 2.38* | 1.93 | | | 2.00 |
| Current Basis (J) ≥ 1.10 | 1.32* | 1.17 | | | 1.23 |

Appendix A

WATER ENTERPRISE OPERATING FUNDS

**FY 2020-21 2nd Quarter - Budgetary Basis, Funds 25940, 25950, 25960, 26570, 26600
(\$ Millions)**

Revenue Variances

- A.** Retail water sales forecasted to be 55.1 MGD, a 7.1% decrease from prior year actuals of 59.3 MGD, and a 4.1% decrease from budgeted volumes of 57.5 MGD. Projections incorporate \$1.8M cost of COVID-19 emergency discount programs.
- B.** Wholesale water sales forecasted to be 134.8 MGD, a 2.3% increase from prior year actuals of 131.8 MGD, and a 4.7% increase from budgeted volumes of 128.8 MGD. Revenues also include \$2.5M in unbudgeted payments from customers not meeting minimum purchase requirements.
- C.** Miscellaneous revenue projected to decrease from budget, primarily driven by \$2.1M reduction in water service installations charges and \$2.7M reduced revenues or additional costs related to collections moratorium.

Expenditure Variances

- D.** Salary savings due to vacant positions.
- E.** Debt Service savings due to Water Revenue Bonds Refunding.
- F.** Project savings to offset lower revenues from Covid sales reductions.
- G.** Project savings to offset lower revenues from Covid sales reductions.

Other Notes

- H.** Calculated as Ending Available Fund Balance (including additions to General Reserve) as a percent of Operating Uses plus Facilities Maintenance/Programmatic Uses. SFPUC's Fund Balance Reserve Policy requires this to be within a range of 25-68%.
- I.** Calculated as ratio between (a) Total Sources plus Beginning Available Fund Balance plus Capacity Charges, less Operating Uses less Facilities Maintenance/Programmatic, excluding all revenues and expenses related to the 525 Golden Gate COPs, and (b) Debt Service. The Indenture requires this ratio to be a minimum of 1.25 times, and SFPUC's Debt Service Coverage Policy requires this ratio to be a minimum of 1.35 times.
- J.** Calculated as ratio between (a) Total Sources plus any appropriated fund balance, plus Capacity Charges, less Operating Uses less Facilities Maintenance/Programmatic, excluding all revenues and expenses related to the 525 Golden Gate COPs, and (b) Debt Service. SFPUC's Debt Service Coverage Policy requires this ratio to be a minimum of 1.10 times.

* Preliminary, unaudited

Appendix B

WASTEWATER ENTERPRISE OPERATING FUNDS
FY 2020-21 2nd Quarter - Budgetary Basis, Funds 20160, 20550, 20170, 20210
(\$ Millions)

| | | FY 2020-21 | | | |
|---|-----------------------|---|--|--|---|
| | FY 2019-20 Actuals | Original Budget | Revised Budget (includes carryforwards) | Projection (current year spending) | Variance (Projection - Revised Budget) |
| Sources | | | | | |
| Sewer Service Charges | 338.4 | 353.4 | 353.6 | 341.7 | (11.8) A |
| Interest Income | 8.0 | 5.9 | 5.9 | 5.9 | - |
| Miscellaneous Income | 4.4 | 5.2 | 5.2 | 4.9 | (0.4) B |
| Federal Bond Interest Subsidy | 4.0 | 3.5 | 3.5 | 3.5 | - |
| Appropriated/Budgeted Use of Fund Balance | 18.0 | 12.1 | 28.6 | 28.6 | - |
| Total Sources | 372.8 | 380.1 | 396.8 | 384.6 | (12.2) |
| Operating Uses | | | | | |
| Personnel | 70.9 | 76.3 | 76.2 | 69.4 | 6.8 C |
| Non-Personnel Services | 20.7 | 23.4 | 26.5 | 26.5 | - |
| City Grant Programs | 0.0 | 0.3 | 0.5 | 0.5 | - |
| Materials and Supplies | 8.4 | 11.2 | 12.5 | 12.5 | - |
| Equipment | 1.3 | 1.8 | 4.3 | 4.3 | - |
| Light, Heat, and Power | 10.8 | 11.9 | 11.9 | 11.9 | - |
| Overhead (SFPUC Bureaus) | 27.9 | 30.5 | 34.6 | 34.6 | - |
| Services of Other Departments | 24.6 | 26.1 | 27.1 | 27.1 | - |
| Debt Service | 68.7 | 87.5 | 87.5 | 87.5 | - |
| Total Operating Uses | 233.3 | 268.9 | 281.1 | 274.3 | 6.8 |
| Net Operating Results | 139.5 | | | 110.3 | \$ (5.4) |
| Adjustments to Operating Fund Balance | | | | | |
| | FY 2019-20 Actuals | Current Year Transfers from Operating | Total Available Funds | Projection (current & future years spending) | Project Closeouts |
| Capital Projects | 32.0 | 102.1 | 126.1 | 115.9 | 10.2 D |
| Facilities Maintenance/Programmatic | 6.4 | 7.3 | 11.6 | 11.0 | 0.6 E |
| General Reserve | - | 0.4 | 0.4 | 0.4 | - |
| Total Adjustments to Operating Fund Balance | \$ 38.4 | \$ 109.8 | \$ 138.1 | \$ 127.3 | \$ 10.8 |
| Available Fund Balance as of Fiscal Year-End | \$ 211.7 | | | | \$ 205.0 |
| Available Fund Balance, % of Operating Uses (F) 25-68% | 113.4% | | | | 103.7% |
| Debt Service Coverage (Year-End Budgetary Basis) | | | | | |
| Indenture Basis (includes Available Fund Balance) (G) ≥ 1.35 | 6.06 | * | 4.80 | | 4.48 |
| Current Basis (H) ≥ 1.10 | 3.00 | * | 2.48 | | 2.25 |

Appendix B

WASTEWATER ENTERPRISE OPERATING FUNDS

FY 2020-21 2nd Quarter - Budgetary Basis, Funds 20160, 20550, 20170, 20210
(\$ Millions)

Revenue Variances

- A.** Wastewater retail billable volumes projected to be 45.8 MGD, a 1.8% decrease from budget of 46.7 MGD and a 5.4% decrease from prior year actuals of 48.5 MGD. Projection accounts for \$4.2M in COVID-19 emergency discounts.
- B.** Miscellaneous income projected to decrease from budget mainly due to \$230k reduced revenues related to collections

Expenditure Variances

- C.** Salary savings reflect vacant positions.
- D.** Project savings to offset lower revenues from Covid sales reductions.
- E.** Project savings to offset lower revenues from Covid sales reductions.

Other Notes

- F.** Calculated as Ending Available Fund Balance (including additions to General Reserve) as a percent of Operating Uses plus Facilities Maintenance/Programmatic Uses. SFPUC's Fund Balance Reserve Policy requires this to be within a range of 25-68%.
- G.** Calculated as ratio between (a) Total Sources plus Beginning Available Fund Balance plus Capacity Charges, less Operating Uses less Facilities Maintenance/Programmatic (excluding all revenues and expenses related to the 525 Golden Gate COPs), and (b) Debt Service. The Indenture requires this ratio to be a minimum of 1.25 times, and SFPUC's Debt Service Coverage Policy requires this ratio to be a minimum of 1.35 times.
- H.** Calculated as ratio between (a) Total Sources plus any appropriated fund balance plus Capacity Charges, less Operating Uses less Facilities Maintenance/Programmatic (excluding all revenues and expenses related to the 525 Golden Gate COPs), and (b) Debt Service. SFPUC's Debt Service Coverage Policy requires this ratio to be a minimum of 1.10 times.

* Preliminary, unaudited

Appendix C

HETCH HETCHY WATER & POWER OPERATING FUNDS
FY 2020-21 2nd Quarter - Budgetary Basis - 24970, 24980, 24990 & 25030
(\$ Millions)

| | FY 2020-21 | | | | | |
|---|-------------------------------|---|--|---|---|----------|
| | FY 2019-20 Actuals | Original Budget | Revised Budget (includes carryforwards) | Projection (current year spending) | Variance (Projection - Revised Budget) | |
| Sources | | | | | | |
| Electric Sales - Retail | 128.6 | 117.8 | 118.0 | 117.2 | (0.8) | A |
| Electric Sales - Wholesale | 15.9 | 20.8 | 20.8 | 24.4 | 3.6 | B |
| Water Sales - Transfer from Water Department | 34.6 | 44.1 | 44.1 | 44.1 | - | |
| Natural Gas & Steam - City Work Orders | 10.8 | 13.0 | 14.2 | 12.5 | (1.7) | C |
| Interest Income | 5.6 | 4.5 | 4.5 | 4.5 | - | |
| Federal Interest Subsidy - Power Bonds | 0.5 | 0.5 | 0.5 | 0.5 | - | |
| Miscellaneous Income | 3.1 | 1.0 | 1.0 | 4.2 | 3.2 | D |
| Appropriated/Budgeted Use of Fund Balance | 23.8 | - | 29.4 | 29.4 | - | |
| Total Sources | 222.9 | 201.7 | 232.6 | 236.8 | 4.2 | |
| Operating Uses | | | | | | |
| Personnel | 44.9 | 49.0 | 49.0 | 48.4 | 0.6 | E |
| Non-Personnel Services | 24.3 | 38.1 | 46.0 | 45.5 | 0.5 | F |
| Power Purchases, Transmission Distribution & Related Char | 49.0 | 46.8 | 55.9 | 47.4 | 8.5 | G |
| Natural Gas & Steam | 9.7 | 13.0 | 14.2 | 12.5 | 1.7 | H |
| Materials and Supplies | 3.3 | 3.4 | 3.5 | 3.5 | - | |
| Equipment | 0.6 | 1.8 | 3.9 | 3.9 | - | |
| Overhead (SFPUC Bureaus) | 16.9 | 18.5 | 20.1 | 20.1 | - | |
| Services of Other Departments | 6.3 | 8.5 | 10.2 | 10.2 | - | |
| Debt Service | 6.0 | 5.7 | 5.7 | 5.7 | - | |
| Total Operating Uses | 161.1 | 184.7 | 208.5 | 197.2 | 11.3 | |
| Net Operating Results | 61.8 | | | 39.5 | 15.5 | |
| Adjustments to Operating Fund Balance | | | | | | |
| | FY 2019-20 Actuals | Current | | Projection (current & future years spending) | Project Closeouts | |
| | | Transfers from Operating | Available Funds | | | |
| Facilities Maintenance/Programmatic | 12.0 | 16.2 | 21.8 | 20.9 | 0.9 | I |
| Capital projects | 28.5 | 0.6 | 149.7 | 122.5 | 27.3 | I |
| General Reserve | - | 1.5 | 1.5 | - | 1.5 | J |
| Total Adjustments to Operating Fund Balance | 40.4 | 18.3 | 173.0 | 143.3 | 29.7 | |
| Available Fund Balance as of Fiscal Year-End | 38.6 | | | | 83.7 | |
| Available Fund Balance, % of Operating Uses (T) 25-68% | 25.5% | | | | 49.3% | |
| Debt Service Coverage... Year-End Budgetary Basis | | | | | | |
| Indenture Basis (includes Available Fund Balance) (U) ≥ 1.35 | 23.56 | * | 16.63 | | 11.24 | |
| Current Basis (V) ≥ 1.10 | 12.21 | * | 0.71 | | 7.64 | |

Revenue Variances

- A. Retail sales slightly below budget due to lower than expected volumes.
- B. Wholesale sales generation volume down 23% from budget, offset by unbudgeted attribute sales.
- C. Natural gas & steam sales projected to be slightly below revised budget due to continuing shelter in place orders at City Departments.
- D. Miscellaneous income over budget due primarily to Lawrence Livermore National Labs resuming water purchases that were on hold in prior years as well as receipts from legal settlements.

Expenditure Variances

- E. Salary savings due to vacant positions
- F. Non-personnel savings projected due to lower than expected spending on professional consulting services.
- G. Increased cost of purchased power due to distribution cost proposals, set to begin in January 2021, is offset by \$4.0M power purchase contingency budget, as well as \$9.1M in prior year unspent funds carried forward from FY 2019-20.
- H. Natural gas & steam sales projected to be slightly below budget due to continuing shelter in place orders at City Departments.
- I. Project savings to offset lower revenues from Covid sales reductions.
- J. General Reserve was intentionally budgeted and planned to go unspent to supplement reserves.

* Preliminary, unaudited

Appendix D
CleanPowerSF
FY 2020-21 2nd Quarter - Budgetary Basis - 24870, 24750, 24760 & 24765
(\$ Millions)

| | | FY 2020-21 | | | |
|---|-----------------------|---|--|---|--|
| | FY 2019-20 Actuals | Original Budget | Revised Budget (includes carryforwards) | Projection (includes carryforwards) | Variance (Projection -Revised Budget) |
| Operating Sources | | | | | |
| Electric Sales - Green Product | 233.3 | 214.8 | 214.8 | 204.6 | (10.2) A |
| Electric Sales - SuperGreen Product | 11.7 | 10.8 | 10.8 | 10.8 | - |
| Wholesale Sales | - | - | - | - | - |
| Subtotal - Electric Revenues | 245.0 | 225.6 | 225.6 | 215.4 | (10.2) |
| Interest Income | 1.0 | 0.9 | 0.9 | 0.9 | - |
| Appropriated/Budgeted Use of Fund Balance | - | - | 10.4 | 10.4 | - |
| Total Sources | 245.9 | 226.5 | 236.9 | 226.7 | (10.2) |
| Operating Uses | | | | | |
| Personnel | 3.0 | 6.8 | 6.8 | 3.1 | 3.7 B |
| Overhead | 2.0 | 2.5 | 2.6 | 2.6 | - |
| Non Personnel Services | 10.4 | 12.3 | 13.5 | 13.5 | - |
| Materials & Supplies | 0.0 | 0.2 | 0.2 | 0.2 | - |
| Power Purchases | 175.4 | 181.9 | 190.8 | 190.8 | - |
| Services of Other Departments | 2.4 | 3.6 | 3.7 | 3.7 | - |
| Debt Service | 2.0 | 1.0 | 1.0 | 1.0 | - |
| Total Operating Uses | 195.3 | 208.3 | 218.6 | 214.9 | 3.7 |
| Net Operating Results | 50.6 | | | 11.8 | (6.5) |
| Adjustments to Operating Fund Balance | | | | | |
| | FY 2019-20 Actuals | Current Year Transfers from Operating | Total Available Funds | Projection (current & future years spending) | Project Closeouts |
| Programmatic | 0.1 | 0.7 | 0.9 | 0.9 | - |
| Capital Projects | - | 1.9 | 1.9 | 1.9 | - |
| General Reserve | - | 15.5 | 15.5 | - | 15.5 C |
| Total Adjustments to Operating Fund Balance | 0.1 | 18.1 | 18.3 | 2.8 | 15.5 |
| Available Fund Balance as of Fiscal Year-End | 52.6 E | | | | 61.6 D |

Revenue Variances

A. Lower revenues driven by CleanPowerSF rate decrease on January 2021 to stay within 1% of PG&E's rates, and COVID-19 bill credit relief pro

Expenditure Variances

B. Salary savings due to vacant positions.

C. General Reserve was intentionally budgeted and planned to go unspent to build reserves.

Other Notes

D. Available fund balance at fiscal year end is calculated within this report by taking beginning fund balance, less any fund balance budgeted to be used as a source, and adding the projected variances as well as project closeouts. As the CleanPowerSF Trust Fund is a continuing fund, amounts budgeted therein will automatically roll forward to the following year and will not be closed out to fund balance. As such, variances related to revenues, purchase of power, and general reserves will not close out to fund balance at the end of the year without manual intervention. However, as those funds are not considered restricted and CleanPowerSF may choose to close them out to fund balance, we are presenting them here as part of fund balance.

E. Available fund balance at the beginning of the fiscal year consists of amounts closed out to fund balance within the financial system as of the prior year end



Date: May 11, 2021

To: Commissioner Sophie Maxwell, President
 Commissioner Anson Moran, Vice President
 Commissioner Tim Paulson
 Commissioner Ed Harrington
 Commissioner Newsha Ajami

Through: Michael Carlin, Acting General Manager

From: Eric Sandler, CFO and AGM Business Services

Subject: **SFPUC FY 2020-21 Third Quarter Budgetary Report
 through March 31, 2021**



The FY 2020-21 third quarter budgetary reports are attached for the three Enterprises and CleanPowerSF, with high-level changes to revenues and expenses summarized in the following table:

FY 2020-21 Operations

| | Beginning Available Fund Balance | Fund Balance Budgeted to be (Used) | Projected Sources | Projected Uses (excluding Capital & General Reserve) | Net Operating Results Surplus / (Shortfall) | General Reserve & Project Closeout | Projected Year End Available Fund Balance |
|--------------|---|--|----------------------|---|---|--|---|
| Water | \$ 258.4 | (27.8) | (10.6) | 5.6 | (5.1) | 9.0 | \$ 234.5 |
| Wastewater | \$ 211.7 | (12.1) | (23.9) | 8.5 | (15.3) | 11.2 | \$ 195.5 |
| Power | \$ 38.6 | - | (3.9) | 11.6 | 7.7 | 29.7 | \$ 76.0 |
| CleanPowerSF | \$ 74.6 | - | (16.3) | 4.3 | (12.0) | 15.5 | \$ 78.1 |

London N. Breed
 Mayor

Sophie Maxwell
 President

Anson Moran
 Vice President

Tim Paulson
 Commissioner

Ed Harrington
 Commissioner

Newsha Ajami
 Commissioner

Michael Carlin
 Acting
 General Manager

Summary:

- Weakened operating results projected across all enterprises and CleanPowerSF, with Water, Wastewater and CleanPowerSF projected to end the year with a net operating shortfall.
- Water and Wastewater: sales are down due to the continued impact of the COVID-19 pandemic on retail sales.
- CleanPowerSF: weakened sales projections due to rate reductions and rate structure changes for commercial customers.

OUR MISSION: To provide our customers with high-quality, efficient and reliable water, power and sewer services in a manner that values environmental and community interests and sustains the resources entrusted to our care.



- Power: generation is down due to below average precipitation resulting in wholesale sales 33% below budget. Lower revenues are offset by:
 - Unbudgeted wholesale resource adequacy sales to CleanPowerSF and resumption of water sales to Lawrence Livermore National Labs.
 - \$13.1M in savings from unspent power purchase contingency budget, as well as closeout of prior year unspent funds.
- Interest income is down across the agency due to lower interest rates.
- Staff salary increases that went into effect in December 2020 per the negotiated MOUs, are now reflected in salary projections. Salary savings are projected in Wastewater, Hetchy Power and CleanPowerSF due to vacant positions.
- All enterprises projected to meet financial policy minimums and coverage ratios.

The \$78.1M CleanPowerSF Fund Balance increased \$16.5M from the last quarterly report due to a revision in the presentation of beginning fund balance. In Q3 the presentation was updated to account for savings not previously included due to the unique fund structure of CleanPowerSF.

Please note that project savings reflected in this report are the result of cuts to currently appropriated revenue-funded capital and programmatic projects. These cuts were a part of a comprehensive strategy to rebalance the FY 2019-20, FY 2020-21 and FY 2021-22 budgets from reduced sales volumes resulting from the COVID-19 pandemic and resulting economic recession.

If you have questions, please contact me at ESandler@sfgwater.org.

CC:

Masood Ordikhani, Acting AGM, External Affairs, SFPUC
 Barbara Hale, AGM, Power Enterprise, SFPUC
 Kathryn How, AGM, Infrastructure, SFPUC
 Greg Norby, AGM, Wastewater Enterprise, SFPUC
 Steve Ritchie, AGM, Water Enterprise, SFPUC
 Ashley Groffenberger, Budget Director, Mayor's Office
 Ben Rosenfield, Controller

Attachments:

Appendix A Water Enterprise

Appendix B Wastewater Enterprise

Appendix C Hetch Hetchy Water & Power, including the Power Enterprise

Appendix D CleanPowerSF

Appendix A

WATER ENTERPRISE OPERATING FUNDS FY 2020-21 3rd Quarter - Budgetary Basis, Funds 25940, 25950, 25960, 26570, 26600 (\$ Millions)

| FY 2020-21 | | | | | |
|---|-----------------------|---|--|--|--|
| | FY 2019-20 Actuals | Original Budget | Revised Budget (includes carryforwards) | Projection (includes carryforwards) | Variance (Projection - Revised Budget) |
| Sources | | | | | |
| Retail Water Sales | 291.9 | 305.7 | 306.3 | 289.1 | (17.2) A |
| Wholesale Water Sales | 270.6 | 262.4 | 262.4 | 273.2 | 10.8 B |
| Interest Income | 8.7 | 5.1 | 5.1 | 3.0 | (2.0) C |
| Rental Income | 13.0 | 12.5 | 12.5 | 12.9 | 0.4 D |
| Miscellaneous Income | 18.9 | 20.9 | 21.6 | 18.9 | (2.7) E |
| Departmental Transfer Adjustment | (34.5) | (44.2) | (44.2) | (44.2) | - |
| Federal Bond Interest Subsidy | 23.8 | 21.8 | 21.8 | 21.8 | - |
| Appropriated/Budgeted Use of Fund Balance | 55.8 | 27.8 | 95.1 | 95.1 | - |
| Total Sources | 648.1 | 611.9 | 680.5 | 669.8 | (10.6) |
| Operating Uses | | | | | |
| Personnel | 95.6 | 102.3 | 102.3 | 102.3 | - |
| Non-Personnel Services | 16.4 | 21.8 | 30.5 | 30.5 | - |
| Materials and Supplies | 12.9 | 15.3 | 16.9 | 16.9 | - |
| Equipment | 3.1 | 4.5 | 9.9 | 9.9 | - |
| Light, Heat, and Power | 9.9 | 10.0 | 10.0 | 10.0 | - |
| Overhead (SFPUC Bureaus) | 45.5 | 54.4 | 60.0 | 59.4 | 0.6 F |
| Services of Other Departments | 12.8 | 14.6 | 16.3 | 16.3 | - |
| Debt Service | 291.1 | 304.2 | 304.2 | 299.3 | 5.0 G |
| Total Operating Uses | 487.4 | 527.2 | 550.1 | 544.6 | 5.6 |
| Net Operating Results | 160.7 | | | 125.2 | (5.1) |
| Adjustments to Operating Fund Balance | | | | | |
| | FY 2019-20 Actuals | Current Year Transfers from Operating | Total Available Funds | Projection (current & future years spending) | Project Closeouts |
| Capital Projects | 51.8 | 47.6 | 197.4 | 190.4 | 7.0 H |
| Facilities Maintenance/Programmatic | 33.2 | 37.1 | 81.5 | 79.5 | 2.0 I |
| Total Adjustments to Operating Fund Balance | \$ 85.0 | \$ 84.7 | \$ 278.9 | \$ 269.9 | \$ 9.0 |
| <i>check</i> | | - | | | |
| Available Fund Balance as of Fiscal Year-End | \$ 258.4 | | | | 234.5 |
| Available Fund Balance, % of Operating Uses (J) 25-68% | 93.4% | | | | 72.2% |
| Debt Service Coverage (Year-End Budgetary Basis) | | | | | |
| Indenture Basis (includes Available Fund Balance) (K) ≥ 1.35 | 2.16 | 1.93 | | | 1.98 |
| Current Basis (L) ≥ 1.10 | 1.26 | 1.17 | | | 1.20 |

Appendix A

WATER ENTERPRISE OPERATING FUNDS FY 2020-21 3rd Quarter - Budgetary Basis, Funds 25940, 25950, 25960, 26570, 26600 (\$ Millions)

Revenue Variances

- A.** Retail water sales forecasted to be 54.4 MGD, a 8.4% decrease from prior year actuals of 59.3 MGD, and a 5.4% decrease from budgeted volumes of 57.5 MGD. Projections incorporate \$1.8M cost of COVID-19 emergency discount programs.
- B.** Wholesale water sales forecasted to be 133.6 MGD, a 1.4% increase from prior year actuals of 131.8 MGD, and a 3.7% increase from budgeted volumes of 128.8 MGD. Revenues also include \$2.5M in unbudgeted payments from customers not meeting minimum purchase requirements.
- C.** Interest rate budget assumed at 2%, whereas the City's pooled fund portfolio YTD Yield as of February is 0.79%.
- D.** Rental income projected to increase by \$400K for Mission Valley Rock Quarry due to greater volume of sales than expected.
- E.** Miscellaneous revenue projected to decrease from budget, primarily driven by \$2.1M reduction in water service installations charges and \$2.7M reduced revenues or additional costs related to collections moratorium.

Expenditure Variances

- F.** Savings are related to salary savings associated with bureaus overhead allocation.
- G.** Debt Service savings due to Water Revenue Bonds Refunding.
- H.** Project savings to offset lower revenues.
- I.** Project savings to offset lower revenues.

Other Notes

- J.** Calculated as Ending Available Fund Balance (including additions to General Reserve) as a percent of Operating
- K.** Calculated as ratio between (a) Total Sources plus Beginning Available Fund Balance plus Capacity Charges, less Operating Uses less Facilities Maintenance/Programmatic, excluding all revenues and expenses related to the 525 Golden Gate COPs, and (b) Debt Service. The Indenture requires this ratio to be a minimum of 1.25 times, and SFPUC's Debt Service Coverage Policy requires this ratio to be a minimum of 1.35 times.
- L.** Calculated as ratio between (a) Total Sources plus any appropriated fund balance, plus Capacity Charges, less Operating Uses less Facilities Maintenance/Programmatic, excluding all revenues and expenses related to the 525 Golden Gate COPs, and (b) Debt Service. SFPUC's Debt Service Coverage Policy requires this ratio to be a minimum of 1.10 times.

Appendix B

WASTEWATER ENTERPRISE OPERATING FUNDS

FY 2020-21 3rd Quarter - Budgetary Basis, Funds 20160, 20550, 20170, 20210
(\$ Millions)

| | FY 2019-20 Actuals | Original Budget | FY 2020-21 | | |
|---|-------------------------------|--|--|---|---|
| | | | Revised Budget (includes carryforwards) | Projection (current year spending) | Variance (Projection - Revised Budget) |
| Sources | | | | | |
| Sewer Service Charges | 338.4 | 353.4 | 353.6 | 333.8 | (19.7) A |
| Interest Income | 8.0 | 5.9 | 5.9 | 2.1 | (3.8) B |
| Miscellaneous Income | 4.4 | 5.2 | 5.2 | 4.9 | (0.4) C |
| Federal Bond Interest Subsidy | 4.0 | 3.5 | 3.5 | 3.5 | - |
| Appropriated/Budgeted Use of Fund Balance | 18.0 | 12.1 | 28.6 | 28.6 | - |
| Total Sources | 372.8 | 380.1 | 396.8 | 372.9 | (23.9) |
| Operating Uses | | | | | |
| Personnel | 70.9 | 76.3 | 76.2 | 70.6 | 5.6 D |
| Non-Personnel Services | 20.7 | 23.4 | 26.4 | 24.9 | 1.5 E |
| City Grant Programs | 0.0 | 0.3 | 0.5 | 0.5 | - |
| Materials and Supplies | 8.4 | 11.2 | 12.5 | 11.5 | 1.0 F |
| Equipment | 1.3 | 1.8 | 4.3 | 4.3 | - |
| Light, Heat, and Power | 10.8 | 11.9 | 11.9 | 11.9 | - |
| Overhead (SFPUC Bureaus) | 27.9 | 30.5 | 34.6 | 34.2 | 0.4 G |
| Services of Other Departments | 24.6 | 26.1 | 27.3 | 27.3 | - |
| Debt Service | 68.7 | 87.5 | 87.5 | 87.5 | - |
| Total Operating Uses | 233.3 | 268.9 | 281.1 | 272.5 | 8.5 |
| Net Operating Results | 139.5 | | | 100.4 | \$ (15.3) |
| Adjustments to Operating Fund Balance | FY 2019-20 Actuals | Current Year Transfers from Operating | Total Available Funds | Projection (current & future years spending) | Project Closeouts |
| Capital Projects | 32.0 | 102.1 | 122.5 | 112.4 | 10.2 H |
| Facilities Maintenance/Programmatic | 6.4 | 7.3 | 11.6 | 11.0 | 0.6 I |
| General Reserve | - | 0.4 | 0.4 | - | 0.4 J |
| Total Adjustments to Operating Fund Balance | \$ 38.4 | \$ 109.8 | \$ 134.5 | \$ 123.3 | \$ 11.2 |
| Available Fund Balance as of Fiscal Year-End | \$ 211.7 | | | | \$ 195.5 |
| Available Fund Balance, % of Operating Uses (K) 25-68% | 113.4% | | | | 99.7% |
| Debt Service Coverage (Year-End Budgetary Basis) | | | | | |
| Indenture Basis (includes Available Fund Balance) (L) ≥ 1.35 | 6.08 | 4.80 | | | 4.37 |
| Current Basis (M) ≥ 1.10 | 2.64 | 2.48 | | | 2.14 |

Appendix B

WASTEWATER ENTERPRISE OPERATING FUNDS

FY 2020-21 3rd Quarter - Budgetary Basis, Funds 20160, 20550, 20170, 20210
(\$ Millions)

Revenue Variances

- A.** Wastewater retail billable volumes projected to be 44.9 MGD, a 3.9% decrease from budget of 46.7 MGD and a 7.4% decrease from prior year actuals of 48.5 MGD. Projection accounts for \$4.2M in COVID-19 emergency discounts.
- B.** Interest rate budget assumed at 2%, whereas the City's pooled fund portfolio YTD Yield as of February is 0.79%.
- C.** Miscellaneous income projected to decrease from budget mainly due to \$230k reduced revenues related to collections moratorium.

Expenditure Variances

- D.** Salary savings reflect vacant positions.
- E.** Savings mainly due to the impact of COVID-19 causing a reduction in the hauling and disposal of biosolids through contractual services.
- F.** Savings mainly due to the impact of the COVID-19 which caused a reduction in sewage treatment chemicals being procured.
- G.** Savings are related to salary savings associated with the bureaus overhead allocation.
- H.** Project savings to offset lower revenues.
- I.** Project savings to offset lower revenues .
- J.** General Reserve was intentionally budgeted and planned to go unspent to build reserves.

Other Notes

- K.** Calculated as Ending Available Fund Balance (including additions to General Reserve) as a percent of Operating Uses plus Facilities Maintenance/Programmatic Uses. SFPUC's Fund Balance Reserve Policy requires this to be within a range of 25-68%.
- L.** Calculated as ratio between (a) Total Sources plus Beginning Available Fund Balance plus Capacity Charges, less Operating Uses less Facilities Maintenance/Programmatic (excluding all revenues and expenses related to the 525 Golden Gate COPs), and (b) Debt Service. The Indenture requires this ratio to be a minimum of 1.25 times, and SFPUC's Debt Service Coverage Policy requires this ratio to be a minimum of 1.35 times.
- M.** Calculated as ratio between (a) Total Sources plus any appropriated fund balance plus Capacity Charges, less Operating Uses less Facilities Maintenance/Programmatic (excluding all revenues and expenses related to the 525 Golden Gate COPs), and (b) Debt Service. SFPUC's Debt Service Coverage Policy requires this ratio to be a minimum of 1.10 times.

Appendix C

HETCH HETCHY WATER & POWER OPERATING FUNDS
FY 2020-21 3rd Quarter - Budgetary Basis - 24970, 24980, 24990 & 25030
(\$ Millions)

| FY 2020-21 | | | | | |
|---|-----------------------|---|--|--|---|
| | FY 2019-20 Actuals | Original Budget | Revised Budget (includes carryforwards) | Projection (current year spending) | Variance (Projection - Revised Budget) |
| Sources | | | | | |
| Electric Sales - Retail | 128.6 | 117.8 | 118.0 | 117.5 | (0.5) A |
| Electric Sales - Wholesale | 15.9 | 20.8 | 20.8 | 17.9 | (2.9) B |
| Water Sales - Transfer from Water Department | 34.6 | 44.1 | 44.1 | 44.1 | - |
| Natural Gas & Steam - City Work Orders | 10.8 | 13.0 | 14.2 | 13.0 | (1.2) C |
| Interest Income | 5.6 | 4.5 | 4.5 | 1.9 | (2.5) D |
| Federal Interest Subsidy - Power Bonds | 0.5 | 0.5 | 0.5 | 0.5 | - |
| Miscellaneous Income | 3.1 | 1.0 | 1.0 | 4.4 | 3.3 E |
| Appropriated/Budgeted Use of Fund Balance | 23.8 | - | 29.4 | 29.4 | - |
| Total Sources | 222.9 | 201.7 | 232.6 | 228.7 | (3.9) |
| Operating Uses | | | | | |
| Personnel | 44.9 | 49.0 | 49.0 | 49.0 | - |
| Non-Personnel Services | 24.3 | 38.1 | 46.0 | 46.0 | - |
| Power Purchases, Transmission Distribution & R | 49.0 | 46.8 | 55.9 | 45.8 | 10.1 F |
| Natural Gas & Steam | 9.7 | 13.0 | 14.2 | 13.0 | 1.2 G |
| Materials and Supplies | 3.3 | 3.4 | 3.5 | 3.5 | - |
| Equipment | 0.6 | 1.8 | 3.9 | 3.9 | - |
| Overhead (SFPUC Bureaus) | 16.9 | 18.5 | 20.1 | 19.8 | 0.3 H |
| Services of Other Departments | 6.3 | 8.5 | 10.2 | 10.2 | - |
| Debt Service | 6.0 | 5.7 | 5.7 | 5.7 | - |
| Total Operating Uses | 161.1 | 184.7 | 208.5 | 196.9 | 11.6 |
| Net Operating Results | 61.8 | | | 31.8 | 7.7 |
| Adjustments to Operating Fund Balance | FY 2019-20 Actuals | Current Year Transfers from Operating | Total Available Funds | Projection (current & future years spending) | Project Closeouts |
| Facilities Maintenance/Programmatic | 12.0 | 16.2 | 21.8 | 20.9 | 0.9 I |
| Capital projects | 28.5 | 0.6 | 149.7 | 122.5 | 27.3 I |
| General Reserve | - | 1.5 | 1.5 | - | 1.5 J |
| Total Adjustments to Operating Fund Balance | 40.4 | 18.3 | 173.0 | 143.3 | 29.7 |
| Available Fund Balance as of Fiscal Year-End | 38.6 | | | | 76.0 |
| Available Fund Balance, % of Operating Uses (T) | 25.5% | | | | 44.8% |
| Debt Service Coverage... Year-End Budgetary Basis | | | | | |
| Indenture Basis (includes Available Fund Bala | 23.56 * | 16.63 | | | 7.94 |

Current Basis (V) ≥ 1.10

12.21 *

0.71

4.33

Revenue Variances

- A. Retail sales slightly below budget due to lower than expected volumes.
- B. Wholesale sales generation volume down 23% from budget, offset by unbudgeted attribute sales.
- C. Natural gas & steam sales projected to be slightly below revised budget due to continuing shelter in place orders at City Departments.
- D. Interest rate budget assumed at 2%, whereas the City's pooled fund portfolio YTD Yield as of February is 0.79%.
- E. Miscellaneous income over budget due primarily to Lawrence Livermore National Labs resuming water purchases that were on hold in prior years as well as receipts from legal settlements.

Expenditure Variances

- F. Increased cost of power distribution costs offset by unspent \$4.0M power purchase contingency and 9.1M savings from prior year carryforward closeout.
- G. Natural gas & steam sales projected to be slightly below budget due to continuing shelter in place orders at City Departments.
- H. Overhead savings due to less spending than expected in the SFPUC Bureaus.
- I. Project closeout savings to offset lower revenues.
- J. General Reserve was intentionally budgeted and planned to go unspent to supplement reserves.

* Preliminary, unaudited

Appendix D
CleanPowerSF
FY 2020-21 3rd Quarter - Budgetary Basis - 24870, 24750, 24760 & 24765
(\$ Millions)

| | FY 2020-21 | | | | |
|---|-----------------------|---|--|--|--|
| | FY 2019-20 Actuals | Original Budget | Revised Budget (includes carryforwards) | Projection (includes carryforwards) | Variance (Projection-Revised Budget) |
| Operating Sources | | | | | |
| Electric Sales - Green Product | 233.3 | 214.8 | 214.8 | 199.1 | (15.8) A |
| Electric Sales - SuperGreen Product | 11.7 | 10.8 | 10.8 | 10.4 | (0.4) |
| Wholesale Sales | - | - | - | - | - |
| Subtotal - Electric Revenues | 245.0 | 225.6 | 225.6 | 209.4 | (16.2) |
| Interest Income | 1.0 | 0.9 | 0.9 | 0.8 | (0.1) B |
| Appropriated/Budgeted Use of Fund Balance | - | - | 10.4 | 10.4 | - |
| Total Sources | 245.9 | 226.5 | 236.9 | 220.6 | (16.3) |
| Operating Uses | | | | | |
| Personnel | 3.0 | 6.8 | 6.8 | 3.2 | 3.6 C |
| Overhead | 2.0 | 2.5 | 2.6 | 2.6 | 0.1 D |
| Non Personnel Services | 10.4 | 12.3 | 13.5 | 13.0 | 0.5 E |
| Materials & Supplies | 0.0 | 0.2 | 0.2 | 0.1 | 0.1 F |
| Power Purchases | 175.4 | 181.9 | 190.8 | 190.8 | - |
| Services of Other Departments | 2.4 | 3.6 | 3.7 | 3.7 | - |
| Debt Service | 2.0 | 1.0 | 1.0 | 1.0 | - |
| Total Operating Uses | 195.3 | 208.3 | 218.6 | 214.4 | 4.3 |
| Net Operating Results | 50.6 | | | 6.2 | (12.0) |
| Adjustments to Operating Fund Balance | | | | | |
| | FY 2019-20 Actuals | Current Year Transfers from Operating | Total Available Funds | Projection (current & future years spending) | Project Closeouts |
| Programmatic | 0.1 | 0.7 | 0.9 | 0.9 | - |
| Capital Projects | - | 1.9 | 1.9 | 1.9 | - |
| General Reserve | - | 15.5 | 15.5 | - | 15.5 G |
| Total Adjustments to Operating Fund Balance | 0.1 | 18.1 | 18.3 | 2.8 | 15.5 |
| Available Fund Balance as of Fiscal Year-End | 74.6 T | | | | 78.1 S |

Revenue Variances

- A. Lower revenues driven by CleanPowerSF rate decrease on January 2021 to stay within 1% of PG&E's rates, and COVID-19 bill credit relief program
B. Interest rate budget assumed at 2%, whereas the City's pooled fund portfolio YTD Yield as of February is 0.79%.

Expenditure Variances

- C. Salary savings due to vacant positions.
D. Savings due to lower than expected spending in the SFPUC Bureaus.
E. Savings mainly from budgeted contract work performed internally.
F. Savings from fewer materials & supplies needs due to a mainly remote workforce.
G. General Reserve was intentionally budgeted and planned to go unspent to build reserves.

Other Notes


S. Available fund balance at fiscal year end is calculated within this report by taking beginning fund balance, less any fund balance budgeted to be used as a source, and adding the projected variances as well as project closeouts. As the CleanPowerSF Trust Fund is a continuing fund, certain amounts budgeted therein will automatically roll forward to the following year and will not be closed out to fund balance. As such, variances related to general reserves will not close out to fund balance at the end of the year without manual intervention. However, as those funds are not considered restricted and CleanPowerSF may choose to close them out to fund balance, we are presenting them here as part of fund balance.


T. Available fund balance at the beginning of the fiscal year consists of CleanPowerSF operating results. In Q3 the presentation was updated to account for savings not previously included due to the unique fund structure of CleanPowerSF.



Date: September 14, 2021

To: Commissioner Sophie Maxwell, President
Commissioner Anson Moran, Vice President
Commissioner Tim Paulson
Commissioner Ed Harrington
Commissioner Newsha Ajami

Through: Michael Carlin, Acting General Manager 

From: Eric Sandler, CFO and AGM Business Services 

Subject: **SFPUC FY 2020-21 Year End Budgetary Report through June 30, 2021**

The FY 2020-21 Year End budgetary reports are attached for the three Enterprises and CleanPowerSF, with high-level changes to revenues and expenses summarized in the following table:

| FY 2020-21 Operations | | | | | | | |
|-----------------------|----------------------------------|------------------------------------|-------------------|--|---|------------------------------------|---|
| | Beginning Available Fund Balance | Fund Balance Budgeted to be (Used) | Projected Sources | Projected Uses (excluding Capital & General Reserve) | Net Operating Results Surplus / (Shortfall) | General Reserve & Project Closeout | Projected Year End Available Fund Balance |
| Water | 258.4 | (27.8) | (11.1) | 10.8 | (0.4) | 9.0 | 239.2 |
| Wastewater | 211.7 | (12.1) | (27.4) | 11.2 | (16.3) | 11.2 | 194.6 |
| Power | 38.6 | - | (2.9) | 13.9 | 11.0 | 29.7 | 79.3 |
| CleanPowerSF | 74.6 | - | (17.6) | 8.1 | (9.6) | 15.5 | 80.6 |

London N. Breed
Mayor

Sophie Maxwell
President

Anson Moran
Vice President

Tim Paulson
Commissioner

Ed Harrington
Commissioner

Newsha Ajami
Commissioner

Michael Carlin
Acting
General Manager

Summary:

- Net operating shortfall increased during the year for Wastewater and CleanPowerSF.
- *Water and Wastewater:* revenues are down from budget due to continued impact of the COVID-19 pandemic on retail sales, and the recovery being slower than projected in the budget. In Water, weak retail sales are partially offset by stronger than budgeted wholesale sales. In both enterprises, however, revenue shortfalls are partially offset by savings in labor and non-labor expenditures.
- *CleanPowerSF:* revenues are below budget due to several factors including a January rate reduction, rate structure changes for commercial customers, slower than projected economic recovery, and customer assistance program costs. This revenue shortfall is

OUR MISSION: To provide our customers with high-quality, efficient and reliable water, power and sewer services in a manner that values environmental and community interests and sustains the resources entrusted to our care.



partially offset by savings in labor and non-labor expenditures, including purchase of power.

- *Power:* Generation revenues are lower due to below average precipitation resulting in wholesale sales significantly below budget and higher costs of purchased power. These items are offset by:
 - Retail revenues coming in slightly above budget.
 - Unbudgeted wholesale resource adequacy sales to CleanPowerSF and resumption of water sales to Lawrence Livermore National Labs.
 - \$13.1M in savings from unspent power purchase contingency budget, as well as closeout of prior year unspent funds.
- All enterprises, including CleanPowerSF, are projected to meet or exceed SFPUC-wide financial policy minimums.

Please note that project savings reflected in this report are the result of cuts to currently appropriated revenue-funded capital and programmatic projects. These cuts were a part of a comprehensive strategy to rebalance the FY 2019-20, FY 2020-21 and FY 2021-22 budgets from reduced sales volumes resulting from the COVID-19 pandemic and resulting economic recession.

These results are a projection, final year end numbers will be presented as part of the FY2020-21 CAFR (Comprehensive Annual Financial Report), estimated to be published in December 2021.

SFPUC's finance team is closely monitoring Water and Wastewater sales for FY 2021-22 to determine impacts of continued economic weakness on the current year and will provide an update to the Commission as a part of the first quarter update. As planning for the upcoming FY 2022-23 and FY 2023-24 budget cycle begins, we recognize that fiscal constraint across all enterprises is likely to be a major theme given the uncertainty about economic recovery, the potential for continued drought as well as the refinement of CleanPowerSF's rate setting policy framework.

If you have questions, please contact me at ESandler@sfgwater.org.

CC:

Masood Ordikhani, Acting AGM, External Affairs, SFPUC
Barbara Hale, AGM, Power Enterprise, SFPUC
Kathryn How, AGM, Infrastructure, SFPUC
Greg Norby, AGM, Wastewater Enterprise, SFPUC
Steve Ritchie, AGM, Water Enterprise, SFPUC
Ashley Groffenberger, Budget Director, Mayor's Office
Ben Rosenfield, Controller

Attachments:

Appendix A Water Enterprise

Appendix B Wastewater Enterprise

Appendix C Hetch Hetchy Water & Power, including the Power Enterprise

Appendix D CleanPowerSF

Appendix A

WATER ENTERPRISE OPERATING FUNDS FY 2020-21 4th Quarter - Budgetary Basis, Funds 25940, 25950, 25960, 26570, 26600 (\$ Millions)

| FY 2020-21 | | | | | | |
|---|-----------------------|---|--|--|---|----------|
| | FY 2019-20 Actuals | Original Budget | Revised Budget (includes carryforwards) | Projection (includes carryforwards) | Variance (Projection -Revised Budget) | |
| Sources | | | | | | |
| Retail Water Sales | 291.9 | 305.7 | 306.3 | 285.9 | (20.4) | A |
| Wholesale Water Sales | 270.6 | 262.4 | 262.4 | 275.2 | 12.8 | B |
| Interest Income | 8.7 | 5.1 | 5.1 | 2.4 | (2.6) | C |
| Rental Income | 13.0 | 12.5 | 12.5 | 12.7 | 0.2 | D |
| Miscellaneous Income | 18.9 | 20.9 | 21.6 | 20.4 | (1.1) | E |
| Departmental Transfer Adjustment | (34.5) | (44.2) | (44.2) | (44.2) | - | |
| Federal Bond Interest Subsidy | 23.8 | 21.8 | 21.8 | 21.8 | - | |
| Appropriated/Budgeted Use of Fund Balance | 55.8 | 27.8 | 95.1 | 95.1 | - | |
| Total Sources | 648.1 | 611.9 | 680.5 | 669.3 | (11.1) | |
| Operating Uses | | | | | | |
| Personnel | 95.6 | 102.3 | 102.3 | 101.2 | 1.1 | F |
| Non-Personnel Services | 16.4 | 21.8 | 30.5 | 28.5 | 2.0 | G |
| Materials and Supplies | 12.9 | 15.3 | 16.9 | 16.9 | - | |
| Equipment | 3.1 | 4.5 | 9.9 | 9.9 | - | |
| Light, Heat, and Power | 9.9 | 10.0 | 10.0 | 9.8 | 0.2 | H |
| Overhead (SFPUC Bureaus) | 45.5 | 54.4 | 60.0 | 58.0 | 2.0 | I |
| Services of Other Departments | 12.8 | 14.6 | 16.3 | 16.3 | 0.5 | J |
| Debt Service | 291.1 | 304.2 | 304.2 | 299.3 | 5.0 | K |
| Total Operating Uses | 487.4 | 527.2 | 550.1 | 539.9 | 10.8 | |
| Net Operating Results | 160.7 | | | 129.4 | (0.4) | |
| Adjustments to Operating Fund Balance | | | | | | |
| | FY 2019-20 Actuals | Current Year Transfers from Operating | Total Available Funds | Projection (current & future years spending) | Project Closeouts | |
| Capital Projects | 51.8 | 47.6 | 197.4 | 190.4 | 7.0 | L |
| Facilities Maintenance/Programmatic | 33.2 | 37.1 | 81.5 | 79.5 | 2.0 | M |
| Total Adjustments to Operating Fund Balance | \$ 85.0 | \$ 84.7 | \$ 278.9 | \$ 269.9 | \$ 9.0 | |
| <i>check</i> | | - | | | | |
| Available Fund Balance as of Fiscal Year-End | \$ 258.4 | | | | 239.2 | |
| Available Fund Balance, % of Operating Uses (N) 25-68% | 93.4% | | | | 74.7% | |
| Debt Service Coverage (Year-End Budgetary Basis) | | | | | | |
| Indenture Basis (includes Available Fund Balance) (O) ≥ 1.35 | 2.16 | 1.93 | | | 1.99 | |
| Current Basis (P) ≥ 1.10 | 1.26 | 1.17 | | | 1.22 | |

Revenue Variances

- A.** Retail water sales were 53.6 MGD, a 6.8% decrease from budgeted volumes of 57.5 MGD, and a 9.7% decrease from prior year actuals of 59.3 MGD. This includes \$1.2M cost of COVID-19 emergency discount programs.
- B.** Wholesale water sales were 134.9 MGD, a 4.8% increase from budgeted volumes of 128.8 MGD, and a 2.4% increase from prior year actuals of 131.8 MGD. Revenues also include \$2.5M in unbudgeted payments from customers not meeting minimum purchase requirements.

Appendix A

WATER ENTERPRISE OPERATING FUNDS FY 2020-21 4th Quarter - Budgetary Basis, Funds 25940, 25950, 25960, 26570, 26600 (\$ Millions)

- C.** Interest rate for budget has been assumed at 2%, whereas the City's pooled fund portfolio YTD Yield is 0.68%.
- D.** Rental income increased by \$200K for Mission Valley Rock Quarry due to greater volume of sales than expected.
- E.** Miscellaneous revenue decreased from budget, primarily driven by \$1M reduced revenues or additional costs related to collections moratorium.

Expenditure Variances

- F.** Savings due to vacant positions
- G.** Savings reflect delays in customer rebate and incentive programs.
- H.** Power and gas rates and consumption were lower than planned.
- I.** Savings are related to salary savings associated with bureau allocation.
- J.** Savings reflects lower spending from other City departments.
- K.** Debt Service savings due to Water Revenue Bonds Refunding.
- L.** Project savings to offset lower revenues from Covid sales reductions.
- M.** Project savings to offset lower revenues from Covid sales reductions.

Other Notes

- N.** Calculated as Ending Available Fund Balance (including additions to General Reserve) as a percent of Operating Uses plus Facilities Maintenance/Programmatic Uses. SFPUC's Fund Balance Reserve Policy requires this to be within a range of 25-68%.
- O.** Calculated as ratio between (a) Total Sources plus Beginning Available Fund Balance plus Capacity Charges, less Operating Uses less Facilities Maintenance/Programmatic, excluding all revenues and expenses related to the 525 Golden Gate COPs, and (b) Debt Service. The Indenture requires this ratio to be a minimum of 1.25 times, and SFPUC's Debt Service Coverage Policy requires this ratio to be a minimum of 1.35 times.
- P.** Calculated as ratio between (a) Total Sources plus any appropriated fund balance, plus Capacity Charges, less Operating Uses less Facilities Maintenance/Programmatic, excluding all revenues and expenses related to the 525 Golden Gate COPs, and (b) Debt Service. SFPUC's Debt Service Coverage Policy requires this ratio to be a minimum of 1.10 times.

Appendix B

WASTEWATER ENTERPRISE OPERATING FUNDS FY 2020-21 3rd Quarter - Budgetary Basis, Funds 20160, 20550, 20170, 20210 (\$ Millions)

| | FY 2019-20 Actuals | Original Budget | FY 2020-21 | | | |
|---|-------------------------------|--|--|---|---|---|
| | | | Revised Budget (includes carryforwards) | Projection (current year spending) | Variance (Projection - Revised Budget) | |
| Sources | | | | | | |
| Sewer Service Charges | 338.4 | 353.4 | 353.6 | 326.2 | (27.3) | A |
| Interest Income | 8.0 | 5.9 | 5.9 | 6.0 | 0.1 | B |
| Miscellaneous Income | 4.4 | 5.2 | 5.2 | 5.0 | (0.2) | C |
| Federal Bond Interest Subsidy | 4.0 | 3.5 | 3.5 | 3.5 | - | |
| Appropriated/Budgeted Use of Fund Balance | 18.0 | 12.1 | 28.6 | 28.6 | - | |
| Total Sources | 372.8 | 380.1 | 396.8 | 369.4 | (27.4) | |
| Operating Uses | | | | | | |
| Personnel | 70.9 | 76.3 | 76.2 | 70.9 | 5.3 | D |
| Non-Personnel Services | 20.7 | 23.4 | 25.1 | 23.6 | 1.5 | E |
| City Grant Programs | 0.0 | 0.3 | 0.4 | 0.4 | - | |
| Materials and Supplies | 8.4 | 11.2 | 12.3 | 11.3 | 1.0 | F |
| Equipment | 1.3 | 1.8 | 4.3 | 4.3 | - | |
| Light, Heat, and Power | 10.8 | 11.9 | 11.6 | 10.8 | 0.8 | G |
| Overhead (SFPUC Bureaus) | 27.9 | 30.5 | 34.6 | 33.6 | 1.0 | H |
| Services of Other Departments | 24.6 | 26.1 | 29.1 | 29.1 | 0.6 | I |
| Debt Service | 68.7 | 87.5 | 87.5 | 86.5 | 1.0 | J |
| Total Operating Uses | 233.3 | 268.9 | 281.1 | 270.5 | 11.2 | |
| Net Operating Results | 139.5 | | | 98.9 | \$ (16.3) | |
| Adjustments to Operating Fund Balance | FY 2019-20 Actuals | Current Year Transfers from Operating | Total Available Funds | Projection (current & future years spending) | Project Closeouts | |
| Capital Projects | 32.0 | 102.1 | 107.1 | 96.9 | 10.2 | K |
| Facilities Maintenance/Programmatic | 6.4 | 7.3 | 11.6 | 11.0 | 0.6 | L |
| General Reserve | - | 0.4 | 0.4 | - | 0.4 | M |
| Total Adjustments to Operating Fund Balance | \$ 38.4 | \$ 109.8 | \$ 119.1 | \$ 107.9 | \$ 11.2 | |
| Available Fund Balance as of Fiscal Year-End | \$ 211.7 | | | | \$ 194.6 | |
| Available Fund Balance, % of Operating Uses (N) 25-68% | 113.4% | | | | 99.8% | |
| Debt Service Coverage (Year-End Budgetary Basis) | | | | | | |
| Indenture Basis (includes Available Fund Balance) (O) ≥ 1.35 | 6.08 | 4.80 | | | 4.39 | |
| Current Basis (P) ≥ 1.10 | 2.64 | 2.48 | | | 2.13 | |

Revenue Variances

- A. Wastewater retail billable volumes were 43.9 MGD, a 6.0% decrease from budget of 46.7 MGD and a 9.5% decrease from prior year actuals of 48.5 MGD. This includes \$4.2M in COVID-19 emergency discounts.
- B. Interest rate for budget has been assumed at 2%, whereas the City's pooled fund portfolio YTD Yield is 0.68%.
- C. Miscellaneous income decreased from budget mainly due to \$230k reduced revenues related to collections moratorium.

Expenditure Variances

- D. Salary savings reflect vacant positions.

Appendix B

WASTEWATER ENTERPRISE OPERATING FUNDS

FY 2020-21 3rd Quarter - Budgetary Basis, Funds 20160, 20550, 20170, 20210
(\$ Millions)

- E.** Savings mainly due to the impact of the Covid-19 lockdown which resulted in less staff and activities in the City, which reflects a reduction in the hauling and disposal of biosolids through contractual services.
- F.** Savings mainly due to the impact of the Covid-19 lockdown which resulted in less staff and activities in the City, which reflects a reduction in sewage treatment chemicals being procured.
- G.** Power and gas rates and consumption were lower than planned.
- H.** Savings are related to salary savings associated with bureau allocation.
- I.** Savings reflects lower spending from other City departments.
- J.** Savings due to lower than projected debt service from the postponement of the issuance of the 2020 Wastewater Revenue Notes.
- K.** Project savings to offset lower revenues from Covid sales reductions.
- L.** Project savings to offset lower revenues from Covid sales reductions.
- M.** General Reserve was intentionally budgeted and planned to go unspent to build reserves.

Other Notes

- N.** Calculated as Ending Available Fund Balance (including additions to General Reserve) as a percent of Operating Uses plus Facilities Maintenance/Programmatic Uses. SFPUC's Fund Balance Reserve Policy requires this to be within a range of 25-68%.
- O.** Calculated as ratio between (a) Total Sources plus Beginning Available Fund Balance plus Capacity Charges, less Operating Uses less Facilities Maintenance/Programmatic (excluding all revenues and expenses related to the 525 Golden Gate COPs), and (b) Debt Service. The Indenture requires this ratio to be a minimum of 1.25 times, and SFPUC's Debt Service Coverage Policy requires this ratio to be a minimum of 1.35 times.
- P.** Calculated as ratio between (a) Total Sources plus any appropriated fund balance plus Capacity Charges, less Operating Uses less Facilities Maintenance/Programmatic (excluding all revenues and expenses related to the 525 Golden Gate COPs), and (b) Debt Service. SFPUC's Debt Service Coverage Policy requires this ratio to be a minimum of 1.10 times.

Appendix C

HETCH HETCHY WATER & POWER OPERATING FUNDS FY 2020-21 4th Quarter - Budgetary Basis - 24970, 24980, 24990 & 25030 (\$ Millions)

| | FY 2020-21 | | | | | |
|--|-----------------------|---|--|--|---|---|
| | FY 2019-20 Actuals | Original Budget | Revised Budget (includes carryforwards) | Projection (current year spending) | Variance (Projection - Revised Budget) | |
| Sources | | | | | | |
| Electric Sales - Retail | 128.6 | 117.8 | 118.0 | 119.6 | 1.6 | A |
| Electric Sales - Wholesale | 15.9 | 20.8 | 20.8 | 17.0 | (3.8) | B |
| Water Sales - Transfer from Water Department | 34.6 | 44.1 | 44.1 | 44.1 | - | |
| Natural Gas & Steam - City Work Orders | 10.8 | 13.0 | 14.2 | 13.3 | (0.9) | C |
| Interest Income | 5.6 | 4.5 | 4.5 | 1.7 | (2.8) | D |
| Federal Interest Subsidy - Power Bonds | 0.5 | 0.5 | 0.5 | 0.5 | - | |
| Miscellaneous Income | 3.1 | 2.5 | 2.5 | 5.5 | 3.0 | E |
| Appropriated/Budgeted Use of Fund Balance | 23.8 | - | 29.3 | 29.3 | - | |
| Total Sources | 222.9 | 203.2 | 234.0 | 231.1 | (2.9) | |
| Operating Uses | | | | | | |
| Personnel | 44.9 | 49.0 | 49.0 | 49.0 | - | |
| Non-Personnel Services | 24.3 | 38.1 | 45.9 | 45.9 | - | |
| Power Purchases, Transmission Distribution & Related Charges | 49.0 | 46.8 | 55.9 | 45.3 | 10.6 | F |
| Natural Gas & Steam | 9.7 | 13.0 | 14.2 | 13.3 | 0.9 | G |
| Materials and Supplies | 3.3 | 3.4 | 3.5 | 3.5 | - | |
| Equipment | 0.6 | 1.8 | 3.9 | 3.9 | - | |
| Overhead (SFPUC Bureaus) | 16.9 | 18.5 | 20.1 | 18.1 | 2.0 | H |
| Services of Other Departments | 6.3 | 8.5 | 10.2 | 9.9 | 0.3 | I |
| Debt Service | 6.0 | 5.7 | 5.7 | 5.6 | 0.1 | J |
| Total Operating Uses | 161.1 | 184.7 | 208.5 | 194.5 | 13.9 | |
| Net Operating Results | 61.8 | | | 36.6 | 11.0 | |
| Adjustments to Operating Fund Balance | | | | | | |
| | FY 2019-20 Actuals | Current Year Transfers from Operating | Total Available Funds | Projection (current & future years spending) | Project Closeouts | |
| Facilities Maintenance/Programmatic | 12.0 | 16.2 | 21.8 | 20.9 | 0.9 | K |
| Capital projects | 28.5 | 0.6 | 149.7 | 122.5 | 27.3 | K |
| General Reserve | - | 1.5 | 1.5 | - | 1.5 | L |
| Total Adjustments to Operating Fund Balance | 40.4 | 18.3 | 173.0 | 143.3 | 29.7 | |
| Available Fund Balance as of Fiscal Year-End | 38.6 | | | | 79.3 | |
| Available Fund Balance, % of Operating Uses 25-68% | 25.5% | | | | 47.3% | |
| Debt Service Coverage... Year-End Budgetary Basis | | | | | | |
| Indenture Basis (includes Available Fund Balance) ≥ 1.35 | 31.37 | 10.15 | | | 9.89 | |
| Current Basis ≥ 1.10 | 13.44 | 1.02 | | | 6.28 | |

A. Retail sales slightly below budget due to lower than expected volumes.

B. Wholesale sales generation volume down 23% from budget, offset by unbudgeted attribute sales.

- C.** Natural gas & steam sales projected to be slightly below revised budget due to continuing shelter in place orders at City Departments.
- D.** Interest rate for budget has been assumed at 2%, whereas the City's pooled fund portfolio YTD Yield as of June is 0.68%.
- E.** Miscellaneous income over budget due primarily to Lawrence Livermore National Labs resuming water purchases that were on hold in prior years as well as receipts from legal settlements and Overhead recovery.

Expenditure Variances

- F.** Increased cost of purchased power due to distribution cost proposals, set to begin in January 2021, is offset by \$4.0M power purchase contingency budget, as well as \$9.1M in prior year unspent funds carried forward from FY 2019-20.
- G.** Natural gas & steam sales projected to be slightly below budget due to continuing shelter in place orders at City Departments.
- H.** Overhead savings due to less spending than expected in the SFPUC Bureaus.
- I.** Savings in workers comp claims, technology projects, and utility spending.
- J.** Savings due to lower than projected debt service from the partial prepayment of the 2015 NCREBs.
- K.** Project savings to offset lower revenues from Covid sales reductions.
- L.** General Reserve was intentionally budgeted and planned to go unspent to supplement reserves.

Appendix D
CleanPowerSF
FY 2020-21 4th Quarter - Budgetary Basis - 24870, 24750, 24760 & 24765
(\$ Millions)

| | FY 2020-21 | | | | |
|---|-----------------------|---|--|--|--|
| | FY 2019-20 Actuals | Original Budget | Revised Budget (includes carryforwards) | Projection (includes carryforwards) | Variance (Projection - Revised Budget) |
| Operating Sources | | | | | |
| Electric Sales - Green Product | 233.3 | 214.8 | 214.8 | 197.4 | (17.5) A |
| Electric Sales - SuperGreen Product | 11.7 | 10.8 | 10.8 | 10.8 | 0.0 |
| Wholesale Sales | - | - | - | - | - |
| Subtotal - Electric Revenues | 245.0 | 225.6 | 225.6 | 208.2 | (17.5) |
| Interest Income | 1.0 | 0.9 | 0.9 | 0.7 | (0.2) B |
| Appropriated/Budgeted Use of Fund Balance | - | - | 10.5 | 10.5 | - |
| Total Sources | 245.9 | 226.5 | 237.0 | 219.4 | (17.6) |
| Operating Uses | | | | | |
| Personnel | 3.0 | 6.8 | 6.8 | 3.5 | 3.3 C |
| Overhead | 2.0 | 2.5 | 2.6 | 2.6 | 0.3 D |
| Non Personnel Services | 10.4 | 12.3 | 12.7 | 12.2 | 0.5 E |
| Materials & Supplies | 0.0 | 0.2 | 0.2 | 0.1 | 0.1 F |
| Power Purchases | 175.4 | 181.9 | 190.8 | 187.2 | 3.6 |
| Services of Other Departments | 2.4 | 3.6 | 3.7 | 3.7 | 0.3 G |
| Debt Service | 2.0 | 1.0 | 1.9 | 1.9 | - |
| Total Operating Uses | 195.3 | 208.3 | 218.7 | 211.2 | 8.1 |
| Net Operating Results | 50.6 | | | 8.2 | (9.6) |
| Adjustments to Operating Fund Balance | | | | | |
| | FY 2019-20 Actuals | Current Year Transfers from Operating | Total Available Funds | Projection (current & future years spending) | Project Closeouts |
| Programmatic | 0.1 | 0.7 | 0.9 | 0.9 | - |
| Capital Projects | - | 1.9 | 1.9 | 1.9 | - |
| General Reserve | - | 15.5 | 15.5 | - | 15.5 H |
| Total Adjustments to Operating Fund Balance | 0.1 | 18.1 | 18.3 | 2.8 | 15.5 |
| Available Fund Balance as of Fiscal Year-End | 74.6 J | | | | 80.6 I |

Revenue Variances

- A. Lower revenues driven by CleanPowerSF rate decrease on January 2021 to stay within 1% of PG&E's rates, and COVID-19 bill credit relief program
B. Interest rate for budget has been assumed at 2%, whereas the City's pooled fund portfolio FYTD Yield as of June is 0.68%.

Expenditure Variances

- C. Salary savings due to vacant positions.
D. Savings are due to lower than expected spending in the SFPUC Bureaus.
E. Savings mainly from budgeted contract work performed internally.
F. Savings are due to fewer materials & supplies needs due to a mainly remote workforce.
G. Savings mainly due to less spending on reproduction services and technology projects than expected.
H. General Reserve was intentionally budgeted and planned to go unspent to build reserves.

Other Notes

I. Available fund balance at fiscal year end is calculated within this report by taking beginning fund balance, less any fund balance budgeted to be used as a source, and adding the projected variances as well as project closeouts. As the CleanPowerSF Trust Fund is a continuing fund, amounts budgeted therein will automatically roll forward to the following year and will not be closed out to fund balance. As such, variances related to revenues, purchase of power, and general reserves will not close out to fund balance at the end of the year without manual intervention. However, as those funds are not considered restricted and CleanPowerSF may choose to close them out to fund balance, we are presenting them here as part of fund balance.

J. Available fund balance at the beginning of the fiscal year consists of CleanPowerSF operating results. In Q3 the calculation was updated to also include budgeted excess revenues related to prior year surpluses within the Trust Fund that have been closed out within the financial system and are available for appropriation at the discretion of CleanPowerSF.