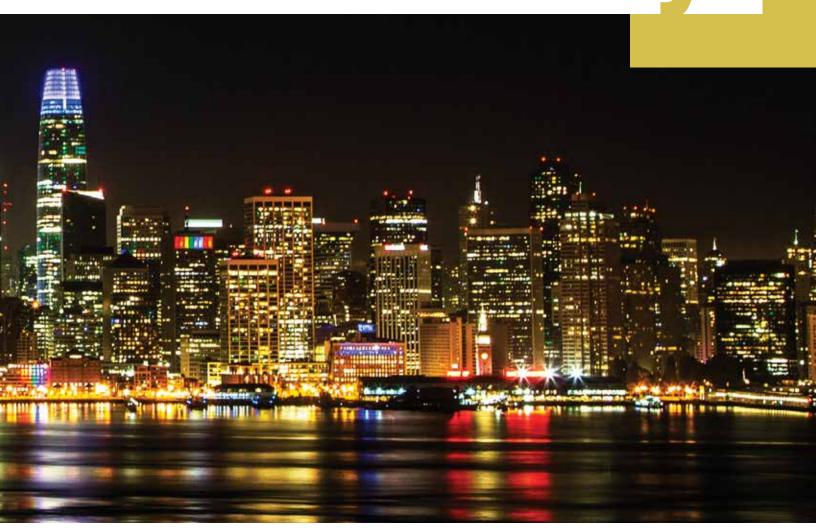
The SFPUC: Profile Of Resiliency





San Francisco Public Utilities Commission

(as of date of publication)

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

WATER

We are the third largest municipal utility in California, serving 2.7 million residential, commercial, and industrial customers in the Bay Area. Approximately one-third of our delivered water goes to retail customers in San Francisco, while wholesale deliveries to 27 suburban agencies in Alameda, Santa Clara, and San Mateo counties comprise the other two-thirds.

POWER

For 100 years, we have been generating greenhouse gas-free hydropower as our city's full-service, publicly owned electric utility. In 2016, we launched CleanPowerSF, a community choice aggregation program, to introduce even more renewable energy from sources like wind and solar to the electric grid. Collectively, the two systems meet more than 70 percent of the electricity demand in San Francisco.

SEWER

We operate and maintain the City's water pollution control plants, pumping stations and collection system to protect public health and the environment. We maintain 1,900 miles of sewer mains and lateral and 27 pump stations that collect sewage and storm water, moving the wastewater to the three treatment plants for treatment and discharge to the San Francisco Bay and Pacific Ocean.

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Make OP Cali

Michael Carlin Acting SFPUC General Manager

Message from Our Acting General Manager

Dear Customers and Stakeholders.

Resiliency has always been at the heart of our work here at the San Francisco Public Utilities Commission. That means ensuring that our infrastructure is maintained and seismically stable, that our budget is balanced and financially secure and that our workforce is ready to adapt to an ever-changing industry.

We pride ourselves on those commitments, but no one could have anticipated just how resilient we would need to be this year. With the outbreak of a global pandemic, we were forced to adjust to a new, harsher reality. Not only did we quickly adjust our operations to meet the challenges of the day, but we did so while continuing to safely and reliably deliver water, power and wastewater services to our customers.

With an outlook always focused on the wellbeing of the residents and businesses who depend on our services, we launched an emergency expansion of our Customer Assistance Program in May, providing water, sewer and Hetch Hetchy Power discounts to customers impacted by the coronavirus pandemic. Eligible residential customers received 35 percent off their sewer bills, 30 percent off their Hetch Hetchy Power bills and 15 percent off their water bills. This effort led by our **Community Benefits** and **Finance** Divisions showed how quickly the SFPUC can respond to the needs of our customers.

The SFPUC's **Water** Enterprise was able to celebrate a major milestone in our Water System Improvement Program (WSIP) this fiscal year. With the completion of Lake Merced Pump Station project in June, the SFPUC officially wrapped up the San Francisco portion of the WSIP. One of the most far-reaching seismic improvements

programs in the nation, the WSIP is now 99 percent completed, with just a few regional projects still left to complete.

In the **Wastewater** Enterprise, work continues on the Sewer System Improvement Program (SSIP), an undertaking that matches the WSIP in its ambitious scope. A multigeneration investment to upgrade and replace the City's sewer infrastructure, the SSIP received a huge boost in June, when the U.S. Environmental Protection Agency (EPA) announced a \$514 million loan to the help finance improvements to the Southeast Treatment Plant, which treats 80 percent of San Francisco's wastewater.

The SFPUC's **Power** Enterprise continued to embark on its proposal to expand public power service in San Francisco. In September, the City submitted a \$2.5 billion offer letter to Pacific Gas and Electric Company (PG&E), for the purchase of the company's power infrastructure in San Francisco. The proposal would help deliver safe, reliable and clean power to new and existing customers at or below PG&E's rates and without relying on the City's general fund.

We have been able to accomplish all these goals this fiscal year while our frontline employees adjusted to new health and safety protocols at our facilities, and our administration teams adopted remote working schedules. That takes resiliency and that is the calling card of the SFPUC. Once again, we have proven that our agency is ready to address any challenge and obstacle that comes our way.

On behalf of the SFPUC, I am pleased to present the Popular Annual Financial Report (PAFR) for the 2019–20 Fiscal Year.

Strengthening Our System



For the past two decades, the \$4.8 billion Water System Improvement Program (WSIP) has been a cornerstone of the SFPUC, and in June 2020, the agency was able to celebrate a major milestone in that ambitious undertaking.

With the completion of the \$50 million Lake Merced Pump Station project, the SFPUC officially wrapped up the San Francisco portion of the WSIP. In San Francisco, the WSIP upgraded 16 reservoirs and storage tanks, and replaced 12 pump stations for a total cost of \$440 million. One of the most ambitious water infrastructure and seismic improvement programs in the nation, the overall WSIP is now 99 percent complete.

While the WSIP nears completion, the SFPUC continues to upgrade our water facilities through our long-term Capital Programs. These include major system improvements such as the upcoming 19-mile Mountain Tunnel Improvement Project, as well as replacing an average of more than 12 miles of aging pipeline within San Francisco's drinking water distribution system each year.

As the SFPUC shored up the seismic stability of its infrastructure through the WSIP initiative, it continued to pursue innovative sustainability projects. In July 2019, the agency announced the largest on-site water reuse project in San Francisco, a collaborative partnership with Clearway Energy and Bay Area Rapid Transit (BART). The undertaking collects foundation drainage at the Powell Street BART Station and diverts it into Clearway's Energy Center San Francisco's district steam loop, resulting in 30 million gallons of drinking water saved annually.

completed

The Clearway Energy steam loop project was one of many such water reuse initiatives included in the SFPUC's annual Water Resources Report, which highlights the many ways the agency is seeking to diversify its water supply and commit to sustainable practices.

Included among those initiatives was the SFPUC's PureWaterSF project, which took approximately 80 percent of the wastewater produced by the agency's Living Machine at the SFPUC headquarters. The wastewater was treated with ultrafiltration, reverse osmosis and ultraviolet light to provide purified water that can meet drinking water standards. The onsite reuse project at the SFPUC headquarters is the largest of its kind in the country.

The SFPUC is able to explore these revolutionary projects while still ensuring that it provides clean, safe and reliable drinking water to its 2.7 million customers. The SFPUC's laboratory and field teams conduct more than 100,000 water quality tests annually. In 2019, concerns about the SFPUC's water quality decreased by 32 percent when compared to 2018, according to the agency's Water Quality Division 2019 Complaint Report. The significant drop in issues raised was attributed to the SFPUC's implementation of new taste and odor monitoring, aggressive quality control measures and pipeline flushing.

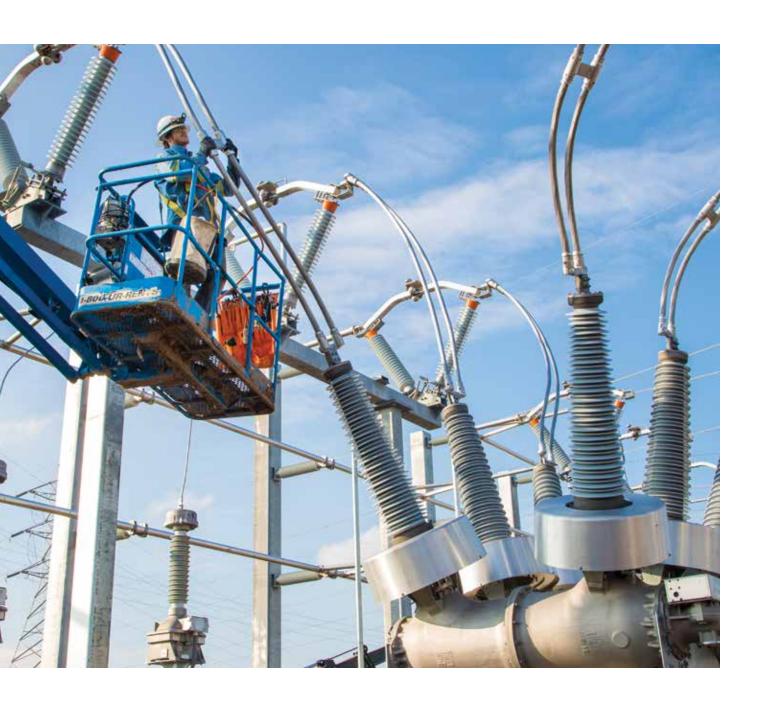
To learn more about how the SFPUC is committed to maintaining water quality standards, visit www.sfwater.org/quality.



14,300 Automated leak alerts sent to homeowners

Water efficient devices delivered to homes

Planning for the Future



While 2020 might have been a dark year for everyone, the San Francisco Public Utilities Commission continued to do its part to literally keep the lights on in an environmentally responsible and cost-effective manner for our customers. In addition to supplying clean power for more than 70 percent of all the electricity consumed in San Francisco, through our Hetch Hetchy Power and CleanPowerSF programs, the SFPUC operated approximately 25,500 streetlights in the City.

Hetch Hetchy Power energized the iconic City's Pink Triangle in June, providing that boost with 100 percent greenhouse gas-free energy.

Hetch Hetchy Power has been providing clean hydroelectricity to San Franciscans for more than 100 years, and with that proven track record in mind, the SFPUC continued to move forward with plans to expand public power service. In September 2019, the City submitted a \$2.5 billion offer letter to Pacific Gas and Electric Company (PG&E), for the purchase of the company's power infrastructure in San Francisco. The proposal would help deliver safe, reliable and clean power to new and existing customers at or below PG&E's rates and without relying on the City's taxation authority or general fund.

To support that ongoing effort the City launched a new public information website in February. The **Our City, Our Power** initiative helped highlight the efforts for the SFPUC and its partners to take control of its energy future, acquire the local PG&E

power grid, and shift to a cleaner, more reliable, locally controlled power system.

While those Hetch Hetchy Power undertakings were moving forward, the SFPUC continued to operate **CleanPowerSF**, its local renewable energy program, which now serves more than 380,000 customers in San Francisco. In December 2019, CleanPowerSF announced its largest renewable energy commitment to date, with contracts to purchase energy from new solar and wind projects in Southern California. Once constructed these new projects will together generate about 1 million megawatt hours of renewable energy annually—amounting to about 33 percent of the energy CleanPowerSF's customers use each year.

The SFPUC managed these expansive projects while being cognizant of the financial hardships posed by the global coronavirus pandemic. As part of the emergency **Customer Assistance Program**, the SFPUC began offering eligible Hetch Hetchy Power customers 30 percent off their monthly bills. The program, which began in May 2020, helped benefit nearly 30 percent of the SFPUC's residential power customers, helping them save an average of \$15 a month.

Find out more about how San Francisco is continuing to lead the clean power movement at **ourcityourpower.org**.

Miles of clean energy transmission lines in the Hetch Hetchy Regional Power System

\$35 million

Electric bill savings to City General Fund departments that are Hetch Hetchy Power customers

\$1 million

Incentives offered for new solar installations in San Francisco last FY 2019-20

Building Toward Sustainability



This year offered a moment of important reflection for the SFPUC's Wastewater Enterprise. In May 2020, the agency celebrated the 10th anniversary of the **San Francisco's Stormwater Management Ordinance (SMO)**, a groundbreaking initiative to more efficiently capture and store the City's rainwater through green infrastructure projects.

In the decade of its existence, the undertaking has helped manage some 180 million gallons of rainwater each year, steering 60 million gallons of water away from the City's sewer system in the process.

In addition to the green infrastructure projects required to be implemented by property owners and developers under the SMO, the SFPUC's **Green Infrastructure Grant Program** provides grants to cover the costs of design and construction of approved stormwater management features, such as rain gardens, permeable pavement, cisterns, and vegetated roofs. Three local schools, one park and one church were recipients of more than \$4.4 million in grant funding this fiscal year. Collectively, these projects are projected to manage more than 3.3 million gallons of stormwater per year.

Green infrastructure projects are one component of the SFPUC's ongoing **Sewer System Improvement Program** (SSIP), a multigeneration citywide investment to upgrade and modernize the City's sewer system infrastructure. The

SSIP received a huge boost in June, when the Environmental Protection Agency (EPA) announced a \$514 million Water Infrastructure Finance and Innovation Act (WIFIA) loan to the help finance needed pretreatment and other related improvements to the Southeast Treatment Plant, which treats 80 percent of San Francisco's wastewater. The loan's low-financing rate has the potential to save San Francisco ratepayers an estimated \$366 million. Rebuilding and improving the Southeast Treatment Plant is a key component of the SSIP and will help ensure our critical sewer system can continue to protect public health and the environment for current and future generations.

While the SFPUC oversees these important infrastructure projects, the agency also understands that maintaining a resilient and sustainable sewer system requires a collaborative partnership with the public. That is why the SFPUC continued its successful **Adopt-a-Drain** and **Rain Guardian** campaigns. Adopt-a-Drain allows residents to "adopt" one of the City's 25,000 drains, with the pledge that they will clean and maintain the fixtures to reduce the risk of flooding. Similarly, the Rain Guardian program enables San Francisco residents to become "guardians" of the City's new rain gardens.

Interested in adopting one of the SFPUC's drains? Visit **adoptadrain.sfwater.org**.



Connecting With Our Communities



In a year of incalculable loss and tragedy, it became clear that San Francisco residents would need help to overcome the devastating impacts of the coronavirus pandemic.

The SFPUC quickly realized the public need for extra assistance, and in May 2020, the Affordability Team put together an emergency bill relief program that would significantly expand on the existing **Customer Assistance Program** and allow for many more people to be eligible and to apply quickly and easily. Under the Emergency Bill Relief initiative, eligible SFPUC customers received 35 percent off their sewer bills, 30 percent off their Hetch Hetchy Power bills and 15 percent off their water bills.

The Community Benefits team ensures that the SFPUC provides support to neighborhoods most impacted by SFPUC operations. That is why the team worked so hard to collect hundreds of surveys with input and feedback from residents in the Bayview/Hunters Point on the new **Southeast Community Center**, located at 1550 Evans Avenue. Construction on that long-awaited project began in March 2020. The new facility will provide community meeting rooms, two acres of green space, space for local non-profits, and a wide range of social services, including low-cost child-care to the public.

While construction kicked off in the Bayview a similar project started up in the East Bay town of Sunol, reflecting the commitment to SFPUC's regional communities. In March, work began on the **Alameda Creek Watershed Center**. The facility will raise awareness of the natural and cultural history of the Alameda Creek Watershed and the Hetch Hetchy Regional Water System. The Center's educational exhibits are being built in consultation with the Muwekma Ohlone Tribe, which shares its ancestral homeland with the site and the surrounding watershed.

The SFPUC's commitment to environmental education and building utility awareness extends to its work with youth-serving organizations to develop the next generation of environmental stewards and leaders. Through the **Project Learning Partnership Grant Program**, the Community Benefits team works with communitybased organizations across San Francisco to integrate project-based learning on water, power, and sewer concepts and develop civic and environmental awareness in youth. Grantee organizations successfully pivoted during the COVID-19 pandemic, allowing hundreds of young people to continue benefitting from their programs while learning about the critical services provided by the SFPUC.

To find out if you are eligible for the SFPUC's Community Assistance Program and other bill relief programs, visit **www.sfwater.org/billrelief**.



421

Number of young people that learned about water, power, and sewer concepts through the Project Learning Partnership grant program in FY 2019-20

Spring 2020

Expected completion date of the Southeast Community Center

Keeping Our Rates Affordable

Single-Family Residential FY 2019-20

Average Monthly Water and Sewer	\$125.02
Cost per Person/Day	\$1.77
Total Cost per Gallon, Water and Sewer	\$0.031
Total Combined Bill as % of San	4.400/
Francisco Median Household Income	1.42%

Calculation is based on the average monthly water usage

Financial Performance

Since 2010, this report has won the prestigious "Award for Outstanding Achievement in Popular Annual Financial Reporting" from the Government Finance Officers Association.



Government Finance Officers Association

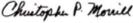
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Outstanding
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Financial Reporting

Presented to

San Francisco Public Utilities Commission, California

> For its Annual Financial Report for the Fiscal Year Ended

> > June 30, 2019



Executive Director/CEO

This award recognizes our commitment to increase public awareness by providing an overview of our financial condition. The financial information for this report is drawn from the audited financial statements in the SFPUC's *Fiscal Year 2020 Comprehensive Annual Financial Report (CAFR)*, using the full accrual basis of accounting and providing complete financial information and disclosures in conformance with generally accepted accounting principles (GAAP). PAFR is not audited and is presented on a non-GAAP basis as note disclosures have been excluded in the report. Our CAFR, which provides complete financial information and disclosures in conformance with GAAP, is available online at *sfwater.org/finance*.

Credit Ratings

Fiscal Year	2020	2019	2018
Standard & Poor's	AA-	AA-	AA-
Moody's Investors Service	Aa2	Aa3	Aa3
Average Borrowing Rate*	3.48%	3.63%	3.50%
Power			
Fitch	AA-	AA-	AA-
Standard & Poor's	AA	AA	A+
Average Borrowing Rate*	3.49%	3.44%	3.22%
Sewer			
Standard & Poor's	AA	AA	AA
Moody's Investors Service	Aa2	Aa3	Aa3
Average Borrowing Rate*	3.42%	3.37%	3.27%

*Average Borrowing Rate: Weighted average interest rate on outstanding debt as of 6/30/20.

The Comparative Consolidated Net Position

provide information about the nature and amount of resources and obligations at a specific point in time. SFPUC continued to reflect a strong and healthy financial condition over the last several fiscal years. Investments in capital assets constituted 81% of our net position and represented the amount by which the carrying value of capital assets exceeds capital-related debt, which comprises the outstanding balances of any bonds, commercial paper, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of

those assets. For fiscal year 2020, SFPUC net position increased by 10% or \$244 million as compared to fiscal year 2019, mainly due to increase in unrestricted from Water, Wastewater and CleanPowerSF related to increase in charges for services.

There are five components in the Statement of Net Position, which is intended to present what the entity owns (assets), owes (liabilities) and its residual or net position.

- Assets are resources with present service capacity that the government presently owns or controls.
- Deferred outflow of resources is a consumption of net assets by the government that is applicable to a future reporting period—for example, amortization of refunding loss to future periods.
- Liabilities are present obligations to sacrifice resources that the government has little or no discretion to avoid, such as debts owed, and represent claims against assets.
- 4. Deferred inflow of resources is an acquisition of net assets by the government that is applicable to a future reporting period—for example, amortization of net difference in pension projected verses actual earnings.
- 5. Net position is the residual of all other elements presented in a Statement of Net Position, i.e., the residual interest in the items owned or controlled after deducting debts. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position is improving or worsening.

The **Comparative Revenues and Expenses** report all of SFPUC's revenues and expenses for the periods shown reflected continued revenue growth. SFPUC strives to achieve strong financial performance and effectively controls its operating costs to not exceed revenues.

Definitions

 Capital Assets: Include depreciable, amortizable, non-amortizable and non-depreciable facilities and buildings, improvement, machinery and equipment, intangible assets, land and rights-ofway as well as construction work in progress, net of depreciation and amortization.

- Current and Other Assets: Assets easily converted to cash or consumed within one year: cash, investments, receivables, and prepaid expenses.
- Long-term Debt Outstanding: Payments due on debt that are more than 12 months in the future.
- Current Liabilities: Payments due on obligations owed by SFPUC within the next 12 months.
- Net Position: Total assets and deferred outflows of resources, less total liabilities and deferred inflows of resources.
- Change in Net Position: The total of net income (loss), net of transfers, and cumulative effect of accounting change.
- Depreciation and Amortization Expense:
 Depreciation spreads out the cost of a tangible asset over its useful life, and amortization is the deduction of intangible assets over a specified time period; typically the life of an asset.
- **Income (Loss):** The difference between total revenues less total expenses.
- Non-operating Revenues and Expenses:
 Revenues and expenses that are incidental
 to SFPUC's main purpose and derived from
 activities not directly related to SFPUC's
 operations such as: license fees and penalties,
 interest earnings and costs associated with debt.
- Operating Expenses: Expenses incurred in the provision of water, sewer, and power services.
- Operating Revenues: Revenues for the sale of water, sewer, and power services to customers, services, inspections, and programs provided by SFPUC.
- Transfers in: Funds recovered from other city departments to support various programs and projects.
- Transfers out: Funds provided to other city departments to support various programs and projects.

A Closer Look At The Numbers

SFPUC By the Numbers

Miles	1,719 miles of water mains 1,123 miles of collection system pipes
Millions of gallons (MG)	269,377 MG water reservoir storage 75,034 MG water production
Millions of gallons per day (MGD)	191.1 MGD water consumption 72.1 MGD sewer treatment
San Francisco Population	883,083
San Francisco Personal Income per Capita	\$140,493
SERLIC Website	ctwater org

SFPUC Assets (DOLLARS IN MILLIONS)

Cash & Investments \$ 1,355 1,596 Charges for Services Receivables (net of allowance for doubtful accounts) Capital Assets 9,199 8,661 Others	
Charges for Services Receivables (net of allowance for doubtful 132 131 accounts)	38
Charges for Services Receivables (net of allowance for doubtful 132 131	538
Cash & Investments	1
	(241)
Fiscal Year	Change

SFPUC Liabilities (DOLLARS IN MILLIONS)

Fiscal Year	2020	2019	Change
Capital Appreciation Bonds	\$ 0	2	(2)
Certificates of Participation .	142	146	(4)
Commercial Papers	634	503	131
Bonds	6,366	6,513	(147)
State Revolving Fund Loans.	161	88	73
Others	1,031	946	(85)
Total Liabilities	\$ 8,334	8,198	136

SFPUC assets increased by \$336 or 3.2%, which included increases of \$336 mainly from \$538 additional construction and capital improvements, \$34 other receivables mainly from other government entities and interest income offset by a decrease of \$236 in cash and investments mainly related higher capital spending.

SFPUC liabilities increased by \$136 or 1.7%. The increases included \$85 in other liabilities including amounts due to various city and government entities, net pension liability and other post-employment benefits (OPEB), restricted payables and \$51 in outstanding debts, mainly due to additional commercial paper issuance and state revolving loans.

Total revenues and transfers in increased by \$182 is mainly due to adopted rate increases from water and wastewater, and increased electricity sales from the CleanPowerSF Program due to completion of citywide enrollment and one-time gain of \$64 from the Water Enterprise property transfer. Total expenses and transfers out increased by \$125, as compared to prior year. This was primarily due to increase of \$53 in electricity/power purchase from CleanPowerSF as a result of higher electricity sales, \$28 in personnel services due to cost of living adjustments, pension and OPEB obligations based on actuarial reports, \$25 in depreciation expense, \$13 in interest expenses, net of premium, discount, refunding loss, and issuance costs, and \$7 in general administrative and other expenses offset by a decrease of \$10 in transfers out and non-operating expenses.

Financials At A Glance

SFPUC By the Numbers (DOLLARS IN MILLIONS, UNLESS OTHERWISE STATED)

	Water	Wastewater	Hetchy Water	Power	CleanPowerSF	SFPUC*
Standard & Poor's Bond Rating	AA-	AA	N/A	AA	N/A	N/A
Moody's Investors Service	Aa2	Aa2	N/A	N/A	N/A	N/A
Fitch	N/A	N/A	N/A	AA-	N/A	N/A
Current Ratio	1.04 times	1.06 times	12.23 times	2.05 times	4.9 times	1.29 times
Debt Ratio	92.8%	64.0%	18.6%	31.8%	24.0%	77.1%
Debt Service Coverage	2.16	6.08	N/A	31.37	N/A	N/A
Total Assets	\$ 6,231.8	3,535.9	253.5	674.3	121.9	10,814.6
Deferred Outflows of Resources	\$ 238.9	40.7	10.3	12.6	0.8	303.3
Total Liabilities	\$ 5,782.9	2,262.6	47.2	214.5	29.2	8,333.7
Deferred Inflows of Resources	\$ 46.7	21.1	5.5	6.8	2.4	82.5
Net Position	\$ 641.0	1,292.9	211.0	465.6	91.1	2,701.6
Number of Customer Accounts	176,379	174,516	5	4,077	383,179	738,156
Capital Budget	\$ 206.9	511.1	122.0	77.6	N/A	917.6
Adopted Annual Operating Budget	\$ 598.6	360.1	42.7	184.8	212.9	1,399.1

^{*}Credit ratings and debt service coverage are only applicable to outstanding debt.

Definitions

- Current Ratio measures the enterprise's ability to pay short-term obligations with its current assets. It is defined as current assets divided by current liabilities.
- **Debt Ratio** measures how much of the enterprise's assets are financed by debt. It is defined as total liabilities divided by total assets.
- **Debt Service Coverage** measures the enterprise's ability to meet both legal and policy-driven revenue obligations associated with debt. To ensure that the SFPUC retains financial flexibility for contingencies, it has adopted and implemented financial policies that impose higher standards than the bond indenture minimum debt service coverage requirements of 1.00x (current) and 1.25x (indenture).

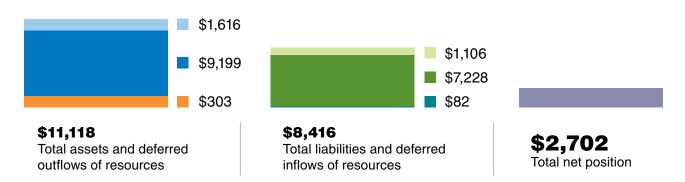
Five-Year Comparative Consolidated Net Position

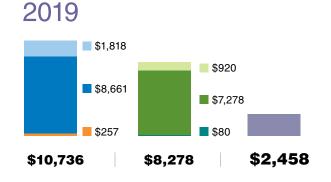
(DOLLARS IN MILLIONS)

- Current & other assets
- Capital assets net of accumulated depreciation and amortization
- Deferred outflows of resources
- Current liabilities
- Long-term liabilities
- Deferred inflows of resources

Net position

2020











Five-Year Comparative Revenues And Expenses

(DOLLARS IN MILLIONS)

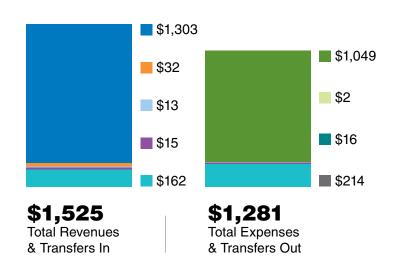
Revenues & Transfers in

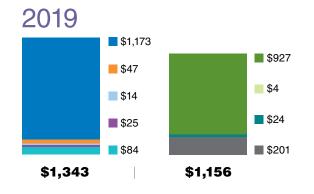
- Charges for services
- Interest & investment Income
- Rents & concessions
- Transfers in
- Others

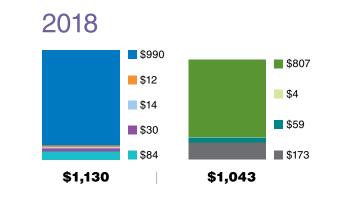
Expenses & Transfers out

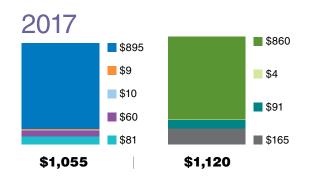
- Operating expenses
- Non-operating expenses
- Transfers out
- Interest expenses, Amortization of premium, discount, refunding loss & issuance costs

2020

















San Francisco Public Utilities Commission A Department of the City and County of San Francisco, California

Photos by: Carmen Magana, Robin Scheswohl

如果您需要中文或者西班牙文翻譯,請致電: (415) 554-3289.

Si necesita asistencia en español llame (415) 554-3289.

Kung kailangan ninyo ng tulong o salin sa wikang Filipino, tumawag lamang po sa (415) 554-3289.

SFPUC Communications Division Date of Publication: February 2021

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