San Francisco
Water Power Sewer
Services of the San Francisco Public Utilities Commission

BUSINESS SERVICES BUREAU
525 Golden Gate Avenue, 13th Floor
San Francisco, CA 94102
T 415.934.5707
F 415.554.1877

Date: March 11, 2025

To: Commissioner Kate H. Stacy, President
Commissioner Joshua Arce, Vice President
Commissioner Avni Jamdar
Commissioner Steve Leveroni

Through: Dennis J. Herrera, General Manager

From: Nancy L. Hom, Chief Financial Officer and Assistant General Manager, Business Services

Subject: FY 2024-25 Q2 Audit and Performance Review Report

This memorandum summarizes the San Francisco Public Utilities Commission (SFPUC) Quarterly Audit and Performance Review (QAPR) report for the second quarter of FY 2024-25, ending December 31, 2024.

I. Completed Audits

There were ten completed audits during the second quarter of FY 2024-25:

1. FY 2022-23 Wholesale Revenue Requirement: Statement of Changes in the Balancing Account | October 3, 2024
   Report Link: https://tinyurl.com/3t2ek84s

   Report Summary: Third-party auditor Macias Gini & O'Connell LLP performed the annual audit, as required by the Water Supply Agreement with Wholesale Water Customers, to review the allocation of operating and capital costs among retail and wholesale water customers.

   Audit Findings Summary: In the auditors' opinion, the Statement of Changes in the Balancing Account presents fairly, in all material aspects, the changes in the Balancing Account for fiscal year 2022-23. No deficiencies were noted with respect to internal controls over financial reporting.

2. <u>CY 2021-22 Energy Center SF LLC Franchise Fee Audit | October 10, 2024</u>
Report Link: https://tinyurl.com/e49rabe3

Report Summary: The Controller's City Services Auditor (CSA) engaged Sjoberg Evashenk Consulting, Inc., (SEC) to audit whether Energy Center San Francisco LLC (Energy Center) properly paid the franchise fee that the City and County of San Francisco charges to use its streets to install, construct, maintain, and operate steam pipe conduits for distributing steam for heating purposes for 2021 and 2022.

Audit Findings Summary: The audit found that the SFPUC generally fulfilled its obligations in administering and monitoring the franchise.

3. <u>CY 2021-22 Pacific Gas & Electric (PG&E) Franchise Fee Audit | October 17, 2024</u>
Report Link: https://tinyurl.com/yxv8yksr

Report Summary: The Controller's City Services Auditor engaged Sjoberg Evashenk Consulting, Inc., to audit the payment of franchise fees and surcharge fees by PG&E to the City and County of San Francisco (City) for 2021 and 2022. PG&E pays the City franchise fees to use city streets to transmit, distribute, and supply electricity and natural gas.

Audit Findings Summary: The audit found that the SFPUC generally fulfilled its obligations in administering and monitoring the franchise.

4. <u>EPA Guidelines Cybersecurity Self-Assessment | November 4, 2024</u>
Report is confidential

Report Summary: The SFPUC Audit Bureau and ITS Cybersecurity Team assessed ten internal operational technology systems using the Environmental Protection Agency (EPA) Cybersecurity Tool based on Cybersecurity and Infrastructure Security Agency Cross-sector Performance Objectives. This is a self-assessment as outlined by the EPA's Cybersecurity Risk Self-Assessment Resources.

5-7. <u>Audited Financial Statements for Hetch Hetchy Water and Power, Water, and Wastewater Enterprises | November 12, 2024</u>
Report Links: https://tinyurl.com/3bhxvkmp, https://tinyurl.com/3ta75cy5, https://tinyurl.com/485emjmm

Report Summary: It was the independent opinion of third-party auditor Macias Gini & O'Connell LLP that the financial statements for each of the enterprises were accurate and free from material misstatements, and additionally reported no deficiencies in internal control over financial reporting.

8. Chapter 6 Delegated Authority Audit | December 20, 2024
   Report Link: https://tinyurl.com/2wsk6ycv

   Report Summary: The scope of this performance audit conducted by the Board of Supervisors' Budget and Legislative Analyst's Office includes the procurement of public works contracts pursuant to Chapter 6 of the City's Administrative Code by the San Francisco Public Utilities Commission (SFPUC) during Fiscal Year (FY) 2019-20, FY 2020-21, and FY 2021-22. This report is the first of a multi-part performance audit of various City departments' delegated authority for procurement of public works contracts.

   Audit Findings Summary: The report included 16 recommendations relevant to SFPUC, relating mostly to suggested improvements in policy and procedure documentation and training standardization.

9. Annual Comprehensive Financial Report, FY 2022-23 | December 20, 2024
   Report Link: https://tinyurl.com/5f9vfm8f

   Report Summary: The Annual Comprehensive Financial Report holistically details the financial activities, condition, and services for Water, Wastewater, and Hetch Hetchy Water & Power & CleanPowerSF. It also provides financial and statistical data, inclusive of 10 years of financial and operating metrics, with social and economic data.

   It was the independent opinion of third-party auditor Macias Gini & O'Connell LLP that the financial statement within the report was accurate and free from material misstatements, and additionally reported no deficiencies in internal control over financial reporting.

10. Popular Annual Financial Report, FY 2023-24 | December 20, 2024
    Report Link: https://tinyurl.com/yas5m5ea

    Report Summary: The Popular Annual Financial Report (PAFR) is a high-level summary of information from the Annual Financial Report specifically designed to be readily accessible and easily understandable to the general public and other interested parties. This year's PAFR highlights rebuilding water and wastewater infrastructure; advancing green power and environmental initiatives; and delivering clean, efficient services.

II. Audit Recommendation Status

As of 12/31/24, 3 audit recommendations were open for the Procurements Public Integrity Assessment and 16 were open for the Chapter 6 Delegated Authority Audit.

If you have questions, please contact me at NHom@sfwater.org or Irella Blackwood, Audit Director, at iblackwood@sfwater.org.

cc: Irella Blackwood, Audit Director

Quarterly Audit & Performance Review Report
FY 2024-25 Audit Plan, By Status
As of December 31, 2024

Status	
Completed:	17
In Progress:	7
Upcoming:	12
Total:	36

#	Quarter Status	Audit Type	Enterprise / Bureau	Audit Name	Oversight Body
1-5	Completed	Financial	Water	Annual Physical Inventory Count, FY 2023-24	SFPUC, Finance
	Completed	Financial	Wastewater		
	Completed	Financial	Hetch Hetchy Water & Power		
6	Completed	Financial	Business Services, Finance	Post Audit, CY 2023	Controller
7	**[Updated]** Completed	Financial	Business Services, Finance	Wholesale Revenue Requirement: Statement of Changes in Balancing Account, FY 2022-23	BAWSCA
8	**[Updated]** Completed	Financial	Power	Franchise Fee Audit: Energy Center SF LLC	Controller
9	**[Updated]** Completed	Financial	Power	Franchise Fee Audit: Pacific Gas & Electric Company	Controller
10	**[Updated]** Completed	Financial	Water	Audited Financial Statements, FY 2023-24	Controller
11	**[Updated]** Completed	Financial	Wastewater		
12	**[Updated]** Completed	Financial	Hetch Hetchy Water & Power & CleanPowerSF		
13	**[Updated]** Completed	Financial	Business Services, Finance	Annual Comprehensive Financial Report, FY 2023-24	SFPUC
14	**[Updated]** Completed	Financial	Business Services, Finance	Popular Annual Financial Report, FY 2023-24	SFPUC
15	In Progress	Financial	Business Services, Finance	Single Audit, FY 2023-24	OMB
16	Upcoming	Financial	Business Services, Finance	Post Audit, CY 2024	Controller
17	Upcoming	Financial	Business Services, Finance	Wholesale Revenue Requirement: Statement of Changes in Balancing Account, FY 2023-24	BAWSCA
18	Upcoming	Financial	Water	Interim Financial Statements, FY 2024-25	Controller
19	Upcoming	Financial	Wastewater		
20	Upcoming	Financial	Hetch Hetchy Water & Power & CleanPowerSF		

21-25	**[Updated]** Upcoming	Financial	Water	Annual Physical Inventory Count, FY 2024-25	SFPUC, Finance
	[Updated] Upcoming	Financial	Wastewater		
	[Updated] Upcoming	Financial	Hetch Hetchy Water & Power		
26	Completed	Performance	Hetch Hetchy Water & Power	Cybersecurity Maturity Assessment, FY 2023-24	SFPUC
27	**[Updated]** Completed	Performance	All SFPUC	SFPUC Chapter 6 Delegated Authority Audit	BOS
28	**[Updated]** Completed	Performance	Hetch Hetchy Water & Power	EPA Cybersecurity Guidelines Self-Assessment	SFPUC
29	**[Updated]** In Progress	Performance	Human Resources Services	Citywide Payroll Audit	CSA, Controller
30	**[Updated]** In Progress	Performance	Human Resources Services	Public Integrity Assessment: Status of City Contracts	CSA, Controller
31	In Progress	Performance	All SFPUC	BLA Conflicts of Interest Audit	BOS
32	In Progress	Performance	All SFPUC	BLA Work Orders Audit	BOS
33	Upcoming	Performance	Customer Services Bureau	Customer Assistance Program Post-Enrollment Verification	SFPUC
34	Upcoming	Performance	CleanPowerSF	CleanPowerSF Independent Privacy Audit	SFPUC
35	In Progress	Concessions, Lease Revenue	Real Estate Services	Revenue Lease Audit: Mission Valley Rock	CSA, Controller
36	In Progress	Revenue Bond Oversight Committee	RBOC	SFPUC Revenue Bond Programs Audit: Phase III	RBOC

SAN FRANCISCO WATER ENTERPRISE AND HETCH HETCHY WATER AND POWER

Statement of Changes in the Balancing Account
and Independent Auditor's Report

Year Ended June 30, 2023

MGO. | Certified Public Accountants

SAN FRANCISCO WATER ENTERPRISE AND HETCH HETCHY WATER AND POWER

Statement of Changes in the Balancing Account
Year Ended June 30, 2023

Table of Contents

Independent Auditor's Report

To the City and County of San Francisco
and the Wholesale Customers:

Opinion

We have audited the Statement of Changes in the Balancing Account (Statement) of the San Francisco Water Enterprise and Hetch Hetchy Water and Power, under the jurisdiction of the San Francisco Public Utilities Commission (SFPUC), for the year ended June 30, 2023, and the related notes to the Statement.

In our opinion, the Statement presents fairly, in all material respects, the changes in the Balancing Account for the year ended June 30, 2023 in accordance with Article VII, Section 7.02 of the Water Supply Agreement (WSA), between the City and County of San Francisco (City) and certain wholesale customers in the counties of San Mateo, Santa Clara, and Alameda (Wholesale Customers) effective July 1, 2009.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Statement section of our report. We are required to be independent of the SFPUC and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Emphasis of Matter – Basis of Accounting

We draw attention to Note 1(b) to the Statement, which describes the basis of accounting. The Statement was prepared by the SFPUC on the basis of the financial reporting provisions of Article VII, Section 7.02 of the WSA, which is a basis of accounting other than U.S. generally accepted accounting principles, to comply with the financial reporting provisions of the WSA. As a result, the statement may not be suitable for another purpose. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Statement

Management is responsible for the preparation and fair presentation of the Statement in accordance with the financial reporting provisions of Article VII, Section 7.02 of the WSA, and for the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of the Statement that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibilities for the Audit of the Statement

Our objectives are to obtain reasonable assurance about whether the Statement as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that

Macias Gini & O'Connell LLP
2121 N. California Blvd., Suite 750
Walnut Creek, CA 94596

www.mgocpa.com

includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the Statement.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the Statement, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the Statement.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the SFPUC's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the Statement.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Restriction on Use

This report is intended solely for the information and use of the Mayor, Board of Supervisors, San Francisco Public Utilities Commission, City management, and the Wholesale Customers, and is not intended to be and should not be used by anyone other than these specified parties.

Macias Gini & O'Connell LLP

Walnut Creek, California
October 3, 2024

SAN FRANCISCO WATER ENTERPRISE AND
HETCH HETCHY WATER AND POWER

Statement of Changes in the Balancing Account

Year ended June 30, 2023

	Total	Amount Allocated to the Wholesale Customers
Wholesale Revenue Requirement:		
Operation and Maintenance Expenses:		
San Francisco Water Enterprise (Water Enterprise):		
Source of supply	$ 39,592,537	$ 22,105,779
Pumping	2,102,414	—
Treatment	55,985,294	36,614,550
Transmission and distribution	75,038,338	19,091,825
Customer accounts	11,223,326	220,786
Total Water Enterprise Operation and Maintenance Expenses	$ 183,941,909	$ 78,032,940
Hetch Hetchy Water and Power (Hetch Hetchy):		
Hetch Hetchy Operation and Maintenance Expenses	$ 184,927,558	$ 19,979,270
Administrative and General (A&G) Expenses:		
Countywide cost allocation plan:		
Water Enterprise	2,802,293	1,188,733
Hetch Hetchy	1,734,411	515,510
San Francisco Public Utilities Commission (Bureaus):		
Water Enterprise	39,185,883	17,296,123
Hetch Hetchy	20,067,511	3,516,646
Other A&G – Water Enterprise	24,111,427	8,340,115
Other A&G – Hetch Hetchy	35,363,621	3,916,577
Compliance audit	58,204	29,102
Total Administrative and General Expenses	$ 123,323,350	$ 34,802,806
Property Taxes (Outside City Only):		
Water Enterprise	1,960,484	1,298,429
Hetch Hetchy	601,182	178,686
Total Property Taxes	$ 2,561,666	$ 1,477,115
Capital Cost Contribution – New Regional Assets:		
Debt-funded capital projects:		
Water Enterprise (note 4a)		150,828,973
Hetch Hetchy Water (note 4a)		4,649,519
True-up of substantially expended bonds (note 4b)		(532)
Revenue-funded capital projects:		
Water Enterprise (note 4c)		16,557,500
Hetch Hetchy		—
True-up of Wholesale Capital Fund (note 4e)		(6,131,293)
Total Capital Cost Contribution		$ 165,904,167
Total Wholesale Revenue Requirement		**$ 300,196,298**

See accompanying notes to the statement of changes in the balancing account.

SAN FRANCISCO WATER ENTERPRISE AND
HETCH HETCHY WATER AND POWER

Statement of Changes in the Balancing Account (Continued)
Year ended June 30, 2023

Balance due to Wholesale Customers, July 1, 2022	$ (30,641,321)
Interest on Beginning Balance	(649,596)
Net Wholesale Revenue Billed (note 5)	(273,153,247)
Deposit to Wholesale Coverage Reserve (note 6a)	14,151,740
Transfer from Balancing Account for BAWSCA Water Projects (note 2a)	75,000
Calculated Wholesale Revenue Requirement	300,196,298
FY 20-21 Net Interest on Wholesale Coverage Reserve / Working Capital (note 6b)	(232,781)
Balance due from Wholesale Customers, June 30, 2023	**$ 9,746,093**
Wholesale revenue coverage reserve shortfall, as of June 30, 2023	$ 424,695

See accompanying notes to the statement of changes in the balancing account.

1) Summary of Significant Accounting Policies

a) Water Supply Agreement

The City and County of San Francisco (City), acting by and through its Public Utilities Commission (SFPUC), and certain wholesale customers in the counties of San Mateo, Santa Clara, and Alameda (Wholesale Customers), as represented by the Bay Area Water Supply and Conservation Agency (BAWSCA), ratified the November 2021 Amended and Restated Wholesale Water Supply Agreement (WSA) in January 2023. The term of the WSA began on July 1, 2009 and shall end on June 30, 2034, with two options for five-year extensions., and contains provisions on rate-setting (including emergency and drought-pricing adjustments), accounting, and dispute resolution. The WSA has a supply assurance of 184 million gallons per day (mgd). During the period from 2009 to 2028, the WSA limits the quantity of water delivered to retail customers and Wholesale Customers from the watersheds to 81 mgd and 184 mgd, respectively, or a total of 265 mgd.

b) Basis of Accounting

Pursuant to the terms of the WSA, the accounts of the San Francisco Water Enterprise (Water Enterprise) and Hetch Hetchy Water and Power (Hetch Hetchy), are maintained in conformity with accounting principles generally accepted in the United States of America. The financial activities of the Water Enterprise and Hetch Hetchy Funds are accounted for on a flow of economic resources measurement focus, using the accrual basis of accounting. Under this method, all assets and liabilities associated with its operations are included on the statements of net position; revenues are recognized when earned, and expenses are recognized when liabilities are incurred. For copies of the Water Enterprise and Hetch Hetchy audited financial statements for the year ended June 30, 2023, please contact the Chief Financial Officer, San Francisco Public Utilities Commission, 525 Golden Gate Avenue, 13th Floor, San Francisco, California 94102.

c) Balancing Account under the WSA

Pursuant to the terms of the WSA, the SFPUC is required to establish water rates applicable to the Wholesale Customers at the beginning of each fiscal year. The wholesale water rates are based on an estimate of revenues necessary to recover the cost of distributing water to the Wholesale Customers in accordance with the methodology outlined in Articles V and VI of the WSA.

Pursuant to Article VII, Section 7.02 of the WSA, the City is required to prepare the Wholesale Revenue Requirement (WRR) of the Water Enterprise and Hetch Hetchy after the close of each fiscal year based on the actual costs incurred in the delivery of water to the Wholesale Customers. The difference between the wholesale revenue billed to the Wholesale Customers during the year and the “actual” WRR is recorded in a separate account (the Balancing Account) and represents the cumulative amount that is either owed to the Wholesale Customers (if wholesale revenue billed exceed the WRR) or owed to the SFPUC (if the WRR exceeds wholesale revenues billed). The Balancing Account is reflected on the Water Enterprise’s financial statements as either an asset or a liability depending on the amount due from or owed to the Wholesale Customers.

In accordance with Article VI, Section 6.05B of the WSA, the amount recorded in the Balancing Account will earn interest at a rate equal to the average rate earned on the invested pooled funds of the City Treasurer, and is taken into consideration in the determination of subsequent wholesale water rates.

d) Proportional Annual Use and Adjusted Proportional Annual Use

The WSA states that Wholesale Customers will pay their share of expenses incurred by the SFPUC in delivering water on the basis of Proportional Annual Use unless otherwise indicated in the WSA. Under the WSA, current operating expenditures, including regional revenue-funded capital projects and debt service on bonds sold to finance regional water system improvements, are allocated between Retail Customers and the Wholesale Customers on the basis of Proportional Annual Use.

The Proportional Annual Use is defined as the share of deliveries from the Regional Water System used by City retail customers and by the Wholesale Customers in a fiscal year, expressed as a percentage. The Adjusted Proportional Annual Use is defined as the respective percentages of annual water use, as adjusted to reflect deliveries of water by Hetch Hetchy to Retail Customers outside of the city limits of the City and County of San Francisco.

WSA Attachment J prescribes the calculation methodology to determine Proportional Annual Use. At the end of each fiscal year, the SFPUC and BAWSCA review and approve Table J-1 to memorialize the annual water deliveries to retail and Wholesale Customers. The information in the Table J-1 is the basis for the Proportional Annual Use calculation.

e) Minimum Annual Purchases

Alameda County Water District and the cities of Milpitas, Mountain View, and Sunnyvale have agreed to a minimum annual purchases requirement, which requires each to purchase a minimum annual quantity of water from the SFPUC. These minimum quantities are included in the Individual Water Sales Contracts between SFPUC and each of these four Wholesale Customers.

These Wholesale Customers are billed for minimum quantities only if minimum annual purchase quantities have not been met in any fiscal year. Minimum annual purchase payments are considered wholesale water revenues. Additionally, the Proportional Annual Use is based on minimum quantities for each of these four customers if minimum annual purchase quantities are not met. Any differences between minimum quantities and below-minimum actuals are referred to as imputed water sales.

During the year ended June 30, 2023 the minimum purchase requirements were waived due to the Governor’s July 8, 2021 drought emergency declaration, as authorized by Section 3.07 of the WSA.

f) Basis of Allocating Operating Expenses

Pursuant to the terms of the WSA, direct Water Enterprise and specific Hetch Hetchy expenses are allocated to the applicable user(s). Regional Water Enterprise operating and maintenance expenses related to source of supply, treatment, transmission and distribution are allocated based on Proportional Annual Use.

Two percent of Water Enterprise customer service expenses are allocated to the Wholesale Customers. Water Enterprise administrative and general expenses, including the assigned costs under the City's Countywide Cost Allocation Plan, services provided by other City departments and water administration, are allocated based on the ratio of total allocated wholesale operating and maintenance expenses to total Water Enterprise operating and maintenance expenses. Certain SFPUC bureau expenses are identified as regional operations and maintenance expenses and allocated to the Wholesale Customers on Proportional Annual Use basis. Remaining SFPUC bureau expenses are allocated to the Water Enterprise on the basis of labor costs incurred by the various SFPUC enterprises, and then allocated to the Wholesale Customers on the basis of Proportional Annual Use.

Water Enterprise property taxes are levied against properties owned by the City in Alameda, San Mateo, and Santa Clara counties, and operated and managed by the SFPUC. Hetch Hetchy property taxes are levied against properties owned by the City in Tuolumne, Stanislaus, San Joaquin, and Alameda counties, and operated and managed by the SFPUC. All property taxes paid, net of (1) reimbursements received from lessees and permit holders and (2) refunds from taxing authorities, are considered Water Enterprise regional expenses or joint Hetch Hetchy expenses. The Wholesale Customers are allocated a share of Water Enterprise and Hetch Hetchy property tax expenses on the basis of Proportional Annual Use and Adjusted Proportional Annual Use, respectively.

Forty-five percent of joint Hetch Hetchy expenses are water-related expenses. The water-related share of joint Hetch Hetchy operating, maintenance, and administrative and general expenses is allocated based upon on Adjusted Proportional Annual Use.

Fifty percent of the cost of the compliance audit is allocated to the Wholesale Customers.

g) Wholesale Customers Review

Article VII, Section 7.06 of the WSA provides the Wholesale Customers the right to conduct a review of the SFPUC's calculation of the annual Wholesale Revenue Requirement and changes in the Balancing Account. The review shall be completed within 60 days after the compliance auditor's report is issued. At the conclusion of the review, representatives of SFPUC and BAWSCA meet to discuss any differences noted. Adjustments agreed by both parties are adjusted to the Balancing Account. If differences cannot be resolved, the dispute shall be submitted to the arbitration in accordance with Article VIII, Section 8.01 of the WSA.

SFPUC and the Wholesale Customers have clarified certain procedures relating to the administration of the accounting, debt administration, and capital cost contribution components of Articles V and VI as part of the Settlement Agreements for various fiscal years. For copies of the Settlement Agreements (Article VII, Section 7.06 of the WSA) for the year ended June 30, 2010, please contact the Chief Financial Officer, San Francisco Public Utilities Commission, 525 Golden Gate Avenue, 13th Floor, San Francisco, California 94102.

h) Capital Cost Contribution – New Regional Assets

The wholesale share of Water Enterprise and Hetch Hetchy capital expenditures incurred during the term of the WSA are allocated on the basis of Proportional Annual Use and Adjusted Proportional Annual Use, respectively. These costs include net annual debt service and appropriations for revenue-funded regional capital additions.

Capital expenditures financed by debt are allocated to bond proceeds on a first-in, first-out basis to the extent allowable by law and the terms of the applicable indenture. In accordance with Article V, Section 5.04A of the WSA, the SFPUC issues a certificate on the expected use of bond proceeds within 15 days of issuance (WSA Attachment L-2), and a report on actual expenditures of and earnings on bond proceeds after the proceeds are considered substantially expended (WSA Attachment L-3). The Wholesale Customers' proportionate share of net annual debt service is based on the expected use of bond proceeds on regional projects. Any differences between expected and actual expenditures on regional projects are applied in the year the proceeds are substantially expended. For copies of WSA Attachments L-2 or L-3 previously issued for each indenture, please contact the Chief Financial Officer, San Francisco Public Utilities Commission, 525 Golden Gate Avenue, 13th Floor, San Francisco, California 94102.

The regional share of appropriations for revenue-funded regional asset expenditures are allocated to the Water Enterprise and Hetch Hetchy on the basis of Proportional Annual Use and Adjusted Proportional Annual Use, respectively. Adjustments to reflect actual vs. appropriated expenditures are made in accordance with Article VI, Section 6.08 of the WSA, as amended.

i) Allocation of 525 Golden Gate Avenue Expenses

525 Golden Gate Avenue is the headquarters of the SFPUC as of July 2012. This building consolidated divisions of the SFPUC that were renting space at multiple locations in the Civic Center area, and consists of a new 277,500 square-foot Class A office building that spans 13 floors plus a basement level. In allocating 525 Golden Gate Avenue costs, building tenants occupy 10,709 square feet (3.9% of total building square footage), which reduces the costs allocated to the Wholesale Customers.

Certificates of Participation, 2009 Series C and D, were issued by the City in October 2009 to fund the SFPUC headquarters building at 525 Golden Gate Avenue.

Operating, maintenance, capital expenses, and debt service payments pertaining to 525 Golden Gate Avenue are classified as administrative and general expenses and are allocated to the three enterprises (Water, Hetch Hetchy, and Wastewater) based on square footage occupied by each enterprise based at 525 Golden Gate Avenue.

j) Interest Earnings and Excess Funds Related to Bond Issuance

Interest earnings and excess funds available from funds associated with regional bonds – including Debt Service Reserves and Capital Projects Funds – are allocated between the Wholesale and Retail Customers based on the debt service allocation of the underlying bond series (see Note 4)a)).

All interest earnings on Debt Reserve Funds are accounted for as credits against gross debt service in determining the net debt service amounts. Interest earnings from unexpended bond proceeds in the Capital Projects Funds are typically treated as additional funds available for project expenditures; in some cases they may be allocated as credits against gross debt service.

k) Grants

The Wholesale Customers are allocated a proportional benefit from funds received by the SFPUC from (a) governmental grants, rebates, reimbursements, or other subventions or (b) private-sector grants for regional capital or operating purposes. The Wholesale Customers' allocated benefit is based on any excess of grant revenues over expenses.

Revenues bonds 2010 Series B, 2010 Series E, and 2010 Series G were issued as Build America Bonds, with the federal government subsidizing a portion of the annual interest payments. The subsidy amount changes based on the federal government's budget. Per the Fiscal Year 2015-16 Settlement Agreement, cash receipts in a fiscal year are credited proportionally to the Wholesale Customers based on the underlying debt service allocation of each series.

I) Wholesale Revenue Coverage Reserve and Working Capital Requirements

Under Article VI, Section 6.06 of the WSA, the SFPUC may require periodic deposits by the Wholesale Customers to fund a debt service coverage reserve account (the Wholesale Revenue Coverage Reserve) established and maintained by the SFPUC to meet debt service and minimum working capital requirements. The WSA sets the formula to calculate the debt service coverage and the working capital requirement. The ceiling of the Wholesale Revenue Coverage Reserve is the greater amount between the required debt service coverage and the working capital. Under Article VI, Section 6.06B of the WSA, any balance in the Wholesale Revenue Coverage Reserve in excess of the actual wholesale coverage requirement may be applied as a credit against wholesale rates in the following fiscal year, unless otherwise instructed by BAWSCA.

The Debt Service Coverage is calculated as the lesser of: (i) 35% of the Wholesale Customers' share of net annual debt service for the applicable fiscal year or (ii) the amount necessary to meet the Wholesale Customers' proportionate share of debt service coverage, less any credits for previous deposits and interest accruing to the Wholesale Revenue Coverage Reserve.

The working capital requirement prescribed in Article VI, Section 6.07 of the WSA is one-sixth (two months) of the annual wholesale allocation of operation and maintenance, administrative and general, and property tax expenses for the Water Enterprise and Hetch Hetchy.

Interest on the Wholesale Coverage Reserve is included as an adjustment to the Balancing Account in the subsequent fiscal year based on the Wholesale Coverage Reserve balances, calculated working capital requirement and the City's pooled fund rate from the prior fiscal year. The entire Wholesale Coverage Reserve accrues interest at the City's pooled funds rate. If the average monthly Wholesale Coverage reserve balance is less than the calculated working capital requirement, interest on the Wholesale Coverage Reserve is reduced by calculated interest on the difference between the balance and the calculated working capital requirement. No adjustment is made to interest earnings for a year-end deficiency in the Debt Service Coverage requirement.

2) Balancing Account under the WSA

a) Application of Balancing Account for Water Supply Projects

In June 2023, $75,000 from the Balancing Account was transferred to BAWSCA to support water supply projects, as authorized by WSA Section 6.05.B.2. This amount was deducted during the Fiscal Year and reflected in the Balancing Account as of June 30, 2023.

3) Proportional Annual Use and Adjusted Proportional Annual Use

The Proportional Annual Use and the Adjusted Proportional Annual Use for the Wholesale and Retail Customers since the inception of the WSA in Fiscal Year 2009–10 are summarized below:

Table 3.1. Proportional Annual Use and Adjusted Proportional Annual Use

	Proportional Annual Use		Adjusted Proportional Annual Use	
Fiscal Year	**Wholesale**	**Retail**	**Wholesale**	**Retail**
2009-10	66.67%	33.33%	66.48%	33.52%
2010-11*	65.86	34.14	65.70	34.30
2011-12*	65.83	34.17	65.72	34.28
2012-13	66.56	33.44	66.43	33.57
2013-14	67.63	35.37	67.52	32.48
2014-15	65.67	34.33	65.56	34.44
2015-16	63.28	36.72	63.15	36.85
2016-17	64.27	35.73	64.12	35.88
2017-18*	66.04	33.96	65.91	34.09
2018-19*	65.68	34.32	65.52	34.48
2019-20*	66.99	33.01	66.90	33.10
2020-21*	69.94	30.06	69.76	30.24
2021-22	68.70	31.30	68.51	31.49
2022-23	66.23	33.77	66.05	33.95

*adjusted for imputed water sales

4) Capital Cost Contribution – New Regional Assets

a) Debt-Funded Capital Projects

The Water Enterprise has previously issued revenue bonds to fund the construction of new regional capital assets. As of June 30, 2023, outstanding debt related to the construction of new regional capital assets included 11 different Water Revenue Bond Series, as well as 10 different Water Revenue Bond Series refunding all or a portion of other bonds. When a bond refunds more than one underlying bond series, the debt service is split out and allocated to the Wholesale Customers proportionally based on the allocation of the underlying bond. The following tables summarize the net debt service expenditures on outstanding debt related to the construction of new regional assets that was determined to be allocable to the Retail and Wholesale Customers.

Net Annual Debt Service is reduced by payments made from proceeds of indebtedness, earnings on bond proceeds used to pay debt service, and debt-related governmental grants. In the year ended June 30, 2023, this included Build America Bond Subsidy (BABS) revenues on the 2010 Series B, 2010 Series E, and 2010 Series G taxable bonds and interest earnings on funds held by the trustee and applied to reduce debt service payments.

Table 4.1. Adjustments to Debt Service Interest

	Interest and Other Cash on Hand	Build America Bond Subsidy	Total Adjustments to Interest
Water Enterprise Bonds			
2010 Series B	$ (60,552)	$ (6,709,545)	$ (6,770,097)
2010 Series E	(58,741)	(6,518,073)	(6,576,814)
2010 Series G	(71,594)	(8,062,186)	(8,133,780)
2015 Series A/2006 Series A Refunding	(10,337)	—	(10,337)
2015 Series A/2009 Series A Refunding	(597)	—	(597)
2016 Series A/2009 Series A Refunding	(7,697)	—	(7,697)
2016 Series A/2009 Series B Refunding	(8,166)	—	(8,166)
2016 Series A/2010 Series F Refunding	(5,749)	—	(5,749)
2016 Series C	(4,490)	—	(4,490)
2017 Series A	(1,307)	—	(1,307)
2017 Series B	(2)	—	(2)
2017 Series D/2011 Series A Refunding	(2,958)	—	(2,958)
2017 Series D/2012 Series A Refunding	(1,442)	—	(1,442)
2017 Series G/2011 Series A Refunding	(5,879)	—	(5,879)
2019 Series A/2011 Series A Refunding	(3,224)	—	(3,224)
2019 Series A/2012 Series A Refunding	(2,529)	—	(2,529)
2020 Series A	(1,594)	—	(1,594)
2020 Series B	(683)	—	(683)
2020 Series E/2012 Series A Refunding	(1,552)	—	(1,552)
2020 Series E/2017 Series A Refunding	(749)	—	(749)
2020 Series F/2017 Series B Refunding	(786)	—	(786)
Subtotal Water Enterprise Bonds	$ (250,628)	$ (21,289,804)	$ (21,540,432)
Hetch Hetchy Water Bonds			
2017 Series C	(1)	—	(1)
2017 Series F/2011 Series B Refunding	(400)	—	(400)
2019 Series B/2011 Series B Refunding	—	—	—
2020 Series D	(2,459)	—	(2,459)
2020 Series H/2017 Series C Refunding	(2)	—	(2)
Subtotal Hetch Hetchy Water Bonds	$ (2,862)	$ —	$ (2,862)
Total Adjustments to Interest	**$ (253,490)**	**$ (21,289,804)**	**$ (21,543,294)**

The Water Enterprise and Hetch Hetchy Water paid $298,230,225 in gross debt service on the bonds listed in the table below during the year ended June 30, 2023. The gross debt service is decreased to $276,686,931 as of June 30, 2023 when of the adjustments to interest shown in Table 4.1 of $21,543,294 are applied against the gross debt service payments.

Table 4.2. Debt Service Expenditures – New Regional Assets

	Principal	Net Interest	Total
Water Enterprise Bonds			
2010 Series B	$ 12,780,000	$ 13,558,778	$ 26,338,778
2010 Series E	12,745,000	13,171,931	25,916,931
2010 Series G	—	16,293,385	16,293,385
2015 Series A/2006 Series A Refunding	16,045,000	15,853,757	31,898,757
2015 Series A/2009 Series A Refunding	—	1,843,653	1,843,653
2016 Series A/2009 Series A Refunding	11,030,000	12,313,053	23,343,053
2016 Series A/2009 Series B Refunding	10,745,000	14,019,959	24,764,959
2016 Series A/2010 Series F Refunding	11,015,000	6,421,126	17,436,126
2016 Series C	5,955,000	8,609,649	14,564,649
2017 Series A	2,325,000	1,290,568	3,615,568
2017 Series B	2,835,000	1,575,623	4,410,623
2017 Series D/2011 Series A Refunding	1,455,000	11,080,967	12,535,967
2017 Series D/2012 Series A Refunding	—	6,113,308	6,113,308
2017 Series G/2011 Series A Refunding	13,070,000	700,551	13,770,551
2019 Series A/2011 Series A Refunding	2,200,000	10,587,431	12,787,431
2019 Series A/2012 Series A Refunding	1,295,000	8,734,551	10,029,551
2020 Series A	—	7,293,156	7,293,156
2020 Series B	—	3,065,817	3,065,817
2020 Series E/2012 Series A Refunding	455,000	6,303,495	6,758,495
2020 Series E/2017 Series A Refunding	45,000	3,215,721	3,260,721
2020 Series F/2017 Series B Refunding	—	3,596,810	3,596,810
Subtotal Water Enterprise Bonds	$ 103,995,000	$ 165,643,289	$ 269,638,289
Hetch Hetchy Water Bonds			
2017 Series C	1,355,000	753,624	2,108,624
2017 Series F/2011 Series B Refunding	700,000	417,350	1,117,350
2019 Series B/2011 Series B Refunding	70,000	557,825	627,825
2020 Series D	—	1,473,541	1,473,541
2020 Series H/2017 Series C Refunding	—	1,721,302	1,721,302
Subtotal Hetch Hetchy Water Bonds	$ 2,125,000	$ 4,923,642	$ 7,048,642
Total Debt Service Expenditures	**$ 106,120,000**	**$ 170,566,931**	**$ 276,686,931**

The following tables show the allocation of each bond series to retail and regional projects, as well as the fiscal year during which each bond reached substantially expended. Bond 2020 Series A reached substantially expended during the year ended June 30, 2023.

Table 4.3. Wholesale Customers Debt Service Allocation (%)

	Excluded Costs	Retail Projects	Regional Projects	Total	Substantially Expended Fiscal Year
Water Enterprise Bonds					
2010 Series B	0.02	7.13	92.85	100.00	FY 11-12, adj. FY 15-16 7.06
2010 Series E	–	3.14	96.86	100.00	FY 15-16, adj. FY 21-22
2010 Series G	–	–	100.00	100.00	FY 14-15
2015 Series A/2006 Series A Refunding	33.71	13.10	53.19	100.00	FY 07-08, adj. FY 09-10 7.06
2015 Series A/2009 Series A Refunding	31.65	10.43	57.92	100.00	FY 09-10, adj. FY 09-10 7.06
2016 Series A/2009 Series A Refunding	31.65	10.43	57.92	100.00	FY 09-10, adj. FY 09-10 7.06
2016 Series A/2009 Series B Refunding	0.85	10.31	88.84	100.00	FY 10-11, adj. FY 21-22
2016 Series A/2010 Series F Refunding	–	–	100.00	100.00	FY 14-15
2016 Series C	–	0.98	99.02	100.00	FY 20-21
2017 Series A	–	0.54	99.46	100.00	FY 18-19
2017 Series B*	–	70.40	29.60	100.00	
2017 Series D/2011 Series A Refunding	–	6.47	93.53	100.00	FY 14-15
2017 Series D/2012 Series A Refunding	–	8.83	91.17	100.00	FY 18-19
2017 Series G/2011 Series A Refunding	–	6.47	93.53	100.00	FY 14-15
2019 Series A/2011 Series A Refunding	–	6.47	93.53	100.00	FY 14-15
2019 Series A/2012 Series A Refunding	–	8.83	91.17	100.00	FY 18-19
2020 Series A	–	7.45	92.55	100.00	FY 22-23
2020 Series B*	–	–	100.00	100.00	
2020 Series E/2012 Series A Refunding	–	8.83	91.17	100.00	FY 18-19
2020 Series E/2017 Series A Refunding	–	0.54	99.46	100.00	FY 18-19
2020 Series F/2017 Series B Refunding*	–	70.40	29.60	100.00	
Hetch Hetchy Water Bonds					
2017 Series C	–	–	100.00	100.00	FY 18-19
2017 Series F/2011 Series B Refunding	–	0.53	99.47	100.00	FY 18-19
2019 Series B/2011 Series B Refunding	–	0.53	99.47	100.00	FY 18-19
2020 Series D	–	–	100.00	100.00	FY 21-22
2020 Series H/2017 Series C Refunding	–	–	100.00	100.00	FY 18-19

* Expected allocation to be trued up when bond reaches Substantially Expended status (note 4b)

The table below shows the allocation of the net debt service in Table 4.2 using the percentages from Table 4.3. The regional share of all bonds except for 2011 Series B, 2017 Series C, and 2020 Series D is allocated based on Proportional Annual Use, which was 66.23%. Because 2011 Series B, 2017 Series C, and 2020 Series D fund Hetch Hetchy water-related capital project expenditures, the Wholesale share of the debt on these series for the year ended June 30, 2023 was allocated using the Adjusted Proportional Annual Use percentage of 66.05%

In total, $155,478,492 in net debt service is allocated to the Wholesale Customers.

Table 4.4. Wholesale Customers Debt Service Allocation ($)

	Excluded Costs	Retail Projects	Regional Projects	Total	Proportional Annual Use	Total Wholesale Debt Service
Water Enterprise Bonds						
2010 Series B	$ 5,268	$ 1,877,955	$ 24,455,555	$ 26,338,778	66.23%	$ 16,196,914
2010 Series E	–	813,792	25,103,139	25,916,931	66.23%	16,625,809
2010 Series G	–	–	16,293,385	16,293,385	66.23%	10,791,109
2015 Series A/ 2006 Series A Refunding	10,753,071	4,178,737	16,966,949	31,898,757	66.23%	11,237,210
2015 Series A/ 2009 Series A Refunding	583,516	192,293	1,067,844	1,843,653	66.23%	707,233
2016 Series A/ 2009 Series A Refunding	7,388,076	2,434,681	13,520,296	23,343,053	66.23%	8,954,492
2016 Series A/ 2009 Series B Refunding	210,502	2,553,267	22,001,190	24,764,959	66.23%	14,571,388
2016 Series A/ 2010 Series F Refunding	–	–	17,436,126	17,436,126	66.23%	11,547,946
2016 Series C	–	142,734	14,421,915	14,564,649	66.23%	9,551,634
2017 Series A	–	19,524	3,596,044	3,615,568	66.23%	2,381,660
2017 Series B	–	3,105,079	1,305,544	4,410,623	66.23%	864,662
2017 Series D/ 2011 Series A Refunding	–	811,077	11,724,890	12,535,967	66.23%	7,765,395
2017 Series D/ 2012 Series A Refunding	–	539,805	5,573,503	6,113,308	66.23%	3,691,331
2017 Series G/ 2011 Series A Refunding	–	890,955	12,879,596	13,770,551	66.23%	8,530,156
2019 Series A/ 2011 Series A Refunding	–	827,347	11,960,084	12,787,431	66.23%	7,921,164
2019 Series A/ 2012 Series A Refunding	–	885,609	9,143,942	10,029,551	66.23%	6,056,033
2020 Series A	–	543,340	6,749,816	7,293,156	66.23%	4,470,403
2020 Series B	–	–	3,065,817	3,065,817	66.23%	2,030,491
2020 Series E/ 2012 Series A Refunding	–	596,775	6,161,720	6,758,495	66.23%	4,080,907
2020 Series E/ 2017 Series A Refunding	–	17,608	3,243,113	3,260,721	66.23%	2,147,914
2020 Series F/ 2017 Series B Refunding	–	2,532,154	1,064,656	3,596,810	66.23%	705,122
Subtotal Water Enterprise Bonds	$ 18,940,433	$ 22,962,732	$ 227,735,124	$ 269,638,289		$ 150,828,973
Hetch Hetchy Water Bonds						
2017 Series C	–	–	2,108,624	2,108,624	66.05%	1,392,746
2017 Series F/ 2011 Series B Refunding	–	5,922	1,111,428	1,117,350	66.05%	734,098
2019 Series B/ 2011 Series B Refunding	–	3,327	624,498	627,825	66.05%	412,481
2020 Series D	–	–	1,473,541	1,473,541	66.05%	973,274
2020 Series H/ 2017 Series C Refunding	–	–	1,721,302	1,721,302	66.05%	1,136,920
Subtotal Hetch Hetchy Water Bonds	$ –	$ 9,249	$ 7,039,393	$ 7,048,642		$ 4,649,519
Total Debt Service Allocation	**$ 18,940,433**	**$ 22,971,981**	**$ 234,774,517**	**$ 276,686,931**		**$ 155,478,492**

b) True-Up of Substantially Expended Bonds

Article V, Section 5.04 of the WSA requires the revised allocation factor be used in the year when a bond series becomes substantially expended and thereafter. The difference between the amount of net debt service paid by the Wholesale Customers prior to the year that the bond series became substantially expended and the amount of the net debt service that they should have paid will be included in the calculation of the Balancing Account in the year the bond series becomes substantially expended. Table 4.3 shows the Fiscal Year during which each bond reached substantially expended.

As of June 30, 2023, 2020 Series A reached substantially expended status. A true-up of ($532) is included in the Wholesale Revenue Requirement for the year ended June 30, 2023 to account for the change from the estimated allocation of 97.96% regional water to the final allocation of 92.55% regional projects.

c) Revenue-Funded Capital Projects – Water Enterprise

The following is a summary of the wholesale share of appropriations for regional revenue-funded capital projects under the Water Enterprise for the year ended June 30, 2023.

Table 4.5. Revenue-Funded Capital Projects – Water Enterprise

Project Description	Appropriations	Allocation %	Wholesale Share
Buildings & Grounds	$ 4,824,092	66.23%	$ 3,194,996
Communications & Monitoring	2,969,645	66.23%	1,966,796
Water Supply & Storage	50,000	66.23%	33,115
Water Transmission	14,182,044	66.23%	9,392,768
Water Treatment	9,566,070	66.23%	6,335,608
Watershed & Land Management	(6,591,851)	66.23%	(4,365,783)
Total Revenue-Funded Capital Appropriation	**$ 25,000,000**		**$ 16,557,500**

d) Revenue-Funded Capital Projects – Hetch Hetchy Share

There were no appropriations for Hetch Hetchy Water revenue-funded capital projects for the year ended June 30, 2023.

e) Excess Accumulation of Unexpended and Unencumbered Appropriation

Collections for revenue-funded regional capital assets are based on appropriation rather than actual expenditures. To prevent excess accumulation of unexpended and unencumbered appropriation, WSA Section 6.08 requires a review and adjustment of the Wholesale Revenue-Funded Capital Fund balance.

As of June 30, 2023, the Wholesale Revenue-Funded Capital Fund balance is $6,131,293 more than the target amount based on cumulative annual appropriations and expenditures. This excess balance is transferred to the Balancing Account. Activity in the Wholesale Revenue Funded Capital Fund is shown in the tables below.

Table 4.6. Annual Activity in Wholesale Capital Fund

Beginning Wholesale Capital Fund Balance	$ 48,391,515
Annual Appropriation	16,557,500
Annual Expenditures	(17,224,027)
Interest Earnings	1,018,835
Subtotal Balance Before Transfers	48,743,823
Amount Encumbered as of June 30, 2023	(11,934,552)
Unencumbered Balance Before Transfers	**$ 36,809,271**

Table 4.7. True-Up of Balance in Wholesale Capital Fund

Lesser of		
Target Balance, or	30,677,978	
Cumulative Unspent Wholesale Capital Fund	59,578,800	
Target Balance		30,677,978
(Less) Unencumbered Balance Before Transfer		(36,809,271)
Deficiency/(Excess) in Reserve		(6,131,293)
Lesser of		
$4,000,000 or	4,000,000	
Calculated Reserve Deficiency	(6,131,293)	
Wholesale Capital Fund, Before Adjustments		48,743,823
Transfer From/(To) Balancing Account		(6,131,293)
Ending Total Balance		**$ 42,612,530**

5) Wholesale Revenue Billings

During the year ended June 30, 2023, the SFPUC billed a total of $273,153,247 (net of amounts remitted to BAWSCA) in wholesale revenue for costs of service associated with deliveries from the regional water system. As applicable, a portion of these billings relate to deposits by the Wholesale Customers to meet their Wholesale Revenue Coverage Reserve and Working Capital Reserve requirements per Article VI, Section 6.06 and Section 6.07 of the WSA, respectively. For the year ended June 30, 2023, the balance in the Wholesale Revenue Coverage Reserve was lower than required, and so $14,151,740 was transferred to the Wholesale Revenue Coverage Reserve and Working Capital Reserve from the Balancing Account, decreasing total revenues for the Fiscal Year. The net amount billed after transfer from the Coverage Reserve, and which is applied to the revenue requirement, is $259,001,507.

Gross and net wholesale revenue billings are summarized below:

Table 5.1. Wholesale Revenue Billings

Gross wholesale amounts billed – net of adjustments	$ 273,153,247
Transfer to wholesale revenue coverage reserve	(14,151,740)
Net wholesale revenues billed	**$ 259,001,507**

6) Wholesale Revenue Coverage Reserve

a) Activity in the Wholesale Revenue Coverage Reserve During the Year ended June 30, 2023

During the year ended June 30, 2023, $14,151,740 was transferred to the Wholesale Revenue Coverage Reserve in accordance with Article VI, Section 6.06 of the WSA. As of June 30, 2023, the Wholesale Revenue Coverage Reserve balance was $53,992,777, representing total deposits since July 1, 2009.

Table 6.1. Wholesale Revenue Coverage Reserve

Wholesale Revenue Coverage Reserve Balance, June 30, 2022	$ 39,841,037
Deposits to wholesale revenue coverage reserve	14,151,740
Wholesale Coverage Reserve Balance, June 30, 2023	**$ 53,992,777**

b) Net Interest on Wholesale Coverage Reserve

As of July 1, 2022, the Wholesale Revenue Coverage Reserve amount exceeded the Working Capital Requirement of 60 days of the wholesale share of Operations and Maintenance, Administrative and General, and Property Taxes, as shown in the below table. Net interest of $232,781, calculated as the annual interest on the Wholesale Revenue Coverage Reserve less any Working Capital Requirement not met, is credited to the Balancing Account in favor of the Wholesale Customers during the year ended June 30, 2023, in accordance with Article VI, Section 6.06 of the WSA.

Table 6.2. Net Interest on Wholesale Coverage Reserve, Year Ended June 30, 2022

	Debt service coverage requirement	Working capital coverage requirement	Net interest
Calculation of adequacy of reserve requirement:			
Wholesale revenue coverage reserve balance, July 1, 2022	$ 39,841,037	39,841,037	
Coverage reserve requirement, July 1, 2022	(40,424,111)	(21,230,153)	
Coverage reserve excess/(deficiency)	$ (583,074)	18,610,884	
Net interest due (to) from Wholesale Customers			**$ (232,781)**

7) 2013 Rim Fire

In August 2013, the SFPUC's Hetch Hetchy Water and Power was challenged by the third largest fire in California history, the Rim Fire, in Stanislaus National Forest and Yosemite National Park, which burned over 250,000 acres. Through the U.S. Department of Homeland Security Federal Emergency Management Agency and the State of California Office of Emergency Services, federal and state awards are available on a cost-sharing basis to the City to help offset the costs of emergency work and the repair or replacement of facilities damaged by the Rim Fire. Additionally, many of the SFPUC assets affected by the Rim Fire were insured.

Cumulative total expenses through June 30, 2023 related to facilities and infrastructure damage and costs related to emergency response, net of reimbursements to-date from insurance and federal and state awards, total approximately $7.1 million. The WRRs for the years ended June 30, 2014 through June 30, 2023 did not include complete allocation of the Rim Fire related costs because insurance reimbursements, government grants, and expenditures have not been finalized. SFPUC will finalize the allocation of Rim Fire related costs to Wholesale Customers once final expense amounts and related cost reimbursements are known. That allocation will include a proportional allocation of all reimbursements, and account for debt service already paid by the Wholesale Customers on any projects funded by bond series. An estimate of $1.7 million may be due from the Wholesale Customers.

8) Implementation of WSA Asset Classification Amendment

Timing for implementation of the SFPUC adopted December 11, 2018 WSA amendments directly affecting the calculation of the Wholesale Revenue Requirement is still to be discussed and agreed upon. The SFPUC will share a plan for implementation of these amendments with Wholesale Customers before proceeding with implementation. While the other amendments which impact the WRR have been implemented, a true-up of expenditures relating to Hetch Hetchy Water asset classification remains outstanding as of Fiscal Year 2022-23.

WSA section 5.11 and definitions, section 5.12, and Attachment R clarify the classification of Hetch Hetchy Water assets. For the assets shown in the table below, the classification of operating expenses will remain as shown in the "Asset Classification" column, but specific capital project expenses will be reclassified prospectively and retroactively to specified dates in the WSA. The methodology for implementing these changes, especially the required retroactive adjustment, will be discussed between the SFPUC and Wholesale Customers. Adjustments to the Balancing Account to reflect the revised capital classification will be incorporated as expediently as possible; the amount of adjustments is not known at this time.

Table 8.1. Capital Project Expenses Classification

Asset	Asset Classification	Project Classification
Lower Cherry Aqueduct	Joint	Water
Mountain Tunnel Interim Work	Joint	Water
Mountain Tunnel Long Term Repairs	Joint	Water
Mountain Tunnel Flow Control Facility	Joint	Joint
Kirkwood Penstock	Power	Joint
Moccasin Penstock	Power	Joint
Moccasin Lower Dam	Water	Joint

9) Wholesale Customer Review of Fiscal Years 2020-21 and 2021-22 Wholesale Revenue Requirements

Article VII, Section 7.06 of the WSA provides the Wholesale Customers the right to conduct a review of the SFPUC's calculation of the annual changes in the Balancing Account.

The Wholesale Customer review of the Fiscal Year 2020-21 and Fiscal Year 2021-22 calculations are ongoing. All prior fiscal years have been resolved via settlement agreements described in prior Statements to the Changes in the Balancing Account, with the exception of the asset classification amendment reallocation described in Note (8).

As part of the annual review of the Fiscal Year 2022-23 calculation of the annual changes in the Balancing Account, SFPUC identified a potential adjustment related to the allocation of commercial paper expenses paid from bond funds between Wholesale Customers and retail customers. The methodology in use was adopted in a settlement agreement, which included all of Hetch Hetchy's joint project costs instead of the water-related portion only.

The SFPUC plans to revisit the methodology with BAWSCA to verify proper interpretation of the settlement agreement with respect to the allocation of commercial paper expenses paid from bond funds. The amount of potential impact has not been determined. Any agreed-upon adjustments may be incorporated into the beginning balance of the Balancing Account through the Wholesale Customer review process.

City & County of San Francisco

Energy Center San Francisco LLC Properly Reported and Paid Franchise Fees for 2021 and 2022 but Paid Its 2022 Fee and Submitted Its Annual Statement Late

Board of Supervisors

Prepared by

OFFICE OF THE CONTROLLER

CITY SERVICES AUDITOR

October 10, 2024

About the Audits Division

The City Services Auditor (CSA) was created in the Office of the Controller through an amendment to the Charter of the City and County of San Francisco (City) that voters approved in 2003. Within CSA, the Audits Division ensures the City's financial integrity and promotes efficient, effective, and accountable government by:

- Conducting performance audits of city departments, contractors, and functions to assess efficiency and effectiveness of service delivery and business processes.
- Investigating reports received through its whistleblower hotline of fraud, waste, and abuse of city resources.
- Providing actionable recommendations to city leaders to promote and enhance accountability and improve the overall performance and efficiency of city government.

Team:
Winnie Woo, *Audit Manager*

Audit Consultant:
Sjoberg Evashenk Consulting, Inc.

For more information, please contact:

Mark de la Rosa
Director of Audits
Office of the Controller
City and County of San Francisco
(415) 554-7574

Media inquiries,
con.media@sfgov.org

sf.gov/controller
@sfcontroller
LinkedIn Office of the Controller

Audit Authority

This audit was conducted under the authority of the San Francisco Charter, Section 3.105 and Appendix F, which requires that CSA conduct periodic, comprehensive financial and performance audits of city departments, services, and activities. The audit was conducted by an audit firm under contract to CSA.

OFFICE OF THE CONTROLLER

CITY AND COUNTY OF SAN FRANCISCO

Greg Wagner
Controller

ChiaYu Ma
Deputy Controller

October 10, 2024

Board of Supervisors
City and County of San Francisco
City Hall, Room 244
1 Dr. Carlton B. Goodlett Place
San Francisco, CA 94102

Dear President Peskin and Members:

The Office of the Controller (Controller), City Services Auditor (CSA), Audits Division, presents its report on the audit of the franchise fees payment by Energy Center San Francisco LLC (Energy Center) to the City and County of San Francisco (City). Energy Center pays the City franchise fees to use its streets to install, construct, maintain, and operate steam pipe conduits for distributing steam for heating purposes. The audit had as its objectives to determine whether Energy Center complied with the reporting requirements and payment obligations in city law for January 1, 2021, through December 31, 2022. CSA engaged Sjoberg Evashenk Consulting, Inc., (SEC) to conduct the audit.

The audit found that Energy Center complied with its obligations under the Steam Franchise Ordinance and other relevant San Francisco Administrative Code provisions but submitted its 2022 franchise fee payment and annual statement late. Energy Center correctly reported a combined $41,891,928 in total gross receipts, with $23,074,020 of that amount subject to the franchise fee, and paid $461,481 in franchise fees to the City.

The audit also found that the Controller's Budget and Analysis Division (Division) and San Francisco Public Utilities Commission (SFPUC) generally fulfilled their obligations in administering and monitoring the franchise. However, the Division did not comply with many of its own monitoring-related documentation requirements.

CSA and SEC appreciate the assistance and cooperation of Energy Center, SFPUC, and Controller's Budget and Analysis Division staff involved in this audit. For questions about the report, please contact me at mark.p.delarosa@sfgov.org or 415-554-5393 or CSA at 415-554-7469.

Respectfully,

Mark de la Rosa
Director of Audits

cc: Board of Supervisors
Budget Analyst
Citizens Audit Review Board
City Attorney
Civil Grand Jury
Mayor
Public Library

Board of Supervisors:
Energy Center San Francisco LLC Complied With Its Obligations to Report and Pay Franchise Fees for the Years Ended December 31, 2021, and December 31, 2022, But Paid Its 2022 Fee and Submitted Its Annual Statement Late

October 2024

SJOBERG EVASHENK
CONSULTING, INC

455 Capitol Mall • Suite 700 • Sacramento, California • 95814 • Tel 916.443.1300 • Fax 916.443.1350

EXECUTIVE SUMMARY

Purpose of the Audit

As required by the San Francisco Administrative Code, Chapter 11 – *Franchises*, the City Services Auditor assessed (1) whether Energy Center San Francisco LLC (formerly NRG Energy Center San Francisco LLC) complied with the reporting requirements and payment obligations contained in the chapter and in San Francisco Steam Franchise Ordinance 418-75 and (2) whether San Francisco departments complied with the relevant requirements for administering and monitoring the Steam Franchise Ordinance.

Highlights

The San Francisco Board of Supervisors may grant a franchise by ordinance to another entity to construct, install, and/or operate facilities in public rights-of-way within the City and County of San Francisco (City).

In 1993, Energy Center San Francisco LLC (Energy Center) was granted a steam franchise authorizing it to install, maintain, and operate underground steam pipe conduits in order to carry steam and/or steam condensate for heating and other purposes through City streets, alleys, and other public places. In consideration for the franchise, Energy Center must annually submit a statement of gross receipts and a franchise fee payment to the City.

The San Francisco Public Utilities Commission (SFPUC) is responsible for administering and reporting on non-financial aspects of the franchise, while the Office of the Controller's Budget and Analysis Division (Division) is responsible for receiving and reviewing franchise statements and payments.

The audit found that Energy Center complied with its obligations under the Steam Franchise Ordinance and the relevant provisions of the San Francisco Administrative Code; however, its 2022 franchise fee payment and annual statement were late. The audit also found that the SFPUC and Division generally fulfilled their obligations in administering and monitoring the franchise. However, the Division did not comply with many of its own monitoring-related documentation requirements.

INTRODUCTION

Audit Authority

The Office of the Controller (Controller) is required under the San Francisco Administrative Code (Administrative Code), Chapter 11, Section 11.44(a), to file a report no less than every two years with the Board of Supervisors (Board) analyzing whether each franchisee is complying with the reporting requirements and payment obligations in the chapter and the relevant franchise ordinance.

The City and County of San Francisco (City) also has the right under the Administrative Code, Chapter 11, Section 11.38, to access the books and records of a franchisee to monitor compliance with the chapter, the franchise ordinance, or other applicable law.

Further, the San Francisco Charter provides the Controller's City Services Auditor Division (CSA) with broad authority to conduct audits. Sjoberg Evashenk Consulting, Inc., conducted this audit on behalf of CSA under these authorities.

Background

In 1975, the San Francisco Board of Supervisors granted Pacific Gas and Electric Company (PG&E) a franchise to install, maintain, and operate underground steam pipe conduits in order to carry steam and/or steam condensate for heating and other purposes through City streets, alleys, and other public places.[1]

In 1993, the Board approved the transfer of the steam franchise from PG&E to Energy Center San Francisco LLC (Energy Center).[2, 3]

In consideration for the franchise, Energy Center must, by March 31st each year, submit to the City a duly verified statement of its gross receipts subject to the franchise fee, which is based on the ratio of Energy Center's franchise assets to total operating assets valued at historical cost. By April 15th each year, Energy Center must pay the City two percent (2%) of its annual gross receipts arising from the use, operation, or possession of the franchise (gross receipts subject to the franchise fee). Franchise assets encompass all assets related to the sale of steam and located in public spaces, while assets located on private property are considered "non-franchise" assets. Energy Center maintains historical cost asset lists that track the historical cost of each asset and distinguish between franchise assets and non-franchise assets.

The Administrative Code, Chapter 11, designates the San Francisco Public Utilities Commission (SFPUC) as the entity responsible for administering and reporting to the Board on the City's steam franchise, except for certain aspects that the Controller administers. The Controller's Budget and Analysis Division (Division) is responsible for receiving Energy Center's annual statement and collecting the franchise fees.

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[1] Ordinance No. 418-75.
[2] Ordinance No. 124-93.
[3] Energy Center is a subsidiary of Cordia Thermal LLC, formerly known as Clearway Thermal LLC. Cordia Thermal LLC assumed ownership and operations of Energy Center from NRG Yield, Inc., in October 2021.

Objectives and Scope

The objective of the audit was to determine whether Energy Center complied with the reporting requirements and payment obligations contained in Administrative Code Chapter 11 – *Franchises* and Steam Franchise Ordinance 418-75 (franchise agreement) and whether City departments complied with the relevant requirements for administering and monitoring the franchise.

Specifically, the audit determined whether:

- Energy Center timely and accurately reported its gross receipts subject to the franchise fee under the terms of the franchise agreement;
- Energy Center correctly calculated and timely paid the City the proper franchise fee under the terms of the franchise agreement; and
- SFPUC and the Division complied with all applicable requirements in administering and monitoring the franchise.

This audit covered the period from January 1, 2021, to December 31, 2022.

Methodology

To conduct the audit, the auditors reviewed the applicable provisions of Chapter 11 of the Administrative Code and the franchise agreement as well as conducted interviews of Energy Center, SFPUC, and Division management and staff.

To determine whether Energy Center accurately reported its gross receipts, the auditors identified and analyzed Energy Center's internal controls over franchise activities and compared receipts reported to the City to amounts recorded in Energy Center's records (monthly billing spreadsheets, annual sales summaries, and year-end income statements). On a sample basis, the audit team tested whether Energy Center invoiced customers according to meter-reading records and applicable rates and whether invoiced amounts were appropriately recorded as gross receipts. Further, the auditors determined whether adjustments to receipts were adequately supported.

To determine whether Energy Center correctly calculated the gross receipts subject to the franchise fee based on the ratio of franchise assets to total operating assets, the audit team compared historical cost asset lists between years for reasonableness and completeness, as well as verified key formulas to ensure the lists encompass all relevant values. The auditors also reviewed asset descriptions and evaluated whether Energy Center reasonably characterized assets as franchise and non-franchise. In addition, the auditors reconciled the historical cost assigned to assets added in 2021 and 2022 to Cordia Thermal LLC's audited financial statements for the years ended December 31, 2021, and December 31, 2022, and compared asset amounts on historical cost asset lists to amounts reported on Energy Center's statements of gross receipts.

To determine whether Energy Center correctly calculated and paid the City the correct franchise fee under the terms and deadlines specified in the franchise agreement, the audit team reviewed Division date stamps, if any, on Energy Center's annual statements of gross receipts and franchise fee payments, confirmed that the statements of gross receipts were duly verified, and checked each calculation in Energy Center's computation of its franchise fee to ensure mathematical accuracy. The audit team applied a materiality threshold set by CSA of the lesser of $2,000 or two percent (2%) of Energy Center's calculated annual franchise fee due to any underpayments and overpayments identified.

To determine how well SFPUC and the Division complied with applicable requirements in administering and monitoring the franchise, the audit team reviewed the most recent compliance report that SFPUC submitted to the Board and the tools the Division used to track and review franchise fee reports and payments.

Compliance With Generally Accepted Government Auditing Standards

We conducted this performance audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for the findings and conclusions based on the audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on the audit objectives.

Auditee Response

Energy Center agreed with the audit results but chose not to submit a written response to this report. SFPUC and the Division also agree with the audit finding results as shown in their responses attached to this report.

AUDIT RESULTS

Summary

For the period of January 1, 2021, through December 31, 2022, Energy Center complied with its obligations under the steam franchise agreement and the relevant provisions of the Administrative Code by properly reporting and paying its franchise fee to the City. However, Energy Center did not always meet payment and reporting deadlines as set forth in the franchise agreement.

SFPUC and the Division generally complied, in all material respects, with the requirements for administering and monitoring the franchise. However, opportunities exist to improve the Division's oversight of the franchise.

Although Energy Center Complied in all Material Respects With Its Obligations to Report Gross Receipts and Pay Franchise Fees, Its 2022 Franchise Fee Payment and Annual Statement Were Late

For 2021 and 2022, Energy Center reported a combined $41,891,928 in total gross receipts with $23,074,020 of that amount subject to the franchise fee and paid $461,481 in franchise fees to the City, as shown in Exhibit 1, in compliance, in all material respects, with the franchise agreement and the relevant provisions of the Administrative Code.

However, Energy Center did not meet the annual statement and payment deadlines for franchisee fees payable for the year ended December 31, 2022. The San Francisco Steam Franchise Ordinance (Ordinance 418-75) sets forth specific schedules and reporting provisions that require Energy Center to file a duly verified annual statement by March 31st of the year following the reporting (calendar) year and pay its annual franchise fee to the City by April 15th of the year following the reporting year.

Although Energy Center's 2022 annual statement and franchise payment were due by March 31, 2023, and April 15, 2023, respectively, the Division received Energy Center's 2022 annual statement on April 28, 2023, nearly one month late, and franchise payment on April 28, 2023, approximately 10 business days late. According to Energy Center, the payment was late due to a computer system-wide transition that impacted its accounts payables. Energy Center paid late fees of $1,945, that was calculated based on Administrative Code section 11.27.

Exhibit 1: Energy Center Reported Gross Receipts and Franchise Fees Paid: January 1, 2021, to December 31, 2022

Year	(A) Total Gross Receipts	(B) Ratio of Franchise Assets to Total Operating Assets	(C) Gross Receipts Subject to Franchise Fee = (A) x (B)	Franchise Fee* = (C) x .02
2021	$18,389,901	54.488030%	$10,073,441	$201,469
2022	23,502,027	55.328368%	13,000,579	260,012
Total	**$41,891,928**	**—**	**$23,074,020**	**$461,481**

Figures have been rounded to the nearest dollar.

*Franchise fee due is 2 percent of Energy Center's annual gross receipts subject to the franchise fee.

Sources: Energy Center's annual steam franchise statements of gross receipts and Division payment records.

SFPUC Issued Its Statutorily Required Franchise Compliance Report

SFPUC is required by the Administrative Code, Chapter 11, Article 5, Section 11.44(b), to file a report with the Board of Supervisors (Board) no less than every two years, analyzing whether each franchise grantee is complying with all provisions of the chapter and its franchise, except for those addressed by the Controller's report.[4] SFPUC issued a compliance report to the Board dated August 9, 2024.

The Division Generally Fulfilled Its Administrative Requirements; However, Opportunities for Improvement Exist

The Division fulfilled, in all material respects, its administrative requirements; however opportunities continue to exist to improve oversight provided. The Division is responsible for ensuring Energy Center complies with the following agreement obligations:

- Franchise fee is correctly calculated;
- Franchise fee payment submitted by due date; and
- Annual statement submitted by due date and duly verified.

For the 2021 and 2022 statements and fee payments, the Division did not follow its written procedures to document its reviews of annual statements and franchise fee payments, as shown in Exhibit 2, and the Division did not retain documentation necessary to determine whether the 2022 annual statement was submitted timely.

[4] The Controller's Report refers to the report requirement under the Administrative Code, Chapter 11, Article 5, Section 11.44(a), analyzing whether each person owing a franchise fee is complying with the audit and reporting requirements and payment obligations in the Chapter.

Exhibit 2. Division Compliance With Written Procedure

Procedure Step	Procedure followed?	Tracking Sheet Updated?
Date stamp the reports as soon as they come in. Indicate on the tracking sheet this was completed.	✗	✗
Verify that the statements include the signed/sworn statements from an officer of the companies. Indicate on the tracking sheet this was completed.	✓	✗
Verify that the calculations in the statements are correct and initial each item checked. Indicate on the tracking sheet this was completed.	✗	✗
Verify payment amount agrees with the statement. Indicate on the tracking sheet this was completed.	✓	✗

Similar issues were identified in the prior audit of Energy Center steam franchise fees and surchages, for the period of January 1, 2019 through December 31, 2020. Specifically, the prior audit found that the Division did not follow its established procedures and did not have a process in place to notify Energy Center when franchise fee payments and annual statements were late. According to the Division, its procedures need to be updated.

Recommendation

The Division should review its written procedures for overseeing franchisees and update its procedures where appropriate to better align with its practices. Written procedures should include steps to verify that franchise fee payments were correctly calculated, the payment was submitted by the due date, and the annual statement was submitted by the due date and duly verified.

APPENDIX A: Department Reponses

San Francisco Public Utilities Commission

San Francisco
Water Power Sewer
Services of the San Francisco Public Utilities Commission

525 Golden Gate Avenue, 13th Floor
San Francisco, CA 94102
T 415.554.3155
F 415.554.3161
TTY 415.554.3488

September 27, 2024

Mark de la Rosa
Director of Audits
City Hall, Room 476
1 Dr. Carlton B. Goodlett Place
San Francisco, CA 94102

Subject: Energy Center San Francisco LLC Properly Reported and Paid Franchise Fees for 2021 and 2022 but Paid Its 2022 Fee and Submitted Its Annual Statement Late

Dear Mr. de la Rosa,

Thank you for providing us the opportunity to review the audit reports, *Energy Center San Francisco LLC Properly Reported and Paid Franchise Fees for 2021 and 2022 but Paid Its 2022 Fee and Submitted Its Annual Statement Late*, prepared by the Controller's Office City Services Auditor.

We appreciate the time your staff dedicated to this audit and are pleased that there are no findings related to SFPUC's role in administering and reporting on the non-financial aspects of the franchise.

If there are any questions or additional information is needed, please do not hesitate to contact me at 415-554-1600.

Sincerely,

Dennis Herrera
General Manager

CC: Ronald Flynn, Deputy General Manager
Nancy Hom, AGM Business Services/CFO
Irella Blackwood, Audit Director

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OFFICE OF THE CONTROLLER

CITY AND COUNTY OF SAN FRANCISCO

Greg Wagner
Controller

ChiaYu Ma
Deputy Controller

October 1, 2024

Mr. Mark de la Rosa
Director of Audits
City Hall, Room 476
1 Dr. Carlton B. Goodlett Place
San Francisco, CA 94102

RE: Pacific Gas and Electric Company and Energy Center Franchise Fees and Surcharges for 2021 and 2022

Dear Mr. de la Rosa,

Thank you for the opportunity to review the audit of franchise fees and surcharges remitted to the City by Pacific Gas and Electric Company and Energy Center for 2021 and 2022. We agree with the findings and do not note any errors or omissions.

Sincerely,

DocuSigned by:
Michelle Allersma
F7EE73D1A46C4DD

Michelle Allersma

Director, Budget & Analysis Division

CITY HALL • 1 DR. CARLTON B. GOODLETT PLACE • ROOM 316 • SAN FRANCISCO, CA 94102-4694
(415) 554-7500 • controller@sfgov.org • sf.gov/controller

Recommendation and Response

Audit: Energy Center San Francisco LLC

For each recommendation, the responsible agency should indicate in the column labeled ***Agency Response*** whether it concurs, does not concur, or partially concurs and provide a brief explanation. If it concurs with the recommendation, it should indicate the expected implementation date and implementation plan. If the responsible agency does not concur or partially concurs, it should provide an explanation and an alternate plan of action to address the identified issue.

Recommendation	Agency Response	CSA Use Only Status Determination*
The Controller's Budget and Analysis Division should review its written procedures for overseeing franchisees and update its procedures where appropriate to better align with its practices. Written procedures should include steps to verify that franchise fee payments were correctly calculated; the payment was submitted by the due date; and the annual statement was submitted by the due date and duly verified.	☒ Concur ☐ Do Not Concur ☐ Partially Concur The Budget and Analysis Division concurs it should simplify and automate as many existing procedures as possible to avoid creation of documentation solely for audit purposes. Options we will pursue include: - Renewing requests to franchise payers to replace checks with electronic payments. Electronic payments have date-based audit trails, whereas paper checks require time-stamping and scanning all documents (including the envelope). - Creating automatic email reminders to send on an annual or quarterly basis in advance of payment due dates. - Creating reports in BI that summarize essential information (to replace manual tracking).	☒ Open ☐ Closed ☐ Contested

* Status Determination based on audit team's review of the agency's response and proposed corrective action.

City & County of San Francisco

Pacific Gas and Electric Company Properly Paid Its Franchise Fees and Surcharges for 2021 and 2022

Board of Supervisors

Prepared by

OFFICE OF THE CONTROLLER

CITY SERVICES AUDITOR

October 17, 2024

About the Audits Division

The City Services Auditor (CSA) was created in the Office of the Controller through an amendment to the Charter of the City and County of San Francisco (City) that voters approved in 2003. Within CSA, the Audits Division ensures the City's financial integrity and promotes efficient, effective, and accountable government by:

- Conducting performance audits of city departments, contractors, and functions to assess efficiency and effectiveness of service delivery and business processes.
- Investigating reports received through its whistleblower hotline of fraud, waste, and abuse of city resources.
- Providing actionable recommendations to city leaders to promote and enhance accountability and improve the overall performance and efficiency of city government.

Team:
Winnie Woo, *Audit Manager*

Audit Consultant:
Sjoberg Evashenk Consulting, Inc.

For more information, please contact:

Mark de la Rosa
Director of Audits
Office of the Controller
City and County of San Francisco
(415) 554-7574

Media inquiries,
con.media@sfgov.org

sf.gov/controller
@sfcontroller
LinkedIn Office of the Controller

Audit Authority

This audit was conducted under the authority of the San Francisco Charter, Section 3.105 and Appendix F, which requires that CSA conduct periodic, comprehensive financial and performance audits of city departments, services, and activities. The audit was conducted by an audit firm under contract to CSA.

OFFICE OF THE CONTROLLER

CITY AND COUNTY OF SAN FRANCISCO

Greg Wagner
Controller

ChiaYu Ma
Deputy Controller

October 17, 2024

Board of Supervisors
City and County of San Francisco
City Hall, Room 244
1 Dr. Carlton B. Goodlett Place
San Francisco, CA 94102

Dear President Peskin and Members:

The Office of the Controller (Controller), City Services Auditor (CSA), Audits Division, presents its report on the audit of the franchise fees and surcharges Pacific Gas and Electric Company (PG&E) paid to the City and County of San Francisco (City) to use city streets to transmit, distribute, and supply electricity and gas. The audit had as its objectives to determine whether PG&E complied with the reporting requirements and payment obligations in city law for January 1, 2021, through December 31, 2022. CSA engaged Sjoberg Evashenk Consulting, Inc., (SEC) to conduct the audit.

The audit found that PG&E complied with its obligations under the gas and electric franchise ordinances and other relevant provisions of the San Francisco Administrative Code. PG&E correctly reported $1,963,934,824 in gross receipts subject to the franchise fee and correctly calculated and paid the City the proper $12,998,349 in franchise fees and $5,004,444 in surcharge fees according to the terms and deadlines specified in the franchise agreements.

The audit also found that the Controller's Budget and Analysis Division and San Francisco Public Utilities Commission (SFPUC) generally fulfilled their obligations in administering and monitoring the franchise. However, the Division did not comply with many of its own monitoring-related documentation requirements.

CSA and SEC appreciate the assistance and cooperation of PG&E, SFPUC, and Controller's Budget and Analysis Division staff involved in this audit. For questions about the report, please contact me at mark.p.delarosa@sfgov.org or 415-554-7574 or CSA at 415-554-7469.

Respectfully,

Mark de la Rosa
Director of Audits

cc: Board of Supervisors
Budget Analyst
Citizens Audit Review Board
City Attorney
Civil Grand Jury
Mayor
Public Library

Board of Supervisors:
Pacific Gas and Electric Company Properly Paid its Gas and Electric Franchise Fees for 2021 and 2022

October 2024

SJOBERG EVASHENK
CONSULTING, INC

455 Capitol Mall • Suite 700 • Sacramento, California • 95814 • Tel 916.443.1300 • Fax 916.443.1350

EXECUTIVE SUMMARY

Purpose of the Audit

As required by the San Francisco Administrative Code, Chapter 11 – *Franchises*, the Office of the Controller (Controller) is required to assess (1) whether Pacific Gas & Electric Company (PG&E) complied with the reporting requirements and payment obligations contained in the chapter and in San Francisco Gas Franchise Fee Ordinance 413 and Electric Franchise Fee Ordinance 414 and (2) whether City and County of San Francisco (City) departments complied with the relevant requirements for administering and monitoring the Gas and Electric Franchise Ordinances.

Highlights

The San Francisco Board of Supervisors may grant a franchise by ordinance to another entity to construct, install, and/or operate facilities in public rights-of-way within the City.

In 1939, PG&E was granted gas and electric franchises authorizing it to use City streets to transmit, distribute, and supply electricity and gas. In consideration for the franchise, PG&E must annually submit statements of gross receipts and gas and electric franchise fee payments to the City.

The Controller's Budget and Analysis Division (Division) is responsible for receiving and reviewing the statements and payments, while the San Francisco Public Utilities Commission (SFPUC) is responsible for administering and reporting on non-financial aspects of the franchise.

The audit found that PG&E complied with its obligations under the gas and electric franchise ordinances and the relevant provisions of the San Francisco Administrative Code. The audit also found that the SFPUC and Division generally fulfilled their obligations in administering and monitoring the franchise. However, the Division did not comply with many of its own monitoring-related documentation requirements.

INTRODUCTION

Audit Authority

The Office of the Controller (Controller) is required under the San Francisco Administrative Code (Administrative Code), Chapter 11, Section 11.44(a) to file a report no less than every two years with the Board of Supervisors analyzing whether each franchisee is complying with the reporting and payment obligations in the chapter and the relevant franchise ordinance.

The City and County of San Francisco (City) also has the right under the Administrative Code, Chapter 11, Section 11.38 to access the books and records of a franchisee to monitor compliance with the chapter, the franchise ordinance, or other applicable law.

Further, the San Francisco Charter provides the Controller's City Services Auditor Division (CSA) with broad authority to conduct audits. Sjoberg Evashenk Consulting, Inc. (SEC) conducted this audit on behalf of CSA under these authorities.

Background

In 1939, the San Francisco Board of Supervisors granted Pacific Gas and Electric Company (PG&E) and its successors two franchises to use City streets to transmit, distribute, and supply electricity and gas. In consideration for the two franchises, PG&E agreed to pay the City annually a percentage of its gross receipts from the sales of electricity and gas in the City.

The electricity and gas franchise ordinances require PG&E to remit to the City, by April 15 of each year, a total of 0.5 percent of PG&E's gross receipts on the sales of electricity and 1 percent of PG&E's gross receipts on the sales of gas. PG&E reports and remits gas and electric franchise fees to the City based on gross revenues that have been reduced by uncollectible accounts and interdepartmental sales. Uncollectible accounts are amounts billed to customers, but not received by PG&E. Interdepartmental sales are PG&E's costs to supply electricity and gas to other PG&E properties it owns in the City. Since PG&E is not compensated for internal use of gas and electricity, no gross receipts are generated by these interdepartmental sales.

PG&E collects electricity and gas surcharge fees pursuant to requirements in the California Public Utilities Code and remits those amounts to the City when it pays its franchise fees. PG&E collects the surcharge fee, which is a municipal surcharge for the use of public lands, from customers who purchase electricity and gas from a third party. The surcharge fee is to replace, but not to increase, franchise fees that would have been collected if not for changes in the regulatory environment.

PG&E also has an Interconnection Agreement with the City to transmit electricity generated by the Hetch Hetchy Project (Hetch Hetchy) inside and outside the City, distribute the electricity within the City, and sell supplemental power to the City. PG&E bills the City for Hetch Hetchy-related services, including transmission and distribution charges, supplemental power charges, demand charges, and other special charges. PG&E includes the transactions for services it provides to the City as part of PG&E's gross receipts from the sales of electricity reported to the City.

However, because the Interconnection Agreement expired in July 2015, the City and PG&E began using PG&E's Wholesale Distribution Tariff (WDT) agreement on July 1, 2015, for the City's Points of Delivery[1] for which the City also requires interconnection to PG&E's Distribution System. The new agreement was filed as "unexecuted" with the Federal Energy Regulatory Commission (FERC) because both parties could not agree on terms, rates, and conditions. FERC has accepted the agreement, though it remains unexecuted. PG&E continues to bill the City for services provided and includes the revenue as part of its gross receipts.

The San Francisco Public Utilities Commission (SFPUC) is responsible for administering the Interconnection Agreement, WDT agreement, and franchise agreement with PG&E. Administration includes verifying the accuracy of PG&E's monthly billings to the City prior to payment.

The Administrative Code, Chapter 11, designates the SFPUC as the entity responsible for administering and reporting on the City's gas and electric franchises, except for certain financial aspects which are administered by the Office of the Controller. The Controller's Budget and Analysis Division (Division) is responsible for receiving PG&E's annual statement and collecting franchise fee payment.

Objectives and Scope

The objective of the audit was to determine whether PG&E complied with the reporting requirements and payment obligations contained in Administrative Code Chapter 11 – *Franchises*, Gas Franchise Ordinance 413-39, and Electric Franchise Ordinance 414-39 (collectively referred to as the franchise agreements), as well as whether City departments complied with the relevant requirements for administering and monitoring the franchise for the audit period of calendar years 2021 and 2022.

Specifically, the audit determined whether:

1. PG&E correctly reported all revenues from the sale of electric and gas sales within City limits, including Hetch Hetchy, under the terms of San Francisco Electric Franchise Ordinance 414-39 and Gas Franchise Ordinance 413-39;

2. PG&E properly calculated and supported any adjustments from gross receipts;

3. PG&E correctly calculated and paid the City the proper franchise fees under the terms and deadlines specified in the franchise agreements; and

4. The SFPUC and the Division complied with applicable requirements in administering and monitoring the franchise agreements such as the San Francisco City Charter of 1996 and Chapter 11 of the Administrative Code.

[1] The physical locations where the City provides utility service delivery.

Methodology

To conduct the audit, the audit team reviewed the applicable provisions of Chapter 11 of the Administrative Code and the franchise agreement as well as conducted interviews of PG&E, SFPUC, and Division management and staff.

Additionally, to understand the environment, the audit team reviewed the applicable provisions of the franchise ordinances and tested, on a sample basis, selected PG&E revenue components with amounts that materially impact the franchise fees payable to the City.

To determine whether PG&E correctly reported its annual gross receipts, the audit team:

- Compared the amounts PG&E reported to the City to the amounts PG&E recorded in its monthly summary reports, financial systems, and monthly detailed reports, including, but not limited to, underlying reports of gas and electric sales from its customer billing system, uncollectable accounts, and revenue derived from natural gas vehicle sales, Hetch Hetchy Wheeling, and Hetch Hetchy streetlights.
- Compared PG&E's system-wide uncollectable rate to the uncollectable rate for the City to determine whether a large variance between the rates existed.
- Reviewed the reasonableness of PG&E's collection and write-off processes.
- Analyzed historical franchise fees and surcharges over a five-year period to identify variances and reasons for any variances identified.
- Reviewed the reasonableness of electricity and gas surcharge fees collected by PG&E.
- Tested a sample of PG&E Customer Invoices from several gas and electric rate categories to ensure amounts were included in total revenue receipts.
- Assessed PG&E's internal controls over franchise requirements and systems used to calculate franchise fees.
- Performed high level tests of the completeness of PG&E's customer data set.
- Verified PG&E's internal reconciliation between its financial system and customer billing system.

The audit team's review of the Hetch Hetchy invoices consisted of verifying the amounts reported by PG&E to supporting monthly billing reports. The audit team did not test the accuracy of the detailed billings to the City because SFPUC staff is responsible for reviewing the billings to ensure they are accurate before paying PG&E; however, the audit team compared actual invoices to monthly system billing reports.

To assess whether PG&E correctly calculated and paid the City the proper franchise fee under the terms and deadlines specified in the franchise agreement, the audit team reviewed Division date stamps on PG&E's annual statements of gross receipts and franchise fee payments; confirmed that the statements of gross receipts were duly verified (i.e., signed and dated); and checked each calculation in PG&E's computation of its franchise fee to ensure mathematical accuracy.

To evaluate SFPUC's and Division's compliance with all applicable requirements and practices in administering and monitoring the franchise agreement, the audit team reviewed the most recent compliance report that SFPUC submitted to the Board of Supervisors and the tools used by the Division to track and review franchise fee reports and payments.

Compliance With Generally Accepted Government Auditing Standards

We conducted this performance audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

AUDIT RESULTS

Summary

For the period of January 1, 2021, through December 31, 2022, PG&E accurately reported its gas and electric gross receipts subject to the franchise fees according to the terms and deadlines specified in the franchise agreements.

SFPUC and the Division generally complied, in all material respects, with the requirements for administering and monitoring the franchise. However, opportunities exist to improve the Division's oversight of the franchise.

PG&E Met Deadlines for Submitting Statements and Paying Franchise Fees

For the period January 1, 2021, through December 31, 2022, PG&E accurately reported $1,963,934,824 in total gross electricity and gas sales receipts to the City by the due dates as stipulated by the franchise agreement. As shown in Exhibit 1 below, PG&E also correctly calculated and paid $12,998,349 in franchise fees by the annual April 15th deadline specified in the franchise agreements. PG&E also correctly collected and remitted to the City electricity and gas surcharge fees of $5,004,444 for the period under review.

Exhibit 1: Gross Receipts Reported and Franchise Fees and Surcharge Fees Paid January 1, 2021, Through December 31, 2022

Year	Type	Gross Receipts[1]	Franchise Fees[2]	Surcharge Fees[3]	Over/(Under) Paid
2021	Electricity	$659,083,218	$3,295,416	$1,701,561	$0
	Gas	$289,187,193	$2,891,872	$158,475	$0
	Subtotal	***$948,270,411***	***$6,187,288***	***$1,860,036***	***$0***
2022	Electricity	$669,116,684	$3,345,584	$2,871,622	$0
	Gas	$346,547,729	$3,465,477	$272,786	$0
	Subtotal	***$1,015,664,413***	***$6,811,061***	***$3,144,408***	***$0***
	Total	**$1,963,934,824**	**$12,998,349**	**$5,004,444**	**$0**

Notes:

[1] Gross receipts reported by PG&E are net of uncollectable accounts, interdepartmental sales, and reflect updated customer information adjustments.

[2] Franchise fee rates are 0.5 percent of electricity receipts and 1 percent of gas receipts.

[3] PG&E billed and collected electricity and gas franchise surcharge fees based on the formula specified in state law from its customers who purchased electricity and gas from a third party.

Source: PG&E Certification of Gross Receipts

SFPUC Issued Its Statutorily Required Franchise Compliance Report

SFPUC is required by the Administrative Code, Chapter 11, Article 5, Section 11.44(b), to file a report with the Board of Supervisors (Board) no less than every two years, analyzing whether each franchise grantee is complying with all provisions of the chapter and its franchise, except for those addressed by the Controller's report.[2] SFPUC issued a compliance report to the Board dated August 9, 2024.

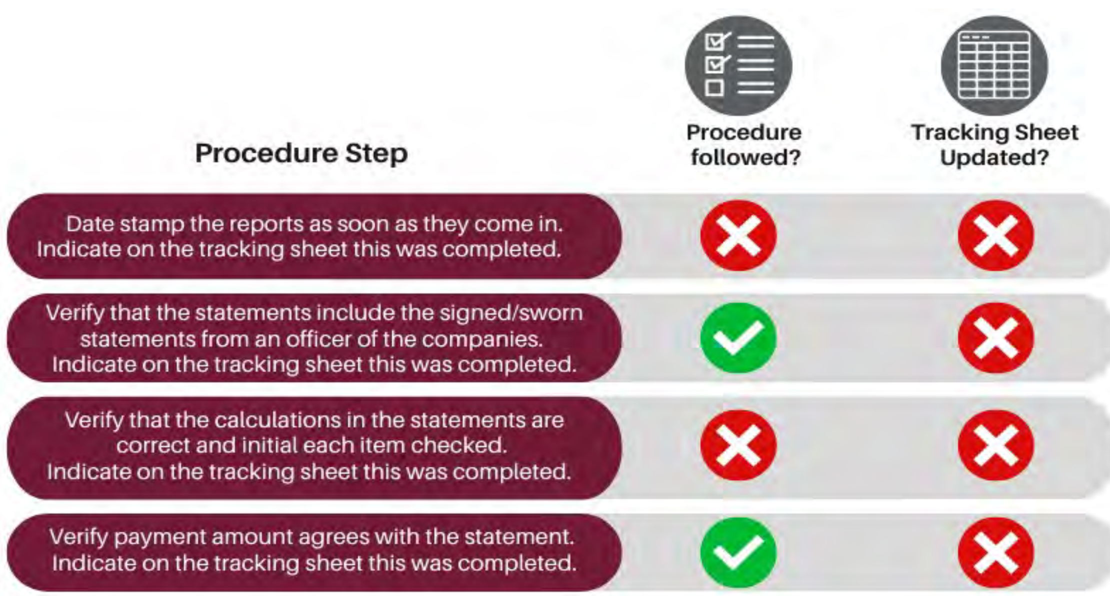
The Division Generally Fulfilled Its Administrative Requirements; However, Opportunities for Improvement Exist

The Division fulfilled, in all material respects, its administrative requirements; however opportunities exist to improve oversight provided. The Division is responsible for ensuring PG&E complies with the following agreement obligations:

- Franchise fee is correctly calculated;
- Franchise fee payment submitted by due date; and
- Annual statement submitted by due date and duly verified.

For the 2021 and 2022 statements and fee payments, the Division did not follow its written procedures to document its reviews of annual statements and franchise fee payments, as shown in Exhibit 2. According to the Division, its procedures need to be updated.

Exhibit 2. Division Compliance With Written Procedure



[2] The Controller's Report refers to the report requirement under the Administrative Code, Chapter 11, Article 5, Section 11.44(a), analyzing whether each person owing a franchise fee is complying with the audit and reporting requirements and payment obligations in the Chapter.

Recommendation

1. The Division should review its written procedures for overseeing franchisees and update its procedures where appropriate to better align with its practices. Written procedures should include steps to verify that franchise fee payments were correctly calculated; the payment was submitted by the due date; and the annual statement was submitted by the due date and duly verified.

APPENDIX A: Department Reponses

San Francisco Public Utilities Commission

San Francisco
Water Power Sewer
Services of the San Francisco Public Utilities Commission

525 Golden Gate Avenue, 13th Floor
San Francisco, CA 94102
T 415.554.3155
F 415.554.3161
TTY 415.554.3488

September 27, 2024

Mark de la Rosa
Director of Audits
City Hall, Room 476
1 Dr. Carlton B. Goodlett Place
San Francisco, CA 94102

Subject: Pacific Gas and Electric Company Properly Paid Its Franchise Fees and Surcharges for 2021 and 2022

Dear Mr. de la Rosa,

Thank you for providing us the opportunity to review the audit reports, *Pacific Gas and Electric Company Properly Paid Its Franchise Fees and Surcharges for 2021 and 2022*, prepared by the Controller's Office City Services Auditor.

We appreciate the time your staff dedicated to this audit and are pleased that there are no findings related to SFPUC's role in administering and reporting on the non-financial aspects of the franchise.

If there are any questions or additional information is needed, please do not hesitate to contact me at 415-554-1600.

Sincerely,

Dennis Herrera
General Manager

CC: Ronald Flynn, Deputy General Manager
Nancy Hom, AGM Business Services/CFO
Irella Blackwood, Audit Director

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.

Office of the Controller

Docusign Envelope ID: 88E99FA2-9552-4960-ABDA-2B5CBBBCA1E8

OFFICE OF THE CONTROLLER

CITY AND COUNTY OF SAN FRANCISCO

Greg Wagner
Controller

ChiaYu Ma
Deputy Controller

October 1, 2024

Mr. Mark de la Rosa
Director of Audits
City Hall, Room 476
1 Dr. Carlton B. Goodlett Place
San Francisco, CA 94102

RE: Pacific Gas and Electric Company and Energy Center Franchise Fees and Surcharges for 2021 and 2022

Dear Mr. de la Rosa,

Thank you for the opportunity to review the audit of franchise fees and surcharges remitted to the City by Pacific Gas and Electric Company and Energy Center for 2021 and 2022. We agree with the findings and do not note any errors or omissions.

Sincerely,

DocuSigned by:
Michelle Allersma
F7EE73D1A46C4DD...

Michelle Allersma

Director, Budget & Analysis Division

CITY HALL • 1 DR. CARLTON B. GOODLETT PLACE • ROOM 316 • SAN FRANCISCO, CA 94102-4694
(415) 554-7500 • controller@sfgov.org • sf.gov/controller

Recommendation and Response

For each recommendation, the responsible agency should indicate in the column labeled ***Agency Response*** whether it concurs, does not concur, or partially concurs and provide a brief explanation. If it concurs with the recommendation, it should indicate the expected implementation date and implementation plan. If the responsible agency does not concur or partially concurs, it should provide an explanation and an alternate plan of action to address the identified issue.

Recommendation	Agency Response	CSA Use Only Status Determination*
The Controller's Budget and Analysis Division should review its written procedures for overseeing franchisees and update its procedures where appropriate to better align with its practices. Written procedures should include steps to verify that franchise fee payments were correctly calculated; the payment was submitted by the due date; and the annual statement was submitted by the due date and duly verified.	☒ Concur ☐ Do Not Concur ☐ Partially Concur The Budget and Analysis Division concurs it should simplify and automate as many existing procedures as possible to avoid creation of documentation solely for audit purposes. Options we will pursue include: - Renewing requests to franchise payers to replace checks with electronic payments. Electronic payments have date-based audit trails, whereas paper checks require time-stamping and scanning all documents (including the envelope). - Creating automatic email reminders to send on an annual or quarterly basis in advance of payment due dates. - Creating reports in BI that summarize essential information (to replace manual tracking).	☒ Open ☐ Closed ☐ Contested

* Status Determination based on audit team's review of the agency's response and proposed corrective action.

APPENDIX B: PG&E's Response

Pacific Gas and Electric Company

Revenue Controls & Policy
300 Lakeside Dr
Oakland, CA 94612-3534

October 14, 2024

Mark de la Rosa
Director of Audits
City Hall, Room 476
1 Dr. Carlton B. Goodlett Place
San Francisco, CA 94102

RE: Response to Audit Report of franchise fees and franchise fee surcharges for 2021 and 2022

Dear Mark de la Rosa,

Thank you for providing Pacific Gas and Electric Company (PG&E) with an opportunity to comment on your draft report on the audit of PG&E's franchise fees and surcharges for 2021 and 2022. We find the report comprehensive and acceptable in form. We are pleased that you have concluded that PG&E has properly reported and calculated the 2021 and 2022 franchise fees and surcharges.

We appreciate working with the professionals at Sjoberg Evashenk Consulting in performing this audit.

Sincerely,

Cecilia Guiman
Director, Revenue Controls & Policy
Pacific Gas and Electric Company

Generating Clean Energy
for Vital Services.

San Francisco
Water Power Sewer
Services of the San Francisco Public Utilities Commission

Hetch Hetchy Water and Power and CleanPowerSF

Financial Statements June 30, 2024 and 2023
(With Independent Auditor's Report Thereon)

HETCH HETCHY WATER AND POWER AND CLEANPOWERSF

Table of Contents

Independent Auditor's Report

Honorable Mayor and the Board of Supervisors
City and County of San Francisco, California

Report on the Audit of the Financial Statements

Opinions

We have audited the financial statements of each major fund of Hetch Hetchy Water and Power and CleanPowerSF (Hetch Hetchy), an enterprise fund of the City and County of San Francisco (City), as of and for the years ended June 30, 2024 and 2023, and the related notes to the financial statements, as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of each major fund of the Hetch Hetchy as of June 30, 2024 and 2023, and the respective changes in financial position and cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Hetch Hetchy, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Emphasis of Matter

As discussed in Note 1, the financial statements present only the Hetch Hetchy and do not purport to, and do not, present fairly the financial position of the City, as of June 30, 2024 and 2023, the changes in its financial position, or, where applicable, its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America. Our opinions are not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

The Hetch Hetchy's management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Hetch Hetchy's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control–related matters that we identified during the audit.

Required SupplementaryInformation

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, as listed in the table of contents, be presented to supplement the financial statements. Such information is the responsibility of management and, although not a part of the financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with GAAS, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the financial statements, and other knowledge we obtained during our audits of the financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 12, 2024 on our consideration of the Hetch Hetchy's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Hetch Hetchy's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Hetch Hetchy's internal control over financial reporting and compliance.

Macias Gini É O'Connell LLP

Walnut Creek, California
November 12, 2024

This section presents management's analysis of San Francisco Hetch Hetchy Water and Power and CleanPowerSF Enterprise's (Hetch Hetchy or the Enterprise) financial condition and activities as of and for fiscal years ended June 30, 2024 and 2023. Management's Discussion and Analysis (MDA) is intended to serve as an introduction to the Enterprise's financial statements. This information should be read in conjunction with the audited financial statements that follow this section. All dollar amounts, unless otherwise noted, are expressed in thousands of dollars.

The information in this MDA is presented under the following headings:

- Organization and Business
- Overview of the Financial Statements
- Financial Analysis
- Capital Assets
- Debt Administration
- Rates and Charges
- Request for Information

Organization and Business

SFPUC is a department of the City that is responsible for the maintenance, operation, and development of three utility enterprises: Water, Wastewater, and Hetch Hetchy. The Enterprise was established as a result of the Raker Act of 1913, which granted water and power resource rights-of-way on the Tuolumne River in Yosemite National Park and the Stanislaus National Forest to the City. The Enterprise operates the Hetch Hetchy project, which provides both electricity generation and upcountry water service; and is engaged in the collection and conveyance of approximately 85% of the regional system's water supply and in the generation and transmission of electricity.

In normal rain years, 85% of San Francisco's drinking water starts out as snow falling on 459 square miles of watershed land in Yosemite National Park and the City may supplement water supply from an additional 193 square miles of watershed in Yosemite National Park and the Stanislaus National Forest during extremely dry years. As the snow melts, it collects in the SFPUC's storage reservoirs, then flows by gravity through over 150 miles of pipelines and tunnels, it turns the turbines in three hydroelectric powerhouses, generating approximately 1.4 billion kilowatt hours of electricity per year. The electricity travels over 160 miles of transmission and distribution lines from the upcountry powerhouses to the San Francisco Bay Area.

Approximately 55% of the electricity generated by Hetchy Power was used to provide electric service to the City's municipal customers (including the San Francisco Municipal Transportation Agency (SFMTA), Recreation and Parks Department, the Port of San Francisco, San Francisco International Airport and its tenants, Zuckerberg San Francisco General Hospital and Trauma Center, City streetlights, Moscone Convention Center, and the Water and Wastewater Enterprises). The remaining 45% of electricity generated was sold to CleanPowerSF and the wholesale electric market.

Hetch Hetchy

Hetch Hetchy provides reliable, high-quality water and electric energy to the City and other customers, protects watershed resources in cooperation with Federal agencies, operates and maintains facilities to a high standard of safety and reliability, and maximizes revenue opportunities within approved levels of risk.

Hetch Hetchy, a stand-alone enterprise is comprised of three funds: 1) Hetch Hetchy Water (Hetchy Water) upcountry operations and water system; 2) Hetch Hetchy Power (Hetchy Power), also referred to as the

Power Enterprise, which is wholly contained within the Hetch Hetchy fund; and 3) CleanPowerSF, which is an enterprise fund to aggregate the buying power of customers within San Francisco to purchase renewable energy sources or clean power, is reported as a separate fund of Hetch Hetchy. A number of the facilities are joint assets and used for both water and power generation.

Hetchy Water

For efficiency and to streamline the coordination of upcountry water and power operations, Hetchy Water operates upcountry and joint asset facilities, managing resources in an environmentally responsible manner to a high standard of safety and reliability while meeting regulatory requirements. It is responsible for operating the Hetch Hetchy Reservoir, the main source of water for the Hetch Hetchy system. Hetchy Water operates, maintains, and improves water and power facilities, smaller dams and reservoirs, water transmission systems, power generation facilities, and power transmission assets, including transmission lines to the Newark substation. Hetchy Water delivers high-quality water from upcountry downhill to the Bay Area while optimizing the resulting generation of clean hydropower as water is transported through the system. It maintains land and properties consistent with public health and neighborhood concerns.

Hetchy Power

The core business of Hetchy Power is to provide adequate and reliable supplies of electric power to meet the electricity needs of City and County of San Francisco's customers, and to offer, when available, power for the municipal loads and agricultural pumping demands consistent with prescribed contractual obligations and federal law.

Hetchy Power's portfolio consists of hydroelectric generation, onsite solar at SFPUC and other City facilities, generation using bio-methane produced at SFPUC wastewater treatment facilities, and third-party purchases. Consistent with its commitment to the development of cleaner and greener power, and to address environmental concerns and community objectives, Hetchy Power continues to evaluate and expand its existing resource base to include additional renewables, distributed generation, and energy efficiency programs. As part of its mission and core functions, Hetchy Power provides reliable energy services at reasonable cost to customers, with attention to environmental effects and community concerns.

Hetch Hetchy Joint

A portion of Hetch Hetchy's operating budget, capital program, and assets, provides benefit to both Hetchy Power and Hetchy Water. This is commonly referred to as joint costs and joint assets. Both operating and capital costs that jointly benefit both funds are allocated 55% to Hetchy Power and 45% to Hetchy Water, as has historically been done by the SFPUC.

CleanPowerSF

CleanPowerSF is a community choice aggregation (CCA) program made possible by the 2002 passage of California Assembly Bill 117, enabling communities to purchase power on behalf of their residents and businesses and creating competition in power generation services. CleanPowerSF began serving customers with power generation in May 2016. CleanPowerSF's core business is to provide greener electricity supply to residential and commercial consumers that are retail distribution customers of Pacific Gas and Electric Company (PG&E) in San Francisco. The SFPUC operates CleanPowerSF as a financially independent service, with the ability to set rates and charges with adequate revenues, and to issue debt to support its operations and future projects, as needed. CleanPowerSF is discretely presented as a fund of the Enterprise starting fiscal year 2017.

Through CleanPowerSF, SFPUC seeks to achieve several complementary goals, including offering affordable and competitive electricity generation rates, developing and maintaining a diverse electricity resource portfolio that is comprised of renewable and other clean sources of supply, and providing high-quality customer service. The program serves approximately 385,000 customer accounts and provides San Francisco with an electricity supply from its default "Green" product that is sourced from at least 50% California State Renewables Portfolio Standard (RPS)-eligible resources. Additionally, CleanPowerSF offers "SuperGreen", a 100% RPS-eligible electricity supply, that is available to customers for a small additional cost. On June 1, 2022, CleanPowerSF opened enrollment for its "SuperGreen Saver" product, which provides eligible low-income ratepayers residing in neighborhoods that meet the State of California's criteria as Disadvantaged Communities with 100% RPS-eligible electricity at a 20% bill discount.

Overview of the Financial Statements

Hetch Hetchy's financial statements include the following:

Statements of Net Position present information on Hetch Hetchy's assets, deferred outflows, liabilities, and deferred inflows as of year-end, with the difference reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of Hetch Hetchy is improving or worsening.

While the *Statements of Net Position* provide information about the nature and amount of resources and obligations as of year-end, the *Statements of Revenues, Expenses, and Changes in Net Position* present the results of Hetch Hetchy's operations over the course of the fiscal year and information as to how the net position changed during the year. These statements can be used as an indicator of the extent to which Hetch Hetchy has successfully recovered its costs through user fees and other charges. All changes in net position are reported during the period in which the underlying event giving rise to the change occurs, regardless of the timing of the related cash flows. Thus, revenues and expenses are reported in these statements from some items that will result in cash flows in future fiscal periods, such as delayed collection of operating revenues and the expenses of employee earned but unused vacation leave.

The *Statements of Cash Flows* present changes in cash and cash equivalents resulting from operational, capital financing, non-capital financing, and investing activities. These statements summarize the annual flow of cash receipts and cash payments, without consideration of the timing of the event giving rise to the obligation or receipt and exclude non-cash accounting measures of depreciation or amortization of assets.

The *Notes to Financial Statements* provide information that is essential to a full understanding of the financial statements that is not presented on the face of the financial statements.

Financial Analysis

Financial Highlights for Fiscal Year 2024

Hetch Hetchy

- Total assets of Hetch Hetchy exceeded total liabilities by $1,008,835.

- Net position increased by $121,170 or 13.3% during the fiscal year.

- Capital assets, net of accumulated depreciation and amortization, increased by $127,947 or 14.8% to $995,251.
- Operating revenues, excluding interest and investment income, and other non-operating revenues, increased by $46,961 or 8.0% to $630,438.
- Operating expenses, excluding interest expenses, other non-operating expenses, and amortization of premium, discount, and issuance costs, increased by $19,726 or 3.7% to $556,069.

Hetchy Water

- Total assets of Hetchy Water exceeded total liabilities by $272,975.
- Net position increased by $9,129 or 3.3% during the fiscal year.
- Capital assets, net of accumulated depreciation and amortization, increased by $17,450 or 7.9% to $237,486.
- Operating revenues, excluding interest and investment income, and other non-operating revenues, decreased by $3,205 or 6.1% to $49,492.
- Operating expenses, excluding other non-operating expenses, decreased by $6,061 or 12.1% to $43,950.

Hetchy Power

- Total assets of Hetchy Power exceeded total liabilities by $557,336.
- Net position increased by $51,552 or 9.9% during the fiscal year.
- Capital assets, net of accumulated depreciation and amortization, increased by $110,514 or 17.1% to $757,752.
- Operating revenues, excluding interest and investment income, and other non-operating revenues, increased by $10,349 or 5.1% to $214,352.
- Operating expenses, excluding interest expenses, other non-operating expenses, and amortization of premium, discount, and issuance costs, increased by $9,049 or 4.7% to $200,601.

CleanPowerSF

- Total assets of CleanPowerSF exceeded total liabilities by $178,524.
- Net position increased by $60,489 or 51.3% during the fiscal year.
- Capital assets, net of accumulated depreciation and amortization, decreased by $17 or 56.7% to $13.

- Operating revenues, excluding interest and investment income, and other non-operating revenues, increased by $39,817 or 12.2% to $366,594.

- Operating expenses, excluding interest expenses increased by $16,738 or 5.7% to $311,518.

Financial Highlights for Fiscal Year 2023

Hetch Hetchy

- Total assets of Hetch Hetchy exceeded total liabilities by $901,552.

- Net position increased by $82,798 or 10.0% during the fiscal year.

- Capital assets, net of accumulated depreciation and amortization, increased by $79,656 or 10.1% to $867,304.

- Operating revenues, excluding interest and investment income, and other non-operating revenues, increased by $103,030 or 21.4% to $583,477.

- Operating expenses, excluding interest expenses, other non-operating expenses, and amortization of premium, discount, and issuance costs, increased by $65,584 or 13.9% to $536,343.

Hetchy Water

- Total assets of Hetchy Water exceeded total liabilities by $269,248.

- Net position increased by $24,946 or 10.0% during the fiscal year.

- Capital assets, net of accumulated depreciation and amortization, increased by $18,654 or 9.3% to $220,036.

- Operating revenues, excluding interest and investment income, and other non-operating revenues, increased by $3,385 or 6.9% to $52,697.

- Operating expenses, excluding other non-operating expenses, decreased by $2,288 or 4.4% to $50,011.

Hetchy Power

- Total assets of Hetchy Power exceeded total liabilities by $512,386.

- Net position increased by $24,171 or 4.9% during the fiscal year.

- Capital assets, net of accumulated depreciation and amortization, increased by $61,273 or 10.5% to $647,238.

- Operating revenues, excluding interest and investment income, and other non-operating revenues, increased by $30,761 or 17.8% to $204,003.

- Operating expenses, excluding interest expenses, other non-operating expenses, and amortization of premium, discount, and issuance costs, increased by $35,209 or 22.5% to $191,552.

CleanPowerSF

- Total assets of CleanPowerSF exceeded total liabilities by $119,918.

- Net position increased by $33,681 or 39.9% during the fiscal year.

- Capital assets, net of accumulated depreciation and amortization, decreased by $271 or 90.0% to $30.

- Operating revenues, excluding interest and investment income, and other non-operating revenues, increased by $68,884 or 26.7% to $326,777.

- Operating expenses, excluding interest expenses increased by $32,663 or 12.5% to $294,780.

(Dollars in thousands, unless otherwise stated)

Financial Position

The following tables summarize Hetch Hetchy's net position:

Table 1A - Consolidated Hetch Hetchy
Comparative Condensed Net Position
June 30, 2024, 2023, and 2022

	2024	2023	2022	2024-2023 Change	2023-2022 Change
Total assets:					
Current and other assets	$ 636,716	542,742	499,795	93,974	42,947
Capital assets, net of accumulated depreciation and amortization	995,251	867,304	787,648	127,947	79,656
Total assets	1,631,967	1,410,046	1,287,443	221,921	122,603
Deferred outflows of resources:					
Pensions	28,696	20,976	15,731	7,720	5,245
Other postemployment benefits	8,086	8,226	8,069	(140)	157
Total deferred outflows of resources	36,782	29,202	23,800	7,580	5,402
Liabilities:					
Current liabilities:					
Bonds	3,599	1,590	1,966	2,009	(376)
Certificates of participation	463	445	427	18	18
Commercial paper	90,654	—	40,019	90,654	(40,019)
Other liabilities	102,253	104,704	94,902	(2,451)	9,802
Subtotal current liabilities	196,969	106,739	137,314	90,230	(30,575)
Long-term liabilities:					
Bonds	315,200	189,342	192,520	125,858	(3,178)
Certificates of participation	11,685	12,148	12,593	(463)	(445)
Commercial paper	—	116,352	—	(116,352)	116,352
Arbitrage rebate payable	184	—	—	184	—
Other liabilities	99,094	83,913	51,436	15,181	32,477
Subtotal long-term liabilities	426,163	401,755	256,549	24,408	145,206
Total liabilities:					
Bonds	318,799	190,932	194,486	127,867	(3,554)
Certificates of participation	12,148	12,593	13,020	(445)	(427)
Commercial paper	90,654	116,352	40,019	(25,698)	76,333
Arbitrage rebate payable	184	—	—	184	—
Other liabilities	201,347	188,617	146,338	12,730	42,279
Total liabilities	623,132	508,494	393,863	114,638	114,631
Deferred inflows of resources:					
Pensions	5,238	10,500	82,029	(5,262)	(71,529)
Other postemployment benefits	8,730	9,775	7,670	(1,045)	2,105
Total deferred inflows of resources	13,968	20,275	89,699	(6,307)	(69,424)
Net position:					
Net investment in capital assets	576,573	527,185	527,794	49,388	(609)
Restricted for debt service	—	56	140	(56)	(84)
Restricted for capital projects	59,955	32,682	—	27,273	32,682
Restricted for other purposes	—	—	32,749	—	(32,749)
Unrestricted	395,121	350,556	266,998	44,565	83,558
Total net position	$ 1,031,649	910,479	827,681	121,170	82,798

(Dollars in thousands, unless otherwise stated)

Table 1B - Hetchy Water
Comparative Condensed Net Position
June 30, 2024, 2023, and 2022

	2024	2023	2022	2024-2023 Change	2023-2022 Change
Total assets:					
Current and other assets	$ 81,605	90,830	109,691	(9,225)	(18,861)
Capital assets, net of accumulated depreciation and amortization	237,486	220,036	201,382	17,450	18,654
Total assets	319,091	310,866	311,073	8,225	(207)
Deferred outflows of resources:					
Pensions	11,929	8,858	6,696	3,071	2,162
Other postemployment benefits	3,191	3,248	3,272	(57)	(24)
Total deferred outflows of resources	15,120	12,106	9,968	3,014	2,138
Liabilities:					
Current liabilities	8,198	9,888	17,553	(1,690)	(7,665)
Long-term liabilities	37,918	31,730	17,095	6,188	14,635
Total liabilities	46,116	41,618	34,648	4,498	6,970
Deferred inflows of resources:					
Pensions	1,941	4,142	34,477	(2,201)	(30,335)
Other postemployment benefits	2,897	3,084	2,734	(187)	350
Total deferred inflows of resources	4,838	7,226	37,211	(2,388)	(29,985)
Net position:					
Net investment in capital assets	233,276	214,014	194,688	19,262	19,326
Restricted for capital projects	31,330	10,980	—	20,350	10,980
Restricted for other purposes	—	—	13,912	—	(13,912)
Unrestricted	18,651	49,134	40,582	(30,483)	8,552
Total net position	$ 283,257	274,128	249,182	9,129	24,946

(Dollars in thousands, unless otherwise stated)

Table 1C - Hetchy Power
Comparative Condensed Net Position
June 30, 2024, 2023, and 2022

	2024	2023	2022	2024-2023 Change	2023-2022 Change
Total assets:					
Current and other assets	$ 330,411	294,006	260,487	36,405	33,519
Capital assets, net of accumulated depreciation and amortization	757,752	647,238	585,965	110,514	61,273
Total assets	1,088,163	941,244	846,452	146,919	94,792
Deferred outflows of resources:					
Pensions	14,580	10,826	8,183	3,754	2,643
Other postemployment benefits	3,899	3,969	3,999	(70)	(30)
Total deferred outflows of resources	18,479	14,795	12,182	3,684	2,613
Liabilities:					
Current liabilities:					
Bonds	3,599	1,590	1,966	2,009	(376)
Certificates of participation	463	445	427	18	18
Commercial paper	90,654	—	40,019	90,654	(40,019)
Other liabilities	55,976	63,355	48,688	(7,379)	14,667
Subtotal current liabilities	150,692	65,390	91,100	85,302	(25,710)
Long-term liabilities:					
Bonds	315,200	189,342	192,520	125,858	(3,178)
Certificates of participation	11,685	12,148	12,593	(463)	(445)
Commercial paper	—	116,352	—	(116,352)	116,352
Arbitrage rebate payable	184	—	—	184	—
Other liabilities	53,066	45,626	22,762	7,440	22,864
Subtotal long-term liabilities	380,135	363,468	227,875	16,667	135,593
Total liabilities:					
Bonds	318,799	190,932	194,486	127,867	(3,554)
Certificates of participation	12,148	12,593	13,020	(445)	(427)
Commercial paper	90,654	116,352	40,019	(25,698)	76,333
Arbitrage rebate payable	184	—	—	184	—
Other liabilities	109,042	108,981	71,450	61	37,531
Total liabilities	530,827	428,858	318,975	101,969	109,883
Deferred inflows of resources:					
Pensions	2,372	5,062	42,138	(2,690)	(37,076)
Other postemployment benefits	3,541	3,769	3,342	(228)	427
Total deferred inflows of resources	5,913	8,831	45,480	(2,918)	(36,649)
Net position:					
Net investment in capital assets	343,297	313,171	333,106	30,126	(19,935)
Restricted for debt service	—	56	140	(56)	(84)
Restricted for capital projects	28,625	21,702	—	6,923	21,702
Restricted for other purposes	—	—	17,004	—	(17,004)
Unrestricted	197,980	183,421	143,929	14,559	39,492
Total net position	$ 569,902	518,350	494,179	51,552	24,171

(Dollars in thousands, unless otherwise stated)

Table 1D - CleanPowerSF
Comparative Condensed Net Position
June 30, 2024, 2023, and 2022

	2024	2023	2022	2024-2023 Change	2023-2022 Change
Total assets:					
Current and other assets	$ 224,700	157,906	129,617	66,794	28,289
Capital assets, net of accumulated depreciation and amortization	13	30	301	(17)	(271)
Total assets	224,713	157,936	129,918	66,777	28,018
Deferred outflows of resources:					
Pensions	2,187	1,292	852	895	440
Other postemployment benefits	996	1,009	798	(13)	211
Total deferred outflows of resources	3,183	2,301	1,650	882	651
Liabilities:					
Current liabilities	38,079	31,461	28,661	6,618	2,800
Long-term liabilities	8,110	6,557	11,579	1,553	(5,022)
Total liabilities	46,189	38,018	40,240	8,171	(2,222)
Deferred inflows of resources:					
Pensions	925	1,296	5,414	(371)	(4,118)
Other postemployment benefits	2,292	2,922	1,594	(630)	1,328
Total deferred inflows of resources	3,217	4,218	7,008	(1,001)	(2,790)
Net position:					
Restricted for other purposes	—	—	1,833	—	(1,833)
Unrestricted	178,490	118,001	82,487	60,489	35,514
Total net position	$ 178,490	118,001	84,320	60,489	33,681

Net Position, Fiscal Year 2024

Hetch Hetchy

Hetch Hetchy's net position of $1,031,649 increased by $121,170 or 13.3% from prior year. Increases in total assets and deferred outflows of resources of $229,501 and increases of $108,331 in total liabilities and deferred inflows of resources are described below (see Table 1A). Current and other assets were $636,716, a $93,974 or 17.3% increase from prior year, mainly due to increased cash collections from charges for services for Hetchy Power and CleanPowerSF.

Capital assets, net of accumulated depreciation and amortization, increased by $127,947 or 14.8% to $995,251 primarily from construction and capital improvement activities for the Cluster 7 Mitigation and Transmission Line Clearance Mitigation Projects. Deferred outflows of resources increased by $7,580 due to an increase of $7,720 in pensions, offset by a decrease of $140 in other postemployment benefits (OPEB) based on actuarial reports.

Total liabilities increased by $114,638 or 22.5% to $623,132. Outstanding debt increased by $101,724 due to an increase of $127,867 in bonds mainly from 2023 Series A Revenue Bonds issuance, offset by decreases of $25,698 in commercial paper and $445 in Certificates of Participation. Arbitrage rebate payable increased by $184 related to 2021 Series AB and 2023 Series A Revenue Bonds. Other liabilities increased by $12,730 primarily due to increase in net pension liability based on actuarial estimates. Deferred inflows of resources decreased by $6,307 due to decreases of $5,262 in pensions and $1,045 in OPEB based on actuarial reports.

Hetchy Water

Hetchy Water's net position of $283,257 increased by $9,129 or 3.3% from prior year. Increases in total assets and deferred outflows of resources of $11,239 and increases of $2,110 in total liabilities and deferred inflows of resources are described below (see Table 1B). The decrease of $9,225 in current and other assets was attributed to decreases of $10,152 in cash and investments with City Treasury mainly from higher cash paid to suppliers and contractors for goods and services, $59 in due from other governments related to State grant reimbursement for Rim Fire Project, and $22 in inventory due to more issuances than purchases during the fiscal year. The decreases were offset by increases of $659 in prepaid charges, advances, and other receivables mainly due to higher prepayments to San Joaquin Tributaries Authority and County of Tuolumne, $283 in interest receivables attributed to higher interest rates, and $66 in charges for services receivables due to higher consumption from Lawrence Livermore National Laboratory.

Capital assets, net of accumulated depreciation and amortization, increased by $17,450 or 7.9% to $237,486 primarily from construction and capital improvement activities for the 2023 March Winter Storm and Mountain Tunnel Improvements Projects. Deferred outflows of resources increased by $3,014 due to an increase of $3,071 in pensions, offset by a decrease of $57 in OPEB based on actuarial reports.

Hetchy Water's total liabilities increased by $4,498 or 10.8% to $46,116, as explained by increases of $4,985 in net pension liability based on actuarial estimates, $1,362 in OPEB obligations based on actuarial estimates, $468 in employee related benefits due to 4.75% increase in cost-of-living adjustment (COLA). These increases were offset by decreases of $1,720 in restricted payables due to lower project spending mainly for Mountain Tunnel Improvement Project, $432 in general liability based on actuarial estimates, $80 in subscription liability, $64 in unrestricted payables mainly due to decrease in management consulting services, $16 in lease liability, $4 in unearned revenues, refunds, and other mainly due to decrease in prepaid rent received from tenants, and $1 in interest payable related to SBITAs.

Deferred inflows of resources decreased by $2,388 due to decreases of $2,201 in pensions and $187 in OPEB based on actuarial reports.

Hetchy Power

Hetchy Power's net position of $569,902 increased by $51,552 or 9.9% from prior year. Increases in total assets and deferred outflows of resources of $150,603 and increases of $99,051 in total liabilities and deferred inflows of resources are described below (see Table 1C). Increase of $36,405 in current and other assets was attributed to increases of $28,989 in cash and investments mainly due to higher collections from billings attributable to 14.0% average rate increase and cash proceeds from commercial paper, $6,065 in prepaid charges, advances, and other receivables mainly due to prepayments to vendors such as County of Tuolumne for municipal services and additional collateral paid to satisfy the CAISO's financial security requirements, $4,079 in charges for services receivables mainly due to pending collections from wholesale customers, $1,320 in interest receivables attributed to higher interest rates, and $71 in inventory due to more purchases than issuances during the fiscal year.

These increases were offset by decreases of $3,982 in restricted interest and receivables due to refundable deposit received from PG&E, $72 in due from other governments related to State grant reimbursement for Rim Fire Project, and $65 in due from other City departments mainly due to repayments for Moscone Renewable Energy Projects.

Capital assets, net of accumulated depreciation and amortization, increased by $110,514 or 17.1% to $757,752 primarily from construction and capital improvement activities for the Cluster 7 Mitigation and

Transmission Line Clearance Mitigation Projects. Deferred outflows of resources increased by $3,684 due to an increase of $3,754 in pensions, offset by a decrease of $70 in OPEB based on actuarial reports.

Hetchy Power's total liabilities of $530,827 increased by $101,969 or 23.8%. As of June 30, 2024, outstanding debt increased by $101,724 due to $131,230 from issuance of 2023 Series A Revenue Bonds and $91,635 from commercial paper issuance, offset by commercial paper repayment of $117,333, bonds and certificates of participation principal repayments of $2,035, and $1,773 in amortization of premium and discount. Other liabilities of $109,042, such as payables to vendors, employees, contractors, and other government agencies for goods and services under contractual agreements, increased by $61 or 0.1%, mainly due to increases of $6,093 in net pension liability based on actuarial estimates, $5,748 in restricted payables to vendors and contractors due to higher year-end expense accruals mainly for the Warnerville Substation Project, $1,663 in OPEB obligations based on actuarial estimates, $1,094 in interest payable mainly due to 2023 Series A Revenue Bonds issuance, $724 in unearned revenues, refunds, and other mainly due to utility user taxes payable to Alameda county, and $610 in employee related benefits due to 4.75% increase in COLA. These increases were offset by decreases of $11,465 in unrestricted payables mainly due to lower year-end expense accruals for power purchases from APX, Inc. and distribution services from PG&E, $2,376 in general liability based on actuarial estimates, $1,946 in due to other City departments related to claim settlement reimbursement paid to SFMTA, $65 in subscription liability, and $19 in lease liability. Arbitrage rebate payable increased by $184 related to 2021 Series AB and 2023 Series A Revenue Bonds.

Deferred inflows of resources decreased by $2,918 due to decreases of $2,690 in pensions and $228 in OPEB based on actuarial reports.

CleanPowerSF

CleanPowerSF's net position of $178,490 increased by $60,489 or 51.3% from prior year. Increases in total assets and deferred outflows of resources of $67,659 and increases of $7,170 in total liabilities and deferred inflows of resources are described below (see Table 1D). Increase in current and other assets of $66,794 was due to increases of $61,154 in cash and investments with City Treasury mainly attributed to higher collections from billings, $9,368 in charges for services receivables mainly due to 15.0% average rate increase, and $1,133 in interest receivable attributed to higher interest rates. These increases were offset by a decrease of $4,861 in prepaid charges and other receivables mainly related to $5,000 cash collateral returned from APX, Inc.

Capital assets, net of accumulated depreciation and amortization, decreased by $17 or 56.7% to $13 due to decrease in subscription assets. Deferred outflows of resources increased by $882 due to an increase of $895 in pensions, offset by a decrease of $13 in OPEB based on actuarial reports.

Total liabilities increased by $8,171 or 21.5% to $46,189, mainly explained by increases of $4,674 in payables due to higher power purchases, $1,840 in unearned revenues, refunds, and other, $1,439 in net pension liability based on actuarial estimates, $136 in OPEB obligations based on actuarial assumptions, and $113 in employee related benefits due to COLA increase. These increases were offset by decreases of $18 in subscription liability and $13 in general liability based on actuarial estimates. Increase of $1,840 in unearned revenues, refunds, and other was mainly due to increases of $1,241 for the Community Food Service Energy Efficiency Program and Disadvantaged Communities Programs from California Public Utilities Commission (CPUC), $651 in net energy metering credits to customers who generated excess energy, and $8 in energy tax payable, offset by a decrease of $60 in customer prepayments.

Deferred inflows of resources decreased by $1,001 due to decreases of $630 in OPEB and $371 in pensions based on actuarial reports.

Net Position, Fiscal Year 2023

Hetch Hetchy

Hetch Hetchy's net position of $910,479 increased by $82,798 or 10.0% from prior year resulting from an increase of $128,005 in total assets and deferred outflows of resources, offset by a net increase of $45,207 in total liabilities and deferred inflows of resources (see Table 1A). Current and other assets were $542,742, a $42,947 or 8.6% increase from prior year, mainly due to increased cash collections from charges for services for Hetchy Power and CleanPowerSF. Hetch Hetchy adopted GASB Statement No. 96, *SBITAs* and recognized subscription assets net of accumulated amortization of $281 and liabilities of $286 as of June 30, 2023. See Note 10 for additional information about SBITAs.

Capital assets, net of accumulated depreciation and amortization, increased by $79,656 or 10.1% to $867,304 primarily from construction and capital improvement activities for the Moccasin Powerhouse Rewind Project and the Mountain Tunnel Improvement Project. Deferred outflows of resources increased by $5,402 due to increases of $5,245 in pensions and $157 in other postemployment benefits (OPEB) based on actuarial reports.

Total liabilities increased by $114,631 or 29.1% to $508,494. Outstanding debt increased by $72,352 from additional $76,333 commercial paper issuances offset by $3,554 in bonds and $427 in Certificates of Participation. Other liabilities increased by $42,279. Deferred inflows of resources decreased by $69,424 due to a decrease of $71,529 in pensions offset by an increase of $2,105 in OPEB based on actuarial reports.

Hetchy Water

Hetchy Water's net position of $274,128 increased by $24,946 or 10.0% resulting from a net decrease of $23,015 in total liabilities and deferred inflows of resources and a net increase of $1,931 in total assets and deferred outflows of resources (see Table 1B). The decrease of $18,861 in current and other assets was attributed to decreases of $13,912 in restricted net pension assets based on actuarial report, $6,238 in cash and investments with City Treasury mainly from higher cash paid to suppliers and contractors for goods and services, $129 in prepaid charges, advances, and other receivables due to prepayments made in prior year to California Department of Water Resources for dam fees included in fiscal year 2023, and $70 in charges for services receivables due to lower consumption from Lawrence Livermore National Laboratory. These decreases were offset by increases of $1,211 in State grants receivable for the 2018 Moccasin Storm Project related to emergency repairs, $255 in interest receivables attributed to improved fair value of investments and higher interest rates, and $22 in inventory due to more purchases than issuances during the fiscal year.

Capital assets, net of accumulated depreciation and amortization, increased by $18,654 or 9.3% to $220,036 primarily from construction and capital improvement activities for the Mountain Tunnel Improvement Project and San Joaquin Pipeline Valve and Safe Entry Improvement Project. Deferred outflows of resources increased by $2,138 due to an increase of $2,162 in pensions offset by a decrease of $24 in OPEB based on actuarial reports.

Hetchy Water's total liabilities increased by $6,970 or 20.1% to $41,618, as explained by increases of $14,105 in net pension liability based on actuarial estimates, $667 in OPEB obligations based on actuarial assumptions, $242 in employee related benefits due to 5.25% increase in cost-of-living adjustment (COLA), $76 in lease liability and $73 in general liability based on actuarial estimates. These increases were offset by decreases of $7,421 in unrestricted payables mainly due to lower license and permit fees to the National Park Service, $577 in restricted payables due to lower project spending, $170 in subscription liability per implementation of GASB Statement No. 96, *SBITAs*, $24 in unearned revenues, refunds, and other mainly due to recognition of grant advance as revenue for the Rim Fire Project, and $1 in interest payable related to SBITAs (see Note 10).

Deferred inflows of resources decreased by $29,985 due to a decrease of $30,335 in pensions offset by an increase of $350 in OPEB based on actuarial reports.

Hetchy Power

Hetchy Power's net position of $518,350 increased by $24,171 or 4.9% resulting from an increase of $97,405 in total assets and deferred outflows of resources, offset by a net increase of $73,234 in total liabilities and deferred inflows of resources (see Table 1C). Increase of $33,519 in current and other assets was attributed to increases of $47,496 in cash and investments mainly due to higher collections from billings, $2,088 in charges for services receivables mainly due to pending collections from non-work order City departments, $1,302 in interest receivables attributed to improved fair value of investments and higher interest rates, and $348 increase in State grants receivable mainly for the 2018 Moccasin Storm Project related to emergency repairs.

These increases were offset by decreases of $17,004 in restricted net pension assets based on actuarial report, $318 in due from other City departments mainly due to repayments from Moscone Renewable Energy Projects, $182 in prepaid charges, advances, and other receivables mainly due to prepayments made in prior year to California Department of Water Resources for dam fees included in fiscal year 2023, $152 in restricted interest and other receivables mainly due to lower IRS bond interest subsidy accrual, and $59 in inventory due to more issuances than purchases during the fiscal year.

Capital assets, net of accumulated depreciation and amortization, increased by $61,273 or 10.5% to $647,238 primarily from construction and capital improvement activities for the Moccasin Powerhouse Rewind Project and the Bay Corridor Project. Deferred outflows of resources increased by $2,613 due to an increase of $2,643 in pensions offset by a decrease of $30 in OPEB based on actuarial reports.

Hetchy Power's total liabilities of $428,858 increased by $109,883 or 34.4%. As of June 30, 2023, outstanding debt increased by $72,352 due to $76,333 commercial paper issuance for Hetchy Power facilities, offset by $2,397 from bonds and certificates of participation principal repayments and $1,584 in amortization of premium and discount. Other liabilities of $108,981, such as payables to vendors, employees, contractors, and other government agencies for goods and services under contractual agreements, increased by $37,531 or 52.5%, mainly due to increases of $17,239 in net pension liability based on actuarial estimates, $8,302 in unrestricted payables mainly due to higher power purchases, $5,127 in general liability based on actuarial estimates, $4,060 in restricted payables to vendors and contractors due to higher year-end expense accruals for capital projects mainly for the Winter Storm Projects and Moccasin Powerhouse Projects, $1,566 in due to other City departments mainly for claim settlement reimbursement to SFMTA, $815 in OPEB obligations based on actuarial assumptions, $464 in employee related benefits due to 5.25% increase in COLA, $268 increase in interest payable related to 2021 Series AB revenue bond issued in prior year, and $94 in lease liability. These increases were offset by decreases of $267 in unearned revenues, refunds, and other, and $137 in subscription liability per implementation of GASB Statement No. 96, *SBITAs* (see Note 10). Decrease of $267 in unearned revenues, refunds, and other was mainly due to $436 deposit refund to developer for custom work project at 1064 Mission Street, $126 in refund for Hunter's Point construction project, and $43 in grant advance due to recognition of Rim Fire State grant revenue, offset by increases of $170 in prepayments from Distributed Antenna System (DAS) program, and $168 in customer prepayments.

Deferred inflows of resources decreased by $36,649 due to a decrease of $37,076 in pensions offset by an increase of $427 in OPEB based on actuarial reports.

CleanPowerSF

CleanPowerSF's net position of $118,001 increased by $33,681 or 39.9%, resulting from an increase of $28,669 in total assets and deferred outflows of resources and a decrease of $5,012 in total liabilities and deferred inflows of resources (see Table 1D). Increase in current and other assets of $28,289 was due to increases of $42,423 in cash and investments with City Treasury mainly attributed to higher collections from billings and $498 in interest receivable attributed to improved fair value of investments and higher interest rates. These increases were offset by decrease of $7,078 in charges for services receivables due to $5,485 lower unbilled accrual and $1,593 increase in allowance for uncollectible due to higher aged receivables greater than 120 days. Prepaid charges and other receivables decreased by $5,721, of which $5,463 in lower prepaid for power purchases and $4,258 in prepayments required by PG&E in prior year offset by $4,000 in collateral paid to the California Independent System Operator's (CAISO) to satisfy financial security requirements. Restricted net pension assets decreased by $1,833 based on actuarial report.

Capital assets, net of accumulated depreciation and amortization, decreased by $271 or 90.0% to $30 due to $230 in lease right-to-use assets net of accumulated amortization from lease termination of 544 Golden Gate and $41 in subscription assets net of accumulated amortization per implementation of GASB Statement No. 96, *SBITAs*. Deferred outflows of resources increased by $651 due to increases of $440 in pensions and $211 in OPEB based on actuarial reports.

Total liabilities decreased by $2,222 or 5.5% to $38,018, mainly explained by $9,000 cash collateral returned for power purchase agreement, $232 decrease in lease liability related to the lease termination at 544 Golden Gate, $39 decrease in subscription liability per implementation of GASB Statement No. 96, *SBITAs*, and $1 decrease in interest payable related to SBITAs (See Note 10). These decreases were offset by increases of $2,124 in net pension liability based on actuarial estimates, $1,950 in unearned revenues, refunds, and other, $1,789 in OPEB obligations based on actuarial assumptions, $818 in payables mainly due to higher power purchases, $367 in employee related benefits due to 5.25% increase in COLA, and $2 in general liability based on actuarial estimates. Increases of $1,950 in unearned revenues, refunds, and other was mainly due to increases of $2,075 received from California Public Utilities Commission (CPUC) for the Community Food Service Energy Efficiency Program and Disadvantaged Communities Programs, $64 in customer prepayments, and $5 in energy tax payable, offset by a decrease of $194 in net energy metering credits to retail and commercial customers.

Deferred inflows of resources decreased by $2,790 due to a decrease of $4,118 in pensions offset by an increase of $1,328 in OPEB based on actuarial reports.

(Dollars in thousands, unless otherwise stated)

Results of Operations

The following tables summarize Hetch Hetchy's revenues, expenses, and changes in net position:

Table 2A - Consolidated Hetch Hetchy
Comparative Condensed Revenues, Expenses, and Changes in Net Position
Years Ended June 30, 2024, 2023 and 2022

		2024	2023	2022	2024-2023 Change	2023-2022 Change
Revenues:						
Charges for services	$	630,078	583,194	480,198	46,884	102,996
Rents and concessions		360	283	249	77	34
Interest and investment income (loss)		22,903	4,603	(8,219)	18,300	12,822
Other non-operating revenues		9,252	16,964	19,001	(7,712)	(2,037)
Total revenues		662,593	605,044	491,229	57,549	113,815
Expenses:						
Operating expenses		556,069	536,343	470,759	19,726	65,584
Interest expenses		14,475	9,491	5,636	4,984	3,855
Amortization of premium, discount, and issuance costs		(1,008)	(1,584)	192	576	(1,776)
Non-operating expenses		1,021	499	628	522	(129)
Total expenses		570,557	544,749	477,215	25,808	67,534
Change in net position before transfers and contributions		92,036	60,295	14,014	31,741	46,281
Capital contributions		29,200	2,535	—	26,665	2,535
Transfers from the City and County of San Francisco		42	20,000	30,001	(19,958)	(10,001)
Transfers to the City and County of San Francisco		(108)	(32)	(532)	(76)	500
Capital contributions and net transfers		29,134	22,503	29,469	6,631	(6,966)
Change in net position		121,170	82,798	43,483	38,372	39,315
Net position at beginning of year		910,479	827,681	784,198	82,798	43,483
Net position at end of year	$	1,031,649	910,479	827,681	121,170	82,798

Table 2B - Hetchy Water
Comparative Condensed Revenues, Expenses, and Changes in Net Position
Years Ended June 30, 2024, 2023 and 2022

		2024	2023	2022	2024-2023 Change	2023-2022 Change
Revenues:						
Charges for services	$	49,330	52,570	49,200	(3,240)	3,370
Rents and concessions		162	127	112	35	15
Interest and investment income (loss)		3,255	457	(2,932)	2,798	3,389
Other non-operating revenues		338	1,861	479	(1,523)	1,382
Total revenues		53,085	55,015	46,859	(1,930)	8,156
Expenses:						
Operating expenses		43,950	50,011	52,299	(6,061)	(2,288)
Interest expenses		3	4	3	(1)	1
Non-operating expenses		45	54	37	(9)	17
Total expenses		43,998	50,069	52,339	(6,071)	(2,270)
Change in net position before transfers		9,087	4,946	(5,480)	4,141	10,426
Transfers from the City and County of San Francisco		42	20,000	30,001	(19,958)	(10,001)
Change in net position		9,129	24,946	24,521	(15,817)	425
Net position at beginning of year		274,128	249,182	224,661	24,946	24,521
Net position at end of year	$	283,257	274,128	249,182	9,129	24,946

(Dollars in thousands, unless otherwise stated)

Table 2C - Hetchy Power
Comparative Condensed Revenues, Expenses, and Changes in Net Position
Years Ended June 30, 2024, 2023 and 2022

		2024	2023	2022	2024-2023 Change	2023-2022 Change
Revenues:						
Charges for services	$	214,154	203,847	173,105	10,307	30,742
Rents and concessions		198	156	137	42	19
Interest and investment income (loss)		13,744	3,741	(4,001)	10,003	7,742
Other non-operating revenues		8,528	13,605	15,763	(5,077)	(2,158)
Total revenues		236,624	221,349	185,004	15,275	36,345
Expenses:						
Operating expenses		200,601	191,552	156,343	9,049	35,209
Interest expenses		14,472	9,486	5,627	4,986	3,859
Amortization of premium, discount, and issuance costs		(1,008)	(1,584)	192	576	(1,776)
Non-operating expenses		99	227	591	(128)	(364)
Total expenses		214,164	199,681	162,753	14,483	36,928
Change in net position before transfers and contributions		22,460	21,668	22,251	792	(583)
Capital contributions		29,200	2,535	—	26,665	2,535
Transfers to the City and County of San Francisco		(108)	(32)	(532)	(76)	500
Capital contributions and net transfers		29,092	2,503	(532)	26,589	3,035
Change in net position		51,552	24,171	21,719	27,381	2,452
Net position at beginning of year		518,350	494,179	472,460	24,171	21,719
Net position at end of year	$	569,902	518,350	494,179	51,552	24,171

Table 2D - CleanPowerSF
Comparative Condensed Revenues, Expenses, and Changes in Net Position
Years Ended June 30, 2024, 2023 and 2022

		2024	2023	2022	2024-2023 Change	2023-2022 Change
Revenues:						
Charges for services	$	366,594	326,777	257,893	39,817	68,884
Interest and investment income (loss)		5,904	405	(1,286)	5,499	1,691
Other non-operating revenues		386	1,498	2,759	(1,112)	(1,261)
Total revenues		372,884	328,680	259,366	44,204	69,314
Expenses:						
Operating expenses		311,518	294,780	262,117	16,738	32,663
Interest expenses		—	1	6	(1)	(5)
Non-operating expenses		877	218	—	659	218
Total expenses		312,395	294,999	262,123	17,396	32,876
Change in net position		60,489	33,681	(2,757)	26,808	36,438
Net position at beginning of year		118,001	84,320	87,077	33,681	(2,757)
Net position at end of year	$	178,490	118,001	84,320	60,489	33,681

Result of Operations, Fiscal Year 2024

Hetch Hetchy

Hetch Hetchy's total revenues were $662,593, an increase of $57,549 or 9.5% over prior year (see Table 2A). Charges for services increased by $46,884 or 8.0% from prior year's revenues mainly due to higher billings from CleanPowerSF and Hetchy Power. Total expenses increased by $25,808 or 4.7% primarily from higher energy purchases for CleanPowerSF due to volatile and increased pricing in the power market. (See Table 2A).

Hetchy Water

Hetchy Water's total revenues were $53,085, a decrease of $1,930 or 3.5% from prior year's revenues (see Table 2B). Decreases included $3,240 in charges for services and $1,523 in other non-operating revenues, offset by increases of $2,798 in interest and investment income and $35 in rents and concessions.

Charges for services were $49,330, a decrease of $3,240 or 6.2% mainly due to decreased water assessment fees from the Water Enterprise to fund upcountry water-related costs. Interest and investment income was $3,255, an increase of $2,798 mainly due to unrealized gain in City Treasury pooled investments attributed to improved fair value of investments and higher interest rates. Other non-operating revenues were $338, a decrease of $1,523 mainly due to decreases of $1,388 in State grants revenue for the Moccasin Storm Project and Rim Fire Project related to emergency repairs, $239 in Federal grants revenue for the Rim Fire Project, and $2 in net gain from sale of fixed assets, offset by increases of $100 settlement revenue mainly for San Joaquin Pipeline Project and $6 miscellaneous revenue. Rents were $162, an increase of $35 mainly due to higher collections from recreational rentals and new leases.

Total operating expenses, excluding interest expenses and other non-operating expenses, were $43,950, a decrease of $6,061 or 12.1%. Decreases included $13,074 in other operating expenses mainly due to lower project spending on the Mountain Tunnel Improvement Project, $807 in general and administrative expenses due to lower judgments and claims expenses, and $2 in depreciation and amortization mainly related to fewer subscription assets. These decreases were offset by increases of $6,484 in personnel services due to higher pension expenses and 4.75% increase in COLA, $1,079 in contractual services from increased engineering services, $150 in material and supplies from treatment chemicals and hardware expenses, and $109 in services provided by other departments mainly due to higher risk management services.

Other non-operating expenses were $45, a decrease of $9 due to lower payments to community-based organization programs. Interest expenses were $3, a decrease of $1 due to lower interest expenses related to leases and subscription assets. A transfer in of $42 was received from the Water Enterprise to fund various capital projects.

As a result of the above activities, net position for the year ended June 30, 2024 increased by $9,129 or 3.3% compared to prior year.

Hetchy Power

Hetchy Power's total revenues were $236,624, an increase of $15,275 or 6.9% from prior year's revenues (see Table 2C). Increases included $10,307 from charges for services, $10,003 from interest and investment income, and $42 from rents and concessions, offset by a decrease of $5,077 from other non-operating revenues.

Charges for services were $214,154, an increase of $10,307 or 5.1%, mainly due to increases of $12,819 in revenue from City departments mainly due to average rate increase and lower allowance for uncollectible, $9,432 in resale of capacity to CleanPowerSF due to excess energy, $2,867 in sales to retail customers from increased consumption, and $1,055 from Treasure Island due to average rate increase, offset by a decrease of $15,866 mainly due to wholesale revenue from lower Congestion Revenue Right (CRR) credits from the California Independent System Operator (CAISO). Interest and investment income was $13,744, an increase of $10,003 mainly due to unrealized gain in City Treasury pooled investments attributed to improved fair value of investments and higher interest rates. Rents increased by $42 or 26.9% to $198 mainly due to higher collections from recreational rentals and new leases.

Other non-operating revenues were $8,528, a decrease of $5,077 or 37.3%, mainly due to decreases of $4,449 in revenue received in prior year for the Power System Mitigation Project, $567 in State grants revenue for the Moccasin Storm Project and Rim Fire Project related to emergency repairs, $344 in Federal grants revenue from the Rim Fire Project and California Arrearages Payment Program (CAPP) ended in prior year, $244 in settlement received in prior year due to labor litigation, and $78 in miscellaneous revenue. These decreases were offset by an increase of $605 in Cap and Trade revenue due to increase of 12,157 allowances sold.

Total operating expenses, excluding interest expenses, other non-operating expenses, and amortization of premium, discount, and issuance costs, increased by $9,049 or 4.7% to $200,601. Increases included $14,217 in other operating expenses mainly due to higher project spending for the Winter Storm Projects, $8,875 in personnel services due to higher pension expenses and 4.75% increase in COLA, $2,804 in contractual services for construction contracts and engineering services, and $583 in depreciation and amortization related to additional facilities and improvements placed in service. These increases were offset by decreases of $14,715 in general and administrative expenses due to lower judgments and claims expenses, $1,846 in services provided by other departments mainly due to lower legal service charges from City Attorney's Office, $708 in purchased electricity and transmission, distribution, and other power costs mainly related to transmission and related CAISO costs, and $161 in materials and supplies for electrical supplies.

Interest expenses increased by $4,986 or 52.6% due to higher outstanding bonds from issuance of 2023 Series A Revenue Bonds. Amortization of premium and discount decreased by $576 due to costs of issuance for 2023 Series A Revenue Bonds.

Other non-operating expenses were $99, a decrease of $128 or 56.4% mainly due to lower incentive payments for Electric Vehicle Charge Program. Capital contributions of $29,200 were for assets at Pier 70, Treasure Island, and Yerba Buena Island. Transfer out of $108 included $76 to General Fund for Public Power Expansion Project and $32 to the Office of the City's Administrator for the Surety Bond Program.

As a result of the above activities, net position for the year ended June 30, 2024 increased by $51,552 or 9.9% compared to prior year.

CleanPowerSF

CleanPowerSF's total revenues were $372,884, a $44,204 or 13.4% increase over prior year (see Table 2D). Charges for services increased by $39,817 or 12.2% mainly due to increases of $38,403 in electricity sales to retail and commercial customers from 15.0% average rate increase and $3,606 in wholesale sales due to excess energy, offset by $2,192 in lower capacity sales to counter parties. Capacity sales are based on availability. Interest and investment income was $5,904, an increase of $5,499 mainly due to unrealized gain in City Treasury pooled investments attributed to improved fair value of investments and higher interest rates. Other non-operating revenue decreased by $1,112 mainly due to $1,173 decrease in Federal CAPP grants which ended in prior year, offset by an increase of $61 in revenue mainly from Disadvantaged Communities (DAC) Programs.

Total operating expenses, excluding interest expenses and non-operating expenses were $311,518, an increase of $16,738 or 5.7% from prior year. Purchased electricity and transmission, distribution, and other power costs increased by $19,517 due to volatile and increased pricing in power market. Other increases included $490 in services provided by other departments mainly due to higher legal service charges from City Attorney's Office and $3 in material and supplies mainly for minor data processing equipment. These increases were offset by decreases of $1,413 in personnel services due to lower OPEB obligations based on actuarial reports, $739 in other operating expenses mainly due to recognition of grant expense related to CAPP in prior year, $552 in general and administrative expenses due to lower judgments and claims expenses, $315 in contractual services mainly due to lease termination at 544 Golden Gate, and $253 in depreciation and amortization related to fewer leases and subscription assets. Other non-operating expenses increased by $659 mainly due to rebates for the Electrify My Ride Program. Interest expenses decreased by $1 related to SBITAs.

As a result of the above activities, net position for the year ended June 30, 2024 increased by $60,489 or 51.3% compared to prior year.

Result of Operations, Fiscal Year 2023

Hetch Hetchy

Hetch Hetchy's total revenues were $605,044, an increase of $113,815 or 23.2% over prior year (see Table 2A). Charges for services increased by $102,996 or 21.4% from prior year's revenues mainly due to higher billings from CleanPowerSF and Hetchy Power. Total expenses increased by $67,534 or 14.2% primarily from higher energy purchases due to volatile and increased pricing in power market. (See Table 2A).

Hetchy Water

Hetchy Water's total revenues were $55,015, an increase of $8,156 or 17.4% from prior year's revenues (see Table 2B). Increases included $3,370 in charges for services, $3,389 in interest and investment income, $1,382 in other non-operating revenues, and $15 in rents and concessions.

Charges for services were $52,570, an increase of $3,370 or 6.8% mainly due to increased water assessment fees from the Water Enterprise to fund upcountry water-related costs. Interest and investment income was $457, an increase of $3,389 mainly due to decrease in unrealized loss in City Treasury pooled investments attributed to improved fair value of investments and higher interest rates. Other non-operating revenues were $1,861, an increase of $1,382 mainly due to increase of $1,177 in State grants revenue for the 2018 Moccasin Storm Project related to emergency repairs, $200 revenue related to labor settlements, and $9 in overhead charges, offset by decreases of $3 in net gain from sale of fixed assets and $1 in miscellaneous revenue. Rents were $127, an increase of $15 mainly due to higher collections from recreational rentals.

Total operating expenses, excluding interest expenses and other non-operating expenses, were $50,011, a decrease of $2,288 or 4.4%. Other operating expenses decreased by $7,358 mainly due to lower capital spending on the Mountain Tunnel Improvement Project, offset by increases of $2,788 in personnel services due to higher personnel and fringe benefit costs and 5.25% increase in COLA, $1,451 in general and administrative expenses due to higher fees, licenses, and permit expenses, $281 in contractual services from increased management consulting services, $263 in services provided by other departments mainly due to higher bureau allocations related to accounting services support from the Controller's Office, $243 in material and supplies from fuel and minor data processing equipment, and $44 in depreciation and amortization mainly related to additional facilities and improvements placed in service.

Other non-operating expenses were $54, an increase of $17 due to higher payments to community-based organization programs. Interest expenses were $4, an increase of $1 mainly due to implementation of GASB Statement No. 96, *SBITAs*. A transfer in of $20,000 was received from the Water Enterprise to fund various Mountain Tunnel Projects.

As a result of the above activities, net position for the year ended June 30, 2023 increased by $24,946 or 10.0% compared to prior year.

Hetchy Power

Hetchy Power's total revenues were $221,349, an increase of $36,345 or 19.6% from prior year's revenues (see Table 2C). Increases included $30,742 from charges for services, $7,742 from interest and investment income, and $19 from rents and concessions, offset by a decrease of $2,158 from other non-operating revenues.

Charges for services were $203,847, an increase of $30,742 or 17.8%, mainly due to increases of $19,450 in wholesale revenue from Congestion Revenue Right (CRR) credits from California Independent System Operator (CAISO) and $12,159 in billings from non-work order City departments as a result of increased operation due to easing of COVID-19 restrictions, offset by a decrease of $867 in resale of capacity to CleanPowerSF. Interest and investment income was $3,741, an increase of $7,742 mainly due to decrease in unrealized loss in City Treasury pooled investments attributed to improved fair value of investments and higher interest rates. Rents increased by $19 or 13.9% to $156 mainly due to higher collections from recreational rentals.

Other non-operating revenues were $13,605, a decrease of $2,158 or 13.7%, mainly due to decreases of $3,987 in State and Federal grants revenue from the Rim Fire Project and California Arrearages Payment Program (CAPP) to provide relief for customer unpaid bills, $590 in Low Carbon Fuel Standard credits, $306 Cap and Trade revenue due to decrease of 10,606 allowances sold, $22 in bond interest subsidies from IRS mainly due to lower subsidy for 2015 NCREBs, and $6 in net gain from sale of fixed assets, offset by increases of $2,084 from the Power System Mitigation Project, $244 in settlement revenue, $220 in Distributed Antenna System and miscellaneous revenue, and $205 in overhead charges.

Total operating expenses, excluding interest expenses, other non-operating expenses, and amortization of premium, discount, and issuance costs, increased by $35,209 or 22.5% to $191,552. Increases included $20,406 in purchased electricity and transmission, distribution, and other power costs attributed to volatile and higher pricing in power market, $10,988 in general and administrative expenses due to higher judgments and claims expenses , $4,654 in personnel services due to higher personnel and fringe benefit costs and 5.25% increase in COLA, $2,421 in services provided by other departments mainly due to higher legal service charges from City Attorney's Office, $1,360 in contractual services for construction contracts, $342 in materials and supplies for electrical supplies and fuel, and $108 in depreciation and amortization mainly related to additional facilities and improvements placed in service. These increases were offset by a decrease of $5,070 in other operating expenses mainly due to lower capital spending for Bay Corridor Project.

Interest expenses increased by $3,859 or 68.6% due to higher outstanding bonds and commercial paper. Amortization of premium and discount decreased by $1,776 due to higher costs of issuance for 2021 Series AB revenue bonds in prior year.

Other non-operating expenses were $227, a decrease of $364 or 61.6% mainly due to lower payments for GoSolarSF Incentive Program. Capital contributions of $2,535 were from the Sunnydale and Potrero Hope Projects. Transfer out of $32 to the Office of the City's Administrator was for the Surety Bond Program.

As a result of the above activities, net position for the year ended June 30, 2023 increased by $24,171 or 4.9% compared to prior year.

(Continued)

CleanPowerSF

CleanPowerSF's total revenues were $328,680, a $69,314 or 26.7% increase over prior year (see Table 2D). Charges for services increased by $68,884 or 26.7% mainly due to $70,629 in electricity sales to retail and commercial customers from increased consumption of 1.1% or 30,441 MWh, offset by $997 in lower capacity sales to Hetchy Power and $748 increase in allowance for uncollectible attributed to lower assistance received from CAPP for eligible customer account arrearages. Interest and investment income was $405, an increase of $1,691 mainly due to decrease in unrealized loss in City Treasury pooled investments attributed to improved fair value of investments and higher interest rates. Other non-operating revenue decreased by $1,261 mainly due to $1,251 decrease in Federal grants received from CAPP and $330 in liquidated damage compensation received from supplier for delay of the Renewable Energy Project in prior year, offset by an increase of $320 in revenue mainly from Disadvantaged Communities (DAC) Programs.

Total operating expenses, excluding interest expenses were $294,780, an increase of $32,663 or 12.5% from prior year. Purchased electricity and transmission, distribution, and other power costs increased by $25,640 due to volatile and increased pricing in power market, and higher resource adequacy capacity purchases related to compliance requirements from the CPUC. Other increases include $6,568 in personnel services due to higher personnel and fringe benefit costs and 5.25% increase in COLA, $681 in services provided by other departments mainly due to higher bureau allocations related to accounting services support from the Controller's Office, $112 in other operating expenses mainly due to higher bureau allocations, and $24 in material and supplies mainly for minor data processing equipment. These increases were offset by decreases of $221 in professional and contractual services mainly from lower management consulting and financial services, $115 in depreciation and amortization due to lease termination for 544 Golden Gate, and $26 in general and administrative due to lower bank fees. Other non-operating expenses increased by $218 in solar rebates for the Inverter Replacement Program. Interest expenses were $1, a decrease of $5 related to lease termination.

As a result of the above activities, net position for the year ended June 30, 2023 increased by $33,681 or 39.9% compared to prior year.

(Dollars in thousands, unless otherwise stated)

Capital Assets

The following tables summarize Hetch Hetchy's changes in capital assets.

Table 3A - Capital Assets, Net of Accumulated Depreciation and Amortization
As of June 30, 2024, 2023, and 2022

	2024	2023	2022	2024-2023 Change	2023-2022 Change
Hetch Hetchy					
Facilities, improvements, machinery, and equipment	$ 535,858	466,897	440,460	68,961	26,437
Intangible assets	23,664	24,152	24,472	(488)	(320)
Land and rights-of-way	5,181	5,181	5,181	—	—
Right-to-use lease and subscription assets	411	604	1,005	(193)	(401)
Construction work in progress	430,137	370,470	316,530	59,667	53,940
Total	995,251	867,304	787,648	127,947	79,656
Hetchy Water					
Facilities, improvements, machinery, and equipment	138,220	133,905	133,263	4,315	642
Intangible assets	9,960	10,167	10,374	(207)	(207)
Land and rights-of-way	3,232	3,232	3,232	—	—
Right-to-use lease and subscription assets	190	282	375	(92)	(93)
Construction work in progress	85,884	72,450	54,138	13,434	18,312
Total	237,486	220,036	201,382	17,450	18,654
Hetchy Power					
Facilities, improvements, machinery, and equipment	397,638	332,992	307,197	64,646	25,795
Intangible assets	13,704	13,985	14,098	(281)	(113)
Land and rights-of-way	1,949	1,949	1,949	—	—
Right-to-use lease and subscription assets	208	292	329	(84)	(37)
Construction work in progress	344,253	298,020	262,392	46,233	35,628
Total	757,752	647,238	585,965	110,514	61,273
CleanPowerSF					
Right-to-use lease and subscription assets	13	30	301	(17)	(271)
Total	$ 13	30	301	(17)	(271)

Capital Assets, Fiscal Year 2024

Hetch Hetchy

Hetch Hetchy has capital assets of $995,251, net of accumulated depreciation and amortization, invested in both water and power utility capital assets as of June 30, 2024 (see Table 3A). This amount represents an increase of $127,947 or 14.8%, resulting from increases of $68,961 in facilities, improvements, machinery and equipment and $59,667 in construction work in progress, offset by decreases of $488 in amortization of intangible assets and $193 in right-to-use lease and subscription assets. The investment in capital assets includes land, buildings, improvements, hydropower facilities, dams, transmission lines, machinery, and equipment. Hetch Hetchy had capital commitments of $65,261 as of June 30, 2024.

(Dollars in thousands, unless otherwise stated)

Major additions to construction work in progress, depreciable facilities, improvements, intangible assets, machinery, and equipment placed in service, including transfers of completed projects from construction work in progress, during the year ended June 30, 2024 include the following:

Table 3B - Hetch Hetchy
Major Additions to Construction Work in Progress and
Facilities, Improvements, Intangible Assets, Machinery, and Equipment Placed in Service
Year ended June 30, 2024

	Hetchy Water	Hetchy Power	2024 Total
Cluster 7 Mitigation	$ —	21,505	21,505
2023 March Winter Storm	5,970	7,297	13,267
Moccasin Powerhouse Rewind	—	12,636	12,636
Mountain Tunnel Improvement	3,611	4,413	8,024
Power Asset Acquisition Analysis	—	7,770	7,770
Bay Corridor	—	7,658	7,658
O'Shaughnessy Dam Outlet Works Phase 1	3,282	4,012	7,294
Repair & Replacement Life Extension Program and Powerhouse	3,629	1,542	5,171
Sunnydale HOPE SF	—	4,686	4,686
Intervening Facilities	—	3,312	3,312
Pier 70	—	2,682	2,682
Moccasin Dam Long Term Improvement and Facilities Upgrade	1,698	2,075	3,773
Distribution Services Retail Customers	—	1,899	1,899
SFO Substation	—	1,833	1,833
Other project additions individually below $1,500	4,839	15,093	19,932
Additions to Construction Work in Progress	$ 23,029	98,413	121,442
Transmission Line Clearance Mitigation - Lines 7/8	$ —	32,494	32,494
Contributed Capital - Pier 70 Streetlights and Trench	—	16,896	16,896
2023 Emergency Cherry Lake Road Repair	5,050	6,172	11,222
Contributed Capital - Treasure Island Switchyard, Trench, and Streetlights	—	9,698	9,698
2023 Emergency Hetch Hetchy Road Repair	1,424	1,740	3,164
Intervening Facilities	—	2,323	2,323
Contributed Capital - Yerba Buena Island Trench	—	1,862	1,862
Other project additions individually below $1,500	4,064	11,556	15,620
Facilities, Improvements, Intangible Assets, Machinery, and Equipment Placed in Service	$ 10,538	82,741	93,279

Hetchy Water

Hetchy Water has capital assets of $237,486, net of accumulated depreciation and amortization, invested in a broad range of utility capital assets as of June 30, 2024 (see Table 3A). This amount represents an increase of $17,450 or 7.9%, primarily due to increases of $13,434 in construction work in progress and $4,315 in facilities, improvements, machinery, and equipment, offset by decreases of $207 in amortization of intangible assets and $92 in right-to-use lease and subscription assets.

For the year ended June 30, 2024, Hetchy Water's major additions to construction work in progress totaled $23,029. Major depreciable facilities, improvements, intangible assets, machinery, and equipment placed in service totaled $10,538 (see Table 3B).

Hetchy Power

Hetchy Power has capital assets of $757,752, net of accumulated depreciation and amortization, invested in utility capital assets as of June 30, 2024 (see Table 3A). This amount represents an increase of $110,514 or 17.1%, primarily due to increases of $64,646 in facilities, improvements, machinery, and equipment and $46,233 in construction work in progress, offset by decreases of $281 in amortization of intangible assets and $84 in right-to-use lease and subscription assets.

For the year ended June 30, 2024, Hetchy Power's major additions to construction work in progress totaled $98,413. Major depreciable facilities, improvements, intangible assets, machinery, and equipment placed in service totaled $82,741 (see Table 3B).

CleanPowerSF

CleanPowerSF has capital assets of $13, net of accumulated amortization, for right-to-use lease and subscription assets as of June 30, 2024 (see table 3A).

See Note 4 for additional information about capital assets.

Capital Assets, Fiscal Year 2023

Hetch Hetchy

Hetch Hetchy has capital assets of $867,304, net of accumulated depreciation and amortization, invested in both water and power utility capital assets as of June 30, 2023 (see Table 3A). This amount represents an increase of $79,656 or 10.1%, resulting from increases of $53,940 in construction work in progress and $26,437 in facilities, improvements, machinery and equipment, offset by decreases of $401 in right-to-use lease and subscription assets and $320 in amortization of intangible assets. The investment in capital assets includes land, buildings, improvements, hydropower facilities, dams, transmission lines, machinery, and equipment. Hetch Hetchy had capital commitments of $99,568 as of June 30, 2023.

(Dollars in thousands, unless otherwise stated)

Major additions to construction work in progress, depreciable facilities, improvements, intangible assets, machinery, and equipment placed in service, including transfers of completed projects from construction work in progress, during the year ended June 30, 2023 include the following:

Table 3C - Hetch Hetchy
Major Additions to Construction Work in Progress and
Facilities, Improvements, Intangible Assets, Machinery, and Equipment Placed in Service
Year ended June 30, 2023

	Hetchy Water	Hetchy Power	2023 Total
Moccasin Powerhouse Rewind	$ —	16,920	16,920
Mountain Tunnel Improvement	6,835	8,353	15,188
Bay Corridor	—	9,093	9,093
San Joaquin Pipeline Valve & Safe Entry Improvement	6,888	—	6,888
Transmission Line Clearance Mitigation Upgrade	—	6,061	6,061
Cluster 7 Mitigation	—	5,398	5,398
O'Shaughnessy Dam Outlet Works Phase 1	1,724	2,107	3,831
Treasure Island Capital Improvements	—	3,471	3,471
Moccasin Dam Long Term Improvement and Facilities Upgrade	1,518	1,856	3,374
Repair & Replacement Life Extension Program	3,149	—	3,149
Intervening Facilities	—	2,748	2,748
2023 March Winter Storm	874	1,068	1,942
Other project additions individually below $1,500	4,044	18,273	22,317
Additions to Construction Work in Progress	$ 25,032	75,348	100,380
Van Ness Bus Rapid Transit	$ —	13,916	13,916
Flow Control Facility Bypass Tunnel	3,291	4,022	7,313
Power Intervening Facilities	—	4,953	4,953
Mission Rock Phase I	—	2,075	2,075
Treasure Island Distribution Backbone	—	1,792	1,792
Yerba Buena Island Underground Distribution System	—	1,677	1,677
Marina Middle School Photovoltaic System	—	1,587	1,587
Other project additions individually below $1,500	3,471	13,370	16,841
Facilities, Improvements, Intangible Assets, Machinery, and Equipment Placed in Service	$ 6,762	43,392	50,154

Hetchy Water

Hetchy Water has capital assets of $220,036, net of accumulated depreciation and amortization, invested in a broad range of utility capital assets as of June 30, 2023 (see Table 3A). This amount represents an increase of $18,654 or 9.3%, primarily due to increases of $18,312 in construction work in progress and $642 in facilities, improvements, machinery, and equipment, offset by decreases of $207 in amortization of intangible assets and $93 in right-to-use lease and subscription assets.

For the year ended June 30, 2023, Hetchy Water's major additions to construction work in progress totaled $25,032. Major depreciable facilities, improvements, intangible assets, machinery, and equipment placed in service totaled $6,762 (see Table 3C).

Hetchy Power

Hetchy Power has capital assets of $647,238, net of accumulated depreciation and amortization, invested in utility capital assets as of June 30, 2023 (see Table 3A). This amount represents an increase of $61,273 or 10.5%, primarily due to increases of $35,628 in construction work in progress and $25,795 in facilities, improvements, machinery, and equipment, offset by decreases of $113 in amortization of intangible assets and $37 in right-to-use lease and subscription assets.

For the year ended June 30, 2023, Hetchy Power's major additions to construction work in progress totaled $75,348. Major depreciable facilities, improvements, intangible assets, machinery, and equipment placed in service totaled $43,392 (see Table 3C).

CleanPowerSF

CleanPowerSF has capital assets of $30, net of accumulated amortization, for right-to-use lease and subscription assets as of June 30, 2023 (see table 3A).

See Note 4 for additional information about capital assets.

Debt Administration

Hetch Hetchy

As of June 30, 2024, Hetch Hetchy has outstanding Certificates of Participation, Qualified Energy Conservation Bonds (QECBs), New Clean Renewable Energy Bonds (NCREBs), 2015 Series AB revenue bonds, 2021 Series AB revenue bonds, 2023 Series A revenue bond, and commercial paper. The aforementioned debts are obligations of the Power Enterprise. See Hetchy Power section below for more details.

Hetchy Water

Hetchy Water did not have debt outstanding as of June 30, 2024 and 2023. Debt, including bond issuances, associated with the funding of water-related, upcountry infrastructure capital improvements is issued through the Water Enterprise, and is reflected in the Water Enterprise's financial statements.

Hetchy Power

As of June 30, 2024 and 2023, Hetchy Power had outstanding debt of $421,601 and $319,877, respectively, as shown in Table 4. More detailed information about the Hetchy Power's debt activity is presented in Notes 6, 7 and 8 to the financial statements.

CleanPowerSF

CleanPowerSF did not have any debt outstanding as of June 30, 2024 and 2023.

(Dollars in thousands, unless otherwise stated)

Table 4 - Hetchy Power
Outstanding Debt, Net of Unamortized Costs
As of June 30, 2024, 2023, and 2022

	2024	2023	2022	2024-2023 Change	2023-2022 Change
Clean Renewable Energy Bonds 2008	$ —	—	415	—	(415)
Certificates of Participation 2009 Series C	—	—	427	—	(427)
Certificates of Participation 2009 Series D (BABs)	12,148	12,593	12,593	(445)	—
Qualified Energy Conservation Bonds 2011	2,021	2,583	3,138	(562)	(555)
New Clean Renewable Energy Bonds 2015	1,343	1,491	1,637	(148)	(146)
2015 Series A Revenue Bonds	34,819	34,985	35,144	(166)	(159)
2015 Series B Revenue Bonds	2,033	2,948	3,849	(915)	(901)
2021 Series A Revenue Bonds	88,375	89,303	90,213	(928)	(910)
2021 Series B Revenue Bonds	59,142	59,622	60,090	(480)	(468)
2023 Series A Revenue Bonds	131,066	—	—	131,066	—
Commercial Paper	90,654	116,352	40,019	(25,698)	76,333
Total	$ 421,601	319,877	247,525	101,724	72,352

The increase of $101,724 was due to $131,230 from issuance of 2023 Series A Revenue Bonds and $91,635 from commercial paper issuance, offset by commercial paper repayment of $117,333, bonds and certificates of participation principal repayments of $2,035, and $1,773 in amortization of premium and discount.

Credit Ratings and Bond Insurance – The Power Enterprise's Power Revenue Bonds have been rated "AA-" by Fitch Inc and "AA" by S&P Global Ratings (S&P) as of June 30, 2024 and 2023, respectively.

In December 2020, Moody's Investors Service, ("Moody's") assigned a first-time A2 Issuer Rating to CleanPowerSF, with a stable outlook. Hetch Hetchy Water and Power contains the Power Enterprise as a separate enterprise fund, with CleanPowerSF a component unit of the Power Enterprise. CleanPowerSF is tracked and audited as a standalone fund, with financial statements, including revenues and expenses, separate and discrete from the Power Enterprise. As such, CleanPowerSF is deemed to be a separate credit from the Power Enterprise, with its own credit rating.

Debt Service Coverage – Pursuant to the Amended and Restated Indenture, the Power Enterprise is required to collect sufficient net revenues each fiscal year, together with any Power Enterprise funds (except Bond Reserve Funds), which are available for payment of debt service and are not budgeted to be expended, at least equal to 1.25 times annual debt service for said fiscal year, and for the SFPUC's debt service coverage policy, at least equal to 1.35 times annual debt service for said fiscal year. The Series 2015 AB power revenue bonds represent the first series of senior lien revenue bonds of Hetchy Power. Pursuant to Power's Master Trust Indenture, senior lien debt service coverage excludes debt service on subordinate obligations, such as Hetchy Power's existing NCREBs and QECBs. During fiscal years 2024 and 2023, the Power Enterprise's net revenues, together with fund balances available to pay debt service and not budgeted to be expended, were sufficient to meet the rate covenant requirements under the Power Enterprise's Amended and Restated Indenture and the SFPUC's debt service coverage policy (see Note 8).

Debt Authorization – Pursuant to Charter Section 9.107(6), the Power Enterprise can incur indebtedness upon three-fourths vote of the Board of Supervisors, for the purpose of the reconstruction or replacement of existing water facilities and electric power facilities, or combinations thereof, under the jurisdiction of the Public Utilities Commission. Pursuant to Charter Section 9.107(8), the Power Enterprise can issue revenue bonds, without voter approval, upon an affirmative vote of the Board of Supervisors, for the purpose of the acquisition, construction, installation, equipping, improvement, or rehabilitation of equipment or facilities for renewable energy and energy conservation. Pursuant to Proposition A, approved by the San Francisco voters on June 5, 2018, City Charter Section 8B.124 is amended to authorize the Power Enterprise to enter into indebtedness, including revenue bonds, notes, commercial paper or other forms of indebtedness, when authorized by ordinance approved by a two-thirds vote of the Board of Supervisors to reconstruct, replace, expand, repair, improve or construct new power facilities under the jurisdiction of SFPUC or for any other purpose of the Power Enterprise, and in compliance with City Charter Section 8B.124. Proposition A expressly prohibits the SFPUC from issuing bonds to finance the construction of power plants that generate electricity using fossil fuels or nuclear energy. As of June 30, 2024 and 2023, $287,460 and $163,555 of Hetchy Power revenue bonds were issued against existing authorization of $1,029,790 and $695,933, respectively.

Cost of Debt Capital – The Power Enterprise's outstanding long-term senior lien debt consists of the 2015 Series AB, 2021 Series AB, and 2023 Series A Power Revenue Bond issued in May 2015, December 2021, and October 2023, respectively, which are issued under the Master Indenture and are senior in lien to all the other Enterprise's outstanding debt obligations. Coupon interest rates range from 3.0% to 5.0%. The Power Enterprise has previously issued and incurred debt service on Tax Credit Bonds and certificates of participation, which constitute subordinate obligations. Interest rates on the Tax Credit Bonds, which include QECBs and NCREBs, ranging from 1.2% to 1.5% (net of the federal tax subsidy). Certificates of participation carried interest rates ranging from 2.0% to 6.5%. The Power Enterprise's short-term debt issued under its commercial paper program has interest rates ranging from 2.8% to 3.7% and 1.1% to 3.2% during fiscal years 2024 and 2023, respectively.

Rates and Charges

Hetchy Water

Hetchy Water charges for services relate to the storage and delivery of water. The water-related portion of upcountry expenditures not covered by the small quantity of water sales to upcountry customers or other miscellaneous revenues are paid by an assessment to the Water Enterprise. Assessment fees were $46,266 and $49,636 for the years ended June 30, 2024 and 2023, respectively. In fiscal year 2025, the assessment fees will be $49,241, an increase of $2,975 or 6.4% as reflected in the fiscal year 2025 adopted budget. The increase is primarily to cover a portion of the Water share of Hetchy Water capital projects with current year revenues rather than revenue bonds.

Hetchy Power

Hetchy Power charges for services relate to power generation and electricity delivery to contractual, municipal, and retail customers.

All current SFPUC Rates Schedules and Fees are available at https://www.sfpuc.gov/accounts-services/water-power-sewer-rates/rates. Rates for meter readings on or after July 1, 2024 were approved by the Commission in May 2024.

Municipal Rates

Departments of the City and County of San Francisco, as well as certain other non-City government agencies, are eligible for municipal power rates. Historically, municipal customers paid either the General Use rate, which was a subsidized rate below the cost of service, or an Enterprise rate, which was set to exactly follow the equivalent PG&E rate.

Based on the results of the 2022 Power Cost of Service Study, beginning in fiscal year 2023, all municipal customers are being transitioned to standardized tariff schedules set to their cost of service. For General Use customers, this means that a) instead of a single flat rate per kWh, customers are assigned to a rate schedule based on their customer class (small commercial, industrial, etc.), and b) the subsidy is being gradually eliminated until the General Use rate reaches the equivalent retail rate, which is projected to take 3 to 8 years, depending on the customer class. For Enterprise customers, their rates no longer follow PG&E. Instead, they are set to a rate for their standardized customer class, and will be phased to cost of service over two years. Beginning in fiscal year 2024, almost all Enterprise customers are on equivalent rate schedules as retail non-municipal customers.

Retail Rates

Based on the results of the 2022 Power Cost of Service Study, the Commission approved a two-year schedule of retail electric rates for residential, commercial, and industrial customers where Hetch Hetchy has been designated as the power provider to be applied to meter readings on or after July 1, 2022. These rates apply to all existing retail customers, and are the default rates for any new Hetchy Power customers.

CleanPowerSF

CleanPowerSF began offering services in May 2016, giving residential and commercial electricity consumers in San Francisco a choice of having their electricity supplied from clean renewable sources, such as solar geothermal, hydroelectric and wind, at competitive rates. CleanPowerSF offers three products: a "Green" default product comprised of at least 50% RPS-eligible renewable energy and two optional products, "SuperGreen" comprised of 100% RPS-eligible renewable energy at a small additional cost and "SuperGreen Saver" also comprised of 100% RPS-eligible renewable energy to qualifying low-income customers at a 20% bill discount.

Previously, rates were set formulaically, at a percentage at or below the equivalent PG&E generation rate. In addition, the formula required rates to be set high enough to allow CleanPowerSF to recover its costs. Whenever PG&E rates changed, rates would automatically adjust following the set formula.

Based on the results of the 2022 Power Cost of Service Study, CleanPowerSF customers have now transitioned to fixed rate schedules for the entire fiscal year. The rates for each customer class are set based on their unique cost of service, which means that the percentage difference from the equivalent PG&E rates may vary based on the rate schedule and throughout the year as PG&E's rate change more frequently. Rates for meter readings on or after July 1, 2022 were approved by the Commission in May 2022; rates for meter readings on or after July 1, 2023 were approved by the Commission in May 2023; rates for meter readings on or after July 1, 2024 were approved by the Commission in May 2024.

CleanPowerSF Rates Schedules are available at http://cleanpowersf.org/residential for residential customers and http://cleanpowersf.org/commercial for commercial customers.

Request for Information

This report is designed to provide our citizens, customers, investors, and creditors with an overview of Hetch Hetchy's finances and to demonstrate Hetch Hetchy's respective accountability for the money it receives. Questions regarding any of the information provided in this report or requests for additional information should be addressed to San Francisco Public Utilities Commission, Chief Financial Officer, 525 Golden Gate Avenue, 13th Floor, San Francisco, CA 94102.

This report is available at https://www.sfpuc.gov/about-us/reports/audited-financial-statements-reports.

HETCH HETCHY WATER AND POWER AND CLEANPOWERSF
Statements of Net Position
June 30, 2024 and 2023
(In thousands)

	Hetchy Water	Hetchy Power	CleanPowerSF	2024 Total	Hetchy Water	Hetchy Power	CleanPowerSF	2023 Total
Assets								
Current assets:								
Cash and investments with City Treasury	$ 46,471	215,370	159,811	421,652	76,973	224,234	98,657	399,864
Cash and investments outside City Treasury	—	41	—	41	—	154	—	154
Receivables:								
Charges for services (net of allowance for doubtful accounts from Hetchy Power of $1,699 and CleanPowerSF of $9,226 as of June 30, 2024; and Hetchy Power of $3,923 and CleanPowerSF of $7,923 as of June 30, 2023)	471	16,356	50,993	67,820	405	12,277	41,625	54,307
Due from other City departments, current portion	—	1,558	—	1,558	—	1,134	—	1,134
Due from other governments	1,664	574	—	2,238	1,723	646	—	2,369
Interest	578	2,823	1,692	5,093	295	1,503	559	2,357
Restricted interest and other receivables	—	169	—	169	—	4,151	—	4,151
Total current receivables	2,713	21,480	52,685	76,878	2,423	19,711	42,184	64,318
Prepaid charges, advances, and other receivables, current portion	754	6,341	441	7,536	92	1,579	5,641	7,312
Inventory	199	1,690	—	1,889	221	1,619	—	1,840
Restricted cash and investments outside City Treasury, current portion	—	6,849	—	6,849	—	5,371	—	5,371
Total current assets	50,137	251,771	212,937	514,845	79,709	252,668	146,482	478,859
Non-current assets:								
Restricted cash and investments with City Treasury	31,330	50,732	—	82,062	10,980	17,606	—	28,586
Restricted cash and investments outside City Treasury, less current portion	—	7,202	—	7,202	—	3,840	—	3,840
Capital assets, not being depreciated and amortized	89,122	347,633	—	436,755	75,688	301,400	—	377,088
Capital assets, net of accumulated depreciation and amortization	148,174	409,911	—	558,085	144,066	345,546	—	489,612
Lease right-to-use assets, net of accumulated amortization	129	157	—	286	145	178	—	323
Subscription right-to-use assets, net of accumulated amortization	61	51	13	125	137	114	30	281
Prepaid charges, advances, and other receivables, less current portion	138	10,843	11,763	22,744	141	9,540	11,424	21,105
Due from other City departments, less current portion	—	9,863	—	9,863	—	10,352	—	10,352
Total non-current assets	268,954	836,392	11,776	1,117,122	231,157	688,576	11,454	931,187
Total assets	319,091	1,088,163	224,713	1,631,967	310,866	941,244	157,936	1,410,046
Deferred outflows of resources:								
Pensions	11,929	14,580	2,187	28,696	8,858	10,826	1,292	20,976
Other postemployment benefits	3,191	3,899	996	8,086	3,248	3,969	1,009	8,226
Total deferred outflows of resources	15,120	18,479	3,183	36,782	12,106	14,795	2,301	29,202

(Continued)

HETCH HETCHY WATER AND POWER AND CLEANPOWERSF
Statements of Net Position
June 30, 2024 and 2023
(In thousands)

	Hetchy Water	Hetchy Power	CleanPowerSF	2024 Total	Hetchy Water	Hetchy Power	CleanPowerSF	2023 Total
Liabilities								
Current liabilities:								
Accounts payable	$ 969	13,505	29,018	43,492	1,033	24,970	24,344	50,347
Accrued payroll	1,428	3,292	639	5,359	1,252	3,041	543	4,836
Accrued vacation and sick leave, current portion	1,272	2,038	413	3,723	1,132	1,867	394	3,393
Accrued workers' compensation, current portion	228	417	—	645	216	401	—	617
Damage claims liability, current portion	121	1,872	17	2,010	300	450	16	766
Due to other City departments, current portion	—	—	—	—	—	1,946	—	1,946
Lease liability, current portion	16	19	—	35	16	19	—	35
Subscription liability, current portion	30	25	6	61	80	65	18	163
Unearned revenues, refunds, and other, current portion	106	6,604	7,986	14,696	110	5,880	6,146	12,136
Bond, loan, lease, and subscription interest payable	1	2,691	—	2,692	2	1,597	—	1,599
Bonds, current portion	—	3,599	—	3,599	—	1,590	—	1,590
Certificates of participation, current portion	—	463	—	463	—	445	—	445
Commercial paper, current portion	—	90,654	—	90,654	—	—	—	—
Current liabilities payable from restricted assets	4,027	25,513	—	29,540	5,747	23,119	—	28,866
Total current liabilities	8,198	150,692	38,079	196,969	9,888	65,390	31,461	106,739
Long-term liabilities:								
Arbitrage rebate payable	—	184	—	184	—	—	—	—
Net other postemployment benefits liability	16,269	19,883	4,189	40,341	14,907	18,220	4,053	37,180
Net pension liability	19,090	23,332	3,563	45,985	14,105	17,239	2,124	33,468
Accrued vacation and sick leave, less current portion	1,208	1,939	347	3,494	1,134	1,849	349	3,332
Accrued workers' compensation, less current portion	1,069	1,919	—	2,988	1,003	1,837	—	2,840
Damage claims liability, less current portion	147	1,902	4	2,053	400	5,700	18	6,118
Bonds, less current portion	—	315,200	—	315,200	—	189,342	—	189,342
Lease liability, less current portion	106	131	—	237	122	150	—	272
Subscription liability, less current portion	29	26	7	62	59	51	13	123
Unearned revenues, refunds, and other, less current portion	—	580	—	580	—	580	—	580
Liabilities payable from restricted assets, less current portion	—	3,354	—	3,354	—	—	—	—
Commercial paper, less current portion	—	—	—	—	—	116,352	—	116,352
Certificates of participation, less current portion	—	11,685	—	11,685	—	12,148	—	12,148
Total long-term liabilities	37,918	380,135	8,110	426,163	31,730	363,468	6,557	401,755
Total liabilities	46,116	530,827	46,189	623,132	41,618	428,858	38,018	508,494
Deferred inflows of resources:								
Pensions	1,941	2,372	925	5,238	4,142	5,062	1,296	10,500
Other postemployment benefits	2,897	3,541	2,292	8,730	3,084	3,769	2,922	9,775
Total deferred inflows of resources	4,838	5,913	3,217	13,968	7,226	8,831	4,218	20,275
Net position:								
Net investment in capital assets	233,276	343,297	—	576,573	214,014	313,171	—	527,185
Restricted for debt service	—	—	—	—	—	56	—	56
Restricted for capital projects	31,330	28,625	—	59,955	10,980	21,702	—	32,682
Unrestricted	18,651	197,980	178,490	395,121	49,134	183,421	118,001	350,556
Total net position	$ 283,257	569,902	178,490	1,031,649	274,128	518,350	118,001	910,479

See accompanying notes to financial statements.

HETCH HETCHY WATER AND POWER AND CLEANPOWERSF
Statements of Revenues, Expenses, and Changes in Net Position

Years ended June 30, 2024 and 2023

(In thousands)

	Hetchy Water	Hetchy Power	CleanPowerSF	2024 Total	Hetchy Water	Hetchy Power	CleanPowerSF	2023 Total
Operating revenues:								
Charges for services	$ 49,330	214,154	366,594	630,078	52,570	203,847	326,777	583,194
Rents and concessions	162	198	–	360	127	156	–	283
Total operating revenues	49,492	214,352	366,594	630,438	52,697	204,003	326,777	583,477
Operating expenses:								
Personnel services	24,908	48,175	9,322	82,405	18,424	39,300	10,735	68,459
Contractual services	4,035	13,623	6,244	23,902	2,956	10,819	6,559	20,334
Transmission/distribution and other power costs	–	62,392	264	62,656	–	70,580	226	70,806
Purchased electricity	–	15,558	284,631	300,189	–	8,078	265,152	273,230
Materials and supplies	1,755	2,451	60	4,266	1,605	2,612	57	4,274
Depreciation and amortization	6,522	18,460	17	24,999	6,524	17,877	270	24,671
Services provided by other departments	3,501	6,828	4,792	15,121	3,392	8,674	4,302	16,368
General and administrative and other	3,229	33,114	6,188	42,531	17,110	33,612	7,479	58,201
Total operating expenses	43,950	200,601	311,518	556,069	50,011	191,552	294,780	536,343
Operating income	5,542	13,751	55,076	74,369	2,686	12,451	31,997	47,134
Non-operating revenues (expenses):								
Federal and state grants	–	26	–	26	1,627	937	1,173	3,737
Interest and investment income	3,255	13,744	5,904	22,903	457	3,741	405	4,603
Interest expenses	(3)	(14,472)	–	(14,475)	(4)	(9,486)	(1)	(9,491)
Amortization of premium, discount, and issuance costs	–	1,008	–	1,008	–	1,584	–	1,584
Net gain from sale of assets	2	2	–	4	4	3	–	7
Other non-operating revenues	336	8,500	386	9,222	230	12,665	325	13,220
Other non-operating expenses	(45)	(99)	(877)	(1,021)	(54)	(227)	(218)	(499)
Net non-operating revenues	3,545	8,709	5,413	17,667	2,260	9,217	1,684	13,161
Change in net position before transfers and contributions	9,087	22,460	60,489	92,036	4,946	21,668	33,681	60,295
Capital contributions	–	29,200	–	29,200	–	2,535	–	2,535
Transfers from the City and County of San Francisco	42	–	–	42	20,000	–	–	20,000
Transfers to the City and County of San Francisco	–	(108)	–	(108)	–	(32)	–	(32)
Capital contributions and net transfers	42	29,092	–	29,134	20,000	2,503	–	22,503
Change in net position	9,129	51,552	60,489	121,170	24,946	24,171	33,681	82,798
Net position at beginning of year	274,128	518,350	118,001	910,479	249,182	494,179	84,320	827,681
Net position at end of year	$ 283,257	569,902	178,490	1,031,649	274,128	518,350	118,001	910,479

See accompanying notes to financial statements.

HETCH HETCHY WATER AND POWER AND CLEANPOWERSF
Statements of Cash Flows
Years ended June 30, 2024 and 2023
(In thousands)

	Hetchy Water	Hetchy Power	CleanPowerSF	2024 Total	Hetchy Water	Hetchy Power	CleanPowerSF	2023 Total
Cash flows from operating activities:								
Cash received from customers, including cash deposits	$ 49,264	211,012	357,825	618,101	52,640	201,707	324,730	579,077
Cash received from tenants for rent	153	188	—	341	129	158	—	287
Cash received from miscellaneous revenues	36	4,886	3	4,925	30	8,689	6	8,725
Cash paid to employees for services	(23,234)	(45,847)	(9,517)	(78,598)	(21,537)	(42,804)	(8,063)	(72,404)
Cash paid to suppliers for goods and services	(13,563)	(146,934)	(291,457)	(451,954)	(31,864)	(113,682)	(275,322)	(420,868)
Cash paid for judgments and claims	(357)	(3,625)	(874)	(4,856)	(331)	(5,548)	(1,725)	(7,604)
Net cash provided by (used in) operating activities	12,299	19,680	55,980	87,959	(933)	48,520	39,626	87,213
Cash flows from non-capital and related financing activities:								
Cash received from grants	59	98	—	157	389	546	1,173	2,108
Cash received for license fees	—	1,997	—	1,997	—	3,713	—	3,713
Cash received from settlements	300	—	—	300	200	244	—	444
Cash received from Public Purpose Funds	—	—	1,624	1,624	—	—	2,394	2,394
Cash paid for rebates, program incentives, and other	(34)	(78)	(864)	(976)	(54)	(227)	(218)	(499)
Transfers from the City and County of San Francisco	42	—	—	42	20,000	—	—	20,000
Transfers to the City and County of San Francisco	—	(108)	—	(108)	—	(32)	—	(32)
Net cash provided by non-capital financing activities	367	1,909	760	3,036	20,535	4,244	3,349	28,128
Cash flows from capital and related financing activities:								
Acquisition and construction of capital assets	(25,692)	(94,130)	—	(119,822)	(25,856)	(72,541)	—	(98,397)
Proceeds from sale of capital assets	2	2	—	4	4	3	—	7
Lease payments	(18)	(22)	—	(40)	(18)	(22)	(233)	(273)
Subscription payments	(82)	(66)	(18)	(166)	(172)	(139)	(39)	(350)
Proceeds from bond issuance, net of premium and discount	—	131,230	—	131,230	—	—	—	—
Principal paid on long-term debt	—	(2,035)	—	(2,035)	—	(2,397)	—	(2,397)
Proceeds from commercial paper borrowings	—	91,635	—	91,635	—	76,333	—	76,333
Principal paid on commercial paper	—	(117,333)	—	(117,333)	—	—	—	—
Interest paid on long-term debt	—	(11,221)	—	(11,221)	—	(7,886)	—	(7,886)
Interest paid on commercial paper borrowings	—	(1,969)	—	(1,969)	—	(1,327)	—	(1,327)
Issuance costs paid on long-term debt	—	(765)	—	(765)	—	—	—	—
Federal interest income subsidy	—	332	—	332	—	502	—	502
Net cash used in capital and related financing activities	(25,790)	(4,342)	(18)	(30,150)	(26,042)	(7,474)	(272)	(33,788)
Cash flows from investing activities:								
Interest income	1,083	8,568	3,838	13,489	914	3,663	1,207	5,784
Proceeds from sale of investments outside City Treasury	—	155,462	—	155,462	—	10,224	—	10,224
Purchases of investments outside City Treasury	—	(165,218)	—	(165,218)	—	(10,224)	—	(10,224)
Net cash provided by (used in) investing activities	1,083	(1,188)	3,838	3,733	914	3,663	1,207	5,784
Increase (decrease) in cash and cash equivalents	(12,041)	16,059	60,560	64,578	(5,526)	48,953	43,910	87,337
Cash and cash equivalents:								
Beginning of year	91,857	257,810	101,797	451,464	97,383	208,857	57,887	364,127
End of year	$ 79,816	273,869	162,357	516,042	91,857	257,810	101,797	451,464
Reconciliation of cash and cash equivalents to the statements of net position:								
Cash and investments with City Treasury:								
Unrestricted	$ 46,471	215,370	159,811	421,652	76,973	224,234	98,657	399,864
Restricted	31,330	50,732	—	82,062	10,980	17,606	—	28,586
Add: Unrealized loss on investments with City Treasury	2,015	3,465	2,546	8,026	3,904	6,605	3,140	13,649
Cash and investments outside City Treasury:								
Unrestricted	—	41	—	41	—	154	—	154
Restricted	—	14,051	—	14,051	—	9,211	—	9,211
Less: Unrealized gain on investments outside City Treasury	—	(34)	—	(34)	—	—	—	—
Less: Restricted (with maturity more than 90 days - see table in Note 3)	—	(9,756)	—	(9,756)	—	—	—	—
Cash and cash equivalents at end of year on statements of cash flows	$ 79,816	273,869	162,357	516,042	91,857	257,810	101,797	451,464

(Continued)

HETCH HETCHY WATER AND POWER AND CLEANPOWERSF

Statements of Cash Flows

Years ended June 30, 2024 and 2023

(In thousands)

	Hetchy Water	Hetchy Power	CleanPowerSF	2024 Total	Hetchy Water	Hetchy Power	CleanPowerSF	2023 Total
Reconciliation of operating income to net cash provided by (used in) operating activities:								
Operating income	$ 5,542	13,751	55,076	74,369	2,686	12,451	31,997	47,134
Adjustments to reconcile operating income to net cash provided by (used in) operating activities:								
Depreciation and amortization	6,522	18,460	17	24,999	6,524	17,877	270	24,671
Miscellaneous revenues	36	4,886	3	4,925	30	8,689	6	8,725
Provision for uncollectible accounts	—	(2,224)	1,303	(921)	—	2,626	1,593	4,219
Write-off of capital assets	—	217	—	217	192	211	—	403
Changes in operating assets and liabilities:								
Receivables:								
Charges for services	(66)	(1,855)	(10,671)	(12,592)	70	(4,714)	5,485	841
Prepaid charges, advances, and other	(659)	(372)	5,200	4,169	129	115	5,908	6,152
Due from other City departments	—	187	—	187	—	345	—	345
Inventory	22	(71)	—	(49)	(22)	59	—	37
Accounts payable	(75)	(11,486)	4,661	(6,900)	(7,421)	8,302	818	1,699
Accrued payroll	176	251	96	523	154	357	170	681
Other postemployment benefits obligations*	1,232	1,505	(481)	2,256	1,041	1,272	2,906	5,219
Pension liabilities*	(287)	(351)	173	(465)	(4,480)	(5,476)	(601)	(10,557)
Accrued vacation and sick leave	214	261	17	492	97	119	197	413
Accrued workers' compensation	78	98	—	176	(9)	(12)	—	(21)
Damage claims liability	(432)	(2,376)	(13)	(2,821)	73	5,127	2	5,202
Due to other City departments	—	(1,946)	—	(1,946)	—	1,566	—	1,566
Unearned revenues, refunds, and other liabilities	(4)	745	599	1,340	3	(394)	(9,125)	(9,516)
Total adjustments	6,757	5,929	904	13,590	(3,619)	36,069	7,629	40,079
Net cash provided by (used in) operating activities	$ 12,299	19,680	55,980	87,959	(933)	48,520	39,626	87,213
Noncash transactions:								
Accrued capital asset costs	$ 4,027	28,867	—	32,894	5,747	23,119	—	28,866
Receivables from Wastewater	—	405	—	405	—	518	—	518
Payable to SFMTA	—	—	—	—	—	1,946	—	1,946
Unrealized loss on investments	2,015	3,431	2,546	7,992	3,904	6,605	3,140	13,649
Capital contributions	—	29,200	—	29,200	—	2,535	—	2,535

* Includes related deferred inflows and outflows of resources.

See accompanying notes to financial statements.

(1) Description of Reporting Entity

San Francisco Hetch Hetchy Water and Power (Hetch Hetchy or the Enterprise) was established as a result of the Raker Act of 1913, which granted water and power resources rights-of-way on the Tuolumne River in Yosemite National Park and Stanislaus National Forest to the City and County of San Francisco (the City). CleanPowerSF, launched in May 2016, provides green electricity from renewable sources to residential and commercial customers in San Francisco and was reported as part of Hetch Hetchy starting fiscal year 2016. Hetch Hetchy is a stand-alone enterprise comprised of three funds, Hetchy Power (the Power Enterprise), CleanPowerSF and Hetchy Water, the portion of the Water Enterprise's operations, specifically the upcountry water supply and transmission service. Hetch Hetchy accounts for the activities of Hetch Hetchy Water and Power and is engaged in the collection and conveyance of approximately 85% of the regional system's water supply and in the generation and transmission of electricity from that resource, as well as the City Power services including energy efficiency and renewable.

Approximately 55% of the electricity generated by Hetchy Power is used to provide electric service to the City's municipal customers (including the San Francisco Municipal Transportation Agency, Recreation and Parks Department, the Port of San Francisco, the San Francisco International Airport and its tenants, Zuckerberg San Francisco General Hospital and Trauma Center, streetlights, Moscone Convention Center, and the Water and Wastewater Enterprises). The majority of the remaining 45% balance of electricity is sold to CleanPowerSF and the wholesale electric market. As a result of the 1913 Raker Act, energy produced above the City's municipal load is sold first to the Districts (Modesto Irrigation District and Turlock Irrigation District) to cover their agricultural pumping and municipal load needs and any remaining energy is either sold to other municipalities and/or government agencies (not for resale) or sold into the California Independent System Operator (CAISO). Hetch Hetchy operation is an integrated system of reservoirs, hydroelectric power plants, aqueducts, pipelines, and transmission lines.

Hetch Hetchy also purchases wholesale electric power from various energy providers that are used in conjunction with owned hydro resources to meet the power requirements of its customers. Operations and business decisions can be greatly influenced by market conditions, state and federal power matters before the California Public Utilities Commission (CPUC), the CAISO, and the Federal Energy Regulatory Commission (FERC). Therefore, Hetch Hetchy serves as the City's representative at CPUC, CAISO, and FERC forums and continues to monitor regulatory proceedings.

The City Charter was amended in 2008 by Proposition E, a City and County of San Francisco Charter Section 4.112 amendment approved by the voters in the June 3, 2008 election, terminated the terms of all five existing members of the SFPUC. Under the amended Charter, the Mayor continues to nominate candidates to the SFPUC, but nominees do not take office until the Board of Supervisors votes to approve their appointments by a majority (at least six members). The amended Charter provides for staggered four-year terms for SFPUC members and requires them to meet the following qualifications:

- Seat 1 must have experience in environmental policy and an understanding of environmental justice issues.
- Seat 2 must have experience in ratepayer or consumer advocacy.
- Seat 3 must have experience in project finance.
- Seat 4 must have experience in water systems, power systems, or public utility management.
- Seat 5 is an at-large member.

The SFPUC is a department of the City, and as such, the financial operations of Hetch Hetchy, Wastewater, and the Water Enterprise are included in the Annual Comprehensive Financial Report of the City as enterprise funds. These financial statements are intended to present only the financial position, and the changes in financial position and cash flows of only that portion of the City that is attributable to the transactions of Hetch Hetchy. They do not purport to, and do not, present fairly the financial position of the City as of June 30, 2024 and 2023, and the changes in its financial position, or, where applicable, the cash flows for the years then ended, in conformity with U.S. generally accepted accounting principles (GAAP).

(2) Significant Accounting Policies

(a) *Basis of Accounting and Measurement Focus*

The accounts of Hetch Hetchy are organized on the basis of proprietary fund types and are included as enterprise funds of the City. The activities of Hetch Hetchy and each fund are accounted for with a separate set of self-balancing accounts that comprise Hetch Hetchy's and each fund's assets, deferred outflows, liabilities, deferred inflows, net position, revenues, and expenses. Enterprise funds account for activities (i) that are financed with debt that is secured solely by a pledge of the net revenues from fees and charges of the activity; or (ii) that are required by laws or regulations that the activity's costs of providing services, including capital costs (such as depreciation or debt service), be recovered with fees and charges, rather than with taxes or similar revenues; or (iii) that the pricing policies of the activity establish fees and charges designed to recover its costs, including capital costs (such as depreciation or debt service).

The financial activities of Hetch Hetchy are accounted for on a flow of economic resources measurement focus, using the accrual basis of accounting in accordance with U.S. GAAP. Under this method, all assets and liabilities associated with operations are included on the Statements of Net Position, revenues are recognized when earned, and expenses are recognized when liabilities are incurred. Operating revenues are defined as charges to customers and rental income. Non-operating revenues include grants, interest and investment income, and other non-operating income.

Hetch Hetchy applies all applicable Governmental Accounting Standards Board (GASB) pronouncements.

(b) *Cash and Cash Equivalents*

Hetch Hetchy considers its pooled deposits and investments held with the City Treasury to be demand deposits and, therefore, cash and cash equivalents for financial reporting. The City Treasury also holds non-pooled cash and investments for the Enterprise. Non-pooled restricted deposits and restricted deposits and investments held outside the City Treasury with original maturities of three months or less are considered to be cash equivalents.

(c) *Investments*

Money market funds are carried at cost, which approximates fair value. All other investments are stated at fair value based upon quoted market prices. Changes in fair value are recognized as investment gains or losses and are recorded as a component of non-operating revenues.

(d) *Inventory*

Inventory consists primarily of construction materials and maintenance supplies and is valued at average cost. Inventory is expensed as it is consumed.

(e) *Capital Assets*

Capital assets are defined as assets with an initial individual cost of more than $5 and an estimated useful life in excess of one year. Capital assets with an original acquisition date prior to July 1, 1977 are recorded in the financial statements at estimated cost, as determined by an independent professional appraisal, or at cost, if known. All subsequent acquisitions have been recorded at cost. All donated capital assets and capital assets received in a service concession arrangement are valued at acquisition value at the time of donation. Depreciation and amortization are computed using the straight-line method over the estimated useful lives of the related assets, which range from 1 to 100 years for equipment and 1 to 200 years for buildings, structures, and improvements. No depreciation or amortization is recorded in the year of acquisition, and depreciation or amortization is recorded in the year of disposal.

(f) *Intangible Assets*

Intangible assets are defined as identifiable, non-financial assets capable of being separated, sold, transferred, or licensed, and include contractual or legal rights. Examples of intangible assets include rights-of-way easements, land use rights, water rights, leases, subscription-based information technology arrangements (SBITAs), licenses, and permits. The Enterprise capitalizes purchased or internally developed intangible assets with a useful life extending beyond one reporting period. It has established a capitalization threshold of $100. Intangible assets are amortized over the benefit period or the contract term for leases and SBITAs, except for certain assets having an indefinite useful life. Assets with an indefinite useful life generally provide a benefit that is not constrained by legal or contractual limitations or any other external factor and, therefore, are not amortized (see Note 4).

(g) *Construction Work in Progress*

The cost of acquisition and construction of major plant and equipment is recorded as construction work in progress. Costs of construction projects that are discontinued are recorded as expenses in the year in which the decision is made to discontinue such projects.

(h) *Bond Discount, Premium, and Issuance Costs*

Bond issuance costs related to prepaid insurance costs are capitalized and amortized using the effective interest method. Other bond issuance costs are expensed when incurred. Original issue bond discount or premium are offset against the related debt and are also amortized using the effective interest method.

(i) *Accrued Vacation and Sick Leave*

Accrued vacation pay, which may be accumulated up to 10 weeks per employee, is charged to expense as earned. Sick leave earned subsequent to December 6, 1978 is non-vesting and may be accumulated up to six months per employee.

(j) *Workers' Compensation*

The Enterprise is self-insured for workers' compensation claims and accrues the estimated cost of those claims, including the estimated cost of incurred but not reported claims (see Note 14(b)).

(Dollars in thousands, unless otherwise stated)

(k) *General Liability*

The Enterprise is self-insured for general liability and uninsurable property damage claims. Commercially uninsurable property includes assets that are underground or provide transmission and distribution. Maintained commercial coverage does not cover claims attributed to loss from earthquake, contamination, pollution remediation efforts, and other specific naturally occurring contaminants such as mold. The liability represents an estimate of the cost of all outstanding claims, including adverse loss development and estimated incurred but not reported claims (see Note 14(a)).

(l) *Arbitrage Rebate Payable*

Certain bonds are subject to arbitrage rebate requirements in accordance with regulations issued by the U.S. Treasury Department. The requirements of the Clean Renewable Energy Bonds (CREBs), the Qualified Energy Conservation Bonds (QECBs), the New Clean Renewable Energy Bonds (NCREBs), and Power Revenue Bonds stipulate that the first payment of excess investment earnings, if any, is required to be rebated to the federal government, no later than 60 days after the end of the fifth bond year of the agreement or date of issuance. Hetchy Power arbitrage liability as of June 30, 2024 and 2023 were $184 and $0, respectively, related to 2021 Series AB and 2023 Series A revenue bonds.

(m) *Refunding of Debt*

Gains or losses occurring from refunding of debt prior to maturity are reported as deferred outflows and deferred inflows of resources from refunding of debt. Deferred outflows and deferred inflows of resources are recognized as a component of interest expense using the effective interest method over the remaining life of the old debt or the life of the new debt, whichever is shorter.

(n) *Income Taxes*

As a department of a government agency, the Enterprise is exempt from both federal income taxes and California State franchise taxes.

(o) *Revenue Recognition*

Water and power revenues are based on water and power consumption and billing rates. Generally, customers are billed monthly. Revenues earned but unbilled are accrued as charges for services receivables on the Statements of Net Position. The unbilled amounts as of June 30, 2024 and 2023 are as follows:

		Hetchy Water	Hetchy Power	CleanPowerSF	Total
2024	$	–	3,624	25,591	29,215
2023		–	3,470	19,694	23,164

(p) *Use of Estimates*

The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets, deferred outflows, liabilities, deferred inflows, and the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

(q) ***Eliminations***

Eliminations for internal activities between the Hetchy Power and CleanPowerSF are made in the Statements of Net Position. There were no activities requiring eliminations for fiscal years ended June 30, 2024 and 2023.

(r) ***Accounting and Financial Reporting for Pollution Remediation Obligations***

According to GASB Statement No. 49, *Accounting and Financial Reporting for Pollution Remediation Obligations*, a government would have to estimate its expected outlays for pollution remediation if it knows a site is polluted and any of the following recognition triggers occur:

- Pollution poses an imminent danger to the public or environment and a government has little or no discretion to avoid fixing the problem;
- A government has violated a pollution prevention-related permit or license;
- A regulator has identified (or evidence indicates it will identify) a government as responsible (or potentially responsible) for cleaning up pollution, or for paying all or some of the cost of the cleanup;
- A government is named (or evidence indicates that it will be named) in a lawsuit to compel it to address the pollution; or
- A government begins or legally obligates itself to begin cleanup or post-cleanup activities (limited to amounts the government is legally required to complete).

As a part of ongoing operations, situations may occur requiring the removal of pollution or other hazardous material. These situations typically arise in the process of acquiring an asset, preparing an asset for its intended use, or during the Design Phase of projects under review by the project managers. Other times, pollution may arise during the implementation and construction of a major or minor capital project. Examples of pollution may include, but are not limited to, asbestos or lead paint removal; leaking of sewage in underground pipes or neighboring areas; chemical spills; removal and disposal of known toxic waste; harmful biological and chemical pollution of water; or contamination of surrounding soils by underground storage tanks.

(s) ***Leases***

Leases are defined as a contract that conveys control of the right to use another entity's underlying asset for a specified period. Hetch Hetchy is a lessee for various noncancellable leases of building and radio tower.

Short-term Leases – For leases with a maximum possible term of 12 months at commencement, Hetch Hetchy recognizes lease revenue if Hetch Hetchy is the lessor of the lease or lease expense if Hetch Hetchy is the lessee of the lease based on the provisions of the lease contract. Liabilities are only recognized if payments are received in advance, and receivables are only recognized if payments are received subsequent to the reporting period.

Leases other than Short-term – For all other leases (i.e. those that are not short-term), Hetch Hetchy recognizes a lease liability and intangible right-to-use lease asset as lessee leases, or lease receivable and deferred inflow of resources as lessor leases.

Measurement of Lease Amounts (Lessee) – Hetch Hetchy's lease liability is recorded at the present value of future minimum lease payments as of the date of commencement. Subsequently, the lease liability is reduced by the principal portion of lease payments made.

The lease asset is initially measured as the initial amount of the lease liability, less lease payments made at or before the lease commencement date, plus any initial direct costs ancillary to placing the underlying asset into service, less any lease incentives received at or before the lease commencement date. Subsequently, the lease asset is amortized into depreciation and amortization expense on a straight-line basis over the lease term. If Hetch Hetchy is reasonably certain of exercising a purchase option contained in a lease, the lease asset will be amortized over the useful life of the underlying asset.

Measurement of Lease Amounts (Lessor) – Hetch Hetchy's lease receivable is measured at the present value of payments expected to be received during the lease term, reduced by any provision of estimated uncollectible amounts. Subsequently, the lease receivable is reduced by the principal portion of lease payments collected. The deferred inflow of resources is initially measured as the initial amount of the lease receivable, less any lease incentives paid to, or on behalf of, the lessee at or before the commencement of the lease term, plus lease payments received from the lease at or before the commencement of the lease term that related to future periods. Subsequently, the deferred inflow of resources as lease revenue on a straight-line basis over the lease term.

Key Estimates and Judgments – Key estimates and judgments include how Hetch Hetchy determines (a) the discount rate it uses to calculate the present value of the expected lease payments, (b) lease terms, (c) lease payments, and (d) materiality threshold for equipment.

- Hetch Hetchy generally uses its estimated incremental borrowing rate as the discount rate for leases unless the rate is implicit in the agreement. The City's incremental borrowing rate (IBR) is established using the average of Municipal Market Data (MMD) AAA benchmark interest rate index by maturity date (year 1 to 30+), plus the average credit spread based on City's Aa/AA, COP, Tax-exempt to generate the yield curve and discount rate table. The City's incremental borrowing rate for leases is based on the rate of interest it would need to pay if it issued general obligation bonds to borrow an amount equal to the lease payments under similar terms at the commencement or remeasurement date.

- The lease term includes the noncancellable period of the lease, plus any additional periods covered by either lessee or lessor unilateral option to (1) extend for which it is reasonably certain to be exercised, or (2) terminate for which it is reasonably certain not to be exercised. Periods in which both the lessee and lessor have an option to terminate (or if both parties have to agree to extend) are excluded from the lease term.

- Payments are evaluated by Hetch Hetchy to determine if they should be included in the measurement of the lease receivables or lease liabilities, including those payments that require a determination of whether they are reasonably certain of being made, such as residual value guarantees, purchase options, payments for termination penalties, and other payments.

- Leases have a capitalization threshold of $100. 70% below market rent and/or ground leases are determined to be below market rent (BMR) and are excluded from lease capitalization.

Remeasurement of Lease – Hetch Hetchy monitors changes in circumstances that may require remeasurement of a lease. When certain changes occur that are expected to significantly affect the amount of the lease receivable or lease liability, the receivable or liability is remeasured and a corresponding adjustment is made to the deferred inflow of resources or lease asset, respectively.

Presentation in Statements of Net Position – Lease assets are reported with non-current assets, lease liabilities are reported with current and long-term liabilities, and both capital-related lease assets and liabilities are reported under net investment in capital assets in the Statements of Net Position.

(t) *Subscription-Based Information Technology Arrangements (SBITAs)*

SBITAs are defined as a contract that conveys control of the right to use another entity's IT software, alone or in combination with tangible capital assets for a specified period. Hetch Hetchy has noncancellable subscription arrangements (similar to a lease) for the right to use various SBITAs.

Short-term SBITAs – For SBITAs with a maximum possible term of 12 months at commencement, Hetch Hetchy recognizes subscription expense based on the provisions of the SBITAs. Liabilities are only recognized if payments are received in advance, and receivables are only recognized if payments are received subsequent to the reporting period.

SBITAs other than Short-term – For all other SBITAs (i.e. those that are not short-term), Hetch Hetchy recognizes SBITAs liability and intangible right-to-use subscription asset.

Measurement of Subscription Amounts (Subscriber) – Hetch Hetchy's subscription liability is recorded at the present value of future minimum subscription payments as of the date of commencement. Subsequently, the subscription liability is reduced by the principal portion of subscription payments made. The subscription asset is initially measured as the initial amount of the subscription liability, less payments made at or before the subscription commencement date, plus any initial direct costs ancillary to placing the underlying asset into service, less any subscription incentives received at or before the subscription commencement date. For SBITAs, subscription assets also include qualified software implementation costs. Subsequently, the subscription asset is amortized into depreciation and amortization expense on a straight-line basis over the subscription term.

Key Estimates and Judgments – Key estimates and judgments include how Hetch Hetchy determines (a) the discount rate it uses to calculate the present value of the expected subscription payments, (b) subscription terms, (c) subscription payments, and (d) materiality threshold.

- Hetch Hetchy generally uses its estimated incremental borrowing rate as the discount rate for SBITAs unless the rate is implicit in the agreement. The City's incremental borrowing rate (IBR) is established using the average of Municipal Market Data (MMD) AAA benchmark interest rate index by maturity date (year 1 to 30+), plus the average credit spread based on City's Aa/AA, COP, Tax-exempt to generate the yield curve and discount rate table.

- The subscription term includes the noncancellable period of the subscription, plus any additional periods covered by either subscriber or lessor unilateral option to (1) extend for which it is reasonably certain to be exercised, or (2) terminate for which it is reasonably certain not to be exercised. Periods in which both the subscriber and lessor have an option to terminate (or if both parties have to agree to extend) are excluded from the subscription term.

- Payments are evaluated by Hetch Hetchy to determine if they should be included in the measurement of the subscription liabilities, including those payments that require a determination of whether they are reasonably certain of being made, such as residual value guarantees, purchase options, payments for termination penalties, and other payments.

- SBITAs have a capitalization threshold of $100.

Remeasurement of SBITAs – Hetch Hetchy monitors changes in circumstances that may require remeasurement of a SBITAs. When certain changes occur that are expected to significantly affect the amount of the subscription liability, the liability is remeasured and a corresponding adjustment is made to the subscription asset.

Presentation in Statements of Net Position – Subscription assets are reported with non-current assets, subscription liabilities are reported with current and long-term liabilities and both capital-related subscription assets and liabilities are reported under net investment in capital assets in the Statements of Net Position.

(u) *Other Postemployment Benefits (OPEB)*

Net OPEB liability, deferred outflows/inflows of resources related to OPEB, and OPEB expense are actuarially determined on a citywide basis. Net OPEB liability is measured as the portion of the present value of projected benefit payments to be provided to current active and inactive employees attributed to those employees' past service, less the amount of the Retiree Healthcare Trust Fund investments measured at fair value (see Note 12(b)).

(v) *New Accounting Standards Adopted in Fiscal Year 2024*

1) In April 2022, the GASB issued Statement No. 99, *Omnibus 2022*. GASB Statement No. 99 addresses a variety of topics. The requirements related to extension of the use of the London Interbank Offered Rate, accounting for Supplemental Nutrition Assistance Program distributions, disclosures of nonmonetary transactions, pledges of future revenues by pledging governments, clarification of certain provisions in Statement No. 34, and terminology updates related to Statement No. 53 and Statement No. 63 were adopted by the City for the year ended June 30, 2022. The requirements related to financial guarantees and the classification and reporting of derivative instruments within the scope of Statement No. 53 are effective for fiscal years beginning after June 15, 2023. The Enterprise adopted the provisions of Statement No. 99 in fiscal year 2024 which did not have a significant effect on its financial statements.

2) In June 2022, the GASB issued Statement No. 100, *Accounting Changes and Error Corrections*. This statement enhances accounting and financial reporting requirements for accounting changes and error corrections to provide more understandable, reliable, relevant, consistent, and comparable information for making decisions or assessing accountability. The new standard is effective for periods beginning after June 15, 2023. The

Enterprise adopted the provisions of Statement No. 100 in fiscal year 2024 which did not have a significant effect on its financial statements.

(w) *GASB Statements Implemented in Fiscal Year 2023*

1) In May 2019, the GASB issued Statement No. 91, *Conduit Debt Obligations*. GASB Statement No. 91 enhances the comparability and consistency of conduit debt obligation reporting and reporting of related transactions by state and local government issuers. The standard is effective for periods beginning after December 15, 2021. The Enterprise adopted the provisions of Statement No. 91 in fiscal year 2023 which did not have a significant effect on its financial statements.

2) In March 2020, the GASB Issued Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*. The primary objective of this statement is to improve financial reporting by addressing issues related to public-private and public-public partnership arrangements (PPPs) and availability payment arrangements. The standard is effective for periods beginning after June 15, 2022. The Enterprise adopted the provisions of Statement No. 94 in fiscal year 2023 which did not have a significant effect on its financial statements.

3) In May 2020, the GASB issued Statement No. 96*, Subscription-Based Information Technology Arrangements (SBITAs)*. This statement defines such arrangements as contracts that convey control of the right to use another party's information technology software, alone or in combination with tangible capital assets, as specified in the contract for a period of time in an exchange or exchange-like transaction. The standard clarifies measurement and recognition of capitalizable costs, intangible assets, and subscription liabilities for such arrangements and also requires additional disclosures related to such arrangements. The standard is effective for periods beginning after June 15, 2022. The Enterprise adopted the provisions of Statement No. 96 in fiscal year 2023 (see Note 10).

(x) *Future Implementation of New Accounting Standards*

1) In June 2022, the GASB issued Statement No. 101, *Compensated Absences*. This statement is to better meet the information needs of financial statement users by updating the recognition and measurement guidance for compensated absences. The new standard is effective for periods beginning after December 15, 2023. The Enterprise will implement the provisions of Statement No. 101 in fiscal year 2025.

2) In December 2023, the GASB issued Statement No. 102, *Certain Risk Disclosures*. This statement establishes financial reporting requirements for risk related to vulnerabilities due to certain concentrations or constraints within governments. The new standard is effective for periods beginning after June 15, 2024. The Enterprise will implement the provisions of Statement No. 102 in fiscal year 2025.

3) In April 2024, the GASB issued Statement No. 103, *Financial Reporting Model Improvements*. This statement is to improve key components of the financial reporting model to enhance its effectiveness in providing information that is essential for decision making and assessing a government's accountability. The new standard is effective for periods beginning after June 15, 2025. The Enterprise will implement the provisions of Statement No. 103 in fiscal year 2026.

4) In September 2024, the GASB issued Statement No. 104, *Disclosure of Certain Capital Assets*. This statement requires certain types of capital assets, such as lease assets recognized in accordance with Statement No. 87, *Leases*, and intangible right-to-use assets recognized in accordance with Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements* to be disclosed separately by major classes of underlying assets in the capital assets note disclosures. Subscription assets recognized in accordance with Statement No. 96, *Subscription-Based Information Technology Arrangements* are also required to be disclosed separately. Furthermore, the statement requires intangible assets other than those three types to be disclosed separately by major class. Finally, the statement requires additional disclosures for capital assets held for sale. The new standard is effective for periods beginning after June 15, 2025. The Enterprise will implement the provisions of Statement No. 104 in fiscal year 2026.

(y) *Reclassifications*

The Hetch Hetchy Enterprise has reclassified certain amounts relating to the prior period to conform to its current period presentation. Lease receivable, lease related interest receivable, lease related interest payable, and subscription related interest payable were reclassified from net investment in capital assets to unrestricted in the statements of net position for fiscal year 2023. Furthermore, capital related liabilities were reclassified from restricted for capital projects and/or unrestricted to net investment in capital assets in the statements of net position for fiscal year 2023. These reclassifications had no effect on previously reported changes in net position.

(3) Cash, Cash Equivalents, and Investments

Hetch Hetchy's cash, cash equivalents, and investments with the City Treasury are invested in an unrated City pool pursuant to investment policy guidelines established by the City Treasurer. The objectives of the policy guidelines are, in order of priority, preservation of capital, liquidity, and yield. The policy addresses soundness of financial institutions in which the City will deposit funds, types of investment instruments as permitted by the California Government Code, and the percentage of the portfolio, which may be invested in certain instruments with longer terms to maturity. The City Treasurer allocates income from the investment of pooled cash at month-end in proportion to Hetch Hetchy's average daily cash balances. The primary objectives of Hetch Hetchy's investment policy are consistent with the City's policy.

Some restricted cash and investments are held by an independent trustee outside the City's investment pool. The assets are held for the purpose of paying future interest and principal on the bonds and for eligible capital project expenditures. The balances as of June 30, 2024 and 2023 were \$14,051 and \$9,211, respectively. The Enterprise held all investments in treasury and government obligations, commercial paper, as well as money market mutual funds consisting of treasury and government obligations. See Note 5 for additional information on restricted assets.

Hetch Hetchy categorizes its fair value measurements within the fair value hierarchy established by GAAP. The hierarchy is based on the valuation inputs used to measure fair value of the assets. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; and Level 3 inputs are significant unobservable inputs. The inputs and techniques used for valuing securities are not necessarily an indication of risk associated with investing in those securities.

Certain investments such as money market investments, and cash and cash equivalents are not subject to the fair value hierarchy.

(Dollars in thousands, unless otherwise stated)

The following is a summary of the Hetch Hetchy restricted and unrestricted cash and investments outside City Treasury, including commercial paper issuers, credit ratings, and the fair value hierarchy as of June 30, 2024 and 2023.

Hetch Hetchy Cash and Investments outside City Treasury

					Fair Value Measurements Using		
Investments	Credit Ratings (S&P/Moody's)	June 30, 2024 Maturities	Value	Investments exempt from fair value	Quoted prices in active markets for identical assets (Level 1)	Significant other observable inputs (Level 2)	Unobservable Inputs (Level 3)
Hetchy Power							
U.S. Treasury Money Market Funds	AAAm/Aaa-mf	< 90 days	$ 4,138	4,138	–	–	–
Commercial Paper-Toyota Motor Corp	A-1+/P-1	October 11, 2024	957	–	957	–	–
Commercial Paper-Toronto-Dominion Bank	A-1+/P-1	October 28, 2024	2,946	–	2,946	–	–
U.S. Agency Securities	AA+/Aaa	April 17, 2025	2,881	–	2,881	–	–
U.S. Treasury Bonds & Notes	A-1+/P-1	October 15, 2025	2,972	–	2,972	–	–
Cash and Cash Equivalents	N/A		157	157	–	–	–
Total Restricted Cash and Investments outside City Treasury			$ 14,051	4,295	9,756	–	–
Cash and Cash Equivalents	N/A		$ 41	41	–	–	–
Total Unrestricted Cash and Investments outside City Treasury			$ 41	41	–	–	–

Hetch Hetchy Cash and Investments outside City Treasury

					Fair Value Measurements Using		
Investments	Credit Ratings (S&P/Moody's)	June 30, 2023 Maturities	Fair Value	Investments exempt from fair value	Quoted prices in active markets for identical assets (Level 1)	Significant other observable inputs (Level 2)	Unobservable Inputs (Level 3)
Hetchy Power							
U.S. Treasury Money Market Funds	AAAm/Aaa-mf	< 90 days	$ 9,190	9,190	–	–	–
Cash and Cash Equivalents	N/A		21	21	–	–	–
Total Restricted Cash and Investments outside City Treasury			$ 9,211	9,211	–	–	–
Cash and Cash Equivalents	N/A		$ 154	154	–	–	–
Total Unrestricted Cash and Investments outside City Treasury			$ 154	154	–	–	–

As of June 30, 2024, a total of $4,138 in restricted cash and investments outside City Treasury were invested in U.S. Treasury Money Market Funds with maturity date less than 90 days. Of this, $4,095 were proceeds from 2023 Series A, 2021 Series AB, and 2015 Series AB bonds and $43 were proceeds from certificates of participation. As of June 30, 2023, a total of $9.190 in restricted cash and investments outside City Treasury were invested in U.S. Treasury Money Market Funds with maturity date less than 90 days. Of this, $8,175 were proceeds from 2021 Series AB and 2015 Series AB bonds and $1,015 were proceeds from certificates of participation.

(Dollars in thousands, unless otherwise stated)

Hetch Hetchy's cash, cash equivalents, and investments are shown on the accompanying Statements of Net Position as of June 30, 2024 and 2023:

	Hetchy Water	Hetchy Power	CleanPowerSF	Total 2024
Current assets:				
Cash and investments with City Treasury	$ 46,471	215,370	159,811	421,652
Cash and investments outside City Treasury	—	41	—	41
Restricted cash and investments outside City Treasury	—	6,849	—	6,849
Non-current assets:				
Restricted cash and investments with City Treasury	31,330	50,732	—	82,062
Restricted cash and investments outside City Treasury	—	7,202	—	7,202
Total cash, cash equivalents, and investments	$ 77,801	280,194	159,811	517,806

	Hetchy Water	Hetchy Power	CleanPowerSF	Total 2023
Current assets:				
Cash and investments with City Treasury	$ 76,973	224,234	98,657	399,864
Cash and investments outside City Treasury	—	154	—	154
Restricted cash and investments outside City Treasury	—	5,371	—	5,371
Non-current assets:				
Restricted cash and investments with City Treasury	10,980	17,606	—	28,586
Restricted cash and investments outside City Treasury	—	3,840	—	3,840
Total cash, cash equivalents, and investments	$ 87,953	251,205	98,657	437,815

The following table shows the percentage distribution of the City's pooled investments by maturity:

	Investment maturities (in months)			
Fiscal years ended June 30	Under 1	1 to less than 6	6 to less than 12	12 to 60
2024	22.2%	19.5%	16.3%	42.0%
2023	21.5%	18.0%	14.5%	46.0%

As of June 30, 2024, Hetchy Power has the following commercial paper investments that represent 5.0% or more of the total investments outside City Treasury:

	Fair Value	% of Investments
Toronto-Dominion Bank	$ 2,946	21.2 %
Toyota Motor Corp	957	6.9

(Dollars in thousands, unless otherwise stated)

(4) Capital Assets

a) Hetch Hetchy capital assets as of June 30, 2024 and 2023 consist of the following:

	2023	Increases	Decreases	2024
Capital assets not being depreciated and amortized:				
Land and rights-of-way	$ 5,181	—	—	5,181
Intangible assets	1,437	—	—	1,437
Construction work in progress	370,470	121,442	(61,775) *	430,137
Total capital assets not being depreciated and amortized	377,088	121,442	(61,775)	436,755
Capital assets being depreciated and amortized:				
Facilities and improvements	855,790	89,163	—	944,953
Intangible assets	45,855	—	—	45,855
Machinery and equipment	152,225	4,116	—	156,341
Right-to-use lease assets	442	—	—	442
Right-to-use subscription assets	998	—	(651)	347
Total capital assets being depreciated and amortized	1,055,310	93,279 *	(651)	1,147,938
Less accumulated depreciation and amortization for:				
Facilities and improvements	(442,252)	(19,507)	—	(461,759)
Intangible assets	(23,140)	(488)	—	(23,628)
Machinery and equipment	(98,866)	(4,811)	—	(103,677)
Right-to-use lease assets	(119)	(37)	—	(156)
Right-to-use subscription assets	(717)	(156)	651	(222)
Total accumulated depreciation and amortization	(565,094)	(24,999)	651	(589,442)
Total capital assets being depreciated and amortized, net	490,216	68,280	—	558,496
Total capital assets, net	$ 867,304	189,722	(61,775)	995,251

* Decrease in construction work in progress included $217 in capital project write-offs, mainly related to Distribution Interface Project. The remaining difference of $31,721 to capital asset additions was offset by direct additions to facilities, improvements, machinery, and equipment.

	2022	Increases	Decreases	2023
Capital assets not being depreciated and amortized:				
Land and rights-of-way	$ 5,181	—	—	5,181
Intangible assets	1,437	—	—	1,437
Construction work in progress	316,530	100,380	(46,440) *	370,470
Total capital assets not being depreciated and amortized	323,148	100,380	(46,440)	377,088
Capital assets being depreciated and amortized:				
Facilities and improvements	809,945	45,845	—	855,790
Intangible assets	45,715	140	—	45,855
Machinery and equipment	148,241	4,169	(185)	152,225
Right-to-use lease assets	1,068	236	(862)	442
Right-to-use subscription assets	998	—	—	998
Total capital assets being depreciated and amortized	1,005,967	50,390 *	(1,047)	1,055,310
Less accumulated depreciation and amortization for:				
Facilities and improvements	(423,731)	(18,521)	—	(442,252)
Intangible assets	(22,680)	(460)	—	(23,140)
Machinery and equipment	(93,995)	(5,054)	183	(98,866)
Right-to-use lease assets	(704)	(277)	862	(119)
Right-to-use subscription assets	(357)	(360)	—	(717)
Total accumulated depreciation and amortization	(541,467)	(24,672)	1,045	(565,094)
Total capital assets being depreciated and amortized, net	464,500	25,718	(2)	490,216
Total capital assets, net	$ 787,648	126,098	(46,442)	867,304

* Decrease in construction work in progress included $403 in capital project write-offs, mainly related to 2018 Moccasin Storm Project. The remaining difference of $4,353 to capital asset additions was offset by direct additions to facilities, improvements, machinery, and equipment.

(Dollars in thousands, unless otherwise stated)

b) Hetchy Water capital assets as of June 30, 2024 and 2023 consist of the following:

	2023	Increases	Decreases	2024
Capital assets not being depreciated and amortized:				
Land and rights-of-way	$ 3,232	–	–	3,232
Intangible assets	6	–	–	6
Construction work in progress	72,450	23,029	(9,595) *	85,884
Total capital assets not being depreciated and amortized	75,688	23,029	(9,595)	89,122
Capital assets being depreciated and amortized:				
Facilities and improvements	311,312	9,228	–	320,540
Intangible assets	20,522	–	–	20,522
Machinery and equipment	29,891	1,310	–	31,201
Right-to-use lease assets	198	–	–	198
Right-to-use subscription assets	490	–	(320)	170
Total capital assets being depreciated and amortized	362,413	10,538 *	(320)	372,631
Less accumulated depreciation and amortization for:				
Facilities and improvements	(185,066)	(5,353)	–	(190,419)
Intangible assets	(10,361)	(207)	–	(10,568)
Machinery and equipment	(22,232)	(870)	–	(23,102)
Right-to-use lease assets	(53)	(16)	–	(69)
Right-to-use subscription assets	(353)	(76)	320	(109)
Total accumulated depreciation and amortization	(218,065)	(6,522)	320	(224,267)
Total capital assets being depreciated and amortized, net	144,348	4,016	–	148,364
Total capital assets, net	$ 220,036	27,045	(9,595)	237,486

* The difference between decrease in construction work in progress and increase in capital assets being depreciated due to direct additions to facilities, improvements, machinery, and equipment.

	2022	Increases	Decreases	2023
Capital assets not being depreciated and amortized:				
Land and rights-of-way	$ 3,232	–	–	3,232
Intangible assets	6	–	–	6
Construction work in progress	54,138	25,032	(6,720) *	72,450
Total capital assets not being depreciated and amortized	57,376	25,032	(6,720)	75,688
Capital assets being depreciated and amortized:				
Facilities and improvements	306,116	5,196	–	311,312
Intangible assets	20,522	–	–	20,522
Machinery and equipment	28,383	1,566	(58)	29,891
Right-to-use lease assets	67	105	26	198
Right-to-use subscription assets	490	–	–	490
Total capital assets being depreciated and amortized	355,578	6,867 *	(32)	362,413
Less accumulated depreciation and amortization for:				
Facilities and improvements	(179,839)	(5,227)	–	(185,066)
Intangible assets	(10,154)	(207)	–	(10,361)
Machinery and equipment	(21,397)	(892)	57	(22,232)
Right-to-use lease assets	(6)	(21)	(26)	(53)
Right-to-use subscription assets	(176)	(177)	–	(353)
Total accumulated depreciation and amortization	(211,572)	(6,524)	31	(218,065)
Total capital assets being depreciated and amortized, net	144,006	343	(1)	144,348
Total capital assets, net	$ 201,382	25,375	(6,721)	220,036

* Decrease in construction work in progress included $192 in capital project write-offs, mainly related to Hetchy Water's share of 2018 Moccasin Storm Project. The remaining difference of $339 to capital asset additions was offset by direct additions to facilities, improvements, machinery, and equipment.

(Dollars in thousands, unless otherwise stated)

c) Hetchy Power capital assets as of June 30, 2024 and 2023 consist of the following:

	2023	Increases	Decreases	2024
Capital assets not being depreciated and amortized:				
Land and rights-of-way	$ 1,949	–	–	1,949
Intangible assets	1,431	–	–	1,431
Construction work in progress	298,020	98,413	(52,180) *	344,253
Total capital assets not being depreciated and amortized	301,400	98,413	(52,180)	347,633
Capital assets being depreciated and amortized:				
Facilities and improvements	544,478	79,935	–	624,413
Intangible assets	25,333	–	–	25,333
Machinery and equipment	122,334	2,806	–	125,140
Right-to-use lease assets	244	–	–	244
Right-to-use subscription assets	397	–	(257)	140
Total capital assets being depreciated and amortized	692,786	82,741 *	(257)	775,270
Less accumulated depreciation and amortization for:				
Facilities and improvements	(257,186)	(14,154)	–	(271,340)
Intangible assets	(12,779)	(281)	–	(13,060)
Machinery and equipment	(76,634)	(3,941)	–	(80,575)
Right-to-use lease assets	(66)	(21)	–	(87)
Right-to-use subscription assets	(283)	(63)	257	(89)
Total accumulated depreciation and amortization	(346,948)	(18,460)	257	(365,151)
Total capital assets being depreciated and amortized, net	345,838	64,281	–	410,119
Total capital assets, net	$ 647,238	162,694	(52,180)	757,752

* Decrease in construction work in progress included $217 in capital project write-offs, mainly related to Distribution Interface Project. The remaining difference of $30,778 to capital asset additions was offset by direct additions to facilities, improvements, machinery, and equipment.

	2022	Increases	Decreases	2023
Capital assets not being depreciated and amortized:				
Land and rights-of-way	$ 1,949	–	–	1,949
Intangible assets	1,431	–	–	1,431
Construction work in progress	262,392	75,348	(39,720) *	298,020
Total capital assets not being depreciated and amortized	265,772	75,348	(39,720)	301,400
Capital assets being depreciated and amortized:				
Facilities and improvements	503,829	40,649	–	544,478
Intangible assets	25,193	140	–	25,333
Machinery and equipment	119,858	2,603	(127)	122,334
Right-to-use lease assets	81	131	32	244
Right-to-use subscription assets	397	–	–	397
Total capital assets being depreciated and amortized	649,358	43,523 *	(95)	692,786
Less accumulated depreciation and amortization for:				
Facilities and improvements	(243,892)	(13,294)	–	(257,186)
Intangible assets	(12,526)	(253)	–	(12,779)
Machinery and equipment	(72,598)	(4,162)	126	(76,634)
Right-to-use lease assets	(8)	(26)	(32)	(66)
Right-to-use subscription assets	(141)	(142)	–	(283)
Total accumulated depreciation and amortization	(329,165)	(17,877)	94	(346,948)
Total capital assets being depreciated and amortized, net	320,193	25,646	(1)	345,838
Total capital assets, net	$ 585,965	100,994	(39,721)	647,238

* Decrease in construction work in progress included $211 in capital project write-offs, mainly related to Hetchy Power's share of 2018 Moccasin Storm Project. The remaining difference of $4,014 to capital asset additions was offset by direct additions to facilities, improvements, machinery, and equipment.

(Dollars in thousands, unless otherwise stated)

d) CleanPowerSF capital assets as of June 30, 2024 and 2023 consist of the following:

		2023	Increases	Decreases	2024
Capital assets being depreciated and amortized:					
Right-to-use subscription assets	$	111	–	(74)	37
Total capital assets being depreciated and amortized		111	–	(74)	37
Less accumulated depreciation and amortization for:					
Right-to-use subscription assets		(81)	(17)	74	(24)
Total accumulated depreciation and amortization		(81)	(17)	74	(24)
Total capital assets being depreciated and amortized, net		30	(17)	–	13
Total capital assets, net	$	30	(17)	–	13

		2022	Increases	Decreases	2023
Capital assets being depreciated and amortized:					
Right-to-use lease assets	$	920	–	(920)	–
Right-to-use subscription assets		111	–	–	111
Total capital assets being depreciated and amortized		1,031	–	(920)	111
Less accumulated depreciation and amortization for:					
Right-to-use lease assets		(690)	(230)	920	–
Right-to-use subscription assets		(40)	(41)	–	(81)
Total accumulated depreciation and amortization		(730)	(271)	920	(81)
Total capital assets being depreciated and amortized, net		301	(271)	–	30
Total capital assets, net	$	301	(271)	–	30

See Notes 9 and 10 for additional information about right-to-use assets for leases and SBITAs.

(5) Restricted Assets

Pursuant to the Hetchy Power Trust Indenture (the "Indenture"), established in fiscal year 2015, net revenues of the Hetchy Power are pledged first to the 2015 Series AB Bonds, 2021 Series AB Bonds, and 2023 Series A Bonds, and have a priority lien on the pledge of net revenues to the outstanding QECBs and NCREBs (the "Subordinate Obligations"). The Lease/Purchase Agreements for the Subordinate Obligations pledge the net revenues of the Hetchy Power to these bonds, and such pledge is subordinate in lien to the net revenues pledge for the 2015 Series AB Bonds, 2021 Series AB Bonds, and 2023 Series A Bonds (the "Bonds" or "Bond").

In the Indenture, the SFPUC covenants and agrees that it will pay into the Revenue Fund as received all Revenues of Hetchy Power and shall be used and applied, as provided by the Indenture, solely for the purposes of operating and maintaining Hetchy Power and paying all costs, charges, and expenses in connection therewith and for the purpose of making repairs, renewals, and replacements to Hetchy Power and constructing additions, betterments, and extensions thereto.

The Indenture provides that Revenues deposited in the Revenue Fund shall be disbursed in the following order of priority:

1. The payment of operation and maintenance expenses;
2. Any priority reconstruction and replacement fund deposits;
3. Deposit in the interest account of each Bond Fund;
4. Deposit in the bond retirement account of each Bond Fund;
5. Deposit in the reserve fund;
6. (i) Payment of principal and premium, if any, and interest on any Subordinate Obligations; (ii) deposit into a reserve fund securing any Subordinate Obligations; (iii) Swap Agreement payments pursuant to Swap Agreements entered into by the SFPUC with respect to any Subordinate Obligations; and (iv) payment to any financial institution or insurance company

(Dollars in thousands, unless otherwise stated)

providing any letter of credit, line of credit, or other credit or liquidity facility, including municipal bond insurance and guarantees, that secures the payment of principal or interest on any Subordinate Obligations; in each case in any order of priority within this paragraph which may be hereafter established by the SFPUC resolution;

7. Any additional reconstruction and replacement fund deposits into the reconstruction and replacement fund;
8. Any necessary or desirable capital additions or improvements to the Hetchy Power;
9. Any payment under a Take-or-Pay Power Purchase Agreement that does not constitute an operation and maintenance expense;
10. Any payment under a Swap Agreement that does not constitute a Swap Agreement payment; and
11. Any other lawful purpose of the SFPUC.

In the Indenture, the SFPUC covenants and agrees to transfer to the Trustee for deposit in the Interest Account of each applicable Bond Fund all Refundable Credits received by the SFPUC.

In accordance with the Agreements, Hetch Hetchy maintains certain restricted cash and investment balances in trust.

(a) Hetchy Water has the following restricted assets held in trust as of June 30, 2024 and 2023:

	2024	2023
Cash and investments with City Treasury:		
Hetch Hetchy bond construction fund	$ 31,330	10,980
Total restricted assets	$ 31,330	10,980

(b) Hetchy Power has the following restricted assets held in trust as of June 30, 2024 and 2023:

	2024	2023
Cash and investments with City Treasury:		
Hetch Hetchy bond construction fund	$ 50,732	17,606
Cash and investments outside City Treasury:		
2009 Series C Certificates of participation - 525 Golden Gate	131	231
2009 Series D Certificates of participation - 525 Golden Gate	1,000	784
2015 Series A Revenue Bonds	2,205	2,261
2015 Series B Revenue Bonds	518	532
2021 Series AB Revenue Bonds	442	5,382
2023 Series A Revenue Bonds	9,730	—
Commercial Paper	25	21
Total restricted cash and investments outside City Treasury	14,051	9,211
Interest and other receivables:		
Hetch Hetchy bond construction fund	169	4,151
Total restricted assets	$ 64,952	30,968

Restricted assets listed above as cash and investments with City Treasury are held in fund accounts within the Hetch Hetchy Revenue Fund.

(6) Short-Term Debt

Effective March 2019, under Charter Sections 9.107(6) and 9.107(8), and 2018 Proposition A, the Commission and Board of Supervisors authorized the issuance of up to $250,000 in commercial paper notes for the purpose of reconstructing, replacing, expanding, repairing or improving power facilities of Hetchy Power. Interest rates for the commercial paper ranged from 2.8% to 3.7% and 1.1% to 3.2% in fiscal years 2024 and 2023, respectively. The Enterprise had $90,654 and

$116,352 commercial paper outstanding as of June 30, 2024 and 2023, respectively. The Enterprise had $159,346 and $133,648 in unused authorization as of June 30, 2024 and 2023, respectively.

$117,333 was repaid by the 2023 Series A bonds issued on October 12, 2023 and has been reclassed to long-term liabilities on the June 30, 2023 financial statements.

The commercial paper notes can be issued in the aggregate principal amounts of up to $250,000, and may be marketed and re-marketed with maturities up to 270 days and are secured by two separate bank credit facilities, as set forth below. The commercial paper notes are payable from revenues, and are secured on a parity lien basis with each other and with the outstanding 2011 QECBs and 2015 NCREBs, collectively the "Subordinate Obligations." The Subordinate Obligations are secured on a subordinate basis to the payment of debt service on the Power Revenue Bonds.

As of June 30, 2024, the Commercial Paper Notes are secured by the following series: Series A-1 is secured by a $125,000 letter of credit from Bank of America N.A. which expires on March 6, 2026. The agreement for the Series A-1 facility stipulates a quarterly commitment fee of 0.31%, on the maintenance of ratings of at least "AA-" by S&P and "AA-" by Fitch Ratings. Series A-2 is secured by a $125,000 letter of credit from Bank of America N.A. which expires on March 6, 2026. The agreement for the Series A-2 credit facility stipulates a quarterly commitment fee of 0.29%, on the maintenance of ratings of at least "AA-" by S&P and "AA-" by Fitch Ratings.

Barclays Capital Inc., Goldman Sachs & Co. LLC, and RBC Capital Markets, LLC serve as dealers for the commercial paper notes. The annual fee is 0.05% paid to Barclays Capital LLC and Goldman Sachs & Co. LLC and 0.045% paid to RBC Capital markets, LLC on the average outstanding principal amount of the commercial paper notes managed by the respective dealer.

The commercial paper reimbursement agreements for the Enterprise contain a provision that in the event advances (or drawings) remain unpaid, such advances (or drawings) will convert into term loans and will be subject to the repayment provisions relating thereto.

In accordance with GASB Statement No. 88, *Certain Disclosures Related to Debt, Including Direct Borrowings and Direct Placements*, significant events of default include 1) payment defaults, 2) material breach of warranty, representation, or other non-remedied breach of covenants as specified in the respective agreements (not cured within applicable grace periods), and 3) bankruptcy and insolvency events, which may result in all outstanding obligations to be immediately due and payable (unless waived by the respective Bank, if applicable); or issuance of a No-Issuance Notice, reduction in credit to outstanding amount plus interest coverage, and/or termination of the respective agreement. As of June 30, 2024 and 2023, there were no such events described herein.

(Dollars in thousands, unless otherwise stated)

(7) Changes in Long-Term Liabilities

a) Hetch Hetchy's long-term liability activities for the years ended June 30, 2024 and 2023 are as follows:

	Interest rate	Maturity (Calendar Year)	2023	Additions	Reductions	2024	Due within one year
Bonds:							
Qualified Energy Conservation Bonds	4.74 %	2027	$ 2,583	–	(562)	2,021	569
New Clean Renewable Energy Bonds 2015	4.62	2032	1,491	–	(148)	1,343	150
2015 Series A Revenue Bonds	4.00 - 5.00	2045	32,025	–	–	32,025	–
2015 Series B Revenue Bonds	3.00 - 4.00	2026	2,885	–	(880)	2,005	910
2021 Series A Revenue Bonds	4.00 - 5.00	2051	74,280	–	–	74,280	1,385
2021 Series B Revenue Bonds	4.00 - 5.00	2051	49,720	–	–	49,720	585
2023 Series A Revenue Bonds	5.00	2053	–	123,905	–	123,905	–
Add issuance premiums			27,948	7,325	(1,773)	33,500	–
Total bonds payable			190,932	131,230	(3,363)	318,799	3,599
2009 Series D COPs (Build America)	6.36 - 6.49	2041	12,593	–	(445)	12,148	463
Commercial paper*	2.80 - 3.69	2024	116,352	–	(116,352)	–	–
Net other postemployment benefits liability			37,180	8,514	(5,353)	40,341	–
Net pension liability			33,468	23,988	(11,471)	45,985	–
Accrued vacation and sick leave			6,725	3,303	(2,811)	7,217	3,723
Accrued workers' compensation			3,457	1,000	(824)	3,633	645
Arbitrage rebate payable			–	184	–	184	–
Damage claims liability			6,884	10,284	(13,105)	4,063	2,010
Due to other City departments			1,946	–	(1,946)	–	–
Lease liability			307	–	(35)	272	35
Liabilities payable from restricted assets			–	28,867	–	28,867	25,513
Subscription liability			286	–	(163)	123	61
Unearned revenues, refunds, and other			12,716	26,358	(23,798)	15,276	14,696
Total			$ 422,846	233,728	(179,666)	476,908	50,745

* Commercial paper is short-term in fiscal year 2024.

	Interest rate	Maturity (Calendar Year)	2022	Additions	Reductions	2023	Due within one year
Bonds:							
Clean Renewable Energy Bonds	0.00 %	2022	$ 421	–	(421)	–	–
Qualified Energy Conservation Bonds	4.74	2027	3,138	–	(555)	2,583	562
New Clean Renewable Energy Bonds 2015	4.62	2032	1,637	–	(146)	1,491	148
2015 Series A Revenue Bonds	4.00 - 5.00	2045	32,025	–	–	32,025	–
2015 Series B Revenue Bonds	3.00 - 4.00	2026	3,735	–	(850)	2,885	880
2021 Series A Revenue Bonds	4.00 - 5.00	2051	74,280	–	–	74,280	–
2021 Series B Revenue Bonds	4.00 - 5.00	2051	49,720	–	–	49,720	–
Less issuance discount			(6)	–	6	–	–
Add issuance premiums			29,536	–	(1,588)	27,948	–
Total bonds payable			194,486	–	(3,554)	190,932	1,590
2009 Series C Certificates of participation (COPs)	2.00 - 5.00	2022	425	–	(425)	–	–
2009 Series C COPs issuance premiums			2	–	(2)	–	–
2009 Series D COPs (Build America)	6.36 - 6.49	2041	12,593	–	–	12,593	445
Commercial paper	1.05 - 3.15	2023	–	116,352	–	116,352	–
Net other postemployment benefits liability			33,909	3,271	–	37,180	–
Net pension liability			–	33,468	–	33,468	–
Accrued vacation and sick leave			6,312	2,989	(2,576)	6,725	3,393
Accrued workers' compensation			3,478	300	(321)	3,457	617
Damage claims liability			1,682	12,497	(7,295)	6,884	766
Due to other City departments			380	1,946	(380)	1,946	1,946
Lease liability			369	236	(298)	307	35
Subscription liability			632	–	(346)	286	163
Unearned revenues, refunds, and other			20,057	33,434	(40,775)	12,716	12,136
Total			$ 274,325	204,493	(55,972)	422,846	21,091

(Dollars in thousands, unless otherwise stated)

b) Hetchy Water's long-term liability activities for the years ended June 30, 2024 and 2023 are as follows:

	2023	Additions	Reductions	2024	Due within one year
Net other postemployment benefits liability	$ 14,907	3,469	(2,107)	16,269	—
Net pension liability	14,105	9,809	(4,824)	19,090	—
Accrued vacation and sick leave	2,266	927	(713)	2,480	1,272
Accrued workers' compensation	1,219	337	(259)	1,297	228
Damage claims liability	700	96	(528)	268	121
Lease liability	138	—	(16)	122	16
Subscription liability	139	—	(80)	59	30
Unearned revenues, refunds, and other	110	10	(14)	106	106
Total	$ 33,584	14,648	(8,541)	39,691	1,773

	2022	Additions	Reductions	2023	Due within one year
Net other postemployment benefits liability	$ 14,240	667	—	14,907	—
Net pension liability	—	14,105	—	14,105	—
Accrued vacation and sick leave	2,169	700	(603)	2,266	1,132
Accrued workers' compensation	1,228	76	(85)	1,219	216
Damage claims liability	627	320	(247)	700	300
Lease liability	62	105	(29)	138	16
Subscription liability	309	—	(170)	139	80
Unearned revenues, refunds, and other	134	15	(39)	110	110
Total	$ 18,769	15,988	(1,173)	33,584	1,854

c) Hetchy Power's long-term liability activities for the years ended June 30, 2024 and 2023 are as follows:

	Interest rate	Maturity (Calendar Year)	2023	Additions	Reductions	2024	Due within one year
Bonds:							
Qualified Energy Conservation Bonds	4.74 %	2027	$ 2,583	—	(562)	2,021	569
New Clean Renewable Energy Bonds 2015	4.62	2032	1,491	—	(148)	1,343	150
2015 Series A Revenue Bonds	4.00 - 5.00	2045	32,025	—	—	32,025	—
2015 Series B Revenue Bonds	3.00 - 4.00	2026	2,885	—	(880)	2,005	910
2021 Series A Revenue Bonds	4.00 - 5.00	2051	74,280	—	—	74,280	1,385
2021 Series B Revenue Bonds	4.00 - 5.00	2051	49,720	—	—	49,720	585
2023 Series A Revenue Bonds	5.00	2053	—	123,905	—	123,905	—
Add issuance premiums			27,948	7,325	(1,773)	33,500	—
Total bonds payable			190,932	131,230	(3,363)	318,799	3,599
2009 Series D COPs (Build America)	6.36 - 6.49	2041	12,593	—	(445)	12,148	463
Commercial paper*	2.80 - 3.69	2024	116,352	—	(116,352)	—	—
Net other postemployment benefits liability			18,220	4,239	(2,576)	19,883	—
Net pension liability			17,239	11,989	(5,896)	23,332	—
Accrued vacation and sick leave			3,716	2,123	(1,862)	3,977	2,038
Accrued workers' compensation			2,238	663	(565)	2,336	417
Arbitrage rebate payable			—	184	—	184	—
Damage claims liability			6,150	9,273	(11,649)	3,774	1,872
Due to other City departments			1,946	—	(1,946)	—	—
Lease liability			169	—	(19)	150	19
Liabilities payable from restricted assets			—	28,867	—	28,867	25,513
Subscription liability			116	—	(65)	51	25
Unearned revenues, refunds, and other			6,460	7,465	(6,741)	7,184	6,604
Total			$ 376,131	196,033	(151,479)	420,685	40,550

* Commercial paper is short-term in fiscal year 2024.

(Dollars in thousands, unless otherwise stated)

	Interest rate	Maturity (Calendar Year)	2022	Additions	Reductions	2023	Due within one year
Bonds:							
Clean Renewable Energy Bonds	0.00 %	2022	$ 421	—	(421)	—	—
Qualified Energy Conservation Bonds	4.74	2027	3,138	—	(555)	2,583	562
New Clean Renewable Energy Bonds 2015	4.62	2032	1,637	—	(146)	1,491	148
2015 Series A Revenue Bonds	4.00 - 5.00	2045	32,025	—	—	32,025	—
2015 Series B Revenue Bonds	3.00 - 4.00	2026	3,735	—	(850)	2,885	880
2021 Series A Revenue Bonds	4.00 - 5.00	2051	74,280	—	—	74,280	—
2021 Series B Revenue Bonds	4.00 - 5.00	2051	49,720	—	—	49,720	—
Less issuance discount			(6)	—	6	—	—
Add issuance premiums			29,536	—	(1,588)	27,948	—
Total bonds payable			194,486	—	(3,554)	190,932	1,590
2009 Series C Certificates of participation (COPs)	2.00 - 5.00	2022	425	—	(425)	—	—
2009 Series C COPs issuance premiums			2	—	(2)	—	—
2009 Series D COPs (Build America)	6.36 - 6.49	2041	12,593	—	—	12,593	445
Commercial paper	1.05 - 3.15	2023	—	116,352	—	116,352	—
Net other postemployment benefits liability			17,405	815	—	18,220	—
Net pension liability			—	17,239	—	17,239	—
Accrued vacation and sick leave			3,597	1,838	(1,719)	3,716	1,867
Accrued workers' compensation			2,250	224	(236)	2,238	401
Damage claims liability			1,023	10,439	(5,312)	6,150	450
Due to other City departments			380	1,946	(380)	1,946	1,946
Lease liability			75	131	(37)	169	19
Subscription liability			253	—	(137)	116	65
Unearned revenues, refunds, and other			6,727	10,385	(10,652)	6,460	5,880
Total			$ 239,216	159,369	(22,454)	376,131	12,663

d) CleanPowerSF's long-term liability activities for the years ended June 30, 2024 and 2023 are as follows:

	2023	Additions	Reductions	2024	Due within one year
Net other postemployment benefits liability	$ 4,053	806	(670)	4,189	—
Net pension liability	2,124	2,190	(751)	3,563	—
Accrued vacation and sick leave	743	253	(236)	760	413
Damage claims liability	34	915	(928)	21	17
Subscription liability	31	—	(18)	13	6
Unearned revenues, refunds, and other	6,146	18,883	(17,043)	7,986	7,986
Total	$ 13,131	23,047	(19,646)	16,532	8,422

	2022	Additions	Reductions	2023	Due within one year
Net other postemployment benefits liability	$ 2,264	1,789	—	4,053	—
Net pension liability	—	2,124	—	2,124	—
Accrued vacation and sick leave	546	451	(254)	743	394
Damage claims liability	32	1,738	(1,736)	34	16
Lease liability	232	—	(232)	—	—
Subscription liability	70	—	(39)	31	18
Unearned revenues, refunds, and other	13,196	23,034	(30,084)	6,146	6,146
Total	$ 16,340	29,136	(32,345)	13,131	6,574

(a) *Qualified Energy Conservation Bonds*

In December 2011, Hetchy Power issued $8,291 of taxable QECBs. The QECBs were issued to fund certain qualified green components for the SFPUC's 525 Golden Gate Headquarters project. The QECBs were non-rated and privately placed with Banc of America Leasing. The net effective interest rate on the QECBs, after the federal tax subsidy, is 1.2% through fiscal year 2028.

(Dollars in thousands, unless otherwise stated)

The future annual debt service relating to the QECBs outstanding as of June 30, 2024 is as follows:

Fiscal years ending June 30:		Principal	Interest before subsidy	Federal interest subsidy*	Interest net of subsidy
2025	$	569	89	(63)	26
2026		576	62	(44)	18
2027		582	35	(24)	11
2028		294	7	(4)	3
		2,021	193	(135)	58
Less: Current portion		(569)			
Long-term portion as of June 30, 2024	$	1,452			

* The SFPUC received an IRS notice dated April 17, 2024 that the federal interest subsidy is reduced by 5.7% or a total reduction of $8 due to sequestration over the remaining life of the bonds assuming the sequestration rate will remain the same after fiscal year 2024.

(b) *New Clean Renewable Energy Bonds 2015*

In October 2015, Hetchy Power issued $4,100 of taxable 2015 NCREBs. The 2015 NCREBs were issued to fund certain qualified clean, renewable energy solar generation facilities at the Marina Middle School and the San Francisco Police Academy. The 2015 NCREBs were non-rated and privately placed with Banc of America Leasing. The net effective interest rate on the 2015 NCREBs, after the federal tax subsidy, is 1.4% through 2033. $1,272 of principal was prepaid in fiscal year 2021.

The future annual debt service relating to the 2015 NCREBs outstanding as of June 30, 2024 is as follows:

Fiscal years ending June 30:		Principal	Interest before subsidy	Federal interest subsidy*	Interest net of subsidy
2025	$	150	60	(40)	20
2026		152	53	(35)	18
2027		154	47	(31)	16
2028		156	39	(26)	13
2029		159	32	(21)	11
2030-2033		572	53	(35)	18
		1,343	284	(188)	96
Less: Current portion		(150)			
Long-term portion as of June 30, 2024	$	1,193			

* The SFPUC received an IRS notice dated April 17, 2024 that the federal interest subsidy is reduced by 5.7% or a total reduction of $11 due to sequestration over the remaining life of the bonds assuming the sequestration rate will remain the same after fiscal year 2024.

(c) *Power Revenue Bonds 2015 Series A (Green) and Series B*

In May 2015, Hetchy Power issued tax-exempt revenue bonds, 2015 Series A (Green) in the amount of $32,025 with interest rates ranging from 4.0% to 5.0% and 2015 Series B in the amount of $7,530 with interest rates ranging from 3.0% to 4.0%. Proceeds from the bonds were used to finance reconstruction or replacement of existing facilities of the SFPUC's Hetch Hetchy project, to fund capitalized interest on the 2015 Series AB Bonds, to fund a debt service reserve account for the 2015 Series AB Bonds, and to pay costs of issuance of the 2015 Series AB bonds. The bonds were rated "A+" and "AA-" by S&P and Fitch, respectively. Final maturity for 2015 Series AB are November 1, 2045 and November 1, 2026, respectively. The true interest cost is 3.95%. As of June 30, 2024 and 2023, the outstanding principal amounts were $34,030 and $34,910, respectively.

(Dollars in thousands, unless otherwise stated)

The future annual debt service relating to the 2015 Series AB Bonds outstanding as of June 30, 2024 is as follows:

Hetchy Power - Power Revenue Bonds 2015 Series A (Green)

Fiscal years ending June 30:		Principal	Interest	Total
2025	$	—	1,593	1,593
2026		—	1,593	1,593
2027		830	1,576	2,406
2028		1,020	1,534	2,554
2029		1,075	1,482	2,557
2030-2034		6,225	6,528	12,753
2035-2039		7,940	4,765	12,705
2040-2044		10,135	2,516	12,651
2045-2046		4,800	243	5,043
		32,025	21,830	53,855
Add: Unamortized bond premium		2,794		
Long-term portion as of June 30, 2024	$	34,819		

Hetchy Power - Power Revenue Bonds 2015 Series B

Fiscal years ending June 30:		Principal	Interest	Total
2025	$	910	62	972
2026		945	25	970
2027		150	3	153
		2,005	90	2,095
Less: Current portion		(910)		
Add: Unamortized bond premium		28		
Long-term portion as of June 30, 2024	$	1,123		

(d) *Power Revenue Bonds 2021 Series A (Green) and Series B*

In December 2021, Hetchy Power issued tax-exempt revenue bonds, 2021 Series A (Green) in the amount of $74,280 with interest rates ranging from 4.0% to 5.0% and 2021 Series B in the amount of $49,720 with interest rates ranging from 4.0% to 5.0%. Proceeds from the bonds were used to refinance a portion of the costs of various capital projects benefiting the Power Enterprise, to fund capitalized interest on the 2021 Series AB Bonds, and to pay costs of issuance. The bonds were rated “AA” and “AA-” by S&P and Fitch, respectively. Final maturity for 2021 Series AB are November 1, 2051. The true interest cost is 2.64%. As of June 30, 2024 and 2023, the outstanding principal amount was $124,000.

(Dollars in thousands, unless otherwise stated)

The future annual debt service relating to the 2021 Series AB Bonds outstanding as of June 30, 2024 is as follows:

Hetchy Power - Power Revenue Bonds 2021 Series A (Green)

Fiscal years ending June 30:		Principal	Interest	Total
2025	$	1,385	3,050	4,435
2026		1,455	2,979	4,434
2027		1,530	2,905	4,435
2028		1,605	2,826	4,431
2029		1,690	2,744	4,434
2030-2034		9,730	12,442	22,172
2035-2039		11,940	10,221	22,161
2040-2044		14,590	7,577	22,167
2045-2049		17,825	4,346	22,171
2050-2052		12,530	765	13,295
		74,280	49,855	124,135
Less: Current portion		(1,385)		
Add: Unamortized bond premium		14,095		
Long-term portion as of June 30, 2024	$	86,990		

Hetchy Power - Power Revenue Bonds 2021 Series B

Fiscal years ending June 30:		Principal	Interest	Total
2025	$	585	2,030	2,615
2026		620	2,000	2,620
2027		650	1,969	2,619
2028		685	1,935	2,620
2029		715	1,900	2,615
2030-2034		4,130	8,932	13,062
2035-2039		5,220	7,964	13,184
2040-2044		6,465	6,798	13,263
2045-2049		15,985	4,887	20,872
2050-2052		14,665	896	15,561
		49,720	39,311	89,031
Less: Current portion		(585)		
Add: Unamortized bond premium		9,422		
Long-term portion as of June 30, 2024	$	58,557		

(e) *Power Revenue Bonds 2023 Series A*

In October 2023, Hetchy Power issued tax-exempt power revenue bonds, 2023 Series A in the amount of $123,905 with coupon interest rates of 5.0%. Proceeds from the bonds were used to finance or refinance Power Enterprise projects through the retirement of commercial paper issued as interim financing for such projects in furtherance of the Power Capital Improvement Program, to fund capitalized interest, and to pay costs of issuance. The bonds were rated "AA" and "AA-" by S&P and Fitch, respectively. Final maturity for 2023 Series A is November 1, 2053. The true interest cost is 4.56%. As of June 30, 2024, the outstanding principal amount was $123,905.

(Dollars in thousands, unless otherwise stated)

The future annual debt service relating to the 2023 Series A Bonds outstanding as of June 30, 2024 is as follows:

Hetchy Power - Power Revenue Bonds 2023 Series A

Fiscal years ending June 30:		Principal	Interest	Total
2025	$	—	6,195	6,195
2026		—	6,195	6,195
2027		1,075	6,168	7,243
2028		1,445	6,105	7,550
2029		1,820	6,024	7,844
2030-2034		10,915	28,603	39,518
2035-2039		14,640	25,403	40,043
2040-2044		18,760	21,251	40,011
2045-2049		24,090	15,922	40,012
2050-2054		51,160	8,080	59,240
		123,905	129,946	253,851
Add: Unamortized bond premium		7,161		
Long-term portion as of June 30, 2024	$	131,066		

(f) ***Certificates of Participation Issued for the 525 Golden Gate Headquarters Building***

In October 2009, the City issued $167,670 in certificates of participation to fund construction of the headquarters of the SFPUC at 525 Golden Gate Avenue. The 2009 Series C certificates were issued for $38,120 and 2009 Series D for $129,550 as “Build America Bonds” (BABs) on a taxable basis under the 2009 American Recovery and Reinvestment Act. The 2009 Series C certificates carry interest rates ranging from 2.0% to 5.0% and matured on November 1, 2022. The 2009 Series D certificates carry interest rates ranging from 6.4% to 6.5% and mature on November 1, 2041. After adjusting Series D for the federal interest subsidy, the true interest cost averages 3.4% and 4.3% for Series C and Series D certificates, respectively.

Under the terms of a Memorandum of Understanding between the City and the SFPUC dated October 1, 2009, the City conveyed the real property to the Trustee, the Bank of New York Mellon Trust Company, N.A., which was replaced by U.S. Bank in March 2014 under a property lease in exchange for the proceeds of the sale of the certificates. The Trustee has leased the property back to the City for the City’s use under a project lease. The City is obligated under the project lease to pay base rental payments and other payments to the Trustee each year during the 32-year term of the project lease. The Commission makes annual base rental payments to the City for the building equal to annual debt service on the certificates. It is anticipated these lease costs will be offset with reductions in costs associated with current office rental expense. Hetchy Power’s share is reflected on the Hetchy Power fund statements. There are no events of default stated in this memorandum of understanding.

The Power, Water, and Wastewater Enterprises have ownership interest in the building equal to their projected usage of space as follows: Water (73%), Wastewater (15%), and Power (12%). Similarly, each Enterprise is responsible for a portion of the annual base rental payment based on their ownership percentages less contributed equity. The percentage share of base rental payments for the Enterprises is as follows: Water (71.4%), Wastewater (18.9%), and Power (9.7%). Certificates of participation 2009 Series C have been fully repaid as of June 30, 2023.

(Dollars in thousands, unless otherwise stated)

The future annual debt service relating to the certificates of participation 2009 Series D outstanding as of June 30, 2024 is as follows:

Hetchy Power - Certificates of Participation 2009 Series D (Taxable BABs)

Fiscal years ending June 30:		Principal	Interest before subsidy	Federal interest subsidy*	Interest net of subsidy
2025	$	463	769	(254)	515
2026		483	739	(244)	495
2027		503	709	(234)	475
2028		524	675	(223)	452
2029		546	641	(212)	429
2030-2034		3,099	2,637	(870)	1,767
2035-2039		3,822	1,519	(501)	1,018
2040-2042		2,708	269	(89)	180
		12,148	7,958	(2,627)	5,331
Less: Current portion		(463)			
Long-term portion as of June 30, 2024	$	11,685			

* The SFPUC received an IRS notice dated April 17, 2024 that the federal interest subsidy is reduced by 5.7% or a total reduction of $159 due to sequestration over the remaining life of the bonds assuming the sequestration rate will remain the same after fiscal year 2024.

(g) *Events of Default and Remedies*

In accordance with GASB Statement No. 88, *Certain Disclosures Related to Debt, Including Direct Borrowings and Direct Placements*, significant events of default as specified in the Power Enterprise Indenture (applicable to Power Revenue Bonds and energy bonds) and the Equipment Lease/Purchase Agreement include 1) non-payment, 2) material breach of warranty, representation, or indenture covenants (not cured within applicable grace periods) and 3) bankruptcy and insolvency events, which may result in the Trustee (upon written request by the majority of the owners (by aggregate amount of the bond obligations), declare the principal and the interest accrued thereon to be due and payable immediately. As of June 30, 2024 and 2023, there were no such events described herein. See Note 15(a) for information about CleanPowerSF guarantee.

(8) Revenue Pledge

Hetchy Power has pledged future power revenues to repay the 2011 QECBs and the 2015 NCREBs. Additionally, Hetchy Power has pledged future power revenues for 2015 Series AB, 2021 Series AB, and 2023 Series A power revenue bonds. Proceeds from the bonds provided financing for various capital construction and facility energy efficiency projects. 2015 Series AB, 2021 Series AB, and 2023 Series A power revenue bonds are payable through fiscal years 2046, 2052, and 2054, respectively, and are solely payable from net revenues of Hetchy Power on a senior lien basis to the 2011 QECBs and the 2015 NCREBs.

(Dollars in thousands, unless otherwise stated)

Outstanding bonds issued with revenue pledge, total principal and interest remaining, principal and interest paid during fiscal years 2024 and 2023, applicable net revenues, and funds available for debt service are as follows:

Hetchy Power		2024	2023
Bonds issued with revenue pledge	$	285,299	162,984
Principal and interest remaining due at the end of the year		526,808	281,546
Principal and interest paid during the year*		3,458	3,905
Net revenues for the year ended June 30		50,471	52,195
Funds available for debt service		166,641	162,399

*Per Indenture, debt service for coverage is calculated using the amount of principal and interest paid during the year for the 2015 Series AB, 2021 Series AB, and 2023 Series A power revenue bonds net of capitalized interest, if any, which have a senior lien on Power Enterprise revenues; principal and interest paid during the year for the 2015 Series AB, 2021 Series AB, and 2023 Series A power revenue bonds was $2,565, net of capitalized interest.

(9) Leases

Hetch Hetchy has entered into long-term leases for office space and other equipment. The terms and conditions for these leases vary, which ranges between 1 to 75 years.

A summary of intangible right-to-use leases during the years ended June 30, 2024 and 2023 are as follows:

		2023	Increases	Decreases	Remeasurements	2024
Hetch Hetchy						
Right-to-use assets: Building/facility	$	442	–	–	–	442
Total lease assets		442	–	–	–	442
Less accumulated amortization for:						
Building/facility		(119)	(37)	–	–	(156)
Total accumulated amortization		(119)	(37)	–	–	(156)
Total lease assets, net	$	323	(37)	–	–	286
Hetch Water						
Right-to-use assets: Building/facility	$	198	–	–	–	198
Total lease assets		198	–	–	–	198
Less accumulated amortization for:						
Building/facility		(53)	(16)		–	(69)
Total accumulated amortization		(53)	(16)	–	–	(69)
Total lease assets, net	$	145	(16)	–	–	129
Hetch Power						
Right-to-use assets: Building/facility	$	244	–	–	–	244
Total lease assets		244	–	–	–	244
Less accumulated amortization for:						
Building/facility		(66)	(21)	–	–	(87)
Total accumulated amortization		(66)	(21)	–	–	(87)
Total lease assets, net	$	178	(21)	–	–	157

(Dollars in thousands, unless otherwise stated)

		2022	Increases	Decreases	Remeasurements	2023
Hetch Hetchy						
Right-to-use assets: Building/facility	$	1,068	—	(862)	236	442
Total lease assets		1,068	—	(862)	236	442
Less accumulated amortization for:						
Building/facility		(704)	(277)	862	—	(119)
Total accumulated amortization		(704)	(277)	862	—	(119)
Total lease assets, net	$	364	(277)	—	236	323
Hetch Water						
Right-to-use assets: Building/facility	$	67	—	26	105	198
Total lease assets		67	—	26	105	198
Less accumulated amortization for:						
Building/facility		(6)	(21)	(26)	—	(53)
Total accumulated amortization		(6)	(21)	(26)	—	(53)
Total lease assets, net	$	61	(21)	—	105	145
Hetch Power						
Right-to-use assets: Building/facility	$	81	—	32	131	244
Total lease assets		81	—	32	131	244
Less accumulated amortization for:						
Building/facility		(8)	(26)	(32)	—	(66)
Total accumulated amortization		(8)	(26)	(32)	—	(66)
Total lease assets, net	$	73	(26)	—	131	178
CleanPowerSF						
Right-to-use assets: Building/facility	$	920	—	(920)	—	—
Total lease assets		920	—	(920)	—	—
Less accumulated amortization for:						
Building/facility		(690)	(230)	920	—	—
Total accumulated amortization		(690)	(230)	920	—	—
Total lease assets, net	$	230	(230)	—	—	—

A summary of changes in the related lease liabilities during the years ended June 30, 2024 and 2023 are as follows:

Fiscal years		Beginning of year	Additions	Remeasurements	Deductions	End of year	Due within one year
Hetch Hetchy							
2024	$	307	—	—	(35)	272	35
2023		369	—	236	(298)	307	35
Hetchy Water							
2024	$	138	—	—	(16)	122	16
2023		62	—	105	(29)	138	16
Hetchy Power							
2024	$	169	—	—	(19)	150	19
2023		75	—	131	(37)	169	19
CleanPowerSF							
2024	$	—	—	—	—	—	—
2023		232	—	—	(232)	—	—

(Dollars in thousands, unless otherwise stated)

Future annual lease payments as of the years ended June 30, 2024 and 2023 are as follows:

Hetchy Water

Fiscal years ending June 30:	Principal	Interest	Total
2025	$ 16	2	18
2026	16	2	18
2027	16	2	18
2028	17	1	18
2029	17	1	18
2030-2034	17	4	21
2035-2039	19	1	20
2040-2042	4	—	4
	122	13	135
Less: Current portion	(16)		
Long-term portion as of June 30, 2024	$ 106		

Hetchy Power

Fiscal years ending June 30:	Principal	Interest	Total
2025	$ 19	3	22
2026	20	2	22
2027	20	2	22
2028	20	2	22
2029	21	1	22
2030-2034	21	4	25
2035-2039	24	2	26
2040-2042	5	—	5
	150	16	166
Less: Current portion	(19)		
Long-term portion as of June 30, 2024	$ 131		

Hetchy Water

Fiscal years ending June 30:	Principal	Interest	Total
2024	$ 16	2	18
2025	16	2	18
2026	16	2	18
2027	16	2	18
2028	17	1	18
2029-2033	30	4	34
2034-2038	19	2	21
2039-2042	8	—	8
	138	15	153
Less: Current portion	(16)		
Long-term portion as of June 30, 2023	$ 122		

Hetchy Power

Fiscal years ending June 30:	Principal	Interest	Total
2024	$ 19	3	22
2025	19	3	22
2026	20	2	22
2027	20	2	22
2028	20	2	22
2029-2033	38	5	43
2034-2038	23	2	25
2039-2042	10	—	10
	169	19	188
Less: Current portion	(19)		
Long-term portion as of June 30, 2023	$ 150		

(Dollars in thousands, unless otherwise stated)

Variable Lease Payments – Variable lease payments, other than those payments that depend on an index or rate or are fixed in substance, are excluded from the measurement of the lease liability. Such amounts are recognized as lease expenses in the period in which the obligation for those payments is incurred.

Certain equipment or facility rental leases require Hetch Hetchy to make variable lease payments that based on usage, related to the property taxes levied on the lessor, and insurance payments made by the lessor; these amounts are generally determined annually. During the year ended June 30, 2024, there was no amount recognized as expense for variable lease payments not included in the measurement of the lease liability. During the year ended June 30, 2023, the amounts recognized as expense for variable lease payments not included in the measurement of the lease liability were $160 for CleanPowerSF and $0 for Hetchy Water and Hetchy Power.

(10) Subscription-Based Information Technology Arrangements (SBITAs)

Hetch Hetchy has noncancellable subscription arrangements (similar to a lease) for the right to use various SBITAs. The terms and conditions for these subscriptions vary, which ranges between 1 to 5 years.

A summary of intangible right-to-use subscription IT assets during the years ended June 30, 2024 and 2023 are as follows:

		2023	Increases	Decreases	Remeasurements	2024
Hetch Hetchy						
Subscription assets	$	998	–	(651)	–	347
Less accumulated amortization		(717)	(156)	651	–	(222)
Total subscription assets, net	$	281	(156)	–	–	125
Hetch Water						
Subscription assets	$	490	–	(320)	–	170
Less accumulated amortization		(353)	(76)	320	–	(109)
Total subscription assets, net	$	137	(76)	–	–	61
Hetch Power						
Subscription assets	$	397	–	(257)	–	140
Less accumulated amortization		(283)	(63)	257	–	(89)
Total subscription assets, net	$	114	(63)	–	–	51
CleanPowerSF						
Subscription assets	$	111	–	(74)	–	37
Less accumulated amortization		(81)	(17)	74	–	(24)
Total subscription assets, net	$	30	(17)	–	–	13

(Dollars in thousands, unless otherwise stated)

		2022	Increases	Decreases	Remeasurements	2023
Hetch Hetchy						
Subscription assets	$	998	–	–	–	998
Less accumulated amortization		(357)	(360)	–	–	(717)
Total subscription assets, net	$	641	(360)	–	–	281
Hetch Water						
Subscription assets	$	490	–	–	–	490
Less accumulated amortization		(176)	(177)	–	–	(353)
Total subscription assets, net	$	314	(177)	–	–	137
Hetch Power						
Subscription assets	$	397	–	–	–	397
Less accumulated amortization		(141)	(142)	–	–	(283)
Total subscription assets, net	$	256	(142)	–	–	114
CleanPowerSF						
Subscription assets	$	111	–	–	–	111
Less accumulated amortization		(40)	(41)	–	–	(81)
Total subscription assets, net	$	71	(41)	–	–	30

A summary of changes in the related subscription liabilities during the years ended June 30, 2024 and 2023 are as follows:

Fiscal years		Beginning of year	Additions	Remeasurements	Deductions	End of year	Due within one year
Hetch Hetchy							
2024	$	286	–	–	(163)	123	61
2023		632	–	–	(346)	286	163
Hetchy Water							
2024	$	139	–	–	(80)	59	30
2023		309	–	–	(170)	139	80
Hetchy Power							
2024	$	116	–	–	(65)	51	25
2023		253	–	–	(137)	116	65
CleanPowerSF							
2024	$	31	–	–	(18)	13	6
2023		70	–	–	(39)	31	18

Future annual subscription payments as of the years ended June 30, 2024 and 2023 are as follows:

Hetchy Water Fiscal years ending June 30:		Principal	Interest	Total
2025	$	30	2	32
2026		29	1	30
		59	3	62
Less: Current portion		(30)		
Long-term portion as of June 30, 2024	$	29		

(Dollars in thousands, unless otherwise stated)

Hetchy Power

Fiscal years ending June 30:		Principal	Interest	Total
2025	$	25	1	26
2026		26	–	26
		51	1	52
Less: Current portion		(25)		
Long-term portion as of June 30, 2024	$	26		

Clean Power

Fiscal years ending June 30:		Principal	Interest	Total
2025	$	6	–	6
2026		7	–	7
		13	–	13
Less: Current portion		(6)		
Long-term portion as of June 30, 2024	$	7		

Hetchy Water

Fiscal years ending June 30:		Principal	Interest	Total
2024	$	80	2	82
2025		30	2	32
2026		29	1	30
		139	5	144
Less: Current portion		(80)		
Long-term portion as of June 30, 2023	$	59		

Hetchy Power

Fiscal years ending June 30:		Principal	Interest	Total
2024	$	65	1	66
2025		25	1	26
2026		26	–	26
		116	2	118
Less: Current portion		(65)		
Long-term portion as of June 30, 2023	$	51		

Clean Power

Fiscal years ending June 30:		Principal	Interest	Total
2024	$	18	–	18
2025		6	–	6
2026		7	–	7
		31	–	31
Less: Current portion		(18)		
Long-term portion as of June 30, 2023	$	13		

As of June 30, 2024 and 2023, no variable subscription payments were noted for Hetch Hetchy's subscription IT arrangements.

(11) Other Non-Operating Revenues – Transbay Cable Construction and Licensing Fees

In 2007, the Board of Supervisors adopted the resolution to enter into two non-exclusive licenses with the Transbay Cable LLC (the Licensee) for the Transbay Cable Project. The Licensee proposed to install, operate, and maintain approximately 53 miles of high-voltage direct current transmission cable running from the City of Pittsburg to the City. The first license was a Construction License to install a 400 MW high-voltage transmission line, with a four-year term. The Licensee paid Hetchy Power $3,500 in Renewable Energy, Transmission and Grid Reliability. The Construction licensing fees were fully spent as of 2020.

(Dollars in thousands, unless otherwise stated)

The second license is an operational license for operation of the transmission line with 25-year term and an option to renew for 10 years. The project came on line November 29, 2010 and cumulative revenues of $22,708 were recorded. Per agreement, the SFPUC shall consider specifically renewable energy, conservation, and environmental health programs, which benefit low-income, at-risk, and environmentally disadvantaged communities. The San Francisco Electricity Reliability Payment shall also be partly used for green jobs training and placement programs, which benefit low-income, at-risk, and environmentally disadvantaged communities. As of June 30, 2024, cumulative expenses of $14,577 have been incurred, with $2,090 and $1,351 in fiscal years 2024 and 2023, respectively.

(12) Employee Benefits

(a) *Pension Plan*

Retirement Plan – Hetch Hetchy participates in a cost-sharing multiple-employer defined benefit pension Plan (SFERS Plan). The SFERS Plan is administered by the San Francisco City and County Employees' Retirement System (SFERS). For purposes of measuring the net pension liability, deferred outflows/inflows of resources related to pensions, pension expense, information about the fiduciary net position of the SFERS Plan, and additions to/deductions from the SFERS Plan's fiduciary net position have been determined on the same basis as they are reported by the SFERS Plan. Contributions are recognized in the period in which they are due pursuant to legal requirements. Benefit payments (including refunds of employee contributions) are recognized when currently due and payable in accordance with the benefit terms. Investments are reported at fair value.

GASB Statement No. 68 requires that the SFERS Plan reported results must pertain to liability and asset information within certain defined timeframes. For this report, the following timeframes are used:

	Fiscal Year 2024	Fiscal Year 2023
Valuation Date (VD)	July 1, 2022 updated to June 30, 2023	July 1, 2021 updated to June 30, 2022
Measurement Date (MD)	June 30, 2023	June 30, 2022
Measurement Period (MP)	July 1, 2022 to June 30, 2023	July 1, 2021 to June 30, 2022

SFERS Plan – The City is an employer of the plan with a proportionate share of 94.85% as of June 30, 2023 (measurement date), 0.02% decreased from prior year, and 94.87% as of June 30, 2022 (measurement date). Hetch Hetchy's allocation percentage was determined based on its employer contributions divided by the City's total employer contributions for fiscal years 2023 and 2022. Hetch Hetchy's net pension liability, deferred outflows/inflows of resources related to pensions, amortization of deferred outflows/inflows, and pension expense is based on its allocated percentage. Hetch Hetchy's allocation of the City's proportionate share was 1.33%, of which 0.55% for Hetchy Water, 0.68% for Hetchy Power, and 0.10% for CleanPowerSF as of June 30, 2023 (measurement date). Hetch Hetchy's allocation of the City's proportionate share was 1.31%, of which 0.55% for Hetchy Water, 0.68% for Hetchy Power, and 0.08% for CleanPowerSF as of June 30, 2022 (measurement date).

SFERS Plan Description – The Plan provides basic service retirement, disability, and death benefits based on specified percentages of defined final average monthly salary and provides annual cost-of-living adjustments (COLA) after retirement. The Plan also provides pension continuation benefits to qualified survivors. The City Charter and the Administrative Code are the authorities which establish and amend the benefit provisions and employer obligations of the Plan. The Retirement System issues a publicly available financial report that includes financial statements and required supplementary information for the Plan. That report may be obtained on the Retirement System's website https://mysfers.org or by writing to the San Francisco Employees' Retirement System, 1145 Market Street, 5th Floor, San Francisco, CA 94103 or by calling (415) 487-7000.

SFERS Benefits – The Retirement System provides service retirement, disability and death benefits based on specified percentages of defined final average monthly salary and annual COLA after retirement. Benefits and refunds are recognized when due and payable in accordance with the terms of the Plan. The Retirement System pays benefits according to the category of employment and the type of benefit coverage provided by the City. The four main categories of Plan members are:

a) Miscellaneous Non-Safety Members – staff, operational, supervisory, and all other eligible employees who are not in special membership categories.
b) Sheriff's Department and Miscellaneous Safety members – sheriffs assuming office on and after January 7, 2012, and undersheriffs, deputized personnel of the Sheriff's department, and miscellaneous safety employees hired on and after January 7, 2012.
c) Firefighter Members – firefighters and other employees whose principal duties are in fire prevention and suppression work or who occupy positions designated by law as firefighter member positions.
d) Police Members – police officers and other employees whose principal duties are in active law enforcement or who occupy positions designated by law as police member positions.

The membership groups and the related service retirement benefits are included in the Notes to the Financial Statements of San Francisco Employees' Retirement System.

All members are eligible to apply for a disability retirement benefit, regardless of age, when they have 10 or more years of credited service and they sustain an injury or illness that prevents them from performing their duties. Safety members are eligible to apply for an industrial disability retirement benefit from their first day on the job if their disability is caused by an illness or injury that they receive while performing their duties.

All retired members receive a benefit adjustment each July 1, which is the Basic COLA. The majority of adjustments are determined by changes in Consumer Price Index with increases capped at 2%. The Plan provides for a Supplemental COLA in years when there are sufficient "excess" investment earnings in the Plan. The maximum benefit adjustment each July 1 is 3.5% including the Basic COLA. Proposition A passed on November 8, 2022 making members who retired before November 6, 1996 (Pre96 Retirees) eligible for a Supplemental COLA, even if SFERS is not fully funded based on the market value of assets. Also, Pre96 Retirees' base retirement allowances were adjusted to account for Supplemental COLAs not received in 2013, 2014, 2017, 2018, and 2019 due to the full funding requirement. Effective with Proposition A, Pre96 Retirees receive the same Supplemental COLAs as the members who retired on or after November 6, 1996, and were hired before January 7, 2012. For all members hired before January 7, 2012, all Supplemental COLAs paid to them in retirement benefits will continue into the future even where an additional Supplemental COLA is not payable in any given year. For members hired on and after January 7, 2012, a Supplemental COLA will only be paid to retirees when the Plan is fully funded on a market value of asset basis and in addition for these members, Supplemental COLAs will not be permanent adjustments to retirement benefits. That is, in years when a Supplemental COLA is not paid, all previously paid Supplemental COLAs will expire.

Funding and Contribution Policy

SFERS Plan – Contributions are made by both the City and the participating employees. Employee contributions are mandatory as required by the Charter. Employee contribution rates varied from 7.5% to 11.5% and 7.5% to 12.0% as a percentage of gross covered salary in fiscal years 2024 and 2023. Most employee groups agreed through collective bargaining for employees to contribute the full amount of the employee contributions on a pretax basis. The City is required to contribute at an actuarially determined rate. Based on the July 1, 2022 actuarial report, the required employer contribution rates for fiscal year 2024 ranged from 15.24% to 18.24%. Based on the July 1, 2021 actuarial report, the required employer contribution rates for fiscal year 2023 ranged from 17.85% to 21.35%.

Employer contributions and employee contributions made by the employer to the Plan are recognized when due and the employer has made a formal commitment to provide the contributions. The City's proportionate share of employer contributions recognized by the Retirement System in fiscal years ended June 30, 2023 and 2022 (measurement years) was $638,003 and $729,578, respectively. Hetch Hetchy's allocation of employer contributions was $8,364, of which $3,525 for Hetchy Water, $4,308 for Hetchy Power, and $531 for CleanPowerSF for fiscal year 2023 (measurement period). Hetch Hetchy's allocation of employer contributions was $9,766, of which $4,149 for Hetchy Water, $5,071 for Hetchy Power, and $546 for CleanPowerSF for fiscal year 2022 (measurement period).

Pension Liabilities, Pension Expenses, and Deferred Outflows and Inflows of Resources Related to Pensions

Fiscal Year 2024

As of June 30, 2024, the City reported net pension liability (NPL) for its proportionate share of the net pension liability of the SFERS Plan of $3,456,687. The City's NPL for each of its cost-sharing plans is measured as a proportionate share of the plans' NPL. The net pension liability of the SFERS Plan is measured as of June 30, 2023 (measurement date), and the total pension liability for the SFERS Plan used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2022 rolled forward to June 30, 2023 using standard update procedures. The City's proportion of the net pension liability for the SFERS Plan was based on a projection of the City's long-term share of contributions to the pension plan relative to the projected contributions of all participating employers, actuarially determined. Hetch Hetchy's allocation of the City's proportionate share of the net pension liability for the SFERS Plan as of June 30, 2024 was $45,985, of which $19,090 was for Hetchy Water, $23,332 for Hetchy Power, and $3,563 for CleanPowerSF.

For the year ended June 30, 2024, the City's recognized pension expense was $659,719 including amortization of deferred outflows/inflows related pension items. Hetch Hetchy's allocation of pension expense including amortization of deferred outflows/inflows related pension items was $8,008, of which $3,230 for Hetchy Water, $3,948 for Hetchy Power, and $830 for CleanPowerSF. Pension expense increased from the prior year, largely due to the amortization of deferrals.

(Dollars in thousands, unless otherwise stated)

At June 30, 2024, Hetch Hetchy's reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Schedules of Deferred Outflows and Inflows of Resources							
	Deferred Outflows of Resources				Deferred Inflows of Resources			
Fiscal Year 2024	Hetchy Water	Hetchy Power	CleanPowerSF	Total	Hetchy Water	Hetchy Power	CleanPowerSF	Total
Pension contributions subsequent to the measurement date	$ 3,518	4,299	657	8,474	–	–	–	–
Differences between expected and actual experience	2,051	2,507	383	4,941	–	–	–	–
Changes in assumptions	2,470	3,021	461	5,952	1,127	1,378	210	2,715
Net difference between projected and actual earnings on pension plan investments	3,613	4,415	674	8,702	–	–	–	–
Change in employer's proportion	277	338	12	627	814	994	715	2,523
Total	$ 11,929	14,580	2,187	28,696	1,941	2,372	925	5,238

Amounts reported as deferred outflows, exclusive of contributions made after the measurement date, and deferred inflows of resources will be amortized annually and recognized in pension expense/(benefit) as follows:

Fiscal years	Hetchy Water	Hetchy Power	CleanPowerSF	Total
2025	$ (336)	(410)	(330)	(1,076)
2026	(1,374)	(1,680)	(422)	(3,476)
2027	7,151	8,740	1,225	17,116
2028	1,029	1,259	132	2,420
	$ 6,470	7,909	605	14,984

Fiscal Year 2023

As of June 30, 2023, the City reported net pension liability (NPL) for its proportionate share of the net pension liability of the SFERS Plan of $2,552,996. The City's NPL for each of its cost-sharing plans is measured as a proportionate share of the plans' NPL. The net pension liability of the SFERS Plan is measured as of June 30, 2022 (measurement date), and the total pension liability for the SFERS Plan used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2021 rolled forward to June 30, 2022 using standard update procedures. The City's proportion of the net pension liability for the SFERS Plan was based on a projection of the City's long-term share of contributions to the pension plan relative to the projected contributions of all participating employers, actuarially determined. Hetch Hetchy's allocation of the City's proportionate share of the net pension liability for the SFERS Plan as of June 30, 2023 was $33,468, of which $14,105 for Hetchy Water, $17,239 for Hetchy Power, and $2,124 for CleanPowerSF.

For the year ended June 30, 2023, the City's recognized pension benefit was $13,196 including amortization of deferred outflows/inflows related pension items. Hetch Hetchy's allocation of pension benefit including amortization of deferred outflows/inflows related pension items was $2,192, of which $955 for Hetchy Water, $1,168 for Hetchy Power, and $69 for CleanPowerSF. Pension benefit increased from the prior year, largely due to the amortization of deferrals.

(Dollars in thousands, unless otherwise stated)

At June 30, 2023, Hetch Hetchy's reported deferred outflows of resources and deferred inflows of resources related to pensions from the following source:

	Schedules of Deferred Outflows and Inflows of Resources								
		Deferred Outflows of Resources				Deferred Inflows of Resources			
Fiscal Year 2023		Hetchy Water	Hetchy Power	CleanPowerSF	Total	Hetchy Water	Hetchy Power	CleanPowerSF	Total
Pension contributions subsequent to the measurement date	$	3,525	4,308	531	8,364	–	–	–	–
Differences between expected and actual experience		1,288	1,574	194	3,056	–	–	–	–
Changes in assumptions		3,665	4,479	552	8,696	1,100	1,344	166	2,610
Net difference between projected and actual earnings on pension plan investments		–	–	–	–	1,753	2,143	264	4,160
Change in employer's proportion		380	465	15	860	1,289	1,575	866	3,730
Total	$	8,858	10,826	1,292	20,976	4,142	5,062	1,296	10,500

Amounts reported as deferred outflows, exclusive of contributions made after the measurement date, and deferred inflows of resources will be amortized annually and recognized in pension expense/(benefit) as follows:

Fiscal years		Hetchy Water	Hetchy Power	CleanPowerSF	Total
2024	$	(1,163)	(1,422)	(509)	(3,094)
2025		(1,366)	(1,669)	(426)	(3,461)
2026		(2,405)	(2,939)	(477)	(5,821)
2027		6,125	7,486	877	14,488
	$	1,191	1,456	(535)	2,112

(Dollars in thousands, unless otherwise stated)

Actuarial Assumptions

Fiscal Year 2024

A summary of the actuarial assumptions and methods used to calculate the Total Pension Liability for SFERS Plan as of June 30, 2023 (measurement year) is provided below, including any assumptions that differ from those used in the July 1, 2022 actuarial valuation. Refer to the July 1, 2022 actuarial valuation report for a complete description of all other assumptions, which can be found on the Retirement System's website https://mysfers.org.

Key Actuarial Assumptions	SFERS Plan
Valuation Date	July 1, 2022 updated to June 30, 2023
Measurement Date	June 30, 2023
Actuarial Cost Method	Entry-Age Normal Cost
Expected Rate of Return	7.20% net of investment expenses
Municipal Bond Yield	3.65% as of June 30, 2023
	3.54% as of June 30, 2022
	Bond Buyer 20-Bond GO Index, June 30, 2022 and June 29, 2023
Inflation	2.50%
Projected Salary Increases	3.25% plus merit component based employee classification and years of service
Discount Rate	7.20% as of June 30, 2023
	7.20% as of June 30, 2022
Administrative Expenses	0.60% of payroll as of June 30, 2023
	0.60% of payroll as of June 30, 2022

Basic COLA	Old Miscellaneous and All New Plans	Old Police & Fire, pre 7/1/75	Old Police & Fire, Charters A8.595 and A8.596	Old Police & Fire, Charters A8.559 and A8.585
June 30, 2023	2.00%	1.90%	2.50%	3.60%
June 30, 2022	2.00%	1.90%	2.50%	3.60%

Changes of Assumptions SFERS plan – There were no changes in the discount rate for the measurement period ended June 30, 2023. The municipal bond yield increased from 3.54% to 3.65%.

Mortality rates for health Miscellaneous members were based upon adjusted PubG-2010 Employee and Retiree tables for non-annuitants and retirees, respectively. Mortality rates were then projected generationally from the base year using the MP-2019 projection scale.

The actuarial assumptions used at the June 30, 2023 measurement date were based upon the result of a demographic experience study for the period July 1, 2014 through June 30, 2019 and an economic experience study as of July 1, 2022.

(Dollars in thousands, unless otherwise stated)

Fiscal Year 2023

A summary of the actuarial assumptions and methods used to calculate the Total Pension Liability for SFERS Plan as of June 30, 2022 (measurement year) is provided below, including any assumptions that differ from those used in the July 1, 2021 actuarial valuation. Refer to the July 1, 2021 actuarial valuation report for a complete description of all other assumptions, which can be found on the Retirement System's website https://mysfers.org.

Key Actuarial Assumptions		SFERS Plan			
Valuation Date		July 1, 2021 updated to June 30, 2022			
Measurement Date		June 30, 2022			
Actuarial Cost Method		Entry-Age Normal Cost			
Expected Rate of Return		7.20% net of investment expenses			
Municipal Bond Yield		2.16% as of June 30, 2021			
		3.54% as of June 30, 2022			
		Bond Buyer 20-Bond GO Index, June 24, 2021 and June 30, 2022			
Inflation		2.50%			
Projected Salary Increases		3.25% plus merit component based employee classification and years of service			
Discount Rate		7.40% as of June 30, 2021			
		7.20% as of June 30, 2022			
Administrative Expenses		0.60% of payroll as of June 30, 2021			
		0.60% of payroll as of June 30, 2022			
Basic COLA		Old Miscellaneous and All New Plans	Old Police & Fire, pre 7/1/75	Old Police & Fire, Charters A8.595 and A8.596	Old Police & Fire, Charters A8.559 and A8.585
	June 30, 2022	2.00%	1.90%	2.50%	3.60%
	June 30, 2021	2.00%	1.90%	2.50%	3.60%

Mortality rates for health Miscellaneous members were based upon adjusted PubG-2010 Employee and Retiree tables for non-annuitants and retirees, respectively. Mortality rates were then projected generationally from the base year using the MP-2019 projection scale.

The actuarial assumptions used at the June 30, 2022 measurement date were based upon the result of a demographic experience study for the period July 1, 2014 through June 30, 2019 and an economic experience study as of July 1, 2021.

Discount Rate

Fiscal Year 2024

SFERS Plan – The beginning and end of year measurements are based on different assumptions and contribution methods that may result in different discount rates. The discount rate was 7.20% as of June 30, 2023 and June 30, 2022 (measurement date).

The discount rate used to measure the Total Pension Liability as of June 30, 2023 was 7.20%. The projection of cash flows used to determine the discount rate assumed that plan member contributions will continue to be made at the rates specified in the Charter. Employer contributions were assumed to be made in accordance with the contribution policy in effect for July 1, 2022 actuarial valuation. That policy includes contributions equal to the employer portion of the entry age normal costs for members as of the valuation date, a payment for the expected administrative expenses, and an amortization payment on the unfunded actuarial liability.

(Dollars in thousands, unless otherwise stated)

The amortization payment is based on closed periods that vary in length depending on the source. Charter amendments prior to July 1, 2014 are amortized over 20 years. After July 1, 2014, any Charter changes to active member benefits are amortized over 15 years and changes to inactive member benefits, including Supplemental COLAs, are amortized over 5 years. However, the change due to Proposition A was amortized over 10 years. In the July 1, 2016 valuation, the increase in the unfunded actuarial liability attributable to the Supplemental COLAs granted effective July 1, 2013 was amortized over 17 years. For the July 1, 2021 valuation, all amortization periods for actuarial gains and losses and prior assumption changes were reduced to 5 years. The assumption change effective July 1, 2021 is amortized over 20 years. Future experience gains and losses and assumption or method changes on or after July 1, 2021 are amortized over 20 years. If the plan becomes 100% funded based on the actuarial value of assets, any new net surpluses are amortized over a rolling 20-year period. All amortization schedules are established as a level percentage of payroll so payments increase 3.25% each year. The unfunded actuarial liability is based on an actuarial value of assets that smooths investment gains and losses over five years and a measurement of the actuarial liability that excludes the value of any future Supplemental COLAs.

While the contributions and measure of actuarial liability in the funding valuation do not anticipate any future Supplemental COLAs, the projected contributions for the determination of the discount rate include the anticipated future amortization payments on future Supplemental COLAs for current members when they are expected to be granted. For members who were hired before Proposition C passed, a Supplemental COLA is granted if the actual investment earnings during the year exceed the expected investment earnings on the actuarial value of assets. For members who were hired after Proposition C passed, the market value of assets must also exceed the actuarial liability for a Supplemental COLA to be granted. When a Supplemental COLA is granted, the amount depends on the amount of excess earnings and the basic COLA amount for each membership group. Most members receive a 1.50% Supplemental COLA when a full Supplemental COLA is granted.

No Supplemental COLA was payable as of July 1, 2023 due to the unfavorable investment return for fiscal year 2023. The table below shows the net assumed Supplemental COLA for members with a 2.00% Basic COLA for sample years.

Assumed Supplemental COLA for Members with a 2.00% Basic COLA

Fiscal years	96 - Prop C	Before 11/6/96 or After Prop C
2025+	0.75 %	0.50 %

The projection of benefit payments to current members for determining the discount rate includes the payment of anticipated future Supplemental COLAs.

Based on these assumptions, the Retirement System's fiduciary net position was projected to be available to make projected future benefit payments for current members through 2104. Projected benefit payments are discounted at the long-term expected return on assets of 7.20% to the extent the fiduciary net position is available to make the payments and at the municipal bond rate of 3.65% to the extent they are not available. The single equivalent rate used to determine the Total Pension Liability as of June 30, 2023 is 7.20%.

The long-term expected rate of return on pension plan investments was 7.20%. It was set by the Retirement Board after consideration of both expected future returns and historical returns experienced by the Retirement System. Expected future returns were determined by using a building-block method in which best-estimate ranges of expected future real rates of return were developed for each major asset class. These ranges were combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

(Dollars in thousands, unless otherwise stated)

Target allocation and best estimates of geometric long-term expected real rates of return (net of pension plan investment expense and inflation) for each major asset class are summarized in the following table.

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Global Equity	37.0 %	4.6 %
Private Equity	23.0	7.8
Private Credit	10.0	5.8
Real Assets	10.0	5.3
Absolute Return	10.0	4.4
Treasuries	8.0	1.7
Liquid Credit	5.0	3.5
Leverage	(3.0)	1.4
Total	100.0	

Fiscal Year 2023

SFERS Plan – The beginning and end of year measurements are based on different assumptions and contribution methods that may result in different discount rates. The discount rate was 7.20% as of June 30, 2022 (measurement date) and 7.40% as of June 30, 2021 (measurement date).

The discount rate used to measure the Total Pension Liability as of June 30, 2022 was 7.20%. The projection of cash flows used to determine the discount rate assumed that plan member contributions will continue to be made at the rates specified in the Charter. Employer contributions were assumed to be made in accordance with the contribution policy in effect for July 1, 2021 actuarial valuation. That policy includes contributions equal to the employer portion of the entry age normal costs for members as of the valuation date, a payment for the expected administrative expenses, and an amortization payment on the unfunded actuarial liability.

The amortization payment is based on closed periods that vary in length depending on the source. Charter amendments prior to July 1, 2014 are amortized over 20 years. After July 1, 2014, any Charter changes to active member benefits are amortized over 15 years and changes to inactive member benefits, including Supplemental COLAs, are amortized over 5 years. The remaining unfunded actuarial liability not attributable to Charter amendments as of July 1, 2013 is amortized over a 19-year period commencing July 1, 2014. Experience gains and losses and assumption or method changes on or after July 1, 2014 are amortized over 20 years. The full amortization payment for the 2015 assumption changes is phased in over a period of 5 years. For the July 1, 2016 valuation, the increase in the unfunded actuarial liability attributable to the Supplemental COLAs granted on July 1, 2013 and July 1, 2014 are amortized over 17-years and 5-years respectively. All amortization schedules are established as a level percentage of payroll so payments increase 3.25% each year. The unfunded actuarial liability is based on an actuarial value of assets that smooths investment gains and losses over five years and a measurement of the actuarial liability that excludes the value of any future Supplemental COLAs.

While the contributions and measure of actuarial liability in the funding valuation do not anticipate any future Supplemental COLAs, the projected contributions for the determination of the discount rate include the anticipated future amortization payments on future Supplemental

(Dollars in thousands, unless otherwise stated)

COLAs for current members when they are expected to be granted. For members who worked after November 6, 1996 and before Proposition C passed (Post 1997 Retirees), a Supplemental COLA is granted if the actual investment earnings during the year exceed the expected investment earnings on the actuarial value of assets. For members who did not work after November 6, 1996 and before Proposition C passed, the market value of assets must also exceed the actuarial liability at the beginning of the year for a Supplemental COLA to be granted. When a Supplemental COLA is granted, the amount depends on the amount of excess earnings and the basic COLA amount for each membership group. The large majority of members receive a 1.50% Supplemental COLA when granted.

Because the probability of a Supplemental COLA depends on the current funded level of the Retirement System for certain members, an assumption was developed as of June 30, 2022 for the probability and amount of Supplemental COLA for each future year. A full Supplemental COLA will be paid to all retired members, and their beneficiaries, who were retired effective July 1, 2022. The table below shows the net assumed Supplemental COLA for members with a 2.00% Basic COLA for sample years.

Assumed Supplemental COLA for Members with a 2.00% Basic COLA

Fiscal years	96 - Prop C	Before 11/6/96 or After Prop C
2024	0.75 %	0.70 %
2025	0.75	0.60
2026	0.75	0.60
2027+	0.75	0.50

The projection of benefit payments to current members for determining the discount rate includes the payment of anticipated future Supplemental COLAs.

Based on these assumptions, the Retirement System's fiduciary net position was projected to be available to make projected future benefit payments for current members for all future years. Projected benefit payments are discounted at the long-term expected return on assets of 7.20% to the extent the fiduciary net position is available to make the payments and at the municipal bond rate of 3.54% to the extent they are not available. The single equivalent rate used to determine the Total Pension Liability as of June 30, 2022 is 7.20%.

The long-term expected rate of return on pension plan investments was 7.20%. It was set by the Retirement Board after consideration of both expected future returns and historical returns experienced by the Retirement System. Expected future returns were determined by using a building-block method in which best-estimate ranges of expected future real rates of return were developed for each major asset class. These ranges were combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

(Dollars in thousands, unless otherwise stated)

Target allocation and best estimates of geometric long-term expected real rates of return (net of pension plan investment expense and inflation) for each major asset class are summarized in the following table.

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Global Equity	37.0 %	4.8 %
Private Equity	23.0	7.9
Private Credit	10.0	5.8
Real Assets	10.0	4.7
Hedge Funds/Absolute Return	10.0	3.4
Treasuries	8.0	0.6
Liquid Credit	5.0	3.5
Leverage	(3.0)	0.6
Total	100.0	

Sensitivity of Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

The following presents Hetch Hetchy's allocation of the employer's proportionate share of the net pension liability/(asset) for the SFERS Plan, calculated using the discount rate, as well as what Hetch Hetchy's allocation of the employer's proportionate share of the total pension liability/(asset) would be if it were calculated using a discount rate that is 1% lower or 1% higher than the current rate.

Fiscal Year 2024		Hetchy Water	Hetchy Power	CleanPowerSF	Total
1% Decrease Share of NPL @ 6.20%	$	44,775	54,725	8,357	107,857
Share of NPL @ 7.20%		19,090	23,332	3,563	45,985
1% Increase Share of NPA @ 8.20%		(2,088)	(2,552)	(390)	(5,030)

Fiscal Year 2023		Hetchy Water	Hetchy Power	CleanPowerSF	Total
1% Decrease Share of NPL @ 6.20%	$	38,624	47,207	5,817	91,648
Share of NPL @ 7.20%		14,105	17,239	2,124	33,468
1% Increase Share of NPA @ 8.20%		(6,108)	(7,466)	(920)	(14,494)

(b) *Other Postemployment Benefits*

Hetch Hetchy participates in a single-employer defined benefit other postemployment benefits plan (the Plan). The Plan is maintained by the City and is administered through the City's Health Service System. It provides postemployment medical, dental and vision insurance benefits to eligible employees, retired employees, surviving spouses, and domestic partners. Health benefit provisions are established and may be amended through negotiations between the City and the respective bargaining units. The City does not issue a separate report on its other postemployment benefits (OPEB) plan.

(Dollars in thousands, unless otherwise stated)

GASB Statement No. 75 requires that reported results must pertain to liability and asset information within certain defined timeframes. For this report, the following timeframes are used.

San Francisco Health Service System Retiree Plan - Single-Employer		
	Fiscal Year 2024	Fiscal Year 2023
Valuation Date (VD)	June 30, 2022 updated to June 30, 2023	June 30, 2022
Measurement Date (MD)	June 30, 2023	June 30, 2022
Measurement Period (MP)	July 1, 2022 to June 30, 2023	July 1, 2021 to June 30, 2022

Hetch Hetchy's proportionate share percentage of the Plan was determined based on its percentage of citywide "pay-as-you-go" contributions for the years ended June 30, 2023 and June 30, 2022. Hetch Hetchy's net OPEB liability, deferred outflows/inflows of resources related to OPEB, amortization of deferred outflows/inflows and OPEB expense to each department is based on its allocated percentage. Hetch Hetchy's proportionate share of the City's OPEB elements was 1.03%, of which 0.41% for Hetchy Water, 0.51% for Hetchy Power, and 0.11% for CleanPowerSF as of June 30, 2023 (measurement date). Hetch Hetchy's proportionate share of the City's OPEB elements was 0.98%, of which 0.40% for Hetchy Water, 0.47% for Hetchy Power, and 0.11% for CleanPowerSF as of June 30, 2022 (measurement date).

Benefits

Permanent full-time and elected employees are eligible to retire and receive postemployment health insurance benefits when they are eligible for retirement benefits from the City and County of San Francisco's Retirement System. The eligibility requirements are as follows:

Normal Retirement	Miscellaneous	Age 50 with 20 years of credited service[1]
		Age 60 with 10 years of credited service
	Safety	Age 50 with 5 years of credited service
Disabled Retirement[2]		Any age with 10 years of credited service
Terminated Vested		5 years of credited service at separation

[1] Age 53 with 20 years of credited service, age 60 with 10 years of credited service, or age 65 for Miscellaneous members hired on or after January 7, 2012 under Charter Section 8.603.
[2] No service requirement for Safety members retiring under the industrial disability benefit or for surviving spouses/domestic partners of those killed in the line of duty.

Retiree healthcare benefits are administered by the San Francisco Health Service System and include the following:

Medical: PPO – Blue Shield (self-insured) and UHC Medicare Advantage (fully-insured)
HMO – Kaiser (fully-insured) and Blue Shield (flex-funded) and Health Net (flex-funded)
Dental: Delta Dental, DeltaCare USA, and United Healthcare Dental
Vision: Vision benefits are provided under the medical insurance plans and are administered by Vision Service Plan.

Projections of the sharing of benefit related costs are based on an established pattern of practice.

Contributions

Benefits provided under the Plan are currently paid through "pay-as-you-go" funding. Additionally, under the City Charter, active officers and employees of the City who commenced employment on or after January 10, 2009, shall contribute to the Retiree Health Care Trust Fund (Trust Fund) a percentage of compensation not to exceed 2% of pre-tax compensation. The City shall contribute 1% of compensation for officers and employees who commenced employment on or after January 10, 2009 until the City's GASB Actuary has determined that the City's portion of the Trust Fund is fully funded. At that time, the City's 1% contribution shall cease, and officers and employees will each contribute 50% of the maximum 2% of pre-tax compensation.

Starting July 1, 2016, active officers and employees of the City who commenced employment on or before January 9, 2009, shall contribute 0.25% of pre-tax compensation into the Trust Fund. Beginning on July 1st of each subsequent year, the active officers and employees of the City who commenced employment on or before January 9, 2009, shall contribute an additional 0.25% of pre-tax compensation up to a maximum of 1%. Starting July 1, 2016, the City shall contribute 0.25% of compensation into the Trust Fund for each officer and employee who commenced employment on or before January 9, 2009. Beginning on July 1st of each subsequent year, the City shall contribute an additional 0.25% of compensation, up to a maximum of 1% for each officer and employee who commenced employment on or before January 9, 2009. When the City's Actuary has determined that the City's portion of the Trust Fund is fully funded, the City's 1% contribution shall cease, and officers and employees will each contribute 50% of the maximum 1% of pre-tax compensation. Additional or existing contribution requirements may be established or modified by amendment to the City's Charter.

Fiscal Year 2024

For the fiscal year ended June 30, 2024, the City's funding was based on "pay as you go" plus a contribution of $48,779 to the Retiree Healthcare Trust Fund. The "pay as you go" portion paid by the City was $229,922 for a total contribution of $278,701 for the fiscal year ended June 30, 2024. Hetch Hetchy's proportionate share of the City's contributions for fiscal year 2024 were $2,864: $1,155 for Hetchy Water, $1,412 for Hetchy Power, and $297 for CleanPowerSF and will be recognized as a reduction of the net OPEB liability in the reporting year ending June 30, 2025.

Fiscal Year 2023

For the fiscal year ended June 30, 2023, the City's funding was based on "pay as you go" plus a contribution of $45,241 to the Retiree Healthcare Trust Fund. The "pay as you go" portion paid by the City was $215,408 for a total contribution of $260,649 for the fiscal year ended June 30, 2023. Hetch Hetchy's proportionate share of the City's contributions for fiscal year 2023 were $2,588: $1,038 for Hetchy Water, $1,268 for Hetchy Power, and $282 for CleanPowerSF and will be recognized as a reduction of the net OPEB liability in the subsequent fiscal period.

(Dollars in thousands, unless otherwise stated)

OPEB Liability, OPEB Expenses and Deferred Outflows/Inflows of Resources Related to OPEB

Fiscal Year 2024

As of June 30, 2024, the City reported net OPEB liability related to the Plan of $3,924,832. Hetch Hetchy's proportionate share of the City's net OPEB liability as of June 30, 2024 was $40,341: $16,269 for Hetchy Water, $19,883 for Hetchy Power, and $4,189 for CleanPowerSF. For the year ended June 30, 2024, the City's recognized OPEB expense was $261,158. Amortization of the City's deferred outflows and inflows is included as a component of OPEB expense. Hetch Hetchy's proportionate share of the City's OPEB expense/(income) was $5,204: $2,390 for Hetchy Water and $2,922 for Hetchy Power, and $(108) for CleanPowerSF.

As of June 30, 2024, Hetch Hetchy reported its proportionate share of the City's deferred outflows and inflows of resources related to OPEB from the following sources:

	Schedules of Deferred Outflows and Inflows of Resources								
		Deferred Outflows of Resources				Deferred Inflows of Resources			
		Hetchy Water	Hetchy Power	CleanPowerSF	Total	Hetchy Water	Hetchy Power	CleanPowerSF	Total
Contributions subsequent to measurement date	$	1,155	1,412	297	2,864	–	–	–	–
Differences between expected and actual experience		699	854	180	1,733	1,886	2,305	486	4,677
Changes in assumptions		473	578	122	1,173	–	–	–	–
Net difference between projected and actual earnings on plan investments		125	152	32	309	–	–	–	–
Change in proportion		739	903	365	2,007	1,011	1,236	1,806	4,053
Total	$	3,191	3,899	996	8,086	2,897	3,541	2,292	8,730

Amounts reported as deferred outflows, exclusive of contributions made after the measurement date, and deferred inflows of resources will be amortized annually and recognized in OPEB expense as follows:

	Deferred Outflows/(Inflows) of Resources				
Fiscal years		Hetchy Water	Hetchy Power	CleanPowerSF	Total
2025	$	(238)	(292)	(571)	(1,101)
2026		(79)	(96)	(456)	(631)
2027		(170)	(209)	(355)	(734)
2028		(362)	(443)	(244)	(1,049)
2029		(12)	(14)	33	7
Total	$	(861)	(1,054)	(1,593)	(3,508)

Fiscal Year 2023

As of June 30, 2023, the City reported net OPEB liability related to the Plan of $3,746,270. Hetch Hetchy's proportionate share of the City's net OPEB liability as of June 30, 2023 was $37,180: $14,907 for Hetchy Water, $18,220 for Hetchy Power, and $4,053 for CleanPowerSF. For the year ended June 30, 2023, the City's recognized OPEB expense was $256,974. Amortization of the City's deferred outflows and inflows is included as a component of OPEB expense. Hetch Hetchy's proportionate share of the City's OPEB expense was $7,804: $2,078 for Hetchy Water and $2,540 for Hetchy Power, and $3,186 for CleanPowerSF.

(Dollars in thousands, unless otherwise stated)

As of June 30, 2023, Hetch Hetchy reported its proportionate share of the City's deferred outflows and inflows of resources related to OPEB from the following sources:

	Schedules of Deferred Outflows and Inflows of Resources								
		Deferred Outflows of Resources				Deferred Inflows of Resources			
		Hetchy Water	Hetchy Power	CleanPowerSF	Total	Hetchy Water	Hetchy Power	CleanPowerSF	Total
Contributions subsequent to measurement date	$	1,038	1,268	282	2,588	–	–	–	–
Differences between expected and actual experience		331	404	90	825	2,482	3,033	675	6,190
Changes in assumptions		636	778	173	1,587	–	–	–	–
Net difference between projected and actual earnings on plan investments		240	293	65	598	–	–	–	–
Change in proportion		1,003	1,226	399	2,628	602	736	2,247	3,585
Total	$	3,248	3,969	1,009	8,226	3,084	3,769	2,922	9,775

Amounts reported as deferred outflows, exclusive of contributions made after the measurement date, and deferred inflows of resources will be amortized annually and recognized in OPEB expense as follows:

	Deferred Outflows/(Inflows) of Resources				
Fiscal years		Hetchy Water	Hetchy Power	CleanPowerSF	Total
2024	$	(193)	(236)	(527)	(956)
2025		(189)	(231)	(526)	(946)
2026		(39)	(48)	(485)	(572)
2027		(130)	(159)	(384)	(673)
2028		(323)	(394)	(273)	(990)
Total	**$**	**(874)**	**(1,068)**	**(2,195)**	**(4,137)**

(Dollars in thousands, unless otherwise stated)

Actuarial Assumptions

Fiscal Year 2024

A summary of the actuarial assumptions and methods used to calculate the total OPEB liability as of June 30, 2023 (measurement date) is provided below:

Key Actuarial Assumptions	
Valuation Date	June 30, 2022 updated to June 30, 2023
Measurement Date	June 30, 2023
Actuarial Cost Method	The Entry Age Actuarial Cost Method is used to measure the Plan's Total OPEB Liability
Healthcare Cost Trend Rates	Pre-Medicare trend starts at 7.24% trending down to ultimate rate of 3.94% in 2075
	Medicare trend starts at 7.24% trending down to ultimate rate of 3.94% in 2075
	10-County average trend starts at 5.00% trending down to ultimate rate of 3.94% in 2075
	Vision and expenses trend remains a flat 3.0% for all years
Expected Rate of Return on Plan Assets	7.00%
Salary Increase Rate	Wage Inflation Component: 3.25%
	Additional Merit Component (dependent on years of service):
	Police: 0.50% - 7.50%
	Fire: 0.50% - 14.00%
	Muni Drivers: 0.00% - 16.00%
	Craft: 0.50% - 3.75%
	Misc: 0.30% - 5.50%
Inflation Rate	Wage Inflation: 3.25% compounded annually
	Consumer Price Inflation: 2.50% compounded annually
Mortality Tables	Base mortality tables are developed by multiplying a published table by an adjustment factor developed in SFERS experience study for the period ended June 30, 2019.

Non-Annuitants

		Adjustment Factor	
	Published Table	Male	Female
Miscellaneous	PubG-2010 Employee	0.834	0.866
Safety	PubS-2010 Employee	1.011	0.979

Healthy Retirees

		Adjustment Factor	
	Published Table	Male	Female
Miscellaneous	PubG-2010 Employee	1.031	0.977
Safety	PubS-2010 Employee	0.947	1.044

Disabled Retirees

		Adjustment Factor	
	Published Table	Male	Female
Miscellaneous	PubG-2010 Employee	1.045	1.003
Safety	PubS-2010 Employee	0.916	0.995

Beneficiaries

		Adjustment Factor	
	Published Table	Male	Female
Miscellaneous	PubG-2010 Employee	1.031	0.977
Safety	PubG-2010 Employee	1.031	0.977

The mortality rates in the base tables are projected generationally from the base year using the MP-2019 projection scale.

(Dollars in thousands, unless otherwise stated)

Fiscal Year 2023

A summary of the actuarial assumptions and methods used to calculate the total OPEB liability as of June 30, 2022 (measurement date) is provided below:

Key Actuarial Assumptions	
Valuation Date	June 30, 2022
Measurement Date	June 30, 2022
Actuarial Cost Method	The Entry Age Actuarial Cost Method is used to measure the Plan's Total OPEB Liability
Healthcare Cost Trend Rates	Pre-Medicare trend starts at 7.74% trending down to ultimate rate of 3.93% in 2076
	Medicare trend starts at 7.74% trending down to ultimate rate of 3.94% in 2076
	10-County average trend starts at 5.00% trending down to ultimate rate of 3.94% in 2076
	Vision and expenses trend remains a flat 3.0% for all years
Expected Rate of Return on Plan Assets	7.00%
Salary Increase Rate	Wage Inflation Component: 3.25%
	Additional Merit Component (dependent on years of service):
	Police: 0.50% - 7.50%
	Fire: 0.50% - 14.00%
	Muni Drivers: 0.00% - 16.00%
	Craft: 0.50% - 3.75%
	Misc: 0.30% - 5.50%
Inflation Rate	Wage Inflation: 3.25% compounded annually
	Consumer Price Inflation: 2.50% compounded annually
Mortality Tables	Base mortality tables are developed by multiplying a published table by an adjustment factor developed in SFERS experience study for the period ended June 30, 2019.

Non-Annuitants

	Published Table	Adjustment Factor	
		Male	Female
Miscellaneous	PubG-2010 Employee	0.834	0.866
Safety	PubS-2010 Employee	1.011	0.979

Healthy Retirees

	Published Table	Adjustment Factor	
		Male	Female
Miscellaneous	PubG-2010 Employee	1.031	0.977
Safety	PubS-2010 Employee	0.947	1.044

Disabled Retirees

	Published Table	Adjustment Factor	
		Male	Female
Miscellaneous	PubG-2010 Employee	1.045	1.003
Safety	PubS-2010 Employee	0.916	0.995

Beneficiaries

	Published Table	Adjustment Factor	
		Male	Female
Miscellaneous	PubG-2010 Employee	1.031	0.977
Safety	PubG-2010 Employee	1.031	0.977

The mortality rates in the base tables are projected generationally from the base year using the MP-2019 projection scale.

(Dollars in thousands, unless otherwise stated)

Sensitivity of Liabilities to Changes in the Healthcare Cost Trend Rate and Discount Rate

The following presents Hetch Hetchy's proportionate share of the City's net OPEB liability calculated using the healthcare cost trend rate, as well as what its allocation of the City's net OPEB liability would be if it were calculated using a healthcare cost trend rate that is 1% lower or 1% higher than the current rate as of June 30, 2024 and June 30, 2023:

		Hetchy Water	Hetchy Power	CleanPowerSF	2024
1% Decrease	$	13,835	16,909	3,562	34,306
Healthcare Cost Trend Rate		16,269	19,883	4,189	40,341
1% Increase		19,288	23,574	4,966	47,828

		Hetchy Water	Hetchy Power	CleanPowerSF	2023
1% Decrease	$	12,753	15,586	3,467	31,806
Healthcare Cost Trend Rate		14,907	18,220	4,053	37,180
1% Increase		17,579	21,486	4,779	43,844

Discount Rate

Fiscal Year 2024

The discount rate used to measure the Total OPEB Liability as of June 30, 2023 was 7.00%. Based on the assumption that plan member contributions will continue to be made at the rates specified in the Charter, it was determined that the Plan's projected fiduciary net position will be greater than or equal to the benefit payments projected for each future period. As such, the long-term expected rate of return on plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability.

The long-term expected rate of return on OPEB plan investments was 7.00% based on expected future returns and historical returns experienced by the Trust Fund. Expected future returns were determined based on 10-year and 20-year capital market assumptions for the Trust Fund's asset allocation.

(Dollars in thousands, unless otherwise stated)

Target allocation for each major asset class and best estimates of geometric real rates of return are summarized in the following table:

Asset Class	Target Allocation	Long-term Expected Real Rate of Return
Equities		
U.S. Large Cap	25.0 %	6.1 %
U.S. Small Cap	2.0	6.7
Developed Market Equity (non-U.S.)	13.0	7.2
Emerging Market Equity	10.0	7.4
Credit		
Bank Loans	3.0	4.4
High Yield Bonds	3.0	4.7
Rate Securities		
Investment Grade Corporate Bonds	7.0	2.8
Short-term Treasury Inflation-Protected Securities (TIPS)	5.0	1.0
Private Markets		
Private Equity	10.0	8.4
Private Debt	5.0	6.4
Core Private Real Estate	5.0	3.9
Infrastructure (Core Private)	2.0	5.2
Risk Mitigating Strategies		
Global Macro	10.0	3.1
Total	100.0 %	

The following presents Hetch Hetchy's proportionate share of the City's net OPEB liability calculated using the discount rate, as well as what Hetch Hetchy's proportionate share of the City's net OPEB liability would be if it were calculated using a discount rate that is 1% lower or 1% higher than the current rate:

	Hetchy Water	Hetchy Power	CleanPowerSF	Total
1% Decrease 6.00%	$ 19,040	23,272	4,903	47,215
Discount Rate 7.00%	16,269	19,883	4,189	40,341
1% Increase 8.00%	13,995	17,105	3,604	34,704

Fiscal Year 2023

The discount rate used to measure the Total OPEB Liability as of June 30, 2022 was 7.00%. Based on the assumption that plan member contributions will continue to be made at the rates specified in the Charter, it was determined that the Plan's projected fiduciary net position will be greater than or equal to the benefit payments projected for each future period. As such, the long-term expected rate of return on plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability.

The long-term expected rate of return on OPEB plan investments was 7.00% based on expected future returns and historical returns experienced by the Trust Fund. Expected future returns were determined based on 10-year and 20-year capital market assumptions for the Trust Fund's asset allocation.

(Dollars in thousands, unless otherwise stated)

Target allocation for each major asset class and best estimates of geometric real rates of return are summarized in the following table:

Asset Class	Target Allocation	Long-term Expected Real Rate of Return
Equities		
U.S. Large Cap	28.0 %	6.8 %
U.S. Small Cap	3.0	7.4
Developed Market Equity (non-U.S.)	15.0	7.5
Emerging Market Equity	13.0	8.4
Credit		
Bank Loans	3.0	4.0
High Yield Bonds	3.0	4.4
Emerging Market Bonds	3.0	4.2
Rate Securities		
Investment Grade Bonds	9.0	2.4
Long-term Government Bonds	4.0	2.8
Short-term Treasury Inflation-Protected Securities (TIPS)	4.0	1.9
Private Markets		
Private Equity	5.0	10.0
Core Private Real Estate	5.0	6.1
Risk Mitigating Strategies		
Global Macro	5.0	5.0
Total	100.0 %	

The following presents Hetch Hetchy's proportionate share of the City's net OPEB liability calculated using the discount rate, as well as what Hetch Hetchy's proportionate share of the City's net OPEB liability would be if it were calculated using a discount rate that is 1% lower or 1% higher than the current rate:

	Hetchy Water	Hetchy Power	CleanPowerSF	Total
1% Decrease 6.00%	$ 17,355	21,211	4,718	43,284
Discount Rate 7.00%	14,907	18,220	4,053	37,180
1% Increase 8.00%	12,899	15,765	3,507	32,171

The City issues a publicly available financial report that includes the complete note disclosures and required supplementary information related to the City's postemployment health care obligations. The report may be obtained on the City's website https://www.sf.gov/annual-comprehensive-financial-reports-acfr, by writing to the City and County of San Francisco, Office of the Controller, 1 Dr. Carlton B. Goodlett Place, Room 316, San Francisco, California 94102, or by calling (415) 554-7500.

(13) Related Parties

(a) *Hetch Hetchy*

Various common costs incurred by the SFPUC are allocated among Hetch Hetchy, Water, and Wastewater Enterprises. The allocations are based on the SFPUC management's best estimate and may change from year to year depending on the activities incurred by each Enterprise and the information available. For the years ended June 30, 2024 and 2023, the SFPUC allocated $28,789 or 23.1% and $26,362 or 23.1%, respectively, in administrative costs including COVID-19 Project expenses, which is presented in the financial statements under various expense categories. These costs are then allocated to Hetchy Water, Hetchy Power, and CleanPowerSF in the Hetch Hetchy financial statements, using the periodically reviewed department overhead allocation model.

The City performs certain administrative services such as maintenance of accounting records and investment of cash for all fund groups within the City. The various funds are charged for these services based on the City's indirect cost allocation plan. Some City departments provide direct services such as engineering, purchasing, legal, data processing, telecommunication, and human resources to Hetch Hetchy and charge amounts designed to recover those departments' costs. These charges totaling approximately $15,121 and $16,368 for the years ended June 30, 2024 and 2023, respectively, have been included in services provided by other departments in the accompanying financial statements.

SFPUC's 75-year lease agreement with the San Francisco Recreation and Parks Department, for the use of parking spaces for its fleet of vehicles at the Civic Center Garage, commenced on February 1, 2011. Total payment under this agreement is $6,274, which was fully made as of fiscal year 2015. The expenses and prepayments among the three SFPUC Enterprises are based on 525 Golden Gate occupancy. As of June 30, 2024, Hetch Hetchy's allocable shares of expenses and prepayment were $16 and $871, respectively, and as of June 30, 2023 were $17 and $887, respectively.

(b) *Hetchy Water*

For the years ended June 30, 2024 and 2023, the SFPUC allocated $12,805 or 10.3%, and $11,778 or 10.3%, respectively, in administrative costs including COVID-19 Project expense to Hetchy Water.

The Water Enterprise purchases water from Hetchy Water. Included in the operating revenues are the water assessment fees of $46,266 and $49,636 for the years ended June 30, 2024 and 2023, respectively. The water assessment fees represent a recovery to fund upcountry, water-related costs that are not otherwise funded through Hetchy water-related revenue or Water revenue bonds.

Hetchy Water received $42 and $20,000 for the years ended June 30, 2024 and 2023, respectively, from the Water Enterprise to fund upcountry projects.

(c) *Hetchy Power*

For the years ended June 30, 2024 and 2023, the SFPUC allocated $10,297 or 8.3%, and $9,452 or 8.3% respectively, in administrative costs including COVID-19 Project expense to Hetchy Power.

For the years ended June 30, 2024 and 2023, operating revenues in sales of power to departments within the City were $125,197 and $121,046, respectively.

The Water Enterprise also purchases electricity and gas from Hetchy Power. This amount totaled $10,256 and $11,398 for the years ended June 30, 2024 and 2023, respectively.

The Wastewater Enterprise purchases electricity and gas from Hetchy Power. This amount totaled $12,377 and $14,876 for the years ended June 30, 2024 and 2023, respectively.

The Low Carbon Fuel Standard (LCFS) program, overseen by the California Air Resources Board (CARB), seeks to reduce the carbon intensity of California's transportation fuel. Transportation fuel suppliers can achieve this goal by either reducing the carbon intensity of their fuels or purchasing LCFS credits from other fuel suppliers that have a lower carbon intensity. In 2017, the San Francisco Municipal Transportation Agency (SFMTA) joined the LCFS program, signing up its transit fleet of electric buses, cable cars, and light rail vehicles and generating LCFS credits. Through a Memorandum of Understanding (MOU) with SFMTA, approved by the SFPUC Commission in Resolution 17-0199, net proceeds from the sale of LCFS credits would be shared 50/50 between SFMTA and Hetchy Power. In Ordinance 0199-19, the Board of Supervisors authorized Hetchy Power to establish the Low Carbon Fuel Standard Fund to account for the revenue and expenditure from the credit sales. The Ordinance also allowed Hetchy Power to sell LCFS credits on behalf of other City agencies which includes Port of San Francisco (Port) and San Francisco International Airport (SFO). Revenue allocations and fees are based on agreements with the departments. LCFS revenue is reported as other non-operating revenues on the Statements of Revenues, Expenses, and Change in Net Position.

During the fiscal year ended June 30, 2024, Hetchy Power received total payments of LCFS credits of $1,838, of which $1,154 was transferred to other City departments ($684 for SFMTA, $372 for Port, and $98 for SFO). The remaining portion was reported as other non-operating revenues on the Statements of Revenues, Expenses, and Change in Net Position.

During the fiscal year ended June 30, 2023, Hetchy Power received total payments of LCFS credits attributable to SFMTA of $1,123, of which $561 was transferred to SFMTA and the remaining portion was reported as other non-operating revenues on the Statements of Revenues, Expenses, and Change in Net Position. In fiscal year 2023, municipal customers entering into an LCFS Partnership Agreement will pay for premium charges. The Port started earning its own LCFS credits on January 1, 2022, through the provision of shoreside power to docked ships. Hetchy Power has subsequently started selling the Port’s LCFS credits in fiscal year 2023 and recognized $32 revenues from credit sales. Total of $210 was transferred to Port for fiscal year 2023.

Due from other City departments was $11,421 and $11,486 as of June 30, 2024 and 2023, respectively. Hetchy Power serves as the City’s department for energy efficiency projects and maintains the Sustainable Energy Account (SEA) (formerly known as the Mayor’s Energy Conservation Account) fund to sponsor and financially support such projects at various City departments. In this role, Hetchy Power may secure low-interest financing to supplement funds available in the SEA fund. At June 30, 2024 and 2023, projects completed throughout the City amounted to $3,037 and $3,544, respectively and are recorded as due from other City Departments.

Hetch Hetchy funded a project for the Treasure Island Development Authority and recorded receivables in connection with an upgraded submarine power cable, and gas and electrical charges for the Treasure Island as due from other City departments. This amount totaled $7,041 and $7,177 for the years ended June 30, 2024 and 2023, respectively.

(Dollars in thousands, unless otherwise stated)

As of June 30, 2024 and 2023, Hetchy Power recorded receivables of $405 and $518, respectively, due from Wastewater Enterprise for its share of costs relating to SFPUC Headquarters Living Machine System. As of June 30, 2024, Hetchy Power recorded receivable of $754 from General Fund related to utility user taxes refund. Details of due from other City departments are as follows:

		2024	2023
Treasure Island Development Authority	$	7,041	7,177
SEA-related project: Moscone Center		3,037	3,544
General Fund		754	—
Wastewater - 525 Golden Gate Headquarters Project		405	518
San Francisco Recreation and Park		105	209
Department of Public Works		79	38
Total due from other City departments		11,421	11,486
Less: current portion		(1,558)	(1,134)
Long-term portion as of June 30, net	$	9,863	10,352

As of June 30, 2023, Hetchy Power had payables in the amount of $1,946 for claim settlement reimbursement to SFMTA. The amount was fully paid and Hetchy Power had no payable balance as of June 30, 2024.

(d) *CleanPowerSF*

For the years ended June 30, 2024 and 2023, the SFPUC allocated $5,687 or 4.5%, and $5,132 or 4.5%, respectively, in administrative costs to CleanPowerSF.

As of June 30, 2024, and 2023, operating revenue in sales of power to Hetchy Power were $1,421 and $1.549, respectively. Operating expenses in purchase of power from Hetchy Power were $13,521 and $5,846, respectively. Wholesale sales of energy, capacity and/or other electric power related products may be made between the CleanPowerSF and Hetchy Power, when available. CleanPowerSF and Hetchy Power transact for such products at prevailing market prices.

CleanPowerSF received program support services from Hetchy Power. This amount totaled $2,841 and $2,850 for the years ended June 30, 2024 and 2023, respectively.

(14) Risk Management

The Enterprise's Risk Management program includes both self-insured (i.e., self-retention) and insured exposures at risk. Risk assessments and purchasing of insurance coverage are collaboratively coordinated by SFPUC Enterprise Risk Management and the City's Office of Risk Management. With certain exceptions, the City and the Enterprise's general approach is to first evaluate the exposure at risk for self-insurance. Based on this analysis, internal mitigation strategies and financing through a self-retention mechanism are generally more economical, as the SFPUC in coordination with the City Attorney's Office administers, adjusts, settles, defends, and pays claims from budgeted resources (i.e., pay-as-you-go fund). When economically more viable or when required by debt financing covenants, the Enterprise obtains commercial insurance. At least annually, the City actuarially determines general liability and workers' compensation risk exposures. The Enterprise does not maintain commercial earthquake coverage, with certain minor exceptions, such as a sub-limit for fire-sprinkler leakage due to earthquake under the SFPUC Property Insurance Program. In the past three years, there were no settlements that exceeded insurance coverage.

(Dollars in thousands, unless otherwise stated)

	Risk	Coverage Approach
(a)	General Liability	Self-Insured
(b)	Workers' Compensation	Self-Insured through Citywide Pool
(c)	Property	Purchased Insurance and Self-Insured
(d)	Public Officials Liability	Purchased Insurance
(e)	Employment Practices Liability	Purchased Insurance
(f)	Cyber Liability	Purchased Insurance
(g)	Crime	Purchased Insurance
(h)	Electronic Data Processing	Purchased Insurance and Self-Insured
(i)	Surety Bonds	Purchased and Contractual Risk Transfer
(j)	Errors and Omissions	Purchased and Contractual Risk Transfer
(k)	Builders' Risk	Contractual Risk Transfer

(a) *General Liability*

Through coordination with the Controller's Office and City Attorney's Office, the general liability risk exposure is actuarially determined and is addressed through pay-as-you-go funding as part of the budgetary process. Associated costs and estimates are recorded as expenses as required under GAAP for financial statement purposes for both the Enterprise and the City and County of San Francisco's Annual Comprehensive Financial Report. The claim expense allocations are determined based on actuarially determined anticipated claim payments and the projected timing of disbursement.

The changes for the general liability (damage claims) for the years ended June 30, 2024, 2023, and 2022 are as follows:

Fiscal years	Beginning of year	Claims paid and changes in estimates	Claims paid	End of year
Hetch Hetchy				
2024	$ 6,884	10,284	(13,105)	4,063
2023	1,682	12,497	(7,295)	6,884
2022	1,639	3,840	(3,797)	1,682
Hetchy Water				
2024	$ 700	96	(528)	268
2023	627	320	(247)	700
2022	525	253	(151)	627
Hetchy Power				
2024	$ 6,150	9,273	(11,649)	3,774
2023	1,023	10,439	(5,312)	6,150
2022	1,108	2,005	(2,090)	1,023
CleanPowerSF				
2024	$ 34	915	(928)	21
2023	32	1,738	(1,736)	34
2022	6	1,582	(1,556)	32

(b) *Workers' Compensation*

The City actuarially determines and allocates workers' compensation costs to the Enterprise according to a formula based on the following: (i) the dollar amount of claims; (ii) yearly projections of payments based on historical experience; and (iii) the size of the Enterprise's payroll. The administration of workers' compensation claims and payouts are handled by the Workers' Compensation Division of the City's Department of Human Resources. Statewide workers' compensation reforms have resulted in budgetary savings in recent years. The City continues to develop and implement improved programs, such as return-to-work programs, to lower or mitigate the growth of workers' compensation costs. Programs include accident prevention, investigation, and duty modification for injured employees with medical restrictions so return to work can occur as soon as possible.

(Dollars in thousands, unless otherwise stated)

The changes for the workers' compensation liabilities for the years ended June 30, 2024, 2023, and 2022 are as follows:

Fiscal years	Beginning of year	Claims	Claims and changes in estimates	End of year
Hetch Hetchy				
2024	$ 3,457	1,000	(824)	3,633
2023	3,478	300	(321)	3,457
2022	3,238	555	(315)	3,478
Hetchy Water				
2024	$ 1,219	337	(259)	1,297
2023	1,228	76	(85)	1,219
2022	1,120	233	(125)	1,228
Hetchy Power				
2024	$ 2,238	663	(565)	2,336
2023	2,250	224	(236)	2,238
2022	2,118	322	(190)	2,250

*CleanPowerSF had no workers' compensation liabilities as of June 30, 2024 and 2023.

(c) *Property*

The Enterprise's property risk management approach varies depending on whether the facility is currently under construction, the property is part of revenue-generating operations, the property is of high value, or is mission-critical in nature. During the course of construction, the Enterprise requires each contractor to provide its own insurance, while ensuring the full scope of work is covered with satisfactory levels to limit the Enterprise's risk exposure. Once construction is complete, the Enterprise performs an assessment to determine whether liability/loss coverage will be obtained through the commercial property policy or self-insurance. The majority of property scheduled in the insurance program is for (1) revenue generating facilities, (2) debt-financed facilities, (3) mandated coverage to meet statutory requirements for bonding of various public officials, or (4) high-value, mission-critical property or equipment.

(d) *Public Officials Liability*

All Enterprise public officials with financial oversight responsibilities are provided coverage through a commercial Public Officials Liability Policy.

(e) *Employment Practices Liability*

An Employment Practices Liability Policy is retained to protect against employment-related claims and liabilities.

(f) *Cyber Liability*

A Cyber Liability Policy is retained to protect against cyber-related claims and liabilities.

(g) *Crime*

The Enterprise also retains a Commercial Crime Policy, in lieu of bonding its employees, to provide coverage against liabilities or losses due to third-party crime or employee fraud.

(h) *Electronic Data Processing*

The Electronic Data Processing policy protects selected high-value electronic property in case of damage or loss.

(i) *Surety Bonds*

Bonds are required in most phases of the public utilities construction contracting process for such phases as bid, performance, and payment or maintenance. Additionally, bonds may be required in other contracts where goods or services are provided to ensure compliance with applicable terms and conditions such as warranty.

(j) *Errors and Omissions*

Errors and omissions, also known as Professional Liability, are commonly transferred through contract to the contracted professional, or retained through self insurance on a case-by-case basis depending on the size, complexity, or scope of construction or professional service contracts. Examples of such contracts are inclusive of services provided by engineers, architects, design professionals, and other licensed or certified professional service providers.

(k) *Builders' Risk*

Builders' Risk policies of insurance are required to be provided by the contractor on all construction projects for the full value of construction.

(l) *Energy Risk Management*

Similar to other electric utilities with a heavy reliance on hydroelectric generation, Hetch Hetchy is exposed to risks that could impact its ability to generate net revenues to fund operating and capital investment activities. Hydroelectric generation facilities in the Sierra Nevada are the primary source of electricity for Hetch Hetchy. For this reason, the Hetch Hetchy revenues can vary with watershed hydrology, unexpected generator outages, and market prices for energy. Given the inherent risk for all hydroelectric generation, several risk management interventions have been developed to mitigate exposure.

(m) *Enterprise Risk Management*

The Power Enterprise adopted the ISO 31000 standard for Hetchy Power and the CleanPowerSF program as the framework for implementing Enterprise Risk Management (ERM). The Enterprise utilizes this framework to systematically and proactively identify and mitigate risks that threaten its business objectives. Since not all risks are insurable or transferable contractually, the ERM program provides an additional method to manage risks and protect the Enterprise's current and expanding business allowing for increased operational resiliency and the ability to capitalize on opportunities.

(15) Commitments and Litigation

(a) *Commitments*

As of June 30, 2024 and 2023, Hetch Hetchy had outstanding commitments with third parties of $154,975 and $136,322, respectively, for various purchase agreements. Of this, Hetch Hetchy had capital commitments of $65,261 and $99,568 as of June 30, 2024 and 2023, respectively.

Hetchy Water

To meet certain requirements of the Don Pedro Reservoir operating license, the City entered into an agreement with the Modesto Irrigation District (MID) and Turlock Irrigation District (TID) in which the Districts would be responsible for an increase in water flow releases from the reservoir in exchange for annual payments from the City, which are included in Hetchy Water's operating expenses. The payment amounts were $5,714 and $5,329 for fiscal years 2024 and 2023, respectively. The payments are to be made for the duration of the license, but may be terminated with one year's prior written notice after 2001. The City and the Districts have also agreed to monitor the fisheries in the lower Tuolumne River for the duration of the license. A maximum monitoring expense of $1,400 is to be shared between the City and the Districts over the term of the license. The City's share of the monitoring costs is 52%, while the Districts are responsible for 48% of the costs.

Hetchy Power

Wholesale Distribution Tariff (WDT) and Key Operating Agreements for Grid Access

Upon expiration of the City's previous Interconnection Agreement with PG&E, the City began taking service in 2015 under the WDT for distribution service and under the CAISO Open-Access Transmission Tariff for transmission service. The FERC-regulated Wholesale Distribution Tariff is implemented by PG&E through the City specific Service Agreements and Interconnection Agreements. The terms of these agreements have been in contention since the effective date. The City continues to negotiate with PG&E and, where necessary, file complaints and protests at FERC. In September 2020, PG&E filed a revised WDT. Under the terms of the new WDT, the City would pay substantially higher rates, at least twice to potentially four times the current charges, and be required to install costly and inefficient equipment not needed for technical, safety or reliability of operations. In addition, Hetchy Power would no longer be allowed to connect to the "network" grid in the center of San Francisco; have new secondary interconnections; and/or serve any small, typically unmetered loads, such as streetlights, Distributed Antenna System (DAS), traffic signals, and bus shelters.

Staff prepare regular reporting to the Board of Supervisors outlining on-going disputes with PG&E over project requirements, costs and delays. During fiscal years 2024 and 2023, Hetchy Power purchased distribution services for $27,932 and $29,008, respectively, from PG&E under the terms of the Service Agreements and Interconnection Agreements that implement the WDT. The City continues to litigate and dispute these terms at FERC and in the court systems; and pursue the purchase of PG&E's electric grid in San Francisco.

Western System Power Pool and other Market Purchases and Sales

Hetchy Power may purchase or sell energy and other related products (such as ancillary services, spinning reserves, resource adequacy products, and congestion revenue rights) with different market entities through the Western System Power Pool (WSPP) and the CAISO. During fiscal years 2024 and 2023, Hetchy Power purchased $11,945 and $3,676 of power and other related products, respectively. Sales of excess power, after meeting Hetch Hetchy's obligations, were $6,532 or 149,000 MWh for fiscal year 2024 and $1,157 or 155,000 MWh for fiscal year 2023, respectively.

Power Purchase Agreement (PPA)

Hetchy Power (Buyer) purchases energy, capacity, and environmental attributes from a local solar photovoltaic project located at Sunset Reservoir (the facility) pursuant to the 2009 25-year PPA with SFCity1, LP, owned by Duke Energy (Seller). In November 2010, the facility commenced commercial operation and began to provide Hetchy Power energy generated by the facility.

The PPA sets the starting purchase price of generated energy at $235/MWh, increasing by 3% each year throughout the term of the agreement, and it is expected that the facility will generate 6,560 MWh per year on average. Rates for fiscal years ended June 30, 2024 and 2023 were $354/MWh and $344/MWh, respectively. In the event that the facility generates more energy than expected due to better than normal meteorological conditions, the PPA requires the Buyer to purchase all the excess energy but generation in excess of 120% of expected is purchased at no cost. The PPA also requires the Seller to generate a minimum amount of energy from the facility annually. If energy production falls below 50% of expected, the Seller must provide replacement power, and if energy falls below 90% of expected, the price for energy generated is lowered. In fiscal years 2024 and 2023, purchases of energy under the Agreement were $2,184, or 6,269 MWh, and $2,037, or 6,006 MWh, respectively.

APX, Inc

Hetchy Power and CleanPowerSF participate in the CAISO energy markets which requires the SFPUC to have a contract with a certified Scheduling Coordinator (SC). In June 2022, CleanPowerSF renewed a 5-year contract with APX, Inc with contract amount not to exceed $134,743 to fulfill this requirement. APX, Inc provides a number of services including but not limited to an interface with the CAISO's energy scheduling portal, manage invoice payments to the CAISO and communications between the CAISO and the SFPUC, and dispatch of the Hetch Hetchy plant 24 hours a day, seven days a week. The contract also provides that APX, Inc will act as the SC for renewable generation plants under some of CleanPowerSF's Power Purchase Agreements. Hetchy Power's share was $456 and $471 as of June 30, 2024 and 2023, respectively. CleanPowerSF's share was $264 and $226 as of June 30, 2024 and 2023, respectively.

On January 6, 2023, Amendment No. 1 was requested and approved to increase this contract by $125,000, increasing the total contract to $259,743, with no change to the agreement duration. On March 17, 2023, Amendment No. 2, was approved to increase the contract by $636,000 for a total not to exceed contract amount of $895,743, with no change to the agreement duration. The drivers for these Amendments were higher than anticipated power prices, due to extreme weather, drought conditions, and global energy shortages.

CleanPowerSF

CleanPowerSF regularly adds new short-term and medium-term contracts with multiple counterparties pursuant to master agreements, including the WSPP Master Agreement, to purchase renewable, carbon-free and conventional energy and resource adequacy capacity. CleanPowerSF has also entered into long-term contracts for renewable energy and capacity with renewable energy developers including sPower, Terra-Gen, NextEra, Intersect Power and EDF Renewables. These contracts have been entered to allow CleanPowerSF to meet its existing retail sales obligations, to support future retail sales from anticipated load growth, and to comply with State requirement that 65% of CleanPowerSF's Renewables Portfolio Standard (RPS) compliance targets be fulfilled by RPS-eligible electricity from contracts of 10 or more years. Citywide enrollment was completed in 2020. Since it began serving customers in 2016, CleanPowerSF's cumulative opt-out rate is 4.6% of all enrolled accounts. The total power purchase cost, net of wholesale sales, were $270,340 and $259,532 in fiscal years 2024 and 2023, respectively.

CleanPowerSF contracts with Calpine Energy Solutions to provide meter data management, billing and customer care support. Calpine is responsible for calculating and providing CleanPowerSF charges to PG&E, which in turn bills both CleanPowerSF and PG&E customers for electricity transmission, distribution, and CleanPowerSF generation services. PG&E remits payments received from customers for CleanPowerSF charges to the City. During fiscal years 2024 and 2023, amounts paid were $4,742 and $4,679, respectively.

CleanPowerSF Guarantee

In March 2018, CleanPowerSF entered into a five-year, $75,000 Credit Agreement with JPMorgan Chase Bank, National Association ("Bank") to provide letters of credit or loans from the Bank to guarantee certain power purchase agreement payment obligations of CleanPowerSF and to meet working capital needs, if necessary. In November 2021 the Credit Agreement decreased (at the request of CleanPowerSF) the available amount from $75,000 to $20,000, and the stated term of the agreement was extended to March 2024. Additional changes to the agreement effected by the November 2021 Amendments include elimination of target reserve requirements, revisions to debt service coverage (allowing for a liquidity test two times in the aggregate for any consecutive four quarters) and rate-setting covenants, changes to ongoing reporting requirements to the Bank, and changes to events of default, including the addition of an event of default if CleanPowerSF's long-term unenhanced credit rating is downgraded below investment grade or suspended, withdrawn or otherwise unavailable. In May 2022 CleanPowerSF executed another amendment to its Credit Agreement to eliminate and change certain financial covenants contained in the 2018 Credit Agreement. Specifically, this Amendment eliminated the covenant of the Commission to maintain a specified debt service coverage ratio and changed such financial covenant to commit the Commission to maintain a specified level of Day Liquidity on Hand (as defined in the Credit Agreement). In March 2024 CleanPowerSF executed a fourth amendment to the Credit Agreement increasing the available amount from $20,000 to $75,000 and extended the agreement end date from March 2024 to March 2027. The Credit Agreement is secured by CleanPowerSF's net revenues; there is no pledge of, or lien on net revenues that ranks senior to the obligations under the Credit Agreement. The Bank issued letters of credit in the face amounts totaling $6,183 for fiscal years ended June 30, 2024 and 2023, respectively. CleanPowerSF did not draw on the Credit Agreement during fiscal years 2024 and 2023. Accordingly, the uncommitted credit capacity under the Credit Agreement was $68,817 and $13,817 during fiscal years 2024 and 2023, respectively.

Original financial covenants include that CleanPowerSF maintain a Debt Service Coverage Ratio as defined in the Credit Agreement of not less than 1.05 for each fiscal quarter, as determined for the four consecutive fiscal quarter periods ended on the last day of such fiscal quarter.

CleanPowerSF was in compliance with all covenants and requirements of the Credit Agreement as amended for fiscal years ended June 30, 2024 and 2023.

GASB Statement No. 88, *Certain Disclosures Related to Debt, Including Direct Borrowings and Direct Placements,* requires the disclosure of certain information related to debt, including unused letters of credit. Significant events of default under the Credit Agreement, include 1) non-payment, 2) material breach of warranty, representation, or other non-remedied breach of covenants as specified in the agreement and 3) bankruptcy and insolvency events, which could result in all outstanding loans under the Credit Agreement to be immediately due and payable; or the immediate termination of the Bank's commitment to issue letters of credit or make loans under the Credit Agreement.

Green Tariff and Community Solar Green Tariff Programs for Disadvantaged Communities

In June 2018. the CPUC established the Disadvantaged Communities-Green Tariff (DAC-GT) program and Community Solar Green Tariff (CSGT) program to address barriers to solar adoption faced by low-income electric customers in neglected communities. The DAC-GT program provides a 20% bill discount on 100% RPS eligible electricity service to income-qualified customers residing in Disadvantaged Communities (DACs) as defined by the California Environmental Protection Agency's (Cal EPA) Office of Environmental Health Hazard Assessment (OEHHA). Similar to DAC-GT, the CSGT program provided a 20% bill discount to qualifying customers in DACs to benefit from the development of solar generation projects located in their own or nearby DACs.

The CPUC approved CleanPowerSF's application to establish DAC-GT and CSGT programs in April 2021 and to receive funds to cover program administration and a portion of electricity supply costs. CleanPowerSF began enrolling customers in the DAC-GT program branded as "SuperGreen Saver" on June 1, 2022. The CSGT program was expected to start serving customers during fiscal year 2026, but the CPUC discontinued the program. As of June 30, 2024 and 2023, CleanPowerSF received $98 and $868, respectively, from a combination of ratepayer funds and California Cap and Trade Auction proceeds.

(b) *Litigation*

Hetch Hetchy is a defendant in various legal actions and claims that arise during the normal course of business. The final disposition of these legal actions and claims is not determinable. However, in the opinion of management, the outcome of any litigation of these matters will not have a material effect on the financial position or changes in net position of Hetch Hetchy.

(c) *Grants*

Grants that the Enterprise received are subject to audit and final acceptance by the granting agency. Current and prior year costs of such grants are subject to adjustment upon audit.

(16) Subsequent Event

Power Enterprise, Issuance of Commercial Paper Notes

On October 10, 2024, the SFPUC issued $45,000 in Power Enterprise commercial paper notes to finance a portion of the design, acquisition, and construction of various capital projects in furtherance of the SFPUC's Power Enterprise capital improvement program. The commercial paper notes are expected to be refinanced with proceeds of Power's revenue bonds in fiscal year 2026, which is preliminary and subject to change.

Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With *Government Auditing Standards*

Honorable Mayor and the Board of Supervisors
City and County of San Francisco, California

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*), the financial statements of each major fund of Hetch Hetchy Water and Power and CleanPowerSF (Hetch Hetchy), an enterprise fund of the City and County of San Francisco (City), as of and for the year ended June 30, 2024, and the related notes to the financial statements, and have issued our report thereon dated November 12, 2024.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Hetch Hetchy's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Hetch Hetchy's internal control. Accordingly, we do not express an opinion on the effectiveness of the Hetch Hetchy's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that were not identified.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Hetch Hetchy's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Macias Gini & O'Connell LLP
2121 N. California Boulevard, Suite 750
Walnut Creek, CA 94596

www.mgocpa.com

Purpose of This Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Macias Gini & O'Connell LLP

Walnut Creek, California
November 12, 2024

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.

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

Cover photo: Moccasin Powerhouse Generator Rehabilitation

Back cover photo: Paulsell Solar Energy Center

Photos by: Robin Scheswohl

Date of Publication:
November 2024

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525 Golden Gate Avenue, 4th Floor
San Francisco, CA 94102-3220
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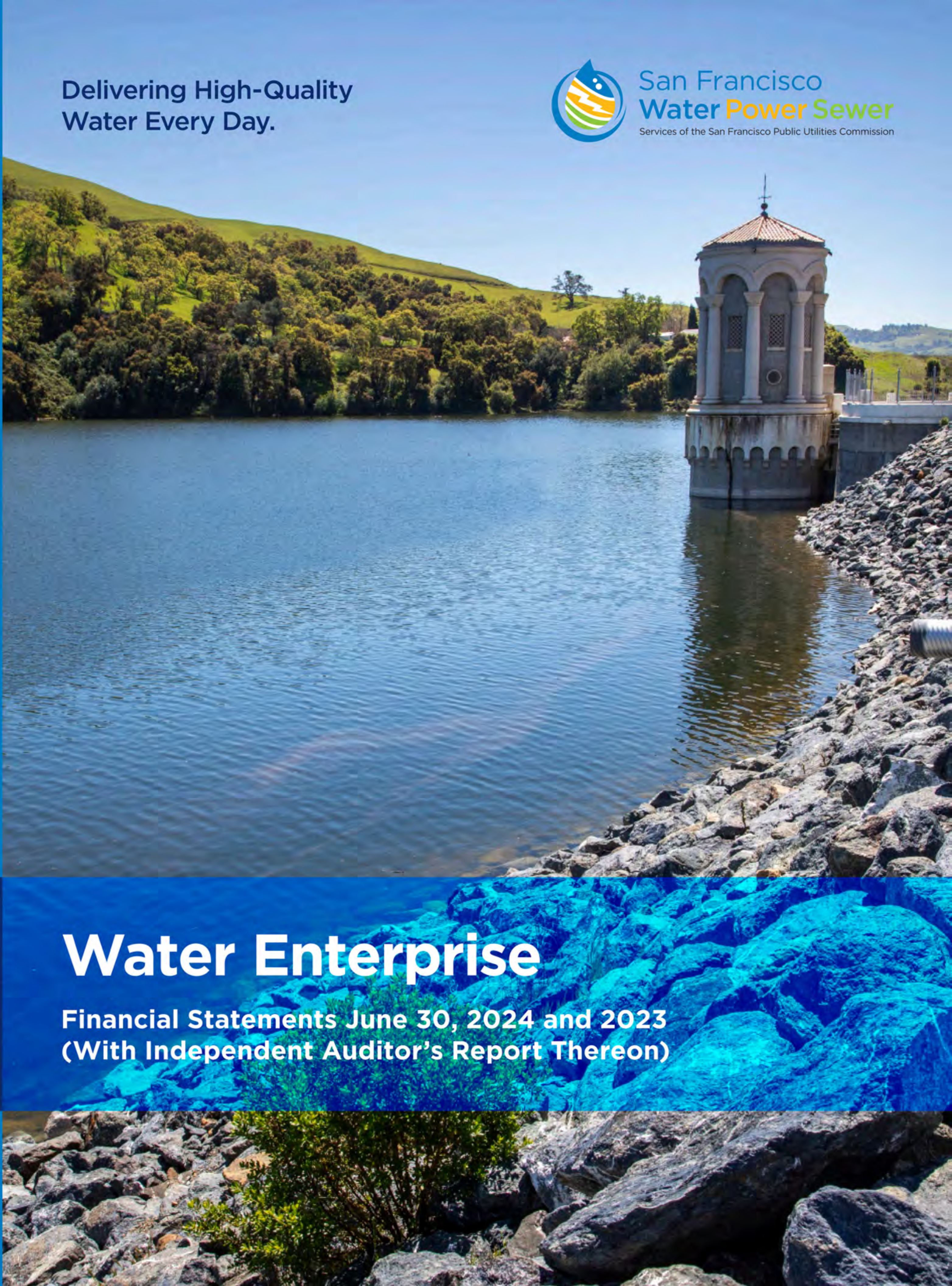

Water Enterprise

Financial Statements June 30, 2024 and 2023
(With Independent Auditor's Report Thereon)

SAN FRANCISCO WATER ENTERPRISE

Table of Contents

MGO. Certified Public Accountants

Independent Auditor's Report

Honorable Mayor and the Board of Supervisors
City and County of San Francisco, California

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of the San Francisco Water Enterprise (the Enterprise), an enterprise fund of the City and County of San Francisco (City), as of and for the years ended June 30, 2024 and 2023, and the related notes to the financial statements, as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the financial position of the Enterprise as of June 30, 2024 and 2023, and the changes in its financial position and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Enterprise, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Emphasis of Matter

As discussed in Note 1, the financial statements present only the Enterprise and do not purport to, and do not, present fairly the financial position of the City, as of June 30, 2024 and 2023, the changes in its financial position, or, where applicable, its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

The Enterprise's management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Enterprise's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, as listed in the table of contents, be presented to supplement the financial statements. Such information is the responsibility of management and, although not a part of the financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with GAAS, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the financial statements, and other knowledge we obtained during our audits of the financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 12, 2024 on our consideration of the Enterprise's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Enterprise's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Enterprise's internal control over financial reporting and compliance.

Macias Gini & O'Connell LLP

Walnut Creek, California
November 12, 2024

This section presents management's analysis of the San Francisco Water Enterprise's (the Enterprise) financial condition and activities as of and for fiscal years ended June 30, 2024 and 2023. Management's Discussion and Analysis (MDA) is intended to serve as an introduction to the Enterprise's financial statements. This information should be read in conjunction with the audited financial statements that follow this section. All dollar amounts, unless otherwise noted, are expressed in thousands of dollars.

The information in this MDA is presented under the following headings:

- Organization and Business
- Overview of the Financial Statements
- Financial Analysis
- Capital Assets
- Debt Administration
- Rates and Charges
- Request for Information

Organization and Business

The San Francisco Public Utilities Commission (SFPUC or the Commission) is a department of the City and County of San Francisco (the City) that is responsible for the maintenance, operation, and development of three utility enterprises: Water (the Enterprise), Hetch Hetchy Water and Power and CleanPowerSF, and Wastewater. The Enterprise collects, transmits, treats, and distributes high-quality drinking water to a total population of approximately 2.7 million people, including retail customers in the City and wholesale customers located in San Mateo, Santa Clara, and Alameda Counties. The Enterprise sold approximately 174 million gallons of water per day in the year ended June 30, 2024. Approximately 70% of the water delivered by the Enterprise is to wholesale customers. Retail customers use the remaining 30% and are primarily San Francisco consumers, including residential, commercial, industrial, and governmental users. Wholesale customers include cities, water districts, one private utility, and one non-profit university. Service to these customers is provided pursuant to the 25-year Amended and Restated Water Supply Agreement (WSA), commenced on July 1, 2009, which established the basis for determining the costs of wholesale service.

Overview of the Financial Statements

The Enterprise's financial statements include the following:

Statements of Net Position present information on the Enterprise's assets, deferred outflows, liabilities, and deferred inflows as of year-end, with the difference reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the Enterprise is improving or worsening.

While the *Statements of Net Position* provide information about the nature and amount of resources and obligations as of year-end, the *Statements of Revenues, Expenses, and Changes in Net Position* present the results of the Enterprise's operations over the course of the fiscal year and information as to how the net position changed during the year. These statements can be used as an indicator of the extent to which the Enterprise has successfully recovered its costs through user fees and other charges. All changes in net position are reported during the period in which the underlying event giving rise to the change occurs, regardless of the timing of the related cash flows. Thus, revenues and expenses are reported in these statements from some items that will result in cash flows in future fiscal periods, such as delayed collection of operating revenues and the expenses of employee earned but unused vacation leave.

The *Statements of Cash Flows* present changes in cash and cash equivalents resulting from operational, capital financing, non-capital financing, and investing activities. These statements summarize the annual flow of cash receipts and cash payments, without consideration of the timing of the event giving rise to the obligation or receipt and exclude non-cash accounting measures of depreciation or amortization of assets.

The *Notes to Financial Statements* provide information that is essential to a full understanding of the financial statements that is not displayed on the face of the financial statements.

Financial Analysis

Financial Highlights for Fiscal Year 2024

- Total assets exceeded total liabilities by $641,038.
- Net position increased by $57,575 or 8.3% during the fiscal year.
- Capital assets, net of accumulated depreciation and amortization increased by $125,515 or 2.2% to $5,778,467.
- Current and other assets increased by $174,613 or 25.3% mainly due to increases of reimbursements receivable relating to the Mountain Tunnel Improvement project for Clean Water State Revolving Funds (SRF) Loans and restricted cash from the issuances of the 2023 Series AB and 2023 Series CD bonds.
- Operating revenues decreased by $14,201 or 2.1% to $676,890.
- Operating expenses increased by $69,103 or 15.0% to $529,356.

Financial Highlights for Fiscal Year 2023

- Total assets exceeded total liabilities by $565,858.
- Net position increased by $58,646 or 9.3% during the fiscal year.
- Capital assets, net of accumulated depreciation and amortization increased by $30,969 or 0.6% to $5,652,952.
- Current and other assets decreased by $99,872 or 12.6% mainly due to bond principal and interest payments, capital project expenses, and payments for salaries.
- Operating revenues increased by $117,974 or 20.6% to $691,091.
- Operating expenses increased by $58,489 or 14.6% to $460,253.

(Dollars in thousands, unless otherwise stated)

Financial Position

The following table summarizes the Enterprise's net position.

Table 1
Comparative Condensed Net Position
June 30, 2024, 2023, and 2022

	2024	2023	2022	2024-2023 Change	2023-2022 Change
Total assets:					
Current and other assets	$ 865,690	691,077	790,949	174,613	(99,872)
Capital assets, net of accumulated depreciation and amortization	5,778,467	5,652,952	5,621,983	125,515	30,969
Total assets	6,644,157	6,344,029	6,412,932	300,128	(68,903)
Deferred outflows of resources:					
Unamortized loss on refunding of debt	89,186	124,635	139,481	(35,449)	(14,846)
Pensions	93,526	70,101	52,852	23,425	17,249
Other postemployment benefits	29,974	28,616	32,445	1,358	(3,829)
Total deferred outflows of resources	212,686	223,352	224,778	(10,666)	(1,426)
Liabilities:					
Current liabilities:					
Revenue bonds	138,140	135,095	125,285	3,045	9,810
Certificates of participation	3,402	3,267	3,138	135	129
Commercial paper	190,000	—	206,297	190,000	(206,297)
State revolving fund loans	—	—	3,283	—	(3,283)
Other liabilities	148,337	148,547	182,349	(210)	(33,802)
Subtotal current liabilities	479,879	286,909	520,352	192,970	(233,443)
Long-term liabilities:					
Revenue bonds	4,826,497	4,575,751	4,735,650	250,746	(159,899)
Certificates of participation	85,830	89,232	92,499	(3,402)	(3,267)
Commercial paper	—	371,459	—	(371,459)	371,459
State revolving fund loans	259,970	163,627	118,478	96,343	45,149
Arbitrage rebate payable	869	—	—	869	—
Other liabilities	350,074	291,193	218,669	58,881	72,524
Subtotal long-term liabilities	5,523,240	5,491,262	5,165,296	31,978	325,966
Total liabilities:					
Revenue bonds	4,964,637	4,710,846	4,860,935	253,791	(150,089)
Certificates of participation	89,232	92,499	95,637	(3,267)	(3,138)
Commercial paper	190,000	371,459	206,297	(181,459)	165,162
State revolving fund loans	259,970	163,627	121,761	96,343	41,866
Arbitrage rebate payable	869	—	—	869	—
Other liabilities	498,411	439,740	401,018	58,671	38,722
Total liabilities	6,003,119	5,778,171	5,685,648	224,948	92,523
Deferred inflows of resources:					
Unamortized gain on refunding of debt	31,854	—	—	31,854	—
Pensions	13,305	28,504	248,704	(15,199)	(220,200)
Leases	36,583	41,558	44,583	(4,975)	(3,025)
Other postemployment benefits	22,334	27,075	25,348	(4,741)	1,727
Total deferred inflows of resources	104,076	97,137	318,635	6,939	(221,498)
Net position:					
Net investment in capital assets	350,430	460,213	512,313	(109,783)	(52,100)
Restricted for debt service	44,724	14,625	14,671	30,099	(46)
Restricted for capital projects	200,632	56,822	17,085	143,810	39,737
Restricted for other purposes	—	—	100,407	—	(100,407)
Unrestricted	153,862	160,413	(11,049)	(6,551)	171,462
Total net position	$ 749,648	692,073	633,427	57,575	58,646

Net Position, Fiscal Year 2024

For the period ended June 30, 2024, the Enterprise's assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by $749,648. Total net position increased from prior year by $57,575 or 8.3% (see Table 1). Increases of $289,462 in assets and deferred outflows of resources, and increases of $231,887 in liabilities and deferred inflows of resources are described below.

Current and other assets are primarily comprised of restricted and unrestricted balances of cash, receivables for water deliveries and services, interest and lease receivables, interfund receivables due from other governmental agencies, prepaids, and inventory.

During the fiscal year 2024, current and other assets increased by $174,613 or 25.3%. The increases included $93,433 for reimbursements receivable from the State Water Resources Control Board (SWRCB) State Revolving Funds Loan relating to the SF Westside Recycled Water and the Mountain Tunnel Improvement projects, $53,237 in restricted and unrestricted cash and investments mainly due to the issuances of Series 2023 Series AB and 2023 Series CD bonds, $16,069 in Wholesale Balancing Account receivable (see Note 11 for details), $15,531 in charges for services receivable due to more billings than collections and adopted rate increases of 9.7% for wholesale customers and 5.0% for retail customers, $1,264 in interest receivable mainly due to higher interest rates, $505 in notes receivable from the sale of the Balboa Reservoir due to interest accruals, $366 due from other governments for a Federal Emergency Management Agency disaster cost recovery relating to the 2020 Wildfires Santa Clara Fence project, and $275 in restricted interest and other receivables mainly due to increases in capacity fees. These increases were offset by decreases of $4,567 in leases receivable due to payments received, $1,121 in prepaid expenses of multiple software licensing and membership fees, $366 in inventory due to more issuances than purchases during the fiscal year, and $13 for custom work projects due from the Department of Public Works (DPW).

Capital assets, net of accumulated depreciation and amortization, increased by $125,515 or 2.2% mainly from the San Joaquin Pipeline Valve and Safe Entry Improvement and Mountain Tunnel Improvement projects. The largest portion of the Enterprise's net position of $350,430 or 46.7% represents net investment in capital assets (see Capital Assets section of the MDA for more information), which decreased by $109,783 or 23.9% from prior year's $460,213. The change was explained by an increase of $235,298 in liabilities mainly from the issuances of 2023 Series AB and 2023 Series CD bonds, and additional State Revolving Funds Loans relating to the Mountain Tunnel Improvement and SF Westside Recycled Water projects, offset by an increase of $125,515 in capital assets mainly from additional assets placed into service.

Deferred outflows of resources decreased by $10,666 due to a decrease of $35,449 in unamortized loss on refunding of debt mainly from defeasance of refunding loss by the 2023 Series CD revenue refunding bonds, offset by increases of $23,425 from pensions and $1,358 in OPEB benefits based on actuarial estimates.

Total liabilities increased by $224,948 which was due to increases of $253,791 in outstanding revenue bonds mainly from the issuances of 2023 Series AB revenue bonds and 2023 Series CD revenue refunding bonds, $96,343 in SRF Loans payable due to additional loans relating to the Mountain Tunnel Improvement and SF Westside Recycled Water projects, $37,300 in pensions based on actuarial estimates, $9,700 in OPEB liabilities based on actuarial estimates, $6,442 in interest payable mainly from the issuances of 2023 Series AB revenue bonds and 2023 Series CD revenue refunding bonds, $3,148 in damage claims based on actuarial reports, $2,055 in accrued payroll, vacation and sick leave based on unused leave and a 4.75% cost-of-living adjustment, $1,715 in restricted and unrestricted payables due to higher year end expense accruals for operating activities as compared to prior year, $1,267 in accrued workers' compensation based on actuarial estimates, $1,073 in unearned revenues mainly for the water utility California state arrearages relief grant received, and $869 in arbitrage rebate payable mainly for the 2023 Series A bonds. These increases were offset by decreases of $181,459 in commercial paper from refunding by the 2023 Series AB revenue bonds, $3,267 in certificates of participation from repayment and amortization of premium, $2,440 payment to San Francisco Municipal Transportation Agency (MTA) for a settlement payable relating to the Van Ness Corridor Transit Improvement project, $1,189 in leases liability due to payments in the current year, and $400 in subscription liability from payments in the current year.

Deferred inflows of resources increased by $6,939 due to an increase of $31,854 in unamortized gain on refunding of debt from the issuance of 2023 Series CD revenue refunding bonds, offset by decreases of $15,199 related to pensions based on actuarial estimates, $4,975 in leases due to fewer leases, and $4,741 in OPEB benefits based on actuarial estimates.

Net Position, Fiscal Year 2023

For the period ended June 30, 2023, the Enterprise's assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by $692,073. Total net position increased from prior year by $58,646 or 9.3% (see Table 1). The increase in net position was the result of a decrease of $128,975 in liabilities and deferred inflows of resources offset by a decrease of $70,329 in assets and deferred outflows of resources.

Current and other assets are primarily comprised of restricted and unrestricted balances of cash, receivables for water deliveries and services, interest and lease receivables, interfund receivables due from other governmental agencies, prepaids, and inventory.

During the fiscal year 2023, current and other assets decreased by $99,872 or 12.6%. The decreases included $100,407 in restricted net pension asset based on actuarial estimates, $45,106 in restricted and unrestricted cash and investments mainly due to debt principal and interest payments, capital projects spending, payments for salaries and goods and services, $6,625 in prepaid expenses of multiple software licensing and membership fees, $2,535 in lease receivable due to lease payments received, $632 in restricted interest and other receivables mainly due to capacity fees, and $63 mainly for custom work projects due from the Department of Public Works (DPW). These decreases were offset by increases of $28,594 for a reimbursement receivable from the State Water Resources Control Board (SWRCB) State Revolving Funds Loan relating to the Mountain Tunnel Improvement and SF Westside Recycled Water projects, $11,007 in notes receivable from the sale of the Balboa Reservoir, $10,052 in Wholesale Balancing Account receivable (see Note 11 for details), $2,249 in interest receivable mainly due to higher interest rates, $2,205 in charges for services receivable mainly due to a 15.9% rate increase for wholesale customers beginning July 1, 2022, and $1,389 in inventory due to more purchases than issuances during the fiscal year.

Capital assets, net of accumulated depreciation and amortization, increased by $30,969 or 0.6% mainly due to Mountain Tunnel Improvement and SF Westside Recycled Water projects. The largest portion of the Enterprise's net position of $460,213 or 66.5% represents net investment in capital assets (see Capital Assets section of the MDA for more information), which decreased by $52,100 or 10.2% from prior year's $512,313 The change was explained by an increase of $83,069 in liabilities related to capital assets mainly from State Revolving Funds Loan relating to the Mountain Tunnel Improvement and SF Westside Recycled Water projects, offset by a $30,969 increase in capital assets mainly from increased buildings, structures and improvements.

(Dollars in thousands, unless otherwise stated)

Deferred outflows of resources decreased by $1,426 due to decreases of $14,846 from amortization for unamortized loss on refunding and $3,829 in OPEB obligations based on actuarial estimates, offset by an increase of $17,249 from pensions based on actuarial estimates.

Total liabilities increased by $92,523, which was due to increases of $165,162 in commercial paper from additional principal issuances, $115,343 in pensions based on actuarial reports, $41,866 in SRF loan payable due to additional loans related to the Mountain Tunnel Improvement and SF Westside Recycled Water projects, $15,329 in restricted and unrestricted payables due to higher year end expense accruals for capital projects as compared to prior year, $4,486 in OPEB obligations based on actuarial estimates, $2,440 payable to San Francisco Municipal Transportation Agency for a settlement payable relating to the Van Ness Corridor Transit Improvement project, $1,168 in accrued payroll, vacation and sick leave due to cost of living adjustments and unused leave, $1,147 in lease liability from additional leases, and $762 in workers' compensation based on actuarial estimates. These increases were offset by decreases of $150,089 in outstanding revenue bonds from $125,284 in bond repayment, $24,813 in bond premium amortization, offset by $8 in bond discount amortization, $79,150 in the Wholesale Balancing Account liability (see Note 11 for details), $16,444 in general liability based on actuarial report, $5,160 in unearned revenues mainly from lower custom work deposits and reduced Bay Area Water Supply and Conservation Agency (BAWSCA) Bond Surcharges, $3,138 in certificates of participation from $3,124 in principal repayment and $14 in amortization of premium, $848 in subscription liabilities from the implementation of GASB Statement No. 96 – *SBITAs,* and $351 in interest payable from lower outstanding revenue bonds.

Deferred inflows of resources decreased by $221,498 due to decreases of $220,200 related to pensions based on actuarial estimates and $3,025 in leases based on Controller's Office GASB 87 lease calculations, offset by an increase of $1,727 in OPEB obligations based on actuarial estimates.

Results of Operations

The following table summarizes the Enterprise's revenues, expenses, and changes in net position.

Table 2
Comparative Condensed Revenues, Expenses, and Changes in Net Position
June 30, 2024, 2023, and 2022

	2024	2023	2022	2024-2023 Change	2023-2022 Change
Revenues:					
Charges for services	$ 650,233	661,241	539,526	(11,008)	121,715
Rents and concessions	8,556	13,282	13,765	(4,726)	(483)
Other operating revenues	18,101	16,568	19,826	1,533	(3,258)
Interest and investment income (loss)	25,097	11,156	(10,896)	13,941	22,052
Other non-operating revenues	42,071	40,679	41,871	1,392	(1,192)
Total revenues	744,058	742,926	604,092	1,132	138,834
Expenses:					
Operating expenses	529,356	460,253	401,764	69,103	58,489
Interest expenses	222,055	214,913	213,681	7,142	1,232
Amortization of premium, discount, refunding loss, and issuance costs	(13,825)	(9,971)	(9,875)	(3,854)	(96)
Non-operating expenses	1,760	1,775	828	(15)	947
Total expenses	739,346	666,970	606,398	72,376	60,572
Change in net position before capital contributions and transfers	4,712	75,956	(2,306)	(71,244)	78,262
Capital contributions	53,599	2,717	–	50,882	2,717
Transfers from the City and County of San Francisco	505	5	15,035	500	(15,030)
Transfers to the City and County of San Francisco	(1,241)	(20,032)	(30,666)	18,791	10,634
Capital contributions and net transfers	52,863	(17,310)	(15,631)	70,173	(1,679)
Change in net position	57,575	58,646	(17,937)	(1,071)	76,583
Net position at beginning of year	692,073	633,427	651,364	58,646	(17,937)
Net position at end of year	$ 749,648	692,073	633,427	57,575	58,646

Results of Operations, Fiscal Year 2024

The Enterprise's total revenues of $744,058 for the year represented an increase of $1,132 or 0.2% from prior year (see Table 2). Increases included $13,941 from interest and investment income, $1,533 in other operating revenues, and $1,392 in other non-operating revenues. These increases were offset by decreases of $11,008 in charges for services and $4,726 in rents and concessions.

Charges for services were $650,233, a decrease of $11,008 or 1.7%, mainly due to a higher Wholesale Balancing Account adjustment to increase revenues in prior year, offset by adopted rate increases of 9.7% for wholesale customers and 5% for retail customers beginning July 1, 2023. Rents and concessions were $8,556, a decrease of $4,726 or 35.6%, mainly due to funding allocation for low-income customer assistance programs. Other operating revenues were $18,101, an increase of $1,533 or 9.3%, mainly due to increased consumption by other City departments and an adopted rate increase of 5% beginning July 1, 2023. Interest and investment income were $25,097, an increase of $13,941 or 125.0%, mainly due to higher unrealized gains in the current year compared to prior year and higher interest rates. Other non-operating revenues were $42,071, an increase of $1,392 or 3.4%, mainly due to grants for COVID-19 pandemic related water utility arrearages relief and disaster cost recovery for the 2020 Wildfires Santa Clara Fence project.

The Enterprise's total expenses were $739,346, an increase of $72,376 or 10.9%. Operating expenses were $529,356, an increase of $69,103 or 15.0%, resulting from increases of $30,435 in general and administrative expenses mainly due to an increase in judgment and claims expenses based on actuarial estimates, $24,070 in personnel services mainly due to pension expenses based on actuarial estimates, $11,054 in other operating expenses mainly due SF Recycled Water and Mountain Tunnel Improvement projects spending, $3,209 in contractual services mainly for construction expenses, and $3,149 in materials and supplies mainly for water treatment supplies. These increases were offset by decreases of $2,272 for services provided by other departments mainly from lower water assessment fees paid to Hetch Hetchy Water, and $542 in depreciation. Interest expenses increased by $7,142 compared to prior year, mainly due to the issuances of 2023 Series AB revenue bonds and 2023 Series CD revenue refunding bonds. Amortization of bond premium, discount, refunding loss/gain and issuance costs increased by $3,854 due to the issuances of 2023 Series AB revenue bonds and 2023 Series CD revenue refunding bonds. Non-operating expenses decreased by $15 mainly due to higher rebates provided to customers in the prior year.

Capital contributions of $53,599 were received from developers for assets relating mainly to the Treasure Island, Yerba Buena Island, and Pier 70 Development project. Transfer in of $505 from the General Fund included $500 for research on environmental impacts in Hunter's Point Shipyard and $5 for the Mayor's Office's minimum compensation ordinance. Transfer out of $1,241 included $1,167 to the Arts Commission for the arts enrichment fund, $42 to Hetch Hetchy Water to fund various Mountain Tunnel Improvement projects, and $32 to the Office of the City Administrator for the Enterprise's contribution to the Surety Bond Program.

Results of Operations, Fiscal Year 2023

The Enterprise's total revenues of $742,926 for the year represented an increase of $138,834 or 23.0% from prior year (see Table 2). Increases included $121,715 from charges for services, and $22,052 in interest and investment income. These increases were offset by decreases of $3,258 in other operating revenues, $1,192 in other non-operating revenues, and $483 in rents and concessions.

Charges for services were $661,241, an increase of $121,715 or 22.6% mainly due to an adopted rate increase of 15.9% for wholesale customers and a 5% drought surcharge for retail customers beginning July

(Dollars in thousands, unless otherwise stated)

1, 2022. Rents and concessions were $13,282, a decrease of $483 or 3.5% mainly due to lease terminations. Other operating revenues were $16,568, a decrease of $3,258 or 16.4% mainly due to decreased consumption by other City departments and fewer capacity fee applications. Interest and investment income was $11,156, an increase of $22,052 or 202.4% due to prior year unrealized losses and higher interest earned on pooled cash. Other non-operating revenues were $40,679, a decrease of $1,192 or 2.8% due to an accrued settlement and water utility arrearages relief grant received in prior year.

The Enterprise's total expenses were $666,970, an increase of $60,572 or 10.0%. Operating expenses were $460,253, an increase of $58,489 or 14.6%, as a result of increases of $52,324 in personnel services mainly due to pensions based on actuarial estimates, $6,937 in depreciation from additional capital assets placed into service, $6,603 in services provided by other departments mainly for higher water assessments fees paid to Hetch Hetchy Water, $4,357 in contractual services mainly for custom work and professional and specialized service charges, and increase of $4,327 in materials and supplies mainly for water treatment supplies. These increases were offset by a decrease of $16,059 in general administrative and other expenses mainly from judgment and claims. Interest expenses increased by $1,232, compared to prior year, mainly due to increased commercial paper interest. Amortization of bond premium, discount, refunding loss and issuance costs increased by $96 mainly due to amortization of bond refunding loss. Non-operating expenses increased by $947 mainly for youth employment and employment projects.

Transfer in of $5 from the General Fund was for the Mayor's Office's minimum compensation ordinance. Transfer out of $20,032 included $20,000 to Hetch Hetchy Water to fund various Mountain Tunnel Improvement projects, and $32 to the Office of the City Administrator for the Enterprise's contribution to the Surety Bond Program. Capital contribution of $2,717 was received from a developer for assets relating to the Potrero HOPE SF and Sunnydale HOPE SF projects.

Capital Assets

The following table summarizes changes in the Enterprise's capital assets.

Table 3
Capital Assets, Net of Accumulated Depreciation and Amortization
As of June 30, 2024, 2023, and 2022

	2024	2023	2022	2024-2023 Change	2023-2022 Change
Facilities, improvements, machinery, and equipment	$ 5,052,639	5,005,667	5,056,747	46,972	(51,080)
Intangible assets	2,657	2,331	3,152	326	(821)
Land and rights-of-way	113,322	113,322	113,441	—	(119)
Construction work in progress	606,804	526,994	444,254	79,810	82,740
Right-to-use lease and subscription assets	3,045	4,638	4,389	(1,593)	249
Total	$ 5,778,467	5,652,952	5,621,983	125,515	30,969

Capital Assets, Fiscal Year 2024

The Enterprise has net capital assets of $5,778,467 invested in a broad range of utility capital assets as of June 30, 2024 (see Table 3). The investment in capital assets includes land, facilities, improvements, water treatment plants, aqueducts, water transmission, distribution mains, water storage facilities, pump stations, water reclamation facilities, machinery, and equipment. The Enterprise's net revenue and long-term debt are used to finance capital investments. Capital assets, net of accumulated depreciation and amortization, increased by $125,515 from the prior year. Facilities, improvements, machinery, and equipment increased by $46,972 mainly due to additions relating to various Water Main Replacement projects. Intangible assets increased by $326 mainly due to Maximo improvements and Software as a Service Applications additions. Land and rights-of-way was unchanged. Construction work in progress increased by $79,810 mainly from the San Joaquin Pipeline Valve and Safe Entry Improvements and Mountain Tunnel Improvement projects. Right-to-use lease and subscription assets decreased by $1,593 due to fewer leases and subscription assets.

(Dollars in thousands, unless otherwise stated)

As of June 30, 2024 and 2023, the Enterprise had capital commitments of $225,678 and $187,936, respectively.

Major additions to construction work in progress during the year ended June 30, 2024 include the following:

San Joaquin Pipeline Valve and Safe Entry Improvements	$	21,253
Mountain Tunnel Improvements		18,114
New City Distribution Division Headquarters		10,999
2023 March Winter Storm Joint Project		10,622
Lead Component Service Program		10,419
Water Main Replacement - WD-2847 Laidley/Castro to Harper/Bemis/Miguel/Various Side		8,038
College Hill Reservoir Outlet and Pipeline		7,960
New services for water installation		7,195
Water Main Replacement - WD-2859 Taraval Segment B		6,482
Regional Groundwater Storage and Recovery		6,426
Skyline Ridge Trail		6,336
Water Main Replacement - WD-2801 Mariposa to Cesar Chavez/York/Hampshire Streets		6,289
Water Main Replacement - WD-2843 Diamond/27th/28th/Duncan Streets		5,675
Westside Recycled Water Project		5,444
San Andreas Reservoir Road Improvements		5,358
Other project additions individually below $5,000		84,360
Total	$	220,970

Major land, depreciable facilities, improvements, intangible assets, machinery, and equipment placed in service, including transfers of completed projects from construction work in progress, during the year ended June 30, 2024 include the following:

Water Main Replacement - WD-2859 Taraval Segment B	$	15,052
Water Main Replacement - WD-2843 Diamond/27th/28th/Duncan Streets		11,814
Water Main Replacement - WD-2847 Laidley/Castro to Harper/Bemis/Miguel/Various Side		10,882
Renewed Water Service Lines		10,419
Harry Tracy Water Treatment Plant Filters No. 1-6 Stainless Steel Underdrains		10,356
Water Main Replacement - WD-2806 Vicente Street/19th to 25th Avenue		9,315
Water Main Replacement - WD-2718 Prospect/Fair/Coso Avenues/Coleridge Street		9,173
Contributed Capital - Yerba Buena Island 1.34 mg Prestressed Concrete Water Storage		8,770
Contributed Capital - Pier 70 Phase 1 Auxiliary Water Supply System Pipe Network		8,648
New Water Service Facilities		7,195
Auxiliary Water Supply System - Pipeline at Clarendon Avenue		6,871
Contributed Capital - Pier 70 Phase 1 Low Pressure Water Pipe Network		6,789
2023 March Emergency Major Road Repair - Cherry Lake Road		6,679
Potable Emergency Firefighting Water System - Pipeline at 19th Avenue		6,489
Other items individually below $5,000		72,425
Total	$	200,877

See Note 4 for additional information about Capital Assets.

(Dollars in thousands, unless otherwise stated)

Water System Improvement Program (WSIP)

The WSIP delivers capital improvements that enhance the Enterprise's ability to provide reliable, affordable, high-quality drinking water to its 27 wholesale customers and regional retail customers in Alameda, Santa Clara, and San Mateo Counties, as well as approximately 800,000 residential customers in San Francisco, in an environmentally sustainable manner. The program is structured to cost-effectively meet water quality requirements and long-term water supply objectives, as well as improve seismic and delivery reliability.

Overall, the $4.8 billion WSIP to upgrade the City of San Francisco's regional and local drinking water systems is 99% completed with $4.8 billion of project appropriations expended through fiscal year ended June 30, 2024. The program consists of 35 local projects located within San Francisco and 52 regional projects spread over seven different counties from the Sierra Foothills to San Francisco. As of June 30, 2024, 35 local projects were completed. For regional projects, 48 projects were completed, the Alameda Creek Recapture and Regional Groundwater Storage projects are under construction, the Bioregional Habitat Restoration project is in close-out, and Long-Term Mitigation Endowment project is not applicable as it does not include construction. The expected completion date is June 2032. Additional details regarding the WSIP are available at https://sfpuc.gov/construction-contracts/water-infrastructure-improvements.

Capital Assets, Fiscal Year 2023

The Enterprise has net capital assets of $5,652,952 invested in a broad range of utility capital assets as of June 30, 2023 (see Table 3). The investment in capital assets includes land, facilities, improvements, water treatment plants, aqueducts, water transmission, distribution mains, water storage facilities, pump stations, water reclamation facilities, machinery, and equipment. The Enterprise's net revenue and long-term debt are used to finance capital investments. Capital assets, net of accumulated depreciation and amortization, increased by $30,969 from the prior year. Facilities, improvements, machinery, and equipment decreased by $51,080 mainly due to depreciation. Intangible assets decreased by $821 mainly due to amortization. Land decreased by $119 from the sale of Balboa Reservoir. Construction work in progress increased by $82,740 mainly from the Mountain Tunnel Improvement and SF Westside Recycled Water projects. Right-to-use lease and subscription assets increased by $249 due to the implementation of GASB Statement No. 96 – *SBITAs.*

Major additions to construction work in progress during the year ended June 30, 2023 include the following:

Mountain Tunnel Improvements	$	22,623
SF Westside Recycled Water Project		9,400
New Water Utility Service Facilities		7,594
Water Main Replacement and Auxiliary Water Supply System Pipeline - 19th Ave		7,183
College Hill Reservoir Outlet and Pipeline		7,087
Sunol Valley Water Treatment Plant Ozonation		6,987
Water Main Replacement - WD-2718 Prospect/Cortland/Fair Ave		5,987
Harry Tracy Water Treatment Plant - Filters No. 1 to 6 Underdrain Replacement		5,939
Water Main Replacement - WD-2859 Taraval Segment B		5,649
San Joaquin Pipeline Valve and Safe Entry Improvements		5,486
Water Main Replacement - WD-2843 Diamond/27th/28th Streets		5,372
Water Main Replacement - WD-2806 Vicente Street/19th to 25th Ave		5,189
Regional Groundwater Storage and Recovery		5,152
Other project additions individually below $5,000		80,743
Total	$	180,391

(Dollars in thousands, unless otherwise stated)

Major land, depreciable facilities, improvements, intangible assets, machinery, and equipment placed in service, including transfers of completed projects from construction work in progress, during the year ended June 30, 2023 include the following:

Auxiliary Water Supply System Pumping Station No. 2 Improvement - Structural System	$	14,683
Water Main Replacement - WD-2811 17th/Clayton/Ord Streets		11,240
New Water Utility Service Facilities		7,594
Water Main Replacement - 19th Ave		7,018
Auxiliary Water Supply System Pumping Station No. 2 Improvement - Diesel Engine Generator		6,235
Other items individually below $5,000		54,730
Total	$	101,500

See Note 4 for additional information about Capital Assets.

Water System Improvement Program

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Overall, the $4.8 billion WSIP to upgrade the City of San Francisco's regional and local drinking water systems is 99% completed with $4.8 billion of project appropriations expended through fiscal year ended June 30, 2023. The program consists of 35 local projects located within San Francisco and 52 regional projects spread over seven different counties from the Sierra Foothills to San Francisco. As of June 30, 2023, 35 local projects were completed. For regional projects, 48 projects were completed, the Alameda Creek Recapture and Regional Groundwater Storage projects are under construction, the Bioregional Habitat Restoration project is in close-out, and Long-Term Mitigation Endowment project is not applicable as it does not include construction. The expected completion date is February 2027. Additional details regarding the WSIP are available at https://sfpuc.gov/construction-contracts/water-infrastructure-improvements.

(Dollars in thousands, unless otherwise stated)

Debt Administration

As of June 30, 2024, the Enterprise had $5,503,839 total debt outstanding, an increase of $165,408 over the prior year, as shown below in Table 4. More detailed information about the Enterprise's debt activity is presented in Notes 6, 7, and 8 to the financial statements.

Table 4
Outstanding Debt, Net of Unamortized Costs
As of June 30, 2024, 2023, and 2022

		2024	2023	2022	2024-2023 Change	2023-2022 Change
Revenue bonds	$	4,964,637	4,710,846	4,860,935	253,791	(150,089)
Commercial paper		190,000	371,459	206,297	(181,459)	165,162
Certificates of participation		89,232	92,499	95,637	(3,267)	(3,138)
State revolving fund loans		259,970	163,627	121,761	96,343	41,866
Total	$	5,503,839	5,338,431	5,284,630	165,408	53,801

The increase of $253,791 in revenue bonds was due to increases of $928,890 in bond principal and $136,522 in bond premium from the issuances of 2023 Series AB revenue bonds and 2023 Series CD revenue refunding bonds, and $8 from the amortization of discount. These increases were offset by decreases of $619,115 in bond principal from refunding of various bonds by the 2023 Series CD revenue refund bonds, $135,075 in bond principal from repayment, $29,008 in premium from amortization, and $28,431 in bond premium from refunding. The Enterprise had $190,000 in tax-exempt commercial paper as of June 30, 2024, and $343,767 in tax-exempt and $27,692 in taxable commercial paper as of June 30, 2023. The $181,459 decrease of commercial paper resulted from a $372,609 decrease due to refunding by the 2023 Series AB revenue bonds, offset by a $190,995 increase in tax-exempt and $155 increase in taxable commercial paper from new issuances. The decrease of $3,267 in certificates of participation was from repayment. The $96,343 increase in SRF loans was from $97,477 in additional reimbursement requests submitted mainly for the Mountain Tunnel Improvement project offset by $1,134 in reversals of accrued interest capitalized to principal relating to the SF Westside Recycled Water project.

Credit Ratings and Bond Insurance – The Enterprise carried underlying ratings of “Aa2” and “AA-” from Moody's and S&P Global Ratings (S&P) on June 30, 2024, and “Aa2” and “AA-” from Moody's and S&P on June 30, 2023, respectively.

Debt Service Coverage – Pursuant to the Amended and Restated Indenture, the Enterprise is required to collect sufficient net revenues each fiscal year, together with any Enterprise funds (except Bond Reserve Funds), which are available for payment of debt service and are not budgeted to be expended, at least equal to 1.25 times annual debt service for said fiscal year, and for the SFPUC's debt service coverage policy, at least equal to 1.35 times annual debt service for said fiscal year. During fiscal years 2024 and 2023, the Enterprise's net revenues, together with fund balances available to pay debt service and not budgeted to be expended, were sufficient to meet the rate covenant requirements under the Enterprise's Amended and Restated Indenture and the SFPUC's debt service coverage policy (see Note 8).

Debt Authorization – Pursuant to the Charter Section 8B.124, the Enterprise can incur indebtedness upon two-thirds vote of the Board of Supervisors, as approved by voters in Proposition E in November 2002. As of June 30, 2024, the Board of Supervisors has authorized the issuance of $6,157,510 in revenue bonds under Proposition E, with $4,317,653 issued against this authorization. The Enterprise can also incur indebtedness of up to $1,628,000 for improvements to the water system pursuant to Proposition A that was approved by the voters in November 2002. As of June 30, 2024, $1,499,230 of the $1,628,000 Proposition A authorized bonds were issued. The Enterprise is also authorized to issue up to $500,000 in commercial paper.

Cost of Debt Capital – The Enterprise's outstanding long-term debt has coupon interest rates ranging from 0.7% to 7.0% as of June 30, 2024, and 0.3% to 7.0% as of June 30, 2023. The Enterprise's short-term debt has interest rates ranging from 2.2% to 5.2% during fiscal year 2024, and 1.2% to 5.3% during fiscal year 2023.

Rates and Charges

Rate Setting Process

Retail Customers

Proposition E, as approved by the voters in November 2002, amended the City Charter by adding the new Article VIIIB, entitled "Public Utilities," which changed the Commission's ability to issue new revenue bonds and set retail water rates. For the retail water rate setting, the Commission is required to:

- Establish rates, fees, and charges based on cost of service;
- Retain an independent rate consultant to conduct cost of service studies at least every five years;
- Consider establishing new connection fees;
- Consider conservation incentives and lifeline rates;
- Adopt a rolling five-year forecast annually; and
- Establish a Rate Fairness Board.

Pursuant to the City and County of San Francisco Charter Section 8B.125, an independent rate study is performed at least once every five years. In compliance with City Charter section 8B.125, a rate study was completed in spring 2023. In May 2023, the Commission subsequently adopted three years of retail rate increases from July 1, 2023 through June 30, 2026.

Other miscellaneous fees for service and charges were last approved in April 2024 to be effective July 1, 2024, and generally increase annually by the Consumer Price Index from the Controller's Office of the City and County of San Francisco, or the 20-City Average Construction Index (CCI) published by Engineering News-Record (ENR) Magazine.

All current SFPUC Rates Schedules and Fees are available at https://sfpuc.gov/accounts-services/water-power-and-sewer-rates.

Wholesale Customers

The Water Supply Agreement (WSA) prescribes the rate setting process for the wholesale water rates. The WSA has a 25-year term, beginning on July 1, 2009, with two 5-year extension options, and was most recently amended and restated in January 2023. Compared to the prior contract with the wholesale customers, the WSA changed the rate basis by which the capital cost recovery is determined from a "utility basis" to a "cash basis," resulting in the repayment of the cost of capital over the life of the debt funding of those assets or at the time of budget appropriation and spending for revenue-funded capital projects, rather than the life of the asset. The WSA requires the rate be calculated and set annually and includes a reconciliation between prior year revenues and expenses. Refer to Note 11 of the notes to financial statements for further discussion on the balancing account of the wholesale customers.

(Dollars in thousands, unless otherwise stated)

The following table is the Enterprise's ten-year average percent rate adjustments:

Ten-year Average Rate Adjustments

Effective Date:	Retail	Wholesale [5]
July 1, 2016	10.0 [1]	9.3
July 1, 2017	7.0 [1]	-
July 1, 2018	9.0 [2]	-
July 1, 2019	8.0 [2]	-
July 1, 2020	7.0 [2]	-
July 1, 2021	7.0 [2]	-
July 1, 2022	- [3]	15.9
July 1, 2023	5.0 [4]	9.7
July 1, 2024	5.0 [4]	8.8
July 1, 2025	5.0 [4]	-

[1] Four-year retail rate increases adopted and effective July 1, 2014.
[2] Four-year retail rate increases adopted and effective July 1, 2018.
[3] No retail rate increase adopted and effective July 1, 2022.
[4] Three-year rate increases adopted and effective July 1, 2023.
[5] Wholesale rates adopted annually.

Request for Information

This report is designed to provide our citizens, customers, investors, and creditors with an overview of the Enterprise's finances and to demonstrate the Enterprise's accountability for the money it receives. Questions regarding any of the information provided in this report or requests for additional financial information should be addressed to San Francisco Public Utilities Commission, Chief Financial Officer, 525 Golden Gate Avenue, 13th Floor, San Francisco, CA 94102. This report is available at https://sfpuc.gov/about-us/reports/audited-financial-statements-reports.

SAN FRANCISCO WATER ENTERPRISE
Statements of Net Position
June 30, 2024 and 2023
(In thousands)

	2024	2023
Assets		
Current assets:		
Cash and investments with City Treasury	$ 380,201	402,885
Cash and investments outside City Treasury	193	192
Receivables:		
Charges for services, current portion (net of allowance for doubtful accounts of $10,777 as of June 30, 2024 and $8,615 as of June 30, 2023)	79,483	63,943
Wholesale balancing account receivable, current portion	26,121	5,571
Due from other City departments	102	115
Due from other governments	366	—
Interest	3,861	2,621
Interest - Leases	935	911
Restricted due from other governments	129,580	36,147
Leases receivable, current portion	3,246	3,521
Restricted interest and other receivable (net of allowance for doubtful accounts of $131 as of June 30, 2024 and $30 as of June 30, 2023)	3,789	3,510
Total current receivables	247,483	116,339
Prepaid charges, advances, and other receivables, current portion	4,958	5,909
Inventory	7,825	8,191
Restricted cash and investments outside City Treasury, current portion	40,065	10,863
Total current assets	680,725	544,379
Non-current assets:		
Wholesale balancing account receivable, less current portion	—	4,481
Restricted cash and investments with City Treasury	71,015	21,000
Restricted cash and investments outside City Treasury, less current portion	63,185	66,482
Leases receivable, less current portion	35,817	40,109
Restricted interest and other receivable (net of allowance for doubtful accounts of $0 as of June 30, 2024 and $8 as of June 30, 2023)	—	4
Charges for services, less current portion (net of allowance for doubtful accounts of $664 as of June 30, 2024 and $656 as of June 30, 2023)	200	209
Note receivable - Balboa Reservoir	11,512	11,007
Right-to-use lease asset, net of accumulated amortization	2,734	3,943
Right-to-use subscription asset, net of accumulated amortization	311	695
Capital assets, not being depreciated and amortized	720,805	640,995
Capital assets, net of accumulated depreciation and amortization	5,054,617	5,007,319
Prepaid charges, advances, and other receivables, less current portion	3,236	3,406
Total non-current assets	5,963,432	5,799,650
Total assets	6,644,157	6,344,029
Deferred outflows of resources		
Unamortized loss on refunding of debt	89,186	124,635
Pensions	93,526	70,101
Other postemployment benefits	29,974	28,616
Total deferred outflows of resources	$ 212,686	223,352

(Continued)

SAN FRANCISCO WATER ENTERPRISE

Statements of Net Position

June 30, 2024 and 2023

(In thousands)

		2024	2023
Liabilities			
Current liabilities:			
Accounts payable	$	25,353	22,671
Accrued payroll		13,444	11,807
Accrued vacation and sick leave, current portion		7,585	7,057
Accrued workers' compensation, current portion		2,188	1,914
Due to other City departments		—	2,440
Damage claims liability, current portion		5,716	11,125
Unearned revenues, refunds, and other		15,050	13,977
Bond, loan, lease, and subscription interest payable, current portion		37,924	35,104
Lease liability, current portion		1,028	1,189
Subscription liability, current portion		153	400
Revenue bonds, current portion		138,140	135,095
Certificates of participation, current portion		3,402	3,267
Commercial paper, current portion		190,000	—
Current liabilities payable from restricted assets		39,896	40,863
Total current liabilities		479,879	286,909
Long-term liabilities:			
Arbitrage rebate payable		869	—
Net other postemployment benefits liability		158,301	148,601
Net pension liability		152,643	115,343
Lease liability, less current portion		1,793	2,821
Subscription liability, less current portion		155	308
Accrued vacation and sick leave, less current portion		6,418	6,528
Accrued workers' compensation, less current portion		8,814	7,821
Damage claims liability, less current portion		17,057	8,500
Bond, loan, lease, and subscription interest payable, less current portion		3,622	—
Revenue bonds, less current portion		4,826,497	4,575,751
Certificates of participation, less current portion		85,830	89,232
Commercial paper, less current portion		—	371,459
State revolving fund loans		259,970	163,627
Pollution remediation obligation		1,271	1,271
Total long-term liabilities		5,523,240	5,491,262
Total liabilities		6,003,119	5,778,171
Deferred inflows of resources			
Unamortized gain on refunding of debt		31,854	—
Pensions		13,305	28,504
Leases		36,583	41,558
Other postemployment benefits		22,334	27,075
Total deferred inflows of resources		104,076	97,137
Net position			
Net investment in capital assets		350,430	460,213
Restricted for debt service		44,724	14,625
Restricted for capital projects		200,632	56,822
Unrestricted		153,862	160,413
Total net position	$	749,648	692,073

See accompanying notes to financial statements

SAN FRANCISCO WATER ENTERPRISE

Statements of Revenues, Expenses, and Changes in Net Position
Years ended June 30, 2024 and 2023
(In thousands)

	2024	2023
Operating revenues:		
Charges for services	$ 650,233	661,241
Rents and concessions	8,556	13,282
Capacity fees	863	1,256
Other revenues	17,238	15,312
Total operating revenues	676,890	691,091
Operating expenses:		
Personnel services	159,779	135,709
Contractual services	20,128	16,919
Materials and supplies	23,195	20,046
Depreciation and amortization	155,172	155,714
Services provided by other departments	77,638	79,910
General and administrative and other	93,444	51,955
Total operating expenses	529,356	460,253
Operating income	147,534	230,838
Non-operating revenues (expenses):		
Federal and state grants	12,414	—
Interest and investment income	25,097	11,156
Interest expenses	(222,055)	(214,913)
Amortization of premium, discount, refunding loss, and issuance costs	13,825	9,971
Net gain from sale of assets	2,060	12,660
Other non-operating revenues	27,597	28,019
Other non-operating expenses	(1,760)	(1,775)
Net non-operating expenses	(142,822)	(154,882)
Change in net position before capital contributions and transfers	4,712	75,956
Capital contributions	53,599	2,717
Transfers from the City and County of San Francisco	505	5
Transfers to the City and County of San Francisco	(1,241)	(20,032)
Capital contributions and net transfers	52,863	(17,310)
Change in net position	57,575	58,646
Net position at beginning of year	692,073	633,427
Net position at end of year	$ 749,648	692,073

See accompanying notes to financial statements.

SAN FRANCISCO WATER ENTERPRISE

Statements of Cash Flows

Years ended June 30, 2024 and 2023

(In thousands)

		2024	2023
Cash flows from operating activities:			
Cash received from customers, including cash deposits	$	636,706	582,603
Cash received from tenants for rent		8,343	13,098
Cash received from miscellaneous revenues		4,776	4,832
Cash paid to employees for services		(151,655)	(142,866)
Cash paid to suppliers for goods and services		(194,099)	(174,938)
Cash paid for judgments and claims		(18,216)	(6,927)
Net cash provided by operating activities		285,855	275,802
Cash flows from non-capital financing activities:			
Cash received from grants		13,400	—
Cash received from settlements		—	6,750
Cash paid for rebates and program incentives		(1,760)	(1,775)
Transfers from the City and County of San Francisco		505	5
Transfers to the City and County of San Francisco		(1,241)	(20,032)
Net cash provided by (used in) non-capital financing activities		10,904	(15,052)
Cash flows from capital and related financing activities:			
Proceeds from sale of capital assets		1,569	1,370
Proceeds from bond issuance, net of premium		474,538	—
Proceeds from commercial paper borrowings		191,150	165,162
Proceeds from State revolving fund loan		4,044	12,371
Principal paid on commercial paper		(372,609)	—
Principal paid on long-term debt		(138,342)	(128,408)
Interest paid on long-term debt		(214,366)	(209,194)
Interest paid on commercial paper		(1,511)	(5,170)
Issuance cost paid on long-term debt		(4,545)	—
Lease payment		(1,270)	(1,050)
Subscription payment		(408)	(862)
Acquisition and construction of capital assets		(228,113)	(172,835)
Federal interest income subsidy from Build America Bonds		22,909	23,260
Net cash (used in) capital and related financing activities		(266,954)	(315,356)
Cash flows from investing activities:			
Interest income received		17,141	9,141
Proceeds from sale of investments outside City Treasury		1,015,279	348,315
Purchase of investments outside City Treasury		(1,081,634)	(348,315)
Net cash (used in) provided by investing activities		(49,214)	9,141
Decrease in cash and cash equivalents		(19,409)	(45,465)
Cash and cash equivalents:			
Beginning of year		514,901	560,366
End of year		495,492	514,901
Reconciliation of cash and cash equivalents to the statement of net position:			
Cash and investments with City Treasury:			
Unrestricted		380,201	402,885
Restricted		71,015	21,000
Add: Unrealized loss on investments with City Treasury		7,188	13,479
Cash and investments outside City Treasury:			
Unrestricted		193	192
Restricted		103,250	77,345
Less: Unrealized (gain) loss on investments outside City Treasury		(540)	—
Less: Restricted (with maturity more than 90 days - see table in Note 3)		(65,815)	—
Cash and cash equivalents at end of year on statements of cash flows	$	495,492	514,901

(Continued)

SAN FRANCISCO WATER ENTERPRISE

Statements of Cash Flows

Years ended June 30, 2024 and 2023

(In thousands)

	2024	2023
Reconciliation of operating income to net cash provided by operating activities:		
Operating income	$ 147,534	230,838
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation and amortization	155,172	155,714
Miscellaneous revenue	4,776	4,832
Provision for uncollectible accounts	2,263	4,584
Write-off of capital assets and other non-cash items	58	4,628
Changes in operating assets and liabilities:		
Receivables:		
Charges for services	(17,701)	(13,655)
Prepaid charges, advances, and other	560	6,709
Due from other City departments	13	63
Inventory	366	(1,389)
Leases	(327)	575
Subscriptions	8	895
Accounts payable	2,682	(181)
Accrued payroll	1,637	1,312
Net other postemployment benefits obligation*	3,601	10,042
Net pension obligations*	(1,324)	(21,699)
Accrued vacation and sick leave	418	(144)
Accrued workers' compensation	1,267	762
Due to other City departments	(2,440)	2,440
Wholesale balancing account	(16,069)	(89,202)
Damage claims liability	3,148	(16,444)
Unearned revenues, refunds, and other liabilities	213	(4,878)
Total adjustments	138,321	44,964
Net cash provided by operating activities	$ 285,855	275,802
Noncash transactions:		
Accrued capital asset costs	$ 39,896	40,863
Interfund payable	—	2,440
Unrealized loss on investments with City Treasury	7,188	13,479
Unrealized (gain) on investments outside City Treasury	(540)	—
Capital contribution	53,599	2,717
Sale of land with promissory note	11,512	11,007
Principal refunded	619,115	—
Bond proceeds paid to refunding escrow	590,874	—

* Net other postemployment benefits obligation include related deferred outflows/inflows

See accompanying notes to financial statements.

(1) Description of Reporting Entity

The San Francisco Water Enterprise (the Enterprise) was established in 1930 under the provisions of the Charter of the City and County of San Francisco (the City). The Enterprise acquired the fully developed, mature water works for San Francisco on March 3, 1930. Since then, the City has operated and maintained the water works as the San Francisco Water Enterprise. The Board of Supervisors of the City has adopted resolutions (the Water Resolutions) providing for the issuance of various water revenue and refunding bond series. The Water Resolutions require the City to keep separate books of records and accounts of the Enterprise. The Enterprise, which consists of a system of reservoirs, storage tanks, water treatment plants, pump stations, and pipelines, is engaged in the distribution of water to San Francisco and certain suburban areas. In fiscal year 2024, the Enterprise sold approximately 63,854 million gallons, i.e., about 174 million gallons per day of water, to approximately 2.7 million people within San Francisco and certain suburban areas.

The San Francisco Public Utilities Commission (SFPUC or the Commission), established in 1932, is responsible for providing operational oversight of the public utility enterprises of the City, which include the Enterprise along with the City's power and sewer utilities (i.e., Hetch Hetchy Water and Power and CleanPowerSF, of which the Power Enterprise is a component, and the San Francisco Wastewater Enterprise). The Commission is responsible for determining such matters as the rates and charges for services, approval of contracts, and organizational policy.

The City Charter was amended in 2008 by Proposition E, a City and County of San Francisco Charter Section 4.112 amendment approved by the voters in the June 3, 2008 election, terminated the terms of all five existing members of the SFPUC, changed the process for appointing new members, and set qualifications for all members. Under the amended Charter, the Mayor continues to nominate candidates to the SFPUC, but nominees do not take office until the Board of Supervisors votes to approve their appointments by a majority (at least six members). The amended Charter provides for staggered four year terms for SFPUC members and requires them to meet the following qualifications:

- Seat 1 must have experience in environmental policy and an understanding of environmental justice issues.
- Seat 2 must have experience in ratepayer or consumer advocacy.
- Seat 3 must have experience in project finance.
- Seat 4 must have experience in water systems, power systems, or public utility management.
- Seat 5 is an at-large member.

The SFPUC is a department of the City, and as such, the financial operations of the Enterprise, Hetch Hetchy Water and Power and CleanPowerSF, and the Wastewater Enterprises are included in the Annual Comprehensive Financial Report of the City as enterprise funds. These financial statements are intended to present only the financial position, and the changes in financial position and cash flows of only that portion of the City that is attributable to the transactions of the Enterprise. They do not purport to, and do not, present fairly the financial position of the City as of June 30, 2024 and 2023, the changes in its financial position, or, where applicable, the cash flows for the years then ended, in conformity with U.S. generally accepted accounting principles (GAAP).

(2) Significant Accounting Policies

(a) Basis of Accounting and Measurement Focus

The accounts of the Enterprise are organized on the basis of a proprietary fund type and are included as an enterprise fund of the City. The activities of this Enterprise are accounted for with a separate set of self-balancing accounts that comprise the Enterprise's assets, deferred outflows, liabilities, deferred inflows, net position, revenues, and expenses. Enterprise funds account for activities (i) that are financed with debt that is secured solely by a pledge of the net revenues from fees and charges of the activity; or (ii) that are required by laws or regulations that the activity's costs of providing services, including capital costs (such as depreciation or debt service), be recovered with fees and charges, rather than with taxes or similar revenues; or (iii) that the pricing policies of the activity establish fees and charges designed to recover its costs, including capital costs (such as depreciation or debt service).

The financial activities of the Enterprise are accounted for on a flow of economic resources measurement focus, using the accrual basis of accounting in accordance with U.S. GAAP. Under this method, all assets and liabilities associated with its operations are included on the statement of net position; revenues are recognized when earned, and expenses are recognized when liabilities are incurred. Operating revenues are defined as charges to customers, rental income, and capacity fees. Non-operating revenues include grants, investment income, and other income from non-operating activities.

The Enterprise applies all applicable Governmental Accounting Standards Board (GASB) pronouncements.

(b) Cash and Cash Equivalents

The Enterprise considers its pooled cash and investments held with the City Treasury to be demand deposits and, therefore, cash and cash equivalents for financial reporting. The City Treasury also holds non-pooled cash and investments for the Enterprise. Non-pooled restricted deposits and investments held outside the City Treasury with original maturities of three months or less are also considered to be cash equivalents.

(c) Investments

Money market funds are carried at cost, which approximates fair value. All other investments are stated at fair value based on quoted market prices. Changes in fair value are recognized as investment gains or losses and are recorded as a component of non-operating revenues.

(d) Inventory

Inventory consists primarily of construction materials and maintenance supplies and is valued at average cost. Inventory is expensed as it is consumed.

(e) Capital Assets

Capital assets are defined as assets with an initial individual cost of more than $5 and an estimated useful life in excess of one year. Capital assets with an original acquisition date prior to July 1, 1977 are recorded in the financial statements at estimated cost, as determined by an independent professional appraisal, or at cost, if known. All subsequent acquisitions have been recorded at cost. All donated capital assets at the time of donation and capital assets received in a service concession arrangement, are valued at acquisition value. Depreciation and amortization are computed using the straight-line method over the estimated useful lives of the related assets, which range from 1 to 100 years for equipment and 1 to 200 years for buildings, structures, and improvements. No depreciation or amortization is recorded in the year of acquisition, and depreciation or amortization is recorded in the year of disposal.

(f) Intangible Assets

Intangible assets are defined as identifiable, non-financial assets capable of being separated, sold, transferred, or licensed, and include contractual or legal rights. Examples of intangible assets include rights-of-way easements, land use rights, water rights, licenses, permits, leases, and subscription–based information technology arrangements (SBITAs). The Enterprise capitalizes purchased or internally developed intangible assets with a useful life extending beyond one reporting period. It has established a capitalization threshold of $100. Intangible assets are amortized over the benefit period or the contract term for leases and SBITAs, except for certain assets having an indefinite useful life. Assets with an indefinite useful life generally provide a benefit that is not constrained by legal or contractual limitations or any other external factor and, therefore, are not amortized (see Note 4).

(g) Construction Work in Progress

The cost of acquisition and construction of major plant and equipment is recorded as construction work in progress. Costs of discontinued construction projects are recorded as an expense in the year in which the decision is made to discontinue such projects.

(h) Bond Discount, Premium, and Issuance Costs

Bond issuance costs related to prepaid insurance costs are capitalized and amortized using the effective interest method. Other bond issuance costs are expensed when incurred. Original issue bond discount or premium is offset against the related debt and is also amortized using the effective interest method.

(i) Accrued Vacation and Sick Leave

Accrued vacation pay, which may be accumulated up to 10 weeks per employee, is charged to expense as earned. Sick leave earned subsequent to December 6, 1978 is non-vesting and may be accumulated up to six months per employee.

(j) Workers' Compensation

The Enterprise is self-insured for workers' compensation claims and accrues the estimated cost of those claims, including the estimated cost of incurred but not reported claims (see Note 14(b)).

(k) General Liability

The Enterprise is self-insured for general liability and uninsurable property damage claims. Commercially uninsurable property includes assets that are underground or provide transmission and distribution. Maintained commercial coverage does not cover claims attributed to loss from earthquake, contamination, pollution remediation efforts, and other specific naturally occurring contaminants such as mold. The liability represents an estimate of the cost of all outstanding claims, including adverse loss development and estimated incurred but not reported claims (see Note 14(a)).

(l) Arbitrage Rebate Payable

Certain bonds are subject to arbitrage rebate requirements in accordance with regulations issued by the U.S. Treasury Department. The requirements generally stipulate that earnings from the investment of the tax-exempt bond proceeds that exceed related interest costs on the bonds must be remitted to the federal government on every fifth anniversary of each bond issue. The arbitrage rebate liability as of June 30, 2024 and 2023 were $869 and $0, respectively.

(m) Refunding of Debt

Gains or losses occurring from refunding of debt prior to maturity are reported as deferred outflows and deferred inflows of resources from refunding of debt. Deferred outflows and deferred inflows of resources are recognized as a component of interest expense using the effective interest method over the remaining life of the old debt or the life of the new debt, whichever is shorter.

(n) Income Taxes

As a department of a government agency, the Enterprise is exempt from both federal income taxes and California state franchise taxes.

(o) Revenue Recognition

Water service charges are based on water usage as determined by the Enterprise. Effective July 2013, the majority of residential and non-residential customers are billed on a monthly basis except for building and contractor customers, which are billed on a bi-monthly basis. Revenues earned but unbilled are accrued as charges for services and reflected as a receivable on the statements of net position. The unbilled amounts as of June 30, 2024 and 2023 were $44,465 and $31,704, respectively.

(p) Use of Estimates

The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, deferred outflows and deferred inflows, and the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

(q) Accounting and Financial Reporting for Pollution Remediation Obligations

According to GASB Statement No. 49, *Accounting and Financial Reporting for Pollution Remediation Obligations*, a government would have to estimate its expected outlays for pollution remediation if it knows a site is polluted, and any of the following recognition triggers occur:

- Pollution poses an imminent danger to the public or environment and a government has little or no discretion to avoid fixing the problem;
- A government has violated a pollution prevention-related permit or license;

(Continued)

- A regulator has identified (or evidence indicates it will identify) a government as responsible (or potentially responsible) for cleaning up pollution, or for paying all or some of the cost of the cleanup;
- A government is named (or evidence indicates that it will be named) in a lawsuit to compel it to address the pollution; or
- A government begins or legally obligates itself to begin cleanup or post-cleanup activities (limited to amounts the government is legally required to complete).

As a part of ongoing operations, situations may occur requiring the removal of pollution or other hazardous material. These situations typically arise in the process of acquiring an asset, preparing an asset for its intended use, or during the design phase of projects under review by the project managers. Other times, pollution may arise during the implementation and construction of a major or minor capital project. Examples of pollution may include, but are not limited to: asbestos or lead paint removal, leaking of sewage in underground pipes or neighboring areas, chemical spills, removal and disposal of known toxic waste, harmful biological and chemical pollution of water, or contamination of surrounding soils by underground storage tanks (see Note 15(d)).

(r) Leases

Leases are defined as a contract that conveys control of the right to use another entity's underlying asset for a specified period. The Enterprise is a lessee and lessor for various noncancellable leases of land, building, equipment, vehicles, easement, etc.

Short-term Leases

For leases with a maximum possible term of 12 months or less at commencement, the Enterprise recognizes lease revenue if the Enterprise executes a lessor lease or lease expense if the Enterprise executes a lessee lease based on the provisions of the lease contract. Liabilities are only recognized if payments are received in advance, and receivables are only recognized if payments are received subsequent to the reporting period.

Leases Other Than Short-term

For all other leases (i.e. those that are not short-term), the Enterprise recognizes a lease liability and intangible right-to-use lease asset for the Enterprise as lessee leases, or lease receivable and deferred inflow of resources for the Enterprise as lessor leases.

Measurement of Lease Amounts (Lessee)

The Enterprise's lease liability is recorded at the present value of future minimum lease payments as of the date of commencement. Subsequently, the lease liability is reduced by the principal portion of lease payments made. The lease asset is initially measured as the initial amount of the lease liability, less lease payments made at or before the lease commencement date, plus any initial direct costs ancillary to placing the underlying asset into service, less any lease incentives received at or before the lease commencement date. Subsequently, the lease asset is amortized into depreciation and amortization expense on a straight-line basis over the lease term. If the Enterprise is reasonably certain of exercising a purchase option contained in a lease, the lease asset will be amortized over the useful life of the underlying asset.

Measurement of Lease Amounts (Lessor)

The Enterprise's lease receivable is measured at the present value of payments expected to be received during the lease term, reduced by any provision of estimated uncollectible amounts. Subsequently, the lease receivable is reduced by the principal portion of lease payments collected. The deferred inflow of resources is initially measured as the initial amount of the lease receivable, less any lease incentives paid to, or on behalf of, the lessee at or before the commencement of the lease term, plus lease payments received from the lease at or before the commencement of the lease term that related to future periods. Subsequently, the deferred inflow of resources as lease revenue is on a straight-line basis over the lease term.

Key Estimates and Judgments

Key estimates and judgments include how the Enterprise determines (a) the discount rate it uses to calculate the present value of the expected lease payments, (b) lease terms, (c) lease payments, and (d) materiality threshold for equipment.

- The Enterprise generally uses its estimated incremental borrowing rate as the discount rate for leases unless the rate is implicit in the lease. The City's incremental borrowing rate (IBR) is established using the average of Municipal Market Data (MMD) AAA benchmark interest rate index by maturity date (year 1 to 30+), plus the average credit spread based on City's Aa/AA, COP, Tax-exempt to generate the yield curve and discount rate table. The City's incremental borrowing rate for leases is based on the rate of interest it would need to pay if it issued general obligation bonds to borrow an amount equal to the lease payments under similar terms at the commencement or remeasurement date.

- The lease term includes the noncancellable period of the lease, plus any additional periods covered by either lessee or lessor unilateral option to (1) extend for which it is reasonably certain to be exercised, or (2) terminate for which it is reasonably certain not to be exercised. Periods in which both the lessee and lessor have an option to terminate (or if both parties have to agree to extend) are excluded from the lease term.

- Payments are evaluated by the Enterprise to determine if they should be included in the measurement of the lease receivables or lease liabilities, including those payments that require a determination of whether they are reasonably certain of being made, such as residual value guarantees, purchase options, payments for termination penalties, and other payments.

- Equipment and other leases have a capitalization threshold of $100. 70% below market rent and/or ground leases are determined to be below market rent (BMR) and are excluded from lease capitalization.

Remeasurement of Lease

The Enterprise monitors changes in circumstances that may require remeasurement of a lease. When certain changes occur that are expected to significantly affect the amount of the lease receivable or lease liability, the receivable or liability is remeasured and a corresponding adjustment is made to the deferred inflow of resources or lease asset, respectively.

(Continued)

Presentation in Statement of Net Position

Lease assets are reported with current and non-current assets, lease liabilities are reported with current and long-term liabilities, and both capital-related assets and liabilities are reported under net investment in capital assets in the statement of net position (see Note 9).

(s) Subscription-Based Information Technology Arrangements

Subscription–Based Information Technology Arrangements (SBITAs) are defined as a contract that conveys control of the right to use another entity's IT software, alone or in combination with tangible capital assets for a specified period. The Enterprise has noncancellable subscription arrangements (similar to a lease) for the right to use various information technology hardware and software SBITAs.

Short-term SBITAs

For SBITAs with a maximum possible term of 12 months or less at commencement, the Enterprise recognizes subscription expense based on the provisions of the SBITAs. Liabilities are only recognized if payments are received in advance, and receivables are only recognized if payments are received subsequent to the reporting period.

SBITAs Other Than Short-term

For all other SBITAs (i.e., those that are not short-term) the Enterprise recognizes SBITAs liability and intangible right-to-use subscription asset for the Enterprise.

Measurement of Subscription Amounts (Subscriber)

The Enterprise's subscription liability is recorded at the present value of future minimum subscription payments as of the date of commencement. Subsequently, the subscription liability is reduced by the principal portion of subscription payments made. The subscription asset is initially measured as the initial amount of the subscription liability, less payments made at or before the subscription commencement date, plus any initial direct costs ancillary to placing the underlying asset into service, less any subscription incentives received at or before the subscription commencement date. For SBITAs, subscription assets also include qualified software implementation costs. Subsequently, the subscription asset is amortized into depreciation and amortization expense on a straight-line basis over the subscription term.

Key Estimates and Judgments

Key estimates and judgments include how the Enterprise determines (a) the discount rate it uses to calculate the present value of the expected subscription payments, (b) subscription terms, (c) subscription payments, and (d) materiality threshold.

• The Enterprise generally uses its estimated incremental borrowing rate as the discount rate for SBITAs unless the rate is implicit in the agreement. The Enterprise incremental borrowing rate (IBR) is established using the average of Municipal Market Data (MMD) AAA benchmark interest rate index by maturity date (year 1 to 30+), plus the average credit spread based on Enterprise's Aa/AA, COP, Tax-exempt to generate the yield curve and discount rate table.

• The subscription term includes the noncancellable period of the subscription, plus any additional periods covered by either subscriber or lessor unilateral option to (1) extend for which it is reasonably certain to be exercised, or (2) terminate for which it is reasonably certain not to be exercised. Periods in which both the subscriber and lessor have an option to terminate (or if both parties have to agree to extend) are excluded from the subscription term.

• Payments are evaluated by Enterprise to determine if they should be included in the measurement of the subscription liabilities, including those payments that require a determination of whether they are reasonably certain of being made, such as residual value guarantees, purchase options, payments for termination penalties, and other payments.

• SBITAs have a capitalization threshold of $100.

Remeasurement of Lease or SBITAs

The Enterprise monitors changes in circumstances that may require remeasurement of SBITAs. When certain changes occur that are expected to significantly affect the amount of the subscription liability, the liability is remeasured, and a corresponding adjustment is made to the subscription asset.

Presentation in Statement of Net Position

Subscription assets are reported with current and non-current assets, subscription liabilities are reported with short-term and long-term liabilities, and both subscription assets and liabilities are reported under net investment in capital assets in the statement of net position (see Note 10).

(t) Other Postemployment Benefits (OPEB)

Net OPEB liability, deferred outflows/inflows of resources related to OPEB, and OPEB expense are actuarially determined on a citywide basis. Net OPEB liability is measured as the portion of the present value of projected benefit payments to be provided to current active and inactive employees attributed to those employees' past service, less the amount of the Retiree Healthcare Trust Fund investments measured at fair value (see Note 12(b)).

(u) New Accounting Standards Adopted in Fiscal Year 2024

1) In April 2022, the GASB issued Statement No. 99, *Omnibus 2022*. GASB Statement No. 99 addresses a variety of topics. The requirements related to extension of the use of the London Interbank Offered Rate, accounting for Supplemental Nutrition Assistance Program distributions, disclosures of nonmonetary transactions, pledges of future revenues by pledging governments, clarification of certain provisions in Statement No. 34, and terminology updates related to Statement No. 53 and Statement No. 63 were adopted by the Enterprise for the year ended June 30, 2022. The requirements related to financial guarantees and the classification and reporting of derivative instruments within the scope of Statement No. 53 are effective for fiscal years beginning after June 15, 2023. The Enterprise adopted the provisions of Statement No. 99 in fiscal year 2024 which did not have a significant effect on its financial statements.

2) In June 2022, the GASB issued Statement No. 100, *Accounting Changes and Error Corrections*. This statement enhances accounting and financial reporting requirements for accounting changes and error corrections to provide more understandable, reliable, relevant, consistent, and comparable information for making decisions or assessing accountability. The new standard is effective for periods beginning after June 15, 2023. The

Enterprise adopted the provisions of Statement No. 100 in fiscal year 2024 which did not have a significant effect on its financial statements.

(v) GASB Statements Implemented in Fiscal Year 2023

1) In May 2019, the GASB issued Statement No. 91, *Conduit Debt Obligations*. GASB Statement No. 91 enhances the comparability and consistency of conduit debt obligation reporting and reporting of related transactions by State and local government issuers. The new standard is effective for periods beginning after December 15, 2021. The Enterprise adopted the provisions of Statement No. 91 in fiscal year 2023 which did not have a significant effect on its financial statements.

2) In March 2020, the GASB Issued Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*. The primary objective of this statement is to improve financial reporting by addressing issues related to public-private and public-public partnership arrangements and availability payment arrangements (PPPs). The Enterprise adopted the provisions of Statement No. 94 in fiscal year 2023 which did not have a significant effect on its financial statements.

3) In May 2020, the GASB issued Statement No. 96, *Subscription-Based Information Technology Arrangements (SBITAs)*. This statement defines such arrangements as contracts that convey control of the right to use another party's information technology software, alone or in combination with tangible capital assets, as specified in the contract for a period of time in an exchange or exchange-like transaction. The standard clarifies measurement and recognition of capitalizable costs, intangible assets, and subscription liabilities for such arrangements and also requires additional disclosures related to such arrangements. The standard is effective for periods beginning after June 15, 2022. The Enterprise adopted the provisions of Statement No. 96 in fiscal year 2023 (see Note 10).

(w) Future Implementation of New Accounting Standards

1) In June 2022, the GASB issued Statement No. 101, *Compensated Absences*. This statement is to better meet the information needs of financial statement users by updating the recognition and measurement guidance for compensated absences. The new standard is effective for periods beginning after December 15, 2023. The Enterprise will implement the provisions of Statement No. 101 in fiscal year 2025.

2) In December 2023, the GASB issued Statement No. 102, *Certain Risk Disclosures*. This statement establishes financial reporting requirements for risks related to vulnerabilities due to certain concentrations or constraints within governments. The new standard is effective for periods beginning after December 15, 2023. The Enterprise will implement the provisions of Statement No. 102 in fiscal year 2025.

3) In April 2024, the GASB issued Statement No. 103, *Financial Reporting Model Improvements*. This statement is to improve key components of the financial reporting model to enhance its effectiveness in providing information that is essential for decision making and assessing a government's accountability. The new standard is effective for periods beginning after June 15, 2025. The Enterprise will implement the provisions of Statement No. 103 in fiscal year 2026.

4) In September 2024, the GASB issued Statement No. 104, *Disclosure of Certain Capital Assets*. This statement requires certain types of capital assets, such as lease assets recognized in accordance with Statement No. 87, *Leases*, and intangible right-to-use assets recognized in accordance with Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements* to be disclosed separately by major classes of underlying assets in the capital assets note disclosures. Subscription assets recognized in accordance with Statement No. 96, *Subscription-Based Information Technology Arrangements* are also required to be disclosed separately. Furthermore, the statement requires intangible assets other than those three types to be disclosed separately by major class. Finally, the statement requires additional disclosures for capital assets held for sale. The new standard is effective for periods beginning after June 15, 2025. The Enterprise will implement the provisions of Statement No. 104 in fiscal year 2026.

(x) Reclassifications

The Enterprise has reclassified certain amounts relating to the prior period to conform to its current period presentation. Lease receivable, lease related interest receivable, lease related interest payable, and subscription related interest payable were reclassified from net investment in capital assets to unrestricted in the statement of net position for fiscal year 2023. Restricted liabilities were reclassified from net position restricted for capital projects to net investment in capital assets for fiscal years 2024 and 2023. These reclassifications had no effect on previously reported changes in net position.

(3) Cash, Cash Equivalents, and Investments

The Enterprise's cash, cash equivalents, and investments with the City Treasury are invested in an unrated City pool pursuant to investment policy guidelines established by the City Treasurer. The objectives of the policy guidelines are, in order of priority, preservation of capital, liquidity, and yield. The policy addresses soundness of financial institutions in which the City will deposit funds, types of investment instruments as permitted by the California Government Code, and the percentage of the portfolio that may be invested in certain instruments with longer terms to maturity. The City Treasurer allocates income from the investment of pooled cash at month-end in proportion to the Enterprise's average daily cash balances. The primary objectives of the Enterprise's investment policy are consistent with the City's policy.

Some restricted assets are held by an independent trustee outside the City's investment pool. The assets are held for the purpose of paying future interest and principal on the bonds and for eligible capital project expenditures. The current balances as of June 30, 2024 and 2023 were $103,250 and $77,345, respectively. The Enterprise held all investments in treasury and government obligations, commercial paper, as well as money market mutual funds consisting of treasury and government obligations.

Funds held by the trustee established under the 2002 Amended and Restated Indentures agreements are invested in "Permitted Investments," as defined in the agreement, which includes money market funds and investment agreements. The agreement permits investment in money market funds registered under the Federal Investment Company Act of 1940 whose shares are registered under the Federal Securities Act of 1933 and have a rating by S&P of "AAAm-G," "AAAm," or "Aam," and a rating by Moody's of "Aaa," "Aa1," or "Aa2". The credit ratings of the money market funds invested in as of June 30, 2024 were "Aaa-mf" and "P-1" by Moody's, and "AAAm" and "A-1" by S&P. The credit ratings of the money market funds invested in as of June 30, 2023 were "Aaa-mf" and “P-1” by Moody’s, and “AAAm” and “A-1” by S&P. Investment agreements must be with a U.S. bank or trust company that have a rating by Moody’s and S&P of “A” or higher, or are guaranteed by any entity with a rating of “A” or higher, at the time the agreement is entered.

(Dollars in thousands, unless otherwise stated)

The Enterprise categorizes its fair value measurements within the fair value hierarchy established by GAAP. The hierarchy is based on the valuation inputs used to measure fair value of the assets. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; and Level 3 inputs are significant unobservable inputs. The inputs and techniques used for valuing securities are not necessarily an indication of risk associated with investing in those securities.

The following tables present the restricted and unrestricted cash and investments outside City Treasury, including commercial paper issuers, credit ratings and the fair value hierarchy as of June 30, 2024 and 2023:

Cash and Investments outside City Treasury

Investments	Credit Ratings (S&P/Moody's)	June 30, 2024 Maturities	June 30, 2024 Fair Value	Investments exempt from fair value	Fair Value Measurements Using: Quoted prices in active markets for identical assets (Level 1)	Significant other observable inputs (Level 2)	Unobservable Inputs (Level 3)
U.S. Treasury Money Market Funds	AAAm/Aaa-mf	< 90 days	$ 22,815	22,815	—	—	—
Money Market Funds	A-1/P-1	< 90 days	43	43	—	—	—
Commercial Paper-Toyota Motor Corp	A-1+/P-1	October 11, 2024	45,422	—	45,422	—	—
Commercial Paper-Toronto-Dominion Bank	A-1+/P-1	October 28, 2024	10,310	—	10,310	—	—
U.S. Agency Securities	AA+/Aaa	April 17, 2025	10,083	—	10,083	—	—
Cash and Cash Equivalents	N/A		14,577	14,577	—	—	—
Total Restricted Cash and Investments outside City Treasury			$ 103,250	37,435	65,815	—	—
Cash and Cash Equivalents	N/A		$ 193	193	—	—	—
Total Unrestricted Cash and Investments outside City Treasury			$ 193	193	—	—	—

Cash and Investments outside City Treasury

Investments	Credit Ratings (S&P/Moody's)	June 30, 2023 Maturities	June 30, 2023 Fair Value	Investments exempt from fair value	Fair Value Measurements Using: Quoted prices in active markets for identical assets (Level 1)	Significant other observable inputs (Level 2)	Unobservable Inputs (Level 3)
U.S. Treasury Money Market Funds	AAAm/Aaa-mf	< 90 days	$ 64,249	64,249	—	—	—
Money Market Funds	A-1+/P-1	< 90 days	43	43	—	—	—
Cash and Cash Equivalents	N/A		13,053	13,053	—	—	—
Total Restricted Cash and Investments outside City Treasury			$ 77,345	77,345	—	—	—
Cash and Cash Equivalents	N/A		$ 192	192	—	—	—
Total Unrestricted Cash and Investments outside City Treasury			$ 192	192	—	—	—

Certain investments such as money market investments, and cash and cash equivalents are not subject to the fair value hierarchy.

The restricted cash and investments outside City Treasury as of June 30, 2024 and 2023 included an unrealized gain due to changes in fair value on commercial paper of $540 and $0, respectively.

Additional cash outside of the investment pool included revolving fund and cash in transit. The revolving fund has a balance of $28 and $28 as of June 30, 2024 and 2023, respectively, which is held in a commercial bank in non-interest bearing checking accounts covered by Federal Deposit

(Dollars in thousands, unless otherwise stated)

Insurance Corporation depository insurance. These accounts were established as provided by the City's Administrative Code for revolving fund needs. The cash in transit was $165 and $164 as of June 30, 2024 and 2023, respectively.

The Enterprise's cash, cash equivalents, and investments are shown on the accompanying statements of net position as follows:

		2024	2023
Current assets:			
Cash and investments with City Treasury	$	380,201	402,885
Cash and investments outside City Treasury		193	192
Restricted cash and investments outside City Treasury		40,065	10,863
Non-current assets:			
Restricted cash and investments with City Treasury		71,015	21,000
Restricted cash and investments outside City Treasury		63,185	66,482
Total cash, cash equivalents, and investments	$	554,659	501,422

The following table shows the percentage distribution of the City's pooled investments by maturity:

Fiscal years ended June 30	Investment maturities (in months) Under 1	1 to less than 6	6 to less than 12	12 to 60
2024	22.2%	19.5%	16.3%	42.0%
2023	21.5%	18.0%	14.5%	46.0%

As of June 30, 2024, the Enterprise has the following commercial paper investments that represent 5.0% or more of the total investments outside City Treasury:

		Fair Value	% of Investments	
Toyota Motor Corp	$	45,422	51.2	%
Toronto-Dominion Bank		10,310	11.6	

(Dollars in thousands, unless otherwise stated)

(4) Capital Assets

Capital assets as of June 30, 2024 and 2023 consist of the following:

	2023	Increases	Decreases	2024
Capital assets not being depreciated and amortized:				
Land and rights-of-way	$ 113,322	—	—	113,322
Intangible assets	679	—	—	679
Construction work in progress	526,994	220,970	(141,160) *	606,804
Total capital assets not being depreciated and amortized	640,995	220,970	(141,160)	720,805
Capital assets being depreciated and amortized:				
Facilities and improvements	6,755,307	191,146	—	6,946,453
Intangible assets	26,121	1,593	—	27,714
Machinery and equipment	337,799	8,138	(131)	345,806
Right-to-use lease assets	8,208	—	(1,197)	7,011
Right-to-use subscription assets	2,450	—	(1,590)	860
Total capital assets being depreciated and amortized	7,129,885	200,877	(2,918)	7,327,844
Less accumulated depreciation and amortization for:				
Facilities and improvements	(1,828,932)	(141,039)	—	(1,969,971)
Intangible assets	(24,469)	(1,267)	—	(25,736)
Machinery and equipment	(258,507)	(11,273)	131	(269,649)
Right-to-use lease assets	(4,265)	(1,209)	1,197	(4,277)
Right-to-use subscription assets	(1,755)	(384)	1,590	(549)
Total accumulated depreciation and amortization	(2,117,928)	(155,172)	2,918	(2,270,182)
Total capital assets being depreciated and amortized, net	5,011,957	45,705	—	5,057,662
Total capital assets, net	$ 5,652,952	266,675	(141,160)	5,778,467

* Decrease in construction work in progress includes $58 in capital project write-offs, mainly related to Chlorine Trim Station Repairs project. The remaining difference of $59,775 is mainly due to direct additions to facilities and improvements, intangible assets and machinery and equipment.

	2022	Increases	Decreases	2023
Capital assets not being depreciated and amortized:				
Land and rights-of-way	$ 113,441	—	(119)	113,322
Intangible assets	679	—	—	679
Construction work in progress	444,254	180,391	(97,651) *	526,994
Total capital assets not being depreciated and amortized	558,374	180,391	(97,770)	640,995
Capital assets being depreciated and amortized:				
Facilities and improvements	6,660,691	94,616	—	6,755,307
Intangible assets	25,142	979	—	26,121
Machinery and equipment	332,473	5,905	(579)	337,799
Right-to-use lease assets	5,646	2,562	—	8,208
Right-to-use subscription assets	2,450	—	—	2,450
Total capital assets being depreciated and amortized	7,026,402	104,062	(579)	7,129,885
Less accumulated depreciation and amortization for:				
Facilities and improvements	(1,688,717)	(140,215)	—	(1,828,932)
Intangible assets	(22,669)	(1,800)	—	(24,469)
Machinery and equipment	(247,700)	(11,386)	579	(258,507)
Right-to-use lease assets	(2,834)	(1,431)	—	(4,265)
Right-to-use subscription assets	(873)	(882)	—	(1,755)
Total accumulated depreciation and amortization	(1,962,793)	(155,714)	579	(2,117,928)
Total capital assets being depreciated and amortized, net	5,063,609	(51,652)	—	5,011,957
Total capital assets, net	$ 5,621,983	128,739	(97,770)	5,652,952

* Decrease in construction work in progress includes $4,628 in capital project write-offs, mainly related to Stern Grove Emergency Restoration and Upper Alameda Creek Filter projects. The remaining difference of $10,920 is mainly due to direct additions to facilities and improvements, intangible assets and machinery and equipment.

(5) Restricted Assets

Pursuant to the Indentures, all revenues of the Enterprise (except amounts on deposit in the rebate fund) are irrevocably pledged to the punctual payment of debt service on the Water Revenue and Refunding Bonds. Accordingly, the revenues of the Enterprise shall not be used for any other purpose while any of its Water Revenue and Refunding Bonds are outstanding, except as expressly permitted by the Indentures. Further, all revenues shall be deposited by the City Treasurer, by instruction of the Enterprise, in special funds designated as the Water Enterprise Revenue Fund (the Water Revenue Fund), which must be maintained in the City Treasury. These funds, held at the City Treasury, are recorded in the statement of net position of the Enterprise as cash and investments. Deposits in the Water Revenue Fund, including earnings thereon, shall be appropriated, transferred, expended, or used for the following purposes pertaining to the financing, maintenance, and operation of the Enterprise in accordance with the following priority:

1. The payment of operation and maintenance expenses for such utility and related facilities;
2. The payment of pension charges and proportionate payments to such compensation and other insurance or outside reserve funds as the Enterprise may establish or the Board of Supervisors may require with respect to employees of the Enterprise;
3. The payment of principal, interest, reserve, sinking fund, and other mandatory funds created to secure Revenue Bonds and parity State revolving fund loans issued by the Enterprise for the acquisition, construction, or extension of facilities owned, operated, or controlled by the Enterprise;
4. The payment of principal and interest on General Obligation Bonds issued by the City for the Enterprise's purposes;
5. Reconstruction and replacement as determined by the Enterprise or as required by any of the Enterprise's Revenue Bond ordinances duly adopted and approved; and
6. The acquisition of land, real property, or interest in real property for, and the acquisition, construction, enlargement, and improvement of, new and existing buildings, structures, facilities, equipment, appliances, and other property necessary or convenient to the development or improvement of such utility owned, controlled, or operated by the Enterprise; and for any other lawful purpose of the Enterprise, including the transfer of surplus funds pursuant to the Charter.

(Dollars in thousands, unless otherwise stated)

In accordance with the Indenture, the bond financing program maintains that certain restricted cash and investment balances be held in trust. Restricted assets held in trust consisted of the following as of June 30, 2024 and 2023:

		2024	2023
Cash and investments with City Treasury:			
Water revenue bond construction fund	$	71,015	21,000
Cash and investments outside City Treasury:			
2010A Water revenue bond fund		—	12
2010B Water revenue bond fund		22,813	21,861
2010D Water revenue bond fund		—	12
2010E Water revenue bond fund		16,495	16,643
2010F Water revenue bond fund		—	8
2010G Water revenue bond fund		18,994	18,178
2015A Water revenue refunding bond fund		7	4
2016A Water revenue refunding bond fund		13	8
2016B Water revenue refunding bond fund		1	1
2016C Water revenue bond fund		4	2
2017A Water revenue bond fund		1	—
2017B Water revenue bond fund		6	2
2017C Water revenue bond fund		—	1
2017D Water revenue refunding bond fund		6	4
2017E Water revenue refunding bond fund		1	1
2019A Water revenue refunding bond fund		7	5
2019B Water revenue refunding bond fund		1	—
2019C Water revenue refunding bond fund		1	—
2020A Water revenue bond fund		4	2
2020B Water revenue bond fund		2	1
2020C Water revenue bond fund		2	1
2020D Water reveune bond fund		1	—
2020E Water revenue refunding bond fund		3	2
2020F Water revenue refunding bond fund		17	13
2020G Water reveune refunding bond fund		1	23
2020H Water revenue refunding bond fund		1	8
2023A Water revenue bond fund		19,235	—
2023B Water revenue bond fund		3,551	—
2023C Water revenue refunding bond fund		99	—
2023D Water revenue refunding bond fund		19	—
2009C Certificates of participation - 525 Golden Gate		965	1,696
2009D Certificates of participation - 525 Golden Gate		7,345	5,761
Commercial Paper - Tax Exempt		17	15
Commercial Paper - Taxable		28	28
Habitat reserve endowment fund		13,610	13,053
Total cash and investments outside City Treasury		103,250	77,345
Interest and other receivables:			
Water bond construction fund including interest, prepaids, and other receivables		3,789	3,514
Due from other government for State Revolving Fund		129,580	36,147
Total restricted assets	$	307,634	138,006

Restricted assets listed above as cash and investments with City Treasury are held in fund accounts within the Water Revenue Fund of the City Treasury.

(6) Short-Term Debt

The Commission and the Board of Supervisors have authorized the overall Interim Funding Program issuance of up to $500,000, pursuant to the voter-approved 2002 Proposition E. The program is made up of two components: (1) three series totaling $400,000 (aggregate principal amount) that are for the issuance of either tax-exempt or taxable commercial paper and which are each supported by a high-grade bank credit facility in the form of a letter of credit or bank liquidity facility; and (2) one series that is for a $100,000 direct bank loan that can be used to make tax-exempt or taxable draws from a high-grade bank pursuant to a revolving credit agreement. As of June 30, 2024 and 2023, amounts outstanding under Proposition E were $190,000 and $371,59, respectively. Commercial paper interest rates ranged from 3.9% to 5.5%.

With maturities up to 270 days, the Enterprise intends to maintain the program by remarketing the commercial paper upon maturity over the near-to-medium term, at which time outstanding commercial paper will likely be refunded with revenue bonds. This is being done to take advantage of the continued low interest rate environment. If the commercial paper interest rates rise to a level that exceeds these benefits, the Enterprise will refinance the commercial paper with the long-term, fixed-rate debt.

As of June 30, 2023, the Enterprise had $371,459 in outstanding commercial paper which were repaid by the 2023 Series AB Water Revenue Bonds issued in July 2023. The $371,459 has been reclassed to long-term liabilities on the financial statements.

The commercial paper notes can be issued in the aggregate principal amounts of up to $500,000 and may be marketed and re-marketed with maturities up to 270 days and are secured by three separate bank letters of credit and one revolving note, as set forth below. The commercial paper notes and the revolving notes are payable from revenues, and are secured on a parity lien basis with each other. The commercial paper notes and the revolving notes, collectively, are secured on a basis subordinate to the payment of debt service on outstanding bonds and SRF Loans.

As of June 30, 2024, the commercial paper notes are secured by the following series. Series A-1/A-1-T, has a $100 million letter of credit from Sumitomo Mitsui Banking Corporation, acting through its New York Branch, which expires on May 16, 2025. The agreement for the Series A-1/A-1-T credit facility stipulates a quarterly commitment fee of .33%, on the maintenance of ratings of at least “AA-” by S&P and “Aa3” by Moody’s. Series A-2/A-2-T, has a $200 million letter of credit from Sumitomo Mitsui Banking Corporation, acting through its New York Branch, which expires on June 14, 2027. The agreement for the Series A-2/A-2-T credit facility stipulates a quarterly commitment fee of .29%, on the maintenance of ratings of at least “AA-” by S&P and “Aa3” by Moody’s. Series A-3/A-3-T, has a $100 million letter of credit from Barclays Bank PLC which expires on July 19, 2024. The agreement for the Series A-3/A-3-T credit facility stipulates a quarterly commitment fee of .29%, on the maintenance of ratings of at least “AA-” by S&P and “Aa3” by Moody’s.

BofA Securities, Inc., J.P. Morgan Securities LLC and Wells Fargo Bank, National Association, serve as dealers for the commercial paper notes. The annual fee paid to the dealer equals .05% of the average outstanding principal amount of the Notes managed by the Dealer.

The revolving notes were issued pursuant to a $100 million revolving credit agreement with U.S. Bank National Association which expires on July 18, 2024. The revolving credit agreement stipulates an unutilized quarterly commitment fee of .21%, on the maintenance of ratings of at least “AA-” by S&P and “Aa3” by Moody’s. The revolving credit agreement had $0 outstanding as of June 30, 2024.

The commercial paper reimbursement agreement and the commercial paper revolving credit and term loan agreements for the Enterprise, contain a provision that in the event advances (or drawings) remain unpaid, such advances (or drawings) will convert into term loans and will be subject to the repayment provisions relating thereto.

In accordance with GASB Statement No. 88, *Certain Disclosures Related to Debt, Including Direct Borrowing and Direct Placements*, the Enterprise had $310,000 and $128,541 in unused authorization as of June 30, 2024 and 2023, respectively. Significant events of default include 1) payment defaults 2) material breach of warranty, representation, or other non-remedied breach of covenants as specified in the respective agreements (not cured within applicable grace periods) and 3) bankruptcy and insolvency events, which may result in all outstanding obligations to be immediately due and payable (unless waived by the respective Bank, if applicable); or issuance of a No-Issuance Notice, reduction in credit to outstanding amount plus interest coverage, and/or termination of the respective agreement. As of June 30, 2024, there were no such events describe herein.

(Dollars in thousands, unless otherwise stated)

(7) Changes in Long-Term Liabilities

Long-term liability activities for the years ended June 30, 2024 and 2023 are as follows:

	Interest rate	Maturity (Calendar Year)	2023	Additions	Reductions	2024	Due within one year
Revenue Bonds:							
2010B revenue bonds (Build America)	4.00% – 6.00%	2040	$ 336,390	—	(13,245)	323,145	13,725
2010E revenue bonds (Build America)	4.90 – 6.00	2040	331,455	—	(13,165)	318,290	13,610
2010G revenue bonds (Build America)	6.95	2050	351,470	—	—	351,470	—
2015A revenue refunding bonds	2.00 – 5.00	2036	366,375	—	(92,240)	274,135	29,485
2016A revenue refunding bonds	4.00 – 5.00	2039	686,945	—	(113,445)	573,500	24,800
2016B revenue refunding bonds	1.50 – 5.00	2030	58,980	—	(13,175)	45,805	13,720
2016C revenue bonds	0.87 – 4.19	2046	225,275	—	(6,105)	219,170	6,275
2017A revenue bonds	5.00	2047	24,675	—	(2,445)	22,230	2,570
2017B revenue bonds	5.00	2047	30,095	—	(2,985)	27,110	3,135
2017C revenue bonds	5.00	2047	14,395	—	(1,425)	12,970	1,500
2017D revenue refunding bonds	2.00 – 5.00	2035	345,340	—	(88,045)	257,295	10,230
2017E revenue refunding bonds	4.00 – 5.00	2031	48,125	—	(795)	47,330	835
2017F revenue refunding bonds	5.00	2031	8,005	—	(735)	7,270	770
2017G revenue refunding bonds	2.03 – 2.91	2024	18,890	—	(13,665)	5,225	5,225
2019A revenue refunding bonds	1.81 – 3.47	2043	587,825	—	(194,745)	393,080	2,700
2019B revenue refunding bonds	3.15 – 3.52	2041	16,315	—	(70)	16,245	75
2019C revenue refunding bonds	3.15 – 3.52	2041	17,775	—	(80)	17,695	80
2020A revenue bonds	4.00 – 5.00	2050	150,895	—	—	150,895	—
2020B revenue bonds	5.00	2050	61,330	—	—	61,330	—
2020C revenue bonds	4.00	2050	85,335	—	—	85,335	—
2020D revenue bonds	3.00	2050	49,200	—	—	49,200	—
2020E revenue refunding bonds	2.83 – 2.95	2047	335,035	—	(151,400)	183,635	915
2020F revenue refunding bonds	0.26 – 3.15	2047	135,455	—	(1,430)	134,025	1,440
2020G revenue refunding bonds	0.26 – 3.10	2043	108,970	—	(44,310)	64,660	6,360
2020H revenue refunding bonds	0.26 – 3.15	2047	64,815	—	(685)	64,130	690
2023A revenue bonds	5.00-5.25	2052	—	349,495	—	349,495	—
2023B revenue bonds	5.00-5.25	2052	—	64,540	—	64,540	—
2023C revenue refunding bonds	4.00-5.00	2043	—	486,875	—	486,875	—
2023D revenue refunding bonds	5.00	2035	—	27,980	—	27,980	—
Less issuance discount			(115)	—	8	(107)	—
Add issuance premiums			251,596	136,522	(57,439)	330,679	—
Total revenue bonds payable			4,710,846	1,065,412	(811,621)	4,964,637	138,140
2009D COPs (Build America)	6.36 – 6.49	2041	92,499	—	(3,267)	89,232	3,402
Commercial paper *	2.20 – 5.15	2023	371,459	—	(371,459)	—	—
State Revolving Funds Loan	1.00 – 1.10	2057	163,627	97,477	(1,134)	259,970	—
Accrued interest payable			35,104	221,095	(214,653)	41,546	37,924
Net other postemployment benefits liability			148,601	9,700	—	158,301	—
Lease liability			4,010	—	(1,189)	2,821	1,028
Subscription liability			708	—	(400)	308	153
Net pension liability			115,343	37,300	—	152,643	—
Arbitrage rebate payable			—	869	—	869	—
Accrued vacation and sick leave			13,585	13,724	(13,306)	14,003	7,585
Accrued workers' compensation			9,735	4,336	(3,069)	11,002	2,188
Damage claims liability			19,625	18,823	(15,675)	22,773	5,716
Pollution remediation obligation			1,271	—	—	1,271	—
Total			$ 5,686,413	1,468,736	(1,435,773)	5,719,376	196,136

* Commercial paper recorded as short-term liability in FY24

(Dollars in thousands, unless otherwise stated)

	Interest rate	Maturity (Calendar Year)		2022	Additions	Reductions	2023	Due within one year
Revenue Bonds:								
2010B revenue bonds (Build America)	4.00% – 6.00%	2040	$	349,170	—	(12,780)	336,390	13,245
2010E revenue bonds (Build America)	4.90 – 6.00	2040		344,200	—	(12,745)	331,455	13,165
2010G revenue bonds (Build America)	6.95	2050		351,470	—	—	351,470	—
2015A revenue refunding bonds	2.00 – 5.00	2036		382,420	—	(16,045)	366,375	28,070
2016A revenue refunding bonds	4.00 – 5.00	2039		719,735	—	(32,790)	686,945	23,590
2016B revenue refunding bonds	1.50 – 5.00	2030		71,510	—	(12,530)	58,980	13,175
2016C revenue bonds	0.87 – 4.19	2046		231,230	—	(5,955)	225,275	6,105
2017A revenue bonds	5.00	2047		27,000	—	(2,325)	24,675	2,445
2017B revenue bonds	5.00	2047		32,930	—	(2,835)	30,095	2,985
2017C revenue bonds	5.00	2047		15,750	—	(1,355)	14,395	1,425
2017D revenue refunding bonds	2.00 – 5.00	2035		346,795	—	(1,455)	345,340	1,270
2017E revenue refunding bonds	4.00 – 5.00	2031		48,890	—	(765)	48,125	795
2017F revenue refunding bonds	5.00	2031		8,705	—	(700)	8,005	735
2017G revenue refunding bonds	2.03 – 2.91	2024		31,960	—	(13,070)	18,890	13,665
2019A revenue refunding bonds	1.81 – 3.47	2043		591,320	—	(3,495)	587,825	3,565
2019B revenue refunding bonds	3.15 – 3.52	2041		16,385	—	(70)	16,315	70
2019C revenue refunding bonds	3.15 – 3.52	2041		17,850	—	(75)	17,775	80
2020A revenue bonds	4.00 – 5.00	2050		150,895	—	—	150,895	—
2020B revenue bonds	5.00	2050		61,330	—	—	61,330	—
2020C revenue bonds	4.00	2050		85,335	—	—	85,335	—
2020D revenue bonds	3.00	2050		49,200	—	—	49,200	—
2020E revenue refunding bonds	2.83 – 2.95	2047		335,535	—	(500)	335,035	1,530
2020F revenue refunding bonds	0.26 – 3.15	2047		135,455	—	—	135,455	1,430
2020G revenue refunding bonds	0.26 – 3.10	2043		114,765	—	(5,795)	108,970	7,065
2020H revenue refunding bonds	0.26 – 3.15	2047		64,815	—	—	64,815	685
Less issuance discount				(124)	—	9	(115)	—
Add issuance premiums				276,409	—	(24,813)	251,596	—
Total revenue bonds payable				4,860,935	—	(150,089)	4,710,846	135,095
2009C certificates of participation (COPs)	2.00 – 5.00	2022		3,124	—	(3,124)	—	—
2009C COPs issuance premiums				14	—	(14)	—	—
2009D COPs (Build America)	6.36 – 6.49	2041		92,499	—	—	92,499	3,267
Commercial paper	1.20 – 5.30	2023		—	371,459	—	371,459	—
State Revolving Funds Loan	1.00 – 1.10	2057		121,761	41,866	—	163,627	—
Net other postemployment benefits liability				144,115	4,486	—	148,601	—
Lease liability				2,863	2,562	(1,415)	4,010	1,189
Subscription liability				1,556	—	(848)	708	400
Net pension liability				—	115,343	—	115,343	—
Accrued vacation and sick leave				13,729	12,427	(12,571)	13,585	7,057
Accrued workers' compensation				8,973	3,984	(3,222)	9,735	1,914
Damage claims liability				36,069	1,898	(18,342)	19,625	11,125
Wholesale balancing account				79,150	—	(79,150)	—	—
Pollution remediation obligation				1,271	—	—	1,271	—
Total			$	5,366,059	554,025	(268,775)	5,651,309	160,047

The payments of principal and interest amounts on various bonds are secured by net revenues of the Enterprise.

(a) Water Revenue Bonds 2010 Series B

The 2010 Series B Bonds in the par amount of $417,720 were issued as taxable Build America Bonds (BAB) (with Direct Pay Subsidy) to provide $364,757 in new money for WSIP capital projects and pay financing costs. The 2010 Series B bonds were issued as serial and term bonds with coupons ranging from 4.0% to 6.0% and have a final maturity of 2040. The Series B bonds have a true interest cost (net of federal subsidy) of 3.9%. As of June 30, 2024 and 2023, the principal amount outstanding was $323,145 and $336,390, respectively.

(b) Water Revenue Bonds 2010 Series E

In July 2010, the 2010 Series E Bonds in the par amount of $344,200 were issued as taxable Build America Bonds (with Direct Pay Subsidy) to provide $300,446 in new money proceeds for WSIP capital projects. The Series E bonds were issued as serial and term bonds with coupons ranging from 4.9% to 6.0% and have a final maturity of 2040. The Series E bonds have a true interest cost (net of federal subsidy) of 3.8%. As of June 30, 2024 and 2023, the principal amount of 2010 Series E bonds outstanding was $318,290 and $331,455, respectively.

(c) Water Revenue Bonds 2010 Series G

In December 2010, the $351,470 Series G bonds were issued as taxable Build America Bonds (with Direct Pay Subsidy) to provide $288,252 in new money for WSIP capital projects. The Series G bonds were issued as term bonds with a coupon of 7.0% and have a final maturity of 2050. The Series G bonds have a true interest cost (net of federal subsidy) of 4.5%. As of June 30, 2024 and 2023, the principal amount of 2010 Series G bonds outstanding was $351,470.

(d) Water Revenue Refunding Bonds 2015 Series A

In April 2015, the Enterprise issued tax-exempt revenue bonds, 2015 Series A in the amount of $429,600 for the purpose of refunding all the outstanding 2006 Series A bonds maturing on and after November 1, 2015 and portion of the outstanding 2009 Series A bonds maturing on and after November 1, 2023. The bonds carried “Aa3” and “AA-” ratings from Moody’s and S&P, respectively. The 2015 Series A bonds include serial bonds with interest rates varying from 2.0% to 5.0% and have a final maturity in 2036. The Series A bonds have a true interest cost of 3.3%. Unamortized 2006 Series A bond issuance costs were $1,392, and there were no unamortized bond issuance costs for 2009 Series A bonds at the date of the refunding. The refunding resulted in the recognition of a deferred accounting loss of $25,365, gross debt service savings of $28,148 over the next 20 two-year terms, and an economic gain of $48,561 or 10.3% of refunded principal.

A portion of the proceeds of the 2023 Series C bonds were used to pay at closing a portion of the 2015 Series A bonds which had been tendered for purchase on August 10, 2023. The proceeds of the 2023 Series C bonds were sufficient to pay the accrued interest and tender price of maturities of the 2015 Series A bonds starting on November 1, 2028 to November 1, 2033 and November 1, 2036. As of June 30, 2024 and 2023, the principal amount of 2015 Series A bonds outstanding was $274,135 and $366,375, respectively.

(e) Water Revenue Refunding Bonds 2016 Series AB

In October 2016, the Enterprise issued tax-exempt revenue bonds, 2016 Series AB in the aggregate amount of $893,820. The 2016 Series A bonds were issued for the purpose of refunding a portion of the outstanding 2009 Series A bonds maturing on and after November 1, 2020, a portion of the outstanding 2009 Series B bonds maturing on and after November 1, 2020, and a portion of the outstanding 2010 Series F bonds maturing on and after November 1, 2021. The 2016 Series B bonds were issued for the purpose of refunding, on a current basis, all the outstanding 2006 Series B and Series C bonds, and a portion of the outstanding 2010 Series A bonds maturing on and after November 1, 2020, the bonds carried “Aa3” and “AA-” ratings from Moody’s and S&P, respectively. The 2016 Series AB bonds include serial bonds with interest rates varying from 1.5% to 5.0% and have a final maturity in 2039. The Series AB bonds have a true interest cost of 2.9%. Unamortized bond issuance costs at the date of refunding were $145 for 2006 Series B bonds and $54 for 2006 Series C bonds. The refunding resulted in the recognition of a deferred accounting loss of $106,205, gross debt service savings of $135,966, and an economic gain of $107,152 or 11.5% of refunded principal.

A portion of the proceeds of the 2023 Series C bonds were used to pay at closing a portion of the 2016 Series A bonds which had been tendered for purchase on August 10, 2023. The proceeds of the 2023 Series C bonds were sufficient to pay the accrued interest and tender price of maturities of the 2016 Series A bonds starting on November 1, 2031 to November 1, 2035. As of June 30, 2024 and 2023, the principal amount of 2016 Series AB bonds outstanding was $619,305 and $745,925, respectively.

(f) Water Revenue Bonds 2016 Series C

In December 2016, the Enterprise issued taxable bonds, 2016 Series C in the amount of $259,350. The bonds were issued as Green Bonds. The purpose of the bonds was to refund all of the outstanding taxable commercial paper notes in the approximate amount of $237,000, and to provide $19,975 of new money for WSIP capital projects. The bonds carried “Aa3” and “AA-” ratings from Moody’s and S&P, respectively. The 2016 Series C bonds include serial bonds with interest rates varying from 0.9% to 4.0% and have a final maturity in 2046, and two term bonds with 4.0% and 4.2% interest rates and final maturities of 2041 and 2046. The Series C bonds have a true interest cost of 3.9%. As of June 30, 2024 and 2023, the principal amount of 2016 Series C bonds outstanding was $219,170 and $225,275, respectively.

(g) Water Revenue Bonds 2017 Series ABC

In December 2017, the Enterprise issued tax-exempt revenue bonds, 2017 ABC in the aggregate amount of $339,540. The purpose of the 2017 Series ABC Bonds was to refund approximately $120,500 aggregate principal amount of commercial paper notes and to provide $230,500 new money for WSIP capital projects, other various capital projects of the Water Enterprise, and capital projects of Hetch Hetchy Water. The bonds carried “Aa3” and “AA-” ratings from Moody’s and S&P, respectively. The 2017 Series ABC bonds include serial bonds with coupon rates of 5.0% and have final maturity in 2045, and four term bonds with coupons of 5.0% and final maturities from 2045 to 2047.

The $121,140 2017 Series A bonds were issued as tax-exempt Green Bonds to refund approximately $60,265 of commercial paper notes and to provide $65,500 in new money for WSIP capital projects. The Series A bonds were issued as serial and term bonds with coupons of 5.0% and a final maturity of 2047. The Series A bonds have a true interest cost of 3.8%. A portion of the proceeds of the 2020 Series E refunding bonds were deposited with the trustee, acting as escrow agent under the irrevocable Escrow Agreement dated October 1, 2020 to refund and legally defease a portion of the outstanding 2017 Series A bonds. These deposits, together with certain other available monies were held by the escrow agent under the Escrow Agreement and invested in non-callable Federal Securities. The principal and interest on monies held by the escrow agent will be sufficient to redeem the maturities of the 2017 Series A bonds starting on November 1, 2030 and thereafter. The defeased principal amount outstanding for the 2017 Series A Revenue Bonds were $94,140 as June 30, 2024. As of June 30, 2024 and 2023, the principal amount of 2017 Series A bonds outstanding was $22,230 and $24,675, respectively.

The $147,725 2017 Series B bonds were issued as tax-exempt bonds to provide $150,000 in new money for Water Enterprise capital projects (non-WSIP). The Series B bonds were issued as serial and term bonds with coupons of 5.0% and have a final maturity of 2047. The Series B bonds have a true interest cost of 3.8%. A portion of the proceeds of the 2020 Series F refunding bonds were deposited with the trustee, acting as escrow agent under the irrevocable Escrow Agreement dated October 1, 2020 to refund and legally defease a portion of the outstanding 2017 Series B bonds. These deposits, together with certain other available monies were held by the escrow agent under the Escrow Agreement and invested in non-callable Federal Securities. The principal and interest on monies held by the escrow agent will be sufficient to redeem the maturities of the 2017 Series B bonds starting on November 1, 2030 and thereafter. The defeased principal amount outstanding for the 2017 Series B Revenue Bonds were $114,795 as of June 30, 2024. As of June 30, 2024 and 2023, the principal amount of 2017 Series B bonds outstanding was $27,110 and $30,095, respectively.

The $70,675 2017 Series C bonds were issued as tax-exempt bonds to refund approximately $60,266 of commercial paper notes and to provide $15,000 in new money for Hetch Hetchy Water capital projects. The Series C bonds were issued as serial bonds and a term bond with coupons of 5.0% and have a final maturity of 2047. The Series C bonds have a true interest cost of 3.8%. A portion of the proceeds of the 2020 Series H refunding bonds were deposited with the trustee, acting as escrow agent under the irrevocable Escrow Agreement dated October 1, 2020 to refund and legally defease a portion of the outstanding 2017 Series C bonds. These deposits, together with certain other available monies were held by the escrow agent under the Escrow Agreement and invested in non-callable Federal Securities. The principal and interest on monies held by the escrow agent will be sufficient to redeem the maturities of the 2017 Series C bonds starting on November 1, 2030 and thereafter. The defeased principal amount outstanding for the 2017 Series C Revenue Bonds were $54,925 as of June 30, 2024. As of June 30, 2024 and 2023, the principal amount of 2017 Series C bonds outstanding was $12,970 and $14,395, respectively.

(h) Water Revenue Refunding Bonds 2017 Series DEFG

In December 2017, the Enterprise issued tax-exempt revenue bonds, 2017 Series DEF, and taxable 2017 Series G refunding bonds in the aggregate amount of $442,180. The 2017 Series D (WSIP, Green) bonds were issued for the purpose of refunding a portion of the outstanding 2011 Series A (WSIP) bonds maturing on and after November 1, 2022, a portion of the outstanding 2012 Series A bonds maturing on and after November 1, 2031. A portion of the proceeds of the 2023 Series C bonds were used to pay at closing a portion of the 2017 Series D bonds which had been tendered for purchase on August 10, 2023. The proceeds of the 2023

Series C bonds were sufficient to pay the accrued interest and tender price of maturities of the 2017 Series D bonds starting on November 1, 2031 to November 1, 2035.

The 2017 Series E bonds were issued for the purpose of refunding a portion of the outstanding 2011 Series C bonds maturing on or after November 1, 2022, a portion of the outstanding 2011 Series D bonds maturing on and after November 1, 2022, a portion of 2012 Series C1 bonds maturing on or after November 1, 2029.

The 2017 Series F bonds were issued for the purpose of refunding a portion of the outstanding 2011 Series B bonds maturing on or after November 1, 2022.

The taxable 2017 Series G (WSIP, Green) bonds were issued to refund a portion of the outstanding 2011 Series A bonds maturing on and after November 1, 2022.

The bonds carried “Aa3” and “AA-” ratings from Moody’s and S&P, respectively. The 2017 Series DEFG bonds include serial bonds with interest rates varying from 2.0% to 5.0% and have a final maturity in 2035. The Series DEFG bonds have a true interest cost of 2.9%. The refunding resulted in the recognition of a deferred accounting loss of $34,275, gross debt service savings of $68,942, and an economic gain of $51,698 or 10.7% of refunded principal. As of June 30, 2024 and 2023, the principal amount of 2017 Series DEFG bonds outstanding was $317,120 and $420,360, respectively.

(i) Water Revenue Refunding Bonds 2019 Series ABC

In January 2020, the Enterprise issued taxable revenue bonds, 2019 Series ABC refunding bonds in the aggregate amount of $656,955. The 2019 Series A (WSIP, Green) bonds were issued for the purpose of refunding a portion of the outstanding 2010 Series F (WSIP) bonds maturing on and after November 1, 2020, a portion of the outstanding 2011 Series A (WSIP) bonds maturing on and after November 1, 2020, and a portion of the outstanding 2012 Series A (WSIP) bonds maturing on and after November 1, 2035. A portion of the proceeds of the 2023 Series C refunding bonds were deposited with the trustee, acting as escrow agent under the irrevocable Escrow Agreement dated August 1, 2023 to refund and legally defease a portion of the outstanding 2019 Series A bonds. These deposits, together with certain other available monies were held by the escrow agent under the Escrow Agreement and invested in non-callable Federal Securities. The principal and interest on monies held by the escrow agent will be sufficient to redeem portions of the maturities of the 2019 Series A bonds starting on November 1, 2024 to November 1, 2026 and November 1, 2029 to November 1 2033. A portion of the proceeds of the 2023 Series C bonds were used to pay at closing a portion of the 2019 Series A bonds which had been tendered for purchase on August 10, 2023. The proceeds of the 2023 Series C bonds were sufficient to pay the accrued interest and tender price of portions of maturities of the 2019 Series A bonds starting on November 1, 2026 to November 1, 2032, November 1, 2034, November 1, 2039 and November 1, 2043. The defeased principal amount outstanding for 2019 Series A Revenue Bonds were $5,745 as of June 30, 2024.

The 2019 Series B (Hetch Hetchy Water) bonds were issued for the purpose of refunding a portion of the outstanding 2011 Series B bonds maturing on or after November 1, 2032.

The 2019 Series C (Local) bonds were issued for the purpose of refunding a portion of the outstanding 2011 Series C bonds maturing on or after November 1, 2032.

The bonds carried “Aa2” and “AA-” ratings from Moody’s and S&P, respectively. The 2019 Series ABC bonds include serial bonds with interest rates varying from 1.8% to 3.5% and have a final maturity in 2043. The Series ABC bonds have a true interest cost of 3.3%. The refunding resulted in the recognition of a deferred accounting loss of $17,329, gross debt service savings of $119,827, and an economic gain of $92,556 or 14.0% of refunded principal. As of June 30, 2024 and 2023, the principal amount of 2019 Series ABC bonds outstanding was $427,020 and $621,915, respectively.

(j) Water Revenue Bonds 2020 Series ABCD

In September 2020, the Enterprise issued tax-exempt revenue bonds, 2020 Series ABCD in the aggregate amount of $346,760. The purpose of the 2020 Series ABCD Bonds was to refund approximately $229,770 aggregate principal amount of commercial paper notes and to provide $164,632 new money for various capital projects of the Water Enterprise, and capital projects of Hetch Hetchy Water. The bonds carried “Aa2” and “AA-” ratings from Moody’s and S&P, respectively. The 2020 Series ABCD bonds include term bonds with coupons of 3.0% to 5.0% and final maturity in 2050.

The $150,895 2020 Series A bonds were issued as tax-exempt Green Bonds to refund approximately $180,000 of commercial paper notes for WSIP capital projects. The Series A bonds were issued as term bonds with coupons of 4.0% and 5.0% and a final maturity of 2050. The 2020 Series A bonds have a true interest cost of 3.3%. As of June 30, 2024 and 2023, the principal amount of 2020 Series A bonds outstanding was $150,895.

The $61,330 Series B bonds were issued as tax-exempt bonds to provide $69,644 in new money for Water Enterprise capital projects (non-WSIP, Regional). The Series B bonds were issued as term bonds with coupons of 5.0% and have a final maturity of 2050. The Series B bonds have a true interest cost of 3.7%. As of June 30, 2024 and 2023, the principal amount of 2020 Series B bonds outstanding was $61,330.

The $85,335 Series C bonds were issued as tax-exempt bonds to provide $94,948 in new money for Water Enterprise capital projects (non-WSIP, Local). The Series C bonds were issued as term bonds with coupons of 4.0% and have a final maturity of 2050. The Series C bonds have a true interest cost of 3.0%. As of June 30, 2024 and 2023, the principal amount of 2020 Series C bonds outstanding was $85,335.

The $49,200 Series D bonds were issued as tax-exempt bonds to refund approximately $49,761 of commercial paper notes for Hetch Hetchy Water capital projects. The Series D bonds were issued as term bonds with coupons of 3.0% and a final maturity of 2050. The 2020 Series D bonds have a true interest cost of 2.7%. As of June 30, 2024 and 2023, the principal amount of 2020 Series D bonds outstanding was $49,200.

(k) Water Revenue Refunding Bonds 2020 Series EFGH

In October 2020, the Enterprise issued taxable revenue bonds, 2020 Series EFGH refunding bonds in the aggregate amount of $664,395. The 2020 Series E (WSIP, Green) bonds were issued for the purpose of refunding a portion of the outstanding 2010 Series D (WSIP) bonds maturing on and after November 1, 2020, a portion of the outstanding 2012 Series A (WSIP) bonds maturing on and after November 1, 2038, and a portion of the outstanding 2017 Series A (WSIP) bonds maturing on and after November 1, 2030. A portion of the proceeds of the 2023 Series C bonds were used to pay at closing a portion of the 2020 Series E bonds which had been tendered for purchase on August 10, 2023. The proceeds of the 2023 Series C bonds were sufficient to pay the accrued interest and tender price of the 2020 Series E bonds maturing November 1, 2041.

The 2020 Series F (non-WSIP, Regional) bonds were issued for the purpose of refunding a portion of the outstanding 2017 Series B bonds maturing on or after November 1, 2030.

The 2020 Series G (non-WSIP, Local) bonds were issued for the purpose of refunding a portion of the outstanding 2010 Series D bonds maturing on or after November 1, 2020, a portion of the 2011 Series D bonds maturing on or after November 1, 2022, a portion of 2012 Series B bonds maturing on or after November 1, 2031, and a portion of 2012 Series C bonds maturing on or after November 1, 2025. A portion of the proceeds of the 2023 Series D refunding bonds were deposited with the trustee, acting as escrow agent under the irrevocable Escrow Agreement dated August 1, 2023 to refund and legally defease a portion of the outstanding 2020 Series G bonds. These deposits, together with certain other available monies were held by the escrow agent under the Escrow Agreement and invested in non-callable Federal Securities. The principal and interest on monies held by the escrow agent will be sufficient to redeem portions of the maturities of the 2020 Series G bonds maturing on November 1, 2024 and November 1, 2025. A portion of the proceeds of the 2023 Series D bonds were used to pay at closing a portion of the 2020 Series G bonds which had been tendered for purchase on August 10, 2023. The proceeds of the 2023 Series D bonds were sufficient to pay the accrued interest and tender price of portions of maturities of the 2020 Series G bonds starting on November 1, 2026 to November 1, 2032 and November 1, 2035. The defeased principal amount outstanding for the 2020 Series G Revenue Bonds was $1,495 as of June 30, 2024.

The 2020 Series H (Hetch Hetchy Water) bonds were issued for the purpose of refunding a portion of the outstanding 2017 Series C bonds maturing on or after November 1, 2030.

The bonds carried "Aa2" and "AA-" ratings from Moody's and S&P, respectively. The 2020 Series EFGH bonds include serial bonds and term bonds with interest rates varying from 0.3% to 3.1% and have a final maturity in 2047. The Series EFGH bonds have a true interest cost of 2.7%. The refunding resulted in the recognition of a deferred accounting loss of $27,010, gross debt service savings of $117,114, and an economic gain of $75,212 or 12.0% of refunded principal. As of June 30, 2024 and 2023, the principal amount of 2020 Series EFGH bonds outstanding was $446,450 and $644,275, respectively.

(l) Water Revenue Bonds 2023 Series AB

In July 2023, the Enterprise issued tax-exempt revenue bonds, 2023 Series AB in the aggregate amount of $414,035. The purpose of the 2023 Series AB Bonds was to refund approximately $373,000 aggregate principal amount of commercial paper notes and to provide approximately $59,341 new money for various capital projects of the Water Enterprise, and capital projects of Hetch Hetchy Water. The bonds carried "Aa2" and "AA-" ratings from Moody's and S&P, respectively. The 2023 Series AB bonds include serial and term bonds with coupons of 5.0% to 5.3% and final maturities in 2052.

The $349,495 2023 Series A bonds were issued as tax-exempt bonds to refund approximately $305,625 of commercial paper notes for Water Enterprise capital projects and to provide approximately $59,299 new money for various capital projects for the Water Enterprise. The Series A bonds were issued as serial and term bonds with coupons of 5.0% to 5.3% and a final maturity of 2052. The Series A bonds have a true interest cost of 4.1%. As of June 30, 2024, the principal amount of 2023 Series A bonds outstanding was $349,495.

The $64,540 Series B bonds were issued as tax-exempt bonds to refund approximately $67,348 of commercial paper notes for Hetch Hetchy Water capital projects and approximately $42 in new money for Hetch Hetchy Water capital projects. The Series B bonds were issued as serial and term bonds with coupons of 5.0% to 5.3% and have a final maturity of 2052. The Series B bonds have a true interest cost of 4.1%. As of June 30, 2024, the principal amount of 2023 Series B bonds outstanding was $64,540.

(m) Water Revenue Refunding Bonds 2023 Series CD

In August 2023, the Enterprise issued tax-exempt revenue bonds, 2023 Series CD refunding bonds in the aggregate amount of $514,855. The 2023 Series C (WSIP, Green) bonds were issued for the purpose of paying the purchase price of a portion of the 2015 Series A revenue bonds maturing on or after November 1, 2028, a portion of the 2016 Series A revenue bonds maturing on or after November 1, 2031, a portion of the 2017 Series D revenue bonds maturing on or after November 1, 2031, a portion of the 2019 Series A (WSIP, Green) revenue bonds maturing on or after November 1, 2026, and a portion of the 2020 Series E (WSIP, Green) revenue bonds maturing on November 1, 2041 that were tendered for cash and advance refund portions of 2019 Series A maturing on or after November 1, 2024.

The 2023 Series D (Local Water) bonds were issued for the purpose of paying the purchase price of a portion of the 2020 Series G bonds maturing on or after November 1, 2026 that were tendered for cash and advance refund portions of 2020 Series G bonds maturing on or after November 1, 2024.

The bonds carried “Aa2” and “AA-” ratings from Moody’s and S&P, respectively. The 2023 Series CD bonds include serial bonds with interest rates of 4.0% to 5.0% and have a final maturity in 2043. The Series CD bonds have a true interest cost of 3.2%. The refunding resulted in the recognition of a deferred accounting gain of $33,378, gross debt service savings of approximately $85,376, and an economic gain of $58,518 or 9.5% of refunded principal. As of June 30, 2024, the principal amount of 2023 Series CD bonds outstanding was $514,855.

(n) Future Annual Debt Service of Revenue Bonds

The following table presents the future annual debt service relating to the revenue and refunding bonds outstanding as of June 30, 2024. The federal interest subsidy amounts represent 35.0%, excluding sequestration, of the interest for the revenue bond 2010 Series B, E, and G.

(Continued)

(Dollars in thousands, unless otherwise stated)

		Principal	Interest before subsidy	Federal interest subsidy*	Interest net of subsidy
Fiscal years ending June 30:					
2025	$	138,140	214,379	(20,370)	194,009
2026		149,540	207,947	(19,876)	188,071
2027		154,735	200,835	(19,345)	181,490
2028		159,210	193,311	(18,772)	174,539
2029		174,380	185,123	(18,164)	166,959
2030-2034		989,480	790,528	(79,528)	711,000
2035-2039		1,169,760	530,841	(53,376)	477,465
2040-2044		858,385	286,469	(25,530)	260,939
2045-2049		529,695	147,127	(12,339)	134,788
2050-2053		310,740	21,931	(1,184)	20,747
		4,634,065	2,778,491	(268,484)	2,510,007
Less: Current portion		(138,140)			
Less: Unamortized bond discount		(107)			
Add: Unamortized bond premiums		330,679			
Long-term portion as of June 30, 2024	$	4,826,497			

* The SFPUC received an IRS notice dated April 17, 2024 that the federal interest subsidies on the 2010 Series B bonds, 2010 Series E bonds, and 2010 Series G bonds are reduced by 5.7%, or a total reduction of $16,228, due to sequestration over the remaining life of the bonds assuming the sequestration rate will remain the same after fiscal year 2024.

As defined in the Indentures, the principal and interest of the Enterprise's revenue and refunding bonds are payable from its revenues, as well as monies deposited in certain funds and accounts pledged thereto (see Note 5).

(o) Clean Water State Revolving Fund (CWSRF) Loan and Grant

In September 2017, the SFPUC entered into an Installment Sale Agreement with the State Water Resources Control Board for a Clean Water State Revolving Fund (CWSRF) Loan and Grant to fund the Enterprise's SF Westside Recycled Water Project. The CWSRF loan is in the amount of $191,094, which includes $15,000 of principal forgiveness, or a grant. It will bear an interest rate of 1.0% for a 30-year term, with loan repayment beginning one year after substantial completion of project construction. The CWSRF loan is secured on a parity lien basis with the Enterprise's outstanding revenue bonds. The principal outstanding as of June 30, 2024 and 2023 was $154,178 and $131,525, respectively. In addition, there was $15,000 of principal forgiveness in fiscal year 2023.

(Dollars in thousands, unless otherwise stated)

California Clean Water State Revolving Fund Loan		Principal	Interest	Total
Fiscal years ending June 30:				
2025	$	–	–	–
2026		4,432	1,542	5,974
2027		4,477	1,497	5,974
2028		4,521	1,453	5,974
2029		4,567	1,407	5,974
2030-2034		23,526	6,342	29,868
2035-2039		24,728	5,143	29,871
2040-2044		25,989	3,882	29,871
2045-2049		27,315	2,556	29,871
2050-2054		28,708	1,163	29,871
2055		5,915	60	5,975
		154,178	25,045	179,223
Less: Current portion		–		
Long-term portion as of June 30, 2024	$	154,178		

(p) Drinking Water State Revolving Fund (DWSRF) Loan

In April 2022, the SFPUC entered into an Installment Sale Agreement with the State Water Resources Control Board for a Drinking Water State Revolving Fund (DWSRF) Loan to fund the Enterprise's Mountain Tunnel Improvement Project. The DWSRF loan is in the amount of $238,219. It will bear an interest rate of 1.1% for a 30-year term, with interest payments beginning annually after the initial loan proceed draw occurs and loan principal repayment beginning one year after substantial completion of project construction. Power Enterprise is responsible for repayment for its share of SRF Loan debt service costs representing up to its allocable share of the cost of the Mountain Tunnel Improvement Project by a Memorandum of Understanding that will be executed with the Water Enterprise. The DWSRF loan is secured on a parity lien basis with the Enterprise's outstanding revenue bonds. The principal outstanding as of June 30, 2024 and 2023 was $105,792 and $32,102, respectively.

Drinking Water State Revolving Fund Loan		Principal	Interest	Total
Fiscal years ending June 30:				
2025	$	–	–	–
2026		–	–	–
2027		–	–	–
2028		–	–	–
2029		3,041	1,058	4,099
2030-2034		15,669	4,827	20,496
2035-2039		16,468	4,028	20,496
2040-2044		17,308	3,188	20,496
2045-2049		18,191	2,305	20,496
2050-2054		19,119	1,377	20,496
2055-2058		15,996	402	16,398
		105,792	17,185	122,977
Less: Current portion		–		
Long-term portion as of June 30, 2024	$	105,792		

(q) Proposition A

On November 5, 2002, the San Francisco voters passed Proposition A, which provides for the issuance of revenue bonds and/or other forms of indebtedness by the Commission in a principal amount not to exceed $1,628,000 to finance the acquisition and construction of improvements to the City's Water System. As of June 30, 2023, there was no commercial paper outstanding pursuant to this authorization and $1,499,230 of bonds had been issued in fiscal years 2006, 2010, 2012, and 2021 against Prop A. The total authorization against Prop A was $1,499,230 as of June 30, 2024.

(r) Proposition E

On November 5, 2002, the San Francisco voters passed Proposition E, which authorizes the Board of Supervisors' approval of the issuance of revenue bonds and/or other forms of indebtedness by the Commission to finance costs for the Commission's capital programs, including WSIP. As of June 30, 2024, the Board of Supervisors authorized the issuance of $6,157,510 in revenue bonds with $4,317,653 issued against this authorization; in September 2017 and amended in April 2023, the SFPUC entered into an Installment Sale Agreement with the State Water Resources Control Board for a Clean Water State Revolving Fund (CWSRF) Loan and Grant to fund the Enterprise's SF Westside Recycled Water Project in the amount of $191,094 (which includes a $15,000 grant) and in April 2022, the SFPUC entered in to an Installment Sale Agreement with the State Water Resources Control Board for a Drinking Water State Revolving Fund (DWSRF) Loan to fund the Mountain Tunnel Improvement Project in the amount of $238,219. Additionally, $190,000 and $371,459 in commercial paper were outstanding pursuant to this authorization as of June 30, 2024 and 2023, respectively.

(s) Certificates of Participation Issued for the 525 Golden Gate Avenue Headquarters Building

In October 2009, the City issued $167,670 in certificates of participation to fund the headquarters building of the SFPUC at 525 Golden Gate Avenue. The 2009 Series C were issued for $38,120 and 2009 Series D for $129,550 as "Build America Bonds" on a taxable basis under the 2009 American Recovery and Reinvestment Act. The 2009 Series C certificates carry interest rates ranging from 2.0% to 5.0% and mature on November 1, 2022. The 2009 Series D certificates carry interest rates ranging from 6.4% to 6.5% and mature on November 1, 2041, after adjusting for the federal interest subsidy, the true interest cost averages 3.4% and 4.3% for Series C and Series D, respectively.

Under the terms of a memorandum of understanding (MOU) between the City and the SFPUC dated October 1, 2009, the City conveyed the real property to the Trustee, the Bank of New York Mellon Trust Company, N.A., which was replaced by U.S. Bank in March 2014 under a property lease in exchange for the proceeds of the sale of the certificates. The Trustee has leased the property back to the City for the City's use under a project lease. The City is obligated under the project lease to pay base rental payments and other payments to the Trustee each year during the 32-year term of the project lease. The Commission makes annual base rental payments to the City for the building equal to annual debt service on the certificates. It is anticipated these lease costs will be offset with reductions in costs associated with current office rental expense. There are no events of default stated in the MOU.

Each of the three Enterprises has an ownership interest in the building equal to their projected usage of space as follows: Water (73%), Wastewater (15%), and Power (12%). Similarly, each Enterprise is responsible for a portion of the annual base rental payment based on their ownership percentages less contributed equity. The percentage share of base rental payments for the Enterprises is as follows: Water (71.4%), Wastewater (18.9%), and Power (9.7%).

(Dollars in thousands, unless otherwise stated)

The future annual debt services relating to the certificates of participation 2009 Series D outstanding as of June 30, 2024 are as follows:

Certificates of Participation 2009 Series D (Taxable)		Principal	Interest before subsidy	Federal interest subsidy *	Interest net of subsidy
Fiscal years ending June 30:					
2025	$	3,402	5,652	(1,865)	3,787
2026		3,545	5,431	(1,792)	3,639
2027		3,695	5,201	(1,716)	3,485
2028		3,852	4,961	(1,637)	3,324
2029		4,013	4,710	(1,555)	3,155
2030-2034		22,762	19,369	(6,393)	12,976
2035-2039		28,071	11,157	(3,682)	7,475
2040-2042		19,892	1,972	(651)	1,321
Total		89,232	58,453	(19,291)	39,162
Less: Current portion		(3,402)			
Long-term portion as of June 30, 2024	$	85,830			

* The SFPUC received an IRS notice dated April 17, 2024 that the federal interest subsidy on the 2009 Series D bonds is reduced by 5.7%, or a total reduction of $1,166, due to sequestration over the remaining life of the bonds assuming the sequestration rate will remain the same after fiscal year 2024.

(t) Events of Default and Remedies

Significant Events of default as specified in the Water Enterprise Indenture (applicable to Water Revenue Bonds, and SRF Loan) include 1) Non-payment 2) material breach of warranty, representation or indenture covenants (not cured within applicable grace periods) and 3) bankruptcy and insolvency events, which may result in the Trustee (upon written request by the majority of the owners (by aggregate amount of the bond obligations or of a credit provider), declaring the principal and the interest accrued thereon, to be due and payable immediately. As of June 30, 2024 and 2023, there were no such events describe herein.

(8) Revenue Pledge

The Enterprise has pledged future revenues to repay various revenue bonds and State Revolving Fund loans. Proceeds from the revenue bonds and State Revolving Fund loans provided financing for various capital construction projects, and to refund previously issued bonds. The bonds and State Revolving Fund loans are payable solely from revenues of the Enterprise through the fiscal year ending 2058.

The outstanding amount of revenue bonds and State Revolving Funds loan, total principal and interest remaining, principal and interest paid during fiscal years 2024 and 2023, applicable net revenues and funds available for debt service are as follows:

(Dollars in thousands, unless otherwise stated)

		2024	2023
Bonds issued with revenue pledge	$	4,634,065	4,459,365
Principal and interest remaining due at the end of the year		7,714,756	7,193,317
Clean Water State Revolving Fund (CWSRF) loans with revenue pledge		259,970	163,627
Principal and interest paid net of capitalized interest and BAB subsidy during the year		306,369	307,062
Net revenues for the year ended June 30		337,985	372,689
Funds available for debt service*		555,585	566,764

* Includes other available funds budgetary balances that are non GAAP

(9) Leases

Water Enterprise as Lessee

The Enterprise has entered into long-term leases for land, office space, and communication site. The terms and conditions for these leases vary, which range between 1 – 75 years.

A summary of intangible right-to-use leases during the years ended June 30, 2024 and 2023 is as follows:

		Balance July 1, 2023	Increases	Decreases	Remeasurements	Balance June 30, 2024
Right-to-use assets:						
Land	$	605	-	(605)	-	-
Building/Facility		7,603	-	(592)	-	7,011
Total lease assets		8,208	-	(1,197)	-	7,011
Less accumulated amortization:						
Right-to-use assets:						
Land		(580)	(55)	605	-	(30)
Building/Facility		(3,685)	(1,154)	592	-	(4,247)
Total accumulated amortization		(4,265)	(1,209)	1,197	-	(4,277)
Total lease assets, net	$	3,943	(1,209)	-	-	2,734

		Balance July 1, 2022	Increases	Decreases	Remeasurements	Balance June 30, 2023
Right-to-use assets:						
Land	$	605	-	-	-	605
Building/Facility		5,041	149	-	2,413	7,603
Total lease assets		5,646	149	-	2,413	8,208
Less accumulated amortization:						
Right-to-use assets:						
Land		(383)	(197)	-	-	(580)
Building/Facility		(2,451)	(1,234)	-	-	(3,685)
Total accumulated amortization		(2,834)	(1,431)	-	-	(4,265)
Total lease assets, net	$	2,812	(1,282)	-	2,413	3,943

(Dollars in thousands, unless otherwise stated)

A summary of changes in the related lease liabilities during the years ended June 30, 2024 and 2023 is as follows:

	Balance July 1, 2023	Additions	Remeasurements	Deductions	Balance June 30, 2024	Amounts Due Within One Year
Water lease liabilities	$ 4,010	-	-	(1,189)	2,821	1,028
Total	$ 4,010	-	-	(1,189)	2,821	1,028

	Balance July 1, 2022	Additions	Remeasurements	Deductions	Balance June 30, 2023	Amounts Due Within One Year
Water lease liabilities	$ 2,863	149	2,413	(1,415)	4,010	1,189
Total	$ 2,863	149	2,413	(1,415)	4,010	1,189

Future annual lease payments for fiscal years 2024 and 2023 are as follows:

Year ending June 30:	Principal amount	Interest amount	Total
2025	$ 1,028	55	1,083
2026	546	32	578
2027	135	26	161
2028	122	23	145
2029	85	21	106
2030-2034	418	77	495
2035-2039	436	29	465
2040-2044	51	1	52
	2,821	264	3,085
Less: current portion	(1,028)		
Long-term portion as of June 30, 2024	$ 1,793		

Year ending June 30:	Principal amount	Interest amount	Total
2024	$ 1,189	81	1,270
2025	1,028	55	1,083
2026	546	32	578
2027	135	26	161
2028	122	23	145
2029-2033	416	86	502
2034-2038	445	39	484
2039-2043	129	3	132
	4,010	345	4,355
Less: current portion	(1,189)		
Long-term portion as of June 30, 2023	$ 2,821		

Variable lease payments

Variable lease payments, other than those payments that depend on an index or rate or are fixed in substance, are excluded from the measurement of the lease liability. Such amounts are recognized as lease expenses in the period in which the obligation for those payments is incurred.

Certain facility rental leases require the Enterprise to make variable lease payments that based on usage, related to the property taxes levied on the lessor, and insurance payments made by the lessor; these amounts are generally determined annually. The amounts recognized as expense for variable lease payments not included in the measurement of the lease liability were $79 and $263 during the year ended June 30, 2024 and 2023, respectively.

Water Enterprise as Lessor

The Enterprise has leased facilities, easements, communication site and equipment to various tenants. The terms and conditions for these leases vary, which range between 1- 65 years.

Variable payments include percentage of sales, or payments depended on an index made by the lessee; these amounts are generally determined periodically. The Enterprise did not incur revenue related to residual value guarantees or lease termination penalties. The total amounts for lease revenue, interest revenue, and other lease-related revenues recognized during the years ended June 30, 2024 and 2023 were $1,742 and $1,161, respectively.

(Dollars in thousands, unless otherwise stated)

Principal and interest requirements to maturity for the lease receivable on June 30, 2024 and 2023 are as follows:

Year ended June 30	Principal	Interest	Total
2025	$ 3,246	807	4,053
2026	2,676	748	3,424
2027	2,409	695	3,104
2028	2,423	645	3,068
2029	2,215	595	2,810
2030-2034	10,897	2,348	13,245
2035-2039	8,246	1,280	9,526
2040-2044	363	921	1,284
2045-2049	-	1,056	1,056
2050-2054	-	1,224	1,224
2055-2059	240	1,179	1,419
2060-2064	898	748	1,646
2065-2069	1,291	617	1,908
2070-2074	1,778	433	2,211
2075+	2,381	181	2,562
	$ 39,063	13,477	52,540

Year ended June 30	Principal	Interest	Total
2024	$ 3,521	869	4,390
2025	3,610	821	4,431
2026	3,046	756	3,802
2027	2,721	698	3,419
2028	2,423	645	3,068
2029-2033	10,951	2,571	13,522
2034-2038	9,941	1,477	11,418
2039-2043	828	914	1,742
2044-2048	-	1,027	1,027
2049-2053	-	1,191	1,191
2054-2058	117	1,263	1,380
2059-2063	832	768	1,600
2064-2068	1,208	647	1,855
2069-2073	1,676	475	2,151
2074+	2,756	250	3,006
	$ 43,630	14,372	58,002

(Dollars in thousands, unless otherwise stated)

(10) Subscription-Based Information Technology Arrangements

Water Enterprise as Subscriber

The Enterprise has noncancellable subscription arrangements (similar to a lease) for the right to use various information technology hardware and software (SBITAs). The terms and conditions for these subscriptions varies, which ranges between 1 – 5 years.

A summary of intangible right-to-use subscription IT assets during the years ended June 30, 2024 and 2023 are as follows:

		Balance July 1, 2023	Increases	Decreases	Remeasurements	Balance June 30, 2024
Subscription assets	$	2,450	-	(1,590)	-	860
Less accumulated amortization:		(1,755)	(384)	1,590	-	(549)
Total subscription assets, net	$	695	(384)	-	-	311

		Balance July 1, 2022	Increases	Decreases	Remeasurements	Balance June 30, 2023
Subscription assets	$	2,450	-	-	-	2,450
Less accumulated amortization:		(873)	(882)	-	-	(1,755)
Total subscription assets, net	$	1,577	(882)	-	-	695

A summary of changes in the related subscription liabilities during the years ended June 30, 2024 and 2023 is as follows:

		Balance July 1, 2023	Additions	Remeasurements	Deductions	Balance June 30, 2024	Amounts Due Within One Year
SBITA liabilities	$	708	-	-	(400)	308	153
Total	$	708	-	-	(400)	308	153

		Balance July 1, 2022	Additions	Remeasurements	Deductions	Balance June 30, 2023	Amounts Due Within One Year
SBITA liabilities	$	1,556	-	-	(848)	708	400
Total	$	1,556	-	-	(848)	708	400

Future annual subscription payments as of June 30, 2024 and 2023 are as follows:

Year ending June 30:		Principal amount	Interest amount	Total
2025	$	153	4	157
2026		155	2	157
		308	6	314
Less: current portion		(153)		
Long-term portion as of June 30, 2024	$	155		

(Dollars in thousands, unless otherwise stated)

Year ending June 30:		Principal amount	Interest amount	Total
2024	$	400	8	408
2025		153	4	157
2026		155	2	157
		708	14	722
Less: current portion		(400)		
Long-term portion as of June 30, 2023	$	308		

(11) Wholesale Balancing Account

Water Supply Agreement

From 1984-2009, the Enterprise provided water service pursuant to the terms of the 1984 Water Settlement Agreement and Master Water Sales Contract, which established the basis for water rates to be charged to those customers (Wholesale Customers). The Master Water Sales Contract expired on June 30, 2009. The Commission and the Wholesale Customers approved a Water Supply Agreement (WSA) effective July 1, 2009 (the contract was most recently restated and amended in January 2023). The WSA has a 25-year term from July 1, 2009, with two options for five-year extensions. The existing 184 million gallons per day (mgd) Supply Assurance continues under the WSA and no increase in the Supply Assurance will be considered before December 31, 2028. During the period from 2009 to 2028, the WSA limits the quantity of water delivered to Retail Customers and Wholesale Customers from the watersheds to 265 mgd. Under the WSA, annual operating expenses, including debt service on bonds sold to finance regional system improvements and regional capital projects funded from revenues, will be allocated between Retail Customers and Wholesale Customers on the basis of proportionate annual water use. The original WSA stated the Wholesale Customers' share of net book value of existing regional assets as of June 30, 2009 would be recovered on level annual payment over the 25-year term of the WSA at an interest rate of 5.13%. The 25-year term repayment obligation was settled in February 2013. The Wholesale Customers made an early repayment to the Enterprise of the outstanding balance of $356,139 as allowed by Section 5.03 of the WSA. The WSA continues much of the rate setting, accounting, and dispute resolution provisions contained in the expired contract, and has emergency and drought-pricing adjustment provisions.

Pursuant to the terms of the WSA, the Enterprise is required to establish water rates applicable to the Wholesale Customers annually. The wholesale water rates are based on an estimate of the level of revenues necessary to recoup the cost of distributing water to the Wholesale Customers in accordance with the methodology outlined in Article V of the WSA (the Wholesale Revenue Requirement (WRR)). During fiscal years ending in 2024 and 2023, the WRR, net of adjustments, charged to such wholesale customers was $334,261 and $300,502, respectively. Such amounts are subject to final review by the Wholesale Customers, along with a trailing wholesale balancing account compliance audit of the WRR calculation.

Pursuant to Article VII, Section 7.02 of the WSA, the Enterprise is required to re-compute the WRR after the close of each fiscal year based on the actual costs incurred in the delivery of water to the Wholesale Customers. The difference between the wholesale revenues earned during the year and the "actual" WRR is recorded in a separate account (the Balancing Account) and represents the cumulative amount that is either owed to the Wholesale Customers (if the wholesale revenues exceed the WRR) or owed to the City (if the WRR exceeds the wholesale revenues paid). In accordance with Article VI of the WSA, the amount recorded in the Balancing Account shall earn interest at a rate equal to the average rate received by the City during the year on the invested pooled funds of the City

(Dollars in thousands, unless otherwise stated)

Treasury and shall be taken into consideration in the determination of subsequent wholesale water rates. The Wholesale Customers owed the Enterprise $26,121 as of June 30, 2024. The Wholesale Customers owed the Enterprise $10,052 as of June 30, 2023. Refer to the compliance audit report for the final balancing account available at https://sfpuc.gov/about-us/reports/audited-financial-statements-annual-financial-reports.

(12) Employee Benefits

(a) Pension Plan

The Enterprise participates in a cost-sharing multiple-employer defined benefit pension Plan (SFERS Plan). For purposes of measuring the net pension liability, deferred outflows/inflows of resources related to pensions, pension expense, information about the fiduciary net position of the SFERS Plan, and additions to/deductions from the SFERS Plan's fiduciary net position have been determined on the same basis as they are reported by the SFERS Plan. Contributions are recognized in the period in which they are due pursuant to legal requirements. Benefit payments (including refunds of employee contributions) are recognized when currently due and payable in accordance with the benefit terms. Investments are reported at fair value.

Replacement Benefits Plan – Replacement Benefits Plan (RBP) is a qualified excess benefit plan established in October 1989. Internal Revenue Code Section 415(m) provides for excess benefit arrangements that legally permit benefit payments above the Section 415 limits, provided that the payments are not paid from the SFERS Plan. The RBP allows the City to pay SFERS retirees any portion of the Charter-mandated retirement allowance that exceeds the annual Section 415(b) limit. The RBP plan does not meet the criteria of a qualified trust under GASB Statement No. 73 because RBP assets are subject to the claims of the employer's general creditors under federal and state law in the event of insolvency.

GASB Statements No. 68 and 73 require that the SFERS Plan and RBP reported results must pertain to liability and asset information within certain defined timeframes. For this report, the following timeframes are used:

Fiscal Year 2024	
Valuation Date (VD)	July 1, 2022 updated to June 30, 2023
Measurement Date (MD)	June 30, 2023
Measurement Period (MP)	July 1, 2022 to June 30, 2023
Fiscal Year 2023	
Valuation Date (VD)	July 1, 2021 updated to June 30, 2022
Measurement Date (MD)	June 30, 2022
Measurement Period (MP)	July 1, 2021 to June 30, 2022

The City is an employer of the plan with a proportionate share of 94.85% as of June 30, 2023 (measurement date), and 94.87% as of June 30, 2022 (measurement date), 0.02% decrease from prior year. The Enterprise's allocation percentage was determined based on the Enterprise's employer contributions divided by the City's total employer contributions for fiscal years 2023 and 2022. The Enterprise's net pension liability, deferred outflows/inflows of resources related to pensions, amortization of deferred outflows/inflows, and pension expense is based on the Enterprise's allocated percentage. The Enterprise's allocation of the City's proportionate share was 4.34% as of June 30, 2023, and 4.27% as of June 30, 2022 (measurement dates).

Replacement Benefits Plan – The Enterprise's allocation percentage was determined based on the Enterprise's total pension liability divided by the City's total headcount for fiscal year 2023. The Enterprise's total pension liability, deferred outflows/inflows of resources related to pensions, amortization of deferred outflows/inflows and pension expense is based on the Enterprise's allocated percentage. The Enterprise's allocation of the City's proportionate share was 1.95% as of June 30, 2023, and 2.31% as of June 30, 2022 (measurement dates).

SFERS Plan Description – The Plan provides basic service retirement, disability, and death benefits based on specified percentages of defined final average monthly salary and provides annual cost-of-living adjustments after retirement. The Plan also provides pension continuation benefits to qualified survivors. The San Francisco City and County Charter and the Administrative Code are the authorities which establish and amend the benefit provisions and employer obligations of the Plan. The Retirement System issues a publicly available financial report that includes financial statements and required supplementary information for the Plan. That report may be obtained on the Retirement System's website at https://mysfers.org or by writing to the San Francisco City and County Employees' Retirement System, 1145 Market Street, 5th Floor, San Francisco, CA 94103 or by calling (415) 487-7000.

SFERS Benefits – The Retirement System provides service retirement, disability and death benefits based on specified percentages of defined final average monthly salary and annual cost of living adjustments (COLA) after retirement. Benefits and refunds are recognized when due and payable in accordance with the terms of the Plan. The Retirement System pays benefits according to the category of employment and the type of benefit coverage provided by the City and County. The four main categories of Plan members are:

a) Miscellaneous Non-Safety Members – staff, operational, supervisory, and all other eligible employees who are not in special membership categories.
b) Sheriff's Department and Miscellaneous Safety Members – sheriffs assuming office on and after January 7, 2012, and undersheriffs, deputized personnel of the sheriff's department, and miscellaneous safety employees hired on and after January 7, 2012.
c) Firefighter Members – firefighters and other employees whose principal duties are in fire prevention and suppression work or who occupy positions designated by law as firefighter member positions.
d) Police Members – police officers and other employees whose principal duties are in active law enforcement or who occupy positions designated by law as police member positions.

The membership groups and the related service retirement benefits are included in the Notes to the Financial Statements of San Francisco Employees' Retirement System.

All members are eligible to apply for a disability retirement benefit, regardless of age, when they have 10 or more years of credited service and they sustain an injury or illness that prevents them from performing their duties. Safety members are eligible to apply for an industrial disability retirement benefit from their first day on the job if their disability is caused by an illness or injury that they receive while performing their duties.

All retired members receive a benefit adjustment each July 1, which is the Basic COLA. The majority of adjustments are determined by changes in CPI with increases capped at 2%. The Plan provides for a Supplemental COLA in years when there are sufficient "excess" investment earnings in the Plan. The maximum benefit adjustment each July 1 is 3.5% including the Basic COLA. Proposition A passed on November 8, 2022 making members who retired before November 6, 1996 (Pre96 Retirees) eligible for a Supplemental COLA, even if SFERS is not fully funded based on the market value of assets. Also, Pre96 Retirees' base retirement allowances were adjusted to account for Supplemental COLAs not received in 2013, 2014, 2017, 2018, and 2019 due to the full funding requirement. Effective with Proposition A, Pre96 Retirees receive the same Supplemental COLAs as the after November 6, 1996 and before January 7, 2012 members. For all members hired before January 7, 2012, all Supplemental COLAs paid to them in retirement benefits will continue into the future even where an additional Supplemental COLA is not payable in any given year. For members hired on and after January 7, 2012, a Supplemental COLA will only be paid to retirees when the Plan is fully funded on a market value of asset basis and in addition for these members, Supplemental COLAs will not be permanent adjustments to retirement benefits. That is, in years when a Supplemental COLA is not paid, all previously paid Supplemental COLAs will expire.

Funding and Contribution Policy

SFERS Plan – Contributions are made by both the City and the participating employees. Employee contributions are mandatory as required by the Charter. Employee contribution rates varied from 7.5% to 11.5% as a percentage of gross covered salary in fiscal year 2024, and 7.5% to 12.0% in fiscal year 2023. Most employee groups agreed through collective bargaining for employees to contribute the full amount of the employee contributions on a pretax basis. The City is required to contribute at an actuarially determined rate. Based on the July 1, 2022 actuarial report, the required employer contribution rates for fiscal year 2024 range from 15.24% to 18.24%. Based on the July 1, 2021 actuarial report, the required employer contribution rates for fiscal year 2023 range from 17.85% to 21.35%.

Employer contributions and employee contributions made by the employer to the Plan are recognized when due and the employer has made a formal commitment to provide the contributions. The City's proportionate share of employer contributions recognized by the Retirement System in fiscal year ended June 30, 2023 and 2022 (measurement period) were $638,003 and $729,578, respectively. The Enterprise's allocation of employer contributions for fiscal years 2023 and 2022 (measurement period) was $27,925 and $31,151, respectively.

Replacement Benefits Plan – The RBP is and will remain unfunded and the rights of any participant and beneficiary are limited to those specified in the RBP. The RBP constitutes an unsecured promise by the City to make benefit payments in the future to the extent funded by the City. The City paid $4,614 replacement benefits in the year ended June 30, 2024.

Pension Liabilities/(Asset), Pension Expenses, and Deferred Outflows and Inflows of Resources Related to Pensions

Fiscal Year 2024

As of June 30, 2024, the City reported net pension liability (NPL) for its proportionate share of the net pension liability of the SFERS Plan and total pension liability of RBP of $3,588,819. The City's NPL for each of its cost-sharing plans is measured as a proportionate share of the plans' net pension liability. The net pension liability of the SFERS Plan is measured as of June 30, 2023 (measurement date), and the total pension liability for the SFERS Plan and RBP used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2022 rolled forward to June 30, 2023 using standard update procedures. The City's proportion of the net pension liability for the SFERS Plan was based on a projection of the City's long-term share of contributions to the pension plan relative to the projected contributions of all participating employers, actuarially determined. The Enterprise's allocation of the City's proportionate share of the net pension liability for the SFERS Plan as of June 30, 2024 (reporting year) was $150,060. The Enterprise's allocation of total pension liability for the RBP as of June 30, 2024 was $2,583.

(Dollars in thousands, unless otherwise stated)

For the year ended June 30, 2024, the City's recognized pension expense was $667,276 including amortization of deferred outflow/inflow related pension items. The Enterprise's allocation of pension expense including amortization of deferred outflow/inflow related pension items was $26,330. Pension expense increased from the prior year, largely due to the amortization of deferrals.

As of June 30, 2024, the Enterprise reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

Fiscal Year 2024 Schedule of Deferred Outflows and Inflows of Resources

		SFERS Plan		Replacement Benefits Plan	
		Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contribution subsequent to measurement date	$	27,653	–	–	–
Differences between expected and actual experience		16,124	–	222	657
Changes in assumptions		19,421	8,861	202	532
Net difference between projected and actual earnings on pension plan investments		28,399	–	–	–
Change in employer's proportion		1,033	2,262	472	993
Total	$	92,630	11,123	896	2,182

Amounts reported as deferred outflows, exclusive of contributions made after the measurement date, and deferred inflows of resources will be amortized annually and recognized in pension expense (benefit) as follows:

Fiscal Years		SFERS Plan	Replacement Benefits Plan
2025	$	(340)	(366)
2026		(9,299)	(550)
2027		55,297	(384)
2028		8,196	14
Total	$	53,854	(1,286)

On June 30, 2024, the Enterprise reported $27,653 as deferred outflows of resources related to contributions subsequent to the measurement date, which will be recognized as an adjustment to net pension liability in the reporting year ending June 30, 2025.

Fiscal Year 2023

As of June 30, 2023, the City reported net pension liability (NPL) for its proportionate share of the net pension liability of the SFERS Plan and net pension liability of RBP of $2,708,927. The City's NPL/net pension assets (NPA) for each of its cost-sharing plans is measured as a proportionate share of the plans' net pension liability. The net pension liability of the SFERS Plan is measured as of June 30, 2022 (measurement date), and the total pension liability for the SFERS Plan and RBP used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2021 rolled forward to June 30, 2022 using standard update procedures. The City's proportion of the net pension liability for the SFERS Plan was based on a projection of the City's long-term share of contributions to the pension plan relative to the projected contributions of all participating employers, actuarially determined. The Enterprise's allocation of the City's proportionate share of the net pension liability for the SFERS Plan as of June 30, 2023 (reporting year) was $111,743. The Enterprise's allocation of total pension liability for the RBP as of June 30, 2023 was $3,600.

(Dollars in thousands, unless otherwise stated)

For the year ended June 30, 2023, the City's recognized pension expense was $1,771 including amortization of deferred outflow/inflow related pension items. The Enterprise's allocation of pension expense including amortization of deferred outflow/inflow related pension items was $6,225. Pension expense increased from the prior year, largely due to the amortization of deferrals.

As of June 30, 2023, the Enterprise reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

Fiscal Year 2023 Schedule of Deferred Outflows and Inflows of Resources

		SFERS Plan		Replacement Benefits Plan	
		Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contribution subsequent to measurement date	$	27,925	–	–	–
Differences between expected and actual experience		10,200	–	475	455
Changes in assumptions		29,035	8,713	579	778
Net difference between projected and actual earnings on pension plan investments		–	13,890	–	–
Change in employer's proportion		1,869	3,138	18	1,530
Total	$	69,029	25,741	1,072	2,763

Amounts reported as deferred outflows, exclusive of contributions made after the measurement date, and deferred inflows of resources will be amortized annually and recognized in pension/(benefits) as follows:

Fiscal Years		SFERS Plan	Replacement Benefits Plan
2024	$	(5,899)	(283)
2025		(8,602)	(374)
2026		(17,636)	(589)
2027		47,500	(445)
Total	$	15,363	(1,691)

Actuarial Assumptions

Fiscal Year 2024

A summary of the actuarial assumptions and methods used to calculate the Total Pension Liability for both SFERS Plan and RBP as of June 30, 2023 (measurement year) is provided below, including any assumptions that differ from those used in the July 1, 2022 actuarial valuation. Refer to the July 1, 2022 actuarial valuation report for a complete description of all other assumptions, which can be found on the Retirement System's website http://mysfers.org.

(Dollars in thousands, unless otherwise stated)

Key Actuarial Assumptions	SFERS Plan
Valuation Date	July 1, 2022 updated to June 30, 2023
Measurement Date	June 30, 2023
Actuarial Cost Method	Entry-Age Normal Cost
Expected Rate of Return	7.20% net of investment expenses
Municipal Bond Yield	3.65% as of June 30, 2023
	3.54% as of June 30, 2022
	Bond Buyer 20-Bond GO Index, June 30, 2022 and June 30, 2023
Inflation	2.50%
Projected Salary Increases	3.25% plus merit component based employee classification and years of service
Discount Rate	7.20% as of June 30, 2023
	7.20% as of June 30, 2022
Administrative Expenses	0.60% of payroll as of June 30, 2023
	0.60% of payroll as of June 30, 2022

Basic COLA	Old Miscellaneous and All New Plans	Old Police & Fire, pre 7/1/75	Old Police & Fire Charters A8.595 and A8.596	Old Police & Fire Charters A8.559 and A8.585
June 30, 2023	2.00%	1.90%	2.50%	3.60%
June 30, 2022	2.00%	1.90%	2.50%	3.60%

Changes of Assumptions SFERS plan – There were no changes in the discount rate for the measurement period ended June 30, 2023. The municipal bond yield increased from 3.54% to 3.65%.

Changes of Assumptions Replacement Benefits Plan – Both discount rate for the measurement period ended June 30, 2023 and the municipal bond yield increased from 3.54% to 3.65%.

Mortality rates for health Miscellaneous members were based upon adjusted PubG-2010 Employee and Retiree tables for non-annuitants and retirees, respectively. Mortality rates were then projected generationally from the base year using the MP-2019 projection scale.

The actuarial assumptions used at the June 30, 2023 measurement date were based upon the result of a demographic experience study for the period July 1, 2014 through June 30, 2019 and an economic experience study as of July 1, 2022.

Fiscal Year 2023

A summary of the actuarial assumptions and methods used to calculate the Total Pension Liability for both SFERS Plan and RBP as of June 30, 2022 (measurement year) is provided below, including any assumptions that differ from those used in the July 1, 2021 actuarial valuation. Refer to the July 1, 2021 actuarial valuation report for a complete description of all other assumptions, which can be found on the Retirement System's website http://mysfers.org.

(Dollars in thousands, unless otherwise stated)

Key Actuarial Assumptions	SFERS Plan
Valuation Date	July 1, 2021 updated to June 30, 2022
Measurement Date	June 30, 2022
Actuarial Cost Method	Entry-Age Normal Cost
Expected Rate of Return	7.20% net of investment expenses
Municipal Bond Yield	3.54% as of June 30, 2022
	2.16% as of June 30, 2021
	Bond Buyer 20-Bond GO Index, June 30, 2022
Inflation	2.50%
Projected Salary Increases	3.25% plus merit component based employee classification and years of service
Discount Rate	7.20% as of June 30, 2022
	7.40% as of June 30, 2021
Administrative Expenses	0.60% of payroll as of June 30, 2022
	0.60% of payroll as of June 30, 2021

Basic COLA	Old Miscellaneous and All New Plans	Old Police & Fire, pre 7/1/75	Old Police & Fire Charters A8.595 and A8.596	Old Police & Fire Charters A8.559 and A8.585
June 30, 2022	2.00%	1.90%	2.50%	3.60%
June 30, 2021	2.00%	1.90%	2.50%	3.60%

Key Actuarial Assumptions	Replacement Benefits Plan
Valuation Date	July 1, 2021 updated to June 30, 2022
Measurement Date	June 30, 2022
Actuarial Cost Method	Entry-Age Normal Cost
Municipal Bond Yield	3.54% as of June 30, 2022
	Bond Buyer 20-Bond GO Index, June 24, 2021 and June 30, 2022
Inflation	2.50%
Projected Salary Increases	3.25% plus merit component based employee classification and years of service
Discount Rate	3.54% as of June 30, 2022
Administrative Expenses	0.60% of payroll as of June 30, 2022

Basic COLA	Old Miscellaneous and All New Plans	Old Police & Fire, pre 7/1/75	Old Police & Fire Charters A8.595 and A8.596	Old Police & Fire Charters A8.559 and A8.585
June 30, 2022	2.00%	1.90%	2.50%	3.60%
June 30, 2021	2.00%	1.90%	2.50%	3.60%

Mortality rates for health Miscellaneous members were based upon adjusted PubG-2010 Employee and Retiree tables for non-annuitants and retirees, respectively. Mortality rates were then projected generationally from the base year using the MP-2019 projection scale.

The actuarial assumptions used at the June 30, 2021 measurement date were based upon the result of a demographic experience study for the period July 1, 2014 through June 30, 2019 and an economic experience study as of July 1, 2021.

Discount Rate

Fiscal Year 2024

SFERS Plan – The beginning and end of year measurements are based on different assumptions and contribution methods that may result in different discount rates. The discount rate was 7.20% as of June 30, 2023 (measurement date) and 7.20% June 30, 2022 (measurement date).

(Dollars in thousands, unless otherwise stated)

The discount rate used to measure the Total Pension Liability as of June 30, 2023 was 7.20%. The projection of cash flows used to determine the discount rate assumed that plan member contributions will continue to be made at the rates specified in the Charter. Employer contributions were assumed to be made in accordance with the contribution policy in effect for July 1, 2022 actuarial valuation. That policy includes contributions equal to the employer portion of the entry age normal costs for members as of the valuation date, a payment for the expected administrative expenses, and an amortization payment on the unfunded actuarial liability.

The amortization payment is based on closed periods that vary in length depending on the source. Charter amendments prior to July 1, 2014 are amortized over 20 years. After July 1, 2014, any Charter changes to active member benefits are amortized over 15 years and changes to inactive member benefits, including Supplemental COLAs, are amortized over 5 years. However, the change due to Proposition A was amortized over 10 years. In the July 1, 2016 valuation, the increase in the unfunded actuarial liability attributable to the Supplemental COLAs granted effective July 1, 2013 was amortized over 17 years. For the July 1, 2021 valuation, all amortization periods for actuarial gains and losses and prior assumption changes were reduced to 5 years. The assumption change effective July 1, 2021 is amortized over 20 years. Future experience gains and losses and assumption or method changes on or after July 1, 2021 are amortized over 20 years. If the plan becomes 100% funded based on the actuarial value of assets, any new net surpluses are amortized over a rolling 20-year period. All amortization schedules are established as a level percentage of payroll so payments increase 3.25% each year. The unfunded actuarial liability is based on an actuarial value of assets that smooths investment gains and losses over five years and a measurement of the actuarial liability that excludes the value of any future Supplemental COLAs.

While the contributions and measure of actuarial liability in the funding valuation do not anticipate any future Supplemental COLAs, the projected contributions for the determination of the discount rate include the anticipated future amortization payments on future Supplemental COLAs for current members when they are expected to be granted. For members who were hired before Proposition C passed, a Supplemental COLA is granted if the actual investment earnings during the year exceed the expected investment earnings on the actuarial value of assets. For members who were hired after Proposition C passed, the market value of assets must also exceed the actuarial liability for a Supplemental COLA to be granted. When a Supplemental COLA is granted, the amount depends on the amount of excess earnings and the basic COLA amount for each membership group. Most members receive a 1.50% Supplemental COLA when a full Supplemental COLA is granted.

No Supplemental COLA was payable as of July 1, 2023 due to the unfavorable investment return for fiscal year 2023. The table below shows the net assumed Supplemental COLA for members with a 2.00% Basic COLA for sample years.

Assumed Supplemental COLA for Members with a 2.00% Basic COLA

Fiscal Years	96 - Prop C	Before 11/6/96 or After Prop C
2025+	0.75 %	0.50 %

The projection of benefit payments to current members for determining the discount rate includes the payment of anticipated future Supplemental COLAs.

(Dollars in thousands, unless otherwise stated)

Based on these assumptions, the Retirement System's fiduciary net position was projected to be available to make projected future benefit payments for current members through 2104. Projected benefit payments are discounted at the long-term expected return on assets of 7.20% to the extent the fiduciary net position is available to make the payments and at the municipal bond rate of 3.65% to the extent they are not available. The single equivalent rate used to determine the Total Pension Liability as of June 30, 2023 is 7.20%.

The long-term expected rate of return on pension plan investments was 7.20%. It was set by the Retirement Board after consideration of both expected future returns and historical returns experienced by the Retirement System. Expected future returns were determined by using a building-block method in which best-estimate ranges of expected future real rates of return were developed for each major asset class. These ranges were combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Target allocation and best estimates of geometric long-term expected real rates of return (net of pension plan investment expense and inflation) for each major asset class are summarized in the following table.

Asset Class	Target Allocations	Long-Term Expected Real Rate of Return
Global Equity	37.0 %	4.6 %
Private Equity	23.0	7.8
Private Credit	10.0	5.8
Real Assets	10.0	5.3
Absolute Return	10.0	4.4
Treasuries	8.0	1.7
Liquid Credit	5.0	3.5
Leverage	-3.0	1.4
Total	100.0	

Replacement Benefits Plan – The beginning and end of year measurements are based on different assumptions that result in different discount rates. The discount rate was 3.65% as of June 30, 2023. This reflects the yield for a 20-year, tax-exempt general obligation municipal bond with an average rating of AA/Aa or higher. The Municipal Bond Yields are the Bond Buyer 20-Year GO Index as of June 30, 2022 and June 29, 2023. These are the rates used to determine the total pension liability as of June 30, 2023.

The inflation assumption of 2.50% compounded annually was used for projecting the annual IRC Section 415(b) limitations. The actual IRC Section 415(b) limitations published by the IRS of $265 was used for the 2023 measurement date.

The SFERS assumptions about Basic and Supplemental COLA previously discussed also apply to the Replacement Benefits Plan, including the impact of the State Appeals Court determination that the full funding requirement for payment of Supplemental COLA included in Proposition C was unconstitutional and the impact is accounted for as a change in benefits.

On June 30, 2024, City's membership in the RBP had a total of 227 active members and 149 retirees and beneficiaries currently receiving benefits. The Enterprise has 6 active members and 4 retirees and beneficiary currently receiving benefits.

Fiscal Year 2023

SFERS Plan – The beginning and end of year measurements are based on different assumptions and contribution methods that may result in different discount rates. The discount rate was 7.20% as of June 30, 2022 (measurement date) and 7.40% June 30, 2021 (measurement date).

The discount rate used to measure the Total Pension Liability as of June 30, 2022 was 7.20%. The projection of cash flows used to determine the discount rate assumed that plan member contributions will continue to be made at the rates specified in the Charter. Employer contributions were assumed to be made in accordance with the contribution policy in effect for July 1, 2021 actuarial valuation. That policy includes contributions equal to the employer portion of the entry age normal costs for members as of the valuation date, a payment for the expected administrative expenses, and an amortization payment on the unfunded actuarial liability.

The amortization payment is based on closed periods that vary in length depending on the source. Charter amendments prior to July 1, 2014 are amortized over 20 years. After July 1, 2014, any Charter changes to active member benefits are amortized over 15 years and changes to inactive member benefits, including Supplemental COLAs, are amortized over 5 years. The remaining unfunded actuarial liability not attributable to Charter amendments as of July 1, 2013 is amortized over a 19-year period commencing July 1, 2014. Experience gains and losses and assumption or method changes on or after July 1, 2014 are amortized over 20 years. The full amortization payment for the 2015 assumption changes is phased in over a period of 5 years. For the July 1, 2016 valuation, the increase in the unfunded actuarial liability attributable to the Supplemental COLAs granted on July 1, 2013 and July 1, 2014 are amortized over 17-years and 5-years respectively. All amortization schedules are established as a level percentage of payroll so payments increase 3.25% each year. The unfunded actuarial liability is based on an actuarial value of assets that smooths investment gains and losses over five years and a measurement of the actuarial liability that excludes the value of any future Supplemental COLAs.

While the contributions and measure of actuarial liability in the funding valuation do not anticipate any future Supplemental COLAs, the projected contributions for the determination of the discount rate include the anticipated future amortization payments on future Supplemental COLAs for current members when they are expected to be granted. For members who worked after November 6, 1996 and before Proposition C passed (Post 97 Retirees), a Supplemental COLA is granted if the actual investment earnings during the year exceed the expected investment earnings on the actuarial value of assets. For members who did not work after November 6, 1996 and before Proposition C passed, the market value of assets must also exceed the actuarial liability at the beginning of the year for a Supplemental COLA to be granted. When a Supplemental COLA is granted, the amount depends on the amount of excess earnings and the basic COLA amount for each membership group. The large majority of members receive a 1.50% supplemental COLA when granted.

Because the probability of a Supplemental COLA depends on the current funded level of the Retirement System for certain members, an assumption was developed as of June 30, 2022 for the probability and amount of Supplemental COLA for each future year. A full Supplemental COLA will be paid to all retired members, and their beneficiaries, who were retired effective July 1, 2022. The table below shows the net assumed Supplemental COLA for members with a 2.00% Basic COLA for sample years.

(Dollars in thousands, unless otherwise stated)

Assumed Supplemental COLA for Members with a 2.00% Basic COLA

Fiscal Years	96 - Prop C	Before 11/6/96 or After Prop C
2024	0.75 %	0.70 %
2025	0.75	0.60
2026	0.75	0.60
2027+	0.75	0.50

The projection of benefit payments to current members for determining the discount rate includes the payment of anticipated future Supplemental COLAs.

Based on these assumptions, the Retirement System's fiduciary net position was projected to be available to make projected future benefit payments for current members for all future years. Projected benefit payments are discounted at the long-term expected return on assets of 7.20% to the extent the fiduciary net position is available to make the payments and at the municipal bond rate of 3.54% to the extent they are not available. The single equivalent rate used to determine the Total Pension Liability as of June 30, 2022 is 7.20%.

The long-term expected rate of return on pension plan investments was 7.20%. It was set by the Retirement Board after consideration of both expected future returns and historical returns experienced by the Retirement System. Expected future returns were determined by using a building-block method in which best-estimate ranges of expected future real rates of return were developed for each major asset class. These ranges were combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Target allocation and best estimates of geometric long-term expected real rates of return (net of pension plan investment expense and inflation) for each major asset class are summarized in the following table.

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Global Equity	37.0 %	4.8 %
Private Equity	23.0	7.9
Private Credit	10.0	5.8
Real Assets	10.0	4.7
Hedge Funds/Absolute Return	10.0	3.4
Treasuries	8.0	0.6
Liquid Credit	5.0	3.5
Leverage	-3.0	0.6
Total	100.0	

Replacement Benefits Plan – The beginning and end of year measurements are based on different assumptions that result in different discount rates. The discount rate was 3.54% as of June 30, 2022. This reflects the yield for a 20-year, tax-exempt general obligation municipal bond with an average rating of AA/Aa or higher. The Municipal Bond Yields are the Bond Buyer 20-Year GO Index as of June 30, 2022. This is the rate used to determine the total pension liability as of June 30, 2022.

The inflation assumption of 2.50% compounded annually was used for projecting the annual IRC Section 415(b) limitations. The actual IRC Section 415(b) limitations published by the IRS of $245 was used for the 2022 measurement date.

(Dollars in thousands, unless otherwise stated)

The SFERS assumptions about Basic and Supplemental COLA previously discussed also apply to the Replacement Benefits Plan, including the impact of the State Appeals Court determination that the full funding requirement for payment of Supplemental COLA included in Proposition C was unconstitutional and the impact is accounted for as a change in benefits.

On June 30, 2023, City's membership in the RBP had a total of 327 active members and 160 retirees and beneficiaries currently receiving benefits. The Enterprise has 7 active members and 6 retirees and beneficiary currently receiving benefits.

Sensitivity of Proportionate Share of the Net Pension Liability (NPL) to Changes in the Discount Rate – The following presents the Enterprise's allocation of the employer's proportionate share of the net pension liability/(asset) for the SFERS Plan, calculated using the discount rate, as well as what the Enterprise's allocation of the employer's proportionate share of the net pension liability/(asset) would be if it were calculated using a discount rate that is 1% lower or 1% higher than the current rate.

Fiscal Year 2024

Employer	1% Decrease Share of NPL @ 6.20%	Share of NPL @ 7.20%	1% Increase Share of (NPA) @ 8.20%
Water	$ 351,972	150,060	(16,414)

Fiscal Year 2023

Employer	1% Decrease Share of NPL @ 6.20%	Share of NPL @ 7.20%	1% Increase Share of (NPA) @ 8.20%
Water	$ 305,993	111,743	(48,394)

The allocation of the employer's proportionate share of the total pension liability for the Replacement Benefits Plan, calculated using the discount rate, as well as what the Enterprise's allocation of the employer's proportionate share of the total pension liability would be if it were calculated using a discount rate that is 1% lower or 1% higher than the current rate.

Fiscal Year 2024

Employer	1% Decrease @ 2.65%	Measurment Date @ 3.65%	1% Increase @ 4.65%
Water	$ 3,060	2,583	2,207

Fiscal Year 2023

Employer	1% Decrease @ 2.54%	Measurment Date @ 3.54%	1% Increase @ 4.54%
Water	$ 4,270	3,600	3,072

(b) Other Postemployment Benefits

The Enterprise participates in a single-employer defined benefit other postemployment benefits plan (the Plan). The Plan is maintained by the City and is administered through the City's Health Service System. It provides postemployment medical, dental and vision insurance benefits to eligible employees, retired employees, surviving spouses, and domestic partners. Health benefit provisions are established and may be amended through negotiations between the City and the respective bargaining units. The City does not issue a separate report on its other postemployment benefit plan.

(Dollars in thousands, unless otherwise stated)

GASB Statement No. 75 requires that reported results must pertain to liability and asset information within certain defined timeframes. For this report, the following timeframes are used.

San Francisco Health Service System Retiree Plan - Single-Employer

Fiscal year 2024	
Valuation Date (VD)	June 30, 2022 updated to June 30, 2023
Measurement Date (MD)	June 30, 2023
Measurement Period (MP)	July 1, 2022 to June 30, 2023

Fiscal year 2023	
Valuation Date (VD)	June 30, 2022
Measurement Date (MD)	June 30, 2022
Measurement Period (MP)	July 1, 2021 to June 30, 2022

The Enterprise’s proportionate share percentage of the Plan was determined based on its percentage of citywide “pay-as-you-go” contributions for the years ended June 30, 2023 and June 30, 2022. The Enterprise’s net Other Postemployment Benefits (OPEB) liability, deferred outflows/inflows of resources related to OPEB, amortization of deferred outflows/inflows and OPEB expense to each department is based on the Enterprise’s allocated percentage. The Enterprise’s proportionate share of the City’s OPEB elements as of June 30, 2023 and 2022 measurement dates was 4.03% and 3.97%, respectively.

Benefits

Permanent full-time and elected employees are eligible to retire and receive postemployment health insurance benefits when they are eligible for retirement benefits from the City and County of San Francisco’s Retirement System. The eligibility requirements are as follows:

Normal Retirement	Miscellaneous	Age 50 with 20 years of credited service[1] Age 60 with 10 years of credited service
	Safety	Age 50 with 5 years of credited service
Disabled Retirement[2]		Any age with 10 years of credited service
Terminated Vested		5 years of credited service at separation

[1] Age 53 with 20 years of credited service, age 60 with 10 years of credited service, or age 65 for Miscellaneous members hired on or after January 7, 2012 under Charter Section 8.603.
[2] No service requirement for Safety members retiring under the industrial disability benefit or for surviving spouses / domestic partners of those killed in the line of duty.

Retiree healthcare benefits are administered by the San Francisco Health Service System and include the following:

Medical:	PPO – Blue Shield (self-insured) and UHC Medicare Advantage (fully-insured) HMO – Kaiser (fully-insured) and Blue Shield (flex-funded) and Health Net (flex-funded)
Dental:	Delta Dental, DeltaCare USA, and UnitedHealthcare Dental
Vision:	Vision benefits are provided under the medical insurance plans and are administered by Vision Service Plan.

Projections of the sharing of benefit related costs are based on an established pattern of practice.

Contributions

Benefits provided under the Plan are currently paid through "pay as you go" funding. Additionally, under the City Charter, active officers and employees of the City who commenced employment on or after January 10, 2009, shall contribute to the Retiree Health Care Trust Fund (Trust Fund) a percentage of compensation not to exceed 2% of pre-tax compensation. The City shall contribute 1% of compensation for officers and employees who commenced employment on or after January 10, 2009 until the City's GASB Actuary has determined that the City's portion of the Trust Fund is fully funded. At that time, the City's 1% contribution shall cease, and officers and employees will each contribute 50% of the maximum 2% of pre-tax compensation.

Starting July 1, 2016, active officers and employees of the City who commenced employment on or before January 9, 2009, shall contribute 0.25% of pre-tax compensation into the Trust Fund. Beginning on July 1st of each subsequent year, the active officers and employees of the City who commenced employment on or before January 9, 2009, shall contribute an additional 0.25% of pre-tax compensation up to a maximum of 1%. Starting July 1, 2016, the City shall contribute 0.25% of compensation into the Trust Fund for each officer and employee who commenced employment on or before January 9, 2009. Beginning on July 1st of each subsequent year, the City shall contribute an additional 0.25% of compensation, up to a maximum of 1% for each officer and employee who commenced employment on or before January 9, 2009. When the City's actuary has determined that the City's portion of the Trust Fund is fully funded, the City's 1% contribution shall cease, and officers and employees will each contribute 50% of the maximum 1% of pre-tax compensation.

Additional or existing contribution requirements may be established or modified by amendment to the City's Charter.

For the fiscal years ended June 30, 2024 and 2023, funding was based on "pay-as-you-go" plus a contribution of $48,779 and $45,241 to the Retiree Healthcare Trust Fund, respectively. The "pay-as-you-go" portion paid by the City was $229,922 for a total contribution of $278,701 for the fiscal year ended June 30, 2024, and $215,408 for a total contribution of $260,649 for the fiscal year ended June 30, 2023. The Enterprise's proportionate share of the City's contributions for fiscal year 2024 was $11,241, and for fiscal year 2023 was $10,339, and will be recognized as a reduction of the net OPEB liability in the subsequent fiscal period.

OPEB liabilities, OPEB Expenses and Deferred Outflows/Inflows of Resources Related to OPEB

Fiscal Year 2024

As of June 30, 2024, the City reported net OPEB liability related to the Plan of $3,924,832. The Enterprise's proportionate share of the City's net OPEB liability as of June 30, 2024 was $158,301.

For the year ended June 30, 2024, the City's recognized OPEB expense was $261,158. Amortization of the City's deferred outflows and inflows is included as a component of OPEB expense. The Enterprise's proportionate share of the City's OPEB expense was $13,394.

(Dollars in thousands, unless otherwise stated)

As of June 30, 2024, the Enterprise reported its proportionate share of the City's deferred outflows/inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Contributions subsequent to measurement date	$ 11,241	$ -
Differences between expected and actual experience	6,801	18,351
Changes in assumptions	4,602	-
Net difference between projected and actual earnings on plan investments	1,212	-
Change in proportion	6,118	3,983
Total	$ 29,974	$ 22,334

Amounts reported as deferred outflows, exclusive of contributions made after the measurement date, and deferred inflows of resources will be amortized annually and recognized in OPEB expense as follows:

Year ending June 30:	
2025	$ (531)
2026	(459)
2027	(877)
2028	(2,223)
2029	489
Total	$ (3,601)

Fiscal Year 2023

As of June 30, 2023, the City reported net OPEB liability related to the Plan of $3,746,270. The Enterprise's proportionate share of the City's net OPEB liability as of June 30, 2023 was $148,601.

For the year ended June 30, 2023, the City's recognized OPEB expense was $256,974. Amortization of the City's deferred outflows and inflows is included as a component of OPEB expense. The Enterprise's proportionate share of the City's OPEB expense was $20,381.

As of June 30, 2023, the Enterprise reported its proportionate share of the City's deferred outflows/inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Contributions subsequent to measurement date	$ 10,339	$ -
Differences between expected and actual experience	3,299	24,740
Changes in assumptions	6,344	-
Net difference between projected and actual earnings on plan investments	2,392	-
Change in proportion	6,242	2,335
Total	$ 28,616	$ 27,075

(Dollars in thousands, unless otherwise stated)

Amounts reported as deferred outflows, exclusive of contributions made after the measurement date, and deferred inflows of resources will be amortized annually and recognized in OPEB expense as follows:

Year ending June 30:	
2024	$ (2,253)
2025	(2,213)
2026	(720)
2027	(1,132)
2028	(2,480)
Total	$ (8,798)

(Dollars in thousands, unless otherwise stated)

Actuarial Assumptions

Fiscal Year 2024

A summary of the actuarial assumptions and methods used to calculate the Total OPEB Liability as of June 30, 2023 (measurement date) is provided below:

Key Actuarial Assumptions

Valuation Date	June 30, 2022 updated to June 30, 2023
Measurement Date	June 30, 2023
Actuarial Cost Method	The Entry Age Actuarial Cost Method is used to measure the Plan's Total OPEB Liability
Healthcare Cost Trend Rates	Pre-Medicare trend starts at 7.24% trending down to ultimate rate of 3.94% in 2075
	Medicare trend starts at 7.24% trending down to ultimate rate of 3.94% in 2075
	10-County average trend starts at 5.00% trending down to ultimate rate of 3.94% in 2075
	Vision and expenses trend remains a flat 3.0% for all years
Expected Rate of Return on Plan Assets	7.00%
Salary Increase Rate	Wage Inflation Component: 3.25%
	Additional Merit Component (dependent on years of service):
	Police: 0.50% - 7.50%
	Fire: 0.50% - 14.00%
	Muni Drivers: 0.00% - 16.00%
	Craft: 0.50% - 3.75%
	Misc: 0.30% - 5.50%
Inflation Rate	Wage Inflation: 3.25% compounded annually
	Consumer Price Inflation: 2.50% compounded annually
Mortality Tables	Base mortality tables are developed by multiplying a published table by an adjustment factor developed in SFERS experience study for the period ended June 30, 2019.

Non-Annuitants

		Adjustment Factor	
	Published Table	**Male**	**Female**
Miscellaneous	PubG-2010 Employee	0.834	0.866
Safety	PubS-2010 Employee	1.011	0.979

Healthy Retirees

		Adjustment Factor	
	Published Table	**Male**	**Female**
Miscellaneous	PubG-2010 Employee	1.031	0.977
Safety	PubS-2010 Employee	0.947	1.044

Disabled Retirees

		Adjustment Factor	
	Published Table	**Male**	**Female**
Miscellaneous	PubG-2010 Employee	1.045	1.003
Safety	PubS-2010 Employee	0.916	0.995

Beneficiaries

		Adjustment Factor	
	Published Table	**Male**	**Female**
Miscellaneous	PubG-2010 Employee	1.031	0.977
Safety	PubG-2010 Employee	1.031	0.977

The mortality rates in the base tables are projected generationally from the base year using the MP-2019 projection scale.

(Dollars in thousands, unless otherwise stated)

Fiscal Year 2023

A summary of the actuarial assumptions and methods used to calculate the Total OPEB Liability as of June 30, 2022 (measurement date) is provided below:

Key Actuarial Assumptions

Valuation Date	June 30, 2022
Measurement Date	June 30, 2022
Actuarial Cost Method	The Entry Age Actuarial Cost Method is used to measure the Plan's Total OPEB Liability
Healthcare Cost Trend Rates	Pre-Medicare trend starts at 7.74% trending down to ultimate rate of 3.93% in 2076 Medicare trend starts at 7.74% trending down to ultimate rate of 3.94% in 2076 10-County average trend starts at 5.00% trending down to ultimate rate of 3.94% in 2076 Vision and expenses trend remains a flat 3.0% for all years
Expected Rate of Return on Plan Assets	7.00%
Salary Increase Rate	Wage Inflation Component: 3.25% Additional Merit Component (dependent on years of service): Police: 0.50% - 7.50% Fire: 0.50% - 14.00% Muni Drivers: 0.00% - 16.00% Craft: 0.50% - 3.75% Misc: 0.30% - 5.50%
Inflation Rate	Wage Inflation: 3.25% compounded annually Consumer Price Inflation: 2.50% compounded annually
Mortality Tables	Base mortality tables are developed by multiplying a published table by an adjustment factor developed in SFERS experience study for the period ending June 30, 2019.

Non-Annuitants

		Adjustment Factor	
	Published Table	Male	Female
Miscellaneous	PubG-2010 Employee	0.834	0.866
Safety	PubS-2010 Employee	1.011	0.979

Healthy Retirees

		Adjustment Factor	
	Published Table	Male	Female
Miscellaneous	PubG-2010 Employee	1.031	0.977
Safety	PubS-2010 Employee	0.947	1.044

Disabled Retirees

		Adjustment Factor	
	Published Table	Male	Female
Miscellaneous	PubG-2010 Employee	1.045	1.003
Safety	PubS-2010 Employee	0.916	0.995

Beneficiaries

		Adjustment Factor	
	Published Table	Male	Female
Miscellaneous	PubG-2010 Employee	1.031	0.977
Safety	PubG-2010 Employee	1.031	0.977

The mortality rates in the base tables are projected generationally from the base year using the MP-2019 projection scale.

(Dollars in thousands, unless otherwise stated)

Sensitivity of Liabilities to Changes in the Healthcare Cost Trend Rate and Discount Rate

The following presents the Enterprise's proportionate share of the City's net OPEB liability calculated using the healthcare cost trend rate, as well as what the Enterprise's allocation of the City's net OPEB liability would be if it were calculated using a healthcare cost trend rate that is 1% lower or 1% higher than the current rate:

Fiscal Year 2024

Employer	-1.00%	Healthcare Cost Trend Rate	1.00%
Water	$ 134,621	$ 158,301	$ 187,684

Fiscal Year 2023

Employer	-1.00%	Healthcare Cost Trend Rate	1.00%
Water	$ 127,125	$ 148,601	$ 175,238

Discount Rate

Fiscal Year 2024

The discount rate used to measure the Total OPEB Liability as of June 30, 2023 was 7.0%. Based on the assumption that plan member contributions will continue to be made at the rates specified in the Charter, it was determined that the Plan's projected fiduciary net position will be greater than or equal to the benefit payments projected for each future period. As such, the long-term expected rate of return on plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability.

The long-term expected rate of return on OPEB plan investments was 7.0% based on expected future returns and historical returns experienced by the Trust Fund. Expected future returns were determined based on 10-year and 20-year capital market assumptions for the Trust Fund's asset allocation. Target allocation for each major asset class and best estimates of geometric real rates of return are summarized in the following table:

(Dollars in thousands, unless otherwise stated)

Asset Class	Target Allocation	Long-term Expected Real Rate of Return
Equities		
U.S. Large Cap	25.0%	6.1%
U.S. Small Cap	2.0%	6.7%
Developed Market Equity (non-U.S.)	13.0%	7.2%
Emerging Market Equity	10.0%	7.4%
Credit		
Bank Loans	3.0%	4.4%
High Yield Bonds	3.0%	4.7%
Rate Securities		
Investment Grade Bonds	7.0%	2.8%
Short-term Treasury Inflation-Protected Securities (TIPS)	5.0%	1.0%
Private Markets		
Private Equity	10.0%	8.4%
Private Debt	5.0%	6.4%
Core Private Real Estate	5.0%	3.9%
Infrastructure (Core Private)	2.0%	5.2%
Risk Mitigating Strategies		
Global Macro	10.0%	3.1%
Total	100.0%	

The following presents the Enterprise's proportionate share of the City's net OPEB liability calculated using the discount rate, as well as what the Enterprise's proportionate share of the City's net OPEB liability would be if it were calculated using a discount rate that is 1% lower or 1% higher than the current rate:

1% Decrease 6.00%	Discount Rate 7.00%	1% Increase 8.00%
$ 185,275	$ 158,301	$ 136,180

Fiscal Year 2023

The discount rate used to measure the Total OPEB Liability as of June 30, 2022 was 7.0%. Based on the assumption that plan member contributions will continue to be made at the rates specified in the Charter, it was determined that the Plan's projected fiduciary net position will be greater than or equal to the benefit payments projected for each future period. As such, the long-term expected rate of return on plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability.

The long-term expected rate of return on OPEB plan investments was 7.0% based on expected future returns and historical returns experienced by the Trust Fund. Expected future returns were determined based on 10-year and 20-year capital market assumptions for the Trust Fund's asset allocation. Target allocation for each major asset class and best estimates of geometric real rates of return are summarized in the following table:

(Dollars in thousands, unless otherwise stated)

Asset Class	Target Allocation	Long-term Expected Real Rate of Return
Equities		
U.S. Large Cap	28.0%	6.8%
U.S. Small Cap	3.0%	7.4%
Developed Market Equity (non-U.S.)	15.0%	7.5%
Emerging Market Equity	13.0%	8.4%
Credit		
Bank Loans	3.0%	4.0%
High Yield Bonds	3.0%	4.4%
Emerging Market Bonds	3.0%	4.2%
Rate Securities		
Investment Grade Bonds	9.0%	2.4%
Long-term Government Bonds	4.0%	2.8%
Short-term Treasury Inflation-Protected Securities (TIPS)	4.0%	1.9%
Private Markets		
Private Equity	5.0%	10.0%
Core Private Real Estate	5.0%	6.1%
Risk Mitigating Strategies		
Global Macro	5.0%	5.0%
Total	100.0%	

The following presents the Enterprise's proportionate share of the City's net OPEB liability calculated using the discount rate, as well as what the Enterprise's proportionate share of the City's net OPEB liability would be if it were calculated using a discount rate that is 1% lower or 1% higher than the current rate:

1% Decrease 6.00%	Discount Rate 7.00%	1% Increase 8.00%
$ 173,000	$ 148,601	$ 128,583

The City issues a publicly available financial report that includes the complete note disclosures and required supplementary information related to the City's postemployment health care obligations. The report may be obtained at https://sfrhctf.org/financial-reports or by writing to the City and County of San Francisco, Office of the Controller, 1 Dr. Carlton B. Goodlett Place, Room 316, San Francisco, California 94102, or by calling (415) 554-7500.

(13) Related Parties

Various common costs incurred by the Commission are allocated among the Enterprise, Hetch Hetchy Water and Power and CleanPowerSF Enterprise, and the Wastewater Enterprise. The allocations are based on the Commission management's best estimate and may change from year to year depending on the activities incurred by each Enterprise and the information available. The administrative costs of $59,952 or 48.1% and $55,121 or 48.2% were allocated to the Enterprise for the years ended June 30, 2024 and 2023, respectively.

The City performs certain administrative services such as maintenance of accounting records and investment of cash for all fund groups within the City. The various funds are charged for these services based on the City's indirect cost allocation plan.

The Enterprise purchases water from Hetch Hetchy Water. The amounts, totaling $46,266 and $49,636 for the years ended June 30, 2024 and 2023, respectively, have been included in the services provided by other departments in the accompanying financial statements.

The Enterprise purchases electricity from Hetch Hetchy Power at market rates. The amounts, totaling $10,256 and $11,398 for the years ended June 30, 2024 and 2023, respectively, have been included in services provided by other departments in the accompanying financial statements.

The Enterprise sold water to the Wastewater Enterprise at retail rates. This amount, totaling $1,736 and $1,552 for the years ended June 30, 2024 and 2023, respectively, has been included in charges for services in the accompanying financial statements.

Since fiscal year 2008, the Enterprise has charged City departments for water usage except for fire hydrants, which are used for general public safety. In fiscal years 2024 and 2023, the Enterprise delivered water for fire hydrant purposes totaling $5 and $9, respectively, based on metered usage and applicable water rates, and the amount has been excluded from operating revenues in the accompanying financial statements.

A variety of City departments provide services such as engineering, purchasing, legal, data processing, telecommunications, and human resources to the Enterprise and charge amounts designed to recover those departments' costs. These charges, totaling $20,925 and $18,690 for the years ended June 30, 2024 and 2023, respectively, have been included in services provided by other departments in the accompanying financial statements.

During the fiscal year ended June 30, 2024, the Enterprise transferred $1,167 to the Arts Commission for the arts enrichment fund, $42 to Hetch Hetchy Water to fund various Mountain Tunnel Improvement projects, and $32 to the Office of the City Administrator for the Enterprise's contribution to the Surety Bond Program. During the fiscal year ended June 30, 2023, the Enterprise transferred $20,000 to Hetch Hetchy Water to fund various Mountain Tunnel Improvement projects, and $32 to the Office of the City Administrator for the Enterprise's contribution to the Surety Bond Program.

As of June 30, 2024, the Enterprise had interfund receivables of $102 from DPW relating to custom work projects. As of June 30, 2023, the Enterprise had interfund receivables of $115 from DPW relating to custom work projects.

SFPUC's 75-year lease agreement with the San Francisco Recreation and Park Department, for the use of parking spaces for its fleet of vehicles at the Civic Center Garage, commenced on February 1, 2011. The total payment under this agreement is $6,274, which was fully made as of fiscal year 2015. The expenses and prepayments among the three SFPUC Enterprises are based on 525 Golden Gate occupancy. As of June 30, 2024, the Enterprise's allocable shares of expenses and prepayment were $46 and $3,174, respectively; and as of June 30, 2023, the Enterprise's allocable shares of expenses and prepayment were $45 and $3,220, respectively.

The Enterprise had a $0 and $2,440 payable to San Francisco Municipal Transportation Agency for a settlement payable relating to the Van Ness Corridor Transit Improvement project as of June 30, 2024 and 2023, respectively.

(Dollars in thousands, unless otherwise stated)

(14) Risk Management

The Enterprise's Risk Management program includes both self-insured (i.e., self-retention) and insured exposures at risk. Risk assessments and purchasing of insurance coverage are collaboratively coordinated by SFPUC Risk Management and the City's Office of Risk Management. With certain exceptions, the City and the Enterprise's general approach is to first evaluate the exposure at risk for self-insurance. Based on this analysis, internal mitigation strategies and financing through a self-retention mechanism is generally more economical as the SFPUC in coordination with the City Attorney's Office, administers, adjusts, settles, defends, and pays claims from budgeted resources (i.e., pay-as-you-go fund). When economically more viable or when required by debt financing covenants, the Enterprise obtains commercial insurance. At least annually, the City actuarially determines general liability and workers' compensation risk exposures. The Enterprise does not maintain commercial earthquake coverage, with certain minor exceptions, such as a sub-limit for fire-sprinkler leakage due to earthquake under the SFPUC Property Insurance program. In the past three years, there were no settlements that exceeded insurance coverage.

Risk	Coverage Approach
(a) General Liability	Self-Insured
(b) Workers' Compensation	Self-Insured through Citywide Pool
(c) Property	Purchased Insurance and Self-Insured
(d) Public Officials Liability	Purchased Insurance
(e) Employment Practices Liability	Purchased Insurance
(f) Cyber Liability	Purchased Insurance
(g) Crime	Purchased Insurance
(h) Electronic Data Processing	Purchased Insurance and Self-Insured
(i) Surety Bonds	Purchased and Contractual Risk Transfer
(j) Errors and Omissions	Purchased and Contractual Risk Transfer
(k) Builders' Risk	Contractual Risk Transfer

(a) General Liability

Through coordination with the Controller's Office and the City Attorney's Office, the general liability risk exposure is actuarially determined and is addressed through pay-as-you-go funding as part of the budgetary process. Associated costs and estimates are recorded as expenses as required under GAAP for financial statement purposes for both the Enterprise and the City and County of San Francisco's Annual Comprehensive Financial Report. The claim expense allocations are determined based on actuarially determined anticipated claim payments and the projected timing of disbursement.

The changes for the general liability (damage claims) for the years ended June 30, 2024 and 2023 are as follows:

Fiscal years		Beginning of year	Claims	Claims paid and changes changes in estimates	End of year
2024	$	19,625	18,823	(15,675)	22,773
2023		36,069	1,898	(18,342)	19,625
2022		36,723	452	(1,106)	36,069

(b) Workers' Compensation

The City actuarially determines and allocates workers' compensation costs to the Enterprise according to a formula based on the following: (i) the dollar amount of claims; (ii) yearly projections of payments based on historical experience; and (iii) the size of the Enterprise's payroll. The administration of workers' compensation claims and payouts are handled by the Workers' Compensation Division of the City's Department of Human Resources. Statewide workers' compensation reforms have resulted in budgetary savings in recent years. The City continues to develop and implement improved programs, such as return-to-work programs, to lower or mitigate the growth of workers' compensation costs. Programs include accident prevention, investigation, and duty modification for injured employees with medical restrictions so return to work can occur as soon as possible.

(Dollars in thousands, unless otherwise stated)

The changes in the liabilities for workers' compensation for the years ended June 30, 2024 and 2023 are as follows:

Fiscal years		Beginning of year	Claims and changes in estimates	Claims paid	End of year
2024	$	9,735	4,336	(3,069)	11,002
2023		8,973	3,984	(3,222)	9,735
2022		8,828	2,793	(2,648)	8,973

(c) Property

The Enterprise's property risk management approach varies depending on whether the facility is currently under construction, the property is part of revenue-generating operations, the property is of high value, or is mission-critical in nature. During the course of construction, the Enterprise requires each contractor to provide its own insurance, while ensuring the full scope of work be covered with satisfactory levels to limit the Enterprise's risk exposure. Once construction is complete, the Enterprise performs an assessment to determine whether liability/loss coverage will be obtained through the commercial property policy or self-insurance. The majority of property scheduled in the insurance program is for either: (1) revenue generating facilities, (2) debt-financed facilities, (3) mandated coverage to meet statutory requirements for bonding of various public officials, or (4) high-value, mission-critical property or equipment.

(d) Public Officials Liability

All Enterprise public officials with financial oversight responsibilities are provided coverage through a commercial Public Officials Liability Policy.

(e) Employment Practices Liability

A policy is retained to protect against employment-related claims and liabilities.

(f) Cyber Liability

A policy is retained to protect against cyber-related claims and liabilities.

(g) Crime

The Enterprise also retains a Commercial Crime Policy, in lieu of bonding its employees, to provide coverage against liabilities or losses due to third-party crime or employee fraud.

(h) Electronic Data Processing

The Electronic Data Processing policy protects selected high-value electronic property in case of damage or loss.

(i) Surety Bonds

Bonds are required in most phases of the public utilities construction contracting process for such phases as bid, performance, and payment or maintenance. Additionally, bonds may be required in other contracts where goods or services are provided to ensure compliance with applicable terms and conditions such as warranty.

(j) Errors and Omissions

Errors and omissions, also known as Professional Liability, are commonly transferred through contract to the contracted professional, or retained through self-insurance on a case-by-case basis depending on the size, complexity, or scope of construction or professional service contracts. Examples of such contracts are inclusive of services provided by engineers, architects, design professionals, and other licensed or certified professional service providers.

(k) Builders' Risk

Builders' risk policies of insurance are required to be provided by the contractor on all construction projects for the full value of construction.

(15) Commitments and Litigation

(a) Commitments

As of June 30, 2024 and 2023, the Enterprise has outstanding commitments with third parties of $248,510 and $220,706, respectively, for various capital projects and other purchase agreements for materials and services.

(b) Grants

Grants that the Enterprise receives are subject to audit and final acceptance by the granting agency. Current and prior year costs of such grants are subject to adjustment upon audit.

(c) Litigation

The Enterprise is a defendant in various legal actions and claims that arise during the normal course of business. The final disposition of those legal actions and claims is not determinable. However, in the opinion of management, the outcome of any litigation of these matters will not have a material effect on the financial position or changes in net position of the Enterprise.

(d) Environmental Issue

As of June 30, 2024 and 2023, the pollution remediation liability of $1,271 is related to the Pacific Rod & Gun Club site construction projects for the full value of construction.

(16) Subsequent Events

(a) Water Enterprise Interim Funding Program

On July 16, 2024 the SFPUC entered into an Amended and Restated Revolving Credit Agreement with U.S. Bank National Association to provide a revolving line of credit in the principal amount of up to $100,000. The commitment expiration date under the Revolving Credit Agreement is July 16, 2027.

(b) Water Enterprise Interim Funding Program

On July 16, 2024 the SFPUC entered into a Second Amendment to Reimbursement Agreement, together with an Omnibus Amendment and Extension of Stated Expiration Date to the Irrevocable Letter of Credit with Barclays Bank PLC that, among other things, amends the Stated Expiration Date of the A-3 LOC to July 15, 2027.

Certified Public Accountants

Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With *Government Auditing Standards*

Honorable Mayor and the Board of Supervisors
City and County of San Francisco, California

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*), the financial statements of the San Francisco Water Enterprise (the Enterprise), an enterprise fund of the City and County of San Francisco (City), as of and for the year ended June 30, 2024, and the related notes to the financial statements, and have issued our report thereon dated November 12, 2024.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Enterprise's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Enterprise's internal control. Accordingly, we do not express an opinion on the effectiveness of the Enterprise's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that were not identified.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Enterprise's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of This Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Macias Gini & O'Connell LLP

Walnut Creek, California
November 12, 2024

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.

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

Cover photo: Calaveras Reservoir: Outlet Tower

Back cover photo: Hetch Hetchy Reservoir Waterfall

Photos by: Robin Scheswohl

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SFPUC Financial Services
525 Golden Gate Avenue, 4th Floor
San Francisco, CA 94102-3220
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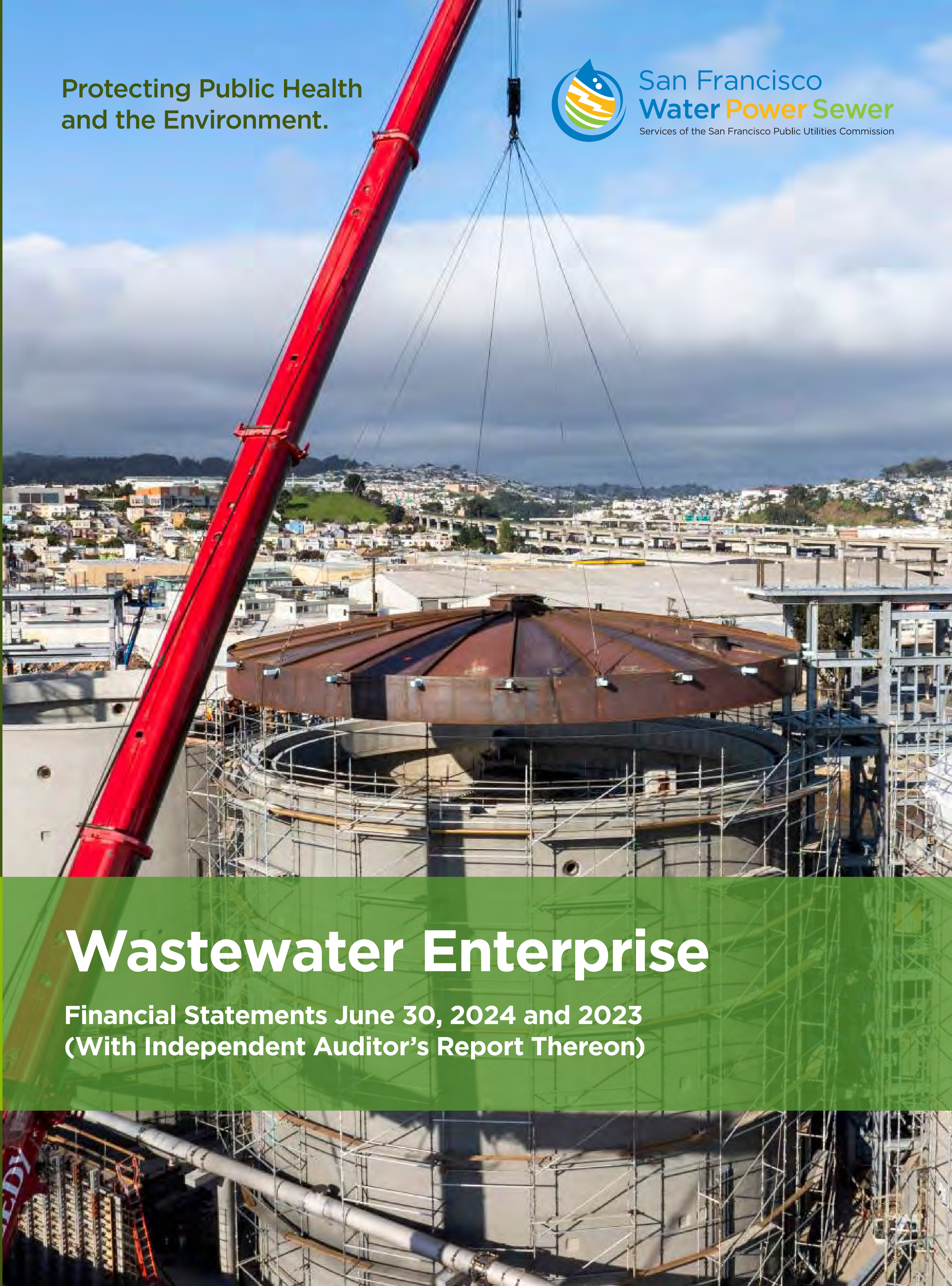

Wastewater Enterprise

Financial Statements June 30, 2024 and 2023
(With Independent Auditor's Report Thereon)

SAN FRANCISCO WASTEWATER ENTERPRISE

Table of Contents

Independent Auditor's Report

Honorable Mayor and the Board of Supervisors
City and County of San Francisco, California

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of the San Francisco Wastewater Enterprise (the Enterprise), an enterprise fund of the City and County of San Francisco (City), as of and for the years ended June 30, 2024 and 2023, and the related notes to the financial statements, as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the financial position of the Enterprise as of June 30, 2024 and 2023, and the changes in its financial position and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Enterprise, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Emphasis of Matter

As discussed in Note 1, the financial statements present only the Enterprise and do not purport to, and do not, present fairly the financial position of the City, as of June 30, 2024 and 2023, the changes in its financial position, or, where applicable, its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

The Enterprise's management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Enterprise's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control–related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, as listed in the table of contents, be presented to supplement the financial statements. Such information is the responsibility of management and, although not a part of the financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with GAAS, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the financial statements, and other knowledge we obtained during our audits of the financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 12, 2024 on our consideration of the Enterprise's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Enterprise's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Enterprise's internal control over financial reporting and compliance.

Macias Gini & O'Connell LLP

Walnut Creek, California
November 12, 2024

This section presents management's analysis of the San Francisco Wastewater Enterprise's (the Enterprise) financial condition and activities as of and for the fiscal years ended June 30, 2024 and 2023. Management's Discussion and Analysis (MDA) is intended to serve as an introduction to the Enterprise's financial statements. This information should be read in conjunction with the audited financial statements that follow this section. All dollar amounts, unless otherwise noted, are expressed in thousands of dollars.

The information in this MDA is presented under the following headings:

- Organization and Business
- Overview of the Financial Statements
- Financial Analysis
- Capital Assets
- Debt Administration
- Rates and Charges
- Request for Information

Organization and Business

The San Francisco Public Utilities Commission (SFPUC or the Commission) is a department of the City and County of San Francisco (the City) that is responsible for the maintenance, operation, and development of three utility enterprises: Water, Hetch Hetchy Water and Power and CleanPowerSF, and Wastewater (the Enterprise). The primary responsibility of the Enterprise is to protect the public health and the surrounding bay and ocean receiving waters by collecting, transmitting, treating, and discharging storm and sanitary flows generated in the service area. This includes 1,139 miles of combined, sanitary, and storm collection system pipes including: gravity mains, force mains, culverts, transport storage boxes, and tunnels. San Francisco is the only coastal city in California with a combined sewer system that collects both wastewater and stormwater in the same network of pipes and provides treatment to remove harmful pollutants before discharging into the San Francisco Bay and Pacific Ocean. In addition, the Enterprise serves on a contractual basis certain municipal customers located outside of the City limits, including the North San Mateo County Sanitation District No. 3, Bayshore Sanitary District, and the City of Brisbane. The Enterprise recovers costs of service through user fees based on the volume and strength of sanitary flow. As of June 30, 2024, the Enterprise serves 149,455 residential accounts, which discharge about 15.3 million units of sanitary flow per year (measured in hundreds of cubic feet, or ccf) and 27,643 non-residential accounts, which discharge about 5.6 million ccf per year. These reflected an increase of 0.02 million discharge units for non-residential accounts due to an increase of 561 accounts and a decrease of 0.12 million discharge units for residential accounts compared to prior year.

Overview of the Financial Statements

The Enterprise's financial statements include the following:

Statements of Net Position present information on the Enterprise's assets, deferred outflows, liabilities, and deferred inflows as of year-end, with the difference reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the Enterprise is improving or worsening.

While the *Statements of Net Position* provide information about the nature and amount of resources and obligations at year-end, the *Statements of Revenues, Expenses, and Changes in Net Position* present the results of the Enterprise's operations over the course of the fiscal year and information as to how the net position changed during the year. These statements can be used as an indicator of the extent to which the Enterprise has successfully recovered its costs through user fees and other charges. All changes in net position are reported during the period in which the underlying event giving rise to the change occurs, regardless of the timing of the related cash flows. Thus, revenues and expenses are reported in these statements from some items that will result in cash flows in future fiscal periods, such as delayed collection of operating revenues and the expenses of employee earned but unused vacation leave.

The *Statements of Cash Flows* present changes in cash and cash equivalents resulting from operational, capital financing, non-capital financing, and investing activities. These statements summarize the annual flow of cash receipts and cash payments, without consideration of the timing of the event giving rise to the obligation or receipt and exclude non-cash accounting measures of depreciation or amortization of assets.

The *Notes to Financial Statements* provide information that is essential to a full understanding of the financial statements that is not displayed on the face of the financial statements.

Financial Analysis

Financial Highlights for Fiscal Year 2024

- Total assets of the Enterprise exceeded total liabilities by $1,303,260.
- Net position decreased by $61,395 or 4.4% during the year.
- Capital assets, net of accumulated depreciation and amortization, increased by $802,064 or 17.1% to $5,488,410.
- Operating revenues increased by $31,105 or 8.5% to $395,041.
- Operating expenses increased by $200,693 or 76.8% to $462,043.

Financial Highlights for Fiscal Year 2023

- Total assets of the Enterprise exceeded total liabilities by $1,385,856.
- Net position increased by $36,167 or 2.7% during the year.
- Capital assets, net of accumulated depreciation and amortization, increased by $635,341 or 15.7% to $4,686,346.
- Operating revenues decreased by $4,946 or 1.3% to $363,936.
- Operating expenses increased by $4,192 or 1.6% to $261,350.

(Dollars in thousands, unless otherwise stated)

Financial Position

The following table summarizes the Enterprise's net position.

Table 1
Comparative Condensed Net Position
June 30, 2024, 2023, and 2022

		2024	2023	2022	2024-2023 Change	2023-2022 Change
Total assets:						
Current and other assets	$	577,997	574,446	624,771	3,551	(50,325)
Capital assets, net of accumulated depreciation and amortization		5,488,410	4,686,346	4,051,005	802,064	635,341
Total assets		6,066,407	5,260,792	4,675,776	805,615	585,016
Deferred outflows of resources:						
Unamortized loss on refunding of debt		—	8	33	(8)	(25)
Pensions		42,685	32,592	25,369	10,093	7,223
Other postemployment benefits		12,816	11,493	12,898	1,323	(1,405)
Total deferred outflows of resources		55,501	44,093	38,300	11,408	5,793
Liabilities:						
Current liabilities:						
Revenue bonds		35,370	28,070	34,345	7,300	(6,275)
Certificates of participation		900	864	830	36	34
Commercial paper		—	—	379,157	—	(379,157)
State revolving fund loans		5,629	2,526	2,481	3,103	45
Other liabilities		239,840	200,992	165,662	38,848	35,330
Subtotal current liabilities		281,739	232,452	582,475	49,287	(350,023)
Long-term liabilities:						
Commercial paper		341,373	—	—	341,373	—
Revenue bonds		2,649,681	2,708,840	1,896,908	(59,159)	811,932
Revenue notes		—	349,556	350,356	(349,556)	(800)
Certificates of participation		22,695	23,594	24,458	(899)	(864)
State revolving fund loans		312,033	316,163	300,178	(4,130)	15,985
Water Infrastructure Finance and Innovation Act (WIFIA) loans		922,431	122,357	—	800,074	122,357
Arbitrage rebate payable		8,521	188	—	8,333	188
Other liabilities		224,674	121,786	73,724	102,888	48,062
Subtotal long-term liabilities		4,481,408	3,642,484	2,645,624	838,924	996,860
Total liabilities:						
Revenue bonds		2,685,051	2,736,910	1,931,253	(51,859)	805,657
Revenue notes		—	349,556	350,356	(349,556)	(800)
Certificates of participation		23,595	24,458	25,288	(863)	(830)
Commercial paper		341,373	—	379,157	341,373	(379,157)
State revolving fund loans		317,662	318,689	302,659	(1,027)	16,030
Water Infrastructure Finance and Innovation Act (WIFIA) loans		922,431	122,357	—	800,074	122,357
Arbitrage rebate payable		8,521	188	—	8,333	188
Other liabilities		464,514	322,778	239,386	141,736	83,392
Total liabilities		4,763,147	3,874,936	3,228,099	888,211	646,837
Deferred inflows of resources:						
Unamortized gain on refunding of debt		10,255	11,353	—	(1,098)	11,353
Leases		1,203	1,453	—	(250)	1,453
Pensions		4,055	10,023	114,670	(5,968)	(104,647)
Other postemployment benefits		5,809	8,286	8,640	(2,477)	(354)
Total deferred inflows of resources		21,322	31,115	123,310	(9,793)	(92,195)
Net position:						
Net investment in capital assets		1,148,814	1,110,957	1,002,813	37,857	108,144
Restricted for debt service		—	3,510	5,391	(3,510)	(1,881)
Restricted for capital projects		31,782	53,137	204,562	(21,355)	(151,425)
Restricted for other purposes		—	—	48,770	—	(48,770)
Unrestricted		156,843	231,230	101,131	(74,387)	130,099
Total net position	$	1,337,439	1,398,834	1,362,667	(61,395)	36,167

Net Position, Fiscal Year 2024

As of June 30, 2024, the Enterprise's assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by $1,337,439. The Enterprise's total net position decreased by $61,395 or 4.4% from prior year, comprised of decreases of $74,387 in unrestricted net position, $21,355 in restricted for capital projects, and $3,510 in restricted for debt service offset by an increase of $37,857 in net investment in capital assets. Increases in total assets and deferred outflows of resources of $817,023 and increases of $878,418 in total liabilities and deferred inflows of resources are described below (see Table 1).

During the fiscal year 2024, current and other assets increased by $3,551 or 0.6%. The increase was due to an $8,245 rise in charges for services resulting from a $10,835 increase in sewer charges receivable, as there were more billings than collections. This was offset by a $2,590 increase in allowance for doubtful accounts related to sewer charges receivable that were over 120 days old. Other increases included $7,558 in other receivable due to revenue accrual for the upgrades fair share contribution from the Golden State Warriors and the University of California, San Francisco for the Mariposa Project, $1,526 in unrestricted and restricted interest receivable due to higher average annualized interest rate, $458 in restricted and unrestricted cash and investments due to loan proceeds from Water Infrastructure Finance and Innovation Act (WIFIA) loans and commercial paper issuances offset by capital project spending and debt service principal and interest payments, $317 increase in inventory as there were more purchases than issuances during the year, $172 increase in capacity charges receivable, net of allowance for doubtful accounts, and $10 increase in custom work receivable. These increases were primarily offset by a $13,942 decrease in receivables from the State Water Resources Control Board (SWRCB), as a result of receipts from reimbursement requests for the Southeast Water Pollution Control Plant New Headworks (Grit) Replacement Project. Other decreases included $440 in prior year prepaid expenses recognized in current year, $212 in lease receivable, $46 in receivable from the Department of Public Works (DPW) for the Mission Bay South Project, $38 prepayments amortizations for the Civic Center Garage lease and the Mariposa Pump Station & Force Project, $32 decrease in Federal interest subsidy receivable, $22 in property rent receivable, and $3 in miscellaneous receivable.

Capital assets, net of accumulated depreciation and amortization, increased by $802,064 or 17.1% reflecting an increase in construction and capital improvement activities. The largest portion of the Enterprise's net position of $1,148,814 or 85.9%, represents net investment in capital assets (see Capital Assets section of the MDA for more information). Deferred outflows of resources increased by $11,408 mainly due to increases in pensions and other postemployment benefits of $10,093 and $1,323, respectively, based on actuarial report, offset by $8 amortization of the 2013 Series A bond refunding loss.

Total liabilities increased by $888,211 or 22.9%. As of June 30, 2024, total outstanding balance of $4,290,112 for revenue bonds, certificates of participation (COP), commercial paper, State Revolving Fund (SRF) loans, and WIFIA loans represented 90.1% of total liabilities, an increase of $738,142 or 20.8%. The increase was mainly due to $800,074 new WIFIA loans (included $7,506 of capitalized interest) for the Biosolids Digester Facilities Project and the Southeast Treatment Plant Improvement Project, $341,373 new issuance of commercial paper, and $1,498 SRF loan capitalized interest for the OSP Digester Gas Utilization Upgrade and SEP New Headworks (Grit) Replacement projects, offset by $347,465 defeasance of 2021 Series AB revenue notes by the WIFIA loans, principal repayments of $28,070 in bonds, $2,525 in SRF loans, and $863 in COP, and $25,880 in revenue bonds and notes premium amortization and defeasance. Other liabilities of $473,035, including arbitrage rebate payable, payables to vendors, contractors, and other government agencies for goods and services under contractual agreements, increased by $150,069 or 46.5% due to increases of $110,733 in damage claims liability based on actuarial report, $17,750 in net pension liability based on actuarial report, $8,549 in restricted and unrestricted payable to vendors and contractors mainly due to increased capital project spending, $8,333 in arbitrage rebate payable due to actuarial calculation, $4,488 in bond, loan, lease, and subscription interest payable mainly due to higher outstanding debt principal resulting from the issuance of 2023 Series ABC revenue bonds and commercial paper, $3,166 in unearned revenue mainly due to $1,429 in unspent

Federal pass-through grant relating to California Water and Wastewater Arrearages Payment Program (CWWAPP), $1,169 in liens payable, and $652 in customer credit balances due to overpayments, offset by $84 decrease in deposits from Pacific Gas & Electric due to expenses incurred for the Cross Bore Project, $1,929 increase in employee related benefits including vacation, workers' compensation, and accrued payroll mainly due to actuarial estimates, and 4.75% increase in cost of living adjustment (COLA), and $225 increase in other postemployment benefits obligations based on actuarial report. The increase in other liabilities were offset by $2,102 in payment of prior year payable that was made in current year to Municipal Transportation Agency for its share of the Walsh Construction Settlement, $1,349 decrease in pollution remediation obligation due to payments made for the Yosemite Creek Remediation project, $1,297 in leases due to payments made, $243 decrease in subscription liability, and $113 payment to Hetch Hetchy Power related to the 525 Golden Gate Living Machine System. Deferred inflows of resources decreased by $9,793 due to decreases in pensions and other postemployment benefits of $5,968 and $2,477, respectively, based on actuarial reports, $1,098 in unamortized gain on refunding of debt due to amortization and refunding gain, and $250 in leases.

Net Position, Fiscal Year 2023

For the year ended June 30, 2023, the Enterprise's assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by $1,398,834. The Enterprise's total net position increased by $36,167 or 2.7% as a result of increases of $108,144 in net investment in capital assets and $130,099 in unrestricted net position offset by decreases of $151,425 in restricted for capital projects, $48,770 in restricted for other purposes, and $1,881 in restricted for debt service (see Table 1).

During the fiscal year 2023, current and other assets decreased by $50,325 or 8.1%. The decrease was mainly due to $188,853 in receivables from the State Water Resources Control Board (SWRCB) attributed to $207,364 cash receipts from reimbursement requests relating to the Southeast Water Pollution Control Plant (SEP) Biosolids Digester Project, the Southeast Water Pollution Control Plant New Headworks (Grit) Replacement Project, and the Oceanside Plant (OSP) Digester Gas Utilization Upgrade Project, offset by $18,511 aggregate new reimbursement requests for the SEP New Headworks (Grit) Replacement and OSP Digester Gas Utilization Upgrade projects. Other decreases included $48,770 in restricted net pension asset based on actuarial report, $1,014 due from the Treasure Island Development Authority (TIDA) for capacity fees, $241 in capacity charges net of allowance for doubtful accounts as more collection than billings in current year, $228 in receivables for charges for services due to $5,787 increase in allowance for doubtful accounts attributed to increased sewer charges receivable aged over 120 days old offset by $5,559 increase in charges for services due to higher billings, $96 decrease in interfund receivable due to $105 collection of prior year balance from the Academy of Sciences, offset by $9 receivable from the DPW for the Mission Bay South Project, $28 decrease in Federal interest subsidy receivable, $25 decrease in State grant receivable due to receipt of reimbursement for the Baker Beach project, and $7 decrease in custom work receivable. These decreases in current and other assets were offset by increases of $184,889 in restricted and unrestricted cash and investments largely from the issuance proceeds of 2023 Series ABC revenue bonds, $1,682 in interest receivable due to higher interest earnings, $1,457 in lease receivable due to additional GASB 87 leases, $495 increase in prepaid charges due to $1,004 prepaid expenses in the current year such as property rental, software license, and membership fees offset by $471 prior year prepaid expenses recognized in current year and $38 lease prepayments amortizations for the Civic Center Garage and the Mariposa Pump Station & Force, $382 in inventory as there were more purchases than issuances during the year, $27 in property rent receivable, and $5 in other receivable.

Capital assets, net of accumulated depreciation and amortization, increased by $635,341 or 15.7% reflecting an increase in construction and capital improvement activities. The largest portion of the Enterprise's net position of $1,110,957 or 79.4%, represents net investment in capital assets (see Capital Assets section of the MDA for more information). Deferred outflows of resources increased by $5,793 mainly due to $7,223 increase in pensions based on actuarial report offset by $1,405 decrease in other postemployment benefits based on actuarial report, and $25 amortization of the 2013 Series A bonds refunding loss.

Total liabilities increased by $646,837 or 20.0%. As of June 30, 2023, total outstanding balance of $3,551,970 for revenue bonds, revenue notes, certificates of participation (COP), State Revolving Fund (SRF) loans, and Water Infrastructure Finance and Innovation Act (WIFIA) loans represented 91.7% of total liabilities, an increase of $563,257 or 18.8%. The increase was mainly due to issuance of 2023 Series ABC and 2022 Series B revenue bonds with an aggregate par value of $974,380 and $137,080, an aggregate premiums of $161,622 and $16,852 from the 2023 Series ABC and 2022 Series B, respectively, to refund principal amount of and interest on commercial paper and portion of certain outstanding revenue bonds and to finance certain capital projects, $177,564 from issuance of commercial paper, $122,357 new WIFIA loan to fund for the Biosolids Digester Facilities Project, and $18,511 additional SRF loans to fund for the SEP New Headworks (Grit) Replacement and OSP Digester Gas Utilization Upgrade projects. These increases were offset by $556,721 refunding of commercial paper, $419,505 refunded principal for revenue bonds series 2013AB and 2018C, debt principal repayments of $34,345 in bonds, $2,481 in SRF, and $826 in COP, $15,494 refunded premium for revenue bonds series 2013AB, and $15,737 in premium amortization. Other liabilities of $322,966, including arbitrage rebate payable, such as payables to vendors, contractors, and other government agencies for goods and services under contractual agreements, increased by $83,580 or 34.9% due to increases of $49,549 in net pension liability based on actuarial report, $33,539 in restricted and unrestricted payable to vendors and contractors due to increased vouchers, $6,450 in bond, loan, lease, and subscription interest payable mainly due to higher outstanding debt principal resulting from new debts relating to the issuance of revenue bonds 2023 Series ABC and 2022 Series B bonds, and new WIFIA loan, $2,442 in employee related benefits including vacation, workers' compensation, and accrued payroll mainly due to actuarial estimates, and 5.25% increase cost of living adjustment (COLA), $2,102 in payable to Municipal Transportation Agency (MTA), and $320 in unearned revenues mainly due to $402 in customer credit balances due to overpayments offset by decreases of $80 in deposits from Pacific Gas & Electric due to expenses incurred for the Cross Bore Project and $2 in liens payable, and $188 in arbitrage rebate payable. The increase in other liabilities was offset by decreases of $7,695 in damage claims liability due to actuarial estimates, $2,341 in lease liability due to lease payment, $515 in subscription liability due to implementation of GASB 96 *Subscription-Based Information Technology Arrangements* (*SBITAs)*, $260 in pollution remediation obligation, $111 in payable to Hetch Hetchy Power related to the 525 Golden Gate Living Machine System, and $88 in other postemployment benefits obligations based on actuarial report. Deferred inflows of resources decreased by $92,195 mainly due to decreases in pensions and other postemployment benefits by $104,647 and $354, respectively, based on actuarial report, offset by increases in unamortized gain on refunding of debt and leases by $11,353 and $1,453, respectively.

(Dollars in thousands, unless otherwise stated)

Results of Operations

The following table summarizes the Enterprise's revenues, expenses, and changes in net position.

Table 2
Comparative Condensed Revenues, Expenses, and Changes in Net Position
Years ended ended June 30, 2024, 2023, and 2022

	2024	2023	2022	2024-2023 Change	2023-2022 Change
Revenues:					
Charges for services	$ 384,851	354,491	356,041	30,360	(1,550)
Rents and concessions	739	822	705	(83)	117
Other operating revenues	9,451	8,623	12,136	828	(3,513)
Interest and investment income/(loss)	25,528	2,556	(7,087)	22,972	9,643
Other non-operating revenues	24,297	9,910	25,454	14,387	(15,544)
Total revenues	444,866	376,402	387,249	68,464	(10,847)
Expenses:					
Operating expenses	462,043	261,350	257,158	200,693	4,192
Interest expenses	138,883	95,520	77,751	43,363	17,769
Amortization of premium, refunding loss, and issuance cost	(47,299)	(14,387)	(8,422)	(32,912)	(5,965)
Non-operating expenses	505	535	482	(30)	53
Total expenses	554,132	343,018	326,969	211,114	16,049
Change in net position before capital contributions and transfers	(109,266)	33,384	60,280	(142,650)	(26,896)
Capital contributions	48,080	2,740	—	45,340	2,740
Transfers from the City and County of San Francisco	—	75	—	(75)	75
Transfers to the City and County of San Francisco	(209)	(32)	(161)	(177)	129
Capital contributions and net transfers	47,871	2,783	(161)	45,088	2,944
Change in net position	(61,395)	36,167	60,119	(97,562)	(23,952)
Net position at beginning of year as restated	1,398,834	1,362,667	1,302,548	36,167	60,119
Net position at end of year	$ 1,337,439	1,398,834	1,362,667	(61,395)	36,167

Results of Operations, Fiscal Year 2024

The Enterprise's total revenues were $444,866, an increase of $68,464 or 18.2% from prior year (see Table 2). Charges for services increased by $30,360 or 8.6% mainly due to a 9% rate increase adopted on July 1, 2023, offset by a decrease in sanitary flow of 95,679 ccf, or 0.4% from both residential and non-residential customers. Interest and investment income increased by $22,972 or 898.7% mainly due to $10,485 increase in unrealized gain in City Treasury pooled investments, attributed to improved fair value of investments and a $12,487 increase in interest earned mainly due to higher average cash balances from issuance of WIFIA loans and 2023 Series AB bonds and increase in interest rates. Other non-operating revenues increased by $14,387, primarily due to a $12,104 rise in Federal and State grants received mainly for the CWWAPP and a revenue accrual of $7,558 for the upgrades fair share contribution from the Golden State Warriors and the University of California, San Francisco for the Mariposa Project. This increase was offset by the Monsanto settlement related to water pollution of $5,000 and the $196 Baker Beach grant received in the prior year, as well as decreases of $85 in Federal interest subsidy and $37 in gains from the sale of assets. Other operating revenues increased by $828 or 9.6% mainly due to a $1,643 increase in revenues from other City departments, including Recreation & Park, Zuckerberg San Francisco General Hospital and Trauma Center, and the San Francisco Municipal Transportation Agency. This increase was offset by an $815 decrease in capacity fees, driven by a $544 increase in the allowance for doubtful accounts and write-offs, along with a $271 decline in revenue due to lower permits prices and issuance. Rents and concessions decreased by $83 or 10.1% mainly due to a decrease of $345 from three terminated leases offset by increases in rental income of $189 from tenants with 3.5% consumer price index average rate increase, $70 from short-term conference room rentals at Southeast Community Center and $3 related to leases.

Total expenses were $554,132, reflecting an increase of $211,114 or 61.5% compared to prior year. This was primarily due to increases of $200,693 in operating expenses, $43,363 in interest expenses mainly due to higher bond and WIFIA principal debt and arbitrage rebate liability, offset by an increase of $32,912 in amortization of premium, refunding loss, and issuance cost and $30 decrease in City grants program expenses due to $195 decrease in expenditures for community based organization services for the Youth Employment & Environment Project, offset by $165 increase in floodwater grant for the UC Wastewater Collection Project. The increase of $200,693 in operating expenses was primarily driven by several factors: a $178,078 rise in general and administrative and other operating expenses largely attributed to judgments and claims expenses based on actuarial report, along with increased project costs associated with the WIFIA Headworks New Grit Removal/Influent Pump and Biosolids Digester projects; a $16,109 increase in personnel services, mainly due to a $15,239 rise related to the GASB 68 pension adjustment and a 4.75% cost-of-living adjustment (COLA); a $4,683 increase in depreciation and amortization expenses resulting from more assets being placed in service, a $3,108 rise in contractual services primarily due to higher maintenance costs for service equipment at the Southeast Treatment Plant and leasing activities; and a $168 increase in materials and supplies for sewage treatment at the Southeast Treatment Plant, all offset by a $1,453 decrease in expenses for services of other departments mainly in electric services provided by Hetch Hetchy Power at the Southeast Treatment Plant.

Capital contributions of $48,080 were for the Developer Built Infrastructure transferred to capital assets, comprised of $25,923 for the Pier 70 Phase 1, $17,550 for the Treasure Island Stage 1, and $4,607 for the Yerba Buena Island Street Improvements projects. Transfer out of $209 included $177 transfers to Culture and Recreation Fund for art enrichment allocation and $32 to the Office of the City Administrator for the Surety Bond Program.

Results of Operations, Fiscal Year 2023

The Enterprise's total revenues were $376,402, a decrease of $10,847 or 2.8% from prior year (see Table 2). Charges for services decreased by $1,550 or 0.4% mainly due to an increase in allowance for doubtful accounts by $6,885 as there were more sewer charge receivables aging over 120 days, offset by a 5% drought surcharge and a sanitary flow increase of 47,124 ccf or 0.2% from residential and non-residential customers. Other non-operating revenues decreased by $15,544 or 61.1% mainly due to Federal and State grants received in prior year consisting of $9,302 for the customer utility arrearage relief, $8,000 SRF loan principal forgiveness of the SEP Biosolids Digester Facilities and the OSP Digester Gas Handling Utilization Upgrade projects, and $3,409 Baker Beach grant, a decrease of $91 in Federal interest subsidy, and $44 refunded federal grant relating to customer utility arrearage relief program, offset by $5,000 Monsanto settlement related to water pollution, $196 Baker Beach grant in current year, and increases of $92 in gain from sale of assets and $14 in miscellaneous revenue. Other operating revenues decreased by $3,513 or 28.9% mainly due to decreases of $3,203 in capacity fees resulting from $3,985 decrease in permits issued offset by $782 decrease in allowance for doubtful accounts, and $310 in other operating revenues to other City departments such as the Recreation & Park, the San Francisco Municipal Transportation Agency, and the Zuckerberg San Francisco General Hospital and Trauma Center. Rents and concessions increased by $117 or 16.6% mainly due to increases in rental income of $162 from short-term conference room rentals at Southeast Community Center beginning December 2022, $17 from tenants with 5.3% consumer price index average rate increase, offset by decreases of $59 from three terminated leases in the current year and $3 related to leases due to GASB 87 implementation. Interest and investment income increased by $9,643 or 136.1% mainly due to $4,436 decrease in unrealized loss in City Treasury pooled investments attributed to improved fair value of investments and higher interest rates, an increase of $3,697 in interest earned from pooled cash due to increase in cash balances and higher annualized interest rate, $1,500 increase in interest earned from fiscal agent account due to increase in fiscal agent cash balances and rising interest rates, and $10 interest earned from lease receivable.

Total expenses were $343,018, an increase of $16,049 or 4.9% due to increases of $17,769 in interest expenses mainly due to higher bond principal, $4,192 in operating expenses, and $53 increase in City grants program expenses due to increased expenditures for community based organization services such as for the Youth Employment & Environment Project and the UC Wastewater Treatment Project, offset by an increase of $5,965 in amortization of premium, refunding loss, and issuance cost. The increase of $4,192 in operating expenses were mainly due to increases of $26,270 in personnel services due to $21,594 increase in expenses related to GASB 68 pension expense and 5.25% increase in cost of living adjustment (COLA), $2,462 in materials and supplies due to water sewage treatment supplies for Bayside Operations, $2,205 in contractual services mainly due to higher building and equipment maintenance for sludge removal, vehicle rental, and power utility, $1,354 in services provided by other departments mainly for electricity from Hetch Hetchy Power, water from Water Enterprise, and for toxics waste and hazard materials services and cleanup charges related to the UC Wastewater Treatment Project, offset by decreases of $28,033 in general and administrative and other operating expenses mainly due to increased capitalized expenditures to capital assets and a decrease in judgments and claims offset by increased capital project expenses primarily related to SSIP Biosolids Digester Project, New Grit Removal/Influent Pump Project, and Westside Pump Station Reliability Improvement Project and $66 in depreciation and amortization expenses.

Capital contributions of $2,740 were for the Sunnydale HopeSF Developer Project. Net transfers of $43 included transfer in of $75 from the General Fund for the Wastewater Add-backs Master Project offset transfer out of $32 to the Office of the City Administrator for the Surety Bond Program.

(Dollars in thousands, unless otherwise stated)

Capital Assets

The following table summarizes changes in the Enterprise's capital assets.

Table 3
Capital Assets, Net of Accumulated Depreciation and Amortization
As of June 30, 2024, 2023, and 2022

		2024	2023	2022	2024-2023 Change	2023-2022 Change
Facilities, improvements, machinery, and equipment	$	2,549,177	2,393,051	2,270,355	156,126	122,696
Intangible assets		6,373	7,333	7,107	(960)	226
Land and rights-of-way		44,572	44,572	44,572	—	—
Land Improvements		9,311	6,733	—	2,578	6,733
Construction work in progress		2,878,789	2,232,963	1,724,417	645,826	508,546
Right-to-use lease and subscription assets		188	1,694	4,554	(1,506)	(2,860)
Total	$	5,488,410	4,686,346	4,051,005	802,064	635,341

Capital Assets, Fiscal Year 2024

The Enterprise has capital assets of $5,488,410, net of accumulated depreciation and amortization, invested in a broad range of utility capital assets as of June 30, 2024 (see Table 3). This amount represents an increase of $802,064 or 17.1% from prior fiscal year. As of June 30, 2024, the Enterprise had capital commitments of $667,703. The investment in capital assets includes land, buildings, improvements, wastewater treatment plants, sewer pipes and mains, underground transport and storage boxes, pump stations, machinery, and equipment. Construction work in progress increased by $645,826 or 28.9%. Facilities, improvements, machinery, and equipment increased by $156,126 or 6.5%. Land improvements increased by $2,578 or 38.3% relating to improvements for the Ocean Beach Project. Right-to-use lease and subscription assets decreased by $1,506 or 88.9% due to termination of leases and subscriptions and amortization. Intangible assets decreased by $960 or 13.1% due to amortization.

(Dollars in thousands, unless otherwise stated)

Major additions to construction work in progress during the year ended June 30, 2024 include the following:

Southeast Plant Biosolids Digester Facilities Project	$ 486,344
Southeast Plant New Headworks (Grit) Replacement	91,920
New Treasure Island Wastewater Treatment Plant Capital Improvements	57,168
Large Diameter Sewer Projects and Channel Force Main Intertie	27,993
WW-716 As-Needed Sewer Replacement Number 44	11,693
Taraval Sewer Improvements	10,455
Southeast Plant Power Feed and Primary Switchgear Upgrades	9,968
Westside Pump Station Reliability Improvements	9,691
Southeast Plant / Southeast Community Heating Ventilation Air Conditioning & Mechanical Upgrades	9,117
45th Avenue, 46th Avenue, 47th Avenue, Vicente Street, Wawona Street, and Sloat Boulevard Sewer Replacement	7,810
Oceanside Plant Condition Assessment Improvements - Part 2	7,666
Oceanside Plant Digester Gas Handling Utilization Upgrade	7,173
North Shore Pump Station Wet Weather Improvements	6,278
WW-715 As-Needed Sewer Replacement Number 43	6,272
Lower Alemany Area Stormwater Improvement Project	5,983
Southeast Plant Facility-Wide Distributed Control System Upgrades	5,583
Folsom Area Stormwater Improvement Project	5,578
Folsom Area Stormwater Phase 2	4,825
Green Infrastructure Grant Projects	4,716
Public Works Various Location Number 53 Infrastructure Improvements	4,377
Public Works Various Locations Number 55 Infrastructure Improvements	4,194
Other project additions individually below $4,000	94,639
	$ 879,443

Major depreciable facilities, improvements, intangible assets, machinery, and equipment placed in service, including transfers of completed projects from construction work in progress, during the year ended June 30, 2024 include the following:

Wawona Area Stormwater Improvement Project	$ 27,262
Contributed Capital: Pier 70 Phase 1	25,923
Contributed Capital: Treasure Island Stage 1	17,550
Public Works 19Th Avenue Infrastructure Improvements	14,755
WW-715 As-Needed Sewer Replacement Number 43	11,292
Large Diameter Sewer Projects And Channel Force Main Intertie	11,141
45th Avenue, 46th Avenue, 47th Avenue, Vicente Street, Wawona Street, and Sloat Boulevard Sewer Replacement	8,940
Public Works Various Locations Infrastructure Improvements Number 48	6,998
Public Works Number 56 Infrastructure Improvements	6,668
16th Street Sewer Replacement (Segment 2)	6,528
As-Needed Main Sewer Replacement Number 9 (WW-713)	6,416
Public Works Various Locations Pavement Improvements Number 38	6,240
Public Works Golden Gate Ave And Laguna Street Project	6,051
Public Works Various Locations Number 57 Infrastructure Improvements	5,711
WW-707 Various Locations Number 11	5,171
WW-704 Sewer Replacement Number 9	4,946
WW-708 Various Locations Number 12	4,772
Public Works Richmond Residential Streets Pavement Renovation	4,753
Contributed Capital: Yerba Buena Island Street Improvements	4,607
Public Works Various Locations Pavement Renovations Number 59	4,245
Public Works Various Locations Number 54 Infrastructure Improvements	4,136
Public Works Various Locations Number 52 Infrastructure Improvements	4,066
Other project additions individually below $4,000	40,791
	$ 238,962

See Note 4 for additional information about capital assets.

Sewer System Improvement Program

The Sewer System Improvement Program (SSIP) is the SFPUC's wastewater capital improvement program which includes multiple projects to improve the existing wastewater system. The implementation of the SSIP projects were originally phased over 20 years to maintain ratepayer affordability and minimize impacts to communities throughout the City. On March 22, 2016, the refined program scope and budget for $7.0 billion was endorsed by the Commission along with the baseline for scope, schedule, and budget for Phase 1 projects totaling $2.9 billion. The revised program is referred to as the "2016 SSIP Baseline".

As of June 30, 2024, 49 projects or 70.0% totaling $525 million were completed, 1 project in multiple phases, 5 projects in pre-construction phase, 7 projects in construction phase, and 8 projects in close-out phase. The Central Bayside System Improvement Project (CBSIP) was completed on June 30, 2023 with reported project expenditures of $36.7 million. The CBSIP provides collection system enhancement to the Channel and Islais Creek urban watersheds, including needed redundancy for the existing Channel Force Main, infrastructure improvements to sewers/pump stations, and stormwater management through elements of both green and grey infrastructure. Major components of the project consist of a tunnel to transport, via gravity, dry and wet-weather flows from the Channel and North Shore watersheds to the Southeast Water Pollution Control Plant (SEP), a large all-weather pump station to lift the flows into the SEP, improvements to Channel Pump Station, and green/gray infrastructure improvements within the watersheds. The New Headworks (Grit) Replacement Project is on-going construction. The project is reported at 86.8% complete and forecasted final completion is on May 30, 2025. As of June 30, 2024, total SSIP program expenditures totaled $3.2 billion. Additional details regarding the SSIP are available at https://sfpuc.gov/construction-contracts/sewer-system-improvement-program.

(Dollars in thousands, unless otherwise stated)

Capital Assets, Fiscal Year 2023

The Enterprise has capital assets of $4,686,346, net of accumulated depreciation and amortization, invested in a broad range of utility capital assets as of June 30, 2023 (see Table 3). This amount represents an increase of $635,341 or 15.7% from prior fiscal year. As of June 30, 2023, the Enterprise had capital commitments of $750,138. The investment in capital assets includes land, buildings, improvements, wastewater treatment plants, sewer pipes and mains, underground transport and storage boxes, pump stations, machinery, and equipment. Construction work in progress increased by $508,546 or 29.5%. Facilities, improvements, machinery, and equipment increased by $122,696 or 5.4%. Land improvements increased by $6,733 or 100% relating to improvements for the Southeast Community Center Project. Intangible assets increased by $226 or 3.2% due to asset addition of $1,212 for the Customer Billing System Project, offset by $986 depreciation expense. Right-to-use lease and subscription assets decreased by $2,860 or 62.8% due to amortization.

Major additions to construction work in progress during the year ended June 30, 2023 include the following:

Southeast Plant Biosolids and Digester Facilities Project	$ 332,775
Southeast Plant New Headworks (Grit) Replacement	157,143
Westside Pump Station Reliability Improvements	14,226
Large Diameter Sewer Projects and Channel Force Main Intertie	13,125
As-Needed Spot Sewer Replacement Number 42 (WW-699)	11,231
Southeast Community Center at 1550 Evans	9,794
Southeast Plant Power Feed and Primary Switchgear Upgrades	9,711
Oceanside Plant Digester Gas Handling Utilization Upgrade	9,195
North Shore Pump Station Wet Weather Improvements	8,853
New Treasure Island Wastewater Treatment Plant Capital Improvements	8,851
Southeast Plant Facility-Wide Distributed Control System Upgrades	7,581
Wawona Area Stormwater Improvement Project	5,879
As-Needed Main Sewer Replacement Number 9 (WW-713)	5,618
Folsom Area Stormwater Improvement Project	5,403
As-Needed Spot Sewer Replacement Number 43 (WW-715)	4,959
Public Works Golden Gate Avenue and Laguna Street Project	4,612
Ocean Beach Climate Change Adaptation Project	4,585
Taraval Sewer Improvements	4,519
Lower Alemany Area Stormwater Improvement Project	4,425
16th Street Sewer Replacement (Segment 2)	4,262
Oceanside Plant Condition Assessment Improvements - Part 2	4,208
Other project additions individually below $4,000	78,530
	$ 709,485

(Dollars in thousands, unless otherwise stated)

Major depreciable facilities, improvements, intangible assets, machinery, and equipment placed in service, including transfers of completed projects from construction work in progress, during the year ended June 30, 2023 include the following:

Southeast Community Center at 1550 Evans	$	111,510
Mariposa Pump Station & Force Main		35,852
As-Needed Spot Sewer Replacement Number 42 (WW-699)		12,531
Large Diameter Sewer Projects and Channel Force Main Intertie		9,182
Public Works 41st and 44th Avenue Infrastructure Improvements		7,042
Equipment Purchase		6,076
Castro, 19th, 26th Street Water and Sewer Improvements - WD-2739		3,773
Other project additions individually below $3,000		18,887
	$	204,853 *

* Does not include $1,573 equipment transfers from DPW.

See Note 4 for additional information about capital assets.

Sewer System Improvement Program

The Sewer System Improvement Program (SSIP) is the SFPUC's wastewater capital improvement program which includes multiple projects to improve the existing wastewater system. The implementation of the SSIP projects were originally phased over 20 years to maintain ratepayer affordability and minimize impacts to communities throughout the City. On March 22, 2016, the refined program scope and budget for $7.0 billion was endorsed by the Commission along with the baseline for scope, schedule, and budget for Phase 1 projects totaling $2.9 billion. The revised program is referred to as the "2016 SSIP Baseline".

As of June 30, 2023, 43 projects or 61.4% totaling $457 million were completed, 7 projects in pre-construction phase, 11 projects in construction phase, and 9 projects in close-out phase. The SEP Seismic Reliability and Condition Assessment Improvements Project was completed on March 31, 2023 with reported project expenditures of $33.6 million. This project represents immediate improvements to the existing facilities at Southeast Plant (SEP) identified as part of the condition assessment effort that are not specifically included as part of another near-term SSIP Phase 1 project. This project includes items for rehabilitation such as concrete spalling repair and seismic retrofit of priority process buildings. The Westside Pump Station Reliability Improvements is on-going construction. The project is reported at 86.2% complete and forecasted final completion is on June 27, 2024. Program expenditures as of June 30, 2023 totaled $2.5 billion. Additional details regarding the SSIP are available at https://sfpuc.gov/construction-contracts/sewer-system-improvement-program.

(Dollars in thousands, unless otherwise stated)

Debt Administration

As of June 30, 2024, 2023, and 2022, the Enterprise's debt from revenue bonds, revenue notes, commercial paper, certificates of participation, SRF, and WIFIA loans were $4,290,112, $3,551,970, and $2,988,713, respectively, as shown in Table 4. More detailed information about the Enterprise's debt activity is presented in Notes 6, 7, and 8 to the financial statements.

Table 4
Outstanding Debt, Net of Unamortized Costs
As of June 30, 2024, 2023, and 2022

		2024	2023	2022	2024-2023 Change	2023-2022 Change
Revenue bonds	$	2,685,051	2,736,910	1,931,253	(51,859)	805,657
Revenue notes		–	349,556	350,356	(349,556)	(800)
Commercial paper		341,373	–	379,157	341,373	(379,157)
Certificates of participation		23,595	24,458	25,288	(863)	(830)
State revolving fund loans		317,662	318,689	302,659	(1,027)	16,030
Water Infrastructure Finance and Innovation Act (WIFIA) loans		922,431	122,357	–	800,074	122,357
Total	$	4,290,112	3,551,970	2,988,713	738,142	563,257

The increase of $738,142 was mainly due to $800,074 new WIFIA loans consisting of $792,568 aggregate draw down and $7,506 capitalized interest for the Biosolids Digester Facilities and the Southeast Treatment Plant Improvements projects, $340,000 new issuance and $1,373 interest rolled to principal for commercial paper, and $1,498 capitalized interest for the SRF Headworks and OSP Digester projects, offset by $347,465 defeasance of revenue notes 2021 Series AB, $31,458 repayment of outstanding debt, and $25,880 of premium amortizations and defeasance.

Credit Ratings and Bond Insurance – As of June 30, 2024 and 2023, the Enterprise carried underlying ratings of "Aa2" and "AA" from Moody's and S&P Global Ratings (S&P), respectively.

Debt Service Coverage – Pursuant to the Amended and Restated Indenture, the Enterprise is required to collect sufficient net revenues each fiscal year, together with any Enterprise funds (except Bond Reserve Funds), which are available for payment of debt service and are not budgeted to be expended, at least equal to 1.25 times annual debt service for said fiscal year, and for the SFPUC's debt service coverage policy, at least equal to 1.35 times annual debt service for said fiscal year. During fiscal years 2024 and 2023, the Enterprise's net revenues, together with fund balances available to pay debt service and not budgeted to be expended, were sufficient to meet the rate covenant requirements under the Enterprise's Amended and Restated Indenture and the SFPUC's debt service coverage policy (see Note 8).

Debt Authorization – Pursuant to the Charter Section 8B.124, the Enterprise can incur indebtedness upon two-thirds vote of the Board of Supervisors. As of June 30, 2024, the Enterprise had $8,052,607 in combined debt issuance authorization from the Board of Supervisors under Proposition E, with $4,482,180 issued against this authorization. The Enterprise has a $750,000 authorized commercial paper program, with $341,373 in tax-exempt commercial paper outstanding as of June 30, 2024 and $0 in tax-exempt commercial paper outstanding as of June 30, 2023.

Cost of Debt Capital – The coupon interest rates on the Enterprise's outstanding revenue bonds and revenue notes ranged from 1.0% to 5.8% after factoring in federal interest subsidy receipts on Build America Bonds at June 30, 2024. The 2009 Series C certificates of participation carried coupon interest rates from 2.0% to 5.0% and 2009 Series D certificates of participation carried coupon interest rates from 6.4% to 6.5% in fiscal years 2024 and 2023, respectively. The interest rates on short-term debt ranged from 3.6% to 3.8% during fiscal year 2024 and from 0.9% to 3.1% during fiscal year 2023. The State revolving fund loans (CWSRF loans) carried original interest rates ranging from 0.8% to 1.8% during fiscal year 2024. The State has elected to apply administrative service and grant charges to certain agreement repayment schedules in lieu of receiving interest payments; these charges will not affect the installment payments or increase the repayment amounts. The WIFIA loan carried interest rate of 1.5% during fiscal year 2024 and capitalized interest added to the principal balance of the WIFIA loan on each Semi-Annual Payment Date occurring during the Capitalized Interest Period.

Rates and Charges

Rate Setting Process

Proposition E, as approved by the voters in November 2002, amended the City Charter by adding the new Article VIIIB, entitled "Public Utilities," which established the Commission's authority to issue new revenue bonds and set wastewater rates. The Commission is required to:

- Establish rates, fees, and charges based on cost of service;
- Retain an independent rate consultant to conduct cost of service studies at least every five years;
- Consider establishing new connection fees;
- Consider conservation incentives and lifeline rates;
- Adopt a rolling five-year forecast annually; and
- Establish a Rate Fairness Board.

Pursuant to the City and County of San Francisco Charter section 8B.125, an independent rate study is performed at least once every five years. In compliance with City Charter section 8B.125, a water and wastewater rate study were completed in May 2023. The Commission subsequently adopted three years of wastewater rate increases from July 1, 2023 through June 30, 2026. Other miscellaneous fees for service and charges were last approved in April 2024 to be effective July 1, 2024, and generally increase annually by the Consumer Price Index from the Controller's Office of the City and County of San Francisco, or the 20-City Average Construction Index (CCI) published by Engineering News-Record (ENR) Magazine. All current SFPUC Rates Schedules and Fees are available at https://sfpuc.gov/accounts-services/water-power-sewer-rates/rates.

(Dollars in thousands, unless otherwise stated)

The following table is the Enterprise's ten-year approved average rate adjustments:

Ten-year Average Rate Adjustments	
Effective Date	Adjustment
July 1, 2016	7.0 [1]
July 1, 2017	11.0 [1]
July 1, 2018	7.0 [2]
July 1, 2019	7.0 [2]
July 1, 2020	8.0 [2]
July 1, 2021	8.0 [2]
July 1, 2022	— [3]
July 1, 2023	9.0 [4]
July 1, 2024	9.0 [4]
July 1, 2025	9.0 [4]

[1] Four-year rate increases adopted and effective July 1, 2014.

[2] Four-year rate increases adopted and effective July 1, 2018.

[3] No retail rate adjustment.

[4] Three-year rate increases adopted and effective July 1, 2023.

Request for Information

This report is designed to provide our citizens, customers, investors, and creditors with an overview of the Enterprise's finances and to demonstrate the Enterprise's accountability for the money it receives. Questions regarding any of the information provided in this report or requests for additional financial information should be addressed to San Francisco Public Utilities Commission, Chief Financial Officer, Financial Services, 525 Golden Gate Avenue, 13th Floor, San Francisco, CA 94102.

This report is available at https://sfpuc.gov/about-us/reports/audited-financial-statements-reports

SAN FRANCISCO WASTEWATER ENTERPRISE

Statements of Net Position

June 30, 2024 and 2023

(In thousands)

		2024	2023
Assets			
Current assets:			
Cash and investments with City Treasury	$	376,658	355,770
Cash and investments outside City Treasury		152	173
Receivables:			
Charges for services (net of allowance for doubtful accounts of $12,865 as of June 30, 2024 and $10,060 as of June 30, 2023)		48,338	40,093
Due from other City departments		82	128
Interest		3,896	2,178
Leases receivable, current portion		226	212
Restricted due from other governments		—	13,942
Restricted interest, other receivable, and prepaid (net of allowance for doubtful accounts of $345 as of June 30, 2024 and $99 as of June 30, 2023)		689	1,191
Total current receivables		53,231	57,744
Prepaid charges, advances, and other receivables, current portion		8,142	570
Inventory		3,657	3,340
Restricted cash and investments outside City Treasury		41,778	48,717
Total current assets		483,618	466,314
Non-current assets:			
Restricted cash and investments with City Treasury		31,613	38,574
Restricted cash and investments outside City Treasury		59,930	66,439
Restricted interest, other receivable, and prepaid (net of allowance for doubtful accounts of $0 as of June 30, 2024 and $29 as of June 30, 2023)		388	417
Charges for services, less current portion (net of allowance for doubtful accounts of $351 as of June 30, 2024 and $566 as of June 30, 2023)		342	342
Leases receivable, less current portion		1,019	1,245
Prepaid charges, advances, and other receivables, less current portion		1,087	1,115
Right-to-use lease assets, net of accumulated amortization		—	1,272
Right-to-use subscription assets, net of accumulated amortization		188	422
Capital assets, not being depreciated and amortized		2,926,407	2,280,581
Capital assets, net of accumulated depreciation and amortization		2,561,815	2,404,071
Total non-current assets		5,582,789	4,794,478
Total assets		6,066,407	5,260,792
Deferred outflows of resources			
Unamortized loss on refunding of debt		—	8
Pensions		42,685	32,592
Other postemployment benefits		12,816	11,493
Total deferred outflows of resources	$	55,501	44,093

(Continued)

SAN FRANCISCO WASTEWATER ENTERPRISE

Statements of Net Position

June 30, 2024 and 2023

(In thousands)

		2024	2023
Liabilities			
Current liabilities:			
Accounts payable	$	18,841	23,207
Accrued payroll		8,119	7,631
Accrued vacation and sick leave, current portion		6,583	6,040
Accrued workers' compensation, current portion		1,685	1,509
Due to other City departments, current portion		114	2,215
Damage claims liability, current portion		28,742	1,650
Unearned revenues, refunds, and other		9,623	6,457
Bond, loan, lease, and subscription interest payable, current portion		30,300	27,918
Revenue bonds, current portion		35,370	28,070
Certificates of participation, current portion		900	864
State revolving fund loans payable, current portion		5,629	2,526
Lease liability, current portion		—	1,297
Subscription liability, current portion		93	243
Current liabilities payable from restricted assets		135,740	122,825
Total current liabilities		281,739	232,452
Long-term liabilities:			
Arbitrage rebate payable		8,521	188
Net other postemployment benefits liability		49,260	49,035
Net pension liability		67,299	49,549
Accrued vacation and sick leave, less current portion		5,506	5,622
Accrued workers' compensation, less current portion		7,327	6,489
Due to other City departments, less current portion		291	405
Damage claims liability, less current portion		86,341	2,700
Bond, loan, lease, and subscription interest payable, less current portion		2,106	—
Commercial paper		341,373	—
Revenue bonds, less current portion		2,649,681	2,708,840
Revenue notes		—	349,556
Certificates of participation, less current portion		22,695	23,594
State revolving fund loans payable, less current portion		312,033	316,163
Water Infrastructure Finance and Innovation Act (WIFIA) loans		922,431	122,357
Subscription liability, less current portion		93	186
Pollution remediation obligation		6,451	7,800
Total long-term liabilities		4,481,408	3,642,484
Total liabilities		4,763,147	3,874,936
Deferred inflows of resources			
Unamortized gain on refunding of debt		10,255	11,353
Leases		1,203	1,453
Pensions		4,055	10,023
Other postemployment benefits		5,809	8,286
Total deferred inflows of resources		21,322	31,115
Net position			
Net investment in capital assets		1,148,814	1,110,957
Restricted for debt service		—	3,510
Restricted for capital projects		31,782	53,137
Unrestricted		156,843	231,230
Total net position	$	1,337,439	1,398,834

See accompanying notes to financial statements.

SAN FRANCISCO WASTEWATER ENTERPRISE

Statements of Revenues, Expenses, and Changes in Net Position
Years Ended June 30, 2024 and 2023
(In thousands)

		2024	2023
Operating revenues:			
Charges for services	$	384,851	354,491
Rents and concessions		739	822
Capacity fees		2,262	3,077
Other revenues		7,189	5,546
Total operating revenues		395,041	363,936
Operating expenses:			
Personnel services		105,835	89,726
Contractual services		23,885	20,777
Materials and supplies		14,474	14,306
Depreciation and amortization		82,722	78,039
Services provided by other departments		39,546	40,999
General and administrative and other		195,581	17,503
Total operating expenses		462,043	261,350
Operating (loss) income		(67,002)	102,586
Non-operating revenues (expenses):			
Federal and state grants		12,256	152
Interest and investment income		25,528	2,556
Interest expenses		(138,883)	(95,520)
Amortization of premium, refunding loss, and issuance costs		47,299	14,387
Net gain from sale of assets		77	114
Other non-operating revenues		11,964	9,644
Other non-operating expenses		(505)	(535)
Net non-operating expenses		(42,264)	(69,202)
Change in net position before capital contributions and transfers		(109,266)	33,384
Capital contributions		48,080	2,740
Transfers from the City and County of San Francisco		—	75
Transfers to the City and County of San Francisco		(209)	(32)
Capital contributions and net transfers		47,871	2,783
Change in net position		(61,395)	36,167
Net position at beginning of year		1,398,834	1,362,667
Net position at end of year	$	1,337,439	1,398,834

See accompanying notes to financial statements.

SAN FRANCISCO WASTEWATER ENTERPRISE
Statements of Cash Flows
Years Ended June 30, 2024 and 2023
(In thousands)

		2024	2023
Cash flows from operating activities:			
Cash received from customers, including cash deposits	$	380,336	364,180
Cash received from tenants for rent		708	3,126
Cash received from miscellaneous revenues		6,648	686
Cash paid to employees for services		(104,126)	(95,895)
Cash paid to suppliers for goods and services		(116,262)	(95,599)
Cash paid for judgments and claims		(6,851)	(5,500)
Net cash provided by operating activities		160,453	170,998
Cash flows from non-capital financing activities:			
Cash received from grants		13,688	177
Cash received from settlements		—	5,000
Cash paid for rebates and program incentives		(505)	(535)
Transfers from the City and County of San Francisco		—	75
Transfers to the City and County of San Francisco		(209)	(32)
Net cash provided by non-capital financing activities		12,974	4,685
Cash flows from capital and related financing activities:			
Proceeds from sale of capital assets		79	127
Proceeds from bond issuance, net of premium		—	1,287,593
Proceeds from commercial paper borrowings		341,373	177,564
Proceeds from State revolving fund loans		13,942	207,364
Proceeds from WIFIA loans, net of premium and interest		811,356	122,357
Principal paid on revenue notes		(347,465)	—
Principal paid on long-term debt		(28,933)	(454,676)
Principal paid on commercial paper		—	(556,721)
Principal paid on State revolving fund loans		(2,525)	(2,481)
Lease payment		(1,303)	(2,371)
Subscription payment		(247)	(523)
Interest paid on long-term debt		(112,460)	(75,309)
Interest paid on commercial paper		(1,372)	(8,674)
Interest paid on State revolving fund loans		(1,479)	(1,523)
Interest paid on revenue notes		—	(3,475)
Interest paid on WIFIA loans		—	(74)
Issuance cost paid on long-term debt		(195)	(3,124)
Acquisition and construction of capital assets		(871,699)	(681,615)
Federal interest income subsidy for Build America Bonds		3,911	3,991
Net cash (used in) provided by capital and related financing activities		(197,017)	8,430
Cash flows from investing activities:			
Interest income received		18,001	4,948
Proceeds from sale of investments outside City Treasury		1,860,653	514,288
Purchase of investments outside City Treasury		(1,898,189)	(514,288)
Net cash (used in) provided by investing activities		(19,535)	4,948
(Decrease) increase in cash and cash equivalents		(43,125)	189,061
Cash and cash equivalents:			
Beginning of year		522,224	333,163
End of year	$	479,099	522,224

		2024	2023
Reconciliation of cash and cash equivalents to the statements of net position:			
Cash and investments with City Treasury:			
Unrestricted	$	376,658	355,770
Restricted		31,613	38,574
Add: Unrealized loss on investments with City Treasury		6,504	12,551
Cash and investments outside City Treasury:			
Unrestricted		152	173
Restricted		101,708	115,156
Less: Restricted (with maturity more than 90 days - see table in Note 3)		(37,269)	—
Less: Unrealized (gain) on investments outside City Treasury		(267)	—
Cash and cash equivalents at the end of year on statements of cash flows	$	479,099	522,224

SAN FRANCISCO WASTEWATER ENTERPRISE

Statements of Cash Flows

Years Ended June 30, 2024 and 2023

(In thousands)

	2024	2023
Reconciliation of operating (loss) income to net cash provided by operating activities:		
Operating (loss) income	$ (67,002)	102,586
Adjustment to reconcile operating (loss) income to net cash provided by operating activities:		
Depreciation and amortization	82,722	78,039
Miscellaneous revenues	6,647	686
Provision for uncollectible accounts	2,807	5,500
Write-off of capital assets	47,795	911
Changes in operating assets and liabilities:		
Receivables:		
Charges for services	(10,835)	(5,558)
Prepaid charges, advances, and other	(7,452)	1
Due from other City departments	—	1,208
Inventory	(317)	(382)
Leases	(38)	2,321
Subscription	—	535
Accounts payable	(4,366)	830
Accrued payroll	488	1,229
Net other postemployment benefits liability and related deferred outflows/inflows	(3,575)	963
Net pension liabilities and related deferred outflows/inflows	1,689	(13,551)
Accrued vacation and sick leave	427	761
Accrued workers' compensation	1,014	452
Due to other City departments	(2,101)	2,102
Pollution remediation obligation	(1,349)	(260)
Damage claims liability	110,733	(7,695)
Unearned revenues, refunds, and other liabilities	3,166	320
Total adjustments	227,455	68,412
Net cash provided by operating activities	$ 160,453	170,998
Noncash transactions:		
Accrued capital asset costs	$ 135,740	122,825
Interfund payable	405	2,620
Unrealized loss on investments with City Treasury	6,504	12,551
Unrealized (gain) on investments outside City Treasury	(267)	—
Capital contribution	48,080	2,740

See accompanying notes to financial statements.

(1) Description of Reporting Entity

The San Francisco Wastewater Enterprise (the Enterprise), formerly known as the San Francisco Clean Water Program (the Program), was established in 1977 following the transfer of all sewage system-related assets and liabilities of the City and County of San Francisco (the City) to the Program.

In 1976, the electorate of the City approved a proposition authorizing the City to issue $240,000 in revenue bonds pursuant to the Revenue Bond Law of 1941 of the State of California for the purpose of acquiring, constructing, improving, and financing improvements to the City's municipal sewage treatment and disposal system. Since then, the City's Board of Supervisors has adopted resolutions (Wastewater Resolutions) providing for the issuance of various sewer revenue and refunding bond series. The Wastewater Resolutions require the City to keep separate books of records and accounts of the Enterprise.

The Enterprise was placed under the jurisdiction of the San Francisco Public Utilities Commission (SFPUC or the Commission) in 1996. The Commission, established in 1932, is responsible for providing operational oversight of the public utility enterprises of the City, which includes the Enterprise along with the City's power and water utilities (i.e., Hetch Hetchy Water and Power and CleanPowerSF, of which the Power Enterprise is a component, and the San Francisco Water Enterprise). The Commission is responsible for determining such matters as the rates and charges for services, approval of contracts, and organizational policy.

The City Charter was amended in 2008 by Proposition E, a City and County of San Francisco Charter Section 4.112 amendment approved by the voters in the June 3, 2008 election, terminated the terms of all five existing members of the SFPUC, changed the process for appointing new members, and set qualifications for all members. Under the amended Charter, the Mayor continues to nominate candidates to the SFPUC, but nominees do not take office until the Board of Supervisors votes to approve their appointments by a majority (at least six members). The amended Charter provides for staggered four-year terms for the SFPUC members and requires them to meet the following qualifications:

- Seat 1 must have experience in environmental policy and an understanding of environmental justice issues.
- Seat 2 must have experience in ratepayer or consumer advocacy.
- Seat 3 must have experience in project finance.
- Seat 4 must have experience in water systems, power systems, or public utility management.
- Seat 5 is an at-large member.

The SFPUC is a department of the City, and as such, the financial operations of the Enterprise, Hetch Hetchy Water and Power and CleanPowerSF, and the Water Enterprise are included in the Annual Comprehensive Financial Report of the City as enterprise funds. These financial statements are intended to present only the financial position, and the changes in financial position and cash flows of only that portion of the City that is attributable to the transactions of the Enterprise. They do not purport to, and do not, present fairly the financial position of the City as of June 30, 2024 and 2023, the changes in its financial position, or, where applicable, the cash flows for the years then ended, in conformity with U.S. generally accepted accounting principles (GAAP).

(2) Significant Accounting Policies

(a) Basis of Accounting and Measurement Focus

The accounts of the Enterprise are organized on the basis of a proprietary fund type, specifically an enterprise fund of the City. The activities of this Enterprise are accounted for with a separate set of self-balancing accounts that comprise the Enterprise's assets, deferred outflows, liabilities, deferred inflows, net position, revenues, and expenses. Enterprise funds account for activities (i) that are financed with debt that is secured solely by a pledge of the net revenues from fees and charges of the activity; or (ii) that are required by laws or regulations that the activity's costs of providing services, including capital costs (such as depreciation or debt service), be recovered with fees and charges, rather than with taxes or similar revenues; or (iii) that the pricing policies of the activity establish fees and charges designed to recover its costs, including capital costs (such as depreciation or debt service).

The financial activities of the Enterprise are accounted for on a flow of economic resources measurement focus, using the accrual basis of accounting in accordance with U.S. GAAP. Under this method, all assets and liabilities associated with operations are included on the statements of net position; revenues are recognized when earned, and expenses are recognized when liabilities are incurred. Operating revenues are defined as charges to customers, rental income, and capacity fees. Non-operating revenues include grants, investment income, and other income from non-operating activities.

The Enterprise applies all applicable Governmental Accounting Standards Board (GASB) pronouncements.

(b) Cash and Cash Equivalents

The Enterprise considers its pooled deposits and investments held with the City Treasury to be demand deposits and, therefore, cash and cash equivalents for financial reporting. The City Treasury also holds non-pooled cash and investments for the Enterprise. Non-pooled restricted deposits and restricted deposits and investments held outside the City Treasury with original maturities of three months or less are also considered to be cash equivalents.

(c) Investments

Money market funds are carried at cost, which approximates fair value. All other investments are stated at fair value based upon quoted market prices. Changes in fair value are recognized as investment gains or losses and are recorded as a component of non-operating revenues.

(d) Inventory

Inventory consists primarily of construction materials and maintenance supplies and is valued at average cost. Inventory is expensed as it is consumed.

(e) Capital Assets

Capital assets are defined as assets with an initial individual cost of more than $5 and an estimated useful life in excess of one year. Capital assets with an original acquisition date prior to July 1, 1977 are recorded in the financial statements at estimated cost, as determined by an independent professional appraisal, or at cost, if known. All subsequent acquisitions have been recorded at cost. All donated capital assets at the time of donation and capital assets received in a service concession arrangement, are valued at acquisition value. Depreciation and amortization are computed using the straight-line method over the estimated useful lives of the assets, which range from 1 to 100 years for equipment and 1 to 200 years for building, structures, and improvements. No depreciation or amortization is recorded in the year of acquisition, and depreciation or amortization is recorded in the year of disposal.

(f) Intangible Assets

Intangible assets are defined as identifiable, non-financial assets capable of being separated, sold, transferred, or licensed, and include contractual or legal rights. Examples of intangible assets include rights-of-way easements, land use rights, water rights, licenses, permits, and right-to-use capital assets for leases and subscription-based information technology arrangements (SBITAs).

The Enterprise capitalizes purchased or internally developed intangible assets with a useful life extending beyond one reporting period. It has established a capitalization threshold of $100. Intangible assets are amortized over the benefit period or the contract term for leases and SBITAs, except for certain assets having an indefinite useful life. Assets with an indefinite useful life generally provide a benefit that is not constrained by legal or contractual limitations or any other external factor, and therefore, are not amortized (see Note 4).

(g) Construction Work in Progress

The cost of acquisition and construction of major plant and equipment is recorded as construction work in progress. Costs of construction projects that are discontinued are recorded as an expense in the year in which the decision is made to discontinue such projects.

(h) Bond Discount, Premium, and Issuance Costs

Bond issuance costs related to prepaid insurance costs are capitalized and amortized using the effective interest method. Other bond issuance costs are expensed when incurred. Original issue bond discount or premium are offset against the related debt and are also amortized using the effective interest method.

(i) Accrued Vacation and Sick Leave

Accrued vacation pay, which may be accumulated up to 10 weeks per employee, is charged to expense as earned. Sick leave earned subsequent to December 6, 1978 is non-vesting and may be accumulated up to six months per employee.

(j) Workers' Compensation

The Enterprise is self-insured for workers' compensation claims and accrues the estimated cost of those claims, including the estimated cost of incurred but not reported claims (see Note 13(b)).

(k) General Liability

The Enterprise is self-insured for general liability and uninsurable property damage claims. Commercially uninsurable property includes assets that are underground or provide transmission and distribution. Maintained commercial coverage does not cover claims attributed to loss from earthquake, contamination, pollution remediation efforts, and other specific naturally occurring contaminants such as mold. The liability represents an estimate of the cost of all outstanding claims, including adverse loss development and estimated incurred but not reported claims (see Note 13(a)).

(l) Arbitrage Rebate Payable

Certain bonds are subject to arbitrage rebate requirements in accordance with regulations issued by the U.S. Treasury Department. The requirements generally stipulate that earnings from the investment of the tax-exempt bond proceeds that exceed related interest costs on the bonds must be remitted to the federal government on every fifth anniversary of each bond issue. The arbitrage liability due as of June 30, 2024 and 2023 was $8,521 and $188, respectively (see Note 7).

(m) Refunding of Debt

Gains or losses occurring from refunding of debt prior to maturity are reported as deferred outflows and deferred inflows of resources from refunding of debt. Deferred outflows and deferred inflows of resources are recognized as a component of interest expense using the effective interest method over the remaining life of the old debt or the life of the new debt, whichever is shorter.

(n) Income Taxes

As a department of a government agency, the Enterprise is exempt from both federal income taxes and California State franchise taxes.

(o) Revenue Recognition

Sewer service charges are based on water usage as determined by the San Francisco Water Enterprise. The majority of residential and non-residential customers are billed on a monthly basis except for building and contractor customers which are billed on a bi-monthly basis. Revenues earned but unbilled are accrued as charges for services and reflected as a receivable on the statements of net position. The unbilled amounts for the fiscal years ended June 30, 2024 and 2023 were $23,256 and $14,919, respectively.

(p) Use of Estimates

The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, deferred outflows and deferred inflows, and the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

(q) Accounting and Financial Reporting for Pollution Remediation Obligations

According to GASB Statement No. 49, *Accounting and Financial Reporting for Pollution Remediation Obligations*, a government would have to estimate its expected outlays for pollution remediation if it knows a site is polluted and any of the following recognition triggers occur:

- Pollution poses an imminent danger to the public or environment and a government has little or no discretion to avoid fixing the problem;
- A government has violated a pollution prevention-related permit or license;
- A regulator has identified (or evidence indicates it will identify) a government as responsible (or potentially responsible) for cleaning up pollution, or for paying all or some of the cost of the cleanup;

- A government is named (or evidence indicates that it will be named) in a lawsuit to compel it to address the pollution; or
- A government begins or legally obligates itself to begin cleanup or post-cleanup activities (limited to amounts the government is legally required to complete).

As a part of ongoing operations, situations may occur requiring the removal of pollution or other hazardous material. These situations typically arise in the process of acquiring an asset, preparing an asset for its intended use, or during the design phase of projects under review by the project managers. Other times, pollution may arise during the implementation and construction of a major or minor capital project. Examples of pollution may include but are not limited to: asbestos or lead paint removal, leaking of sewage in underground pipes or neighboring areas, chemical spills, removal, and disposal of known toxic waste, harmful biological and chemical pollution of water, or contamination of surrounding soils by underground storage tanks (see Note 14(d)).

(r) Leases

Leases are defined as a contract that conveys control of the right to use another entity's underlying asset for a specified period. The Enterprise is a lessee and a lessor for various noncancellable leases of land, building, equipment, vehicles, easements, etc.

Short-term Leases

For leases with a maximum possible term of 12 months or less at commencement, the Enterprise recognizes lease revenue if the Enterprise is the lessor of the lease or lease expense if the Enterprise is the lessee of the lease based on the provisions of the lease contract. Liabilities are only recognized if payments are received in advance, and receivables are only recognized if payments are received subsequent to the reporting period.

Leases Other Than Short-term

For all other leases (i.e., those that are not short-term) the Enterprise recognizes a lease liability and intangible right-to-use lease asset for the Enterprise as lessee leases, or lease receivable and deferred inflow of resources for the Enterprise as lessor leases.

Measurement of Lease Amounts (Lessee)

The Enterprise's lease liability is recorded at the present value of future minimum lease payments as of the date of commencement. Subsequently, the lease liability is reduced by the principal portion of lease of payments made. The lease asset is initially measured as the initial amount of the lease liability, less lease payments made at or before the lease commencement date, plus any initial direct costs ancillary to placing the underlying asset into service, less any lease incentives received at or before the lease commencement date. Subsequently, the lease asset is amortized into depreciation and amortization expense on a straight-line basis over the lease term. If the Enterprise is reasonably certain of exercising a purchase option contained in a lease, the lease asset will be amortized over the useful life of the asset.

Measurement of Lease Amounts (Lessor)

The Enterprise's lease receivable is measured at the present value of payments expected to be received during the lease term, reduced by any provision of estimated uncollectible amounts.

Subsequently, the lease receivable is reduced by the principal portion of lease payments collected. The deferred inflow or resources is initially measured as the initial amount of the lease receivable, less any lease incentives paid to, or on behalf of, the lessee at or before the commencement of the lease term, plus lease payments received from the lease at or before the commencement of the lease term that related to future periods. Subsequently, the deferred inflow of resources as lease revenue is on a straight-line basis over the lease term.

Key Estimates and Judgments

Key estimates and judgments include how the Enterprise determines (a) the discount rate it uses to calculate the present value of the expected lease payments, (b) lease terms, (c) lease payments, and (d) materiality threshold for equipment.

- The Enterprise generally uses its estimated incremental borrowing rate as the discount rate for leases unless the rate is implicit in the lease. The City's incremental borrowing rate (IBR) is established using the average of Municipal Market Data (MMD) AAA benchmark interest rate index maturity date (year 1 to 30+), plus the average credit spread based on City's Aa/AA, COP, Tax-exempt to generate the yield curve and discount rate table. The City's incremental borrowing rate for leases is based on the rate of interest it would need to pay if it issued general obligation bonds to borrow an amount equal to the lease payments under similar terms at the commencement or remeasurement date.

- The lease term includes the noncancellable period of the lease, plus any additional periods covered by either lessee or lessor unilateral option to (1) extend for which it is reasonably certain to be exercised, or (2) terminate for which it is reasonably certain not to be exercised. Periods in which both the lessee and lessor have an option to terminate (or if both parties have to agree to extend) are excluded from the lease term.

- Payments are evaluated by the Enterprise to determine if they should be included in the measurement of the lease receivables or lease liabilities, including those payments that require a determination of whether they are reasonably certain of being made, such as residual value guarantees, purchase options, payments for termination penalties, and other payments.

- Equipment and other leases have a capitalization threshold of $100. 70% below market rent and/or ground leases are determined to be below market rent (BMR) and are excluded from lease capitalization.

Remeasurement of Lease

The Enterprise monitors changes in circumstances that may require remeasurement of a lease. When certain changes occur that are expected to significantly affect the amount of the lease receivable or lease liability, the receivable or liability is remeasured and a corresponding adjustment is made to the deferred inflow of resources or lease asset, respectively.

Presentation in Statement of Net Position

Lease assets are reported with current and non-current assets, lease liabilities are reported with current and long-term liabilities and both lease capital assets and liabilities are reported under net investment in capital assets in the statement of net position (see Note 9).

(s) Subscription-Based Information Technology Arrangements

SBITAs are defined as a contract that conveys control of the right to use another entity's IT software, alone or in combination with tangible capital assets for a specific period. The Enterprise has noncancellable subscription arrangements (similar to a lease) for the right to use various information technology hardware and software SBITAs.

Short-term SBITAs

For SBITAs with a maximum possible term of 12 months or less at commencement, the Enterprise recognizes subscription expense based on the provisions of the SBITAs. Liabilities are only recognized if payments are received in advance, and receivables are only recognized if payments are received subsequent to the reporting period.

SBITAs Other Than Short-term

For all other SBITAs (i.e., those that are not short-term) the Enterprise recognizes SBITAs liability and intangible right-to-use subscription asset for the Enterprise.

Measurement of Subscription Amounts (Subscriber)

The Enterprise's subscription liability is recorded at the present value of future minimum subscription payments as of the date of commencement. Subsequently, the subscription liability is reduced by the principal portion of subscription payments made. The subscription asset is initially measured as the initial amount of the subscription liability, less payments made at or before the subscription commencement date, plus any initial direct costs ancillary to placing the underlying asset into service, less any subscription incentives received at or before the subscription commencement date. For SBITAs, subscription assets also include qualified software implementation costs. Subsequently, the subscription asset is amortized into depreciation and amortization expense on a straight-line basis over the subscription term.

Key Estimates and Judgments

Key estimates and judgments include how the Enterprise determines (a) the discount rate it uses to calculate the present value of the expected subscription payments, (b) subscription terms, (c) subscription payments, and (d) materiality threshold.

- The Enterprise generally uses its estimated incremental borrowing rate as the discount rate for SBITAs unless the rate is implicit in the agreement. The Enterprise incremental borrowing rate (IBR) is established using the average of Municipal Market Data (MMD) AAA benchmark interest rate index by maturity date (year 1 to 30+), plus the average credit spread based on Enterprise's Aa/AA, COP, Tax-exempt to generate the yield curve and discount rate table.

- The subscription term includes the noncancellable period of the subscription, plus any additional periods covered by either subscriber or lessor unilateral option to (1) extend for which it is reasonably certain to be exercised, or (2) terminate for which it is reasonably certain not to be exercised. Periods in which both the subscriber and lessor have an option to terminate (or if both parties have to agree to extend) are excluded from the subscription term.

- Payments are evaluated by the Enterprise to determine if they should be included in the measurement of the subscription liabilities, including those payments that require a determination of whether they are reasonably certain of being made, such as residual value guarantees, purchase options, payments for termination penalties, and other payments.

- SBITAs have a capitalization threshold of $100.

Remeasurement of SBITAs

The Enterprise monitors changes in circumstances that may require remeasurement of SBITAs. When certain changes occur that are expected to significantly affect the amount of the subscription liability, the liability is remeasured, and a corresponding adjustment is made to the subscription asset.

Presentation in Statement of Net Position

Subscription assets are reported with current and non-current assets, subscription liabilities are reported with current and long-term liabilities and both subscription assets and liabilities are reported under net investment in capital assets in the statement of net position (see Note 10).

(t) Other Postemployment Benefits (OPEB)

Net OPEB liability, deferred outflows/inflows of resources related to OPEB, and OPEB expense are actuarially determined on a citywide basis. Net OPEB liability is measured as the portion of the present value of projected benefit payments to be provided to current active and inactive employees attributed to those employees' past service, less the amount of the Retiree Healthcare Trust Fund investments measured at fair value (see Note 11(b)).

(u) New Accounting Standards Adopted in Fiscal Year 2024

1) In April 2022, the GASB issued Statement No. 99, *Omnibus 2022*. GASB Statement No. 99 addresses a variety of topics. The requirements related to extension of the use of the London Interbank Offered Rate, accounting for Supplemental Nutrition Assistance Program distributions, disclosures of nonmonetary transactions, pledges of future revenues by pledging governments, clarification of certain provisions in Statement No. 34, and terminology updates related to Statement No. 53 and Statement No. 63 were adopted by the Enterprise for the year ended June 30, 2022. The requirements related to financial guarantees and the classification and reporting of derivative instruments within the scope of Statement No. 53 are effective for fiscal years beginning after June 15, 2023. The Enterprise adopted the provisions of Statement No. 99 in fiscal year 2024 which did not have a significant effect on its financial statements.

2) In June 2022, the GASB issued Statement No. 100, *Accounting Changes and Error Corrections.* This statement enhances accounting and financial reporting requirements for accounting changes and error corrections to provide more understandable, reliable, relevant, consistent, and comparable information for making decisions or assessing accountability. The new standard is effective for periods beginning after June 15, 2023. The Enterprise adopted the provisions of Statement No. 100 in fiscal year 2024, which did not have a significant effect on its financial statements.

(v) GASB Statements Implemented in Fiscal Year 2023

1) In May 2019, the GASB issued Statement No. 91, *Conduit Debt Obligations*. GASB Statement No. 91 enhances the comparability and consistency of conduit debt obligation reporting and reporting of related transactions by state and local government issuers. The new standard is effective for periods beginning after December 15, 2021. The Enterprise adopted the provisions of Statement No. 91 in fiscal year 2023, which did not have a significant effect on its financial statements.

2) In March 2020, the GASB issued Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*. The primary objective of this statement is to improve financial reporting by addressing issues related to public-private and public-public partnership arrangements (PPPs) and availability payment arrangements. The Enterprise adopted the provisions of Statement No. 94 in fiscal year 2023, which did not have a significant effect on its financial statements.

3) In May 2020, the GASB issued Statement No. 96, *Subscription-Based Information Technology Arrangements (SBITAs)*. This statement defines such arrangements as contracts that convey control of the right to use another party's information technology software, alone or in combination with tangible capital assets, as specified in the contract for a period of time in an exchange or exchange-like transaction. The standard clarifies measurement and recognition of capitalizable costs, intangible assets, and subscription liabilities for such arrangements and also requires additional disclosures related to such arrangements. The standard is effective for periods beginning after June 15, 2022. The Enterprise adopted the provisions of Statement No. 96 in fiscal year 2023 (see Note 10).

(w) Future Implementation of New Accounting Standards

1) In June 2022, the GASB issued Statement No. 101, *Compensated Absences*. This statement is to better meet the information needs of financial statement users by updating the recognition and measurement guidance for compensated absences. The new standard is effective for the periods beginning after December 15, 2023. The Enterprise will implement the provisions of Statement No. 101 in fiscal year 2025.

2) In December 2023, the GASB issued Statement No. 102, *Certain Risk Disclosures*. This statement establishes financial reporting requirements for risks related vulnerabilities due to certain concentrations or constraints within governments. The new standard is effective for periods beginning after June 15, 2024. The Enterprise will implement the provisions of Statement No. 102 in fiscal year 2025.

3) In April 2024, the GASB issued Statement No. 103, *Financial Reporting Model Improvements*. This statement is to improve key components of the financial reporting model to enhance its effectiveness in providing information that is essential for decision making and assessing a government's accountability. The new standard is effective for periods beginning after June 15, 2025. The Enterprise will implement the provisions of Statement No. 103 in fiscal year 2026.

4) In September 2024, the GASB issued Statement No. 104, *Disclosure of Certain Capital Assets*. This statement requires certain types of capital assets, such as lease assets recognized in accordance with Statement No. 87, *Leases* and intangible right-to-use assets recognized in accordance with Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements* to be disclosed separately by major classes of underlying assets in the

capital assets note disclosures. Subscription assets recognized in accordance with Statement No. 96, *Subscription-Based Information Technology Arrangements* are also required to be disclosed separately. Furthermore, the statement requires intangible assets other than those three types to be disclosed separately by major class. Finally, the statement requires additional disclosures for capital assets held for sale. The new standard is effective for periods beginning after June 15, 2025. The Enterprise will implement the provisions of Statement No. 104 in fiscal year 2026.

(x) Reclassifications

The Enterprise has reclassified certain amounts relating to the prior period to conform to its current period presentation. Lease receivable, lease related interest receivable, lease related interest payable and subscription related interest payable were reclassified from net investment in capital assets to unrestricted in the statement of net position for fiscal year 2023. Furthermore, capital related liabilities were reclassified from restricted for capital projects and/or unrestricted to net investment in capital assets for fiscal year 2023. These reclassifications had no effect on previously reported changes in net position.

(3) Cash, Cash Equivalents, and Investments

The Enterprise's cash, cash equivalents, and investments with the City Treasury are invested in an unrated City pool pursuant to investment policy guidelines established by the City Treasurer. The objectives of the policy guidelines are, in order of priority, preservation of capital, liquidity, and yield. The policy addresses soundness of financial institutions in which the City will deposit funds, types of investment instruments as permitted by the California Government Code, and the percentage of the portfolio that may be invested in certain instruments with longer terms to maturity. The City Treasurer allocates income from the investment of pooled cash at month-end in proportion to the Enterprise's average daily cash balances. The primary objectives of the Enterprise's investment policy are consistent with the City's policy.

The restricted cash and investments for bond reserves are held by an independent trustee outside the City investment pool. The balances as of June 30, 2024 and 2023 were $101,708 and $115,156, respectively. Funds held by the trustee established under the 2003 Indenture are invested in "Permitted Investments" as defined in the Indenture. "Permitted Investments" include money market funds, registered under the Federal Investment Company Act of 1940 and whose shares are registered under the Federal Securities Act of 1933 and having a rating by S&P of "AAAm-G," "AAAm," or "AAm" and a rating by Moody's of "Aaa-mf," "Aa1," or "Aa2." "Permitted Investments" also include commercial paper, and US treasury and agency securities.

The Enterprise categorizes its fair value measurements within the fair value hierarchy established by GAAP. The hierarchy is based on the valuation inputs used to measure fair value of the assets. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; and Level 3 inputs are significant unobservable inputs. The inputs and techniques used for valuing securities are not necessarily an indication of risk associated with investing in those securities.

(Dollars in thousands, unless otherwise stated)

The following is a summary of the restricted and unrestricted cash and investments outside City Treasury, including commercial paper issuers, credit ratings, and the fair value hierarchy as of June 30, 2024 and 2023.

Cash and Investments outside City Treasury

		June 30, 2024			Fair Value Measurements Using		
Investments	Credit Ratings (S&P/Moody's)	Maturities	Fair Value	Investments exempt from fair value	Quoted prices in active markets for identical assets (Level 1)	Significant other observable inputs (Level 2)	Unobservable Inputs (Level 3)
U.S. Treasury Money Market Funds	AAAm/Aaa-mf	< 90 days	$ 37,830	37,830	—	—	—
Money Market Funds	A-1/P-1	< 90 days	52	52	—	—	—
Commercial Paper - Toyota Motor Corp	A-1+/P-1	< 90 days	6,935	—	6,935	—	—
Commercial Paper - Toronto-Dominion Bank	A-1+/P-1	< 90 days	19,342	—	19,342	—	—
Commercial Paper - Toyota Motor Corp	A-1+/P-1	October 11, 2024	1,859	—	1,859	—	—
U.S. Agency Securities	AA+/Aaa	March 21, 2025	17,538	—	17,538	—	—
U.S. Treasury Bonds & Notes	A-1+/P-1	September 15, 2025	17,872	—	17,872	—	—
Cash and Cash Equivalents	N/A		280	280	—	—	—
Total Restricted Cash and Investments outside City Treasury			$ 101,708	38,162	63,546	—	—
Cash and Cash Equivalents	N/A		$ 152	152	—	—	—
Total Unrestricted Cash and Investments outside City Treasury			$ 152	152	—	—	—

Cash and Investments outside City Treasury

		June 30, 2023			Fair Value Measurements Using		
Investments	Credit Ratings (S&P/Moody's)	Maturities	Fair Value	Investments exempt from fair value	Quoted prices in active markets for identical assets (Level 1)	Significant other observable inputs (Level 2)	Unobservable Inputs (Level 3)
U.S. Treasury Money Market Funds	AAAm/Aaa-mf	< 90 days	$ 115,082	115,082	—	—	—
Money Market Funds	A-1/P-1	< 90 days	50	50	—	—	—
Cash and Cash Equivalents	N/A		24	24	—	—	—
Total Restricted Cash and Investments outside City Treasury			$ 115,156	115,156	—	—	—
Cash and Cash Equivalents	N/A		$ 173	173	—	—	—
Total Unrestricted Cash and Investments outside City Treasury			$ 173	173	—	—	—

Certain investments such as money market investments, and cash and cash equivalents are not subject to the fair value hierarchy.

The restricted cash and investments outside City Treasury as of June 30, 2024 and 2023 included an unrealized gain due to changes in fair values on Commercial Paper, U.S. Treasury Bonds & Notes, and U.S. Agency Securities of $267 and $0, respectively.

(Dollars in thousands, unless otherwise stated)

The Enterprise's cash, cash equivalents, and investments are shown on the accompanying statements of net position as follows:

	2024	2023
Current assets:		
Cash and investments with City Treasury	$ 376,658	355,770
Cash and investments outside City Treasury	152	173
Restricted cash and investments outside City Treasury	41,778	48,717
Non-current assets:		
Restricted cash and investments with City Treasury	31,613	38,574
Restricted cash and investments outside City Treasury	59,930	66,439
Total cash, cash equivalents, and investments	$ 510,131	509,673

The following table shows the percentage distribution of the City's pooled investments by maturity:

Fiscal years ended June 30	Investment maturities (in months) Under 1	1 to less than 6	6 to less than 12	12 to 60
2024	22.2%	19.5%	16.3%	42.0%
2023	21.5%	18.0%	14.5%	46.0%

As of June 30, 2024, the Enterprise has the following commercial paper investments that represent 5.0% or more of the total investments outside City Treasury:

	Fair Value	% of Investments
Toronto Domin Holding	$ 19,342	19.1 %
Toyota Motor Corp	8,794	8.7

(Dollars in thousands, unless otherwise stated)

(4) Capital Assets

Capital assets as of June 30, 2024 and 2023 consisted of the following:

		2023	Increases	Decreases	2024
Capital assets not being depreciated and amortized:					
Land and rights-of-way	$	44,572	—	—	44,572
Intangible assets		3,046	—	—	3,046
Construction work in progress		2,232,963	879,443	(233,617) *	2,878,789
Total capital assets not being depreciated and amortized		2,280,581	879,443	(233,617)	2,926,407
Capital assets being depreciated and amortized:					
Facilities and improvements		3,923,910	229,886	—	4,153,796
Land improvements		6,965	3,747	—	10,712
Intangible assets		10,760	269	—	11,029
Machinery and equipment		105,661	5,060	(807)	109,914
Right-to-use lease assets		8,247	—	(8,247)	—
Right-to-use subscription assets		1,487	—	(965)	522
Total capital assets being depreciated and amortized		4,057,030	238,962 *	(10,019)	4,285,973
Less accumulated depreciation and amortization for:					
Facilities and improvements		(1,551,767)	(74,441)	—	(1,626,208)
Land improvements		(232)	(1,169)	—	(1,401)
Intangible assets		(6,473)	(1,229)	—	(7,702)
Machinery and equipment		(84,753)	(4,379)	807	(88,325)
Right-to-use lease assets		(6,975)	(1,272)	8,247	—
Right-to-use subscription assets		(1,065)	(232)	963	(334)
Total accumulated depreciation and amortization		(1,651,265)	(82,722)	10,017	(1,723,970)
Total capital assets being depreciated and amortized, net		2,405,765	156,240	(2)	2,562,003
Total capital assets, net	$	4,686,346	1,035,683	(233,619)	5,488,410

* Decrease in construction work in progress is less than increase in capital assets being depreciated is due to direct additions to buildings structures and machinery and equipment by $48,080 and $5,060, respectively, offset by $47,795 in capital project write-offs, mainly related to the Channel Tunnel/Bayside Drainage Project. It was decided to shelve this project by management and expense the design costs due to higher than expected costs, reprioritization of other various projects and uncertain future regulatory requirements.

(Dollars in thousands, unless otherwise stated)

	2022	Increases	Decreases	2023
Capital assets not being depreciated and amortized:				
Land and rights-of-way	$ 44,572	—	—	44,572
Intangible assets	3,046	—	—	3,046
Construction work in progress	1,724,417	709,485	(200,939) *	2,232,963
Total capital assets not being depreciated and amortized	1,772,035	709,485	(200,939)	2,280,581
Capital assets being depreciated and amortized:				
Facilities and improvements	3,729,320	194,590	—	3,923,910
Land improvements	—	6,965	—	6,965
Intangible assets	9,548	1,212	—	10,760
Machinery and equipment	103,274	3,659	(1,272)	105,661
Right-to-use lease assets	8,247	—	—	8,247
Right-to-use subscription assets	1,487	—	—	1,487
Total capital assets being depreciated and amortized	3,851,876	206,426 *	(1,272)	4,057,030
Less accumulated depreciation and amortization for:				
Facilities and improvements	(1,481,988)	(69,779)	—	(1,551,767)
Land improvements	—	(232)	—	(232)
Intangible assets	(5,487)	(986)	—	(6,473)
Machinery and equipment	(80,251)	(5,754)	1,252	(84,753)
Right-to-use lease assets	(4,650)	(2,325)	—	(6,975)
Right-to-use subscription assets	(530)	(535)	—	(1,065)
Total accumulated depreciation and amortization	(1,572,906)	(79,611)	1,252	(1,651,265)
Total capital assets being depreciated and amortized, net	2,278,970	126,815	(20)	2,405,765
Total capital assets, net	$ 4,051,005	836,300	(200,959)	4,686,346

* Decrease in construction work in progress is less than increase in capital assets being depreciated is due to direct additions to machinery and equipment and buildings structures by $3,659 and $2,739, respectively, offset by $911 in capital project write-offs, mainly related to the Islais Creek Green Infrastructure Project.

(5) Restricted Assets

The Bond indenture is a legally binding agreement between the SFPUC and U.S. Bank, N.A. (trustee) regarding the issuance of bonds and requires all net revenues of the Enterprise (except amounts on deposit in the rebate fund) are irrevocably pledged to the punctual payment of debt service on the Wastewater revenue bonds. Accordingly, the net revenues of the Enterprise shall not be used for any other purpose while any of its revenue bonds are outstanding except as expressly permitted by the indenture. Further, all net revenues shall be deposited by the City Treasurer, by instruction of the Enterprise, in special funds designated as the Revenue Fund, which must be maintained in the City Treasury. These funds, held at the City Treasury, are recorded in the statements of net position of the Enterprise as cash and investments. Deposits in the Revenue Fund, including earnings thereon, shall be appropriated, transferred, expended, or used for the following purposes and only in accordance with the following priority:

1. The payment of operation and maintenance costs of the Enterprise;
2. The payment of bonds, parity State revolving and Federal fund loans, policy costs, and amounts due as reimbursement under any letter of credit agreement; and
3. Any other lawful purpose of the Enterprise.

(Dollars in thousands, unless otherwise stated)

In accordance with the indenture, the Enterprise maintains certain restricted cash and investment balances in trust. Restricted assets held in trust consisted of the following as of June 30, 2024 and 2023:

		2024	2023
Cash and investments with City Treasury:			
Wastewater revenue bond construction fund	$	31,613	38,574
Cash and investments outside City Treasury:			
2009 Series C Certificates of Participation - 525 Golden Gate		255	449
2009 Series D Certificates of Participation - 525 Golden Gate		1,942	1,523
2010 Series A Wastewater revenue bond fund		145	137
2010 Series B Wastewater revenue bond fund		9,027	7,153
2013 Series B Wastewater revenue bond fund		1	5
2016 Series A Wastewater revenue bond fund		3	6
2016 Series B Wastewater revenue bond fund		1	2
2018 Series A Wastewater revenue bond fund		3	6
2018 Series B Wastewater revenue bond fund		4	5
2018 Series C Wastewater revenue bond fund		2	2
2021 Series A Wastewater revenue bond fund		2,239	13,298
2021 Series B Wastewater revenue bond fund		397	2,163
2022 Series B Wastewater revenue bond fund		43	86
2023 Series A Wastewater revenue bond fund		43,212	65,673
2023 Series B Wastewater revenue bond fund		15,998	24,313
2023 Series C Wastewater revenue bond fund		8	19
2021 Series A Wastewater revenue note fund		218	152
2021 Series B Wastewater revenue note fund		1	89
Commercial Paper - Tax Exempt		76	75
2020 WIFIA Biosolids Digester		15,248	—
2020 WIFIA Southeast Treatment Plant		12,885	—
Total cash and investments outside City Treasury		101,708	115,156
Interest and other receivables:			
Wastewater revenue bond construction fund including interest, prepaid, and other receivables		1,077	1,608
Due from other government for State Revolving Fund		—	13,942
		1,077	15,550
Total restricted assets	$	134,398	169,280

Restricted assets listed above as cash and investments with City Treasury are held in fund accounts within the Sewer Revenue Fund of the City Treasury

(6) Short-Term Debt

Under the voter approved 2002 Proposition E, the Commission and Board of Supervisors authorized the issuance of up to $750,000 in commercial paper for the purpose of reconstructing, expanding, repairing, or improving the Enterprise's facilities. The program is made up of two components: (1) five series totaling $675,000 (aggregate principal amount) that are for the issuance of either tax-exempt or taxable commercial paper and which are each supported by a high-grade bank credit facility in the form of a letter of credit or bank liquidity facility; and (2) one series that is for a $75,000 direct bank loan that can be used to make tax-exempt or taxable draws from a high-grade bank pursuant to a revolving credit agreement. The Enterprise had $341,373 and $0 in commercial paper outstanding as of June 30, 2024 and 2023, respectively. The $341,373 was repaid by the 2024 Series CD Wastewater Revenue Bonds issued in July 2024 and has been reclassed to long-term liabilities on the financial statements as of June 30, 2024.

The commercial paper notes can be issued in the aggregate principal amounts of up to $750,000, and may be marketed and re-marketed with maturities up to 270 days and are secured by six separate bank credit facilities, as set forth below. The commercial paper notes are payable from revenues and are secured on a parity lien basis with each other, collectively the "Subordinate Obligations". The Subordinate Obligations are secured on a subordinate basis to the payment of debt service on the Wastewater Revenue Bonds.

As of June 30, 2024, the Commercial Paper Notes are secured by the following series: Series A-1 secured by a $150,000 letter of credit from Sumitomo Mitsui Bank expires on March 2, 2029. The agreement for the Series A-1 facility stipulates a commitment fee of 0.30%, on the maintenance of ratings of at least "Aa3" by Moody's and "AA-" by S&P. Series A-2 secured by a $150,000 letter of credit facility stipulates a commitment fee of 0.27%, on the maintenance of ratings of at least "Aa3" by Moody's and "AA-" by S&P. Series A-4 secured by a $75,000 liquidity facility from TD Bank expires on July 3, 2028. The agreement for the Series A-4 facility stipulates a commitment fee of 0.21% on the maintenance of ratings of at least "Aa2" by Moody's and "AA" by S&P. Series A-6 secured by a $200,000 State Street Bank expires on October 14, 2024. The agreement for the Series A-6 facility stipulates a commitment fee of 0.32%, on the maintenance of ratings of at least "Aa3" by Moody's and "AA-" by S&P. Series A-7 secured by a $100,000 letter of credit from Sumitomo Mitsui Bank expires on May 31, 2027. The agreement for the Series A-7 facility stipulates a commitment fee of 0.30%, on the maintenance of ratings of at least "Aa3" by Moody's and "AA-" by S&P.

Series R-1 secured by a $75,000 revolving credit agreement with U.S. Bank National Association expires on July 18, 2024. The revolving credit agreement stipulates an unutilized quarterly commitment fee of 0.19%, on the maintenance of ratings of at least "Aa3" by Moody's and "AA-" by S&P. The revolving credit agreement had $0 outstanding as of June 30, 2024.

Morgan Stanley & Co. LLC, RBC Capital Markets, LLC, and U.S. Bancorp Investments, Inc. serve as dealers for the commercial paper notes. The annual fee is 0.05% paid to Morgan Stanley & Co. LLC, and U.S. Bancorp Investments, Inc. and 0.045% paid to RBC Capital Markets, LLC.

The commercial paper reimbursement agreements and the commercial paper revolving credit and term loan agreements for the Enterprise, contain a provision that in the event advances (or drawings) remain unpaid, such advances (or drawings) will convert into term loans and will be subject to the repayment provisions relating thereto.

(Dollars in thousands, unless otherwise stated)

In accordance with GASB Statement No. 88, *Certain Disclosures Related to Debt, Including Direct Borrowings and Direct Placements*, the Enterprise had $408,627 and $750,000 in unused authorization as of June 30, 2024 and 2023, respectively. Significant events of default include 1) payment defaults 2) material breach of warranty, representation, or other non-remedied breach of covenants as specified in the respective agreements (not cured within applicable grace periods), and 3) bankruptcy and insolvency events, which may result in all outstanding obligations to be immediately due and payable (unless waived by the respective Bank, if applicable); or issuance of a No-Issuance Notice, reduction in credit to outstanding amount plus interest coverage, and/or termination of the respective agreement.. As of June 30, 2024 and 2023, there were no such events described herein.

(7) Changes in Long-Term Liabilities

Long-term liability activities for the years ended June 30, 2024 and 2023 are as follows:

	Interest rate	Maturity (Calendar Year)	2023	Additions	Reductions	2024	Due within one year
Revenue Bonds:							
2010 Series B (Build America)	4.65% - 5.82%	2040	$ 185,235	–	(7,505)	177,730	7,745
2013 Series A	1.00 - 5.00	2025	575	–	(575)	–	–
2013 Series B	4.00 - 5.00	2042	93,095	–	–	93,095	–
2016 Series A	4.00 - 5.00	2046	240,580	–	(5,475)	235,105	5,760
2016 Series B	4.00 - 5.00	2046	67,820	–	(1,545)	66,275	1,625
2018 Series A	4.00 - 5.00	2043	221,335	–	(7,160)	214,175	6,580
2018 Series B	5.00	2043	179,690	–	(5,810)	173,880	5,335
2021 Series A	4.00 - 5.00	2051	260,835	–	–	260,835	–
2021 Series B	5.00	2051	37,045	–	–	37,045	–
2022 Series B	5.00	2034	137,080	–	–	137,080	8,325
2023 Series A	5.00 - 5.25	2042	530,565	–	–	530,565	–
2023 Series B	4.00 - 5.00	2042	278,155	–	–	278,155	–
2023 Series C	4.00	2048	165,660	–	–	165,660	–
For issuance premiums			339,240	–	(23,789)	315,451	–
Revenue Notes:							
2021 Series A - Biosolids	1.00	2025	218,355	–	(218,355)	–	–
2021 Series B - SEP Headworks	1.00	2026	129,110	–	(129,110)	–	–
For issuance premiums			2,091	–	(2,091)	–	–
Total revenue bonds and notes payable			3,086,466	–	(401,415)	2,685,051	35,370
Bond, loan, lease, and subscription interest payable			–	32,406	–	32,406	30,300
Commercial Paper*	3.15 - 3.74	2024	–	341,373	–	341,373	–
2009 Series D COPs (Build America)	6.36 - 6.49	2041	24,458	–	(863)	23,595	900
State Revolving Fund Loans (CWSRF loans)	0.80 - 1.80	2056	318,689	1,498	(2,525)	317,662	5,629
Water Infrastructure Finance and Innovation Act (WIFIA) Loans	1.45	2062	122,357	800,074	–	922,431	–
Arbitrage rebate payable			188	8,333	–	8,521	–
Net other postemployment benefits liability			49,035	225	–	49,260	–
Net pension liability			49,549	17,750	–	67,299	–
Accrued vacation and sick leave			11,662	4,425	(3,998)	12,089	6,583
Accrued workers' compensation			7,998	2,680	(1,666)	9,012	1,685
Due to other City departments			2,620	–	(2,215)	405	114
Lease liability			1,297	–	(1,297)	–	–
Subscription liability			429	–	(243)	186	93
Damage claims liability			4,350	112,467	(1,734)	115,083	28,742
Pollution remediation obligation			7,800	–	(1,349)	6,451	–
Total			$ 3,686,898	1,321,231	(417,305)	4,590,824	109,416

*As of June 30, 2024, the Enterprise had $341,373 in outstanding commercial paper which were repaid by 2024 Series CD Wastewater Revenue Bonds in July 2024. The $341,373 has been reclassified to long-term liabilities on the financial statements.

(Dollars in thousands, unless otherwise stated)

	Interest rate	Maturity (Calendar Year)		Restated 2022	Additions	Reductions	2023	Due within one year
Revenue Bonds:								
2010 Series B (Build America)	4.65% - 5.82%	2040	$	192,515	–	(7,280)	185,235	7,505
2013 Series A	1.00 - 5.00	2025		15,535	–	(14,960)	575	575
2013 Series B	4.00 - 5.00	2042		331,585	–	(238,490)	93,095	–
2016 Series A	4.00 - 5.00	2046		240,580	–	–	240,580	5,475
2016 Series B	4.00 - 5.00	2046		67,820	–	–	67,820	1,545
2018 Series A	4.00 - 5.00	2043		229,050	–	(7,715)	221,335	7,160
2018 Series B	5.00	2043		185,950	–	(6,260)	179,690	5,810
2018 Series C	2.13	2048		179,145	–	(179,145)	–	–
2021 Series A	4.00 - 5.00	2051		260,835	–	–	260,835	–
2021 Series B	5.00	2051		37,045	–	–	37,045	–
2022 Series B	5.00	2034		–	137,080	–	137,080	–
2023 Series A	5.00 - 5.25	2042		–	530,565	–	530,565	–
2023 Series B	4.00 - 5.00	2042		–	278,155	–	278,155	–
2023 Series C	4.00	2048		–	165,660	–	165,660	–
For issuance premiums				191,193	178,474	(30,427)	339,240	–
Revenue Notes:								
2021 Series A - Biosolids	1.00	2025		218,355	–	–	218,355	–
2021 Series B - SEP Headworks	1.00	2026		129,110	–	–	129,110	–
For issuance premiums				2,891	–	(800)	2,091	–
Total revenue bonds and notes payable				2,281,609	1,289,934	(485,077)	3,086,466	28,070
2009 Series C Certificates of Participation (COPs)	2.00 - 5.00	2022		826	–	(826)	–	–
2009 Series C COPs issuance premiums				4	–	(4)	–	–
2009 Series D COPs (Build America)	6.36 - 6.49	2041		24,458	–	–	24,458	864
State Revolving Fund Loans (CWSRF loans)	0.80 - 1.80	2056		302,659	18,511	(2,481)	318,689	2,526
Water Infrastructure Finance and Innovation Act (WIFIA) Loans	1.45	2059		–	122,357	–	122,357	–
Arbitrage rebate payable				–	188	–	188	–
Net other postemployment benefits liability				49,123	–	(88)	49,035	–
Net pension liability				–	49,549	–	49,549	–
Accrued vacation and sick leave				10,901	4,729	(3,968)	11,662	6,040
Accrued workers' compensation				7,546	2,976	(2,524)	7,998	1,509
Due to other City departments				629	2,102	(111)	2,620	2,215
Lease liability				3,638	–	(2,341)	1,297	1,297
Subscription liability				944	–	(515)	429	243
Damage claims liability				12,045	2,716	(10,411)	4,350	1,650
Pollution remediation obligation				8,060	–	(260)	7,800	–
Total			$	2,702,442	1,493,062	(508,606)	3,686,898	44,414

The payments of principal and interest amounts on various bonds and notes are secured by net revenues of the Enterprise.

(a) Wastewater Revenue Bonds 2010 Series B

During fiscal year 2010, the Enterprise issued revenue bonds 2010 Series B (Federally Taxable – Build America Bonds – Direct Payment) in the amount of $192,515 with interest rates ranging from 4.7% to 5.8%. Proceeds from the bonds were used to redeem $53,500 in outstanding commercial paper notes, provide funding for capital projects in the amount of $112,429, fund a cash debt service reserve fund, and pay financing costs for the bonds. The bonds were rated "Aa3" and "AA-" by Moody's and S&P, respectively, at the time of issuance. Bonds mature through October 1, 2040. The true interest cost is 3.7%. As of June 30, 2024 and 2023, the 2010 Series B bonds' principal amount outstanding was $177,730 and $185,235, respectively.

(b) Wastewater Revenue Bonds 2013 Series A

In January 2013, the Enterprise issued tax-exempt revenue bonds 2013 Series A in the amount of $193,400 for the purpose of refunding the remaining portion of the outstanding 2003 Series A bonds maturing on and after October 1, 2013. The bonds carried "Aa3" and "AA-" ratings from

Moody's and S&P, respectively, at the time of issuance. The 2013 Series A refunding bonds include serial bonds with interest rates varying from 1.0% to 5.0% and have a final maturity in October 2025. The Series A bonds had a true interest cost of 1.2% at issuance. The 2013 Series A bonds also refunded the remaining portion of the outstanding state revolving fund loans. The refunding resulted in the recognition of a deferred accounting loss of $2,986, gross debt service savings of $35,107 over the next 13 years, and an economic gain of $32,783 or 15.4% of the refunded principal.

A portion of the proceeds of the 2022 Series B refunding bonds was deposited with the trustee, acting as escrow agent under the irrevocable Escrow Agreements, dated July 1, 2022 to refund and legally defease a portion of the outstanding 2013 Series A bonds. This deposit, together with certain other available monies was held by the escrow agent under the Escrow Agreement and invested in non-callable Federal Securities. As of June 30, 2024 and 2023, the principal amount outstanding of the 2013 Series A bonds was $0 and $575, respectively.

(c) Wastewater Revenue Bonds 2013 Series B

In February 2013, the Enterprise issued revenue bonds 2013 Series B in the amount of $331,585 with interest rates ranging from 4.0% to 5.0%. Proceeds from the bonds were used for Wastewater capital projects, pay off all outstanding Wastewater commercial paper notes, and pay the costs of issuing the bonds. The bonds were rated "Aa3" and "AA-" by Moody's and S&P, respectively, at the time of issuance. Bonds mature through October 1, 2042. The true interest cost was 3.6% at issuance.

A portion of the proceeds of the 2022 Series B and 2023 Series B refunding bonds was deposited with the trustee, acting as escrow agent under the irrevocable Escrow Agreements, date July 1, 2022 and April 1, 2023, respectively to refund and legally defease a portion of the outstanding 2013 Series B bonds. This deposit, together with certain other available monies was held by the escrow agent under the Escrow Agreement and invested in non-callable Federal Securities. The 2013 Series B bonds were defeased by the 2022 Series B and 2023 Series B bonds for $147,920 and $90,570, respectively. The remaining bonds mature through October 1, 2042. As of June 30, 2024 and 2023, the principal amount outstanding of the 2013 Series B bonds was $93,095.

(d) Wastewater Revenue Bonds 2016 Series A

In May 2016, the Enterprise issued tax-exempt revenue bonds 2016 Series A (Green Bonds) in the amount of $240,580 with interest rates ranging from 4.0% to 5.0%. Proceeds from the bonds were used for Wastewater capital projects, to pay off $53,439 of outstanding commercial paper notes, to fund capitalized interest, and pay the costs of issuing the bonds. The bonds carried ratings of "AA" and "Aa3" from S&P and Moody's, respectively, at the time of issuance. Bonds mature through October 1, 2046. The bonds have a true interest cost of 3.2%. As of June 30, 2024 and 2023, the principal amount outstanding of the 2016 Series A bonds was $235,105 and $240,580, respectively.

(e) Wastewater Revenue Bonds 2016 Series B

In May 2016, the Enterprise issued tax-exempt revenue bonds 2016 Series B in the amount of $67,820 with interest rates ranging from 4.0% to 5.0%. Proceeds from the bonds were used for Wastewater capital projects, to pay off $20,560 of outstanding commercial paper notes, to fund capitalized interest, and pay the costs of issuing the bonds. The bonds carried ratings of "AA" and

"Aa3" from S&P and Moody's, respectively, at the time of issuance. Bonds mature through October 1, 2046. The bonds have a true interest cost of 3.2%. As of June 30, 2024 and 2023, the principal amount outstanding of the 2016 Series B bonds was $66,275 and $67,820, respectively.

(f) Wastewater Revenue Bonds 2018 Series A

In August 2018, the Enterprise issued tax-exempt revenue bonds 2018 Series A (SSIP) (Green Bonds) in the amount of $229,050 with interest rates ranging from 4.0% to 5.0%. Proceeds from the bonds were used for Wastewater capital projects in furtherance of the SFPUC's Sewer System Improvement Program ("SSIP"), to pay off $25,000 of outstanding commercial paper notes, to fund capitalized interest, and to pay the costs of issuing the bonds. The bonds carried ratings of "AA" and "Aa3" from S&P and Moody's, respectively, at the time of issuance. Bonds mature through October 1, 2043. The bonds have a true interest cost of 3.4%. As of June 30, 2024 and 2023, the principal amount outstanding of the 2018 Series A bonds was $214,175 and $221,335, respectively.

(g) Wastewater Revenue Bonds 2018 Series B

In August 2018, the Enterprise issued tax-exempt revenue bonds 2018 Series B (Non-SSIP) in the amount of $185,950 with 5.0% interest rate. Proceeds from the bonds were used for Wastewater capital projects, to fund capitalized interest, and pay the costs of issuing the bonds. The bonds carried ratings of "AA" and "Aa3" from S&P and Moody's, respectively, at the time of issuance. Bonds mature through October 1, 2043. The bonds have a true interest cost of 3.5%. As of June 30, 2024 and 2023, the principal amount outstanding of the 2018 Series B bonds was $173,880 and $179,690, respectively.

(h) Wastewater Revenue Bonds 2021 Series AB

In November 2021, the Enterprise issued tax-exempt revenue bonds, 2021 Series AB in the aggregate amount of $297,880. The purpose of the 2021 Series AB Bonds was to refund approximately $340,000 aggregate principal amount of commercial paper notes which funded various capital projects of the Wastewater Enterprise. The bonds carried "Aa2" and "AA" ratings from Moody's and S&P, respectively.

The $260,835 2021 Series A Bonds were issued as tax-exempt Green Bonds to refund approximately $296,000 of commercial paper notes for SSIP capital projects. The Series A bonds were issued as serial bonds with coupons of 4.0% and 5.0% and a final maturity of 2051. The 2021 Series A bonds have a true interest cost of 3.0%. As of June 30, 2024 and 2023, the principal amount of the 2021 Series A bonds outstanding was $260,835.

The $37,045 2021 Series B bonds were issued as tax-exempt bonds to refund approximately $44,000 of commercial paper notes for Wastewater capital projects. The Series B bonds were issued as serial bonds with coupons of 5.0% and have a final maturity of 2051. The Series B bonds have a true interest cost of 3.2%. As of June 30, 2024 and 2023, the principal amount of the 2021 Series B bonds outstanding was $37,045.

(i) Wastewater Revenue Notes 2021 Series AB

In November 2021, the Enterprise issued tax-exempt revenue (Green) notes, 2021 Sub-Series A and Sub-Series B together with an aggregate principal of $347,465 to finance a portion of the design, acquisition and construction of the Biosolids Digester Facility Project and Southeast Water Pollution Control Plant improvements. The SFPUC intends to pay principal of the 2021A Notes and 2021B

Notes from the proceeds of one or more draws under WIFIA Loan Agreements for the Biosolids Digester Facility Project and Southeast Treatment Plant Improvements, respectively, or from the proceeds of future obligations.

The $218,355 2021 Series A Notes were issued as tax-exempt Green Notes to fund a portion of the Biosolids Digester Facilities Project. The Series A Notes were issued with 1.0% coupons and a final maturity of 2025. The 2021 Series A Notes have a true interest cost of 0.8%. As of June 30, 2024 and 2023, the principal amount of 2021 Series A Notes outstanding was $0 and $218,355, respectively.

The $129,110 2021 Series B Notes were issued as tax-exempt Green Notes to fund a portion of Southeast Water Pollution Control Plant improvements. The Series B Notes were issued with 1.0% coupons and a final maturity of 2026. The 2021 Series B Notes have a true interest cost of 0.8%. As of June 30, 2024 and 2023, the principal amount of 2021 Series B Notes outstanding was $0 and $129,110, respectively.

In March 2024, the Enterprise deposited a portion of WIFIA disbursements with the trustee, acting as escrow agent under the irrevocable Escrow Agreements, dated March 1, 2024 to refund and legally defease the outstanding 2021 Series A Notes and 2021 Series B Notes. This deposit, together with certain other available monies was held by the escrow agent under the Escrow Agreement and invested in non-callable Federal Securities. The principal and interest on monies held by the escrow agent were sufficient to redeem 2021 Series A Notes and 2021 Series B Notes with maturities October 1, 2025 and October 1, 2026, respectively. The defeased principal amount outstanding for 2021 Series A Notes and 2021 Series B Notes were $218,355 and $129,110, respectively, as of June 30, 2024. The refunding resulted in the recognition of an accounting gain in an aggregate amount of $22,212.

(j) Wastewater Revenue Refunding Bonds 2022 Series B

In July 2022, the Enterprise issued tax-exempt revenue bonds, 2022 Series B in the aggregate principal amount of $137,080 on a forward delivery basis. The 2022 Series B bonds were issued for the purpose of refunding a portion of the outstanding 2013 Series A bonds maturing on October 1, 2024 and October 1, 2025 and a portion of the outstanding 2013 Series B bonds maturing on October 1, 2024 through October 1, 2034. The 2013 Series A bonds were defeased by 2022 Series B bonds for $1,870 in July 2022. The bonds carried “Aa2” and “AA” ratings from Moody’s and S&P, respectively.

The 2022 Series B bonds include serial bonds, each with an interest rate of 5% and have a final maturity in 2034. The Series B bonds have a true interest cost of 3.2%. The refunding resulted in the recognition of a deferred accounting gain of $6,868, gross debt service savings of $12,446, and an economic gain of $12,012 or 8.0% of refunded bonds. As of June 30, 2024 and 2023, the principal amount of the 2022 Series B bonds outstanding was $137,080.

(k) Wastewater Revenue Refunding Bonds 2023 Series ABC

In April 2023, the Enterprise issued tax-exempt revenue bonds, 2023 Series ABC in the aggregate principal amount of $974,380. The purpose of the 2023 Series ABC bonds was to refund approximately $557,845 aggregate principal amount of commercial paper notes, finance various capital projects of the Enterprise, and refund certain outstanding revenue bonds. The bonds carried “Aa2” and “AA” ratings from Moody’s and S&P, respectively.

The $530,565 2023 Series A bonds were issued as tax-exempt Green Bonds to refund approximately $400,900 of commercial paper notes for SSIP capital projects and finance certain capital projects benefitting the Enterprise. The Series A bonds were issued as serial bonds with coupons of 5.0% and 5.3% and a final maturity of 2042. The 2023 Series A bonds have a true interest cost of 2.9%. As of June 30, 2024 and 2023, the principal amount of the 2023 Series A bonds outstanding was $530,565.

The $278,155 2023 Series B bonds were issued as tax-exempt bonds to refund a portion of the outstanding 2013 Series B bonds maturing on October 1 2035 through October 1, 2039, refund approximately $156,900 of commercial paper notes for certain capital projects benefitting the Enterprise and finance certain capital projects benefitting the Enterprise. The Series B bonds were issued as serial bonds with coupons of 4.0% and 5.0% and a final maturity of 2042. The Series B bonds have a true interest cost of 3.0%. The refunding resulted in the recognition of a deferred accounting gain of $5,316, gross debt service savings of $10,626, and an economic gain of $7,647 or 8.4% of refunded bonds. As of June 30, 2024 and 2023, the principal amount of the 2023 Series B bonds outstanding was $278,155.

The $165,660 2023 Series C bonds were issued as tax-exempt Green Bonds to refund all of the outstanding 2018 Series C bonds. The Series C bonds were issued as serial bonds with a coupon of 4.0% and a final maturity of 2048. The 2023 Series C bonds have a true interest cost of 3.5%. The refunding resulted in the recognition of a deferred accounting gain of $963, gross debt service savings of $24,606, and an economic gain of $15,785 or 8.8% of refunded bonds. As of June 30, 2024 and 2023, the principal amount of the 2023 Series C bonds outstanding was $165,660.

(Continued)

(Dollars in thousands, unless otherwise stated)

(l) Future Annual Debt Service of Revenue Bonds and Refunding Bonds

The following table presents the future annual debt service relating to the revenue and refunding bonds outstanding as of June 30, 2024. The interest before subsidy amounts includes the interest for 2010 Series B, 2013 Series B, 2016 Series A and B, 2018 Series A and B, 2021 Series A and B bonds, 2022 Series B, and 2023 Series A, B, and C bonds. The federal interest subsidy amounts represent 35.0% of the interest, excluding sequestration, for the 2010 Series B revenue bonds.

		Principal	Interest before subsidy	Federal interest subsidy*	Interest net of subsidy
Fiscal years ending June 30:					
2025	$	35,370	111,665	(3,235)	108,430
2026		38,460	109,860	(3,105)	106,755
2027		70,295	107,170	(2,968)	104,202
2028		77,225	103,460	(2,822)	100,638
2029		104,875	98,877	(2,668)	96,209
2030-2034		541,195	411,644	(10,719)	400,925
2035-2039		515,035	277,620	(5,557)	272,063
2040-2044		499,950	156,118	(527)	155,591
2045-2049		374,635	61,243	—	61,243
2050-2052		112,560	7,096	—	7,096
		2,369,600	1,444,753	(31,601)	1,413,152
Less: Current portion		(35,370)			
Add: Unamortized bond premiums		315,451			
Long-term portion as of June 30, 2024	$	2,649,681			

*The SFPUC received an IRS notice, dated April 17, 2024, that the federal interest subsidy on the 2010 Series B bonds is reduced by 5.7% through fiscal year 2030, or a total reduction of $1,910, due to sequestration over the remaining life of the bonds assuming the sequestration rate will remain the same after fiscal year 2024.

As defined in the Indenture, the principal and interest of the Enterprise's refunding bonds are payable from its corresponding revenue as well as monies deposited in certain funds and accounts pledged thereto (see Note 5).

(m) Certificates of Participation Issued for the 525 Golden Gate Avenue Headquarters Building

In October 2009, the City issued $167,670 in certificates of participation to fund the headquarters building of the SFPUC at 525 Golden Gate Avenue. The 2009 Series C were issued for $38,120 and 2009 Series D for $129,550 as "Build America Bonds" on a taxable basis under the 2009 American Recovery and Reinvestment Act. The 2009 Series C certificates carry interest rates ranging from 2.0% to 5.0% and matured on November 1, 2022. The 2009 Series D certificates carry interest rates ranging from 6.4% to 6.5% and mature on November 1, 2041. After adjusting for the federal interest subsidy, the true interest cost averages 3.4% and 4.3% for Series C and Series D, respectively.

Under the terms of a memorandum of understanding (MOU) between the City and the SFPUC dated October 1, 2009, the City conveyed the real property to the Trustee, the Bank of New York Mellon Trust Company, N.A., which was replaced by U.S. Bank in March 2014 under a property lease in exchange for the proceeds of the sale of the certificates. The Trustee has leased the property back to the City for the City's use under a project lease. The City is obligated under the project lease to pay base rental payments and other payments to the Trustee each year during the 32-year term of the project lease. The Commission makes annual base rental payments to the City for the building equal to annual debt service on the certificates. There are no events of default stated in this MOU.

(Dollars in thousands, unless otherwise stated)

Each of the three Enterprises has an ownership interest in the building equal to their projected usage of space as follows: Water (73%), Wastewater (15%), and Power (12%). Similarly, each Enterprise is responsible for a portion of the annual base rental payment based on their ownership percentages less contributed equity. The percentage share of base rental payments for the Enterprises is as follows: Water (71.4%), Wastewater (18.9%), and Power (9.7%).

The future annual debt service relating to the certificates of participation 2009 Series D outstanding as of June 30, 2024 is as follows:

Certificates of Participation 2009 Series D (Taxable)		Principal	Interest before subsidy	Federal interest subsidy*	Interest net of subsidy
Fiscal years ending June 30:					
2025	$	900	1,494	(493)	1,001
2026		937	1,436	(474)	962
2027		977	1,375	(454)	921
2028		1,019	1,312	(433)	879
2029		1,061	1,246	(411)	835
2030-2034		6,019	5,121	(1,690)	3,431
2035-2039		7,422	2,950	(974)	1,976
2040-2042		5,260	521	(172)	349
Total		23,595	15,455	(5,101)	10,354
Less: Current portion		(900)			
Long-term portion as of June 30, 2024	$	22,695			

*The SFPUC received an IRS notice dated April 17, 2024, that the federal interest subsidy on the 2009 Series D bonds is reduced by 5.7% through fiscal year 2030, or a total reduction of $308, due to sequestration over the remaining life of the bonds assuming the sequestration rate will remain the same after fiscal year 2024.

(n) Lake Merced Green Infrastructure Project CWSRF Loan

In January 2016, then amended in May 2016, the SFPUC entered into an Installment Sale Agreement with the State Water Resources Control Board for a Clean Water State Revolving Fund ("CWSRF") Loan to fund the Lake Merced Green Infrastructure Project of the Sewer System Improvement Program. The aggregate amount of the CWSRF loans is $7,435. The loan bears an interest rate of 1.6% which was equal to one-half of the State of California's most recent 30-year General Obligation Bond true interest cost at the time the agreement was executed. The CWSRF loan will have a 30-year term, with loan repayment beginning one year after substantial completion of each project's construction; completion was in October 2020. The CWSRF loan is secured on a parity lien basis with the Enterprise's outstanding revenue bonds. The SFPUC has received loan disbursements to date totaling $6,116 and a construction period interest of $166 transferred to principal. As of June 30, 2024 and 2023, the principal amount outstanding of the loan was $5,775 and $5,945, respectively.

(o) Southeast Plant (SEP) 521/522 and Disinfection Upgrade Project CWSRF Loan

In September 2017, then amended in December 2017 and May 2018, the SFPUC entered into an Installment Sale Agreement with the State Water Resources Control Board for a CWSRF Loan to fund the SEP 521/522 and Disinfection Upgrade Project of the Sewer System Improvement Program. The aggregate amount of the CWSRF loans is $40,007. The loan bears an interest rate of 1.8% which was equal to one-half of the State of California's most recent 30-year General Obligation Bond true interest cost at the time the agreement was executed. The CWSRF loan will have a 30-year term, with loan repayment beginning one year after substantial completion of each project's construction; substantial completion occurred in July 2019. The CWSRF loan is secured on a parity lien basis with the Enterprise's outstanding revenue bonds. The SFPUC has received proceeds from loan disbursements to date totaling $39,741. As of June 30, 2024 and 2023, the principal amount outstanding of the loan was $35,350 and $36,409, respectively.

(p) North Point Facility Outfall Rehabilitation Project CWSRF Loan

In September 2017, the SFPUC entered into an Installment Sale Agreement with the State Water Resources Control Board for a CWSRF Loan to fund the North Point Facility Outfall Rehabilitation Project of the Sewer System Improvement Program. The aggregate amount of the CWSRF loans is $20,199. The loan bears an interest rate of 1.8% which was equal to one-half of the State of California's most recent 30-year General Obligation Bond true interest cost at the time the agreement was executed. The CWSRF loan will have a 30-year term, with loan repayment beginning one year after substantial completion of each project's construction; substantial completion occurred in February 2018. The CWSRF loans is secured on a parity lien basis with the Enterprise's outstanding revenue bonds. The SFPUC has received proceeds from loan disbursements to date totaling $17,706. As of June 30, 2024 and 2023, the principal amount outstanding of the loan was $14,744 and $15,231, respectively.

(q) Southeast Plant (SEP) Primary/Secondary Clarifier Upgrade Project CWSRF Loan

In September 2017, the SFPUC entered into an Installment Sale Agreement with the State Water Resources Control Board for a CWSRF Loan to fund the SEP Primary/Secondary Clarifier Upgrade Project of the Sewer System Improvement Program. The aggregate amount of the CWSRF loans is $34,446. The loan bears an interest rate of 0.8% which was equal to one-half of the State of California's most recent 30-year General Obligation Bond true interest cost at the time the agreement was executed. The CWSRF loan will have a 30-year term, with loan repayment beginning one year after substantial completion of each project's construction; substantial completion occurred in June 2018. The CWSRF loan is secured on a parity lien basis with the Enterprise's outstanding revenue bonds. The SFPUC has received proceeds from loan disbursements to date totaling $29,197. As of June 30, 2024 and 2023, the principal amount outstanding of the loan was $24,445 and $25,254, respectively.

(r) Oceanside Plant (OSP) Digester Gas Utilization Upgrade Project

In May 2020, the SFPUC entered into an Installment Sale Agreement with the State Water Resources Control Board for a CWSRF Loan to fund the OSP Digester Gas Utilization Upgrade Project of the Sewer System Improvement Program. The CWSRF loan is in the amount of $54,388, which includes $4,000 of principal forgiveness, or a grant. The loan bears an interest rate of 1.4% which was equal to one-half of the State of California's most recent 30-year General Obligation Bond true interest cost at the time the agreement was executed. The CWSRF loan will have a 30-year term, with loan repayment beginning one year after substantial completion of each project's construction. The CWSRF loan is secured on a parity lien basis with the Enterprise's outstanding revenue bonds. The SFPUC has received proceeds from loan disbursements to date totaling $33,230, which included a loan forgiveness grant of $4,000. As of June 30, 2024 and 2023, the principal amount outstanding of the loan was $30,067 and $29,230, respectively.

(s) Southeast Plant (SEP) Biosolids Digester Facilities Project

In May 2020, the SFPUC entered into an Installment Sale Agreement with the State Water Resources Control Board for a CWSRF Loan to fund the SEP Biosolids Digester Facilities Project of the Sewer System Improvement Program. The CWSRF loan is in the amount of $132,000, which includes $4,000 of principal forgiveness, or a grant. The loan bears an interest rate of 1.4% which was equal to one-half of the State of California's most recent 30-year General Obligation Bond true interest cost at the time the agreement was executed. The CWSRF loan will have a 30-year term, with loan repayment beginning one year after substantial completion of each project's construction; substantial completion is expected in May 2026. The CWSRF loan is secured on a parity lien basis with the Enterprise's outstanding revenue bonds. The SFPUC has received proceeds from loan disbursements to date totaling $132,000, which includes a $4,000 loan forgiveness grant. As of June 30, 2024 and 2023, the principal amount outstanding of the loan was $128,000.

(t) Southeast Plant (SEP) New Headworks (Grit) Replacement Project

In May 2021, the SFPUC entered into an Installment Sale Agreement with the State Water Resources Control Board for a CWSRF Loan to fund the SEP New Headworks (Grit) Replacement Project of the Sewer System Improvement Program. The CWSRF loan is in the amount of $112,036. The loan bears an interest rate of 1.1% which was equal to one-half of the State of California's most recent 30-year General Obligation Bond true interest cost at the time the agreement was executed. The CWSRF loan will have a 30-year term, with loan repayment beginning one year after substantial completion of each project's construction; substantial completion is expected in August 2027. The CWSRF loan is secured on a parity lien basis with the Enterprise's outstanding revenue bonds. The SFPUC has received proceeds from loan disbursements to date totaling $64,678 and a receivable for reimbursement of $13,942. As of June 30, 2024 and 2023, the principal amount outstanding of the loan was $79,281 and $78,620, respectively.

(Dollars in thousands, unless otherwise stated)

(u) Future Annual Debt Service of State Revolving Fund Loans (CWSRF Loans)

The future annual debt service relating to the SRF Loans to fund the Lake Merced Green Infrastructure Project, the North Point Facility Outfall Rehabilitation Project, the SEP Primary/Secondary Clarifier Upgrade Project, the SEP 521/522 and Disinfection Upgrade Project, the OSP Digester Gas Utilization Upgrade Project, the SEP Biosolids Digester Facilities Project, and the SEP New Headworks (Grit) Replacement Project outstanding as of June 30, 2024 is as follows:

California Clean Water State Revolving Fund Loans		Principal	Interest and Fees*	Total
Fiscal years ending June 30:				
2025	$	5,629	2,727	8,356
2026		5,711	2,645	8,356
2027		9,257	4,354	13,611
2028		9,390	4,221	13,611
2029		9,525	4,086	13,611
2030-2034		49,720	18,333	68,053
2035-2039		53,409	14,645	68,054
2040-2044		57,379	10,675	68,054
2045-2049		59,630	6,399	66,029
2050-2054		47,720	2,555	50,275
2055-2056		10,292	217	10,509
		317,662	70,857	388,519
Less: Current portion		(5,629)		
Long-term portion as of June 30, 2024	$	312,033		

* Interest and Fees included debt administrative fees for the North Point Facility and SEP Clarifier Upgrade SRF loans.

(v) WIFIA Loan Agreement-Biosolids Digester Facility Project

In July 2018, the SFPUC entered into a WIFIA Loan Agreement with the United States Environmental Protection Agency (EPA) in the amount of $699,242. The WIFIA Loan was entered into pursuant to the WIFIA statute authorized by Congress in 2014. The WIFIA Loan will fund 49% of the costs of the Wastewater Enterprise's Biosolids Digester Facility Project plus certain eligible expenses. Payment of the WIFIA Loan will be secured by a senior lien pledge of the Wastewater Enterprise's net revenues and is on a parity lien basis with the SFPUC's outstanding Wastewater Revenue Bonds and Clean Water SRF Loans entered into with the California State Water Resources Control Board.

The original 2018 loan bore a fixed interest rate of 3.09% for a 35-year term, with loan repayment expected to begin in fiscal year 2026, after substantial completion of project construction. In June 2020 the SFPUC re-executed the WIFIA Loan Agreement to have a fixed interest rate of 1.45% for a 35-year term. All other terms of WIFIA Loan Agreement are unchanged.

In March of 2023, the SFPUC received disbursement of $122,283 in respect to eligible project costs and a capitalized interest of $74 added to principal. In January of 2024, the SFPUC received a second disbursement of $439,995 in respect to eligible project costs. As of June 30, 2024 and 2023, the principal amount outstanding of the loan including capitalized interest was $567,511 and $122,357, respectively.

(w) WIFIA Loan Agreement-Southeast Treatment Plant Improvements

In June 2020, another WIFIA Loan agreement with the United States Environmental Protection Agency in the amount of $513,862 was executed. The WIFIA Loan was entered into pursuant to the WIFIA statute authorized by Congress in 2014. The WIFIA Loan will fund 49% of the costs of the Wastewater Enterprise's SEP New Headworks Replacement Project and additional costs of the revised Biosolids Digester Facility Project plus certain eligible expenses. Payment of the WIFIA Loan will be secured by a senior lien pledge of the Wastewater Enterprise's net revenues and is on a parity lien basis with the SFPUC's outstanding Wastewater Revenue Bonds and Clean Water SRF Loans entered into with the California State Water Resources Control Board. The loan will bear a fixed interest rate of 1.45% for a 35-year term, with loan repayment expected to begin in fiscal year 2025, after substantial completion of project construction.

In January of 2024, the SFPUC received disbursement of $352,573 in respect to eligible project costs. As of June 30, 2024 and 2023, the principal amount outstanding of the loan including capitalized interest was $354,920 and $0, respectively.

(x) WIFIA Master Loan Agreement and Project 1 Loan Agreement

In April 2023, the SFPUC entered into a WIFIA Master Agreement and Project 1 Loan Agreement with the United States Environmental Protection Agency. The WIFIA Master Agreement and Project 1 Loan was entered into pursuant to the WIFIA authorized by Congress in 2014. The SFPUC entered the WIFIA Master Loan Agreement with the EPA in an amount not to exceed $791,337 to provide partial funding for projects in the Wastewater Enterprise Capital Plan. The Master Agreement defines the general terms for funding a series of WIFIA loans, the first of which is the "Project 1 Loan Agreement". The incurrence of the Project 1 Loan Agreement, in an aggregate initial principal amount not to exceed $369,335, will provide partial funding for six Wastewater Enterprise capital improvement projects. Those projects are Westside Pump Station Reliability Improvements, North Shore Pump Station Wet Weather Improvements, Wawona Area Stormwater Improvement, New Treasure Island Wastewater Treatment Plant, Folsom Area Stormwater Improvement, and Yosemite Creek Daylighting. Proceeds of the loan will fund 49% of project costs plus eligible expenses. The Project 1 Loan is on a parity lien basis with the SFPUC's outstanding Wastewater Revenue Bonds and Clean Water SRF Loans entered into with the California State Water Resources Control Board. The loan will bear a fixed interest rate of 3.65% for a 32-year term, with loan repayment expected to begin in fiscal year 2033. The EPA has approved $90,785 in project costs as of June 30, 2024. The SFPUC has not yet submitted any requests for disbursement and there was no outstanding loan principal as of June 30, 2024 and 2023.

(Dollars in thousands, unless otherwise stated)

(y) Future Annual Debt Service of WIFIA Loans

The future annual debt service relating to the WIFIA Loan to fund the Biosolids Digester Facility Project and the Southeast Treatment Plant Project outstanding as of June 30, 2024 is as follows:

Water Infrastructure Finance and Innovation Act (WIFIA) Loans		Principal	Interest	Total
Fiscal years ending June 30:				
2025	$	–	–	–
2026		–	4,115	4,115
2027		–	8,229	8,229
2028		–	8,229	8,229
2029		–	8,229	8,229
2030-2034		–	54,010	54,010
2035-2039		–	66,876	66,876
2040-2044		26,482	66,693	93,175
2045-2049		176,558	59,576	236,134
2050-2054		302,405	41,821	344,226
2055-2059		346,570	18,414	364,984
2060-2062		70,416	1,291	71,707
		922,431	337,483	1,259,914
Less: Current portion		–		
Long-term portion as of June 30, 2024	$	922,431		

(z) Events of Default and Remedies

Significant events of default as specified in the Wastewater Enterprise Indenture (applicable to Wastewater Revenue Bonds, SRF Loans, and WIFIA Loan include 1) Non-payment 2) material breach of warranty, representation, or indenture covenants (not cured within applicable grace periods), and 3) bankruptcy and insolvency events, which may result in the Trustee (upon written request by the majority of the owners (by aggregate amount of the bond obligations or of a credit provider), declaring the principal and the interest accrued thereon, to be due and payable immediately. As of June 30, 2024 and 2023, there were no such events described herein.

(8) Revenue Pledge

The Enterprise has pledged future revenues to repay various revenue bonds, SRF, and WIFIA loans. Proceeds from the revenue bonds, revenue notes, SRF, and WIFIA loans provided financing for various capital construction projects, and to refund previously issued bonds. The bonds, SRF, and WIFIA loans are payable through fiscal years 2052, 2056, and 2062, respectively, and are solely from revenues of the Enterprise.

(Dollars in thousands, unless otherwise stated)

The outstanding amount of revenue bonds issued, revenue notes issued, SRF loans, and WIFIA loans, total principal and interest remaining, principal and interest paid during fiscal years 2024 and 2023, applicable net revenues, and funds available for debt service are as follows:

		2024	2023
Bonds issued with revenue pledge	$	2,369,600	2,397,670
Notes issued with revenue pledge		—	347,465
Clean Water State Revolving Fund (CWSRF) loans with revenue pledge		317,662	328,776
WIFIA loans with revenue pledge		922,431	122,357
Principal and interest remaining due at the end of the year		5,462,786	4,872,238
Principal and interest paid during the year		91,601	98,811
Net revenues for the year ended June 30		188,709	178,850
Funds available for debt service		354,681	313,443

(9) Leases

The Enterprise as a lessee has entered into long-term leases for office space and communication site. The terms and conditions for these leases vary, which range between 1-75 years.

A summary of intangible right-to-use leases during the years ended June 30, 2024 and 2023 is as follows:

		Balance July 1, 2023	Increases	Decreases	Remeasurements	Balance June 30, 2024
Right-to-use assets:						
Building/Facility	$	8,247	—	(8,247)	—	—
Total lease assets		8,247	—	(8,247)	—	—
Less accumulated amortization:						
Right-to-use assets:						
Building/Facility		(6,975)	—	6,975	—	—
Total accumulated amortization		(6,975)	—	6,975	—	—
Total lease assets, net	$	1,272	—	(1,272)	—	—

		Balance July 1, 2022	Increases	Decreases	Remeasurements	Balance June 30, 2023
Right-to-use assets:						
Building/Facility	$	8,247	—	—	—	8,247
Total lease assets		8,247	—	—	—	8,247
Less accumulated amortization:						
Right-to-use assets:						
Building/Facility		(4,650)	(2,325)	—	—	(6,975)
Total accumulated amortization		(4,650)	(2,325)	—	—	(6,975)
Total lease assets, net	$	3,597	(2,325)	—	—	1,272

(Dollars in thousands, unless otherwise stated)

A summary of changes in the related lease liabilities during the years ended June 30, 2024 and 2023 is as follows:

		Balance July 1, 2023	Additions	Remeasurements	Deductions	Balance June 30, 2024	Amounts Due Within One Year
Lease liabilities	$	1,297	–	–	(1,297)	–	–
Total	$	1,297	–	–	(1,297)	–	–

		Balance July 1, 2022	Additions	Remeasurements	Deductions	Balance June 30, 2023	Amounts Due Within One Year
Lease liabilities	$	3,638	–	–	(2,341)	1,297	1,297
Total	$	3,638	–	–	(2,341)	1,297	1,297

Future annual lease payments as of June 30, 2024 and 2023:

There were no future lease payments or balances as of June 30, 2024.

Year ending June 30:		Principal amount	Interest amount	Total
2024	$	1,297	6	1,303
		1,297	6	1,303
Less: Current portion		(1,297)		
Long-term portion as of June 30, 2023	$	–		

Variable Lease Payments

Variable lease payments, other than those payments that depend on an index or rate or are fixed in substance, are excluded for the measurement of the lease liability. Such amounts are recognized as lease expenses in the period in which the obligation for those payments is incurred.

Certain facility rental leases require the Enterprise to make variable lease payments that based on usage, related to the property taxes levied on the lessor, and insurance payments made by the lessor, these amounts are generally determined annually. The amounts recognized as expense for variable lease payments not included in the measurement of the lease liability were $4 and $673 during the years ended June 30, 2024 and 2023, respectively.

(Dollars in thousands, unless otherwise stated)

Wastewater Enterprise as Lessor

The Enterprise has leased facilities, easements, communication site and equipment to varies tenants. The terms and conditions for these leases varies, which ranges between 1–65 years.

Variable payments include percentage of sales, or payments depended on an index made by the lessee; these amounts are generally determined periodically. The Enterprise did not incur revenue related to residual value guarantees or lease termination penalties. The total amounts for lease revenue, interest revenue, and other lease-related revenues recognized during the years ended June 30, 2024 and 2023 were $37 and $7, respectively.

Principal and interest requirements to maturity for the lease receivable on June 30, 2024 are as follows:

Year ending June 30:		Principal	Interest	Total
2025	$	226	32	258
2026		241	26	267
2027		257	19	276
2028		215	12	227
2029		105	7	112
2030-2033		201	6	207
	$	1,245	102	1,347

(10) Subscription-Based Information Technology Arrangements

Wastewater Enterprise as Subscriber

The Enterprise has noncancellable subscription arrangements (similar to a lease) for the right to use various information technology hardware and software (SBITAs). The terms and conditions for these subscriptions vary, which ranges between 1-5 years.

A summary of intangible right-to-use subscription IT assets during the years ended June 30, 2024 and June 30, 2023 is as follows:

		Balance July 1, 2023	Increases	Decreases	Remeasurements	Balance June 30, 2024
Subscription assets	$	1,487	–	(965)	–	522
Less accumulated amortization:		(1,065)	–	731	–	(334)
Total subscription IT assets, net	$	422	–	(234)	–	188

		Balance July 1, 2022	Increases	Decreases	Remeasurements	Balance June 30, 2023
Subscription assets	$	1,487	–	–	–	1,487
Less accumulated amortization:		(530)	(535)	–	–	(1,065)
Total subscription IT assets, net	$	957	(535)	–	–	422

(Dollars in thousands, unless otherwise stated)

A summary of changes in the related subscription liabilities during the years ended June 30, 2024 and June 30, 2023 is as follows:

	Balance July 1, 2023	Additions	Remeasurements	Deductions	Balance June 30, 2024	Amounts Due Within One Year
SBITA IT liabilities	$ 429	–	–	(243)	186	93
Total	$ 429	–	–	(243)	186	93

	Balance July 1, 2022	Additions	Remeasurements	Deductions	Balance June 30, 2023	Amounts Due Within One Year
SBITA IT liabilities	$ 944	–	–	(515)	429	243
Total	$ 944	–	–	(515)	429	243

Future annual subscription payments as of June 30, 2024 and 2023 are as follows:

Year ending June 30:	Principal amount	Interest amount	Total
2025	$ 93	2	95
2026	93	1	94
	186	3	189
Less: Current portion	(93)		
Long-term portion as of June 30, 2024	$ 93		

Year ending June 30:	Principal amount	Interest amount	Total
2024	$ 243	4	247
2025	93	2	95
2026	93	1	94
	429	7	436
Less: Current portion	(243)		
Long-term portion as of June 30, 2023	$ 186		

(11) Employee Benefits

(a) Pension Plan

The Enterprise participates in a cost-sharing multiple-employer defined benefit pension Plan (SFERS Plan). The SFERS Plan is administered by the San Francisco City and County Employees' Retirement System (SFERS). Contributions are recognized in the period in which they are due pursuant to legal requirements. For purposes of measuring the net pension liability, deferred outflows/inflows of resources related to pensions, pension expense, information about the fiduciary net position of the SFERS Plan, and additions to/deductions from the SFERS Plan's fiduciary net position have been determined on the same basis as they are reported by the SFERS Plan. Benefit payments (including refunds of employee contributions) are recognized when currently due and payable in accordance with the benefit terms. Investments are reported at fair value.

(Dollars in thousands, unless otherwise stated)

GASB Statement No. 68 requires that the SFERS Plan reported results must pertain to liability and asset information within certain defined timeframes. For this report, the following timeframes are used:

Fiscal Year 2024	
Valuation Date (VD)	July 1, 2022 updated to June 30, 2023
Measurement Date (MD)	June 30, 2023
Measurement Period (MP)	July 1, 2022 to June 30, 2023

Fiscal Year 2023	
Valuation Date (VD)	July 1, 2021 updated to June 30, 2022
Measurement Date (MD)	June 30, 2022
Measurement Period (MP)	July 1, 2021 to June 30, 2022

SFERS Plan – The City is an employer of the SFERS Plan with a proportionate share of 94.85% as of June 30, 2023 (measurement date), and 94.87% as of June 30, 2022 (measurement date), a 0.02% decrease from prior year. The Enterprise's allocation percentage was determined based on the Enterprise's employer contributions divided by the City's total employer contributions for fiscal years 2023 and 2022. The Enterprise's net pension liability, deferred outflows/inflows of resources related to pensions, amortization of deferred outflows/inflows, and pension expense is based on its allocated percentage. The Enterprise's allocation of the City's proportionate share was 1.95% as of June 30, 2023 and 1.99% as of June 30, 2022 (measurement dates).

Plan Description – The SFERS Plan provides basic service retirement, disability, and death benefits based on specified percentages of defined final average monthly salary and provides annual cost of living adjustments (COLA) after retirement. The SFERS Plan also provides pension continuation benefits to qualified survivors. The San Francisco City and County Charter and the Administrative Code are the authorities which establish and amend the benefit provisions and employer obligations of the SFERS Plan. The Retirement System issues a publicly available financial report that includes financial statements and required supplementary information for the SFERS Plan. That report may be obtained on the Retirement System's website https://mysfers.org or by writing to the San Francisco City and County Employees' Retirement System, 1145 Market Street, 5th Floor, San Francisco, CA 94103 or by calling (415) 487-7000.

Benefits – The Retirement System provides service retirement, disability, and death benefits based on specified percentages of defined final average monthly salary and annual COLA after retirement. Benefits and refunds are recognized when due and payable in accordance with the terms of the SFERS Plan. The Retirement System pays benefits according to the category of employment and the type of benefit coverage provided by the City and County. The four main categories of SFERS Plan members are:

a) Miscellaneous Non-Safety Members – staff, operational, supervisory, and all other eligible employees who are not in special membership categories.

b) Sheriff's Department and Miscellaneous Safety Members – Sheriffs assuming office on and after January 7, 2012, and undersheriffs, deputized personnel of the Sheriff's Department, and miscellaneous safety employees hired on and after January 7, 2012.

c) Firefighter Members – firefighters and other employees whose principal duties are in fire prevention and suppression work or who occupy positions designated by law as firefighter member positions.

d) Police Members – police officers and other employees whose principal duties are in active law enforcement or who occupy positions designated by law as police member positions.

The membership groups and the related service retirement benefits are included in the Notes to the Basic Financial Statements of San Francisco Employees' Retirement System.

All members are eligible to apply for a disability retirement benefit, regardless of age, when they have 10 or more years of credited service, and they sustain an injury or illness that prevents them from performing their duties. Safety members are eligible to apply for an industrial disability retirement benefit from their first day on the job if their disability is caused by an illness or injury that they receive while performing their duties.

All retired members receive a benefit adjustment each July 1, which is the Basic COLA. The majority of adjustments are determined by changes in Consumer Price Index with increases capped at 2%. The SFERS Plan provides for a Supplemental COLA in years when there are sufficient "excess" investment earnings in the SFERS Plan. The maximum benefit adjustment each July 1 is 3.5% including the Basic COLA. Proposition A passed on November 8, 2022 making members who retired before November 6, 1996 (Pre96 Retirees) eligible for a Supplemental COLA, even if SFERS is not fully funded based on the market value of assets. Also, Pre96 Retirees' base retirement allowances were adjusted to account for Supplemental COLAs not received in 2013, 2014, 2017, 2018, and 2019 due to the full funding requirement. Effective with Proposition A, Pre96 Retirees receive the same Supplemental COLAs as the after November 6, 1996 and before January 7, 2012 members. For all members hired before January 7, 2012, all Supplemental COLAs paid to them in retirement benefits will continue into the future even where an additional Supplemental COLA is not payable in any given year. For members hired on and after January 7, 2012, a Supplemental COLA will only be paid to retirees when the SFERS Plan is fully funded on a market value of asset basis and in addition for these members, Supplemental COLAs will not be permanent adjustments to retirement benefits. That is, in years when a Supplemental COLA is not paid, all previously paid Supplemental COLAs will expire.

Funding and Contribution Policy

SFERS Plans – Contributions are made by both the City and the participating employees. Employee contributions are mandatory as required by the Charter. Employee contribution rates varied from 7.5% to 11.5% and 7.5% to 12.0% as a percentage of gross covered salary in fiscal years 2024 and 2023. Most employee groups agreed through collective bargaining for employees to contribute the full amount of the employee contributions on a pretax basis. The Enterprise is required to contribute at an actuarially determined rate. Based on the July 1, 2022 actuarial report, the required employer contribution rates for fiscal year 2024 ranged from 15.24% to 18.24%. Based on the July 1, 2021 actuarial report, the required employer contribution rates for fiscal year 2023 ranged from 17.85% to 21.35%.

Employer contributions and employee contributions made by the employer to the SFERS Plan are recognized when due and the employer has made a formal commitment to provide the contributions. The City's proportionate share of employer contributions recognized by the Retirement System in fiscal years ended June 30, 2023 and 2022 (measurement periods) was $638,003 and $729,578, respectively. The Enterprise's allocation of employer contributions for fiscal years 2023 and 2022 was $12,383 and $14,543, respectively.

Pension Liabilities, Pension Expenses, Deferred Outflows, and Inflows of Resources Related to Pensions

Fiscal Year 2024

As of June 30, 2024, the City reported net pension liability (NPL) for its proportionate share of the net pension liability of the SFERS Plan of $3,456,687. The City's net pension liability for each of its cost-sharing plans is measured as a proportionate share of the plans' net pension liability. The net pension liability of the SFERS Plan is measured as of June 30, 2023 (measurement date), and the total pension liability for the SFERS Plan used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2022 rolled forward to June 30, 2023 using standard update procedures. The City's proportion of the net pension liability for the SFERS Plan was based on a projection of the City's long-term share of contributions to the pension plan relative to the projected contributions of all participating employers, actuarially determined. The Enterprise's allocation of the City's proportionate share of the net pension liability for the SFERS Plan as of June 30, 2024 was $67,299.

For the year ended June 30, 2024, the City's recognized pension expense was $667,276, including amortization of deferred outflows/inflows related pension items. The Enterprise's allocation of pension expense including amortization of deferred outflows/inflows related pension items was $14,091. Pension expense increased from the prior year, largely due to the amortization of deferrals.

(Dollars in thousands, unless otherwise stated)

As of June 30, 2024, the Enterprise reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

Fiscal Year 2024 Schedule of Deferred Outflows and Inflows of Resources

	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to measurement date	$ 12,402	—
Differences between expected and actual experience	7,231	—
Changes in assumptions	8,710	3,974
Net difference between projected and actual earnings on pension plan investments	12,736	—
Change in employer's proportion	1,606	81
Total	$ 42,685	4,055

Amounts reported as deferred outflows, exclusive of contributions made after the measurement date, and deferred inflows of resources will be amortized annually and recognized in pension expense (benefit) as follows:

Fiscal years	Deferred Outflows/(Inflows) of Resources
2025	$ 769
2026	(3,318)
2027	25,168
2028	3,609
Total	$ 26,228

Fiscal Year 2023

As of June 30, 2023, the City reported net pension liability (NPL) for its proportionate share of the net pension liability of the SFERS Plan of $2,552,996. The City’s NPL for each of its cost-sharing plans is measured as a proportionate share of the plans’ NPL. The net pension liability of the SFERS Plan is measured as of June 30, 2022 (measurement date), and the total pension liability for the SFERS Plan used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2021 rolled forward to June 30, 2022 using standard update procedures. The City’s proportion of the net pension liability for the SFERS Plan was based on a projection of the City’s long-term share of contributions to the pension plan relative to the projected contributions of all participating employers, actuarially determined. The Enterprise’s allocation of the City’s proportionate share of the net pension liability for the SFERS Plan as of June 30, 2023 was $49,549.

For the year ended June 30, 2023, the City’s recognized pension expense was $1,771, including amortization of deferred outflows/inflows related pension items. The Enterprise’s allocation of pension expense including amortization of deferred outflows/inflows related pension items was ($1,167).

(Dollars in thousands, unless otherwise stated)

As of June 30, 2023, the Enterprise reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

Fiscal Year 2023 Schedule of Deferred Outflows and Inflows of Resources

		Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to measurement date	$	12,383	—
Differences between expected and actual experience		4,523	—
Changes in assumptions		12,874	3,864
Net difference between projected and actual earnings on pension plan investments		—	6,159
Change in employer's proportion		2,812	—
Total	$	32,592	10,023

Amounts reported as deferred outflows, exclusive of contributions made after the measurement date, and deferred inflows of resources will be amortized annually and recognized in pension expense (benefit) as follows:

Fiscal years		Deferred Outflows/(Inflows) of Resources
2024	$	(1,574)
2025		(2,830)
2026		(6,905)
2027		21,495
Total	$	10,186

Actuarial Assumptions

Fiscal Year 2024

A summary of the actuarial assumptions and methods used to calculate the Total Pension Liability as of June 30, 2023 (measurement year) is provided below, including any assumptions that differ from those used in the July 1, 2022 actuarial valuation. Refer to July 1, 2022 actuarial valuation report for a complete description of all other assumptions, which can be found on the Retirement System's website https://mysfers.org.

(Dollars in thousands, unless otherwise stated)

Key Actuarial Assumptions	SFERS Plan
Valuation Date	July 1, 2022 updated to June 30, 2023
Measurement Date	June 30, 2023
Actuarial Cost Method	Entry-Age Normal Cost
Expected Rate of Return	7.20% net of investment expenses
Municipal Bond Yield	3.65% as of June 30, 2023
	3.54% as of June 30, 2022
	Bond Buyer 20-Bond GO Index, June 30, 2022 and June 29, 2023
Inflation	2.50%
Projected Salary Increases	3.25% plus merit component based on employee classification and years of service
Discount Rate	7.20% as of June 30, 2023
	7.20% as of June 30, 2022
Administrative Expenses	0.60% of payroll as of June 30, 2023
	0.60% of payroll as of June 30, 2022

Basic COLA		Old Miscellaneous and All New Plans	Old Police & Fire, pre 7/1/75	Old Police & Fire Charters A8.595 and A8.596	Old Police & Fire Charters A8.559 and A8.585
	June 30, 2023	2.00%	1.90%	2.50%	3.60%
	June 30, 2022	2.00%	1.90%	2.50%	3.60%

Changes of Assumptions SFERS Plan – There were no changes in the discount rate for the measurement period ended June 30, 2023. The municipal bond yield increased from 3.54% to 3.65%.

Mortality rates for health Miscellaneous members were based upon adjusted PubG-2010 Employee and Retiree tables for non-annuitants and retirees, respectively. Mortality rates were then projected generationally from the base year using the MP-2019 projection scale.

The actuarial assumptions used at the June 30, 2023 measurement date were based upon the result of a demographic experience study for the period July 1, 2014 through June 30, 2019 and an economic experience study as of July 1, 2022.

Fiscal Year 2023

A summary of the actuarial assumptions and methods used to calculate the Total Pension Liability as of June 30, 2022 (measurement year) is provided below, including any assumptions that differ from those used in the July 1, 2021 actuarial valuation. Refer to July 1, 2021 actuarial valuation report for a complete description of all other assumptions, which can be found on the Retirement System’s website https://mysfers.org.

(Dollars in thousands, unless otherwise stated)

Key Actuarial Assumptions	SFERS Plan
Valuation Date	July 1, 2021 updated to June 30, 2022
Measurement Date	June 30, 2022
Actuarial Cost Method	Entry-Age Normal Cost
Expected Rate of Return	7.20% net of investment expenses
Municipal Bond Yield	3.54% as of June 30, 2022
	2.16% as of June 30, 2021
	Bond Buyer 20-Bond GO Index and June 30, 2022
Inflation	2.50%
Projected Salary Increases	3.25% plus merit component based on employee classification and years of service
Discount Rate	7.20% as of June 30, 2022
	7.40% as of June 30, 2021
Administrative Expenses	0.60% of payroll as of June 30, 2022
	0.60% of payroll as of June 30, 2021

Basic COLA		Old Miscellaneous and All New Plans	Old Police & Fire, pre 7/1/75	Old Police & Fire Charters A8.595 and A8.596	Old Police & Fire Charters A8.559 and A8.585
	June 30, 2022	2.00%	1.90%	2.50%	3.60%
	June 30, 2021	2.00%	1.90%	2.50%	3.60%

Mortality rates for health Miscellaneous members were based upon adjusted PubG-2010 Employee and Retiree tables for non-annuitants and retirees, respectively. Mortality rates were then projected generationally from the base year using the MP-2019 projection scale.

The actuarial assumptions used at the June 30, 2022 measurement date were based upon the result of a demographic experience study for the period July 1, 2014 through June 30, 2019 and an economic experience as of July 1, 2021.

Discount Rate

Fiscal Year 2024

SFERS Plan – The beginning and end of year measurements are based on different assumptions and contribution methods that may result in different discount rates. The discount rate was 7.20% as of June 30, 2023 and 2022 (measurement date).

The discount rate used to measure the total pension liability as of June 30, 2023 was 7.20%. The projection of cash flows used to determine the discount rate assumed that SFERS plan member contributions will continue to be made at the rates specified in the Charter. Employer contributions were assumed to be made in accordance with the contribution policy in effect for July 1, 2022 actuarial valuation. That policy includes contributions equal to the employer portion of the Entry Age normal costs for members as of the valuation date, a payment for the expected administrative expenses, and an amortization payment on the unfunded actuarial liability.

The amortization payment is based on closed periods that vary in length depending on the source. Charter amendments prior to July 1, 2014 are amortized over 20 years. After July 1, 2014, any Charter changes to active member benefits are amortized over 15 years and changes to inactive member benefits, including Supplemental COLAs, are amortized over 5 years. However, the change due to Proposition A was amortized over 10 years. In the July 1, 2016 valuation, the increase in the unfunded actuarial liability attributable to the Supplemental COLAs granted effective July 1, 2013 was amortized over 17 years. For the July 1, 2021 valuation, all amortization periods for actuarial gains and losses and prior assumption changes were reduced to 5 years. The assumption change effective July 1, 2021 is amortized over 20 years. Future experience gains and losses and assumption or method changes on or after July 1, 2021 are amortized over 20 years. If the plan becomes 100% funded based on the actuarial value of assets, any new net surpluses are amortized over a rolling 20-year period. All amortization schedules are established as a level percentage of payroll, so payments increase 3.25% each year. The unfunded actuarial liability is based on an actuarial value of assets that smooths investment gains and losses over five years and a measurement of the actuarial liability that excludes the value of any future Supplemental COLAs.

(Dollars in thousands, unless otherwise stated)

While the contributions and measure of actuarial liability in the funding valuation do not anticipate any future Supplemental COLAs, the projected contributions for the determination of the discount rate include the anticipated future amortization payments on future Supplemental COLAs for current members when they are expected to be granted. For members who were hired before Proposition C passed, a Supplemental COLA is granted if the actual investment earnings during the year exceed the expected investment earnings on the actuarial value of assets. For members who were hired after Proposition C passed, the market value of assets must also exceed the actuarial liability for a Supplemental COLA to be granted. When a Supplemental COLA is granted, the amount depends on the amount of excess earnings and the basic COLA amount for each membership group. Most members receive a 1.50% Supplemental COLA when a full Supplemental COLA is granted.

No Supplemental COLA was payable as of July 1, 2023 due to the unfavorable investment return for fiscal year 2023. The table below shows the net assumed Supplemental COLA for members with a 2.00% Basic COLA for sample years.

Assumed Supplemental COLA for Members with a 2.00% Basic COLA

Fiscal years	96 - Prop C	Before 11/6/96 or After Prop C
2025+	0.75%	0.50%

The projection of benefit payments to current members for determining the discount rate includes the payment of anticipated future Supplemental COLAs.

Based on these assumptions, the Retirement System's fiduciary net position was projected to be available to make projected future benefit payments for current members through 2104. Projected benefit payments are discounted at the long-term expected return on assets of 7.20% to the extent the fiduciary net position is available to make the payments and at the municipal bond rate of 3.65% to the extent they are not available. The single equivalent rate used to determine the total pension liability as of June 30, 2023 was 7.20%.

The long-term expected rate of return on pension plan investments was 7.20%. It was set by the Retirement Board after consideration of both expected future returns and historical returns experienced by the Retirement System. Expected future returns were determined by using a building-block method in which best-estimate ranges of expected future real rates of return were developed for each major asset class. These ranges were combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Target allocation and best estimates of geometric long-term expected real rates of return (net of pension plan investment expense and inflation) for each major asset class are summarized in the following table.

(Dollars in thousands, unless otherwise stated)

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Global Equity	37.0 %	4.6 %
Private Equity	23.0	7.8
Private Credit	10.0	5.8
Real Assets	10.0	5.3
Absolute Returns	10.0	4.4
Treasuries	8.0	1.7
Liquid Credit	5.0	3.5
Leverage	-3.0	1.4
Total	100.0	

Fiscal Year 2023

SFERS Plan – The beginning and end of year measurements are based on different assumptions and contribution methods that may result in different discount rates. The discount rate was 7.20% as of the June 30, 2022 (measurement date) and 7.40% as of June 30, 2021 (measurement date).

The discount rate used to measure the total pension liability as of June 30, 2022 was 7.20%. The projection of cash flows used to determine the discount rate assumed that SFERS plan member contributions will continue to be made at the rates specified in the Charter. Employer contributions were assumed to be made in accordance with the contribution policy in effect for July 1, 2021 actuarial valuation. That policy includes contributions equal to the employer portion of the Entry Age normal costs for members as of the valuation date, a payment for the expected administrative expenses, and an amortization payment on the unfunded actuarial liability.

The amortization payment is based on closed periods that vary in length depending on the source. Charter amendments prior to July 1, 2014 are amortized over 20 years. After July 1, 2014, any Charter changes to active member benefits are amortized over 15 years and changes to inactive member benefits, including Supplemental COLAs, are amortized over 5 years. The remaining unfunded actuarial liability not attributable to Charter amendments as of July 1, 2013 is amortized over a 19-year period commencing July 1, 2014. Experience gains and losses and assumption or method changes on or after July 1, 2014 are amortized over 20 years. The full amortization payment for the 2015 assumption changes is phased in over a period of 5 years. For the July 1, 2016 valuation, the increase in the unfunded actuarial liability attributable to the Supplemental COLAs granted on July 1, 2013 and July 1, 2014 are amortized over 17-years and 5-years, respectively. All amortization schedules are established as a level percentage of payroll, so payments increase 3.25% each year. The unfunded actuarial liability is based on an actuarial value of assets that smooths investment gains and losses over five years and a measurement of the actuarial liability that excludes the value of any future Supplemental COLAs.

While the contributions and measure of actuarial liability in the funding valuation do not anticipate any future Supplemental COLAs, the projected contributions for the determination of the discount rate include the anticipated future amortization payments on future Supplemental COLAs for current members when they are expected to be granted. For members who worked after November 6, 1996 and before Proposition C passed (Post 97 Retirees), a Supplemental COLA is granted if the actual investment earnings during the year exceed the expected investment earnings on the actuarial value of assets. For members who did not work after November 6, 1996 and before Proposition C passed, the market value of assets must also exceed the actuarial liability at the beginning of the year for a Supplemental COLA to be granted. When a Supplemental COLA is granted, the amount depends on the amount of excess earnings and the basic COLA amount for each membership group. The large majority of members receive a 1.50% Supplemental COLA when granted.

(Dollars in thousands, unless otherwise stated)

Because the probability of a Supplemental COLA depends on the current funded level of the Retirement System for certain members, an assumption was developed as of June 30, 2022 for the probability and amount of Supplemental COLA for each future year. A full Supplemental COLA will be paid to all retired members, and their beneficiaries, who were retired effective July 1, 2022. The table below shows the net assumed Supplemental COLA for members with a 2.00% Basic COLA for sample years.

Assumed Supplemental COLA for Members with a 2.00% Basic COLA

Fiscal years	96 - Prop C	Before 11/6/96 or After Prop C
2024	0.75 %	0.70 %
2025	0.75	0.60
2026	0.75	0.60
2027+	0.75	0.50

The projection of benefit payments to current members for determining the discount rate includes the payment of anticipated future Supplemental COLAs.

Based on these assumptions, the Retirement System’s fiduciary net position was projected to be available to make projected future benefit payments for current members for all future years. Projected benefit payments are discounted at the long-term expected return on assets of 7.20% to the extent the fiduciary net position is available to make the payments and at the municipal bond rate of 3.54% to the extent they are not available. The single equivalent rate used to determine the total pension liability as of June 30, 2022 was 7.20%.

The long-term expected rate of return on pension plan investments was 7.20%. It was set by the Retirement Board after consideration of both expected future returns and historical returns experienced by the Retirement System. Expected future returns were determined by using a building-block method in which best-estimate ranges of expected future real rates of return were developed for each major asset class. These ranges were combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Target allocation and best estimates of geometric long-term expected real rates of return (net of pension plan investment expense and inflation) for each major asset class are summarized in the following table.

(Dollars in thousands, unless otherwise stated)

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Global Equity	37.0 %	4.8 %
Private Equity	23.0	7.9
Private Credit	10.0	5.8
Real Assets	10.0	4.7
Hedge Funds/Absolute Returns	10.0	3.4
Treasuries	8.0	0.6
Liquid Credit	5.0	3.5
Leverage	-3.0	0.6
Total	100.0	

Sensitivity of Proportionate Share of the Net Pension Liability (NPL) *to Changes in the Discount Rate* – The following presents the Enterprise's allocation of the employer's proportionate share of the net pension liability for the SFERS Plan, calculated using the discount rate, as well as what the Enterprise's allocation of the employer's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1% lower or 1% higher than the current rate.

Fiscal Year 2024

	June 30, 2023 (measurement date)		
Employer	1% Decrease Share of NPL @ 6.20%	Share of NPL @ 7.20%	1% Increase Share of (NPA) @ 8.20%
Wastewater	$ 157,852	67,299	(7,362)

Fiscal Year 2023

	June 30, 2022 (measurement date)		
Employer	1% Decrease Share of NPL @ 6.20%	Share of NPL @ 7.20%	1% Increase Share of (NPA) @ 8.20%
Wastewater	$ 135,684	49,549	(21,459)

(b) Other Postemployment Benefits (OPEB)

The Enterprise participates in the City's single employer defined benefit other postemployment benefits plan (the Plan). The Plan is maintained by the City and is administered through the City's Health Service System. The plan provides postemployment medical, dental and vision insurance benefits to eligible employees, retired employees, surviving spouses, and domestic partners. Health benefit provisions are established and may be amended through negotiations between the City and the respective bargaining units. The City does not issue a separate report on its other postemployment benefits plan.

(Dollars in thousands, unless otherwise stated)

GASB Statement No. 75 requires that reported results must pertain to liability and asset information within certain defined timeframes. For this report, the following timeframes are used.

San Francisco Health Service System Retiree Plan - Single Employer

Fiscal Year 2024	
Valuation Date (VD)	June 30, 2022 updated to June 30, 2023
Measurement Date (MD)	June 30, 2023
Measurement Period (MP)	July 1, 2022 to June 30, 2023

Fiscal Year 2023	
Valuation Date (VD)	June 30, 2022
Measurement Date (MD)	June 30, 2022
Measurement Period (MP)	July 1, 2021 to June 30, 2022

The Enterprise's proportionate share percentage of the Plan was determined based on its percentage of citywide "pay-as-you-go" contributions for the years ended June 30, 2023 and 2022. The Enterprise's net OPEB liability, deferred outflows/inflows of resources related to OPEB, amortization of deferred outflows/inflows and OPEB expense to each department is based on the Enterprise's allocated percentage. The Enterprise's proportionate share of the City's OPEB elements as of June 30, 2023 and 2022 was 1.26% and 1.31%, respectively.

Benefits

Permanent full-time and elected employees are eligible to retire and receive postretirement health insurance benefits when they are eligible for retirement benefits from the City and County of San Francisco's Retirement System. The eligibility requirements are as follows:

Normal Retirement	Miscellaneous	Age 50 with 20 years of credited service[1]
		Age 60 with 10 years of credited service
	Safety	Age 50 with 5 years of credited service
Disabled Retirement[2]	Any age with 10 years of credited service	
Terminated Vested	5 years of credited service at separation	

[1] Age 53 with 20 years of credited service, age 60 with 10 years of credited service, or age 65 for Miscellaneous members hired on or after January 7, 2012, under charter Section 8.603.
[2] No service requirement for Safety members retiring under the industrial disability benefit or for surviving spouses/domestic partners of those killed in the line of duty.

Retiree healthcare benefits are administered by the San Francisco Health Service System and include the following:

Medical:	PPO – Blue Shield (self-insured) and UHC Medicare Advantage (fully insured)
	HMO – Kaiser (fully-insured) and Blue Shield (flex-funded) and Health Net (flex-funded)
Dental:	Delta Dental, DeltaCare USA, and UnitedHealthcare Dental
Vision:	Vision benefits are provided under the medical insurance plans and are administered by Vision Service Plan.

Projections of the sharing of benefit related costs are based on an established pattern of practice.

Contributions

Benefits provided under the Plan are currently paid through "pay-as-you-go" funding. Additionally, under the City Charter, active officers and employees of the City who commenced employment on or after January 10, 2009, shall contribute to the Retiree Health Care Trust Fund (Trust Fund) a percentage of compensation not to exceed 2% of pre-tax compensation. The City shall contribute 1% of compensation for officers and employees who commenced employment on or after January 10, 2009 until the City's GASB Actuary has determined that the City's portion of the Trust Fund is fully funded. At that time, the City's 1% contribution shall cease, and officers and employees will each contribute 50% of the maximum 2% of pre-tax compensation.

Starting July 1, 2016, active officers and employees of the City who commenced employment on or before January 9, 2009, shall contribute 0.25% of pre-tax compensation into the Trust Fund. Beginning on July 1st of each subsequent year, the active officers and employees of the City who commenced employment on or before January 9, 2009, shall contribute an additional 0.25% of pre-tax compensation up to a maximum of 1%. Starting July 1, 2016, the City shall contribute 0.25% of compensation into the Trust Fund for each officer and employee who commenced employment on or before January 9, 2009. Beginning on July 1st of each subsequent year, the City shall contribute an additional 0.25% of compensation, up to a maximum of 1% for each officer and employee who commenced employment on or before January 9, 2009. When the City's actuary has determined that the City's portion of the Trust Fund is fully funded, the City's 1% contribution shall cease, and officers and employees will each contribute 50% of the maximum 1% of pre-tax compensation.

Additional or existing contribution requirements may be established or modified by amendment to the City's Charter.

For the fiscal years ended June 30, 2024 and 2023, the City's funding was based on "pay-as-you-go" plus a contribution of $48,779 and $45,241 to the Retiree Healthcare Trust Fund, respectively. The "pay-as-you-go" portion paid by the City was $229,922 for a total contribution of $278,701 for the fiscal year ended June 30, 2024, and $215,408 for a total contribution of $260,649 for the fiscal year ended June 30, 2023. The Enterprise's proportionate share of the City's contributions for fiscal year 2024 was $3,498, and for fiscal year 2023 was $3,412.

(Dollars in thousands, unless otherwise stated)

OPEB Liability, OPEB Expenses and Deferred Outflows/Inflows of Resources Related to OPEB

Fiscal Year 2024

As of June 30, 2024, the City reported net OPEB liability related to the Plan of $3,924,832. The Enterprise's proportionate share of the City's net OPEB liability as of June 30, 2024 was $49,260.

For the year ended June 30, 2024, the City's recognized OPEB expense was $261,158. Amortization of the City's deferred outflows and inflows is included as a component of OPEB expense. The Enterprise's proportionate share of the City's OPEB expense(income) was ($647).

As of June 30, 2024, the Enterprise reported its proportionate share of the City's deferred outflows and inflows of resources related to OPEB from the following sources:

Wastewater	Deferred Outflows of Resources	Deferred Inflows of Resources
Contributions subsequent to measurement date	$ 3,498	$ -
Differences between expected and actual experience	2,116	5,711
Changes in assumptions	1,432	-
Net difference between projected and actual earnings on plan investments	377	-
Change in proportion	5,393	98
Total	$ 12,816	$ 5,809

Amounts reported as deferred outflows, exclusive of contributions made after the measurement date, and deferred inflows of resources will be amortized annually and recognized in OPEB expense as follows:

Year ending June 30:	
2025	$ 1,056
2026	956
2027	829
2028	42
2029	626
Total	$ 3,509

Fiscal Year 2023

As of June 30, 2023, the City reported net OPEB liability related to the Plan of $3,746,270. The Enterprise's proportionate share of the City's net OPEB liability as of June 30, 2023 was $49,035.

For the year ended June 30, 2023, the City's recognized OPEB expense was $256,974. Amortization of the City's deferred outflows and inflows is included as a component of OPEB expense. The Enterprise's proportionate share of the City's OPEB expense was $4,374.

(Dollars in thousands, unless otherwise stated)

As of June 30, 2023, the Enterprise reported its proportionate share of the City's deferred outflows and inflows of resources related to OPEB from the following sources:

Wastewater	Deferred Outflows of Resources	Deferred Inflows of Resources
Contributions subsequent to measurement date	$ 3,412	$ -
Differences between expected and actual experience	1,089	8,164
Changes in assumptions	2,093	-
Net difference between projected and actual earnings on plan investments	789	-
Change in proportion	4,110	122
Total	**$ 11,493**	**$ 8,286**

Amounts reported as deferred outflows, exclusive of contributions made after the measurement date, and deferred inflows of resources will be amortized annually and recognized in OPEB expense as follows:

Year ending June 30:	
2024	$ (137)
2025	(124)
2026	369
2027	236
2028	(549)
Total	$ (205)

(Dollars in thousands, unless otherwise stated)

Actuarial Assumptions

Fiscal Year 2024

A summary of the actuarial assumptions and methods used to calculate the Total OPEB Liability as of June 30, 2023 (measurement date) is provided below:

Key Actuarial Assumptions

Valuation Date	June 30, 2022 updated to June 30, 2023
Measurement Date	June 30, 2023
Actuarial Cost Method	The Entry Age Actuarial Cost Method is used to measure the Plan's Total OPEB Liability
Healthcare Cost Trend Rates	Pre-Medicare trend starts at 7.24% trending down to ultimate rate of 3.94% in 2075 Medicare trend starts at 7.24% trending down to ultimate rate of 3.94% in 2075 10-County average trend starts at 5.00% trending down to ultimate rate of 3.94% in 2075 Vision and expenses trend remains a flat 3.0% for all years
Expected Rate of Return on Plan Assets	7.00%
Salary Increase Rate	Wage Inflation Component: 3.25% Additional Merit Component (dependent on years of service): Police: 0.50% - 7.50% Fire: 0.50% - 14.00% Muni Drivers: 0.00% - 16.00% Craft: 0.50% - 3.75% Misc.: 0.30% - 5.50%
Inflation Rate	Wage Inflation: 3.25% compounded annually Consumer Price Inflation: 2.50% compounded annually
Mortality Tables	Base mortality tables are developed by multiplying a published table by an adjustment factor developed in SFERS experience study for the period ended June 30, 2019.

Non-Annuitants

		Adjustment Factor	
	Published Table	Male	Female
Miscellaneous	PubG-2010 Employee	0.834	0.866
Safety	PubS-2010 Employee	1.011	0.979

Healthy Retirees

		Adjustment Factor	
	Published Table	Male	Female
Miscellaneous	PubG-2010 Employee	1.031	0.977
Safety	PubS-2010 Employee	0.947	1.044

Disabled Retirees

		Adjustment Factor	
	Published Table	Male	Female
Miscellaneous	PubG-2010 Employee	1.045	1.003
Safety	PubS-2010 Employee	0.916	0.995

Beneficiaries

		Adjustment Factor	
	Published Table	Male	Female
Miscellaneous	PubG-2010 Employee	1.031	0.977
Safety	PubG-2010 Employee	1.031	0.977

The mortality rates in the base tables are projected generationally from the base year using the MP-2019 projection scale.

(Dollars in thousands, unless otherwise stated)

Fiscal Year 2023

A summary of the actuarial assumptions and methods used to calculate the Total OPEB Liability as of June 30, 2022 (measurement date) is provided below:

Key Actuarial Assumptions

Valuation Date	June 30, 2022
Measurement Date	June 30, 2022
Actuarial Cost Method	The Entry Age Actuarial Cost Method is used to measure the Plan's Total OPEB Liability
Healthcare Cost Trend Rates	Pre-Medicare trend starts at 7.74% trending down to ultimate rate of 3.93% in 2076 Medicare trend starts at 7.74% trending down to ultimate rate of 3.94% in 2076 10-County average trend starts at 5.00% trending down to ultimate rate of 3.94% in 2076 Vision and expenses trend remains a flat 3.0% for all years
Expected Rate of Return on Plan Assets	7.00%
Salary Increase Rate	Wage Inflation Component: 3.25% Additional Merit Component (dependent on years of service): Police: 0.50% - 7.50% Fire: 0.50% - 14.00% Muni Drivers: 0.00% - 16.00% Craft: 0.50% - 3.75% Misc.: 0.30% - 5.50%
Inflation Rate	Wage Inflation: 3.25% compounded annually Consumer Price Inflation: 2.50% compounded annually
Mortality Tables	Base mortality tables are developed by multiplying a published table by an adjustment factor developed in SFERS experience study for the period ended June 30, 2019.

Non-Annuitants

		Adjustment Factor	
	Published Table	Male	Female
Miscellaneous	PubG-2010 Employee	0.834	0.866
Safety	PubS-2010 Employee	1.011	0.979

Healthy Retirees

		Adjustment Factor	
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Miscellaneous	PubG-2010 Employee	1.031	0.977
Safety	PubS-2010 Employee	0.947	1.044

Disabled Retirees

		Adjustment Factor	
	Published Table	Male	Female
Miscellaneous	PubG-2010 Employee	1.045	1.003
Safety	PubS-2010 Employee	0.916	0.995

Beneficiaries

		Adjustment Factor	
	Published Table	Male	Female
Miscellaneous	PubG-2010 Employee	1.031	0.977
Safety	PubG-2010 Employee	1.031	0.977

The mortality rates in the base tables are projected generationally from the base year using the MP-2019 projection scale.

(Dollars in thousands, unless otherwise stated)

Sensitivity of Liabilities to Changes in the Healthcare Cost Trend Rate and Discount Rate

The following presents the Enterprise's proportionate share of the City's net OPEB liability calculated using the healthcare cost trend rate, as well as what the Enterprise's allocation of the City's net OPEB liability would be if it were calculated using a healthcare cost trend rate that is 1% lower or 1% higher than the current rate:

Fiscal Year 2024 Employer	-1.00%	Healthcare Cost Trend Rate	1.00%
Wastewater	$ 41,892	$ 49,260	$ 58,404

Fiscal Year 2023 Employer	-1.00%	Healthcare Cost Trend Rate	1.00%
Wastewater	$ 41,948	$ 49,035	$ 57,824

Discount Rate

Fiscal Year 2024

The discount rate used to measure the Total OPEB Liability as of June 30, 2023 was 7.0%. Based on the assumption that plan member contributions will continue to be made at the rates specified in the Charter, it was determined that the Plan's projected fiduciary net position will be greater than or equal to the benefit payments projected for each future period. As such, the long-term expected rate of return on plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability.

The long-term expected rate of return on OPEB plan investments was 7.0% based on expected future returns and historical returns experienced by the Trust Fund. Expected future returns were determined based on 10-year and 20-year capital market assumptions for the Trust Fund's asset allocation. Target allocation for each major asset class and best estimates of geometric real rates of return are summarized in the following table:

(Dollars in thousands, unless otherwise stated)

Asset Class	Target Allocation	Long-term Expected Real Rate of Return
Equities		
U.S. Large Cap	25.0%	6.1%
U.S. Small Cap	2.0%	6.7%
Developed Market Equity (non-U.S.)	13.0%	7.2%
Emerging Market Equity	10.0%	7.4%
Credit		
Bank Loans	3.0%	4.4%
High Yield Bonds	3.0%	4.7%
Rate Securities		
Investment Grade Corporate Bonds	7.0%	2.8%
Short-term Treasury Inflation-Protected Securities (TIPS)	5.0%	1.0%
Private Markets		
Private Equity	10.0%	8.4%
Private Debt	5.0%	6.4%
Core Private Real Estate	5.0%	3.9%
Infrastructure (Core Private)	2.0%	5.2%
Risk Mitigating Strategies		
Global Macro	10.0%	3.1%
Total	100.0%	

The following presents the Enterprise's proportionate share of the City's net OPEB liability (NOL) calculated using the discount rate, as well as what the Enterprise's proportionate share of the City's net OPEB liability would be if it were calculated using a discount rate that is 1% lower or 1% higher than the current rate:

	June 30, 2023 (measurement period)		
Employer	1% Decrease Share of NOL @ 6.00%	Discount Rate @ 7.00%	1% Increase Share of NOL @ 8.00%
Wastewater	$ 57,654	$ 49,260	$ 42,377

Fiscal Year 2023

The discount rate used to measure the Total OPEB Liability as of June 30, 2022 was 7.0%. Based on the assumption that plan member contributions will continue to be made at the rates specified in the Charter, it was determined that the Plan's projected fiduciary net position will be greater than or equal to the benefit payments projected for each future period. As such, the long-term expected rate of return on plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability.

(Dollars in thousands, unless otherwise stated)

The long-term expected rate of return on OPEB plan investments was 7.0% based on expected future returns and historical returns experienced by the Trust Fund. Expected future returns were determined based on 10-year and 20-year capital market assumptions for the Trust Fund's asset allocation. Target allocation for each major asset class and best estimates of geometric real rates of return are summarized in the following table:

Asset Class	Target Allocation	Long-term Expected Real Rate of Return
Equities		
U.S. Large Cap	28.0%	6.8%
U.S. Small Cap	3.0%	7.4%
Developed Market Equity (non-U.S.)	15.0%	7.5%
Emerging Market Equity	13.0%	8.4%
Credit		
Bank Loans	3.0%	4.0%
High Yield Bonds	3.0%	4.4%
Emerging Market Bonds	3.0%	4.2%
Rate Securities		
Investment Grade Bonds	9.0%	2.4%
Long-term Government Bonds	4.0%	2.8%
Short-term Treasury Inflation Protected Securities	4.0%	1.9%
Private Markets		
Private Equity	5.0%	10.0%
Core Private Real Estate	5.0%	6.1%
Risk Mitigating Strategies		
Global Macro	5.0%	5.0%
Total	100.0%	

The following presents the Enterprise's proportionate share of the City's net OPEB liability calculated using the discount rate, as well as what the Enterprise's proportionate share of the City's net OPEB liability would be if it were calculated using a discount rate that is 1% lower or 1% higher than the current rate:

	June 30, 2022 (measurement period)		
Employer	1% Decrease Share of NOL @ 6.00%	Discount Rate @ 7.00%	1% Increase Share of NOL @ 8.00%
Wastewater	$ 57,086	$ 49,035	$ 42,429

The City issues a publicly available financial report that includes the complete note disclosures and required supplementary information related to the City's postemployment health care obligations. The report may be obtained at https://sfrhctf.org/financial-reports or by writing to the City and County of San Francisco, Office of the Controller, 1 Dr. Carlton B. Goodlett Place, Room 316, San Francisco, California 94102, or by calling (415) 554-7500.

(12) Related Parties

Various common costs incurred by the Commission are allocated among the Enterprise, Hetch Hetchy Water and Power and CleanPowerSF, and the Water Enterprise. The allocations are based on the Commission management's best estimate and may change from year to year depending on the activities incurred by each Enterprise and the information available. The administrative costs of $35,943 or 28.8%, which included COVID-19 Project expenses, and $32,909 or 28.8% were allocated to the Enterprise for the years ended June 30, 2024 and 2023, respectively.

The City performs certain administrative services such as maintenance of accounting records and investment of cash for all fund groups within the City. The various funds are charged for these services based on the City's indirect cost allocation plan.

The Enterprise purchases electricity from Hetch Hetchy Power at market rates. This amount, totaling $12,377 and $14,876 for the years ended June 30, 2024 and 2023, respectively, has been included in services provided by other departments in the accompanying financial statements.

The Enterprise purchases water from Water Enterprise at retail rates. This amount, totaling $1,701 and $1,552 for the years ended June 30, 2024 and 2023, respectively, has been included in services provided by other departments in the accompanying financial statements.

The Enterprise provides sewer services to other City departments at non-residential rates established by the Commission, and through the Customer Services Bureau, bills and collects sewer service charges on behalf of the Enterprise.

The City's Department of Public Works provides certain engineering and other services to the Enterprise and charges amounts designed to recover its costs. These services are primarily related to street cleaning, engineering, building repair, and sewer repair. These amounts totaling approximately $8,711 and $9,156 for the years ended June 30, 2024 and 2023, respectively, have been included in services provided by other departments in the accompanying financial statements.

A variety of other City departments provide services such as purchasing, legal, data processing, telecommunications, and human resources to the Enterprise and charge amounts designed to recover those departments' costs. These charges totaling approximately $16,757 and $15,415 for the years ended June 30, 2024 and 2023, respectively, have been included in services provided by other departments in the accompanying financial statements.

As of June 30, 2024 and 2023, the Enterprise has payables in the amount of $0 and $2,102 respectively, to MTA related to Walsh settlement and $405 and $518, respectively, which is associated with the SFPUC Headquarters Living Machine system.

As of June 30, 2024 and 2023, the Enterprise has interfund receivable from DPW for the Mission Bay South custom work project of $82 and $128, respectively.

SFPUC's 75-year lease agreement with the San Francisco Recreation and Parks Department, for the use of parking spaces for its fleet of vehicles at the Civic Center Garage, commenced on February 1, 2011. Total payment under this agreement is $6,274, which was fully made as of fiscal year 2015. The expenses and prepayments among the three SFPUC Enterprises are based on 525 Golden Gate occupancy. As of June 30, 2024, the Enterprise's allocable shares of expenses and prepayment were $21 and $1,103, respectively, and as of June 30, 2023 were $21 and $1,124, respectively.

(Dollars in thousands, unless otherwise stated)

SFPUC's 30-year lease agreement with the San Francisco Port Commission, for the use of approximately 4,833 square feet of land located within Seawall Lot 345 and within the public right-of-way on Terry A. Francois Boulevard and on Illinois Street, commenced on September 1, 2018. SFPUC intends to use the premises for the reconstruction of the Mariposa Pump Station and Force Main Improvements. Total payment under this agreement is $502, which was fully made as of fiscal year 2019. As of June 30, 2024, the Enterprise's expenses and prepayment were $17 and $405, respectively, and as of June 30, 2023 were $17 and $421, respectively.

(13) Risk Management

The Enterprise's Risk Management program includes both self-insured (i.e., self-retention) and insured exposures at risk. Risk assessments and purchasing of insurance coverage are collaboratively coordinated by SFPUC Risk Management and the City's Office of Risk Management. With certain exceptions, the City and the Enterprise's general approach is to first evaluate the exposure at risk for self-insurance. Based on this analysis, internal mitigation strategies and financing through a self-retention mechanism is generally more economical as the SFPUC in coordination with the City Attorney's Office, administers, adjusts, settles, defends, and pays claims from budgeted resources (i.e., pay-as-you-go fund). When economically more viable or when required by debt financing covenants, the Enterprise obtains commercial insurance. At least annually, the City actuarially determines general liability and workers' compensation risk exposures. The Enterprise does not maintain commercial earthquake coverage, with certain minor exceptions, such as a sub-limit for fire-sprinkler leakage due to earthquake under the SFPUC Property Insurance program. In the past three years, there were no settlements that exceeded insurance coverage.

	Risk Types	Coverage Approach
(a)	General Liability	Self-Insured
(b)	Workers' Compensation	Self-Insured through City-wide Pool
(c)	Property	Purchased Insurance and Self-Insured
(d)	Public Officials Liability	Purchased Insurance
(e)	Employment Practices Liability	Purchased Insurance
(f)	Cyber Liability	Purchased Insurance
(g)	Crime	Purchased Insurance
(h)	Electronic Data Processing	Purchased Insurance and Self-Insured
(i)	Surety Bonds	Purchased and Contractual Risk Transfer
(j)	Errors and Omissions	Purchased and Contractual Risk Transfer
(k)	Builders' Risk	Contractual Risk Transfer
(l)	Tenants' and Users' Liability Insurance Policy	Purchased Insurance
(m)	Active Assailant Policy	Purchased Insurance

(a) General Liability

Through coordination with the Controller's Office and the City Attorney's Office, the general liability risk exposure is actuarially determined and is addressed through pay-as-you-go funding as part of the budgetary process. Associated costs and estimates are recorded as expenses as required under GAAP for financial statement purposes for both the Enterprise and the City and County of San Francisco's Annual Comprehensive Financial Report. The claim expense allocations are determined based on actuarially determined anticipated claim payments and the projected timing of disbursement.

(Dollars in thousands, unless otherwise stated)

The changes for the general liability (damage claims) for the years ended June 30, 2024, 2023, and 2022 were as follows:

Fiscal years	Beginning of year	Claims and changes in estimates	Claims paid and changes in estimates	End of year
2024	$ 4,350	112,467	(1,734)	115,083
2023	12,045	2,716	(10,411)	4,350
2022	16,713	8,812	(13,480)	12,045

(b) *Workers' Compensation*

The City actuarially determines and allocates workers' compensation costs to the Enterprise according to a formula based on the following: (i) the dollar amount of claims; (ii) yearly projections of payments based on historical experience; and (iii) the size of the Enterprise's payroll. The administration of workers' compensation claims and payouts are handled by the Workers' Compensation Division of the City's Department of Human Resources. Statewide workers' compensation reforms have resulted in budgetary savings in recent years. The City continues to develop and implement improved programs, such as return-to-work programs, to lower or mitigate the growth of workers' compensation costs. Programs include accident prevention, investigation, and duty modification for injured employees with medical restrictions so return to work can occur as soon as possible.

The changes in the liabilities for workers' compensation for the years ended June 30, 2024, 2023, and 2022 were as follows:

Fiscal years	Beginning of year	Claims and changes in estimates	Claims paid and changes in estimates	End of year
2024	$ 7,998	2,680	(1,666)	9,012
2023	7,546	2,976	(2,524)	7,998
2022	6,582	3,207	(2,243)	7,546

(c) *Property*

The Enterprise's property risk management approach varies depending on whether the facility is currently under construction, the property is part of revenue-generating operations, the property is of high value, or is mission-critical in nature. During the course of construction, the Enterprise requires each contractor to provide its own insurance, while ensuring the full scope of work be covered with satisfactory levels to limit the Enterprise's risk exposure. Once construction is complete, the Enterprise performs an assessment to determine whether liability/loss coverage will be obtained through the commercial property policy or self-insurance. The majority of property scheduled in the insurance program is for either: (1) revenue generating facilities, (2) debt-financed facilities, (3) mandated coverage to meet statutory requirements for bonding of various public officials, or (4) high-value, mission-critical property or equipment.

(d) *Public Officials Liability*

All Enterprise public officials with financial oversight responsibilities are provided coverage through a commercial Public Officials Liability Policy.

(e) Employment Practices Liability

A policy is retained to protect against employment-related claims and liabilities.

(f) Cyber Liability

A policy is retained to protect against cyber-related claims and liabilities.

(g) Crime

The Enterprise also retains a Commercial Crime Policy, in lieu of bonding its employees, to provide coverage against liabilities or losses due to third-party crime or employee fraud.

(h) Electronic Data Processing

The Electronic Data Processing policy protects selected high-value electronic property in case of damage or loss.

(i) Surety Bonds

Bonds are required in most phases of the public utilities construction contracting process for such phases as bid, performance, and payment or maintenance. Additionally, bonds may be required in other contracts where goods or services are provided to ensure compliance with applicable terms and conditions such as warranty.

(j) Errors and Omissions

Errors and omissions, also known as Professional Liability, are commonly transferred through contract to the contracted professional, or retained through self-insurance on a case-by-case basis depending on the size, complexity, or scope of construction or professional service contracts. Examples of such contracts are inclusive of services provided by engineers, architects, design professionals, and other licensed or certified professional service providers.

(k) Builders' Risk

Builders' risk policies of insurance are required to be provided by the contractor on all construction projects for the full value of construction.

(l) Tenants' and Users' Liability Insurance Policy

A policy is retained to provide coverage for injuries and property damage to third parties relating to injuries sustained on premises and scheduled events, purchased for the Southeast Community Center.

(m) Active Assailant Policy

A policy is retained to protect against third party injuries, first party property damage, business interruption, and crises management for events occurring on premise, purchased for the Southeast Community Center.

(14) Commitments and Litigation

(a) Commitments

As of June 30, 2024 and 2023, the Enterprise has outstanding commitments with third parties of $675,849 and $762,085, respectively, for various capital projects and other purchase agreements for materials and services.

(b) Grants

Grants that the Enterprise received are subject to audit and final acceptance by the granting agency. Current and prior year costs of such grants are subject to adjustment upon audit.

(c) Litigation

The Enterprise is a defendant in various legal actions and claims that arise during the normal course of business. The final disposition of these legal actions and claims is not determinable. However, in the opinion of management, the outcome of any litigation of these matters will not have a material effect on the financial position or changes in net position of the Enterprise.

(d) Environmental Issue

As of June 30, 2024, and 2023, the Enterprise recorded $6,451 and $7,800 in pollution remediation liability, respectively for the Yosemite Creek toxic sediments. The decrease of $1,349 in pollution remediation liability in fiscal year 2024 is due to payment related to the Yosemite Creek Remediation effort.

(15) Subsequent Event

2024 Series ABCD Revenue (Refunding) Bonds

On July 31, 2024, the SFPUC issued its San Francisco Wastewater Revenue Bonds, 2024 Series A (SSIP) (Green Bonds) (Federally Taxable), 2024 Series B (Non-SSIP) (Federally Taxable), 2024 C (SSIP) (Green Bonds) and 2024 Series D (Non-SSIP) with a total principal of $1,142,975 to finance or refinance Wastewater Enterprise projects through new money and the refunding and retirement of commercial paper issued as interim financing for such projects in furtherance of the Wastewater Capital Improvement Program.

MGO. | Certified Public Accountants

Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With *Government Auditing Standards*

Honorable Mayor and the Board of Supervisors
City and County of San Francisco, California

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*), the financial statements of the San Francisco Wastewater Enterprise (the Enterprise), an enterprise fund of the City and County of San Francisco (City), as of and for the year ended June 30, 2024, and the related notes to the financial statements, and have issued our report thereon dated November 12, 2024.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Enterprise's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Enterprise's internal control. Accordingly, we do not express an opinion on the effectiveness of the Enterprise's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that were not identified.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Enterprise's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of This Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Macias Gini & O'Connell LLP

Walnut Creek, California
November 12, 2024

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.

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

Cover photo: Southeast Wastewater Treatment Plant: Biosolids Digester Facilities Project

Back cover photo: Treasure Island Wastewater Treatment Plant

Photos by: Robin Scheswohl

Date of Publication:
November 2024

SFPUC Financial Services
525 Golden Gate Avenue, 4th Floor
San Francisco, CA 94102-3220
sfpuc.gov

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Performance Audit of the Authority Delegated to the San Francisco Public Utilities Commission for Public Works Contracts Under Chapter 6 of the Administrative Code

Prepared for the

Board of Supervisors
of the City and County of San Francisco

by the

San Francisco Budget and Legislative Analyst

December 20, 2024

CITY AND COUNTY OF SAN FRANCISCO
BOARD OF SUPERVISORS
BUDGET AND LEGISLATIVE ANALYST

1390 Market Street, Suite 1150, San Francisco, CA 94102 | (415) 552-9292

December 20, 2024

Supervisor Dean Preston, Chair, Government Audit and Oversight Committee
and Members of the San Francisco Board of Supervisors
Room 244, City Hall
1 Dr. Carlton B. Goodlett Place
San Francisco, CA 94102-4689

Dear Supervisor Preston and Members of the Board of Supervisors:

The Budget and Legislative Analyst is pleased to submit this *Performance Audit of the Authority Delegated to the San Francisco Public Utilities Commission for Public Works Contracts Under Chapter 6 of the Administrative Code*. In response to a motion adopted by the Board of Supervisors in November 2022 (Motion M22-185), the Budget and Legislative Analyst conducted this performance audit, pursuant to the Board of Supervisors powers of inquiry as defined in Charter Section 16.114 and in accordance with U.S. Government Accountability Office (GAO) standards, as detailed in the Introduction to the report. This audit report, which focuses on the San Francisco Public Utilities Commission, is the first report to be issued as part of a multi-part performance audit of various City departments' delegated authority for procurement of public works contracts pursuant to Chapter 6 of the Administrative Code, as directed by the audit motion.

The performance audit contains seven findings and 16 recommendations. Of these recommendations, 12 are directed to the San Francisco Public Utilities Commission, one is directed to the Board of Supervisors and the Mayor's Office, two are directed to all Chapter 6 departments (San Francisco Public Works, the Municipal Transportation Agency, and the Airport, Port, Public Utilities, and Recreation and Park Commissions), and one is directed to the Department of Technology. The Executive Summary, which follows this transmittal letter, summarizes the Budget and Legislative Analyst's findings and recommendations. The recommendations are designed to improve the procurement of public works and related professional services contracts by the San Francisco Public Utilities Commission.

The San Francisco Public Utilities Commission has provided a written response to our performance audit, attached to this report on page A-1, which states that it agrees with all 16 of our recommendations. We provided all the Chapter 6 departments and the Department of Technology with an opportunity to review the recommendations directed to them, but did not receive written responses from any of those departments.

We would like to thank the staff at the San Francisco Public Utilities Commission for the assistance they provided during the audit.

Respectfully submitted,

Dan Goncher
Principal

cc: President Peskin
Supervisor Chan
Supervisor Dorsey
Supervisor Engardio
Supervisor Mandelman
Supervisor Melgar
Supervisor Ronen
Supervisor Safai
Supervisor Sherrill
Supervisor Walton

Mayor Breed
General Manager, San Francisco Public Utilities Commission
Clerk of the Board
City Attorney's Office
Mayor's Budget Director
Controller

TABLE OF CONTENTS

Executive Summary

The Board of Supervisors directed the Budget and Legislative Analyst's Office to conduct a multi-part performance audit of various City departments' delegated authority for procurement of public works contracts pursuant to Chapter 6 of the City's Administrative Code. This audit report is the first report to be issued as part of this multi-part performance audit. The scope of this performance audit includes the procurement of public works contracts pursuant to Chapter 6 of the City's Administrative Code by the San Francisco Public Utilities Commission (SFPUC) during Fiscal Year (FY) 2019-20, FY 2020-21, and FY 2021-22.

Chapter 6 of San Francisco's Administrative Code governs public work or improvement contracting policies and procedure for (a) public works contracts, and (b) contracts for related professional design, consulting, and construction management services. The contracting requirements of the Administrative Code for these public work or improvement contracts, which are also informally referred to as "Chapter 6" contracts, are distinct from the City's contracting policies and procedures for commodities and services, which are outlined in Chapter 21 of the Administrative Code and informally referred to as "Chapter 21" contracts.

Chapter 6 authorizes six primary City departments to enter public work and related professional service contracts on behalf of the City. SFPUC is one such department, and SFPUC procures public works construction and professional services contracts in response to identified infrastructure needs. During the scope of our audit, SFPUC awarded a total of 124 Chapter 6 contracts with a total maximum amount of $1.4 billion.

Section 1: SFPUC Procurement Policies, Procedures, and Training

SFPUC's Contract Administration Bureau (CAB) policies, procedures, and training program for procurement personnel are not consistent with industry best practices. CAB does not adequately maintain its internal policies and procedures for contract procurement activities and there are opportunities to improve and formalize CAB's training program for new contract analysts and existing staff. Inadequate policies and procedures and a lack of proper training could expose SFPUC to compliance risks and could also contribute to inefficiencies and ineffectiveness in procurement activities, potentially leading to missed opportunities for cost savings. Inadequate policies and procedures also impact transparency and may make it difficult to track procurement decisions and ensure accountability in the procurement process.

Recommendations

The SFPUC Contract Administration Bureau Manager should:

1.1 Create a comprehensive procedure manual that assembles active guidelines that clearly define authority and responsibility for procurement personnel. The Contract Administration Bureau Manager should collaborate with the City Attorney's Office to ensure the procedure manual reflects the requirements of federal, state, and local laws and regulations, including City Administrative Code Chapter 6.

1.2 Establish a systematic and standardized process for regularly reviewing, updating, and tracking changes to the procedure manual. This process should ensure alignment with laws, regulations, and industry best practices, and should include document consistency, standardization, comprehensive coverage, and tracking of revision dates along with identification of the individuals responsible for approving the policy and procedural changes.

1.3 Enhance and document the training program to (a) onboard new staff and (b) provide ongoing training to existing staff in order to ensure accurate, comprehensive understanding of SFPUC Chapter 6 procurement policies, procedures, and practices. This should include regular in-house trainings (monthly or quarterly) and a mix of classroom instruction, online learning, and hands-on workshops.

1.4 Develop a framework that identifies the necessary skills required for procurement personnel at all levels and develop ways to regularly assess staff skills.

Section 2: Policies Governing the Rejection or Failure of Bids

SFPUC's Contract Administration Bureau lacks detailed policies to guide SFPUC's internal decision-making process following the rejection or failure of bids for Chapter 6 construction and professional services contracts. While City Administrative Code sections 6.23(c) and 6.40(d) include general protocols for situations with limited competition, namely circumstances when SFPUC (a) receives no bids or proposals in response to a Chapter 6 solicitation, or (b) receives only one responsive bid in response to a Chapter 6 solicitation, the Administrative Code gives Department Heads, including the SFPUC General Manager, significant discretion to determine the best course of action in these circumstances. The absence of clear policies to guide SFPUC's internal determination could lead to inconsistencies in decision-making, reduced competitiveness, higher costs, and potentially lower service quality. Additionally, CAB does not comprehensively track and monitor the number of responsive and non-responsive bids and/or proposals received for both construction and professional services contract solicitations, which limits SFPUC's ability to identify market trends, bidder responsiveness, and potentially collusive bidder patterns.

Recommendations

The SFPUC Contract Administration Bureau Manager should:

2.1 Develop and implement a comprehensive policy or procedure consistent with best practices and Administrative Code Sections 6.23(c) and 6.40(d) for handling rejected or failed bids and proposals. The policy or procedure should identify the criteria and process for when and how to undertake further outreach efforts, modify contract requirements, and cure non-responsive bids.

2.2 Develop and implement a policy or procedure to monitor the quantity of bids and proposals received for both construction and professional services contracts. This policy should include tracking both responsive and non-responsive bid data. This data should be analyzed and monitored for patterns indicating changes in competition levels and collusive behavior. The policy and procedure should also identify remedies that should be taken if anti-competitive patterns are suspected. Based on these insights, SFPUC should adjust their approach to crafting solicitation documents as needed to foster greater competition, at its discretion.

Section 3: Contract Procurement Timelines and Goals

SFPUC has not established a metric or performance goal to monitor procurement time and processing for Chapter 6 contracts, despite collecting data on the length of time it takes to complete procurement for both construction and professional services contracts. There is wide variation in the length of time it can take to procure a single construction contract: according to data from the Contract Administration Bureau, it can take anywhere from 3.5 to 15 months to complete the approximately 16 milestones required to go from contract initiation to a Notice to Proceed, which marks the end of procurement and the beginning of construction. Delays in contract processing increase the risk that contractors may try to abuse the formal procurement process to expedite it, although our audit fieldwork did not reveal evidence of this occurring. The delays also cost the City money in staff time, and lead to delays in starting construction projects.

Recommendations

The SFPUC Contract Administration Bureau Manager should:

3.1 Establish a performance metric and/or goal for both Chapter 6 construction procurement timelines and Chapter 6 professional services procurement timelines. The Contract Administration Bureau Manager should regularly report to the Infrastructure Assistant General Manager and Chief Engineer about progress towards these goals, improvements to procurement timelines, and any common procurement delays.

Section 4: Change Order Management

The management of change orders for construction contracts under Chapter 6 of the San Francisco Administrative Code is decentralized and spread across multiple divisions and databases at SFPUC. The responsibility for tracking change order amounts and ensuring the project does not exceed its 10 percent contingency threshold is split between SFPUC's project management team in the Construction Management Bureau and the Infrastructure Budget & Finance team. In violation of SFPUC policy, there is no central database or other record-keeping system for construction change order documentation for projects with budgets less than $10 million. Additionally, project managers do not receive formal training on how to evaluate or process proposed change orders that originate from contractors and do not receive training on how to conduct a negotiation on a change order. This lack of training and centralized record-keeping increases the risk that contractors might take advantage of project managers through excessive and/or unnecessary change orders, because there is no centralized method for tracking them and project managers are not regularly trained on addressing change order abuse. Additionally, we reviewed 122 change orders from a sample of 11 construction contracts and found that some of the change orders were missing required signatures.

Change order management is important because change orders can increase project budgets and schedules beyond what is originally agreed upon in the contract, sometimes unnecessarily. They can also be a source of tension between contractors and project owners in the construction industry. Streamlined, knowledgeable, frugal management of change orders is essential to ensure that the City does not approve change orders that are unnecessary, or unnecessarily expensive, to the benefit of the contractor and at the expense of the City.

Recommendations

The SFPUC Assistant General Manager for Infrastructure should:

4.1 Create and implement a training module on change orders for all project managers and construction managers. This training should be reviewed annually and updated when necessitated by changes in procedure. The training should be required for all new project managers and construction managers, and refresher training should be provided to current project managers and construction managers biannually or when changes are made to the training materials.

4.2 Evaluate the benefits of adjusting the Unifier project threshold to $5 million and consider lowering the threshold following the evaluation, if justified.

a. The Construction Management Bureau Manager is currently planning to reduce the Unifier project threshold to $5 million. The Construction Manager Bureau should evaluate the benefits of this change and either implement a formal policy to retain the $5 million threshold, or reduce the threshold further.

Section 5: Alternative Project Delivery Methods

SFPUC does not have a policy that establishes which Chapter 6 construction projects should be considered for alternative project delivery methods. Alternative project delivery is defined as a method of delivering a capital project that deviates from the industry-standard Design-Bid-Build method, including but not limited to Design-Build, Construction Manager/General Contractor, Job-Order Contracting, and Emergency Contracts. Alternative project delivery methods can be beneficial for certain types of projects: they can bring important construction expertise into the design process and facilitate relationship-building among the designers, engineers, and project owners. However, alternative project delivery methods can also be riskier because they are used less frequently at SFPUC, and therefore the agency has less institutional knowledge or expertise in how to manage them successfully, and because they put the responsibility of successfully delivering the project on a single entity rather than spreading the responsibility between designer and contractor.

There are policies, guided by the Administrative Code, dictating the procurement processes for each of these alternative deliveries, and there are policies internal to SFPUC on how to justify the choice to use an alternative delivery method. However, the SFPUC has no formal policy that provides guidance for when projects should be considered for alternative delivery and, when deemed necessary, which delivery method is most appropriate.

Recommendations

The SFPUC Assistant General Manager for Infrastructure should:

5.1 Adopt a policy that establishes guidelines or criteria for which types of projects get evaluated for alternative project deliveries.

5.2 Create a guide for project managers to use when determining which projects to evaluate for alternative delivery methods. The guide could include the types of projects that could make good candidates for alternative delivery projects, including certain project budgets, sizes, and scopes. The guide could also include guidance on determining which types of alternatives deliveries are appropriate based on details of the proposed projects.

Section 6: Bid and Proposal Protests

Our review of bid/proposal protests submitted for SFPUC Chapter 6 contracts identified one instance where, in the absence of the bid protest and the subsequent additional review conducted by SFPUC, the City Attorney's Office, and/or the Contract Monitoring Division (CMD), the contract would have been awarded to a non-responsive bidder. Of the 124 SFPUC Chapter 6 contracts in our scope period, 14, or 11 percent, had bid protests submitted. Of these protests, four were sustained, meaning that SFPUC agreed with the protest. SFPUC and CMD staff are responsible for evaluating bid submissions to ensure they meet minimum qualifications and are responsive to the bid requirements as part of an initial review. In the case of one professional services contract, SFPUC and/or CMD staff failed to identify the protested proposer as non-responsive during this initial bid review. Overall, while it appears that SFPUC's bid protest procedure is properly administered, SFPUC should take steps to minimize bid protests that are sustained for failure to meet minimum qualifications.

Recommendations

The SFPUC Contract Administration Bureau Manager should:

6.1 Provide annual mandatory instruction and training on minimum qualifications and proposal evaluation to all SFPUC individuals who are responsible for evaluating bids for Chapter 6 construction and professional services contracts, drawing on specific examples from recent sustained bid protests.

Section 7: Chapter 6 Contractor Performance and Evaluation Database

The City's Chapter 6 departments (SFPUC, Public Works, Municipal Transportation Agency, Recreation and Parks, the Port, and the Airport) are not using the City's contractor performance and evaluation database, as required by section 6.26 of the City's Administrative Code, to document, evaluate, and report on construction contractor performance. Although a database was developed and piloted in FY 2018-19, rollout of the database to all Chapter 6 departments was stalled during the COVID-19 pandemic and has not resumed. There are software problems and bugs in the database that need to be addressed, and Public Works management has stated that sufficient resources have not been allocated to support this work. The lack of consistent use of the Chapter 6 contractor performance and evaluation database increases the risk that the City is hiring construction contractors with past records of poor performance, and could lead to the City wasting money on ineffective, inefficient contractors.

Recommendations

The Board of Supervisors and the Mayor's Office should:

7.1 Consider providing Public Works with sufficient staffing resources, from enterprise and General Fund monies as appropriate, in FY 2025-26 for management of the contractor performance and evaluation database.

The Director of Public Works, the Director of Transportation, the General Manager of the Public Utilities Commission, the Director of the Airport, the General Manager of Recreation and Parks, and the Director of the Port Authority should:

7.2 Direct their project managers, contract managers, and any other staff responsible for contract management to use the contractor performance and evaluation database to complete evaluations for all construction contractors who completed projects with contracts executed on or after the functional start date of the database.

7.3 Report to the Board of Supervisors on progress implementing these recommendations no later than January 1, 2026.

The Director of Technology should:

7.4 Ensure that the contractor performance and evaluation database is fully operational no later than January 1, 2026.

Introduction

The Board of Supervisors directed the Budget and Legislative Analyst's Office to conduct a multi-part performance audit of various City departments' delegated authority for procurement of public works contracts pursuant to Chapter 6 of the City's Administrative Code, including but not limited to: (i) Airport, (ii) Municipal Transportation Agency, (iii) Port, (iv) Public Utilities Commission, and (v) Recreation and Parks, through a Motion (M22-185) passed on November 29, 2022. This audit report is the first report to be issued as part of this multi-part performance audit.

Scope

The scope of this performance audit includes the procurement of public works contracts pursuant to Chapter 6 of the City's Administrative Code by the San Francisco Public Utilities Commission (SFPUC) during Fiscal Year (FY) 2019-20, FY 2020-21, and FY 2021-22.

Methodology

We conducted this performance audit in accordance with Generally Accepted Government Auditing Standards (GAGAS), 2018 Revision, issued by the Comptroller General of the United States, U.S. Government Accountability Office. In accordance with these requirements and standard performance audit practices, we performed the following performance audit procedures:

- Held an Entrance Conference with SFPUC contract administration and audit staff and a representative of the City Attorney's Office on January 5, 2023;
- Conducted survey interviews with management and relevant staff responsible for and/or involved in procurement and public works contract management at SFPUC, and staff from the City Attorney's Office involved in SFPUC Chapter 6 procurement;
- Reviewed relevant published reports on Chapter 6 procurement and SFPUC procurement, including bond oversight reports and Public Integrity Reviews related to public works contracting and ethical standards for contract award processes issued by the Controller's Office;
- Reviewed best practices, published surveys, and federal, state, and local guidance and recommendations related to public works construction procurement;
- Reviewed the relevant laws, provisions, and other statutes that guide SFPUC's procurement of public works contracts;

- Requested and reviewed SFPUC policies, procedures, and documentation of internal controls related to procurement, as well as procurement-related guidance, standards, checklists, and matrices used by SFPUC employees related to procurement and contract evaluation;
- Created a process map of the procurement process of Chapter 6 construction and professional services contracts, based on information provided by SFPUC staff during survey interviews and information contained in SFPUC's policies and procedures;
- Requested and reviewed databases of all SFPUC Chapter 6 construction and professional services contracts awarded during FY 2019-20, FY 2020-21, and FY 2021-22, including the following fields:
  - Date of contract award;
  - Date of SFPUC Commission approval;
  - Project name and/or identification number;
  - Contract amount;
  - Procurement type;
  - Date(s) and amount(s) of contract amendment(s) and/or change orders;
  - Contract expenditures; and
  - Applicable bid protest information.
- Using the databases provided by SFPUC, developed a sample of 40 SFPUC Chapter 6 construction and professional services contracts, and requested and reviewed underlying documentation from SFPUC to assess these contracts' compliance with requirements outlined in Chapter 6 of the City's Administrative Code, and other relevant SFPUC and/or City policies;
- Using the databases provided by SFPUC, developed a sample of 122 change orders from a sample of 11 Chapter 6 construction contracts, and requested and reviewed underlying documentation from SFPUC to assess compliance with requirements outlined in Chapter 6 of the City's Administrative Code, and other relevant SFPUC and/or City policy;
- Analyzed SFPUC's pre-bid activities for Chapter 6 contracts, including the development of specifications and requests for proposals and qualifications, and the pre-qualification process;
- Requested and reviewed SFPUC's training standards and training materials for contract administration staff;
- Evaluated the role of the Public Utilities Commission in the approval of Chapter 6 contracts and reviewed analysis and guidance provided to the Commission by SFPUC staff related to Chapter 6 contracts;

- Developed an initial list of topics and jurisdictions to include in a comprehensive peer survey of similar jurisdictions, which will be used to obtain an understanding of how other jurisdictions procure public works and related professional services, and will be presented in the second phase of this multi-part performance audit;
- Submitted a draft report with findings and recommendations to SFPUC on August 19, 2024 and conducted an exit conference with SFPUC on October 2, 2024;
- Held an additional meeting with SFPUC on October 30, 2024 to discuss feedback on the draft report; and
- Submitted the final report, incorporating comments and information provided at the exit conference, to SFPUC on November 22, 2024.

Public Works Procurement in San Francisco

Chapter 6 of San Francisco's Administrative Code governs public work or improvement contracting policies and procedure for (a) public works contracts, and (b) contracts for related professional design, consulting, and construction management services. A "public work or improvement" is defined in Administrative Code section 6.1 as:

> Any erection, construction, renovation, alteration, improvement, demolition, excavation, installation, or repair of any public building, structure, infrastructure, bridge, road, street, park, dam, tunnel, utility or similar public facility performed by or for the City, the cost of which is to be paid wholly or partially out of moneys deposited in the Treasury of the City.

The contracting requirements of the Administrative Code for these public work or improvement contracts, which are also informally referred to as "Chapter 6" contracts, are distinct from the City's contracting policies and procedures for commodities and services, which are outlined in Chapter 21 of the Administrative Code and informally referred to as "Chapter 21" contracts. The scope of this audit covers only public work contracts and contracts for related professional design, consulting, and construction management services, as defined in Chapter 6.

Chapter 6 of the Administrative Code contains the following Articles:

- **Article I: General Provisions**, which outlines relevant definitions, lists the departments or commissions empowered on behalf of the City to contract for public works contracts, and establishes general provisions of Chapter 6 including compliance with local business enterprise utilization and nondiscrimination provisions;
- **Article II: Construction Contracting**, which outlines provisions related to the procurement of construction contracts, requirements for construction contract bids and

quotes, terms and working conditions, contract requirements for clean construction, and other requirements for construction contracts;

- **Article III: Professional Services Contracting**, which outlines provisions related to the procurement of professional services for public work projects, including the competitive qualification-based selection process, requests for competitive proposals or qualifications, contract terms, and as-needed professional services contracts;
- **Article IV: Exemptions from Articles II and III**, which outlines exemptions to the construction and professional services provisions established in Articles II and III including emergencies, alternative project delivery methods (such as job order contracts, design-build contracts, and construction manager/general contractor contracts), as-needed construction contracts, and other specific circumstances; and,
- **Article V: Violations of Administrative Code Chapter 6; False Claims; Procedures for Debarment; Monetary Penalties**, which outlines provisions related to violations and false claims, procedures for debarment and monetary penalties, and consequences of collusion in contracting.

In addition, the following provisions of the City's Administrative Code and Labor and Employment Code also apply[1] to Chapter 6 contracts and/or SFPUC contracting:

- **Division II, Article 131 of the Labor and Employment Code**, which establishes the nondiscrimination provisions in City contracts;[2]
- **Chapter 12F: Implementing the MacBride Principles – Northern Ireland**, which requires contractors to acknowledge that they have read and understood the City's statement urging companies doing business in Northern Ireland to move toward resolving employment inequities, encouraging compliance with the MacBride Principles, and urging San Francisco companies to do business with corporations that abide by the MacBride Principles;
- **Chapter 12J: City Business with Burma Prohibited**, which prohibits the City from entering into agreements for public works or improvements with any person or entity with investments or employees in Burma, or any person or entity that licenses any

[1] In addition, Chapter 12X: Prohibiting City Travel and Contracting in States that Allow Discrimination, which applied to contracts in our scope period of FY 2019-20, FY 2020-21, and FY 2021-22, was repealed by the Board of Supervisors in Ord. 75-23, approved May 9, 2023 and effective June 9, 2023.

[2] Former Administrative Code Chapter 12B ("Nondiscrimination in Contracts") was redesignated as Labor and Employment Code Article 131 by Ord. 221-23, approved November 3, 2023, effective December 4, 2023, and operative January 4, 2024.

person or entity organized under the laws of Burma to produce and market its products;

- **Chapter 14B: Local Business Enterprise and Non-Discrimination in Contracting Ordinance**, which contains provisions intended to improve the ability of certified Local Business Enterprises (LBE), particularly micro LBEs, to compete effectively for the award of City contracts; and,
- **Chapter 21F: SFPUC Social Impact Partnership Program**, which establishes the rules and regulations for SFPUC's Social Impact Partnership Program, with the goal of encouraging private contractors working under certain contractors with SFPUC to engage in corporate social responsibility.

City Charter section 9.118(b), which requires Board of Supervisors approval of any contract entered into by a department, board, or commission that (1) has a term of more than ten years, (2) requires expenditures of $10 million or more, or (3) requires a modification of more than $500,000 for contracts that exceed $10 million, explicitly excludes construction contracts from the Board of Supervisors approval requirement. Chapter 6 construction contracts do not require Board of Supervisors approval except in specific circumstances, as outlined in Chapter 6.

San Francisco Public Utilities Commission

Chapter 6 authorizes six primary City departments to enter public work and related professional service contracts on behalf of the City. The San Francisco Public Utilities Commission (SFPUC) is one such department. Under Charter section 4.112 and Article 8B, the Public Utilities Commission has exclusive jurisdiction over the City's utility systems, facilities, and assets – water, power, and sewer. The Commission is the oversight body for the SFPUC. The General Manager is the department head and chief executive and manages the day-to-day affairs of the department. The SFPUC's systems are:

- **Water Services:** SFPUC manages the Hetch Hetchy Regional Water System, which brings water from the Sierra Nevada mountains to the Bay Area. SFPUC is responsible for water collection, water treatment services, and water transmission through a system of facilities, plants, pipelines, and tunnels. SFPUC provides water directly to customers in San Francisco and wholesale service areas in Alameda, Santa Clara, and San Mateo counties. San Francisco's water supply is sourced from more than 1,250 miles of distribution pipelines, 12 in-City reservoirs, and eight water tanks.
- **Wastewater Services:** SFPUC provides wastewater management for San Francisco, including the collection, treatment, and disposal of sewage and stormwater.

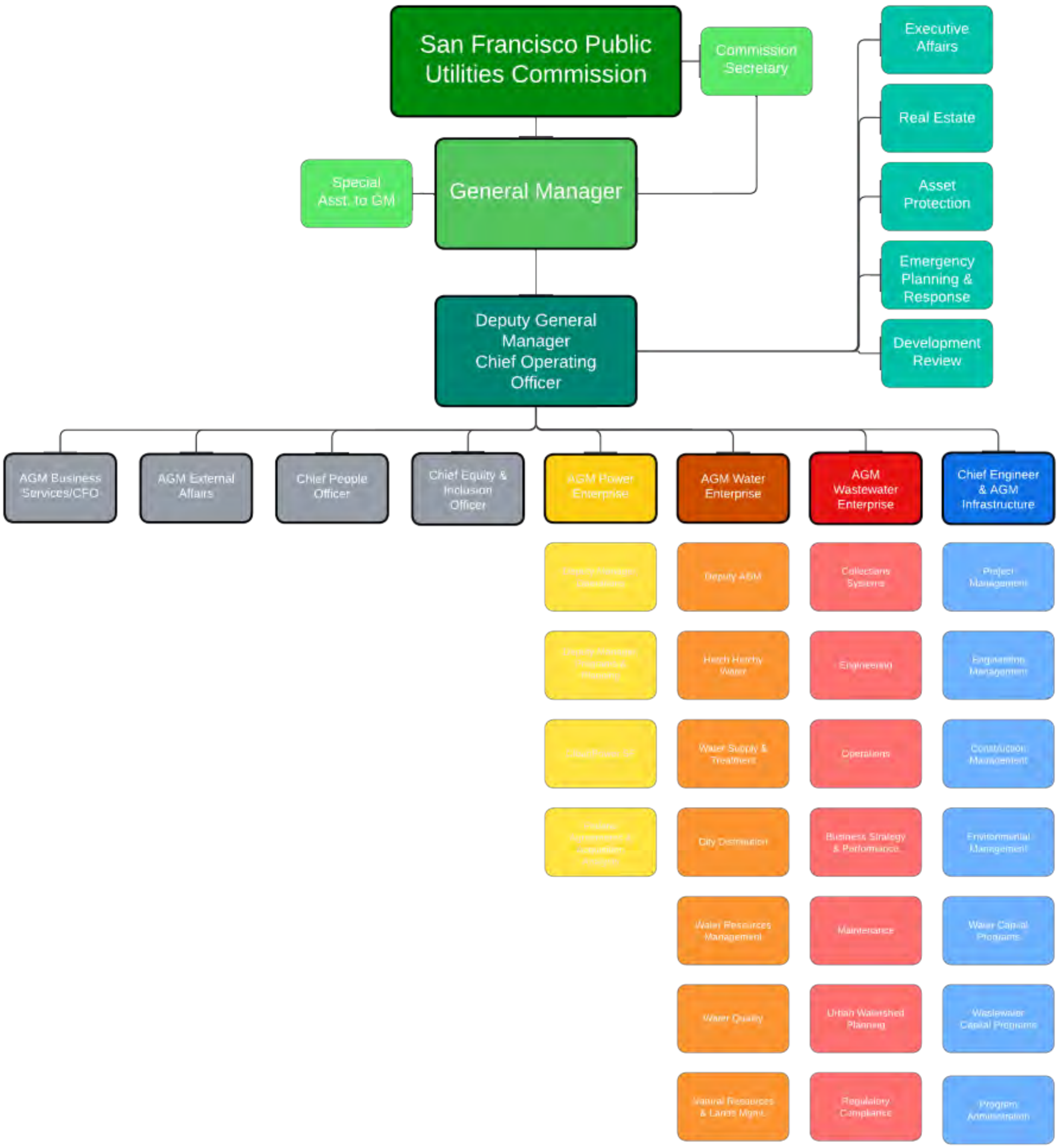
- **Municipal Power Services:** SFPUC owns and operates all aspects of the Hetch Hetchy Power System, which provides municipal power to San Francisco through hydroelectric and solar power. The Hetch Hetchy Power System includes three hydroelectric powerhouses, two of which receive water from the Hetch Hetchy Reservoir and one which receives water from Lake Eleanor and Cherry Lake. Additionally, SFPUC operates solar installations located on City-owned property, including Moscone Center, City Hall, Sunset Reservoir, and Davies Symphony Hall. The installations assist in powering the City-owned buildings and other Hetch Hetchy Power customers.

These utility services are operated and managed by SFPUC as separate enterprises: the Water Enterprise, the Wastewater Enterprise, and the Power Enterprise. Each enterprise is led by an Assistant General Manager. SFPUC's Infrastructure Division, led by an Assistant General Manager for Infrastructure/Chief Engineer, is responsible for SFPUC capital programs and project implementation, and provides, among other services, project management, construction management, and engineering management for SFPUC capital programs and projects for each enterprise. SFPUC also has an Assistant General Manager for Business Services/Chief Financial Officer, an Assistant General Manager for External Affairs, a Chief People Officer, and a Chief Diversity, Equity, and Inclusion Officer. The SFPUC Deputy General Manager and Chief Operating Officer report directly to the SFPUC General Manager.

As outlined in City Charter section 4.112 and Article 8B, the five Commissioners of the San Francisco Public Utilities Commission, who are nominated by the Mayor and approved by a majority of the Board of Supervisors, are responsible for providing oversight of SFPUC operations, including the approval of Chapter 6 construction and professional services contracts. Each Commission member serves a term of four years. The City Charter requires that the Commission be made up of one member with experience in environmental policy and an understanding of environmental justice issues; one member with experience in ratepayer or consumer advocacy; one member with experience in project finance; one member with expertise in water systems, power systems, or public utility management; and one at-large member.

Exhibit I.1 below displays a high-level organization chart for SFPUC.

Exhibit I.1: SFPUC Organizational Chart



Source: SFPUC

SFPUC Chapter 6 Contract Procurement

SFPUC procures public works construction and professional services contracts in response to identified infrastructure needs. As summarized above, Chapter 6 of the Administrative Code governs the public works contracting policies and procedures for SFPUC, including policies and procedures for the procurement of professional design, consulting, and construction management services. Chapter 6 outlines which methods of procurement may be utilized for public works contracts, depending on the project complexity, budget, and needs. Chapter 6 also requires contracts to be awarded in compliance with the local business enterprise and non-discrimination procedures established in Chapters 12B and 14B of the City's Administrative Code.

During the scope of our audit (FY 2019-20, FY 2020-21, and FY 2021-22), SFPUC awarded a total of 124 Chapter 6 contracts with a total maximum amount of $1.4 billion, as shown in Exhibit I.2 below. Of these 124 contracts, 50 were construction contracts, 22 were as-needed construction contracts,[3] 21 were professional services contracts, and 12 were as-needed professional services contracts.[4] The remaining 19 were other procurement types, including alternative project delivery methods such as job order contracts or design-build contracts, and emergency contracts.

[3] As-needed construction contracts, defined in Administrative Code section 6.64, are contracts for construction work on an as-needed basis, with work to be assigned by contract service orders based on costs contained in the bid.

[4] As-needed professional services contracts, as authorized in in Administrative Code section 6.43, are contracts for professional services work on an as-needed basis, with work to be assigned by contract service orders.

Exhibit I.2: Chapter 6 Contracts Awarded by SFPUC, FY 2019-20 to FY 2021-22

	FY 2019-20	FY 2020-21	FY 2021-22	Total
Construction (Ch. 6) contracts	18	18	14	**50**
Sum of maximum amount	*$100,192,370*	*$377,182,737*	*$95,601,579*	***$572,976,685***
As-Needed Construction (Ch. 6.64) contracts	2	7	13	**22**
Sum of maximum amount	*11,046,778*	*46,498,384*	*128,539,699*	***186,084,861***
Professional Services (Ch. 6) contracts	12	3	6	**21**
Sum of maximum amount	*57,850,000*	*18,052,050*	*38,300,000*	***114,202,050***
As-Needed Professional Services (Ch. 6.43) contracts	4	4	4	**12**
Sum of maximum amount	*24,000,000*	*18,000,000*	*20,000,000*	***62,000,000***
Job Order Contract (Ch. 6.62) contracts	2	0	7	**9**
Sum of maximum amount	*10,500,000*	*0*	*35,000,000*	***45,500,000***
Emergency Repairs/Work (Ch. 6.60) contracts	0	2	2	**4**
Sum of maximum amount	*0*	*6,497,000*	*20,463,994*	***26,960,994***
Design-Build (Ch. 6.61) contracts	3	1	0	**4**
Sum of maximum amount	*124,606,932*	*28,898,986*	*0*	***153,505,917***
Construction Manager/General Contractor (Ch. 6.68) contracts	0	0	1	**1**
Sum of maximum amount	*0*	*0*	*260,450,682*	***260,450,682***
Contracting for Elevator, Fire Alarm Systems, etc. (Ch. 6.65) contracts	0	0	1	**1**
Sum of maximum amount	*0*	*0*	*2,350,345*	***2,350,345***
Total no. of contracts	**41**	**35**	**48**	**124**
Total maximum amount	**$328,196,080**	**$495,129,156**	**$600,706,299**	**$1,424,031,534**

Source: SFPUC

Exhibit I.3 below summarizes the maximum amounts of the 124 contracts during the audit scope period, which ranged from $52,050 to $260,450,682. The median maximum amount was $5,000,000, and the mean maximum amount was $11,484,125. Two contracts were for more than $100,000,000, skewing the mean higher than the median.

Exhibit I.3: Chapter 6 Contracts Awarded by SFPUC, FY 2019-20 to FY 2021-22, by Maximum Amount

Contract Maximum Amount	Number of Contracts
Less than $1,000,000	11
$1,000,000 to $4,999,999	43
$5,000,000 to $9,999,999	36
$10,000,000 to $19,999,999	21
$20,000,000 to $99,999,999	11
More than $100,000,000	2
Maximum Amount Median	*$5,000,000*
Maximum Amount Mean	*$11,484,125*

Source: SFPUC

The procurement process for all SFPUC Chapter 6 contracts is a collaborative effort among several SFPUC bureaus, the City Attorney's Office, the requesting enterprise or division, the Contract Monitoring Division (CMD) and Risk Management Division under the City Administrator's Office, the Civil Service Commission, the Department of Human Resources, and the Controller's Office. The contract type (professional services or construction) determines the responsibilities and level of involvement of each entity in the procurement of the contract. Within the SFPUC Infrastructure Division, the Contract Administration Bureau (CAB) is the primary point of contact for procurement of both professional services and construction contracts. For professional services contracts, CAB is responsible for managing and issuing a Request for Proposals/Qualifications (RFP/Q), monitoring and tracking forms for RFP/Q approval, facilitating the proposal review and selection processes, communicating with the selected respondent, facilitating contract execution, administering amendments to the executed contracts, and ensuring compliance with applicable policies, laws, and contract terms at time of selection and award. For construction contracts, once the solicitation documents have been developed, CAB advertises the bid, oversees the selection, award and contract execution cycles, and processes certain subsequent contract modifications.

Construction Contract Procurement Process

Per Administrative Code section 6.20, a department seeking outside construction services for a public work or improvement project exceeding the threshold amount of $1,000,000 shall award the contract to the lowest responsive bid. Prior to recommending an above-threshold construction contract, the department must prepare detailed program requirements and estimates for the work to be performed. For construction contracts less than or equal to the threshold amount of $1,000,000, the department is required to obtain not fewer than three quotes and shall award the contract to the lowest responsive bidder. For construction contracts less than or equal to $10,000, no competitive solicitation is required.

The procurement of construction contracts requires involvement from various SFPUC bureaus and enterprises. The responsibilities of SFPUC bureaus are as follows:

- **Project Management Bureau (PMB)** is responsible for execution of the project work scope, schedule, budget, and administration of all construction contracts through closeout. PMB is also responsible for overall project communication and coordination, both internal and external to SFPUC.
- **Engineering Management Bureau (EMB)** is responsible for the design phases of construction work including staff guidance, engineering standards, design criteria, technical quality assurance, and design quality control. EMB also ensures the completion of technical information for engineering reports, drawings, calculations, specifications, and cost estimates.
- **Construction Management Bureau (CMB)** is responsible for construction quality assurance and provides overall construction management oversight and construction contract administration during construction.
- The enterprise or division (Hetch Hetchy, Water, City Distribution, Power, or Wastewater) assigns an Operations Representative to represent the interests of the enterprise or division involved in the construction.
- **Bureau of Environmental Management (BEM)** provides specialized environmental expertise to assist PMB in obtaining the project's compliance with applicable environmental regulations, including the California Environmental Quality Act (CEQA). BEM informs PMB of the CEQA strategy, budget, and schedule. BEM also provides environmental compliance oversight during construction.
- **Contract Administration Bureau (CAB)** is responsible for facilitating the procurement of construction contracts following the development of the solicitation documents. CAB advertises the bid, oversees the selection, award and contract execution cycles, and processes certain subsequent contract modifications.
- The **Capital Improvements Projects (CIP) Steering Committee** is responsible for recommending that a particular project move to the next phase of development as well as the contract selection and delivery method. The CIP Steering Committee consists of SFPUC senior managers and is led by the Assistant General Manager for Infrastructure.

According to SFPUC's internal policies, the development of a construction project is divided into nine major phases, listed below, some of which overlap. A more in-depth narrative with additional details about each step is provided in *Appendix A: SFPUC Chapter 6 Procurement Process* to this report.

- **Project Management**
  - The Project Management phase encompasses the entirety of the construction project's lifecycle, from planning through project close-out. Included within the Project Management phase are all tasks related to project management functions and oversight, project controls, records management, and legal support.
- **Planning**
  - During the Planning phase, the Project Management Plan (PMP) is initiated by the project manager (PM) within PMB. The PMP is the management plan for each project that includes project objectives, scope, and quality control. During the Planning Phase, site investigations are conducted and a consultant and/or an in-house design team is selected to facilitate the design of the project. The Planning Phase includes three subphases: needs assessment, alternatives analysis, and conceptual engineering report.
- **Environmental**
  - Near the end of the Planning phase, the Environmental Phase begins. This phase includes all environmental review and permitting activities to meet applicable local, state, and federal requirements.
- **Design**
  - The major deliverables of the Design phase are finalizing drawings and specifications, the technical aspects of bid documents, and the Project Management Plan. At the end of the Design phase, the technical section of the bid package is submitted by EMB's contract standards division to CAB to initiate bid advertisement.
- **Right-of-Way**
  - The Right-of-Way phase includes planning, property investigations, obtaining permission for geologic studies, groundwater monitoring programs, and other site investigations. At 65 percent of design completion, work pertaining to Right-of-Way requirements begins, including fee acquisitions, easements, and any other necessary appraisals for property rights.
- **Bid and Award**
  - *Pre-Advertisement and Advertisement:* Upon receipt of the project information, a CAB contract analyst is assigned to the contract, and PMB and CAB prepare a Commission Advertisement Report. The SFPUC Commission is presented with

the report pursuant to their Communications Policy. CAB advertises the bid documents to the SFPUC website, the Library, and sometimes the local newspaper, depending on funding requirements.

- *Bid Opening and Proposal Submittal:* Following the advertisement of the bid, PMB, EMB, and CAB conduct pre-bid meetings with potential bidders. CAB compiles questions from potential bidders and facilitates with PMB and EMB to provide answers. CAB distributes any addenda prepared by CAB or EMB. At the conclusion of the bid period, as determined by the PM, CAB facilitates a bid opening meeting. The bid opening meeting starts the five-day protest period for low-bid selections.
- *Proposal Evaluation and Vendor Selection:* Following bidder submissions, CAB, PMB, EMB, and CMD all work to evaluate the submissions. If there is a protest submitted as part a low-bid selection, CAB works with the City Attorney, as well as PMB, EMB, and CMD, to resolve issues prior to the selection. CAB prepares the bid tabulation summary, completes bid responsiveness evaluations, and performs license and debarment checks. PMB, CMB, and EMB evaluate minimum technical qualifications. EMB completes a comparison to the original cost estimate included in the bid documents. CMD assesses each bidder's local business enterprise goals. For traditional construction contracts, the responsive and responsible bidder who submitted the lowest bid is identified for award. In selection methods using Best Value, the responsive and responsible proposer who submitted the proposal with the highest score or lowest quotient is identified for award and the determination is posted to the website. CAB facilitates the subjective scoring process for Best Value selections. The five-day protest period for Best Value selection starts once the selection is announced. If there are protests from other bidders within the five-day protest period, the CAB contract analyst, working with the City Attorney and PM, facilitates the protest resolution process. If there are no protests after the five-day protest period, the selection is completed.
- *Contract Approval and Award:* Following identification of the selected contractor, CMD prepares their award memorandum. The PM prepares the award resolution and presents the recommendation to the Commission. The Commission awards contracts at their public meetings. The Commission has delegated to the General Manager the ability to award contracts below $1 million.
- *Contract Execution:* Upon the required award approval, CAB prepares the Notice of Award and requests the contractor to submit required documents, including

insurance certificates, escrow bid documents, and the performance and payment bonds for review and approval. The City Attorney reviews and approves the insurance certificates and reviews and signs the performance and payment bonds. CAB receives the escrow bid documents. Once these documents are received, approved, and signed, CAB begins contract execution in DocuSign to obtain Contractor, City Attorney, General Manager, and Commission Secretary signatures.

- *Award Certification:* Upon signature receipt, CAB submits a certification packet to SFPUC's Infrastructure Budget & Finance (IB&F) Division. The IB&F Division reviews the documents, uploads documents to appropriate databases, and builds the contract in PeopleSoft. The PM submits a Purchase Order Request in SOLIS. IB&F then works in PeopleSoft to obtain the Controller's fund certification. Once the Purchase Order is dispatched, CAB, PMB, and CMB prepare a Notice to Proceed letter. Upon the issuance of the Notice to Proceed letter, the awarded contractor can begin work.

- **Construction Management**
  - The Construction Management phase includes all soft-cost tasks needed for contract administration and oversight during the Construction phase, including field inspections, quality assurance audits, environmental permitting, responding to requests for information, and managing schedule and budget changes through change orders.
- **Construction**
  - The Construction phase includes all construction activities.
- **Project Closeout**
  - In the Project Closeout phase, which takes place after the construction project has been completed, SFPUC finalizes all contracts, including change orders. PMB prepares a project summary, lessons learned, proof of completion, and all contract deliverables. CAB returns or destroys the escrow bid documents. PMB briefs upper management on the project completion and any recommended follow-up. PMB, EMB, and the Operations Representative all sign-off on a completed project close-out list.

Professional Services Contract Procurement Process

Per Administrative Code section 6.40, a department seeking outside professional services for a public work or improvement project, such as professional design, consultant, or construction management services, that exceeds the minimum competitive amount of $200,000 must procure services through a competitive process. Also, per Administrative Code section 6.40, for contracts in excess of this minimum competitive amount, a department is required to issue a formal Request for Proposals (RFP) or Request for Qualifications (RFQ) and to designate one or more panels to review proposals and rate respondents. Based on the results of the panel evaluation, the department recommends the highest-ranked qualified respondent(s) to be awarded the contract(s). According to SFPUC staff, contracts valued under $20,000[5] do not require a competitive solicitation, and contracts greater than $20,000 and less than the minimum competitive amount of $200,000 may follow an informal solicitation process.

The SFPUC bureaus primarily involved in professional services contract procurement are the Contract Administration Bureau (CAB) and either the Engineering Management Bureau (EMB), the Project Management Bureau (PMB), and/or the Construction Management Bureau (CMB) within the SFPUC Infrastructure Division, or other enterprise groups such as the Power or Wastewater enterprise

- **CAB** is responsible for managing and issuing a Request for Proposals/Qualifications (RFP/Q), monitoring and tracking forms for RFP/Q approval, facilitating the proposal review and selection processes, negotiating the contract with the selected respondent, administering the executed contracts, and ensuring compliance with applicable policies, laws, and contract terms.
- The **Contract Owner** (either the PMB, EMB, and/or CMB within the SFPUC Infrastructure Division, or other enterprise groups such as the Power or Wastewater enterprise) is responsible for securing project funding, authorizing the issuance of an RFP/Q, submitting all agenda items to CAB, approving invoices, and tracking contract capacity, insurance renewals, and contract duration. The Contract Owner is also responsible for the execution of the project scope, schedule, and budget.

According to SFPUC internal policy, the procurement of a professional services contract involves six phases, which are summarized below. A more in-depth narrative with additional details about each step is provided in *Appendix A: SFPUC Chapter 6 Procurement Process* to this report.

- **Contract Request/RFP/Q Initiation**
  - A Contract Owner obtains approval to initiate a new contract and submits a contract request form to CAB. This form includes basic information, including but not limited to funding source, value of contract, desired contract start date, and a summary of the scope of work.

[5] Following the receipt of the draft report, SFPUC staff reported this threshold, which was formerly $10,000, was increased to $20,000 in early 2024.

- **RFP/Q Development**
    - The assigned CAB contract analyst, who is the primary point of contact for the PM, other internal stakeholders, and the public regarding the solicitation, generates an RFP document template and a suggested contract schedule. The PM develops the RFP with high-level tasks and the type of work that will be performed. The CAB contract analyst reviews the RFP and scope of work and sends the RFP to the Contract Monitoring Division (CMD) for determination of compliance with local business enterprise (LBE) requirements. Upon CMD approval, a supervisor of the Contract Owner reviews and approves the RFP/Q. Upon Contract Owner supervisor approval, the contract analyst drafts a template Professional Services agreement to be posted with the RFP.
    - The RFP and agreement are sent to the City Attorney's Office for review and approval of the RFP and draft agreement. Upon City Attorney approval, the contract analyst submits the draft of the RFP and agreement to the CAB Contracts Manager for final approval. Upon final approval by the CAB Contracts Manager, the contract analyst posts a publicly available advertisement for the RFP/Q.
    - Parallel to the initial steps of RFP document development, the Contract Owner prepares the Personal Services Contract (PSC) Summary Form to obtain approval from the Civil Service Commission or the Department of Human Resources. Notice of the PSC form is sent to the applicable unions with an opportunity to respond before approval.
    - Parallel to the RFP document development, the Contract Owner begins planning the solicitation evaluation process and advertisement. The contract analyst sends a Panelist Selection Form (PSF) to the Contract Owner for completion. The contract analyst then submits the PSF to CMD for approval.
- **Advertisement and Proposal Submittal**
    - Generally, around 10 days following the posting of the advertisement, a pre-submittal meeting is held with internal and external stakeholders. During the pre-submittal meeting, potential proposers are informed about the solicitation process and discuss the proposal requirements of the solicitation and any applicable addenda. Following the meeting, at least three weeks are given to vendors to prepare responses to the solicitation.
- **Proposal Evaluation and Selection**
    - Once the proposal deadline has passed, the contract analyst downloads and reviews the proposals for completeness, then sends the proposals to the contract owner to confirm compliance with the minimum qualifications criteria.

The technical portion of each responsive proposal (complete proposal that meets the minimum qualifications) is then evaluated by a technical evaluation panel. The contract analyst publicly posts the highest-scoring proposer recommended for the contract award. If there are no protests from other proposers after the five-day protest period, the contract analyst notifies the selected proposer of insurance requirements, CMD compliance provisions, and other City requirements. If there are protests within the five-day protest period, the contract analyst works with the Contract Owner and the City Attorney's Office to facilitate the protest process.

- **Contract Approval and Award**
  - Following the recommendation for award and the resolution of any protests, CAB and the Contract Owner obtain the CMD Award Memo confirming that the recommended awardee complies with Administrative Code Chapter 14B Local Business Enterprise requirements. Professional services contracts over $1,000,000 must be approved by the SFPUC Commission. Currently, contract award approval has been delegated by the Commission to the General Manager for contracts below the threshold amount (as defined in Administrative Code Chapter 6). The Contract Owner, with assistance from CAB, drafts and submits the agenda item for the contract to be included on the SFPUC Commission agenda for approval. If the contract is equal to or more than $10,000,000 or the term is more than 10 years, the contract must also be approved by the Board of Supervisors.
- **Contract Certification**
  - Following SFPUC Commission approval, CAB contacts the awarded contractor to request proof of insurance and compliance with City requirements. The CAB analyst also drafts with the final scope of work, from the RFP and any addenda, to be included in the agreement and sends it to the City Attorney's Office. The City Attorney's Office reviews, finalizes, and approves the agreement and appendices, and CAB sends the final version to the proposer for review. Afterward, CAB routes the agreement for signature via DocuSign, requiring signatures from the contractor, City Attorney, and General Manager. Upon signature receipt, CAB submits a certification packet to SFPUC's Infrastructure Budget & Finance (IB&F) Division. IB&F works to receive the Controller fund certification, uploads all necessary documents to the applicable internal databases, and sends a Notice of Contract Award (NCA) letter to the proposer. After NCA, the SFPUC contract manager may begin issuing task orders for the

work. IB&F issues a Notice to Proceed letter for the contractor to begin work for each task order issued.

Related Concurrent Audits

During the time of our audit fieldwork, two additional related audits were underway:

- A performance audit of how conflicts of interest are managed citywide, conducted by the Budget and Legislative Analyst's Office. The scope of this performance audit includes an assessment of the City's approach to minimizing conflicts of interest among public officials, staff, and contractors, with a review of citywide training and communications, department controls around contracting, practices for filing and reviewing statements of economic interests (Form 700), a review of departments' statements of incompatible activities including oversight of secondary employment, and surveys of both city departments and other jurisdictions.
- A field follow-up of the Controller's Office 2021 report, *Public Integrity Audit: Significant Changes Are Needed to the Design, Monitoring, and Control of the San Francisco Public Utilities Commission's Social Impact Partnership Program*, conducted by the Controller's Office City Services Auditor, which was released December 2023. The scope of the field follow-up was to determine the correction actions that SFPUC has taken in response to the recommendations in the 2021 Public Integrity Audit related to the governance and oversight of SFPUC's Social Impact Partnership Program.

In order to not duplicate effort, this audit report considers, but does not focus on, these topics, which are covered in more detail in those reports.

Acknowledgements

We would like to thank the management and staff of the SFPUC and the City Attorney's Office for their cooperation and assistance during this audit.

1. SFPUC Procurement Policies, Procedures, and Training

The San Francisco Public Utilities Commission (SFPUC) Contract Administration Bureau (CAB) policies, procedures, and training program for procurement personnel are not consistent with industry best practices. CAB does not adequately maintain its internal policies and procedures for contract procurement activities and there are opportunities to improve and formalize CAB's training program for new contract analysts and existing staff. Inadequate policies and procedures and a lack of proper training could expose SFPUC to compliance risks and could also contribute to inefficiencies and ineffectiveness in procurement activities, potentially leading to missed opportunities for cost savings. Inadequate policies and procedures also impact transparency and may make it difficult to track procurement decisions and ensure accountability in the procurement process.

CAB should create a comprehensive procedure manual that assembles active guidelines to clearly define authority and responsibility for procurement personnel. CAB should regularly review and update this procedure manual with a standardized system to track and document revisions, including revision dates and the approving individuals. Finally, CAB should enhance and document its training program to onboard new staff and provide ongoing training to existing staff and assess staff competency regularly.

Deficiencies in Documentation of Procurement Policies and Procedures

A substantial number of the San Francisco Public Utilities Commission (SFPUC)'s Contract Administration Bureau (CAB)'s policies and procedures are not consistent with best practices for procurement policies and procedures documentation. CAB manages SFPUC's procurement of construction and professional services contracts, including soliciting and evaluating bids or proposals from vendors, awarding contracts, and ensuring compliance with procurement regulations and policies. CAB may also handle vendor relations and address issues or disputes that arise during the procurement process.

Our audit review found that CAB's procurement policies and procedures are not consistently written in clear and understandable language or documented in a standardized format. CAB does not maintain an official revision history for policies and procedures that records revision dates and the names of individuals responsible for revisions and approval. Many of CAB's policies and procedures are not finalized and remain in a draft form, and in general the procedures do not follow a standardized template.

In addition, our audit review found that many of the policies and procedures are framed broadly and do not provide detailed instructions, leaving room for interpretation by CAB contract analysts. Some staff report they create their own policy and procedure guides to supplement CAB's formal and official documents. Overall, these deficiencies raise concerns about the clarity and conformity with internal procurement policies, which are intended to guide SFPUC's Chapter 6 procurement operations. However, CAB staff indicated that the personal guides created by the team have since been incorporated into the team's guidelines and templates for use by all staff. Documenting, retaining, and consistently updating procurement policies and procedures is critical to SFPUC's overall effectiveness, efficiency, compliance with regulatory requirements, and risk management. According to the State & Local Procurement guide published by the National Association of State Procurement Officials (NASPO), a procurement office "should publish and maintain appropriate manuals for procurement personnel that set forth public entity-wide procurement goals and objectives and establish day-to-day procurement procedures in simple, concise language." The Institute for Public Procurement (NIGP) identified transparency, achieved through easily accessible and understandable policies and procedures, as one of the six guiding principles of public procurement. In addition, NIGP states that a standard for public procurement is to "develop a comprehensive policy manual that clearly defines authority, responsibility, and establishes guidelines for the organization and the procurement professional to follow when carrying out their responsibilities." According to NIGP, the purpose of this manual is to: establish the legal authority of the procurement function; simplify, clarify, and reflect the laws governing procurement; and enable uniform procurement policies throughout the organization.

Procurement Policies and Procedures Review

As part of our audit fieldwork, we requested copies of SFPUC's policies, procedures, standards, and guidance related to procurement, including:

- Copies of all current SFPUC policies and procedures and documentation of internal controls related to procurement, as well as past policies and procedures applicable during the period from July 1, 2019 through January 5, 2023. We also requested SFPUC Commission policies and procedures.
- Any procurement-related guidance, standards, checklists, or matrices used by SFPUC employees responsible for procurement.
- Any guidance, standards, checklists, or matrices used by the SFPUC Commission related to procurement and contract evaluation.
- A comprehensive procurement process map detailing SFPUC's procurement workflow, including pre-bid activities, contractor selection, the award of contracts above and below

relevant threshold amounts, and required approvals by SFPUC, the SFPUC Commission, and/or other City entities.

In response to this request for information, SFPUC provided 69 files. Of those 69 files, our review found that:

- 66 of the 69 files, or approximately 96 percent, did not have evidence the procedure was approved by SFPUC management or the SFPUC Commission.
- 62 of the 69 files, or approximately 90 percent, were not formatted using a standardized template, meaning the documents did not use a consistent header, title, or other relevant elements used to easily identify the policy.
- 59 files, or approximately 86 percent, did not list a creation date nor a revision date on the document, and it was not clear whether CAB is adequately reviewing and revising its policies and procedures.
- 41 files, or approximately 60 percent, were in draft form. For the purposes of this audit, draft form refers to any policy or procedure document that contains a combination of unresolved edits, significant grammatical errors, and/or unclear, incomplete thoughts. We found evidence of one policy that has remained in draft form since 2018.

Exhibit 1.1 below provides a summary of the percentage of policy and procedure documents that we found to be insufficient.

Exhibit 1.1: Summary Review of SFPUC Procurement-Related Policies and Procedures

Observed Document Insufficiency	Documents Received with Insufficiency
Did not have evidence of approval	66 (96%)
Did not use standardized template	62 (90%)
Did not include creation/revision date	59 (86%)
In draft form	41 (60%)

Source: BLA review.

The deficiencies identified in CAB's Chapter 6 procurement policies and procedures documentation raise concerns about conformance to, and overall effectiveness of, the policies. The absence of consistent documentation practices, such as clear language, standardized formats, and documented revision histories, may increase the risk of errors and inconsistencies in the procurement process, potential legal and regulatory non-compliance, diminished stakeholder confidence, and hindered operational efficiency. Without clear and easily accessible policies and procedures, procurement staff may struggle to perform their duties effectively, which could lead to delays, disputes, and increased costs for SFPUC.

CAB should improve the clarity and consistency of its internal policies and procedures by creating a comprehensive procedure manual that assembles and documents active guidelines that clearly define authority and responsibility for procurement personnel. CAB should collaborate with the City Attorney's Office to ensure the procedure manual aligns with relevant federal, state, and local laws and regulations, including City Administrative Code Chapter 6. Additionally, CAB should establish a systematic review process that guarantees regular updates to the procedure manual for relevance and alignment with evolving legal requirements and industry best practices, and to ensure accountability and transparency in the revision process. These measures will collectively contribute to strengthening the SFPUC's Chapter 6 procurement practices.

Ongoing Efforts to Improve CAB's Policies and Procedures

CAB is currently working with the Government Operations and Recovery Initiative (GovOps) group within the City Administrator's Office to improve SFPUC's procurement policies and procedures as part of the citywide Government Operations Recovery Initiative to improve key areas of City operations. In collaboration with GovOps, CAB has reviewed the current state of its policies and procedures for professional services contracts and identified areas for improvement, and GovOps and CAB have been working to revise CAB's policies and procedures for contract procurement.

Based on information provided by CAB staff, it was anticipated that the revised procurement policies and procedures would be finalized during the winter of FY 2023-24. When we requested the finalized materials as a result of this initiative in December 2023, CAB provided six process map documents encompassing pre-solicitation, advertisement, contract execution, amendments, waivers, and sole source waivers. However, these documents carried revision dates ranging from January 2023 through March 2023, and CAB staff have conveyed that these documents do not accurately represent their current operational practice. However, according to SFPUC staff, there have been minor updates and SFPUC has used the maps to create guidelines.

Training Program for Contract Analysts Needs Improvement

There are opportunities to improve and formalize CAB's training program for new contract analysts and existing staff. Our review found that CAB's onboarding for new employees lacks formality and consistency and relies on ad hoc methods like shadowing without structured training programs or formal competency assessments. While there are general milestones for analysts to meet, consistency and competency assessments prior to assignment are lacking. Ongoing training for existing staff is informal and takes place in meetings and day-to-day experience and is not documented. As stated in NASPO's Guide for State and Local Procurement, public procurement personnel need specialized training and education. NASPO recommends that a structured training program should include frequent, regular in-house trainings, such as monthly or quarterly sessions, to reinforce procurement policies and procedures. Training should be delivered through a combination of methods, including formal classroom instruction, self-paced online learning platforms, and hands-on workshops. NASPO emphasizes that professional certification programs should be incorporated as a method to ensure staff competency. Furthermore, NASPO identifies the assurance of consistency of procedures and decision-making as a fundamental guiding principle of good public procurement. NIGP also emphasizes the importance of staying up-to-date with best practices in public procurement as the profession evolves, and that ongoing, refresher training programs are important for public procurement staff to keep pace with current definitions, concepts, and best practices.

Absence of Formalized Onboarding Training for New Contract Analysts

CAB's onboarding training for new contract analysts is not formalized or uniform, and instead CAB relies on informal, ad-hoc training to onboard new staff. According to NASPO, a formal training policy for procurement personnel is essential for organizational efficiency and compliance. NASPO states that while the knowledge and expertise gained during the day-to-day operations is valuable, it is at best an "unstructured form of education," and emphasizes that procurement personnel require formal training and instruction programs.

According to CAB staff, initial onboarding training of new contract analysts is conducted through "shadowing," when new contract analysts observe the day-to-day responsibilities of a more senior analyst. The specifics of onboarding training are determined as the training takes place and are not formalized programs as recommended by NASPO. According to CAB staff, while there are general milestones that should be met during onboard training, there is no assurance or assessment that each milestone is complete. The knowledge of new analysts is evaluated through review of completed work products and is not assessed prior to autonomous contract procurement assignments. According to CAB staff, following the receipt of the initial draft of this report, the Department has a draft checklist for onboarding new staff, which was initially created in October 2023. As of October 2024, the checklist is still in draft form and lacks detailed content.

This informal training method, while valuable for gaining practical experience, may overlook certain critical skills and training needs of new CAB contract analysts. For example, NASPO specifically recommends that procurement personnel receive training that focuses on identifying and responding to atypical or collusive market behaviors. This training should include guidance on how to effectively report such behavior and seek support when there are suspicions of these activities. The current training strategy for new analysts at CAB, which primarily relies on shadowing experienced colleagues, may not sufficiently prepare them to identify and address potential collusive behavior. CAB should enhance and document the training program to onboard new staff to ensure new employees are trained on all necessary topics and have sufficient understanding of SFPUC Chapter 6 procurement policies, procedures, and practices.

Deficiencies in Ongoing Training and Communication of Regulatory or Process Changes

In addition to a lack of formal onboarding for new staff, CAB does not have a formalized or uniform *ongoing* training program to ensure that existing CAB staff: (1) understand established policies and procedures, and (2) are aware of applicable regulatory or process changes when they occur. CAB staff should receive regular training to ensure comprehension of established procurement policies and procedures and to provide refresher updates, and staff expressed a desire to our audit team for more thorough discussions on regulatory or process changes, as staff report these changes are often only briefly discussed or communicated via email. In addition, staff report that they are not regularly assessed for their competency in procurement activities.

We recommend that CAB management enhance and document the training program to both onboard new staff and provide ongoing training to existing staff. The goal of the training should be to ensure uniformity in staff decision-making and understanding of established policies and procedures, and to communicate any applicable regulatory or process changes. This training program should incorporate both formal training sessions and on-the-job informal training or shadowing and include a mechanism to assess specific procurement skills.

Topics and Skills for Procurement Personnel

Although professional certification is not a requirement for CAB procurement staff, when developing its internal training standards, CAB could consider the topics and skills of professional certifications to ensure its internal trainings are comprehensive. Exhibit 1.2 below lists three common procurement personnel certifications and associated skills for consideration by CAB management.

Exhibit 1.2: Recommended Procurement Personnel Certifications and Associated Skills

Certification	Associated Skills
The Universal Public Purchasing Certification Council (UPPCC) Exam	• Business practices related to purchasing • Contract documents, solicitation methods, and contract administration • Laws, policies, and procedures governing public procurement • Contract law • Mathematics for cost and price analysis • Infrastructure project delivery methods • Cost accounting as it relates to price and cost analysis
NIGP's Certified Procurement Professional Certification (NIGP-CPP)	• Strategic Procurement Management • Procurement Policy and Procedure Development • Procurement Planning and Analysis • Sourcing and Contracting • Contract Administration and Performance Management • Procurement Professionalism and Ethics
Institute for Supply Management (ISM), CPSM® (Certified Professional in Supply Management)	• Strategic Sourcing and Supply Management • Supplier Relationship Management • Maximizing Value of Commodities and Services • Risk and Compliance Management • Social Responsibility • Financial Analysis • Strategic Leadership in Supply Management

Source: BLA research.

Conclusion

We identified shortcomings in CAB's procurement policies, procedures, and training practices. Many of CAB's procurement policies and procedures are poorly documented and do not conform to the standards set by the National Association of State Procurement Officials (NASPO) and the Institute for Public Procurement (NIGP). CAB does not have a comprehensive and well-maintained procurement procedure manual, and many of the procedure documents reviewed by our audit team are in draft form and lack clarity, consistency, and necessary approvals, which reduces conformance to, and effectiveness of, these policies. In addition, CAB's training approach for contract analysts is informal and may not ensure comprehensive understanding and adaptation to regulatory changes and established procedures. These deficiencies could affect CAB's operational effectiveness and compliance with best practices, which could expose SFPUC to compliance risks, inefficiencies, and transparency issues in procurement, and could potentially lead to missed cost-saving opportunities and accountability challenges in decision-making processes.

Recommendations

The SFPUC Contract Administration Bureau Manager should:

1.1 Create a comprehensive procedure manual that assembles active guidelines that clearly define authority and responsibility for procurement personnel. The Contract Administration Bureau Manager should collaborate with the City Attorney's Office to ensure the procedure manual reflects the requirements of federal, state, and local laws and regulations, including City Administrative Code Chapter 6.

1.2 Establish a systematic and standardized process for regularly reviewing, updating, and tracking changes to the procedure manual. This process should ensure alignment with laws, regulations, and industry best practices, and should include document consistency, standardization, comprehensive coverage, and tracking of revision dates along with identification of the individuals responsible for approving the policy and procedural changes.

1.3 Enhance and document the training program to (a) onboard new staff and (b) provide ongoing training to existing staff in order to ensure accurate, comprehensive understanding of SFPUC Chapter 6 procurement policies, procedures, and practices. This should include regular in-house trainings (monthly or quarterly) and a mix of classroom instruction, online learning, and hands-on workshops.

1.4 Develop a framework that identifies the necessary skills required for procurement personnel at all levels and develop ways to regularly assess staff skills.

Benefits and Costs

Implementation of the proposed recommendations would improve SFPUC's Chapter 6 procurement processes. By aligning procurement policies and procedures with industry best practices, SFPUC could enhance efficiency and effectiveness in contract procurement, which could potentially lead to cost savings and reduced risks of non-compliance. Streamlined and transparent procedures would likely improve accountability and consistency in decision-making. Additionally, a well-structured training program for staff would ensure up-to-date knowledge and skills and contribute to better performance and adaptability to regulatory changes. Developing and maintaining a comprehensive procedure manual, establishing a formalized training program, and regularly updating procedures to reflect regulatory changes can be accomplished with existing staffing resources, but would require both one-time and ongoing investments of staff time.

2. Policies Governing the Rejection or Failure of Bids

The San Francisco Public Utilities Commission (SFPUC)'s Contract Administration Bureau (CAB) lacks detailed policies to guide SFPUC's internal decision-making process following the rejection or failure of bids for Chapter 6 construction and professional services contracts. While City Administrative Code sections 6.23(c) and 6.40(d) include general protocols for situations with limited competition, namely circumstances when SFPUC (a) receives no bids or proposals in response to a Chapter 6 solicitation, or (b) receives only one responsive bid in response to a Chapter 6 solicitation, the Administrative Code gives Department Heads, including the SFPUC General Manager, significant discretion to determine the best course of action in these circumstances. The absence of clear policies to guide SFPUC's internal determination could lead to inconsistencies in decision-making, reduced competitiveness, higher costs, and potentially lower service quality. Additionally, CAB does not comprehensively track and monitor the number of responsive and non-responsive bids and/or proposals received for both construction and professional services contract solicitations, which limits SFPUC's ability to identify market trends, bidder responsiveness, and potentially collusive bidder patterns. CAB should develop and implement a comprehensive policy consistent with best practices and Administrative Code Sections 6.23(c) and 6.40(d) for handling rejected or failed bids and proposals. CAB should also develop and implement a policy to monitor the quantity of bids and proposals received for both construction and professional services contracts.

Circumstances of Rejection or Failure of Bids or Proposals

Occurrences of bid or proposal **rejection** and **failure** are both indicators of procurement process health.

- Bid or proposal **rejection**[1] refers to the disqualification of bids that fail to meet predefined criteria. A rejected bid or proposal is referred to as a "non-responsive" bid or proposal. (A bid or proposal that meets the predefined criteria is referred to as a "responsive" bid or proposal). Non-responsive bids and proposals may be the result of unclear requirements or overly stringent conditions established in the bid solicitation materials[2] and may

[1] Per the City's Administrative Code, City departments may also choose to reject bids or proposals regardless of qualification status. Section 6.41 of the City's Administrative Code (Professional Services) states that the Department Head can reject any or all proposals, with approval from the Mayor, Board, or Commission (as appropriate), even if the right to reject is not explicitly stated in the Request for Proposals. Per Section 6.21(c) of the Administrative Code (Construction), the Department Head has absolute authority to reject any or all bids without needing approval, regardless of whether this right is mentioned in the bid advertisement.

[2] The number of bidders or proposers may be impacted not only by unclear requirements or overly stringent conditions but also by other external factors such as market competition, availability of qualified vendors, and timing of the solicitation.

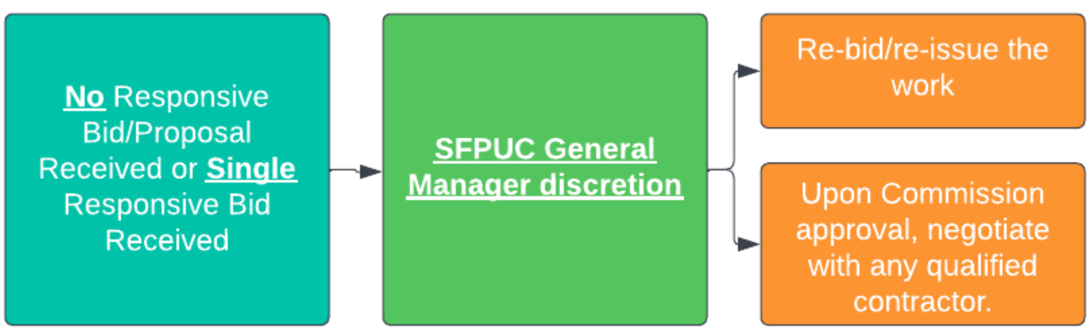
highlight potential opportunities for improvement in an entity's solicitation documents or criteria.

- Bid or proposal **failure**, evidenced by the receipt of no bids or only one bid in response to a solicitation, may indicate problems with market engagement, possibly due to non-competitive terms, limited outreach, or unattractive contract conditions. Bid or proposal failures may indicate a need to reassess market strategies, outreach, and procurement practices to ensure competitive and fair bidding processes.

Permitted Departmental Discretion Following the Rejection or Failure of Bids/Proposals in the Administrative Code

City Administrative Code sections 6.23(c) and 6.40(d) grant significant discretion to the department head following the rejection or failure of bids/proposals for both construction and professional services contracts. These Code sections generally allow the department head, in this case the SFPUC General Manager, to rebid or reissue proposals if they determine further outreach efforts or contract modifications could attract more bids or proposals. If the SFPUC General Manager determines these actions would not result in subsequent submittals, then the SFPUC, upon approval by the SFPUC Commission, may negotiate with any qualified contractor or order the work be executed by the City. Exhibit 2.1 below provides a general overview of the discretion allotted to the SFPUC General Manager, per Administrative Code Sections 6.23(c) and 6.40(d). The specific actions permitted by these Code sections are further discussed below.

Exhibit 2.1: General Overview of General Manager Discretion in Circumstances of Rejections or Failure of Bids



Source: BLA analysis, Administrative Code sections 6.23(c) and 6.40(d).

Construction Contracts, Administrative Code section 6.23(c)

Administrative Code section 6.23(c) allows the SFPUC General Manager to determine the appropriate action for construction contracts if (1) no bids are received, (2) one responsive bid is received and no other bids are received, and (3) one responsive bid is received, and other non-responsive bids are received. Exhibit 2.2 below summarizes the actions permitted by Administrative Code section 6.23(c) for construction contracts in circumstances of rejections or failure of bids.

Exhibit 2.2: Department Head Actions Permitted by Administrative Code Section 6.23(c) for Construction Contracts in Circumstances of Rejections or Failure of Bids

Circumstances of Rejections or Failure of Bids		**Department Head Actions Permitted by Administrative Code Section 6.23(c)**	**Yes, (a) and/or (b)**	**Neither (a) nor (b)**
1) No Bids Received		**Determine whether (a) further outreach efforts and/or (b) removal or modification of certain requirements in the contract would result in bid submittals.****	Shall re-bid the work.	With the approval of the Mayor, board, or commission concerned, may negotiate with any qualified contractor or may order the work be executed by the City.
2) One Responsive Bid Received and No Other Bids are Received	Does *Not Exceed* Engineer's Estimate	May recommend the award of the contract to the sole responsive bidder.	-	-
	Exceeds Engineer's Estimate	**Determine whether (a) further outreach efforts and/or (b) removal or modification of certain requirements in the contract would result in more than one responsive bid at prices substantially lower than the bid price received.****	Shall re-bid the work.	With the approval of the Mayor, board, or commission concerned, may negotiate with the sole responsible bidder or any qualified contractor or may order the work be executed by the City.
3) One Responsive Bid Received and Other Non-responsive Bids are Received	Does *Not Exceed* Engineer's Estimate	May recommend the award of the contract to the sole responsive bidder.	-	-
	Exceeds Engineer's Estimate	**Determine whether the following steps would likely result in more than one responsive bid at prices substantially lower than the bid price received: (a) the qualifications for bidders were too onerous and not necessary for the work, and/or (b) one or more of the non-responsive bids could easily be cured and whether the bidders are still estimated in the work.****	Shall re-bid the work.	With the approval of the Mayor, board, or commission concerned, may negotiate with the sole responsible bidder or any qualified contractor or may order the work be executed by the City.

Source: San Francisco Administrative Code 6.23(c).

****Scenarios in which SFPUC has substantial discretion, and which we recommend an internal policy to guide decision-making.**

As shown in Exhibit 2.2 above, Administrative Code section 6.23(c) provides the SFPUC General Manager with discretion to determine the appropriate action for construction contracts in scenarios of bid rejection or failure in certain contexts. Specifically, if no bids are received or only a single responsive bid is received and that bid exceeds the engineer's estimate, the SFPUC General Manager must determine whether increased outreach or modifications to contract requirements would result in additional responsive bid submittals, in which case the project is rebid. Otherwise, the SFPUC General Manager, with Commission approval, may negotiate with any qualified contractor or proceed with City execution.

Professional Services Contracts, Administrative Code 6.40(d)

Administrative Code section 6.40(d) allows the SFPUC General Manager to determine the appropriate action for professional services contracts if no responsive proposals are received from qualified proposers, as shown in Exhibit 2.3 below.

Exhibit 2.3: Department Head Actions Permitted by Administrative Code Section 6.40(d) for Professional Services Contracts in Circumstances of Rejections or Failure of Proposals

Circumstances of Rejections or Failure of Proposals	Department Head Actions Permitted by Administrative Code Section 6.40(d)		
		Yes, (a) and/or (b)	**Neither (a) nor (b)**
No Responsive Proposals are Received from Qualified Proposers	**Determine whether (a) further outreach efforts and/or (b) removal or modification of certain requirements in the contract would result in responsive proposals.****	Shall re-issue the request for proposals or qualifications.	With the approval of the Mayor, board, or commission concerned, may negotiate with any qualified contractor.

Source: San Francisco Administrative Code 6.40(d).
****Scenarios in which SFPUC has substantial discretion, and which we recommend an internal policy to guide decision-making.**

As shown above in Exhibit 2.3, the SFPUC General Manager is permitted to re-issue a request for proposals if it is determined that further outreach efforts and modifying contract requirements would result in responsive proposals. If the SFPUC General Manager determines neither further outreach efforts nor modifying contract requirements would result in responsive proposals, the SFPUC may negotiate with any qualified contractor for the professional services sought by the request for proposals or qualifications.

SFPUC Lacks Internal Policy to Guide Decisions Made Under Administrative Code Sections 6.23(c) and 6.40(d)

While Administrative Code sections 6.23(c) and 6.40(d) provide the SFPUC General Manager with significant latitude in deciding the best course of action following bid/proposal rejection or failure, SFPUC does not have a standardized policy or procedure to govern and guide the exercise of this discretion. In response to our request to the SFPUC Contract Administration Bureau (CAB) for written policies and procedures used to comply with Administrative Code sections 6.23(c) and 6.40(d), we received the following information:

- *Construction Contracts*: According to CAB staff, SFPUC relies on the Administrative Code language and the City Attorney's Office to guide their actions in situations where no bids or only a single responsive bid was received for construction contracts. However, the Administrative Code does not detail any considerations, circumstances, benchmarks, or metrics that would inform SFPUC's determination whether (a) further outreach efforts and/or (b) removal or modification of certain requirements in the contract would result in more bids. As a result, it is up to SFPUC to make the determination on a case-by-case basis whether to re-bid the work or award the contract to the only responsive bidder and/or any qualified contractor.

- *Professional Services Contracts*: Similarly, for professional services contracts, SFPUC relies on the Administrative Code language and the City Attorney's Office to guide their actions in situations where no proposals are received for professional services contracts. According to CAB staff, SFPUC performs an informal review to determine whether (a) further outreach efforts and/or (b) removal or modification of certain requirements in the contract would result in proposals. As with construction contracts, it is up to SFPUC to make this determination on a case-by-case basis when no proposals are received for a professional services contract.
    - Unlike Administrative Code section 6.23(c) for construction contracts, section 6.40(d), which pertains to professional services contracts, does not prescribe a review of the receipt of a single proposal. However, CAB's professional services contract staff follows an internal policy that formalizes a scoring process for award eligibility following the circumstance of a single proposer. The policy requires single proposers for contracts exceeding $500,000 to reach a minimum score to be eligible for award, and single proposers for contracts under $500,000 are not required to be scored. However, the policy does not state how the scoring process is conducted or how the Department determines the minimum scored required.

Further Outreach Efforts

A comprehensive policy to determine the need for further outreach efforts should include a clear set of criteria for assessing the adequacy of the initial bid/proposal response. These criteria may include the number of bids/proposals received relative to past solicitations for similar contracts, the diversity of bidders/proposers in relation to size and specialty, and the health of competitiveness regarding pricing and quality of bids and proposals. These benchmarks would assist the SFPUC General Manager in determining if initial outreach efforts were sufficient or if further efforts are necessary.

Additionally, the policy should outline an approach to conducting market research and gathering feedback from potential bidders/proposers. This approach could include analyzing industry trends, identifying potential deterrents to bidders, or directly engaging with suppliers to learn potential avenues for improvement.

Lastly, the policy should include the development of an outreach plan specifying additional methods to be used in further outreach efforts, tailored based on the market research phase. This outreach plan may include leveraging digital platforms, industry forums, and direct engagement strategies.

Contract Modifications

A comprehensive policy to determine the need for contract modifications following no bids/proposals received or a single responsive bid/proposal should include a clear set of criteria for reviewing contract terms and conditions to identify barriers for entry for potential bidders/proposers. These criteria should be informed by market research, including feedback from previous bidders and industry experts. Topic areas and potential barriers could include overly stringent qualifications, unrealistic project timelines, and burdensome contractual obligations.

The policy should also include a clear framework for implementing the identified contract modifications, including steps for internal review and approval. It should also specify how these modifications will be communicated to potential bidders/proposers.

Curing Non-Responsive Bids

A policy for curing non-responsive bids following the receipt of one responsive bid and other non-responsive bids should detail a procedural framework for engaging with bidders who have submitted non-responsive bids due to minor or correctable issues. This policy could include specifying the types of deficiencies that are considered curable and establishing a timeline for bidders to rectify the issues. The policy should also mandate transparent communication with all bidders regarding the curing process, including clear instructions on how and when corrections can be made.

Significance of SFPUC Policy Gap in Administrative Code Implementation

Transparency and Fairness

SFPUC should establish clear and well-defined policies and procedures to guide decision-making following the receipt of no bids/proposals or a single responsive bid/proposal to promote transparency of the procurement process and to ensure that the decision-making process, as allowed by Administrative Code sections 6.23(c) and 6.40(d), is consistently and fairly applied. Without clear policies, it may be difficult for stakeholders, including contractors and the public, to understand how decisions are made. Additionally, when discretion is not governed or bound by clear policies, there is a heightened risk that the decisions may be influenced, or perceived to be influenced, by factors other than the best interest of the City, the public, or fair treatment of all vendors. These risks include favoritism, nepotism, or even corruption. For example, if SFPUC decides to award a contract to the sole responsive bidder, that decision could be based on an established relationship with the bidder rather than an assessment that the initial outreach efforts were adequate and that further outreach efforts or contract modifications would not result in additional bids. Similarly, if SFPUC decides to correct a non-responsive bid, that decision could be influenced by subjective preferences or existing relationships, rather than an objective evaluation of the bid's responsiveness.

Internal policies to guide SFPUC actions in these scenarios would provide the necessary framework to ensure uniform and accountable decision-making. Discretionary powers should be exercised within clear and comprehensive guidelines, as recommended by the National Association of State Procurement Officials (NASPO). NASPO advises that "the central procurement office should publish and maintain manuals for procurement personnel to establish public entity-wide procurement goals, objectives, and day-to-day procurement procedures." These manuals serve as practical guides for procurement officers and address various procurement-related topics, including determining responsiveness in bids and proposals, conditions for bid rejection, and resolution of identical bids.

Reduced Competition and Impact on Market Value

In addition to affecting transparency and fairness, the absence of guidelines following the receipt of no bids/proposals or a single responsive bid/proposal could negatively impact competition and market value for SFPUC. Without clear policies and procedures for comprehensively assessing the adequacy of market outreach and the need for contract modifications, SFPUC may not identify barriers that deter potential bidders or proposers, which would impair SFPUC's ability to address and rectify these barriers to broaden the pool of bidders and increase overall competition. A lack of competition typically leads to higher costs and lower quality for the procuring entity.

NASPO states that making post-bid specification changes without re-bidding the work undermines competition. According to the NASPO Procurement Guide, modifications to specifications after issuing a solicitation usually indicate inadequate market research beforehand. NASPO states that any substantial, post-bid specification change should be treated as a new competitive opportunity in which all qualified suppliers should be allowed to participate. However, without clear policies in place, SFPUC could decide to award a contract to a single bidder without adequately assessing the need for contract modifications beforehand, which could undermine the overall competitiveness of the solicitation process.

NASPO identifies various best practices for public procurement officials related to the importance of competition, including the need to "understand market conditions for every procurement" and to "avoid specifications, scopes of work, or contractual relations that reduce competition." NASPO also asserts that performing market research and supplier outreach encourages competition.

Insufficient Bid Response Tracking Practices

CAB does not sufficiently or consistently track the number of responsive and non-responsive bids received per solicitation, which can provide valuable insight into market interest and competition and potentially suspicious bidding patterns. CAB's Construction Division tracks the number of <u>responsive</u> bids received per solicitation, but their records do not include the number of <u>non-responsive</u> bids received. CAB's Professional Services Division does not maintain any record of this information.

For construction contracts, although CAB's tracking does not include non-responsive bids, the data still provides substantial insight into historical patterns of bid competitiveness. The available database contains information about each bid solicitation from FY 1997-98 to the present, including bid date, number of responsive bids received, local business enterprise subcontracting requirement, the engineer's estimate, the lowest bid, the highest bid, the number of bidder questions received, and the number of addenda. The database also provides summary information by fiscal year, including the total number of bids received and the average number of bids received by solicitation, and compares the cost of the bids received versus the engineer's estimate across fiscal years.

Exhibit 2.4 below summarizes the total number of bids received and the average number of bids received per solicitation by fiscal year for construction contracts from FY 2018-19 to FY 2022-23. While the total number of bids received each fiscal year declined from 34 in FY 2018-19 to 24 in FY 2022-23, or by 29 percent, the average number of bids per solicitation fluctuates slightly, ranging from a low of 2.84 in FY 2021-22 to a high of 3.50 in FY 2022-23.

Exhibit 2.4: SFPUC Construction Bid Data per Fiscal Year, FY 2018-19-FY 2022-23

Fiscal Year	Total Number of Bids Received in Fiscal Year	Average Number of Bids Received per Solicitation in Fiscal Year
FY 2018-19	34	3.23
FY 2019-20	33	2.94
FY 2020-21	28	3.27
FY 2021-22	28	2.84
FY 2022-23	24	3.50

Source: SFPUC database.

Overall, SFPUC's bid tracking data for construction contracts is thorough. However, we recommend that CAB also track the number of non-responsive bids and the reason for which the bid was deemed non-responsive. We also recommend that CAB begin tracking this bid-related information for Chapter 6 professional services solicitations, and that CAB use information on non-awarded bidders to assess market interest and potential suspicious bidding patterns, as discussed in the following section.

Monitoring Bid Patterns to Assess Market Interest and Anticompetitive Practices

Monitoring Competition and Market Value

Tracking the total number of bids received, including both responsive and non-responsive bids, and the bid price in response to solicitations can provide important insights into market interest and competition. In addition, monitoring this data would offer insights into the effectiveness of past decisions concerning outreach efforts and the necessity for contract modifications, and would provide the SFPUC with historical data to inform future evaluations. This information would enhance the decision-making process related to Administrative Code section 6.23(c) and 6.40(d) discussed earlier in this section.

Data on responsive and non-responsive bids can also highlight trends, such as consistently low numbers of bids for specific types of solicitations, which might indicate overly restrictive specifications or a lack of adequate market outreach. In contrast, a higher number of bids generally suggests a healthy competitive environment, likely leading to more favorable terms for the Department. For example, receiving no bids might suggest that the procurement was not adequately advertised or that the terms were not appealing to potential vendors. Similarly, receiving only one bid could raise concerns about the competitiveness of the process or suggest a monopoly in the market.

As mentioned earlier, NASPO advocates for the need to understand market conditions for every procurement and that performing market research encourages competition. The U.S.

Government Accountability Office[3] (GAO) highlights the importance of outcome-oriented performance metrics in managing procurement organizations, which includes aspects like bid tracking. In their report, the GAO found that leaders at federal agencies rely primarily on process-oriented metrics and are working to implement metrics for better outcome-oriented assessments. This approach can include tracking bid numbers and competition to evaluate procurement. The GAO's focus on such metrics highlights the importance of tracking and analyzing procurement processes, including bids, to enhance efficiency and decision-making in government procurement.

Monitoring Suspicious Patterns

NASPO recommends that public procurement officials conduct market research that enables them to determine if the market response to a solicitation is appropriate and non-collusive. Procurement officials should be able to identify aberrant and collusive market responses. According to NASPO, auditing bid histories to identify suspicious bidding patterns is a best practice to address anticompetitive practices. NASPO lists various bidding patterns as suspicious, including several described below. If SFPUC enhanced bid tracking and monitoring practices to include relevant information on all bids received, it would be better equipped to identify and address cases of collusive bidding behavior similar to:

- Alternating bid patterns: A recurring pattern where the same group of suppliers alternately emerges as the low bidder over time can indicate collusion, especially if procurement awards follow a suspicious rotation despite appearing competitive individually. This inconsistency with real market conditions, where different contracts should yield varied outcomes, indicates a manipulation of the bidding process rather than genuine competition.
- Rotating territorial or product bidding patterns: An analysis of bids and awards that reveals that suppliers bid exclusively within certain zones or on specific products suggests a market allocation scheme, where each supplier restricts their bids to a particular area or product type.
- No-bid responses from expected bidders: A no-bid response from an expected supplier might simply reflect that company's choice not to bid on a particular contract; however, no-bid responses from two or more expected bidders could indicate a bid rotation scheme, in which where suppliers consensually limit price competition by agreeing to take turns winning contracts.

[3] GAO-21-491, Report to the Chairman, Committee on Homeland Security and Governmental Affairs, U.S. Senate, "Federal Contracting: Senior Leaders Should Use Lead Companies' Key Practices to Improve Performance", July 2021.

- Simultaneous price increases: Supplier prices increasing in a uniform way is sometimes an indicator of price collusion. Prices may increase due to market conditions, however, the bid price increases should not be identical.

To summarize, tracking the number and price of both responsive and non-responsive bids is important for evaluating market interest and the effectiveness of procurement strategies, and would provide insights that could guide the SFPUC in addressing situations of limited competition. This practice, supported by NASPO's emphasis on understanding market conditions and the GAO's recommendation for benchmarking performance metrics, is also important for identifying trends that affect competition and ensuring favorable procurement outcomes through informed decision-making. Additionally, tracking more detailed information on each bidder would allow the SFPUC to monitor for suspicious patterns and identify collusive behaviors like bid rotation and market allocation schemes that undermine competition.

Conclusion

SFPUC has inadequate policies and procedures for handling bid or proposal rejections or failures for Chapter 6 construction and professional services contracts. The lack of specific guidance for post-bid actions, such as assessing the need for further outreach or contract modification, generates a risk of inconsistent decision-making, reduced competitiveness, higher costs, and lower service quality. In addition, CAB lacks comprehensive bid tracking practices, which limits its ability to assess market trends, bidder responsiveness, and collusive behavior. Addressing these gaps by developing clear polices and improving bid tracking aligns with best practices to ensure a competitive and fair bidding environment.

Recommendations

The SFPUC Contract Administration Bureau Manager should:

2.1 Develop and implement a comprehensive policy or procedure consistent with best practices and Administrative Code Sections 6.23(c) and 6.40(d) for handling rejected or failed bids and proposals. The policy or procedure should identify the criteria and process for when and how to undertake further outreach efforts, modify contract requirements, and cure non-responsive bids.

2.2 Develop and implement a policy or procedure to monitor the quantity of bids and proposals received for both construction and professional services contracts. This policy should include tracking both responsive and non-responsive bid data. This data should be analyzed and monitored for patterns indicating changes in competition levels and collusive behavior. The policy and procedure should also identify remedies that should be taken if anti-competitive patterns are suspected. Based on these insights, SFPUC should adjust their approach to crafting solicitation documents as needed to foster greater competition, at its discretion.

Benefits and Costs

Developing dedicated policies to guide decision-making in scenarios with no bids or a single bid in construction and professional services contracts would ensure consistency and transparency in CAB's decision-making process. This increased transparency would support the integrity of the procurement process, could foster greater trust among stakeholders, and could mitigate some of the risk of collusion or corrupt practices, especially in cases of limited competition. SFPUC could also realize gains in efficiency because well-defined policies would enable SFPUC to make informed decisions promptly and avoid delays that could cost staff time and resources.

Additionally, maintaining historical bid data, for both responsive and non-responsive bids, would allow for a more comprehensive analysis of procurement processes. With this information, SFPUC could identify patterns and issues affecting supplier participation, enabling proactive measures such as refining solicitation documents and conditions which could attract more competitive bids, enhance supplier participation, and foster increased competition, potentially resulting in lower costs and higher quality in procured services.

Implementing these recommendations would require SFPUC and City Attorney staff time. However, the recommendations can be completed with existing resources.

3. Contract Procurement Timelines and Goals

The San Francisco Public Utilities Commission (SFPUC) has not established a metric or performance goal to monitor procurement time and processing for Chapter 6 contracts, despite collecting data on the length of time it takes to complete procurement for both construction and professional services contracts. There is wide variation in the length of time it can take to procure a single construction contract: according to data from the Contract Administration Bureau, it can take anywhere from 3.5 to 15 months to complete the approximately 16 milestones required to go from contract initiation to a Notice to Proceed, which marks the end of procurement and the beginning of construction. Delays in contract processing increase the risk that contractors may try to abuse the formal procurement process to expedite it, although our audit fieldwork did not reveal evidence of this occurring. The delays also cost the City money in staff time, and lead to delays in starting construction projects. The SFPUC Contract Administration Bureau Manager should establish a metric and/or goal related to procurement timelines and report to the Infrastructure Assistant General Manager and Chief Engineer on its progress towards that goal.

Absence of Timeline Metrics or Goals

The Contract Administration Bureau (CAB) at the San Francisco Public Utilities Commission (SFPUC) is responsible for developing and executing contracts for services at the SFPUC that fall under either Chapter 21 or Chapter 6 of the San Francisco Administrative Code. Internally, CAB divides its workload and staff into two groups. The first group handles contracts for professional services that fall under Chapter 6 or 21 of the Administrative Code, and the second group handles contracts for construction or public works projects that fall under Chapter 6 of the Administrative Code. The two groups are referred to in this audit as "the professional services group" and "the construction group," respectively. Each group has a manager and several contract analysts assigned to work on contracts that fall under their respective purviews.

CAB staff do not formally track any metrics or performance goals to monitor the length of time it takes to procure and process contracts. The construction group at CAB has been tracking procurement timelines independently for internal purposes, and the professional services group recently implemented procurement tracking capabilities in SharePoint. However, neither group is tracking its performance against any goal or metric of the length of time to procure these services. A procurement timeline goal would make the data that both groups are collecting more useful and relevant to team managers.

CAB's construction procurement team has data that shows that the construction procurement timeline could be shortened, especially with a specific timeline goal established. The construction procurement timeline includes approximately 16 specific procurement milestones, including:

1. **Commission Advertisement Report Date:** CAB assigns a contract analyst, meets with the project team, and receives information about the contract.
2. **Newspaper Advertisement Date:** The Administrative Code requires that opportunities for construction contracts be advertised in a newspaper. This milestone involves obtaining several pieces of documentation, coordinating with the newspaper, and coordinating with the project team on the details of the contract (due dates, etc.).
3. **Bid Due Date:** Once the contract is advertised, CAB coordinates the pre-bid meeting, receives and responds to questions from bidders, distributes contract documents, issues addenda as necessary, and conducts the bid opening on the bid due date.
4. **Selection of Contractor:** After the bids are opened, CAB checks they are responsive, prepares the tabulation, and receives the award memo from the Contract Monitoring Division (CMD) certifying that the contractor meets CMD requirements.
5. **Formal Award at SFPUC Commission:** All contracts with budgets of more than $1 million must be formally awarded by the SFPUC Commission, which meets monthly.
6. **Award Letter to Contractor:** CAB sends the formal award letter, including the boilerplate City contract agreement and any additional required documents, to the contractor.
7. **Contractor Provides Insurance and Bond:** The contractor is required to provide the City with required insurance documents and performance and payment bonds.
8. **Contractor Compliance Date:** All contractor requirements have been verified and deemed in compliance by CAB, including requirements under Administrative Code Chapter 12B[1] and the insurance and bonds described above. The insurance and bond documents have been sent to the City Attorney for review.
9. **City Attorney approves** the insurance documents.
10. **City Attorney approves** the performance and payment bond.
11. **Date to General Manager:** The contract package, including the DocuSign transmittal memo and General Manager memo, is sent to the SFPUC General Manager to initiate the DocuSign electronic signature process.
12. **Date Agreement Returned:** The date that all of the required signatories (General Manager, Contractor, City Attorney, Commission Secretary) sign the contract and it is returned to CAB.

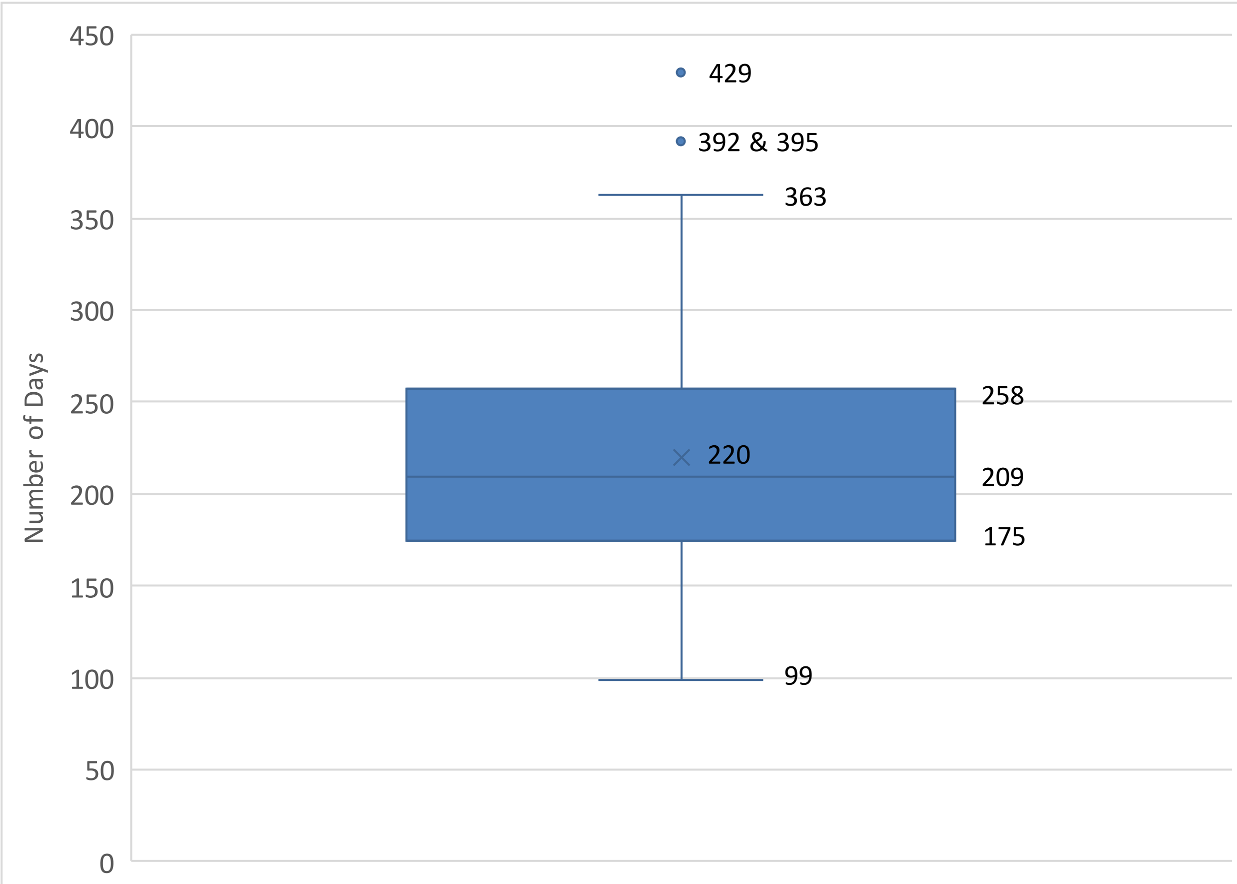
[1] Chapter 12B of the SF Administrative Code establishes that all contracts with the City must include nondiscrimination clauses.

13. **Contract to Infrastructure Budget and Finance (IBF):** The contract and all of its accompanying documents go to IBF's Contract Processing Group for entry into PeopleSoft.
14. **Contract Executed in PeopleSoft:** IBF creates the contract in PeopleSoft.
15. **Purchase Order Dispatch Date:** The project manager submits a Purchase Order (PO) request in Solis and IBF initiates the PO in PeopleSoft.
16. **Notice to Proceed (NTP) Date:** CAB prepares the NTP letter and sends it to the contractor.

According to data tracked internally by CAB, the median time it took to complete all 16 milestones in a set of construction contracts from FY 2016-17 to FY 2022-23 is 209 days, or nearly 7 months,[2] but for some cases it took anywhere from 3.3 to 14.3 months to complete the milestones. The variance in the number of days it takes to complete the construction procurement process is displayed in Exhibit 3.1 below.

[2] Source: PUC dataset titled "Construction_Contract_Tracking_BLA," dated April 11, 2023.

Exhibit 3.1: Box-and-Whisker Plot showing Number of Days in Construction Procurement Timeline, FY 2016-17 to FY 2022-23



Source: BLA analysis of SFPUC data.

Exhibit 3.1 is a box-and-whisker plot that shows the distribution of the duration of procurement processes for a self-reported set of all construction contracts from FY 2016-17 to FY 2022-23. The median number of days it took to procure a single contract during this time period was 209 (7 months), and the average was 220 days (7.3 months). Half of all contracts in this set took between 175 and 258 days (or nearly 6 and 8.5 months, and the 25th and 75th percentiles, respectively) to procure. The shortest amount of time needed to procure a contract was 99 days (3.3 months), and the longest was 429 days (14.3 months), which is also a statistical outlier. This box-and-whisker plot shows three statistical outliers: 392, 395, and 429 days (or 13, 13.2, and 14.3 months, respectively). The plot also shows that there is wider variation, including outliers, on the higher end of the distribution than the lower end.

Overall, the data shows that it can take anywhere from about 3.3 to 14.3 months to complete all 16 milestones and procure a single construction contract. Longer procurement timelines cost the SFPUC money in increased staff time as well as inflated construction costs and generally should be avoided when possible. Additionally, drawn-out procurement processes can increase contractor frustration and decrease trust in the procurement process, which can impact the SFPUC's relationship with the contractor and lead to challenges during the actual construction project. Further, delays in procurement lead to delays in actual construction work performed and can have a chain effect on subsequent projects since there are limited procurement staff members who themselves have limits on the number of contracts they can manage at any given time. Completing procurement on a contract in a timely and efficient manner means that starting procurement for the next construction project will not be held up.

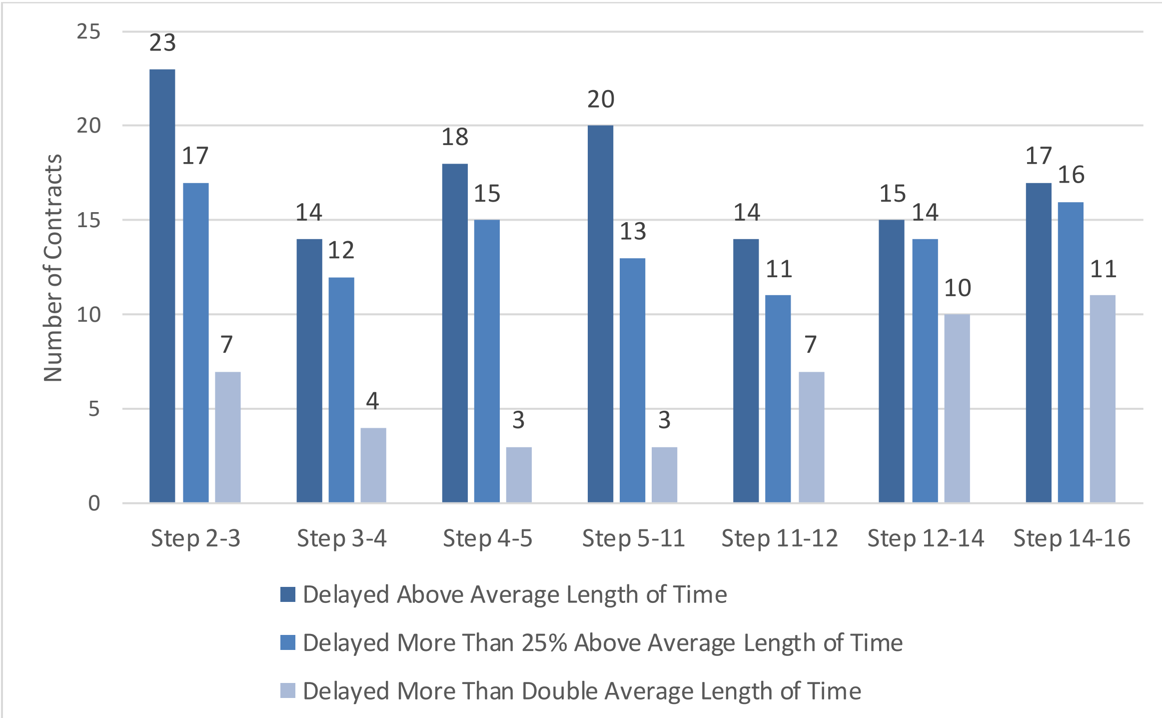
CAB should use this data on procurement timelines to set goal(s) to reduce the length of time it takes to procure construction contracts. The following section briefly discusses some areas of common delays that CAB could prioritize with their timeline goal(s).

Trends in Procurement Delays

Project Milestones

We analyzed 36 contracts that were in the 75th percentile or higher for overall procurement timeline to identify specific milestones prone to delays. To do this, we analyzed the length of time it took for each contract to progress through each milestone and compared that to the average length of time for each milestone across all contracts in the set of contracts provided by CAB. We found that delays occurred throughout many of the milestones for this set of contracts. Exhibit 3.2 shows the number of contracts that were delayed at each milestone point broken down by the amount of the delay.

Exhibit 3.2: Number of Contract Delays by Milestone for Contracts with Procurement Timelines above the 75th Percentile



Source: BLA analysis of SFPUC data. Note: Job Order Contracts and As-Needed Contracts are excluded from this analysis because their procurement processes do not include Steps 14-16.

Exhibit 3.2 above shows that the 36 most-delayed contracts were delayed at each milestone somewhat evenly. However, there were relatively more delays at both the front end and the back end of the 16-step procurement process. Specifically, there were more delays in Steps 2-3, which encompass the time between officially advertising the contract and opening the formal bids on their due date, than delays in other steps: 23 projects took longer than average to complete Steps 2-3, 17 projects took 25 percent longer than average, and seven projects took more than twice than average. Steps 2-3 comprise the bulk of the competitive bidding process for construction contracts. In Steps 2-3, CAB staff place the bid advertisement in a newspaper as required by the City's Administrative Code, coordinate and hold a pre-bid meeting for potential bidders, distribute contract documents, field and answer formal questions from bidders about the contract documents and issue any addenda to the contract documents if required, review any prequalification materials that are submitted, and conduct the formal bid opening process. CAB staff must also coordinate with the project team regarding questions from bidders and other project issues. The SFPUC may also choose to provide potential bidders with a longer window of time in which to prepare a qualified bid for a contract.

When evaluating the number of delays that took twice the average length of time to complete or more, we found that there were considerably more contracts delayed in Steps 12-14 (the time between completing all the required signatures and formally adding the contract to PeopleSoft) and Steps 14-16 (between adding the contract to PeopleSoft and sending the formal Notice to Proceed). Steps 12-14 encompass obtaining the required signatures on the contract (including from the SFPUC General Manager, the contractor, and the City Attorney's office), finalizing all contractor information with the contractor (ensuring they have the correct business tax registration, supplier IDs, and other documents as required to do business with the City), and sending the certified contract to the Infrastructure Budget & Finance (IB&F) bureau to upload in PeopleSoft. Steps 14-16 encompass creating the purchase order: the project manager submits the purchase order request and then IB&F staff initiate and finalize the purchase order in PeopleSoft. The final step, once the purchase order is created, is for CAB staff to prepare the Notice to Proceed letter for the contract, obtain the required signatures on it, and send the letter with a copy of the contract to the contractor. The average duration for Steps 14-16 was 31 days.

Increased project complexity could account for some of these delays; a more complicated project requires a more complicated contract that logically could take longer to assemble all the required documents and review for signature. However, some of these delays result from well-defined action items that take too long, such as required signatures pending for a long period of time and IB&F staff taking too long to add a project in PeopleSoft. These action items should not be routinely causing project delays and, although some of these steps are outside the direct control and jurisdiction of CAB, CAB staff could establish a goal to encourage owners of these action items to reduce these delays.

Overall, while this information about project milestone timelines and delays is useful and valuable to collect, its usefulness could be improved with a performance goal associated with it. A performance goal related to reducing the length of time for procurement of Chapter 6 contracts would allow CAB staff to use this data to track actual performance against their goal, improve efficiency, and measure progress on addressing key issues and sources of delays. Several procurement and construction best practice guides recommend that timelines be tracked and measured against a stated goal. The National Association of State Procurement Officials (NASPO) recommends that any public sector procurement office implement performance metrics related to procurement timelines in their report titled *Critical Success Areas and Key Performance Indicators for State Central Procurement Offices* (2016). Such metrics could include the cycle time on new contracts and the percentage of contracts completed within a targeted timeframe.

Further, the 2022 California Multi-Agency CIP Benchmarking Survey[3] recommends that agencies "lessen time between design completion and a Notice to Proceed." The SFPUC does not have such a goal formalized, and we recommend that one be established.

CAB's professional services group began tracking timeline data too recently to draw conclusions in this audit. However, the group is currently collecting data that tracks the date of each professional services milestone for professional services contracts. We recommend that the professional services group continue to collect this data and analyze it once they have at least one fiscal year's worth of information, and establish similar performance metrics or goals.

Procurement Type

Two of the three statistical outliers that took longer than the 75th percentile in duration were projects that used alternative delivery procurement methods, meaning that the contracts are not traditional design-bid-build contracts and go through a different procurement process. The procurement process for alternative delivery methods often takes longer because the procurement processes have different requirements, and because alternative delivery is often used for more complex construction projects that take longer to negotiate and finalize. While it is important to take the time to be careful and thorough when negotiating contracts for multi-million dollar construction projects, CAB could consider setting specific timeline-related goals for alternative project delivery contracts in order to reduce the length of time it takes to procure these specific contracts.

Conclusion

Lengthy procurement timelines increase the risk that contractors may try to abuse or circumvent the City's official procurement process to expedite it, although our audit fieldwork did not reveal evidence of this occurring. Longer procurement timelines cost the SFPUC money in increased staff time as well as inflated construction costs and can increase contractor frustration and decrease trust in the procurement process. Delays in procurement also lead to delays in the performance of construction work and can have a chain effect on subsequent projects since there are limited procurement staff members who themselves have limits on the number of contracts they can manage at any given time. CAB management should set a goal to reduce the length of their procurement process for their Chapter 6 construction and professional services contracts and continue to track their progress towards their goal.

[3] The California Multi-Agency CIP Benchmarking Study is done by a coalition of public agencies throughout California with the goal of sharing best practices and encouraging collaboration. It is completed annually, and as of December 2023, the most recent study available for reference was published in 2022.

Recommendations

The SFPUC Contract Administration Bureau Manager should:

3.1 Establish a performance metric and/or goal for both Chapter 6 construction procurement timelines and Chapter 6 professional services procurement timelines. The Contract Administration Bureau Manager should regularly report to the Infrastructure Assistant General Manager and Chief Engineer about progress towards these goals, improvements to procurement timelines, and any common procurement delays.

Benefits and Costs

Implementation of the proposed recommendations would improve procurement efficiency and reduce costs in terms of both staff time and construction delays. Implementation of the proposed recommendations can be done by existing SFPUC staff and would not require additional resources.

4. Change Order Management

The management of change orders for construction contracts under Chapter 6 of the San Francisco Administrative Code is decentralized and spread across multiple divisions and databases at the San Francisco Public Utilities Commission (SFPUC). The responsibility for tracking change order amounts and ensuring the project does not exceed its 10 percent contingency threshold is split between SFPUC's project management team in the Construction Management Bureau and the Infrastructure Budget & Finance team. In violation of SFPUC policy, there is no central database or other record-keeping system for construction change order documentation for projects with budgets less than $10 million. Additionally, project managers do not receive formal training on how to evaluate or process proposed change orders that originate from contractors and do not receive training on how to conduct a negotiation on a change order. This lack of training and centralized record-keeping increases the risk that contractors might take advantage of project managers through excessive and/or unnecessary change orders, because there is no centralized method for tracking them and project managers are not regularly trained on addressing change order abuse. Additionally, we reviewed 122 change orders from a sample of 11 construction contracts and found that some of the change orders were missing required signatures. Specifically, we found that nine out of 122 (seven percent) of the change orders in our sample were missing project manager signatures, 18 out of 34 (53 percent) of the change orders that required a signature from the Construction Management Bureau (CMB) Manager were missing a signature from the CMB Manager, and 25 out of 28 (89 percent) of the change orders that required a signature from the Assistant General Manager (AGM) of Infrastructure were missing a required signature from the AGM of Infrastructure.

Change order management is important because change orders can increase project budgets and schedules beyond what is originally agreed upon in the contract, sometimes unnecessarily. They can also be a source of tension between contractors and project owners in the construction industry. Streamlined, knowledgeable, frugal management of change orders is essential to ensure that the City does not approve change orders that are unnecessary, or unnecessarily expensive, to the benefit of the contractor and at the expense of the City.

Construction Change Orders at SFPUC

Change orders are a common tool used in construction management. A change order is a written document issued after the effective date of a contract agreement, executed by both the project manager and the contractor, stating agreement upon modifications to the existing contract. Modifications that can be executed through change orders include changes in the scope of work, changes in price or schedule, or changes to any other contract term or condition. Additional work that increases the project budget is executed through change orders as well.

SFPUC designates three main types of change orders that each have their own processing procedure behind them. The processing procedures are dictated in SFPUC's internal *Construction Change Management* policy document. The first and most common type of change order is called a **Change Order Request (COR)** and it is initiated by the contractor, although the change itself may be initiated by either SFPUC or the contractor. A COR could arise when the contractor discovers an unexpected problem in the field that requires a change to the project budget, timeline, or both, or when SFPUC needs to make a change to the project and the project manager asks the contractor to prepare a COR to address the change. The Change Order Request must include documentation of the necessity of the proposed change and the contractor's best good faith estimate of the budget and schedule impacts of the change. To initiate Change Order Requests with SFPUC, the contractor submits the Change Order Request to the Resident Engineer (RE), who is SFPUC's single point of contact with the contractor on the project. The Resident Engineer sends the Change Order Request to the Field Contract Administrator (FCA) (on some smaller projects, the RE and FCA may be the same person). The Field Contract Administrator reviews the Change Order Request for completeness and recommends approval, rejection, or modification for the Resident Engineer. For CORs over $200,000, the RE is required to prepare a detailed engineer's estimate of the work to be performed under the COR before negotiating with the contractor. The RE may work with the Construction Scheduler and the Estimator to prepare the engineer's estimate and must also get the Program Construction Manager to review it. The City must provide a written response to the contractor's Change Order Request within 10 business days. The response can either accept, reject, or accept with cost modifications the change and the City must keep a record of any negotiations with the contractor regarding the price of the change.

The second type of change order is called a **Proposed Change Order (PCO)**. Proposed Change Orders are less common and are initiated by the City, although, similar to CORs, PCOs may arise from either SFPUC or the contractor. According to SFPUC's *Construction Change Management* policy, the SFPUC Project Engineer (PE) initiates a Proposed Change Order by sending a change order form to the RE and the RE works with the Field Contract Administrator, the Construction Scheduler, and the Estimator to create the time impact analysis and finalize the cost estimate. Then, the RE sends the Proposed Change Order to the Project Manager (PM) who either approves or rejects it. If approved, it goes to the contractor who prepares an itemized cost breakdown for the City team to review. The FCA reviews it for compliance, and the RE reviews it for acceptability. All negotiations are recorded in the Record of Negotiations. Proposed Change Orders must also go through the SFPUC's internal Change Control Board because they represent a deviation from the established SFPUC Capital Improvement Program.

The third type of change order is called a **Unilateral Change Order**. If a change order negotiations process fails, or an urgent construction need arises that cannot wait for the formal change order process to be executed, the City has the right under all construction contracts to issue a Unilateral Change Order that the contractor must comply with.

SFPUC's *Construction Change Management* policy also describes the approvals that are required for change orders. All change orders must go through various approvals depending on the dollar value and/or time impact of the change. Exhibit 4.1 below shows the different approvals that are required, per SFPUC policy, for change orders based on project budgets and the budget or schedule impact of the change order.

Exhibit 4.1: Change Order Approvals by Project Budget and Change Order Amount

Approval Level	Approving Authority[1]	Authority Limit Percentage[2] (% Scope Value)	Maximum Authority Limit for Changes to Project Construction Costs				Extension of Approved Project Schedule[7]
			< $10M	$10M - < $25M	$25M - < $100M	≥ $100M	
1	Project Manager (PM)[3]	2% (per CO)	$200K (per CO)	$350K (per CO)	$1M (per CO)	$1M (per CO)	N/A
2	CMB Manager	4% (per CO)	$400K (per CO)	$700K (per CO)	$2M (per CO)	$3M (per CO)	< 5% (cumulative)
3	Program Director[4]	6% (per CO)	$600K (per CO)	$1M (per CO)	$4M (per CO)	$4M (per CO)	5% - 10% (cumulative)
4	AGM - Infrastructure	> 6% (per CO)	> $600K (cumulative)	> $1M (cumulative)	> $4M (cumulative)	> $4M (cumulative)	> 10% (cumulative)
5	SFPUC Commission[5]	> 10% (cumulative)	> 10% (cumulative)	> 10% (cumulative)	> 10% (cumulative)	> 10% (cumulative)	> $10% (cumulative)
6	General Manager[6]	> 10% (cumulative)	> 10% (cumulative)	> 10% (cumulative)	> 10% (cumulative)	> 10% (cumulative)	>10% (cumulative)

Source: SFPUC *Construction Change Management* Policy.

Importantly, once the cumulative cost increases of a project's change orders surpass 10 percent of the original project budget (e.g., surpass the project's contingency amount), all subsequent change orders must be approved by the SFPUC Commission and the SFPUC General Manager, no matter the size of the project budget or individual change order.

SFPUC Change Orders FY 2019-20 to FY 2021-22

As part our audit fieldwork, we requested a database of all contracts awarded under Chapter 6 of the San Francisco Administrative Code between July 1, 2019 to June 30, 2022 from SFPUC, as well as change orders associated with those contracts. SFPUC reported 91 construction contracts (including traditional design-bid-build construction contracts as well as alternative deliveries, emergency contracts, job order contracts, elevator contracts, and as-needed contracts) that were awarded in the designated timeframe. Exhibit 4.2 below summarizes change orders at SFPUC in this timeframe, and shows that out of these 91 construction contracts, 54 of them, or **59 percent**, had at least one change order associated with the contract. The average number of change orders per contract was nine and the median was five. The largest number of change orders on a single contract in our sample was 89. Fourteen out of the 54 projects with at least one change order, or **26 percent**, had their project budgets increased by more than 10 percent by their cumulative change orders.

Exhibit 4.2: SFPUC Change Orders, July 1, 2019 to June 30, 2022

Total Contracts with Change Orders	Average No. of Change Orders per Contract	Median No. of Change Orders per Contract	Maximum No. of Change Orders on Single Project
54 (59% of 91 total construction contracts)	9	5	89

Source: BLA analysis of SFPUC data.

Change orders clearly make an impact on SFPUC construction projects, with a little over half of all projects in our three-year audit period having at least one change order and a little over 25 percent of contracts with change orders increasing beyond initial project budgets by more than 10 percent. The following sections outline several issues we identified with change order management at SFPUC.

Change Order Management Should Be Improved

The following sections outline several gaps in the SFPUC's management of change orders that should be addressed, given the major impacts that change orders can have on construction projects' budgets and schedules.

Lack of Central Record-Keeping System for Change Order Documentation

There is no central database or other record-keeping system for construction change order documentation for SFPUC projects with budgets of less than $10 million, despite internal SFPUC policy that requires key change order documentation to be uploaded into the SFPUC's construction management information system. SFPUC uses software called Unifier as its construction management information system, which is where information about construction projects, including technical specifications, project updates, and change orders, is stored. SFPUC staff procedure is to only include projects with budgets of $10 million or more in Unifier; all other projects with smaller budgets do not get recorded or managed in Unifier and are managed without the aid of construction management software. These projects' associated project files, including change order documentation, are saved in the individual project folders across the SFPUC servers, or on Sharefile. SFPUC's financial management system, Solis, stores change order summary files for all projects. Exhibit 4.3 below summarizes where documents are saved for each threshold.

Exhibit 4.3: Locations of Project Files

Project Budget	Individual project servers/folders	Unifier	Solis
Less than $10 million	All project files	None	Change order summaries
More than $10 million	N/A	All project files	Change order summaries

Source: SFPUC

According to SFPUC staff, projects with budgets of less than $10 million do not get recorded in Unifier because projects with smaller budgets do not always have enough staff to upload and maintain records in the construction management system.

SFPUC's *Construction Change Management* policy requires several forms of documentation for each change order. Required documentation can vary by type and magnitude of change, but generally includes (1) a record of negotiations, (2) a cost estimate from both the SFPUC Resident Engineer and the Contractor, and (3) project manager and contractor signatures. SFPUC policy requires that this documentation be logged in the SFPUC's Construction Management Information System (CMIS) which, as of December 2023, is Unifier. The policy states at the outset: "Throughout the processing of a Change, the [Construction Management] team members shall forward the transmitted electronic or hardcopy documents to the [Administrative/Document Control Specialist] for logging in the CMIS Correspondence modules" (*Construction Change Management* policy, 3rd revision). Additionally, when describing the specific procedure for processing Proposed Change Orders, the policy states that the final step of the procedure shall be: "The [Field Contracts Administrator] shall monitor the negotiations and log all negotiation rounds in the CMIS module and notify the [Administrative/Document Control Specialist] of the receipt and transmittal of the Record of Negotiations documents for logging and filing in the CMIS as attachments" (*Construction Change Management* policy, 3rd revision).

The policy specifies two instances when change order documentation is supposed to be uploaded into the SFPUC's construction management information system (e.g., Unifier). However, because projects with budgets less than $10 million are not recorded in Unifier, the associated change order documents for those projects are also not recorded in Unifier, in violation of SFPUC policy that requires change order documentation to be uploaded into the SFPUC's construction management information system. The policy does not state that this procedure only applies to projects with budgets of $10 million or more. As a result, only projects over $10 million comply with SFPUC's own internal *Construction Change Management* policy.

As of December 2023, the Construction Management Bureau manager is piloting a change to reduce the Unifier threshold to include projects with budgets of more than $5 million to address the fact that lower-budget projects do not use a central electronic management tool. However, in the database of 91 construction contracts from July 1, 2019 to June 30, 2022 that we reviewed, 48 contracts (53 percent) had total budgets of $5 million or less. In other words, this potential policy change to reduce the Unifier threshold to $5 million and more would leave more than half of SFPUC construction projects without an electronic management system.

It is important that all documents produced throughout the execution of a change order are maintained in an organized manner because change orders impact project schedules and budgets. Project managers, division directors, and other relevant parties need to be able to easily access change order documentation in order to ensure that any fiscal impacts to projects are being executed correctly and thoughtfully.

Oversight of Change Orders is Split Between SFPUC Divisions

The responsibility for tracking change order amounts, monitoring project budgets, and ensuring that projects do not exceed their 10 percent contingency threshold is split between (a) the **project management team**, which is responsible for drafting, negotiating, and approving change orders and interacting with the contractor regarding them, and (b) the **Infrastructure Budget & Finance (IB&F) team**, which is responsible for inputting the change order information into Solis, SFPUC's financial management system, so that the contractor can invoice for the project work represented in the change order.

The project management team is comprised of several members with roles in change order management. According to SFPUC's change order management policy, the Resident Engineer is responsible for conducting negotiations with the contractor and the Project Manager is responsible for tracking the overall project budget and contingency:

- The **Resident Engineer (RE)** is the point of contact with the contractor in the field and is responsible for managing all contract changes, including initiating and/or processing change orders and negotiating with the contractor. The RE is also responsible for preparing the engineer's estimate for the work to be performed under the change order, so that it may be compared to the contractor's estimate. (On some smaller projects, the role of the RE is fulfilled by the **Field Contracts Administrator**.) The RE signs off on change orders. On most projects, the RE reports to the Construction Manager.

- The **Project Manager (PM)** works with the RE to review and approve/revise/reject all potential change orders. The PM signs off on change orders and submits them for subsequent approvals. The PM also monitors the project contingency to ensure the project does not exceed the 10 percent contingency threshold. On most projects, the PM works with the Construction Manager to oversee the project.
- The **Construction Manager (CM)** also oversees the change order process and reviews change orders with recommendations for the PM to ultimately approve or reject them. The CM oversees the Resident Engineer and the Field Contracts Administrator, and works alongside the Project Manager, on the project.

Once the change order is fully approved, it is sent to the **Infrastructure Budget & Finance (IB&F)** team to be entered into Solis, SFPUC's financial management system, to enable the contractor to invoice against the change. All change orders for all projects get entered into Solis. The IB&F team only requires a summary page with the required signatures and a summary of the changes to the contract under the change order to process it in Solis. However, according to the Construction Management Bureau manager, the IB&F team is an important check and control for the project team's change order process, since they are another set of eyes on the change order and they ultimately are the group that executes the change order in the financial system, allowing it to be implemented.

Although IB&F is responsible for processing change orders in the financial system and is the final check in the process to ensure the change order was executed and implemented correctly, IB&F does not have access to all change order negotiation records or estimates/quotes from contractors. The only change order supporting documentation that is uploaded into Solis is the Change Order Summary, which includes a brief description of the change, the total cost and/or time impact of the change, and the required signatures. It does not include a record of negotiations, the Resident Engineer's cost estimate, or proof of SFPUC Commission or General Manager approval, if required. Without all the relevant documentation, IB&F is unable to act as a thorough check and second set of eyes on the change order, leaving responsibility for change order quality control to the project management team only, which, as discussed above, may not have an electronic record keeping system for its change orders depending on the size of the project.

Lack of Formal Training on Change Orders for Project Managers

Project managers and resident engineers do not receive any formal training on how to evaluate or process proposed change orders that originate from contractors and do not receive any training on how to conduct a negotiation on a change order. Project teams utilize professional estimators with specific job training on how to estimate construction projects' schedules and cost on some projects. However, the resident engineer and project manager have the ultimate responsibility for the change order and are not regularly or formally trained on how to manage them. They are expected to use their experience managing past construction projects to guide them, and newer project managers with little or no experience must rely on the informal guidance of their managers or other team members who may have more experience.

Change order management requires discretion from project managers because not all change orders proposed by the contractor are strictly necessary for the successful completion of the project. Similarly, contractors can propose prices for proposed changes that are subject to negotiation from the project manager. In both instances, the project manager needs to be able to recognize when a change order is valid and understand how to get the best outcome and price for the City. Some change orders are straightforward and easy to agree upon, but others involve several rounds of negotiations. Without training on how to recognize unnecessary change orders, and how to best manage a change order negotiation, project managers and resident engineers are left to make decisions on change orders on a project-by-project basis depending on the individual project manager's experience level. SFPUC should implement regular trainings on change order negotiation and management for new project managers, at minimum.

Furthermore, industry best practices encourage agencies to provide regular training to project managers covering their responsibilities. The California Multi-Agency CIP Benchmarking Study,[1] which includes San Francisco Public Works as a member, includes two recommended best practices regarding training for public works project managers:

- Provide formal training for project managers on a regular basis, but at least annually.
- Implement verification procedures to ensure that project manager training includes agency policies, procedures, forms, and standards of practice (scheduling, budgeting, claims avoidance, risk analysis, etc.).

A lack of training on change orders for project managers is inconsistent with these best practices that have been identified by California jurisdictions, including San Francisco Public Works. It leaves too much of the change order processes up to the discretion and experience of individual

[1] The California Multi-Agency CIP Benchmarking Study is conducted by a coalition of public agencies throughout California with the goal of sharing best practices and encouraging collaboration. It is completed annually, and as of December 2023, the most recent study available for reference was published in 2022.

project managers and resident engineers, despite the importance of tight controls on change orders because they can increase project budgets and schedules.

Change Order Documentation Missing Required Approvals

As part of our audit fieldwork, we reviewed change orders from a sample of 11 construction contracts executed in FY 2019-20, FY 2020-21, and FY 2021-22. We reviewed 122 change orders across these 11 projects. Some change order documentation submitted to us for review by SFPUC was missing required signatures.

As mentioned previously, levels of approval authority vary based on the size of the project and the size of the change. Exhibit 4.4 below shows the different approvals that are required for change orders.

Exhibit 4.4: Change Order Approvals by Project Budget and Change Order Amount

Approval Level	Approving Authority[1]	Authority Limit Percentage[2] (% Scope Value)	Maximum Authority Limit for Changes to Project Construction Costs				Extension of Approved Project Schedule[7]
			< $10M	$10M - < $25M	$25M - < $100M	≥ $100M	
1	Project Manager (PM)[3]	2% (per CO)	$200K (per CO)	$350K (per CO)	$1M (per CO)	$1M (per CO)	N/A
2	CMB Manager	4% (per CO)	$400K (per CO)	$700K (per CO)	$2M (per CO)	$3M (per CO)	< 5% (cumulative)
3	Program Director[4]	6% (per CO)	$600K (per CO)	$1M (per CO)	$4M (per CO)	$4M (per CO)	5% - 10% (cumulative)
4	AGM - Infrastructure	> 6% (per CO)	> $600K (cumulative)	> $1M (cumulative)	> $4M (cumulative)	> $4M (cumulative)	> 10% (cumulative)
5	SFPUC Commission[5]	> 10% (cumulative)	> 10% (cumulative)	> 10% (cumulative)	> 10% (cumulative)	> 10% (cumulative)	> $10% (cumulative)
6	General Manager[6]	> 10% (cumulative)	> 10% (cumulative)	> 10% (cumulative)	> 10% (cumulative)	> 10% (cumulative)	>10% (cumulative)

Source: SFPUC's *Construction Change Management* Policy.

Exhibit 4.4 shows that increasing levels of authority are required to approve change orders before they are executed, starting with the project manager and escalating to the SFPUC Commission and General Manager. The column labelled "Authority Limit Percentage (% Scope Value)" shows the percentage of the overall budget that the change order is permitted to be before requiring additional approvals, regardless of project size. The subsequent columns break out the approval requirements for different dollar values of change orders depending on the overall budget of the project (larger projects are permitted to have higher dollar value change orders before triggering higher approval authorities). For schedule changes, it does not matter what the project budget is; the threshold for approvals for any schedule change is the same and is enumerated in the last column.

According to this chart, out of the 122 change orders we reviewed, the following were missing signatures as required.

- **Nine out of 122 (7.4 percent)** of the change orders in our sample were missing project manager signatures, which are required for every single change order.
- **18 out of 34 (53 percent)** of the change orders in our sample that required a signature from the Construction Management Bureau (CMB) Manager were missing a signature from the CMB Manager. A signature from the CMB Manager is required for (a) a single change order that increases a project budget by more than four percent, (b) change orders that are larger in magnitude than those only requiring a project manager signature (see Exhibit 4.4), or (c) for schedule changes greater than five percent.
- **25 out of 28 (89 percent)** of the change orders in our sample that required a signature from the Assistant General Manager (AGM) of Infrastructure were missing a required signature from the AGM of Infrastructure. A signature from the AGM of Infrastructure is required for (a) single change orders that change project budgets by more than six percent, (b) change orders that are larger in magnitude than those requiring the Construction Management Bureau Manager's signature (see Exhibit 4.3), (c) or for schedule changes greater than 10 percent.

In addition to being a violation of the SFPUC's own internal change order policies, the missing signatures indicate that some change orders are not being thoroughly reviewed or vetted before being executed. This lack of review creates the risk that some change orders are implemented when they should not be, such as in instances where a change is not strictly necessary for the project, and increases the risk that change order costs and prices are not being negotiated to have the best outcome for the City in terms of price or other conditions. More approvals on a change order means more opportunities for an approver to notice a mistake and correct it, or notice an opportunity for improvement, and so it is important that all change orders go through all required approvals.

Conclusion

SFPUC's change order management for construction contracts is decentralized and spread across multiple SFPUC divisions and databases, and project managers and engineers do not receive training on how to manage change orders for their individual construction projects. Our audit fieldwork identified multiple instances of change order documentation that was missing the signatures and approvals required by SFPUC internal policy, and in another violation of SFPUC policy, SFPUC does not use a central database or other record-keeping system to store construction change order documentation for projects with budgets of less than $10 million. Organized, effective change order management is important because change orders can increase project budgets and schedules beyond what is originally agreed upon in the contract, and streamlined, knowledgeable, frugal management of change orders is essential to ensure that the SFPUC does not approve change orders that are unnecessary, or unnecessarily expensive, to the benefit of the contractor and at the expense of the City. Although we did not evaluate each change order in our sample for necessity to the project, internal controls are key for minimizing risk.

Recommendations

The SFPUC Assistant General Manager for Infrastructure should:

4.1 Create and implement a training module on change orders for all project managers and construction managers. This training should be reviewed annually and updated when necessitated by changes in procedure. The training should be required for all new project managers and construction managers, and refresher training should be provided to current project managers and construction managers biannually or when changes are made to the training materials.

4.2 Evaluate the benefits of adjusting the Unifier project threshold to $5 million and consider lowering the threshold following the evaluation, if justified.

a. The Construction Management Bureau Manager is currently planning to reduce the Unifier project threshold to $5 million. The Construction Manager Bureau should evaluate the benefits of this change and either implement a formal policy to retain the $5 million threshold, or reduce the threshold further.

Benefits and Costs

Implementation of the proposed recommendations would streamline change order management at SFPUC and decrease the risk that mismanaged change orders lead to unnecessary costs on construction projects. The proposed recommendations would make change order records more organized and improve project manager knowledge of how to best conduct change order negotiations. Implementation of the proposed recommendations can be done with existing SFPUC staff and would not require additional resources. The recommendation to reduce the Unifier project threshold could increase the administrative burden on project managers, who would have to learn and utilize the software for more projects.

5. Alternative Project Delivery Methods

The San Francisco Public Utilities Commission (SFPUC) does not have a policy that establishes which Chapter 6 construction projects should be considered for alternative project delivery methods. Alternative project delivery is defined as a method of delivering a capital project that deviates from the industry-standard Design-Bid-Build method, including but not limited to Design-Build, Construction Manager/General Contractor, Job-Order Contracting, and Emergency Contracts. There are policies, guided by the Administrative Code, dictating the procurement processes for each of these alternative deliveries, and there are policies internal to SFPUC on how to justify the choice to use an alternative delivery method. However, the SFPUC has no formal policy that provides guidance for *when* projects should be considered for alternative delivery and, when deemed necessary, *which* delivery method is most appropriate.

Alternative project delivery methods can be beneficial for certain types of projects: they can bring important construction expertise into the design process and facilitate relationship-building among the designers, engineers, and project owners. However, alternative project delivery methods can also be riskier because they are used less frequently at SFPUC, and therefore the agency has less institutional knowledge or expertise in how to manage them successfully, and because they put the responsibility of successfully delivering the project on a single entity rather than spreading the responsibility between designer and contractor. The SFPUC Assistant General Manager for Infrastructure should adopt a policy that establishes guidelines or criteria for which types of projects get evaluated for alternative project deliveries and create a guide for project managers to use when determining which projects to evaluate for alternative delivery methods.

Alternative Project Delivery Methods

Alternative project delivery is defined as a method of delivering a capital project that deviates from the industry-standard Design-Bid-Build method. For Design-Bid-Build projects, the local jurisdiction uses their internal staff and/or design consultants to create a complete design of a public works project before soliciting bids for the construction portion of the project. Then, the jurisdiction selects the lowest qualified bidder to complete the construction portion of the project. Until the mid-2000s, local jurisdictions were required by state law to contract their public works projects using the Design-Bid-Build project delivery method. San Francisco Administrative Code sections 6.20–6.27 establish the requirements for Design-Bid-Build contracts in San Francisco. These requirements include that any contract with a value of $1 million or greater must be competitively bid and awarded to the lowest qualified bidder. (Administrative Code section 6.1 establishes the $1 million threshold amount.)

However, California state law changed in the mid-2000s to allow local jurisdictions to use alternative project delivery methods to deliver public works projects. These alternative project delivery methods have been available to the private sector for several decades and include Design-Build, Progressive Design-Build, Construction Manager-at-Risk, Construction Manager/General Contractor, Job-Order Contracting, and others. The San Francisco Public Utilities Commission (SFPUC) utilizes several types of alternative delivery methods that are identified as alternatives to traditional Design-Bid-Build, including:

- **Emergency Contracts (Administrative Code section 6.60):** Under Chapter 6, emergency contracts may be executed when the Board of Supervisors makes a declaration of emergency and directs the department head to "perform any repair or other emergency work in any manner the Board determines to be in the best interests of the City" (Administrative Code section 6.60). Emergency contracts are exempt from most procurement rules under Administrative Code Chapters 6, 12B,[1] and 14B[2] because the nature of a state of emergency requires the contracts to be procured expediently. The SFPUC General Manager may also declare an emergency with notice to the Board of Supervisors, Mayor, Controller, and SFPUC Commission. All emergency contracts over $250,000 require a declaration of emergency from the Board of Supervisors. However, if the nature of the emergency does not allow for approval to be obtained in advance, it may be obtained retroactively.
- **Job Order Contracts (Administrative Code section 6.62):** A Job Order Contract (JOC) is a contract where there is a predetermined set of activities to be performed, and those activities are issued to the contractor through task orders for each individual activity. JOCs have maximum costs and terms like other contracts, but the contractor does not perform any work until specifically issued a task order for that work. JOCs are procured similarly to Design-Bid-Build contracts with a few exceptions relating to the level of detail that must be included in the advertisement for bids and in the bids themselves. Additionally, JOCs cannot exceed $5 million or five-year terms, and contractors may not hold more than one JOC with a department at any given time.
- **Construction Manager/General Contractor (Administrative Code section 6.68):** A Construction Manager/General Contractor (CMGC) contract is considered an alternative delivery method because it brings the project contractor into the project at a much earlier stage than in traditional methods, ideally no later than at 30 percent of design

[1] Chapter 12B of the San Francisco Administrative Code establishes that all contracts with the City must include nondiscrimination clauses.

[2] Chapter 14B of the San Francisco Administrative Code establishes and governs the City's Local Business Enterprise (LBE) program. The LBE program was established to encourage City contracts to go to small and local businesses.

completion. The contractor is then available to provide input on the design of the project and collaborate with the designer and project sponsor. The Administrative Code dictates a very specific procurement process for CMGC contracts that differs from the traditional design-bid-build procurement. To use CMGC, the department must formally determine that the CMGC method is the project delivery method that will deliver cost and/or time savings for the project and be in the public's best interest.

- **Design-Build (Administrative Code section 6.61):** In a Design-Build contract, a single contractor, known as the "Design-Builder," is engaged to provide both design and construction services for a single project. The Design-Builder is brought on very early on in the project's development and oversees the design and subsequent construction of the project. Similar to CMGC, the Administrative Code dictates a very specific procurement process for Design-Build contracts that differs from the traditional design-bid-build procurement. To use a Design-Builder, the department must formally determine that the Design-Build method is the project delivery method that will deliver cost and/or time savings for the project and be in the public's best interest.

Our audit scope included contracts that were executed in FY 2019-20, FY 2020-21, and FY 2021-22. According to data provided by SFPUC's Contract Administration Bureau (CAB), during this period SFPUC executed one CMGC, four Design-Build, nine JOC, and three emergency construction contracts[3] for a total of 17 alternative project deliveries out of a total of 91 construction contracts, or 19 percent. The 17 alternative delivery contracts are summarized in Exhibit 5.1 below.

[3] SFPUC also executed one emergency professional services contract during this time frame.

Exhibit 5.1: SFPUC Alternative Delivery Construction Contracts, FY 2019-20 to FY 2021-22

Delivery Method	Project Title	Contractor	Not-to-Exceed Amount
CMGC	CDD Campus at 2000 Marin	Clark Construction Group	$260,450,682
Design-Build	Moccasin Powerhouse Generator Rehab	GE Renewables LLC	$28,898,985
Design-Build	BCTD Phase II – North	Mitchell Engineering	$26,464,250
Design-Build	BCTD Phase II – South	Anvil Builders Inc	$32,208,957
Design-Build	Bay Corridor Trans & Distr	Beta Engineering California LP	$65,933,725
JOC	General Engineering (A-License)	Sierra Mountain Construction Inc	$7,500,000
JOC	Micro (A-License)	Peterson Excavation, Inc	$3,000,000
JOC	General Engineering (A-License)	Yerba Buena Engineering & Construction	$5,000,000
JOC	General Building (B-License)	Rubecon General Contracting Inc	$5,000,000
JOC	General Engineering (A-License)	Anvil Builders Inc	$5,000,000
JOC	General Engineering (A-License)	Ground Control Inc	$5,000,000
JOC	General Engineering (A-License)	Sinclair General Engineering	$5,000,000
JOC	General Engineering (A-License)	A Teichert & Sons Inc	$5,000,000
JOC	General Engineering (A-License)	Trinet Construction Inc	$5,000,000
Emergency	SCU Complex Fire Fence Repairs (A)	Ranch Fence Inc	$1,897,000
Emergency	SCU Complex Fire Fence Repairs (B)	All Commercial Fence Inc	$4,600,000
Emergency	Stern Grove Emergency Site Restoration	Anvil Builders Inc	$18,510,994
Total			**$484,464,593**

Source: SFPUC data.

As shown in Exhibit 5.1 above, the 17 alternative delivery contracts' not-to-exceed amounts total $484.46 million, which is 39 percent of all SFPUC construction contract dollar values from FY 2019-20 to FY 2021-22 and 34 percent of *all* SFPUC Chapter 6 contracts' dollar values, including professional services, during the three-year period. Of the $484.46 million, $260.45 million, or 54 percent, is accounted for in one CMGC contract.

The benefits and risks associated with alternative delivery methods are discussed in the section below.

Benefits and Risks of Alternative Project Delivery

Project owners (defined as the entity that owns the project, in this case SFPUC) choose to use alternative project delivery methods for reasons that vary based on project needs and the type of delivery method chosen. Job Order Contracts specifically are good for a high volume of routine operational work, such as repair and maintenance of existing infrastructure. Project owners can save time and money by drawing on an existing Job Order Contract to execute necessary work rather than having to go out to bid for a new contract each time a need arises. Under the Administrative Code, Job Order Contracts can have a maximum not-to-exceed amount of $5 million and a maximum term of five years, so they are not suitable for complicated longer-term projects such as new construction.

Construction Manager/General Contractor (CMGC) and Design-Build are the types of alternative delivery methods that are often well-suited to large, complicated projects. Of the SFPUC Chapter 6 construction contracts executed during our audit scope period, the five CMGC or Design-Build projects' dollar values represent 33 percent of SFPUC's total construction contracts. These delivery methods are considered better for complicated projects as they allow the contractor to be involved early in the design process. CMGC and Design-Build delivery methods ensure that the construction team and the design team are communicating throughout the design process because, unlike in Design-Bid-Build, the construction team is brought into the project ideally when the design is no more than 30 percent complete. This early involvement means that the construction team can use their expertise to inform the design of the project that they will eventually be building. These methods are also considered ideal if the project owner would like to have a subject matter expert oversee a unique project that is different from the types of projects that the project owner is familiar with.

The benefit of having an efficient, single point of contact for the Design-Build delivery method is also its primary drawback. With one entity, the Design-Builder is responsible for overseeing nearly the entire project, all the potential risks associated with the project fall on that single entity. The project owner needs to ensure that they choose the best Design-Build firm because the financial and engineering success of the project rests squarely with them. Additionally, these alternative delivery methods may require different project management skills from project owners, and because they are used less frequently at the SFPUC, there is a risk that SFPUC management and staff may not know how to maximize their benefits and minimize their risks most successfully.

SFPUC Needs a Policy to Consider Projects for Alternative Project Delivery Methods

SFPUC does not have a policy that dictates which construction projects should be considered for alternative project delivery methods, and there is no citywide guidance on selecting appropriate projects for alternative delivery. Capital projects at the SFPUC are informed by the SFPUC Capital

Plan, which is revisited and revised every two years. Project needs are identified and prioritized in the Capital Plan, and then funded according to priority. Once initiated, projects are managed internally according to policies set forth in SFPUC's Capital Improvement Plan (CIP) Procedures Manual. This manual describes in detail the process for capital project management, including the procedures for determining different options for the project specifications. Additionally, SFPUC has Procedure CA 2.1 "Alternative Project Delivery Method Justification," which describes the procedure for drafting the justification memo that is signed by the SFPUC General Manager once a project delivery method has been identified. This memo includes a description of the criteria used to evaluate the project delivery methods.

Neither SFPUC's CIP Procedures Manual nor Procedure CA 2.1 includes any threshold or policy regarding which projects should be considered for alternative delivery methods or which delivery method is most appropriate if an alternative is desired. It also does not specifically state that all projects should be considered for alternative delivery methods, and SFPUC staff reported to us that they do not conduct an analysis to consider alternative delivery methods for all projects, and that not all projects require one. This evaluation is also not conducted during the 10-year capital planning process, according to SFPUC's capital planning documents, and the current 10-year Capital Plan does not explicitly identify projects that might be appropriate alternative delivery method candidates. SFPUC staff have asserted to us that the decision to consider alternative project delivery is made after the Capital Plan has been adopted. All Capital Plan projects go through a deliverability review as part of the 10-year capital planning process that includes analyzing resources required (including contractors) to deliver the project, but this review does not necessarily involve analysis of alternative delivery options.

The decision to pursue an alternative project delivery method should be made carefully and methodically because of the potential benefits and additional risks involved in selecting an alternative delivery method for a project, as well as the inherent risks involved in large projects that cost tens or even hundreds of millions of dollars that tend to be good candidates for alternative delivery. However, at SFPUC there are no policies dictating when project managers should consider Design-Build, CMGC, or JOC alternative delivery methods. (Emergency contracts, another form of alternative delivery, are by definition used when a defined emergency is declared.) There are policies dictating the procurement processes for each of these alternative deliveries that are guided by Administrative Code requirements, and there are also policies regarding how to justify the choice to use an alternative delivery method. However, the decision-making process for choosing when to pursue an evaluation for an alternative delivery method is not enumerated in any formal SFPUC policy. It is also not centralized in any single SFPUC division, and therefore the decision to consider or pursue alternative delivery rests on individual project managers and/or project teams to weigh the pros and cons and complete the required analysis.

To address this policy gap, SFPUC should establish a policy that specifies guidelines or criteria for which types of projects can be considered for alternative delivery. SFPUC should also create a guide for project managers to use when determining which projects to evaluate for alternative delivery methods. This guide could include the types of projects that could make good candidates for alternative delivery projects, including certain project budgets, sizes, and scopes. The guide could also include guidance on determining which types of alternatives deliveries are appropriate based on details of the proposed projects.

Without a clear, thoughtful policy in place, projects that should be considered for alternative delivery methods may not be considered for them, or projects that should not be considered may be inappropriately considered. The potential consequences of this include mismanaged projects, cost and/or schedule overruns, and poorly delivered projects. Additionally, because alternative delivery methods may be riskier than traditional Design-Bid-Build, depending on the circumstances of the project, SFPUC should have more policies guiding their use in place, not fewer. The National Association of State Procurement Officials (NASPO) recommends in the NASPO *State and Local Government Procurement: A Practical Guide, 3rd Edition* that procurement offices publish and maintain appropriate manuals and establish day-to-day procurement procedures in simple, concise language. An agency-wide policy on selecting projects appropriate for consideration for alternative delivery methods that is clear and easy for all project managers to use would be consistent with this NASPO recommendation.

Conclusion

SFPUC does not have a policy that dictates which projects should be considered for alternative project delivery methods, despite using alternative delivery methods to deliver 17 projects between FY 2019-20 and FY 2021-22 that comprise 34 percent of all SFPUC Chapter 6 contract dollar values in this time period. Alternative delivery methods can have many benefits for project owners but also carry unique risks, and therefore should have more policies guiding their use in place, not fewer.

Recommendations

The SFPUC Assistant General Manager for Infrastructure should:

5.1 Adopt a policy that establishes guidelines or criteria for which types of projects get evaluated for alternative project deliveries.

5.2 Create a guide for project managers to use when determining which projects to evaluate for alternative delivery methods. The guide could include the types of projects that could make good candidates for alternative delivery projects, including certain project budgets, sizes, and scopes. The guide could also include guidance on determining which types of alternatives deliveries are appropriate based on details of the proposed projects.

Benefits and Costs

Implementation of the proposed recommendations would decrease the risk that the wrong projects are being selected for alternative project delivery or that better projects are being overlooked for alternative project delivery, and both scenarios could lead to poorly managed projects and cost and/or schedule overruns. Additionally, implementation of the proposed recommendations would bring the SFPUC in line with recommendations from the National Association of State Procurement Officials (NASPO) that state that procurement offices should have clear, concise policies and manuals on day-to-day procurement processes. Implementation of the proposed recommendations can be done by existing SFPUC staff and would not require additional resources.

6. Bid and Proposal Protests

Our review of bid/proposal protests submitted for San Francisco Public Utilities Commission (SFPUC) Chapter 6 contracts identified one instance where, in the absence of the bid protest and the subsequent additional review conducted by SFPUC, the City Attorney's Office, and/or the Contract Monitoring Division (CMD), the contract would have been awarded to a non-responsive bidder. Of the 124 SFPUC Chapter 6 contracts in our scope period, 14, or 11 percent, had bid protests submitted. Of these protests, four were sustained, meaning that SFPUC agreed with the protest. SFPUC and CMD staff are responsible for evaluating bid submissions to ensure they meet minimum qualifications and are responsive to the bid requirements as part of an initial review. In the case of one professional services contract, SFPUC and/or CMD staff failed to identify the protested proposer as non-responsive during this initial bid review.

Overall, while it appears that SFPUC's bid protest procedure is properly administered, SFPUC should take steps to minimize bid protests that are sustained for failure to meet minimum qualifications. Failure to properly assess bidders' responsiveness as part of the initial bid review increases SFPUC's risk of failed or poorly-executed projects carried out by unqualified contractors. To ensure that all individuals responsible for evaluating bidder responsiveness and qualifications receive regular training and instruction on minimum qualifications and bid evaluation, we recommend that the Contract Administration Bureau Provide annual mandatory instruction and training to all SFPUC individuals who are responsible for reviewing minimum qualifications and evaluating bids for Chapter 6 construction and professional services contracts, drawing on specific examples from recent sustained bid protests.

Chapter 6 Bid Protest Procedures

Section 6.21(d) of Chapter 6 of the City's Administrative Code gives authority to the department head to prescribe procedures for submitting bid protests for construction contracts.[1] The San Francisco Public Utilities Commission (SFPUC), in consultation with the City Attorney's Office, establishes bid/proposal protest procedures for Chapter 6 construction and professional services contracts in the bid specifications or request for proposals. In general, as outlined in these documents, bidders/proposers may submit three different types of objections or protests related to SFPUC Chapter 6 contracts:

[1] Section 6.21(d) relates only to construction contracts; there is no corresponding provision for professional services contracts.

1. **Written objections by a prospective bidder/proposer to any provision or legal requirement set forth in or imposed by the solicitation or contract documents**
   a. Potential objections may include allegations that the bid or contract documents are unlawful; that one or more of the requirements in the bid or contract documents is onerous, unfair, or unclear, or that the documents contain ambiguities, conflicts, discrepancies, or errors; or that the structure of the bid documents does not allow for a correct or optimal solicitation process, or unnecessarily precludes alternative solutions to the work.
2. **Bid/proposal protests submitted by a bidder/proposer against another bidder(s) or proposer(s)**
   a. A responsive bidder or proposer who believes the City has unfairly selected another bidder or proposer for award may protest the City's selection.
3. **Protests submitted by a bidder whose bid was rejected based upon a determination that the bid was non-responsive**
   a. If SFPUC staff determine that a bid or proposal should be rejected because it is non-responsive to the solicitation materials or the bidder/proposer fails to meet minimum qualifications, the bidder or proposer may protest this determination.

Protestors must submit their protests or objections to the City in writing within the timeframe specified in the bid specifications or request for proposals. The protest must describe in detail the basis for the protest and provide supporting evidence. After receiving a protest, the City reviews the protest and conducts an investigation, which may include a review of additional information or supplemental correspondence. Upon completion of its investigation, the City provides a written determination to the protesting bidder/proposer and a copy to the protested bidder/proposer.

Responding to a protest and conducting an investigation in order to make a determination requires staff time from SFPUC's Contract Administration Bureau (CAB), the City Attorney's Office, the Contract Monitoring Division (CMD), and potentially other SFPUC and/or City agencies. Bid protests can also delay the award of a contract, and by extension delay the project itself, while the protest is evaluated and the parties prepare correspondence and rebuttals and review additional documentation. However, as noted by the National Association of State and Local Procurement Officials (NASPO) in *State and Local Government Procurement: A Practical Guide, 3rd Edition*, an effective bid protest procedure can promote fairness and transparency in an agency's procurement process, and the opportunity to protest can function as a check on flawed or anticompetitive awards. Bid protests also provide the opportunity for an agency to identify defects in the procurement process.

Recommendations for Bid Protest Procedures

Our review of SFPUC's established bid protest procedures found that the procedure overall appears properly administered. As summarized above, bid protests have both benefits (increased transparency and a public check on the procurement and evaluation process) and costs (contract award delays and demands on staff time, particularly for denied protests that do not ultimately affect the contract award). It is in SFPUC's and the City's best interest to minimize the demands on staff time and project delays associated with bid protests that are ultimately denied, while still allowing for a fair and transparent protest process.

In *State and Local Government Procurement: A Practical Guide, 3rd Edition*, NASPO offers suggestions to minimize or avoid bid protests that still allow for transparency and accountability, and to address bid protests when they occur, including:

- Hold a pre-bid/proposal conference to address supplier questions and concerns, and share notes with all suppliers.
- Create a simple and straightforward way for potential bidders to submit questions, and make the information available to all potential bidders.
- Avoid deviating from the written requirements of the solicitation during the evaluation of bids or proposals.
- Have a process for determining when a solicitation amendment is needed. This should include publishing the amendment, notifying potential suppliers, and allowing sufficient time for responses.
- Discuss any protest with the user agency or department and legal counsel when received. Ensure that each protest point is vetted and analyzed against the solicitation requirement and the way the proposal or bid was evaluated.

Overall, we found that SFPUC's bid protest practices conform to the recommendations and tips provided by NASPO. SFPUC regularly holds pre-bid meetings for potential bidders, and publicly posts documentation about bids, including Q&A documents and responses, advertisement addenda and amendments, the pre-bid conference agenda, and the final bid tabulation, on its online bid portal. Our review of bid protest materials provided by SFPUC found that overall communications with potential bidders and protestors was clear and direct.

Chapter 6 Bid Protests Received by SFPUC

As mentioned above, bid protests are also an opportunity to identify defects in an agency's procurement process. Our review of bid protests submitted for SFPUC Chapter 6 contracts identified one instance where, in the absence of the bid protest and the subsequent additional review conducted SFPUC, the City Attorney's Office, and/or CMD, the professional services contract would have been awarded to a non-responsive bidder.

Of the 124 contracts in our scope period, 14, or 11 percent, had bid protests submitted. Of these 14 contracts, eight protests were denied, three protests were sustained, two had the protested bidder withdraw making the protest moot, and one contract had multiple protests that resulted in one protest denied and one protest sustained. Details of the four sustained bid protests are summarized in Exhibit 6.1 below.

For the professional services contract, PUC.PRO.0164 Engineering Services for Lower Alemany Area Stormwater Improvement Project, the bid protest process prevented SFPUC from awarding a contract to a non-responsive proposer or a proposer who did not meet minimum qualifications to perform the work. For the remaining three bid protests for low-bid construction contracts, the bid protest period occurs before the SFPUC completes bid responsiveness and responsibility review and determinations are announced via the SFPUC Commission meeting agenda.

Exhibit 6.1: Details of Sustained Bid Protests

Contract No.	Date of Award	Details of Sustained Protest
WW-645R	2/23/2021	SFPUC received three bids for Contract No. WW-645R, Westside Pump Station Reliability Improvements. SFPUC received bid protests from (a) the second-lowest bidder against the lowest bidder, and (b) the third-lowest bidder against the lowest and second-lowest bidder. SFPUC denied the protest from the third-lowest bidder against the second-lowest bidder, and sustained the protest against the lowest bidder. According to approved SFPUC Commission meeting minutes, the Contract Monitoring Division (CMD) was unable to make a clear determination on local business enterprise (LBE) subcontracting participation requirements, and CMD determined that the lowest bidder was non-responsive for **failing to meet the good-faith outreach requirements**.
PUC.PRO.0164	7/27/2021	SFPUC received three proposals for Agreement No. PRO.0164, Engineering Services. The proposals were evaluated in a process that included (1) a technical written proposal evaluation, (2) a community benefits submittal evaluation, (3) oral interviews, and (4) overhead and profit schedule evaluation. The second-highest scoring proposer protested the proposal submitted by the highest-scoring proposer. After additional research, CAB, in consultation with the City Attorney's Office and CMD, issued a final protest determination sustaining the protest and rejecting the highest-scoring proposal, because **it failed to meet the minimum qualifications in the RFP**.
WD-2871	11/9/2021	SFPUC received four bids for Contract No. WD-2871, Sunol Valley Water Treatment Plant and Chloramination Facility Aqua Ammonia Structural Repairs and Tank Replacement. The second-place lowest bidder submitted a bid protest protesting the bid submitted by the lowest bidder. The Contract Administration Bureau (CAB), in consultation with the City Attorney's Office and the Contract Monitoring Division (CMD), sustained the protest and rejected the protested bid because **it did not establish that the listed subcontractor for metal fabrication met the required qualifications**.
WD-2882	2/8/2022	SFPUC received four bids for Agreement No. WD-2882, Trousdale Oaks Tree Removal Project. The second-place lowest bidder submitted a bid protest protesting the bid submitted by the lowest bidder, arguing that **neither the lowest bidder nor its subcontractors had the contractors' license required for the work**. CAB, in consultation with the City Attorney's Office and CMD, sustained the protest and rejected the bid submitted by the lowest bidder.

Source: BLA review of SFPUC staff reports to the SFPUC Commission, SFPUC Commission meeting minutes, and bid protest supporting documentation provided by SFPUC.

Bid and Proposal Evaluation Responsibility

As summarized below, it is the responsibility of SFPUC and Contract Monitoring Division staff to evaluate bids and proposals to ensure they meet the minimum qualifications and are responsive to the bid requirements.

Construction Contracts

As established in Administrative Code section 6.20, a department seeking outside construction services for a public work or improvement project exceeding the threshold amount of $1,000,000 shall award the contract to the contractor submitting the lowest responsive and responsible bid.[2] The procurement process for Chapter 6 contracts is described in detail in *Appendix A: SFPUC Chapter 6 Procurement Process* to this report. To summarize, for construction contracts, it is the responsibility of the SFPUC Contract Administration Bureau (CAB), SFPUC Project Management Bureau, SFPUC Engineering Management Bureau, and City Administrator's Contract Monitoring Division (CMD) to collectively determine the responsiveness and responsibility of each bid submission. After the project has been advertised, the bid has been opened, and SFPUC has received bidder submissions, CAB, Project Management Bureau, Engineering Management Bureau, and CMD evaluate the bid submissions. Each agency's responsibilities include:

- CAB prepares the bid tabulation summary and completes responsiveness review, including license and debarment checks.
- The Project Management Bureau and Engineering Management Bureau technically evaluate the bids and bidder qualifications, which includes a comparison to the original cost estimate included in the bid documents.
- The Contract Monitoring Division assesses each bidder's local business enterprise (LBE) goals for responsiveness and compliance.

Professional Services Contracts

As established in Administrative Code section 6.40, a department seeking outside professional services for a public work or improvement project that exceeds the minimum competitive amount of $200,000 must procure services through a competitive process based primarily on proposer qualifications. The procurement process for Chapter 6 contracts is described in detail in *Appendix A: SFPUC Chapter 6 Procurement Process* to this report. To summarize, for professional services contracts, SFPUC issues a Request for Proposals (RFP) or Request for Qualifications (RFQ) and designates one or more panels to review proposals and rate respondents. Based on the results of the panel review, SFPUC recommends award of the

[2] Selection of vendors differs for some alternative delivery methods. For example, a Design-Build vendor can be selected by either lowest bid, a fixed price, or best value procurement.

contract. For professional services contracts, it is the responsibility of the CAB contract analyst and CMD analyst to determine the responsiveness of each proposal submission, and for the contract owner to review the proposal to ensure the proposer(s) meet the minimum qualifications of the RFP.

- Following submittals, the CAB contract analyst conducts an initial screening for compliance and submits a summary of non-compliance to the CAB Contracts Manager. The contract analyst reviews the overall responsiveness of each package. CMD also reviews each submittal for compliance with the RFP's local business enterprise requirements.
- The CAB contract analyst sends proposals to the contract owner to review proposals for compliance with the minimum qualifications criteria.
- An evaluation panel reviews each responsive submittal, and (if required) the CAB contract analyst administers oral interviews. Following the evaluation panel and interviews, the CAB contract analyst reviews and tabulates the final scores to identify the highest-scoring proposer to recommend for contract award.

The one sustained bid protest for professional services contracts in our scope period concluded with the determination that the proposer failed to meet the minimum qualifications in the RFP. In the initial screening for compliance, the contract owner failed to determine that the bidder did not meet the minimum qualifications in the RFP.

Risks of Inadequate Bid or Proposal Evaluation

The initial review of bids and proposals by SFPUC and CMD staff is essential to ensure that SFPUC only awards Chapter 6 construction and professional services contracts to qualified responsive bidders. Failure to properly assess bidders'/proposers' responsiveness as part of the initial bid/proposal review increases SFPUC's risk of failed or poorly-executed projects carried out by unqualified contractors, especially for traditional construction contracts that are awarded to the responsive and responsible bidder with the lowest price. Although the four sustained bid protests represent only three percent of the 124 construction and professional services contracts in our scope, the sustained bid protests do indicate potential confusion in solicitation documents and evaluation flaws on the part of the SFPUC and CMD staff who evaluated the bids.

SFPUC should ensure that all individuals responsible for evaluating bidder/proposer responsiveness and qualifications receive regular training and instruction on minimum qualifications and bid evaluation. As discussed in *Section 1: SFPUC Procurement Policies, Procedures, and Training* of this report, we found that SFPUC does not adequately maintain its internal policies and procedures for contract procurement activities, and does not have a formalized training program to onboard new staff or provide ongoing training to existing staff. Our recommendations in Section 1 include the creation of a single, comprehensive policy manual; the establishment of a formal training program; and the development of a framework to assess staff competency of procurement skills. In addition, we specifically recommend that the SFPUC Contract Administration Bureau provide annual instruction and training to all individuals responsible for reviewing minimum qualifications and evaluating bids, drawing on specific examples from recent sustained bid protests, in order to minimize the risk of awarding contracts to bidders who do not meet minimum qualifications.

Conclusion

Overall, while it appears that SFPUC's protest procedure is properly administered, SFPUC should take steps to minimize protests that are sustained for failure to meet minimum qualifications. If SFPUC and CMD staff do not properly assess bidders'/proposers' responsiveness as part of the initial bid review, it increases SFPUC's risk of failed or poorly-executed projects carried out by unqualified contractors.

Recommendations

The SFPUC Contract Administration Bureau Manager should:

6.1 Provide annual mandatory instruction and training on minimum qualifications and proposal evaluation to all SFPUC individuals who are responsible for evaluating bids for Chapter 6 construction and professional services contracts, drawing on specific examples from recent sustained bid protests.

Benefits and Costs

Implementation of the proposed recommendations would reduce the risk that SFPUC awards a contract to an unqualified bidder/proposer, and by extension would reduce the risk of failed or poorly-executed projects. Implementation of the proposed recommendations may also decrease (but would not eliminate) the number of protests SFPUC receives, which would decrease the amount of staff time and effort spent responding to protests. These recommendations would require annual investment of staff time to prepare and attend the trainings, and can be accomplished with existing resources.

7. Chapter 6 Contractor Performance and Evaluation Database

The City's Chapter 6 departments (Public Works, Public Utilities Commission, Municipal Transportation Agency, Recreation and Parks, the Port, and the Airport) are not using the City's contractor performance and evaluation database, as required by section 6.26 of the City's Administrative Code, to document, evaluate, and report on construction contractor performance. Although a database was developed and piloted in FY 2018-19, rollout of the database to all Chapter 6 departments was stalled during the COVID-19 pandemic and has not resumed. There are software problems and bugs in the database that need to be addressed, and Public Works management has stated that sufficient resources have not been allocated to support this work. The lack of consistent use of the Chapter 6 contractor performance and evaluation database increases the risk that the City is hiring construction contractors with past records of poor performance, and could lead to the City wasting money on ineffective, inefficient contractors. We recommend that the Mayor's Office and the Board of Supervisors consider providing Public Works with the sufficient staffing resources in FY 2025-26 for management of the database, and that the Director of Technology ensure that the database is fully operational. The Director of Public Works, the Director of Transportation, the General Manager of the Public Utilities Commission, the Director of the Airport, the General Manager of Recreation and Parks, and the Director of the Port Authority should direct their project managers to use the contract database.

Use of the Contractor Performance and Evaluation Database

None of the Chapter 6 departments (Public Works, Public Utilities Commission, Municipal Transportation Agency, Recreation and Parks, the Port, or the Airport) consistently document, evaluate, and report on the performance of Chapter 6 contractors in the City's contractor performance and evaluation database, as required by section 6.26 of the City's Administrative Code. Section 6.26, which requires Chapter 6 departments to work with the Controller's Office to create and maintain a contractor performance and evaluation database, was added to the City's Administrative Code by the Board of Supervisors in Ordinance 94-16 following a 2014-15 Civil Grand Jury report titled "San Francisco's City Construction Program: It Needs Work," which recommended that Chapter 6 be amended to require contractor performance as an additional criterion for awarding construction contracts and to make past performance a construction award criterion for all future City construction contracts. This recommendation addressed the Civil Grand Jury's finding that the existing lowest bid contracting method was not optimal because it increased costs due to additional project change orders and reduced the number of quality contractors willing to bid on City projects. The Civil Grand Jury reasoned that including past performance as an evaluation criterion would address issues of contractor performance that arise when contractors are selected based on the lowest price to perform the work.

Under the terms of section 6.26 of the Administrative Code, all Chapter 6 departments are required to: document, evaluate, and report the performance of all construction contractors awarded contracts first advertised or initiated on or after March 31, 2017; work with the Controller's Office to create and maintain a database of contractor performance evaluations; and submit a report to the Board of Supervisors describing the implementation of the contractor evaluation program and database.

In 2022, a subsequent 2021-22 Civil Grand Jury report on construction contracting titled "Shovel Ready: Best Practices and Collaboration to Improve San Francisco's Capital Construction Program" found that the original recommendations from the 2014-15 Civil Grand Jury had not been fully implemented, and recommended that the Mayor's Office assign a specific department to manage the contractor performance and evaluation database and its rollout. The Mayor's Office responded by identifying the Department of Public Works to be the responsible department. According to Public Works staff, the Mayor's Office also identified that the database was no longer supported by the vendor. Furthermore, in September 2022 the Board of Supervisors passed resolution 409-22 urging Public Works to assign a project manager to the database rollout by December 31, 2022. Public Works has since been responsible for the database.

Stalled Contractor Performance and Evaluation Database Rollout

According to staff from the Controller's Office and Public Works, following the 2016 ordinance that added section 6.26 to the Administrative Code, Public Works assigned a staff member to work with the Controller's Office and the Department of Technology to create the contractor performance and evaluation database. The Controller's Office hired a contractor to build out the database, and in FY 2018-19 the database was piloted with 10 construction projects and their contractors. The database includes basic information about the project, a section for the City project manager to rate their experience working with the contractor, and a section for the contractor to rate their experience working with the City. Public Works began using the database in 2020, and the plan was to roll out the database to the other five Chapter 6 departments individually.

However, the rollout of the database to the other departments was paused in 2020 during the COVID-19 pandemic and has not resumed. As of August 2024, there are only 12 projects with evaluations marked as "Complete" in the contractor performance and evaluation database out of a total of 176 projects entered into the database so far. The remaining 164 evaluations are marked as either "In progress," "Draft," or have their progress field left blank. (Some of these evaluations are for projects where construction is ongoing, so the evaluation is not yet due.) The department associated with 165 out of 176 projects in the database is Public Works, but Public Works is not consistently completing evaluations for all of its construction contractors as evidenced by only 12 completed evaluations in the database.

The other five Chapter 6 departments (Public Utilities Commission, Municipal Transportation Agency, Recreation and Parks, the Port, and the Airport) are not utilizing the database at all. Each of those departments only has one completed evaluation in the database.

Database Bugs and Lack of Implementation Management

According to staff from the Controller's Office and Public Works, the database is not being used by Chapter 6 project managers because there is no position dedicated to implementing its use across all six Chapter 6 departments and because the database is currently under repair. The Public Works employee assigned to oversee the database left the Department in 2022. As a result, there is no full-time employee at Public Works dedicated to implementing and managing the contractor performance and evaluation database, despite Board of Supervisors Resolution 409-22 that urged the Department to hire a dedicated database manager. Public Works staff asserted that no funding was identified, nor was a position provided, for the Department to handle this additional responsibility. During the initial implementation, Public Works provided an existing staff member to do work related to the roll-out of the system.[1]

In addition, the contractor performance and evaluation database are experiencing bugs that make it much less effective and need to be fixed, including a problem with the email notification system that is supposed to notify staff that they are required to complete a contractor evaluation. As of August 2024, Department of Technology staff are working to fix these bugs and migrate the database to a more functional platform. Staff under Public Works' City Architect have been assigned to work with the Department of Technology to fix the problems with the database and eventually train the other Chapter 6 departments on its use, but there is currently no workorder for the project so any hours that staff from the Controller's Office or the Department of Technology spend on the database are not reimbursed, which is further hampering implementation efforts.

[1] According to Public Works staff, administrative functions in Public Works are funded using an indirect cost plan that complies with federal law (2 CFR 200). Under federal law, this position could not work on administrative items for other departments and thus would need to be funded by the General Fund or directly funded by other Chapter 6 departments based on an allocation.

The Importance of Contractor Performance Evaluations

The absence of consistent, centralized contractor performance evaluations increases the risk that Chapter 6 departments could award construction contracts to underperforming contractors and waste money on inefficient construction contracts. The Administrative Code currently mandates that most construction contracts be awarded to the bidder that submits the lowest-cost proposal and meets the minimum qualifications for the project. This process does not enable Chapter 6 departments to consider past contractor performance on City projects and could lead them to select contractors that have performed poorly on past projects or who have formed difficult working relationships with City project owners. Departments are not required to utilize information included in the contractor database when awarding contracts, and further action from the Board of Supervisors would be necessary to make it a requirement.

Three distinct Civil Grand Jury reports (the 2014-15 and 2021-22 Civil Grand Jury reports mentioned above as well as a 2020-21 Civil Grand Jury report on the Van Ness Bus Rapid Transit project) have highlighted the risks of the City's existing construction contracting methods and have made numerous recommendations to improve construction contracting, including the creation and implementation of the contractor performance and evaluation database. Additionally, the National Association of State Procurement Officials (NASPO) recommends that vendor performance be measured as a key performance indicator for procurement offices. In addition to an overall lack of compliance with the requirements in section 6.26 of the Administrative Code, without a functioning contractor performance and evaluation database, Chapter 6 departments do not have a streamlined, centralized method to evaluate their construction contractors and share the results of their evaluations with other City departments, which increases the risk that the City could hire contractors that have performed poorly on projects in the past. However, Chapter 6 department staff as well as staff from the City Attorney's Office noted that there are potential logistical challenges to using information on past contractor performance when awarding contracts. Further action will be needed once the database is functional and utilized to incorporate evaluations into the contract award process.

Conclusion

To comply with section 6.26 of the City's Administrative Code and to improve overall contractor performance monitoring and evaluation, the Chapter 6 departments should be documenting, evaluating, and reporting on construction contractor performance using a database set up by the Controller's Office. Although the database was created, it requires maintenance and updates by the Department of Technology and ongoing management to ensure it is usable. Without this maintenance, none of the Chapter 6 departments are able to use it to evaluate their construction contractors, which puts the City at risk of hiring construction contractors with past records of poor performance and could waste money on ineffective, inefficient contractors.

Recommendations

The Board of Supervisors and the Mayor's Office should:

7.1 Consider providing Public Works with sufficient staffing resources, from enterprise and General Fund monies as appropriate, in FY 2025-26 for management of the contractor performance and evaluation database.

The Director of Public Works, the Director of Transportation, the General Manager of the Public Utilities Commission, the Director of the Airport, the General Manager of Recreation and Parks, and the Director of the Port Authority should:

7.2 Direct their project managers, contract managers, and any other staff responsible for contract management to use the contractor performance and evaluation database to complete evaluations for all construction contractors who completed projects with contracts executed on or after the functional start date of the database.

7.3 Report to the Board of Supervisors on progress implementing these recommendations no later than January 1, 2026.

The Director of Technology should:

7.4 Ensure that the contractor performance and evaluation database is fully operational no later than January 1, 2026.

Benefits and Costs

Implementation of the proposed recommendations would reduce the City's risk of wasting funds on underperforming construction contractors and ensure Chapter 6 departments are able to comply with the requirements of section 6.26 of the Administrative Code. The proposed recommendations would generate an ongoing cost to enterprise funds, including to the San Francisco Public Utilities Commission, Airport, and Port as well as to the City's General Fund for staffing resources. The total cost would be determined by the Mayor and Board of Supervisors. The breakdown of costs between enterprise funds and the General Fund is dependent on the estimated use of the database by each Chapter 6 department. The departments with General Fund support and delegated authority under Chapter 6 include Public Works, Recreation and Parks, and San Francisco Municipal Transportation Agency. Annual costs will increase each year according to cost-of-living adjustments and collective bargaining agreements.

Appendix A: SFPUC Chapter 6 Procurement Process

SFPUC Service Provision and Chapter 6 Contract Procurement

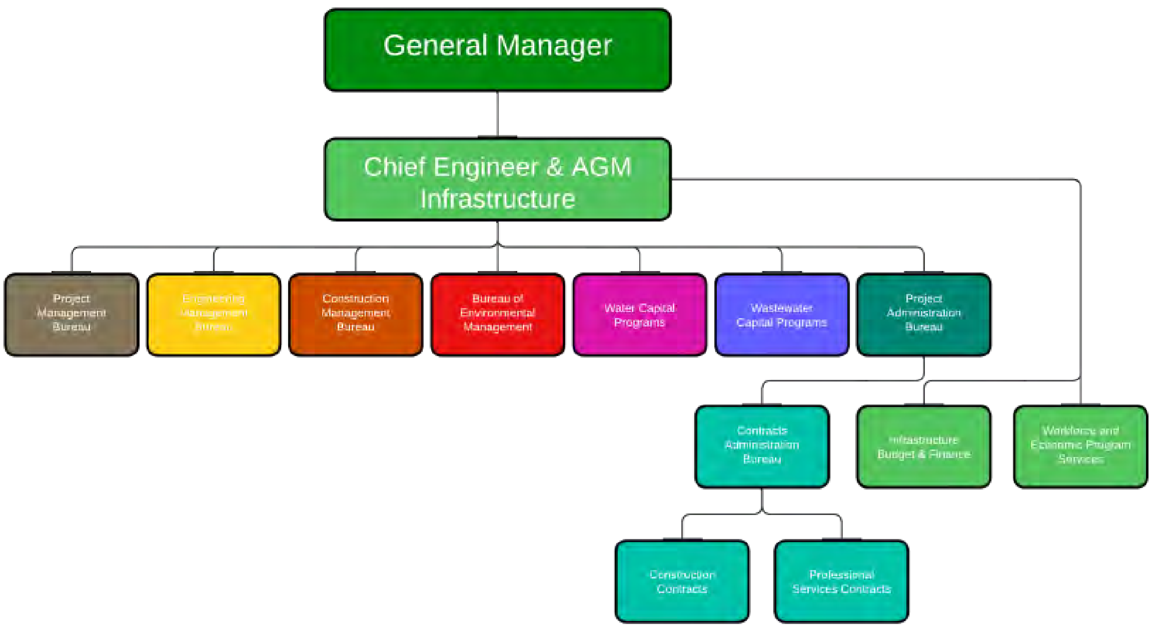
The San Francisco Public Utilities Commission (SFPUC) is responsible for delivering the City's water, wastewater, and municipal power utility services.

- **Water Services:** SFPUC manages the Hetch Hetchy Regional Water System, which brings water from the Sierra Nevada mountains to the Bay Area. SFPUC is responsible for the water collection from regional reservoirs, watersheds, and dams, water treatment services, and water transmission through a system of various facilities and plants, pipelines, and tunnels. SFPUC provides water directly to customers in San Francisco and wholesale service areas in Alameda, Santa Clara, and San Mateo counties. San Francisco's water supply is sourced from more than 1,250 miles of distribution pipelines, 12 in-City reservoirs, and eight water tanks.
- **Wastewater Services:** SFPUC provides wastewater management for San Francisco, including the collection, treatment, and disposal of sewage and stormwater.
- **Municipal Power Services:** SFPUC owns and operates all aspects of the Hetch Hetchy Power System, which provides municipal power to San Francisco through hydroelectric and solar power. The Hetch Hetchy Power System includes three hydroelectric powerhouses, two of which receive water from the Hetch Hetchy Reservoir and one which receives water from Lake Eleanor and Cherry Lake. Additionally, SFPUC operates solar installations located on City-owned property, including Moscone Center, City Hall, Sunset Reservoir, and Davies Symphony Hall. The installations assist in powering the City-owned buildings and other Hetch Hetchy Power customers.

SFPUC procures public works construction and professional services contracts in response to the Department-identified infrastructure needs. SFPUC's public works contract procurement process must adhere to a regulatory framework, including various federal, state, and local requirements. Specifically, Chapter 6 of the San Francisco Administrative Code governs the public works contracting policies and procedures for SFPUC, including policies and procedures for the procurement of professional design, consulting, and construction management services. Chapter 6 outlines which methods of procurement may be utilized for public works contracts, depending on the project complexity, budget, and needs. Chapter 6 also requires contracts to be awarded in compliance with the local business enterprise and non-discrimination procedures established in the City's Administrative Code and Labor and Employment Code.

The procurement process for all SFPUC Chapter 6 contracts is a collaborative effort among several SFPUC bureaus, the City Attorney's office, the requesting enterprise or division, the Contract Monitoring Division (CMD) and Risk Management Division under the San Francisco City Administrator's Office, the Civil Service Commission, the Department of Human Resources, and the Controller's Office. The contract type (professional services or construction) determines the responsibilities and level of involvement of each entity in the procurement of the contract. Below is an overview of SFPUC's procurement process for both Chapter 6 professional services contracts and construction contracts. Exhibit A.1 below shows the organizational structure of the various SFPUC bureaus involved in the procurement process.

Exhibit A.1: Organizational Structure of SFPUC Bureaus Involved in the Procurement Process



Source: SFPUC Infrastructure organizational chart.

Professional Services Contract Procurement Process

Per Administrative Code section 6.40, a department seeking outside professional services for a public work or improvement project, such as design, consultant, or construction management services, that exceeds the minimum competitive amount of $200,000 must procure services through a competitive process based primarily on proposer qualifications. According to SFPUC staff, contracts valued under $20,000[1] do not require a competitive solicitation, and contracts greater than $20,000 and less than the minimum competitive amount of $200,000 may follow an informal solicitation process. Per Administrative Code section 6.40, for professional services contracts exceeding the minimum competitive amount, the department is required to issue a formal Request for Proposals (RFP) or Request for Qualifications (RFQ) and to designate one or more panels to review proposals and rate respondents. Based on the results of the panel evaluation, the department recommends the highest-ranked qualified respondent(s) be awarded the contract(s). Per Administrative Code section 6.41, the competitive proposals for professional services must at a minimum require evaluation criteria. The evaluation criteria is to be determined by the department on a project-by-project basis.

The SFPUC bureaus primarily involved in professional services contract procurement are the Contract Administration Bureau (CAB) and either the Engineering Management Bureau(EMB), the Project Management Bureau (PMB), and/or the Construction Management Bureau within the SFPUC Infrastructure Division, or other enterprise groups such as the Power or Wastewater enterprise

- **CAB** is responsible for managing and issuing a Request for Proposals/Qualifications (RFP/Q), monitoring and tracking forms for RFP/Q approval, facilitating the proposal review and selection processes, negotiating the contract with the selected respondent, administering the executed contracts, and ensuring compliance with applicable policies, laws, and contract terms.
- **The Contract Owner** (either the PMB, EMB, and/or Construction Management Bureau within the SFPUC Infrastructure Division, or other enterprise groups such as the Power or Wastewater enterprise) is responsible for securing project funding, authorizing the issuance of an RFP/Q, submitting all agenda items to CAB, approving invoices, and tracking contract capacity, insurance renewals, and contract duration. The Contract Owner is also responsible for the execution of the project scope, schedule, and budget.

According to SFPUC internal policy, the procurement of a professional services contract involves six phases: (1) Contract Request/RFP/Q Initiation, (2) RFP/Q Development, (3) Advertisement, (4) Proposal Evaluation and Selection, (5) Contract Approval and Award, and (6) Contract Execution and Certification. These phases are described below.

[1] Following the receipt of the draft report, SFPUC staff reported this threshold, which was formerly $10,000, was increased to $20,000 in early 2024.

Phase 1, Contract Request/RFP/Q Initiation:

During phase 1, a Contract Owner obtains approval from their supervisor to initiate a new contract. Upon approval, the Contract Owner submits a contract request form to CAB. This form includes basic information, including but not limited to funding source, value of contract, desired contract start date, and a summary of the scope of work. The Contract Owner submits the request form to CAB.

Phase 2, RFP/Q Development:

RFP Document Development and Approval:

- After the contract request form is submitted to CAB, the contract workflow is initiated in SFBid, SFPUC's online bidding platform for professional services contracts, and the CAB Contracts Manager assigns a contracts analyst[2] to the contract. The contract analyst generates an RFP document template and a suggested contract schedule, which is submitted to the Contract Owner for review and completion. The Contract Owner develops the RFP with high-level tasks and the type of work that will be performed under the contract. The Contract Owner also expands on the scope of work.
- The contract analyst reviews the RFP and scope of work and sends the RFP to the Contract Monitoring Division (CMD) for determination of compliance with local business enterprise (LBE) requirements. Upon CMD approval, a supervisor of the Contract Owner reviews and approves the RFP/Q. Upon Contract Owner supervisor approval, the contract analyst drafts the Professional Services agreement, using the City's P-606 template.
- The RFP and agreement are sent to the City Attorney's Office for review and approval of the RFP and draft agreement. If the City Attorney provides edits, the contract analyst will incorporate the edits and resubmit the documents to the City Attorney. This task will be repeated until all edits are resolved.
- Upon City Attorney approval, the contract analyst submits the draft of the RFP and agreement to the CAB Contract Manager for final approval. Upon final approval by the CAB Contracts Manager, the contract analyst posts a publicly available advertisement for the RFP/Q on SFBid.

[2] The contract analyst serves as CAB's primary point of contact for the PM, other internal stakeholders, and the public regarding the solicitation.

Civil Service Commission/Department of Human Resources Approval: Parallel to the initial steps of RFP document development, the Contract Owner prepares the Personal Services Contract (PSC) Summary Form to obtain approval from the Civil Service Commission (CSC) or the Department of Human Resources (DHR) that the services be contracted out. CSC approval is required for contracts over $100,000[3], but DHR may approve contracts under $100,000. Prior to approval, the appropriate unions are given the opportunity to raise any concerns regarding the services to be contracted out.

Initiation of Evaluation Process and Advertisement: Parallel to the RFP document development, the Contract Owner begins planning the solicitation evaluation process and advertisement. At this stage, the Contract Owner considers the individuals who could serve as evaluation panelists, drafts evaluation guidelines for the solicitation, and prepares an advertising summary. Parallel to the RFP document approval process, the contract analyst sends a Panelist Selection Form (PSF) to the Contract Owner for completion. The contract analyst then submits the PSF to CMD for approval.

Phase 3, Advertisement and Proposal Submittal

About 10 days following the posting of the advertisement, a pre-submittal meeting is held with internal and external stakeholders. The pre-submittal meeting is scheduled by the contract analyst and led by the Contract Owner, and includes presentations from relevant external stakeholders such as CMD[4], First Source Hiring[5], and/or OLSE[6]. During the pre-submittal meeting, potential proposers are informed about the solicitation process and discuss the proposal requirements of the solicitation and any applicable addenda. Topics covered include project minimum qualifications, reference projects, addenda, the proposal due date and submission process, the proposal evaluation process, notices of contract award, and verification of required insurance. After the pre-submittal meeting, CAB publicly posts relevant attachments and documents to SFBid. Following the meeting,

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[3] Following the receipt of the draft report, SFPUC staff reported the $100,000 to $200,000 increase was approved by the SFPUC Commission in November 2023, however the increase was operationalized at a later date due to required software system updates.

[4] The Contract Monitoring Division (CMD) is a part of the San Francisco City Administrator's Office. CMD oversees the City's contracting process to ensure compliance with relevant Administrative Code requirements, including Chapters 12B and 14B.

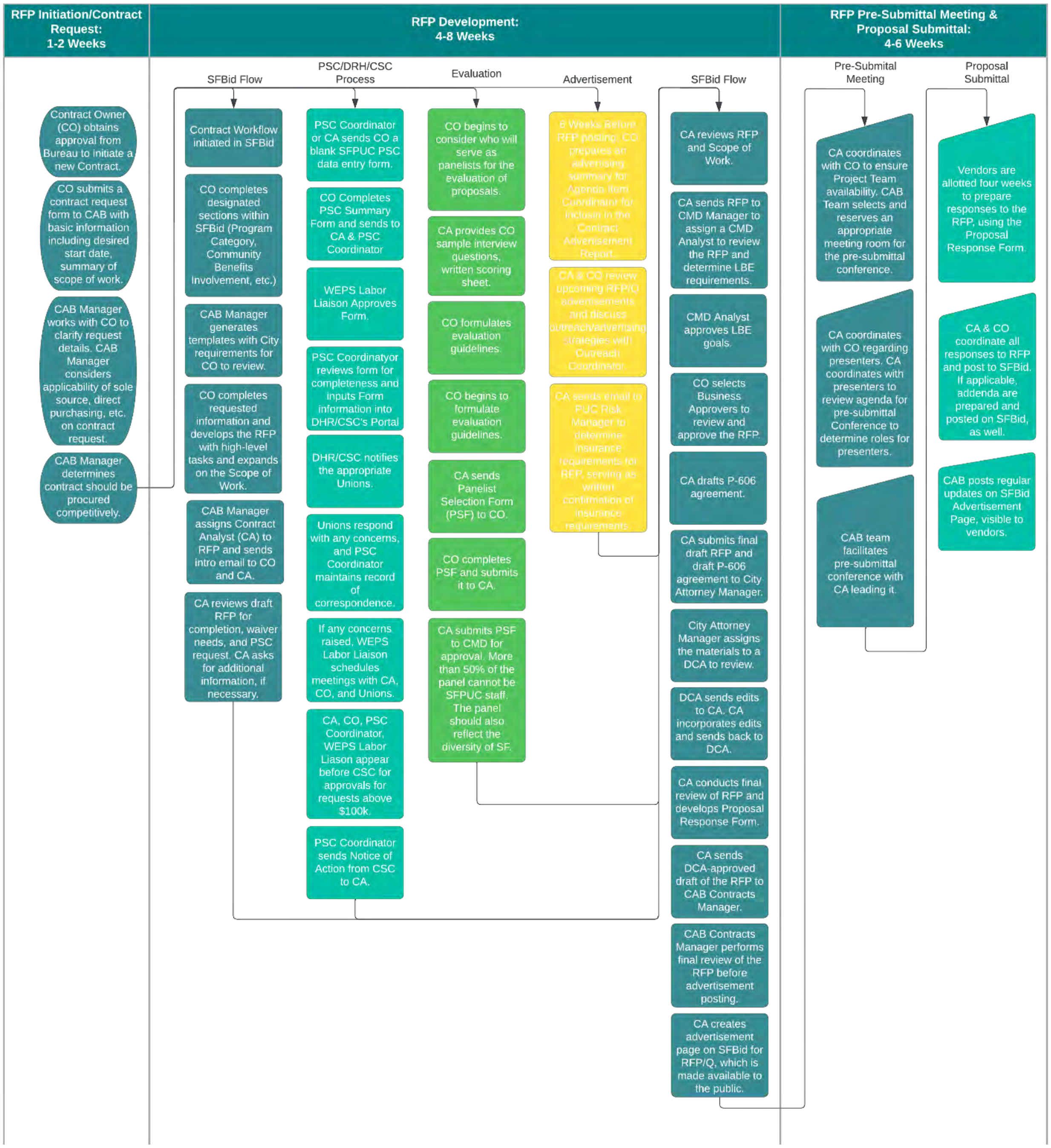
[5] The First Source Hiring Program, administered by the Office of Economic & Workforce Development (OEWD), was enacted in 1998 under Administrative Code Chapter 83. The program requires that developers, contractors, and employers use good-faith efforts to hire economically disadvantaged San Franciscan residents for new entry level positions.

[6] The Office of Labor Standards Enforcement (OLSE) enforces San Francisco's labor laws, including but not limited to minimum wage, paid sick leave, health care security, and worker protections.

at least three weeks are given to vendors to prepare responses to the solicitation. During this time, CAB posts updates to the SFBid solicitation page.

Exhibit A.2 maps phases one through four of the procurement process for SFPUC professional services contracts, from contract request through proposal submittal. The mapping is continued in Exhibit A.3, providing the latter half of the procurement process for professional services contracts, from proposal evaluation through contract certification.

Exhibit A.2: SFPUC Professional Services Process Mapping, Contract Request through Proposal Submittal



Source: BLA summary of SFPUC procedure manual and SFPUC staff feedback.

Phase 4, Proposal Evaluation and Vendor Selection

Following submittals, the contract analyst conducts an initial screening for compliance with SFPUC's internal contract checklist, and submits a summary of non-compliance to the CAB Contracts Manager. The contract analyst reviews the overall completeness of each package. The analyst sends the proposal to the Contract Owner to determine if proposers meet the minimum qualifications. The Contract Owner then sends the minimum qualifications determination to the analyst. Following the minimum qualification determination, the analyst confirms the responsiveness determination with CMD. After CMD's confirmation of responsiveness, the proposal package is ready to be received by the evaluation panel.

Each responsive submittal is then reviewed by an evaluation panel. CAB schedules a panelist orientation conference call with the Contract Owner (and CMD, if there is a Local Business Enterprise requirement) and sends a panelist packet to each panelist, including overall evaluation procedures, a conflict-of-interest statement for panelist signature, a copy of the RFP, and the scoring sheet. Following the conference call and the panelist review of the packets, the panelists submit their scores, and CAB compiles and reviews the tabulation. If the solicitation document requires an oral interview, the contract analyst sends notification to the proposers identified for oral interviews. The contract analyst administers the oral interviews, and the panelists submit their oral interview scores to the contract analyst. CAB compiles and reviews the tabulation.

The contract analyst tabulates the overall scores with all applicable CMD rating bonuses, and the CAB Contracts Manager reviews the overall score tabulations.

The contract analyst posts the proposer recommended for the contract award on SFBid, following approval from the CAB Contracts Manager. If there no protests are submitted during the five-day protest period, the contract analyst notifies the selected proposer of insurance requirements, CMD compliance provisions, and other City requirements including Minimum Compensation Ordinance,[7] Healthcare Security Ordinance,[8] and

[7] San Francisco's Minimum Compensation Ordinance (MCO) requires employers with at least 20 employees to meet a minimum compensation level for covered employees, which includes both hourly wages and employer-paid healthcare expenditures. The ordinance is designed to ensure that workers receive a certain level of overall compensation, taking into account wages and health benefits, to address the city's high cost of living.

[8] San Francisco's Health Care Security Ordinance (HCSO) requires certain employers to make health care expenditures on behalf of their covered employees, either by providing health insurance or by making specified contributions to the city's health access program. The ordinance aims to ensure that employees have access to healthcare benefits and to contribute to the overall health and well-being of the workforce.

Business Tax Registration.[9] If any protests are submitted within the five-day protest period, the contract analyst works with the Contract Owner and the City Attorney's Office to facilitate the protest process.

Phase 5, Contract Approval and Award

Following the recommendation for award and the resolution of any protests, CAB and the PM receive the CMD Award Memo, determining that the recommended awardee complies with Administrative Code Chapter 14B LBE requirements. Professional services contracts over $1,000,000 must be approved by the SFPUC Commission. Currently, contract award approval has been delegated by the Commission to the General Manager for contracts below the Threshold Amount (as defined in Administrative Code Chapter 6). If the contract is equal to or more than $10,000,000 or the term is more than 10 years, the contract must also be approved by the Board of Supervisors. The Contract Owner compiles the necessary information needed for the contract to be included on the SFPUC Commission agenda for approval.

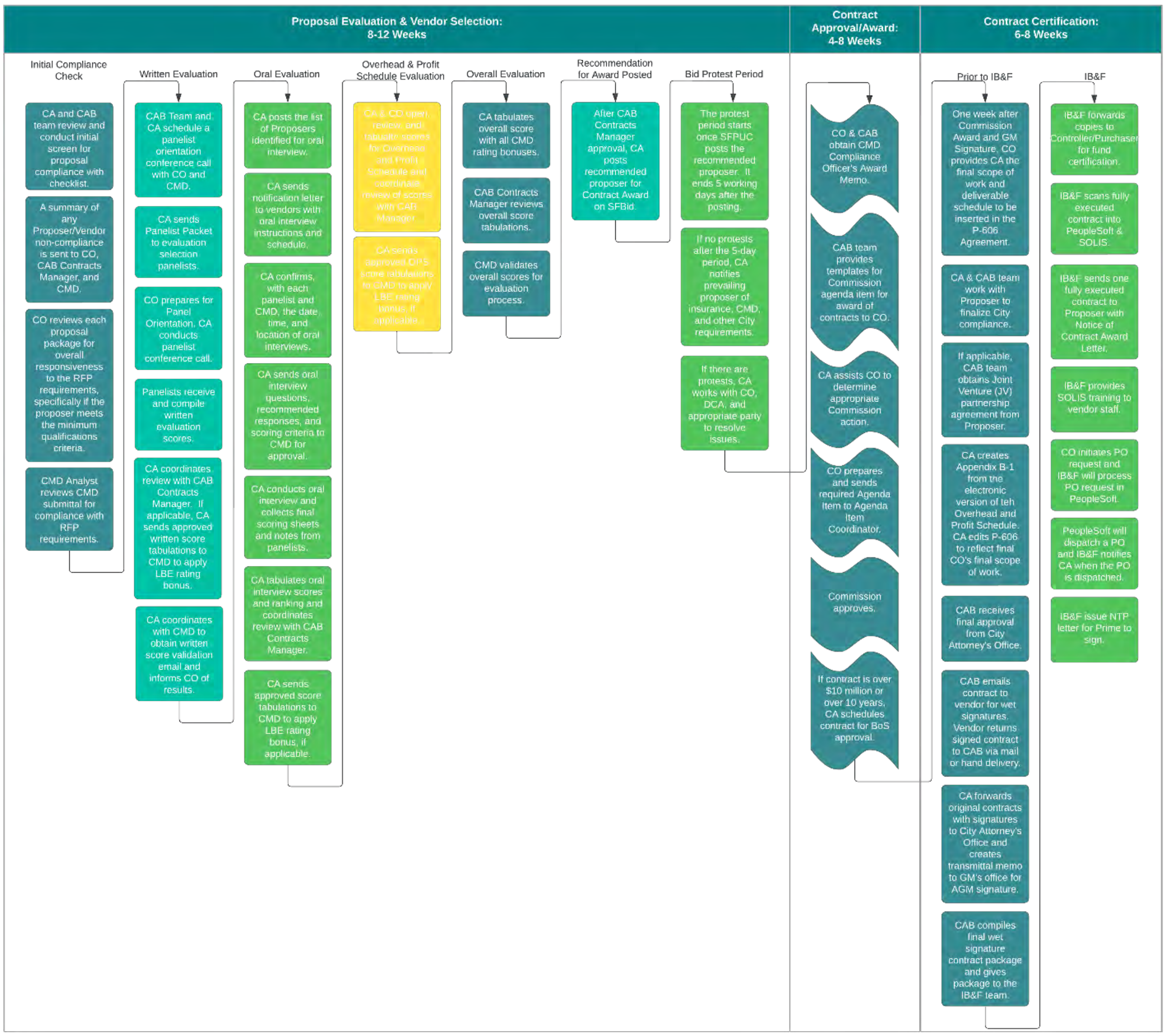
Phase 6, Contract Certification

Following Commission approval, the contract analyst finalizes the final scope of work from the RFP to be included in the agreement. CAB assists the proposer with City requirements, including insurance, Labor and Employment Code compliance, and Business Tax Registration. The contract analyst incorporates the necessary appendices to the agreement and submits the documentation to the City Attorney's Office. The City Attorney's Office reviews, finalizes, and approves the agreement and appendices, and CAB sends the final version to the proposer for signature. Upon signature receipt, CAB submits a certification packet to SFPUC's Infrastructure Budget & Finance (IB&F) Division. The IB&F Division works to receive the Controller fund certification, uploads all necessary documents to the applicable internal databases, and sends a Notice of Contract Award Letter to the proposer. IB&F dispatches a purchase order and issues a Notice to Proceed Letter for the proposer to sign.

[9] San Francisco's business tax registration requirements mandate that all businesses operating within the city, including individuals and entities conducting business activities, must register with the San Francisco Treasurer & Tax Collector's Office and obtain a Business Registration Certificate. The business tax is calculated based on various factors such as gross receipts and payroll expenses, and compliance with these requirements is essential for legal operation within the city.

Exhibit A.3 below maps the latter half of the procurement process for professional services contracts, from proposal evaluation through contract certification.

Exhibit A.3: SFPUC Professional Services Process Mapping, Proposal Evaluation through Contract Certification



Source: BLA summary of SFPUC procedure manual and SFPUC staff feedback.

Construction Contract Procurement Process

Chapter 6 of the City's Administrative Code establishes procurement rules for public works construction contracts.

- Per Administrative Code section 6.20, a department seeking outside construction services for a public work or improvement project exceeding the threshold amount of $1,000,000 shall award the contract to the lowest responsive bid. Prior to recommending an above-threshold construction contract, the department must prepare detailed program requirements and estimates for the work to be performed.
- For construction contracts less than or equal to the threshold amount of $1,000,000, the department is required to obtain not fewer than three quotes and shall award the contract to the bidder offering the lowest quotation. For construction contracts less than or equal to $10,000, no competitive solicitation is required.

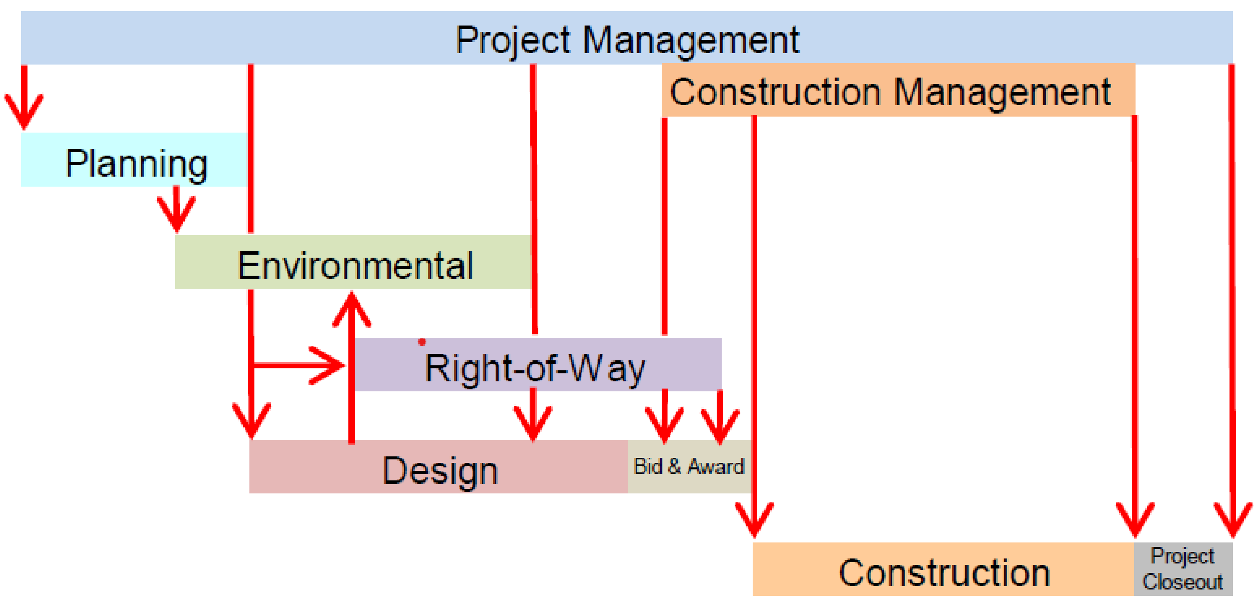
The procurement of construction contracts requires involvement from various SFPUC bureaus and enterprises. The responsibilities of SFPUC bureaus are as follows:

- **Project Management Bureau (PMB)** is responsible for execution of the project work scope, schedule, budget, and administration of all construction contracts through closeout. PMB is also responsible for overall project communication and coordination, both internal and external to SFPUC.
- **Engineering Management Bureau (EMB)** is responsible for the design phases of construction work including staff guidance, engineering standards, design criteria, technical quality assurance, and design quality control. EMB also ensures the completion of technical information for engineering reports, drawings, calculations, specifications, and cost estimates.
- **Construction Management Bureau (CMB)** is responsible for construction quality assurance and provides overall construction management oversight and construction contract administration during construction.
- The enterprise or division (Hetch Hetchy, Water, City Distribution, Power, or Wastewater) assigns an Operations Representative to represent the interests of the enterprise or division involved in the construction.
- **Bureau of Environmental Management (BEM)** provides specialized environmental expertise to assist PMB in obtaining the project's compliance with applicable environmental regulations, including the California Environmental Quality Act (CEQA). BEM informs PMB of the CEQA strategy, budget, and schedule. BEM also provides environmental compliance oversight during construction.

- **Contract Administration Bureau (CAB)** is responsible for the procurement of construction contracts following the development of the solicitation documents. CAB advertises the bid, oversees the selection, award, and execution cycles, and processes certain subsequent contract modifications.
- The **Capital Improvements Projects (CIP) Steering Committee** is responsible for recommending that a particular project move to the next phase of development and the contract selection and delivery method. The Committee consists of SFPUC senior managers and is led by the Assistant General Manager for Infrastructure.

According to SFPUC's internal policies, the development of a construction project can be divided into nine major phases: (1) Project Management, (2) Planning, (3) Environmental, (4) Design, (5) Right-of-Way, (6) Bid and Award, (7) Construction Management, (8) Construction, and (9) Project Closeout. Exhibit A.4 below illustrates the construction development process, beginning with initial planning through project close-out.

Exhibit A.4: SFPUC Construction Contract Development Process



Note: Actual start and ending dates for each phase varies by project.
The Planning Phase consists of three subphases (Needs Assessment, Alternatives Analysis, and Conceptual Engineering).

Source: SFPUC Policy PM 2.01, Project Development Process.

Phase 1, Project Management Phase

The Project Management phase encompasses the entirety of the construction project's lifecycle, from planning through project close-out. Included within the Project Management phase are all tasks related to project management functions and oversight, project controls, records management, and legal support.

Phase 2, Planning Phase

During the Planning phase, the Project Management Plan (PMP) is initiated by the project manager within PMB. The PMP is the management plan for each project that includes project objectives, scope, and quality control. The PMP is initiated at the beginning of the Planning Phase but not finalized until the end of the Design Phase. Site investigations and the selection of a consultant and/or an in-house design team to facilitate the design of the project also take place during the Planning Phase. The Planning Phase also includes three subphases: <u>needs assessment</u>, <u>alternatives analysis</u>, and <u>conceptual engineering report</u>.

- In the <u>needs assessment</u> subphase, the Needs Assessment Team (NAT) works to determine the needs of a project, based on the Capital Improvement Plan (CIP) and a comparison of current conditions with the Department's needs and desires. The NAT is comprised of PMB, EMB, BEM, the Operations Representative, the City Attorney's Office, and other SFPUC staff involved in real estate services, engineering, and public affairs. The NAT issues a report identifying the current problem and needs and defining the project objectives and potential options. The NAT submits the report to the CIP Steering Committee for the Committee's recommendation. The Committee determines a need for the project, and then recommends approval to the Assistant General Manager of Infrastructure (AGM). The AGM approves the need of the project.
- Following approval of the Needs Assessment Report, the project may move to the <u>alternatives analysis activities</u>. According to SFPUC internal policy, not all projects require an alternatives analysis. For those projects that do require an alternatives analysis, this phase of the process determines if an alternative delivery method, such as Design-Build or Construction Manager/General Contractor methods, should be used instead of the standard Design-Bid-Build method. The Alternatives Analysis Team (AAT), comprised of PMB, EMB, BEM, the Operations Representative, and other SFPUC staff involved in engineering, safety, health, public affairs, and auditing, works to develop alternative options that satisfy the project's goals and requirements related to (1) projected costs and schedules and

(2) engineering and design. The AAT gathers relevant information and prepares criteria for a technical evaluation and builds on the NAT's assessment of current conditions. From this analysis, the AAT prepares a report recommending the preferred alternative solution. The report is reviewed by the project manager, project engineer, and Operations Representative, and then submitted to the CIP Steering Committee for their recommendation to the AGM.

- Following the approval of the Alternatives Analysis, the Conceptual Engineering subphase begins. The Conceptual Engineering Report Team (CERT) works to prepare an engineering analysis based on the recommended preferred alternative. CERT develops a Conceptual Engineering Report (CER) including the scope of work, design criteria, sketches of conceptual designs, permit requirements, and other requirements related to the project. The report is reviewed by the project manager, project engineer, and the Operations Representative, and then submitted to the CIP Steering Committee for their recommendation to the AGM.

Phase 3, Environmental Phase

Near the end of the Planning phase, the Environmental Phase begins. This phase includes all environmental review and permitting activities to meet the applicable local, state, and federal requirements. The project manager from PMB requests the environmental project manager from BEM initiate the California Environmental Quality Act (CEQA)[10] application process housed in the Environmental Planning Division of the San Francisco Planning Department. If applicable, the application for the federal lead agency for National Environmental Policy Act (NEPA)[11] begins during this phase, however SFPUC internal policy states that most projects do not require NEPA. Certifications are typically issued at the end of the Design Phase but must be issued prior to the Construction Phase. The initiation of permitting requirements, which are not covered by CEQA, occur at the beginning of the Design Phase.

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[10] The California Environmental Quality Act (CEQA) is a state law that requires state and local agencies in California to identify and analyze the environmental impacts of proposed projects before approving them. CEQA aims to inform decision-makers and the public about potential environmental consequences and to promote environmentally sustainable development.

[11] The National Environmental Policy Act (NEPA) is a U.S. federal law enacted in 1970 that mandates federal agencies to assess the environmental impacts of their proposed actions, such as projects or regulations. NEPA requires the preparation of environmental documents, including Environmental Assessments (EAs) or Environmental Impact Statements (EISs), to inform decision-makers and the public about potential environmental consequences.

Phase 4, Design Phase

Following the completion of the Planning phase, the Design phase begins. The Design phase is largely led by EMB, with PMB overseeing the progress. The major deliverables of the Design phase are finalizing drawings and specifications, the technical aspects of bid documents, and the Project Management Plan (PMP). The Department divides the design deliverable deadlines into four different milestones of completion: 35 percent, 65 percent, 95 percent, and 100 percent, and each milestone is formally reviewed by EMB. By 35 percent of design completion, the project scope and design criteria should be finalized and can only be changed if the Department found the facility would not operate properly, would be unsafe, cannot be properly maintained, or would not meet codes, standards, or regulatory requirements. Following the review of 95 percent completion, PMB and EMB work to refine construction costs and the delivery schedule. PMB and EMB also work with CMD to complete the local business enterprise requirements, based on the cost estimate at the 95 percent milestone. EMB prepares an estimate of work hours needed by CMB for approval. The design documents required at the 100 percent milestone are sent to the CIP Steering Committee for their recommendation to the AGM. Upon AGM approval, PMB and EMB work with CAB to determine prequalification requirements for bidders. At the end of the Design phase, the technical section of the bid package is submitted by EMB's contract standards division to CAB to initiate bid advertisement.

Exhibit A.5 below maps the procurement process for SFPUC construction contracts, including the phases for planning, environmental, and design. The mapping is continued in Exhibit A.6 below, providing the remaining phases of the procurement process construction contracts, including the phases for right-of-way, bid and award, and contract certification.

Exhibit A.5: SFPUC Construction Services Process Mapping Part 1, Planning, Environmental, and Design

Source: BLA summary of SFPUC procedure manual and SFPUC staff feedback.

Phase 5, Right-of-Way Phase

The Right-of-Way (ROW) phase officially begins after the Design phase. However, there are some ROW activities that occur during the Planning phase, including initial geographic mapping and general right of way needs for the project. The ROW phase includes planning, property investigations, obtaining permission for geologic studies, groundwater monitoring programs, and other site investigations. At 65 percent of design completion, work pertaining to ROW requirements begin, including fee acquisitions, easements, and any other necessary appraisals for property rights.

Phase 6, Bid and Award Phase

At the completion of the Design phase and after EMB has submitted the technical aspects of the bid documents to CAB, the project enters the Bid and Award phase. PMB submits the bid package to the City Attorney's Office for review.

Pre-Advertisement and Advertisement: Upon receipt of the project information, a CAB contract analyst is assigned to the contract, and PMB and CAB prepare a Commission Advertisement Report. The SFPUC Commission is presented with the report pursuant to their Communications Policy. Upon Commission approval and prior to advertisement, CAB reviews the bid documents received by EMB, specifically ensuring that all quality assurance requirements of the design phase have been completed. CAB advertises the bid documents to the SFPUC website, the Library, and sometimes the local newspaper, depending on funding requirements.

Bid Opening and Proposal Submittal: Following the advertisement of the bid, PMB, EMB, and CAB conduct pre-bid meetings with potential bidders. CAB compiles questions from the potential bidders and facilitates with PMB and EMB to provide answers. CAB posts the questions and answers to the SFPUC website. CAB distributes any addenda prepared by CAB or EMB. At the conclusion of the bid period, as determined by the PM, CAB facilitates a bid opening meeting. The bid opening meeting starts the five-day period for low-bid selections.

Proposal Evaluation & Vendor Selection: Following bidder submissions, CAB, PMB, EMB, and CMD all work to evaluate the submissions. CAB prepares the bid tabulation summary and checks licenses, DIR registration, debarment, and completeness of the bid documents. PMB and EMB evaluates minimum technical qualifications, which includes a comparison to the original cost estimate included in the bid documents. CMD assesses each bidder's LBE goals for responsiveness and compliance. If there is a protest, CAB works with PMB, EMB, CMB, CMD and City Attorney to resolve the protest prior to completion of selection. For traditional construction contracts, the responsive and responsible bidder who submitted the lowest bid is identified for award. In selection methods using Best Value, the responsive and responsible proposer who submitted the proposal with the highest score or lowest quotient is identified for award and the determination is posted to the website. CAB facilitates the subjective scoring process for Best Value selections. The five-day protest period for Best Value selections starts once the selection is announced. If there are protests from other bidders within the five-day protest period, the CAB contract analyst works with the PM and the City Attorney's Office to facilitate the protest process. If there are no protests after the five-day protest period, selection is completed.

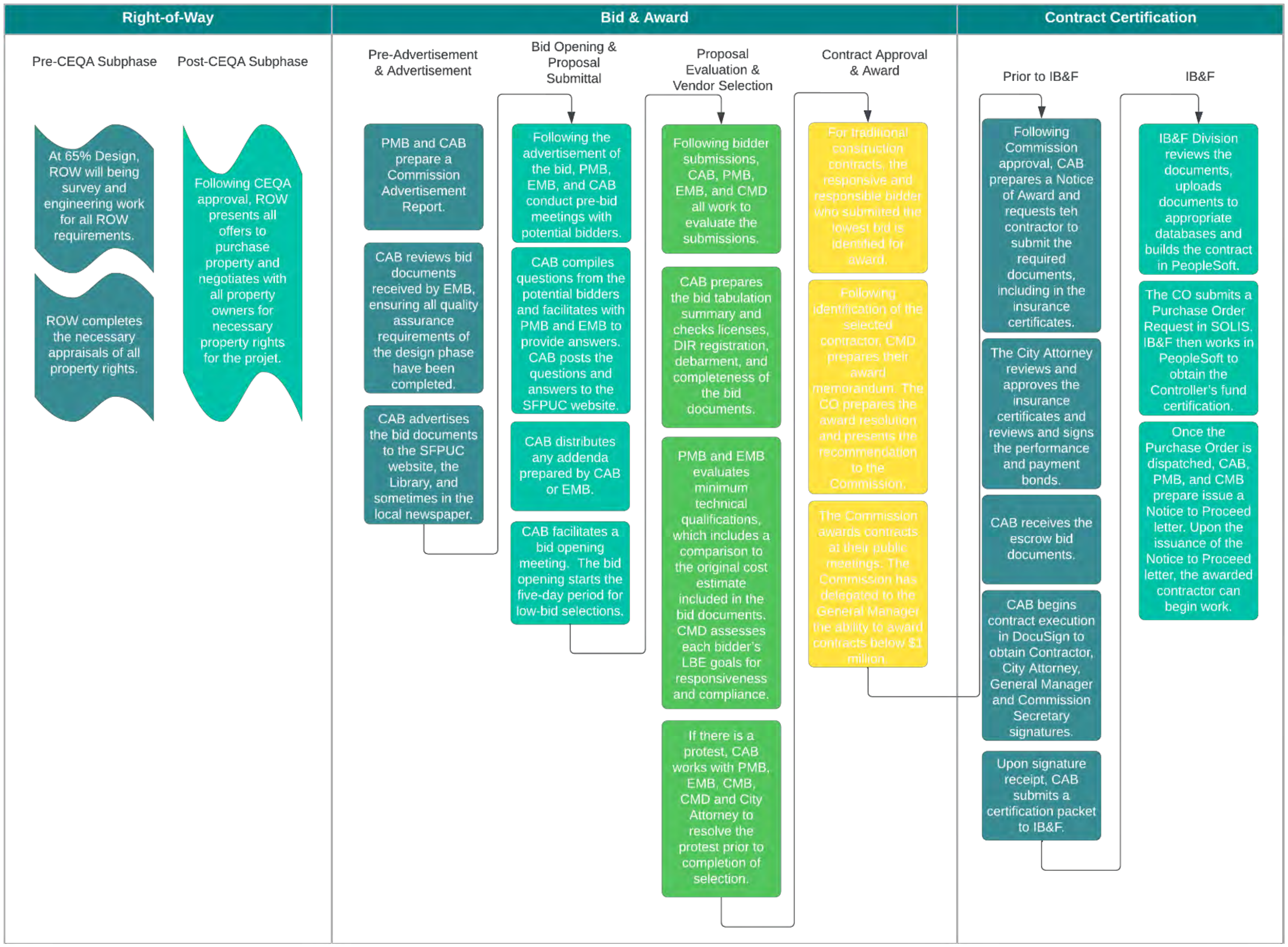
Contract Approval and Award: Following identification of the selected contractor, CMD prepares their award memorandum. The PM prepares the award resolution and presents the recommendation to the Commission. The Commission awards contracts at their public meetings. The Commission has delegated to the General Manager the ability to award contracts below $1 million.

Contract Execution: Upon the required award approval, CAB prepares the Notice of Award and requests the contractor to submit required documents, including insurance certificates, escrow bid documents and the performance and payment bonds for review and approval. The City Attorney reviews and approves the insurance certificates and reviews and signs the performance and payment bonds. CAB receives the escrow bid documents. Once these documents are received, approved and signed, CAB begins contract execution in DocuSign to obtain Contractor, City Attorney, General Manager and Commission Secretary signatures.

Award Certification: Upon signature receipt, CAB submits a certification packet to SFPUC's Infrastructure Budget & Finance (IB&F) Division. The IB&F Division reviews the documents, uploads documents to appropriate databases and builds the contract in PeopleSoft. The PM submits a Purchase Order Request in SOLIS. IB&F then works in PeopleSoft to obtain the Controller's fund certification. Once the Purchase Order is dispatched, CAB, PMB, and CMB prepare issue a Notice to Proceed letter. Upon the issuance of the Notice to Proceed letter, the awarded contractor can begin work.

Exhibit A.6 below maps the remaining phases of the procurement process construction contracts, including the phases for right-of-way, bid and award, and contract certification.

Exhibit A.6: SFPUC Construction Services Process Mapping Part 2, Right-of-Way, Bid & Award, and Contract Certification



Source: BLA summary of SFPUC procedure manual and SFPUC staff feedback

Phase 7, Construction Management

The Construction Management phase includes all soft-cost tasks needed for contract administration and oversight during the Construction phase. The roles and responsibilities of the Construction Management phase are determined by the project team, including PMB, EMB, CAB, CMB, the Operations Representative, and BEM. Activities for pre-construction, facility start-up, and post construction are identified and designated, including field inspections, quality assurance audits, environmental permitting and responding to requests for information, and managing schedule and budget changes through change orders.

Phases 8 and 9, Construction and Project Close-Out

The Construction phase includes all hard costs for construction. In the Project Close-Out phase, which takes place after the construction project has been completed, SFPUC finalizes all contracts, including change orders. PMB prepares a project summary, lessons learned, proof of completion, and all contract deliverables. CAB returns or destroys the escrow bid documents. PMB briefs upper management on the project completion and any recommended follow-up. PMB, EMB, and the Operations Representative all sign-off on a completed project close-out list.

San Francisco Water Power Sewer
Services of the San Francisco Public Utilities Commission

525 Golden Gate Avenue, 13th Floor
San Francisco, CA 94102
T 415.554.3155
F 415.554.3161
TTY 415.554.3488

December 9, 2024

Dan Goncher
San Francisco Budget and Legislative Analyst's Office
Board of Supervisors, City and County of San Francisco

Subject: Performance Audit of the Authority Delegated to the San Francisco Public Utilities Commission for Public Works Contracts Under Chapter 6 of the Administrative Code

Dear Mr. Goncher,

Thank you for providing us the opportunity to review the audit report, *Performance Audit of the Authority Delegated to the San Francisco Public Utilities Commission for Public Works Contracts Under Chapter 6 of the Administrative Code*, prepared by the Board of Supervisors' Budget and Legislative Analyst.

We appreciate the time your staff dedicated to this audit and concur with all 16 recommendations. We are committed to incorporating these recommendations into our business practices and continually strengthening contracting policies and procedures pertaining to public works and related professional design, consulting, and construction management services.

If there are any questions or additional information is needed, please do not hesitate to contact me at 415-554-1600.

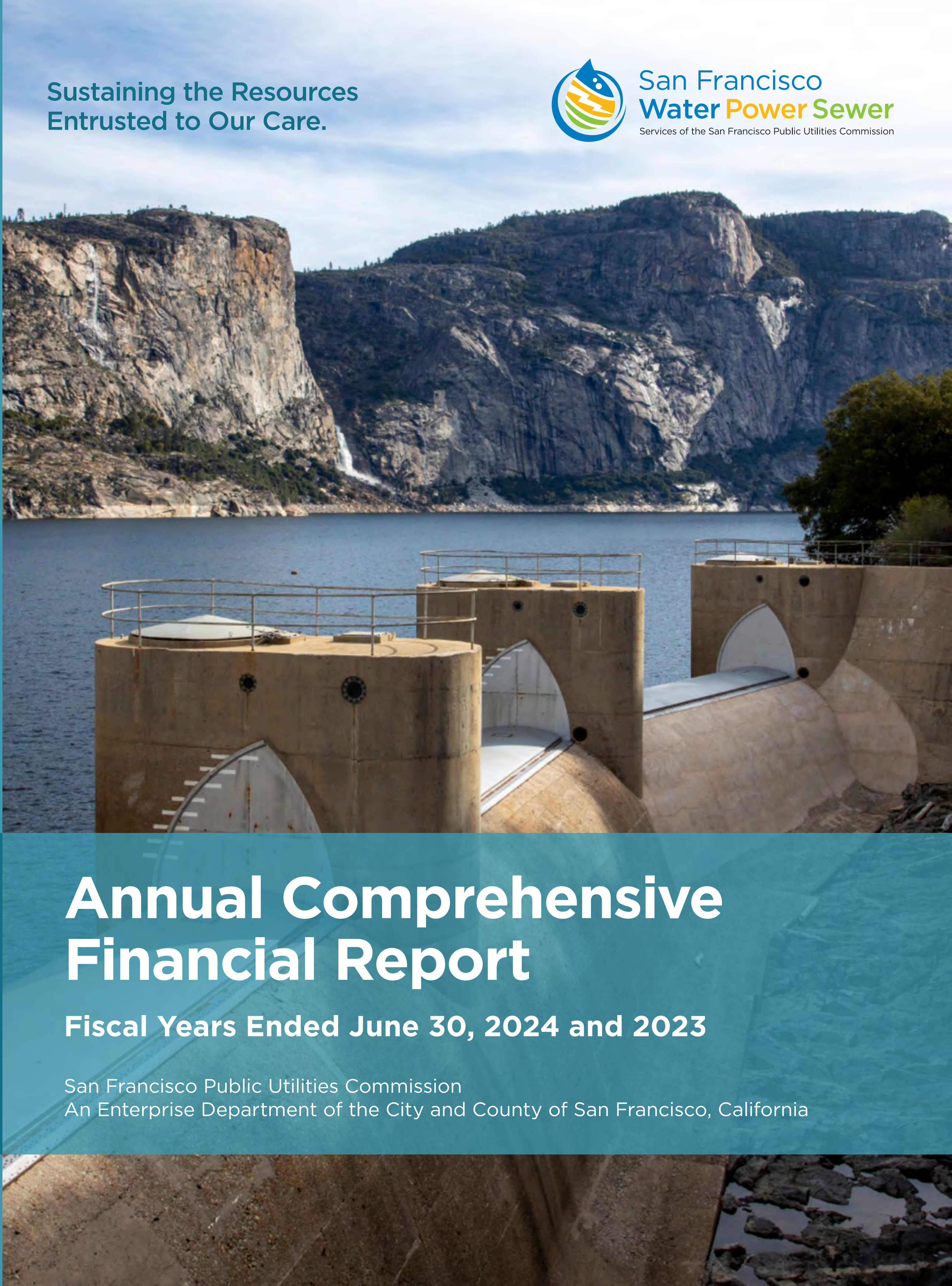
Sincerely,

Dennis Herrera
General Manager

CC: Ronald Flynn, Deputy General Manager
Nancy Hom, AGM Business Services/CFO
Stephen Robinson, AGM Infrastructure
Irella Blackwood, Audit Director

Sustaining the Resources
Entrusted to Our Care.

San Francisco
Water Power Sewer
Services of the San Francisco Public Utilities Commission



Annual Comprehensive Financial Report

Fiscal Years Ended June 30, 2024 and 2023

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

The San Francisco Public Utilities Commission

An Enterprise Department of the City and County of
San Francisco, California

Annual Comprehensive Financial Report for the Fiscal Years Ended June 30, 2024 and 2023

Prepared by SFPUC Financial Services

Nancy L. Hom
Chief Financial Officer and Assistant General Manager, Business Services

The San Francisco Public Utilities Commission

TABLE OF CONTENTS

Page

Introductory Section (Unaudited)

The San Francisco Public Utilities Commission
An Enterprise Department of the City and County of San Francisco, California

San Francisco
Water Power Sewer
Services of the San Francisco Public Utilities Commission

SAN FRANCISCO PUBLIC UTILITIES COMMISSION

General Manager's Transmittal Letter

December 20, 2024

Dear Customers and Interested Parties,

On behalf of the San Francisco Public Utilities Commission (SFPUC) I am pleased to share our Annual Comprehensive Financial Report for the fiscal years ended June 30, 2024 and 2023.

The SFPUC reliably delivers essential water, power, and sewer services that support the functioning and well-being of San Francisco and the Bay Area. This report highlights our commitment to our core mission and long-term financial strength. We are guided by three key priorities: affordability, responsible management, and investing where it matters.

As part of our commitment to affordability, we secured alternative revenue sources to help manage utility rates, including nearly $14 million in state and federal debt relief and $6 million in low-income assistance for customers who fell behind on their water and sewer bills during the pandemic.

In total, the SFPUC has secured and credited customers with more than $40 million in pandemic related utility bill relief. This includes a second round of CleanPowerSF and Hetch Hetchy Power bill credits and low-income discounts totaling almost $1.3 million, which the SFPUC assigned to customers in early 2023.

Responsible management of our resources is central to our budget and operations. By creating and committing to an environmental justice policy 15 years ago, followed by a comprehensive community benefits policy, we have built trust and established partnerships in historically underserved communities, while improving the quality of life in SFPUC service areas.

City residents worked more than 34% of the total hours on SFPUC construction projects through the end of fiscal year 2024. They also completed 59% of all apprentice hours on the Sewer System Improvement Program, gaining training, trades skills, family-supporting wages, and healthcare and pension benefits. Future construction projects are projected to create another 50,000 jobs over the next 10 years.

The SFPUC is prioritizing infrastructure projects that will have the greatest impact on our community's growth and sustainability, investing where it matters most. One of the most notable projects in our 10-year capital plan is the SFPUC's $1.55 billion commitment to reduce nutrients and protect water quality in San Francisco Bay.

Launching CleanPowerSF eight years ago has helped position the SFPUC as a utility of the future. Now we provide about 75% of San Francisco's electricity through our CleanPowerSF and Hetch Hetchy Power programs, and we are working to expand public power so that all San Franciscans can benefit.

Our public power is clean, reliable, and affordable, saving customers $170 million in 2023 on electricity bills compared to what they would have otherwise paid to PG&E. We are moving forward on our bid to buy the portion of PG&E's electricity grid that serves San Francisco. The money to acquire the grid would not come from the City's budget or taxes. It would be paid over time through electric rates.

While infrastructure forms the backbone of our operations, our people drive our success. The SFPUC is investing in retention, recruitment, and a diverse, equitable, and inclusive workforce. This investment expands talent development opportunities and also enhances our financial strength, bringing different perspectives to improve problem-solving, encourage new ideas, and serve our diverse customer base.

This year's report reflects all of this and highlights how we consistently demonstrate resilience, stability, and a strong commitment to continuous improvement and ethical practices.
This Annual Comprehensive Financial Report has been prepared by the SFPUC's Financial Services Bureau in accordance with the requirements set by the Governmental Accounting Standards Board (GASB). The information provided in this report is based on a comprehensive system of internal processes, and as required, our financial statements were audited by a firm of independent certified accountants. The SFPUC's management is responsible for the data and information provided, and believes the report is accurate in all respects.

The SFPUC's auditors Macias Gini & O'Connell LLP have issued an unmodified (clean) audit of our agency's financial statements as of and for the years ended June 30, 2024 and 2023. This audit provides accountability and transparency of the SFPUC's financial activities, while reflecting the ethical way our agency operates. A copy of this independent auditor's report can be found in the financial section of this report.

We thank the Mayor, Board of Supervisors and our Commissioners and staff for their unwavering dedication to serving San Francisco and securing a better and sustainable future for everyone.

Respectfully submitted,

Dennis J. Herrera
General Manager
San Francisco Public Utilities Commission

The Reporting Entity - Profile of the San Francisco Public Utilities Commission

The **San Francisco Public Utilities Commission (SFPUC)**, an enterprise department of the City and County of San Francisco (the City), is responsible for the operation, maintenance, and development of three utility enterprises: Water, Wastewater, and Hetch Hetchy Water and Power and CleanPowerSF. We provide wholesale and retail drinking water to the San Francisco Bay Area, wastewater collection and treatment within San Francisco and three neighboring municipalities, and power to residential and commercial customers and municipal facilities.

Our Business Services, External Affairs, and Infrastructure bureaus provide support and administrative services and are funded through utility rates and charges.

Enterprises	Funds
Water	Water
Wastewater	Wastewater
Hetch Hetchy	Hetchy Water
	Hetchy Power
	CleanPowerSF

The **Water Enterprise** operates the Hetch Hetchy Regional Water System (System), a wholesale and retail drinking water supply system that serves 2.7 million customers in Alameda, Santa Clara, San Mateo, and San Francisco counties. The upcountry portion of the System begins with Hetch Hetchy Reservoir in Yosemite National Park. Impounded by O'Shaughnessy Dam, Hetch Hetchy Reservoir water passes through hydroelectric powerhouses before it enters the San Joaquin Pipelines, the Tesla Ultraviolet Treatment Facility, and the Coast Range Tunnel on its journey to the Bay Area.

The Bay Area portion of the System includes water collection, treatment, and transmission facilities from the Alameda East Portal to the wholesale service area and terminal reservoirs in San Francisco. Water storage facilities include watersheds, dams, and reservoirs such as our Calaveras, San Antonio, Crystal Springs, Pilarcitos, and San Andreas. The water treatment facilities are Tesla Ultraviolet Treatment Facility, disinfecting the Hetch Hetchy supply; Sunol Valley Water Treatment Plant, treating the water from the Calaveras and San Antonio supply as well as the stored Hetch Hetchy supply; and Harry Tracy Water Treatment Plant, treating the water from the Crystal Springs and San Andreas supply. The water transmission system in the Bay Area and Peninsula includes the Bay Division, San Andreas, Sunset Supply, and Crystal Springs pipelines. The Bay Area transmission system also includes Irvington Tunnel 1 and Tunnel 2, the Bay Tunnel, and the Crystal Springs Bypass Tunnel.

The Water Enterprise also manages water distribution in the City and the majority of the drinking water is supplied by our system, originates as snowmelt within the 459-square-mile Hetch Hetchy Watershed on the upper Tuolumne River within Yosemite National Park. This high-quality water is transported 167 miles across California solely by gravity. The Hetch Hetchy water supply is augmented with precipitation collected in the reservoirs of the Alameda Creek Watershed in Alameda County, and the Peninsula Watershed in San Mateo County. The Regional Groundwater Storage and Recovery Project, currently under construction, will provide additional dry year water supply to the System for drought management.

Water Enterprise revenue is based on retail and wholesale water rate payments from customers. Retail rates are set by the SFPUC, while wholesale rates are set by the Commission pursuant to our Water Supply Agreement with our wholesale customers.

The **Wastewater Enterprise** is responsible for the operation and maintenance of San Francisco's combined sewer system that collects, treats, and discharges once treated, sanitary sewage (toilet flushing, bathroom and kitchen sinks, showers) and stormwater runoff (rainwater falling on our roofs, sidewalks and streets within San Francisco, parts of Daly City, the Bayshore Sanitary District, Brisbane, Treasure Island, and Yerba Buena Island. This work is crucial for the protection of public health, and for the environmental safety of the San Francisco Bay and Pacific Ocean. Our combined sewer system is unique to coastal California and offers significant environmental benefits because it captures and treats both stormwater (rain runoff) and sanitary sewage from homes and businesses, and these combined flows are referred to as wastewater.

San Francisco wastewater and stormwater flows are treated at three facilities: the Southeast Treatment Plant, the Oceanside Treatment Plant, and the North Point Wet Weather Facility, the last of which is operated only in wet weather. The sewer system currently can handle up to an average of 70 million gallons per day (MGD) in dry weather and can treat up to 575 MGD in wet weather. The Wastewater Enterprise operates pump stations, discharge points, and the massive underground transport/storage structures around the City that have storage capacity up to 200 million gallons.

The Wastewater Enterprise serves both residential and commercial accounts as well as some municipal customers. We operate, clean, inspect, and maintain more than 1,000 miles of sewer pipes. We regularly monitor areas of the San Francisco shoreline for water quality where water recreation is common and provide water quality reports to the public using our 24-hour hotline, website, and e-newsletters.

In a combined sewer system, such as San Francisco's, managing stormwater is an important priority for the SFPUC and the City. We take a comprehensive approach to managing stormwater and advancing flood resilience across the City. Although no sewer system can handle the heaviest rains, we are pursuing a variety of approaches to improve the City's flood resilience in the face of increasingly intense rainstorms. The comprehensive RainReadySF Program, which is a combination of planned infrastructure improvements, coordinated City services and innovative programs, provides residents and businesses with the resources they need to reduce the risk of flooding during a major rainstorm.

The **Hetch Hetchy Water and Power and CleanPowerSF Enterprise (Hetch Hetchy)** comprises of three key components:

(1) Hetch Hetchy Water (Hetchy Water), which operates and maintains the upcountry water and power facilities;
(2) Hetch Hetchy Power (Hetchy Power), responsible for all power utility wholesale and retail transactions and in-City power operations; and
(3) CleanPowerSF, a Community Choice Aggregation (CCA) that provides San Francisco residents and businesses with electricity supply services sourced from new and existing clean energy sources.

Hetchy Water is responsible for operating the Hetch Hetchy Reservoir, the main source of water for the Hetch Hetchy Regional Water System (System) and plays a key role in water delivery in California. Several of the Hetch Hetchy Water facilities are joint assets and are used for both water transmission and power generation and transmission. Operating and capital costs of these facilities are allocated 45% to Hetchy Water and 55% to Hetchy Power. Refer to Water Enterprise for more information on the System.

Hetchy Power is the publicly owned utility for San Francisco. The Hetchy Power System is comprised of transmission lines and some local distribution facilities. It has a generation portfolio that includes three major hydroelectric powerhouses – Holm, Kirkwood, and Moccasin – in the Sierra Nevada mountain range and 28 solar arrays in San Francisco. Hetchy Power revenue is based on retail and wholesale power-rate payments and charges collected from customers. Retail rates are set by the Commission.

Hetchy Power customers include San Francisco International Airport (SFO), libraries, police stations, City Hall, San Francisco Municipal Transportation Agency (SFMTA), San Francisco Port Authority, Treasure Island, Hunter's Point Shipyard, and the Transbay Transit Center. Hetchy Power also owns, operates, and maintains approximately 60% of the streetlights in the City. Finally, Hetchy Power provides electrical maintenance services, energy efficiency programs, and distributed generation services to our customers.

CleanPowerSF, San Francisco's CCA program, provides clean electricity supply to residents and businesses in San Francisco. Under this program, CleanPowerSF supplies customers with electricity from renewable sources like solar wind, and hydro power. Pacific Gas & Electric Company (PG&E) delivers the energy via their electrical grid. CleanPowerSF's Green product features at least 50% California Renewables Portfolio Standard (RPS) certified renewable energy, and its SuperGreen product offers 100% California RPS-certified renewable energy.

CleanPowerSF serves approximately 385,000 customer accounts in San Francisco. Collectively, Hetch Hetchy Power and CleanPowerSF meet more than 70% of the electricity demand in San Francisco with clean power.

Mission, Vision, and Values

The mission of the San Francisco Public Utilities Commission (SFPUC or the Commission) is to provide our customers with high-quality, efficient, and reliable water, power, and wastewater services in a manner that is inclusive of environmental and community interests, and sustains the resources entrusted to the SFPUC's care.

SFPUC values sustainability as a fundamental business principle, exemplified through the adoption of an agency-wide strategic sustainability plan to ingrain the values of a sustainable future into our agency's core processes. The SFPUC is a sustainable utility leader, recognized for superior levels in service, value, environmental stewardship and innovation. Most importantly we value our workforce and community as reflected in the core values adopted by our organization.

- **Communication:** Listen and communicate honestly and openly.
- **Diversity:** Valuing a workforce that reflects all manner of views, experiences, backgrounds, and talents, and recognize it is vital to the SFPUC success.
- **Equal Opportunity:** Provide opportunities to all staff to contribute and reach their potential. To achieve this, the SFPUC must be a learning organization.
- **Excellence:** Strive for personal and professional excellence, and recognize exemplary performance by seeking continuous improvement.
- **Inclusiveness:** Provide access and transparency to stakeholders and community members.
- **Respect:** Understand and appreciate the inherent value of the SFPUC's staff, customers, and community.
- **Safety:** Take the health and safety of the SFPUC's employees, customers, and communities seriously.
- **Service:** Focus on customer satisfaction, health, and safety.
- **Stewardship:** Responsibly manage the resources entrusted to the SFPUC's care.
- **Teamwork:** Support a cooperative work environment; the SFPUC team is strengthened by the diversity and contributions of its members.
- **Trust:** Act with honesty, integrity, and fairness.

Fiscal Year 2024
San Francisco Mayor and Public Utilities Commission Members

London N. Breed
Mayor

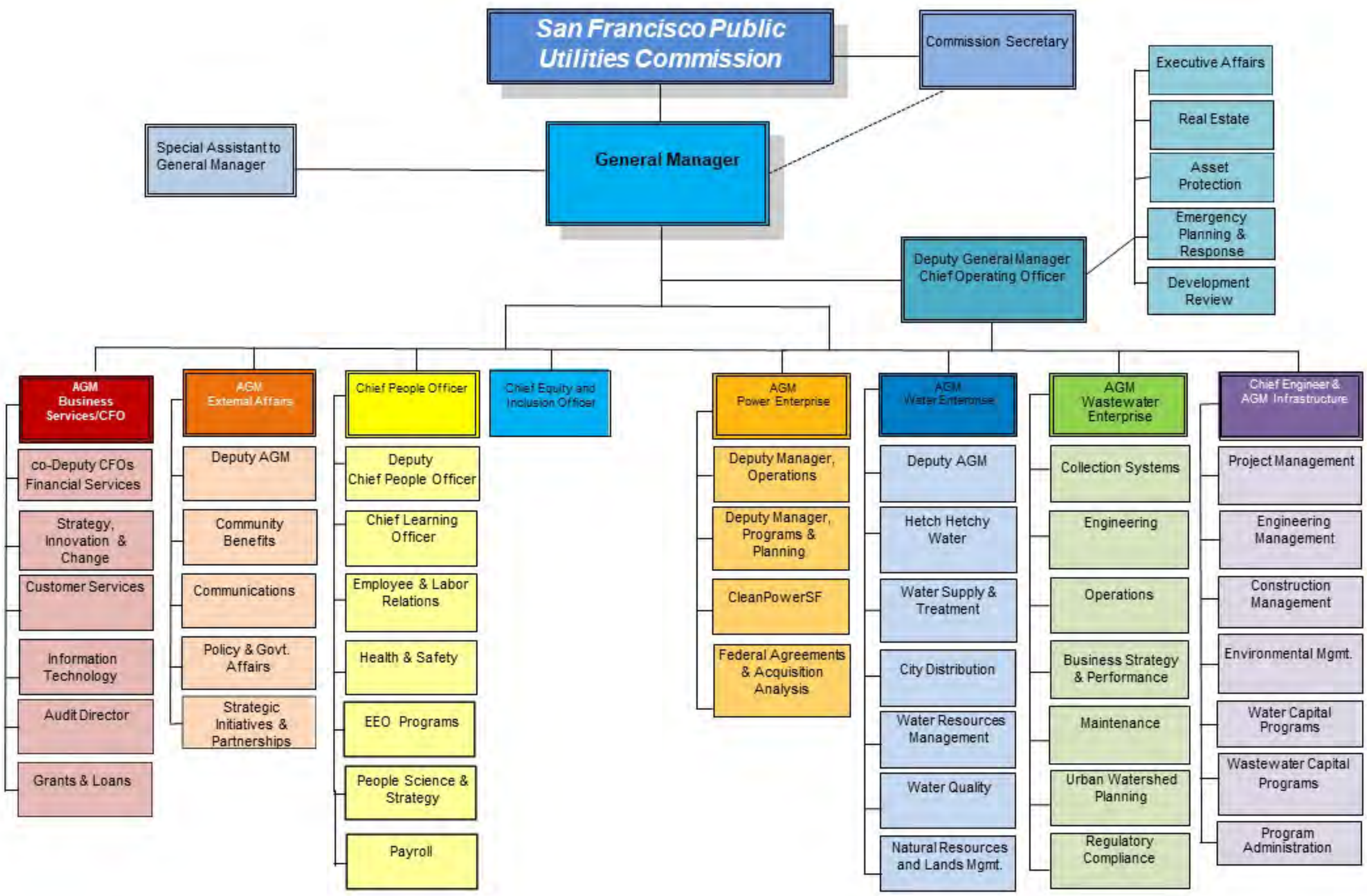
Tim Paulson
President

Anthony Rivera
Vice President

Newsha K. Ajami
Commissioner

Kate H. Stacy
Commissioner

Organizational Chart as of June 2024



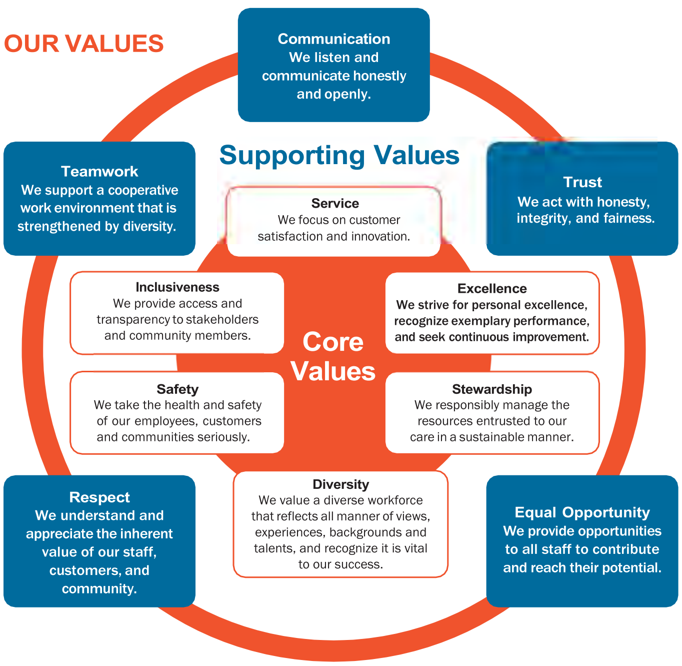
Note: AGM is Assistant General Manager, the person who leads an Enterprise or Bureau.

The Agency Strategic Plan is a high-level and future-oriented plan. The purpose is to better align the work of the Water, Wastewater and Hetch Hetchy Enterprises, set a strategic direction and identify key priorities.

The Agency Strategic Plan outlines the mission, vision and values and sets forth 6 priority goals and supporting objectives.

The goals are as follows:

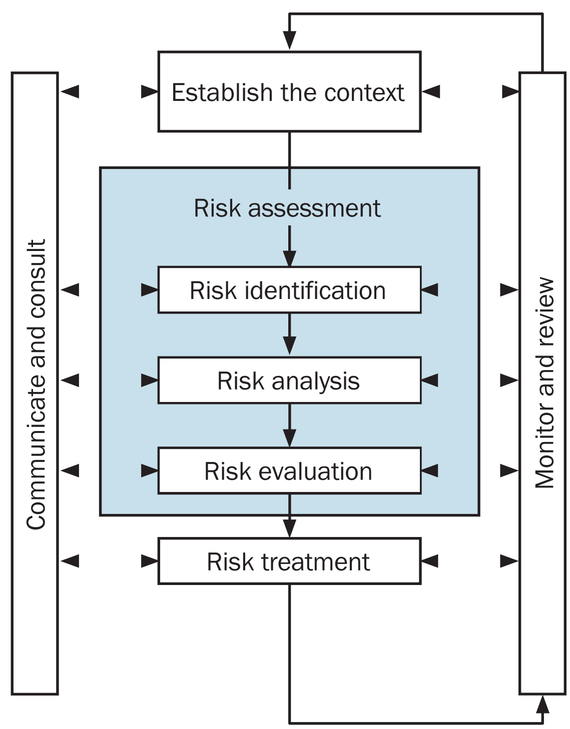
- Reliable service and assets;
- Organizational excellence;
- Effective workforce;
- Financial sustainability;
- Stakeholder and community interest; and
- Environmental stewardship



Each Goal has one or more Executive Champions who have worked across the Enterprises, Infrastructure, and the Bureaus to develop performance measures including target and baseline metrics. There is a Lead Strategist for each of the six goal area who will carry the vision of their respective goal area will report biannually to the Goal Champions on progress of achieving the performance measures consistent with the target/baseline. At the end of the fiscal year, each Goal Champion is required to report performance measured against the target/baseline. More details of the 2020 SFPUC Strategic plan are available at https://www.sfpuc.gov/about-us/policies-plans/agency-strategic-plan and the Performance Measures in the Operating Information section of this report.

Enterprise Risk Management Framework

The SFPUC helps ensure successful implementation of our Mission, Vision, and Values by integrating the principles of Enterprise Risk Management (ERM) into organizational culture and strategic decision making. In planning for our future, the ERM framework promotes a culture where risks are identified, assessed, prioritized, and managed to minimize threats hindering us from achieving our goals; and to maximize opportunities benefiting the SFPUC. Accountability and transparency are promoted through assignment of identified risks to owners, and routine reporting of mitigation status to senior management. The ERM framework is a continuous process that strengthens organizational structure and culture through communication and awareness. The Risk Management division provides support to the SFPUC's journey from a traditional risk management approach towards enterprise risk management – emphasizing effective management of the total cost of risk and management of risk for better outcomes.



In fiscal years 2015 and 2016, respectively, the Power Enterprise adopted and implemented the ISO 31000 standard for Enterprise Risk Management for the Hetchy Power and CleanPowerSF program. The program enables systematic and proactive identification and analysis of risks that threaten business objectives before they occur. Proper identification of risks to business objectives ensures mitigation measures can be implemented to reduce the probability of certain risks occurring or reducing negative impact. Other prior applications of ERM at the SFPUC include supporting the Strategic Plan, the Business Services Bureau, Emergency Planning and Security, and other specific PUC programs.

The SFPUC also utilizes other risk tools as part of a comprehensive risk management approach. This includes the SFPUC Purchased Insurance Program, a portfolio of insurance policies acquired to mitigate various liability risks to mission critical assets, operational and financial. Other risk management activities include contractual risk review, project specific risk assessments and advisement for the Infrastructure Project Management Bureau and Contract Management Bureau for construction, professional and general service contracts. SFPUC Risk Management also collaborates with the Office of the Administrator's City Risk Management for citywide risk management initiatives.

Risk Categories

Strategic
Trends in Economy & Society

- Stakeholders' interests
- Public support/ Ratepayer fatigue
- Competing expectations
- Economic uncertainty
- Long-term planning vs. budget limitations
- Negative media coverage
- Image and reputation

Financial
Effect of Market Forces on Financial Assets or Liabilities

- Bond rating
- Debt obligations
- Financial reporting
- Cash flow/availability
- Energy costs
- Rate fatigue

Operational
People, Processes & Systems or Controls

- HR and personnel risks
- Operations disruption (e.g. construction, utilities failure, procurement)
- IT data / infrastructure compromise
- Process / execution failure
- Environmental
- Aging infrastructure

Legal/ Regulatory
Effect of Change in Laws and Regulations

- Regulatory non-compliance with EPA, WECC/NERC, GASB, OSHA, government policy
- Compliance with the WSA and WRR
- Punitive damages, lawsuits

Insurable Hazards
Loss Exposures: Property, Liability or Personnel

Our property insurance policy covers select Mission Critical Power Assets for all risks (e.g. fire, flood up to $1 million, terrorism, etc.) excluding specific catastrophic perils (e.g. earthquake, tsunami, war, etc.).

We have not purchased Business Interruption insurance as the property insurance 'extra expense' clause serves a similar purpose.

- Construction
- Worker injury/illness
- Third-party liability
- Physical structure damage
- Public Officials' liability
- Employment liability

Overall, the SFPUC's ERM initiatives are designed to reduce the chances of a negative outcome from occurring, lessen its impact, or transfer financial liabilities away from the organization. These initiatives can also increase opportunities and maximize the benefit from taking advantage of positive outcomes. A combination of these strategies will help lower the total cost of risk for the SFPUC and achieve both short and long-term benefits to our ratepayers.

San Francisco's Budget Process

The budget cycle for the biennial July 1 fiscal year budget begins in August and typically ends in July. The two-year fixed budget is prepared, reviewed, enacted by the Board of Supervisors, signed by the Mayor, and implemented by departments and adjusted as necessary during this period. The Board of Supervisors does not adopt a new budget for the second fiscal year of the cycle unless there are significant increases or decreases in revenues or expenditures which then reopen the budget to follow the usual budget process.

The SFPUC's two-year budget is comprised of two, single-year spending plans, which supports the ongoing mission of the SFPUC to provide its customers with high-quality, efficient, and reliable water, wastewater, and power services in a manner that is inclusive of environmental and community interests, and that sustains the resources entrusted to our care. The budget is a detailed operating plan that identifies estimated costs and results in relation to estimated revenues and represents a process through which policy decisions are deliberated, implemented, and controlled. The budget aligns funding to accomplish our long-term strategic goals and objectives, ensures funding for our operating programs, and purposefully supports the Strategic Plan targeted outcomes to ensure the appropriate application of resources to reach our goals.

Budgeting Basis

The City adopts budgets for all government funds on a budget basis relying on a current financial resources measurement focus and a modified accrual basis of accounting. The modified accrual method is a basis of accounting used with a current financial resources measurement focus. It modifies the accrual basis of accounting in two significant ways: first, revenues are only recognized when they are measurable and available; second, expenditures are recognized in the period in which the SFPUC normally liquidates the related liability rather than when the liability is first incurred, if earlier. The City Charter prohibits expending funds for which there is no legal appropriation.

Accounting Basis

The accounts of the SFPUC Enterprises are organized by proprietary fund type, specifically an enterprise fund. The activities of the Enterprises are accounted for with a separate set of self-balancing accounts that comprise the Enterprises' assets, deferred outflows of resources, liabilities, deferred inflows of resources, net position, revenues, and expenses. Enterprise funds account for activities that (1) are financed with debt secured solely by a pledge of the net revenues from fees and charges of the activity; or (2) are required by laws or regulations that the activity's costs of providing services, including capital costs (such as depreciation or debt service), be recovered with fees and charges, rather than with taxes or similar revenues; or (3) that the pricing policies of the activity establish fees and charges designed to recover its costs, including capital costs.

The financial activities of each Enterprise and the year-end audited financial statements are accounted for on a flow of economic resources measurement focus, using the accrual basis of accounting. Under this method, all assets, deferred outflows of resources, liabilities, and deferred inflows of resources associated with its operations are included on the Statement of Net Position; revenues are recorded when earned, and expenses recorded when liabilities are incurred. The SFPUC Enterprises apply all applicable Governmental Accounting Standards Board (GASB) pronouncements.

Fiscal Year 2025 Operating Budgets

The SFPUC annual budgets, including debt service and cash-funded capital, as well as operating programs total $2.02 billion and $1.69 billion for fiscal years 2025 and 2024, respectively. The operating programs include regular operating costs, maintenance of utility facilities and lands, as well as support services, like management, business services, planning, regulatory compliance, communication, and planned debt service for each of the Enterprises. The budget increase is mainly driven by debt service, purchase of power for the Hetch Hetchy and CleanPowerSF program, and general reserve. The debt service funds the SFPUC's Capital Improvement Programs for the Water System Improvement Program (WSIP) and the Sewer System Improvement Program (SSIP). The operating budget is financed by both wholesale and retail rates, service charges and non-operating revenues, including rental income and interest earnings. Of the SFPUC fiscal year 2025 $2.02 billion operating budget, the Water Enterprise accounts for $738.5 million to fund the operations and maintenance of the SFPUC's water system; Wastewater Enterprise's operating budget of $474.8 million funds the operations and maintenance of the SFPUC's sewer system. Hetch Hetchy Water and Power's operating budget of $345.6 million funds the operations and maintenance of the upcountry water and power systems, including Power Enterprise activities within the City. CleanPowerSF's operating budget of $464.1 million funds the operations and power purchases. Detailed budget information is available on our website [https://sfpuc.gov/about-us/reports/operating-and-capital-budgets.](https://sfpuc.gov/about-us/reports/operating-and-capital-budgets)

Fiscal Year 2025 Capital Budgets

Our capital programs are intended to reconstruct, replace, expand, repair, or improve facilities that are under the SFPUC's jurisdiction. The capital budgets are coordinated with the Ten-Year Capital Improvement Plan and the Ten-Year Financial Plan. The issuance of revenue bonds, other forms of indebtedness, and the execution of governmental loans are provided under the San Francisco City Charter to finance our capital programs. The repayment of this indebtedness is provided through rates and service charge revenues of the SFPUC that incurs the debt and benefits from the underlying capital improvements. The budget appropriations for capital programs are coordinated with the SFPUC's Ten-Year Capital and Ten-Year Financial Plans. The SFPUC develops stand-alone supplemental appropriations for our capital program which are coordinated with our operating budget review and approval cycle.

Total approved fiscal year 2025 capital budgets were $1.55 billion, including $456.0 million for the Water Enterprise, $892.5 million for the Wastewater Enterprise, $204.8 million for Hetch Hetchy Water and Power Enterprise and $0.6 million for CleanPowerSF.

The major capital investment for the Water Enterprise includes the Water Treatment Program, which is to provide renewal and replacement programs at the Sunol Valley and Harry Tracy Water Treatment Plant Ozone project. The Water Transmission Program includes pipeline inspections and repairs, valve replacements and pump station and vault upgrades. The Regional Buildings and Grounds includes major improvements to the Millbrae Yard. Millbrae Campus Improvements include a new laboratory and office building to update the lab facilities and consolidate staff from the Burlingame facility. Water Supply and Storage Program includes upgrades to structures to meet State Division of Safety of Dams requirements, and projects to increase regional water supply diversification and explore alternative methods for expanding water sources. The Water Conveyance/Distribution System Program includes funding to install, replace and renew distribution system pipelines and service connection for over 1,000 miles of drinking water mains in San Francisco. Local Buildings and Grounds Improvements includes the new City Distribution Division (CDD) headquarter at 2000 Marin.

The Wastewater Enterprise's major capital investment from the Sewer System Improvement Program (SSIP) includes the Treatment Facilities Programs, including the Southeast Plant (SEP) Biosolid Digester Facility, improvement to the liquid treatment at the SEP, the North Point Wet Weather Facility, the North Shore Pump Station, and associated outfalls. New Operations Engineering and Maintenance Buildings project which will provide workshop space for the Trades and Mechanical Maintenance, engineering workspaces and shower and locker facilities for the Plant. SEP Mainstream Nutrient Reduction project is to reduce the amount of nitrogen discharged from the SEP to comply with anticipated future nitrogen-related regulations. The Stormwater Management and Flood Resilience program includes work on flood resilience planning and project implementations.

The Hetch Hetchy Water and Power's major capital investment includes projects to sustain the reliability of the San Joaquin Pipeline System, generator rehabilitation and power plan system upgrades for the Moccasin Powerhouse. Other projects include, Transmission Lines Clearance Mitigation Project, Cherry Eleanor Pumps upgrade and replacement, Eleanor Dam and Moccasin Penstock Rehabilitations. Moccasin Dam and Reservoir Long Term Improvements will fund the construction of a new concrete spillway and additional flood protection to the Moccasin project facilities. The Transmission and Distribution program is to provide electric service to new City facilities, and redevelopment projects. The San Francisco Airport (SFO) Substation Improvements project will ensure continued power supply to meet the growing demands of the airport. The Distribution Interface Redevelopment Projects include design and construction of new electric distribution system and facilities to various new developments within San Francisco.

The CleanPowerSF major capital investment includes the development of new renewable energy (solar photovoltaic) and battery storage projects on select SFPUC sites. The project has six major phases including: Planning, Request for Proposals, Construction and Commissioning, Power Purchase Agreements (PPA), Asset Management, and Project Buyout. The initial renewable energy facilities developed under this program would be structured as PPA with third parties that would develop and operate the projects for an initial period. The PPAs would include a buy-out option for the City.

Ten-Year Financial Plan

The SFPUC prepares an annual updated Ten-Year Financial Plan as required by the City and County of San Francisco Charter Section 8B.123. The Ten-Year Financial Plan is a summary of projected revenues, expenditures, fund balances, and financial metrics for each Enterprise over a rolling 10-year period. The Financial Plan projections are based on current Mayor and Commission policies, goals, and objectives. For the Financial plan fiscal year 2025, costs are anticipated to increase for each Enterprise on average from 3.7% to 9.6%, mainly due to capital investments and power supply cost. A key objective is to promote SFPUC's Strategic Plan goal of Financial Sustainability by estimating future revenue requirements and financial ratios while providing a view of resulting rates changes. Consolidating these key financial indicators into the Financial Plan serves to inform the SFPUC's long-term planning decisions, such as the biennial operating and capital budgets, long-range capital planning and capital financing strategies.

Ten-Year Capital Plan

The SFPUC prepares an annual updated Ten-Year Capital Plan as required by the City and County of San Francisco Charter Section 3.20. The Capital Plan is to contain a list of projects to be executed during the 10-year planning horizon, including cost estimates and schedules. Both the Ten-Year Financial Plan and Capital Plan, serve as a basis and supporting documentation for the Commission's capital budget and issuance of revenue bonds and other indebtedness to support the SFPUC capital program.

The SFPUC Ten-Year Capital Plan for fiscal years 2025 through 2034 totals $11.8 billion, represents a 34% increase in total from last fiscal year's proposed expenditures of $8.8 billion. The increase was accounted for by balancing affordability amongst the growing caseload of projects related to climate change impacts and projects driven by regulatory mandates inducing previously unaccounted for cost pressures. The key projects funded in the Ten-Year Capital Plan includes the completion of the Biosolids Digester Facilities Project, the Southeast Plant Nutrient Reduction project, the Millbrae Yard Campus Improvements, the new City Distribution Division Headquarters, Moccasin Penstock Rehabilitation, stormwater and flood resistance projects, treatment plant improvements, Public Power expansion, repair projects, carbon reduction projects, and replacement of sewer and water mains throughout the system.

Financial Transparency, Reporting and Auditing Process

This report was prepared by SFPUC Financial Services in conformance with the principles and standards for financial reporting set forth by the U.S. Generally Accepted Accounting Principles (GAAP). Recommended guidelines by the Government Finance Officers Association of the United States and Canada were also followed.

The SFPUC's management is responsible for both the accuracy of the data presented and the completeness and fairness of its presentation, including all disclosures. The existing comprehensive structure on internal controls in the City and SFPUC ensures that the financial statements are free of any material misstatements. This report is accurate in all material respects, and it is presented in a manner designed to set forth fairly the financial position and the results of operations of the SFPUC. The included disclosures enable the reader to gain a thorough understanding of the SFPUC's financial activities.

The SFPUC's financial statements have been audited by Macias Gini & O'Connell LLP, an independent registered public accounting firm. The goal of the independent audit was to provide reasonable assurance that the financial statements of the SFPUC for the fiscal years ended June 30, 2024 and 2023 are fairly presented in conformity with GAAP and are free of material misstatement. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statements presentation. The independent auditors rendered an unmodified "clean" opinion on the SFPUC's financial statements for the fiscal year ended June 30, 2024 since 2008. The independent auditor's report is presented as the first component of the financial section of this report. Management's Discussion and Analysis (MDA) is presented after the independent auditor's report, and provides a narrative introduction, overview, and analysis to accompany the basic financial statements. This letter of transmittal is designed to complement MDA and should be read in conjunction with it.

Financial Authority and Policies

The City is a Charter City under the California Constitution, and as a result, the Charter is the guiding document for financial authority and policies for City departments. The SFPUC is the department responsible for the maintenance, operation, and development of the three utility enterprises': the Water Enterprise, the Wastewater Enterprise, and Hetch Hetchy Water and Power and CleanPowerSF. Each of the SFPUC's enterprise fund is operated and managed as a separate financial entity and separate enterprise entity. The SFPUC's financial policies, adopted and updated such as fund balance budgetary reserve and debt service coverage requirements are available on our website https://www.sfpuc.gov/about-us/policies-plans/financial-plans-and-policies. The purpose and source for each of the designated budgetary reserves within its major funds of operating, capital projects, debt service, and trust are included in these guidelines which enable restricting funds for future infrastructure needs, replacement of aging facilities, bond reserves, and various operating reserves to mitigate unexpected occurrences. These budgetary reserves are critical to the SFPUC's financial strength and high bond ratings. Further, the City has a long-standing practice of recognizing and reserving for known and anticipated liabilities. The City also has established an irrevocable trust for other postemployment benefits (also known as retiree medical) and continues to make the annual required contribution to ensure this future obligation is funded.

Accounting Systems, Policies, and Internal Controls

In developing and maintaining the accounting systems, consideration is given by the administration as to the adequacy of internal controls. Internal controls are designed to provide reasonable, but not absolute, assurance. The SFPUC's management is responsible for establishing and maintaining a system of internal controls designed to safeguard the Enterprises' assets from loss, theft, or misuse and to ensure that adequate accounting data are compiled to allow for the preparation of financial statements in accordance with GAAP. For the fiscal year ended June 30, 2024, the independent auditors noted no matters involving internal controls over financial reporting that would be considered a material weakness for Water, Wastewater and Hetch Hetchy Water and Power and CleanPowerSF.

The SFPUC's Finance Services Bureau is responsible for providing comprehensive financial services for the utility enterprises and bureaus, including support for financial accounting and reporting, accounts payable, billing and collection of water, wastewater, and power charges, and other revenues. The SFPUC's financial statements and records are maintained on an enterprise basis using the accrual method of accounting to ensure the timely matching of revenues against the costs of providing services. Revenues and expenses are recorded in the period in which the revenues are earned, and the expenses are incurred.

Achievement Awards

The Government Finance Officers Association of the United States and Canada (GFOA) awarded the Certificate of Achievement for Excellence in Financial Reporting to the SFPUC for its Annual Comprehensive Financial Report for the fiscal year ended June 30, 2023. This was the 15th consecutive year that the SFPUC has achieved this prestigious award. In order to be awarded the Certificate of Achievement, a government or reporting entity must publish an easily readable and efficiently organized Annual Comprehensive Financial Report. This report must satisfy both GAAP and applicable legal requirements. A Certificate of Achievement is valid for a period of one year only. We believe our current Annual Comprehensive Financial Report continues to meet the Certificate of Achievement Program's requirements and we are submitting it to GFOA to determine its eligibility for another certificate.

Government Finance Officers Association

Certificate of Achievement for Excellence in Financial Reporting

Presented to

City and County of San Francisco
Public Utilities Commission
California

For its Annual Comprehensive
Financial Report
For the Fiscal Year Ended

June 30, 2023

Christopher P. Morrill

Executive Director/CEO

Financial Section

The San Francisco Public Utilities Commission
An Enterprise Department of the City and County of San Francisco, California

Independent Auditor's Report

The San Francisco Public Utilities Commission, the
Honorable Mayor, and the Board of Supervisors of
City and County of San Francisco, California

Opinions

We have audited the financial statements of the business-type activities and each major fund of the San Francisco Public Utilities Commission (SFPUC), as of and for the years ended June 30, 2024 and 2023, and the related notes to the financial statements, which collectively comprise the SFPUC's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities and each major fund of the SFPUC as of June 30, 2024 and 2023, and the respective changes in financial position and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the SFPUC, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Emphasis of Matter

As discussed in Note 1, the financial statements of the SFPUC are intended to present the financial position, the changes in financial position, and, where applicable, cash flows of only that portion of the business-type activities and each major fund of the City and County of San Francisco, California (City) that is attributable to the transactions of the SFPUC. They do not purport to, and do not, present fairly the financial position of the City, as of June 30, 2024 and 2023, the changes in its financial position, or, where applicable, its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America. Our opinions are not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

The SFPUC's management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Macias Gini & O'Connell LLP
2121 N. California Blvd., Suite 750
Walnut Creek, CA 94596

www.mgocpa.com

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the SFPUC'S internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, schedules of the proportionate share of the net pension (asset)/liability, schedules of employer contributions – pension plan, schedules of changes in total pension liability and related ratios – replacement benefits plan, schedules of changes in other postemployment benefits liability and related ratios – other postemployment healthcare benefits plan, and schedules of employer contributions – other postemployment healthcare benefit plan, as listed in the table of contents, be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with GAAS, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audits of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the SFPUC's basic financial statements. The schedule of changes in net position – dollar and percentage change vs. prior year and schedule of changes in revenues, expenses, and net position – dollar and percentage change vs. prior year are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with GAAS. In our opinion, these schedules are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Information

The SFPUC's management is responsible for the other information included in the annual report. The other information comprises the introductory and statistical sections but does not include the basic financial statements and our auditor's report thereon. Our opinions on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 20, 2024 on our consideration of the SFPUC's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the SFPUC's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the SFPUC's internal control over financial reporting and compliance.

Macias Gini É O'Connell LLP

Walnut Creek, California
December 20, 2024

This section presents management's analysis of the San Francisco Public Utilities Commission's (SFPUC or the Commission) financial condition and activities as of and for the years ended June 30, 2024 and 2023. Management's Discussion and Analysis (MDA) is intended to serve as an introduction to SFPUC's financial statements. This information should be read in conjunction with the audited financial statements that follow this section. All dollar amounts, unless otherwise noted, are expressed in thousands of dollars.

The information in this MDA is presented under the following headings:

- Organization and Business
- Overview of the Financial Statements
- Fund Financial Statements
- Financial Analysis
- Capital Assets
- Debt Administration
- Rates and Charges
- Request for Information

Organization and Business

The SFPUC is a department of the City and County of San Francisco (the City) that is responsible for the maintenance, operation, and development of three utility enterprises and five funds. The three utility enterprises include Water, Wastewater, and Hetch Hetchy (Hetchy Water, Hetchy Power and CleanPowerSF).

Water Enterprise

The Water Enterprise collects, transmits, treats, and distributes high quality drinking water to a total population of approximately 2.7 million people, including retail customers in the City and wholesale customers located in San Mateo, Santa Clara, and Alameda Counties. The Water Enterprise collects, transmits, treats, and distributes high quality drinking water to a total population of approximately 2.7 million people, including retail customers in the City and wholesale customers located in San Mateo, Santa Clara, and Alameda Counties. The Water Enterprise sold approximately 174 million gallons of water per day in the year ended June 30, 2024. Approximately 70% of the water delivered by the Water Enterprise is to wholesale customers. Retail customers use the remaining 30% and are primarily San Francisco consumers, including residential, commercial, industrial, and governmental users. Wholesale customers include cities, water districts, one private utility, and one non-profit university. Service to these customers is provided pursuant to the 25-year Amended and Restated Water Supply Agreement (WSA), commenced on July 1, 2009, which established the basis for determining the costs of wholesale service.

Wastewater Enterprise

The primary responsibility of the Wastewater Enterprise is to protect the public health and the surrounding bay and ocean receiving waters by collecting, transmitting, treating, and discharging storm and sanitary flows generated in the service area. This includes 1,139 miles of combined, sanitary, and storm collection system pipes including: gravity mains, force mains, culverts, transport storage boxes, and tunnels. San Francisco is the only coastal city in California with a combined sewer system that collects both wastewater and stormwater in the same network of pipes and provides treatment to remove harmful pollutants before discharging into the San Francisco Bay and Pacific Ocean. In addition, the Wastewater Enterprise serves on a contractual basis certain municipal customers located outside of the City limits, including the North San Mateo County Sanitation District No. 3, Bayshore Sanitary District, and the City of Brisbane. The Wastewater Enterprise recovers costs of service through user fees based on the volume and strength of sanitary flow. As of June 30, 2024, the Wastewater Enterprise serves 149,455 residential accounts, which discharge about 15.3 million units of sanitary flow per year (measured in hundreds of cubic feet, or ccf) and 27,643 non-residential accounts, which discharge about 5.6 million ccf per year. These reflected an increase of 0.02 million discharge units for non-residential accounts due to an increase of 561 accounts and a decrease of 0.12 million discharge units for residential accounts compared to prior year.

Hetchy Water

For efficiency and to streamline the coordination of upcountry water and power operations, Hetchy Water operates upcountry and joint asset facilities, managing resources in an environmentally responsible manner to a high standard of safety and reliability while meeting regulatory requirements. It is responsible for operating the Hetch Hetchy Reservoir, the main source of water for the Hetch Hetchy system. Hetchy Water operates, maintains, and improves water and power facilities, smaller dams and reservoirs, water transmission systems, power generation facilities, and power transmission assets, including transmission lines to the Newark substation. Hetchy Water delivers high-quality water from upcountry downhill to the Bay Area while optimizing the resulting generation of clean hydropower as water is transported through the system. It maintains land and properties consistent with public health and neighborhood concerns.

Hetchy Power

The core business of Hetchy Power, as a municipal department, is to provide adequate and reliable supplies of electric power to meet the electricity needs of City and County of San Francisco's customers, and to offer, when available, power for the municipal loads and agricultural pumping demands consistent with prescribed contractual obligations and federal law. Hetchy Power's portfolio consists of hydroelectric generation, onsite solar at SFPUC and other City facilities, generation using bio-methane produced at SFPUC wastewater treatment facilities, and third-party purchases. Consistent with its commitment to the development of cleaner and greener power, and to address environmental concerns and community objectives, Hetchy Power continues to evaluate and expand its existing resource base to include additional renewables, distributed generation, demand management, and energy efficiency programs. As part of its mission and core functions, Hetchy Power provides reliable energy services at reasonable cost to customers, with attention to environmental effects and community concerns.

Hetch Hetchy Joint

A portion of Hetch Hetchy's operating budget, capital program, and assets, provides benefit to both Hetchy Power and Hetchy Water. This is commonly referred to as joint costs and joint assets. Both operating and capital costs that jointly benefit both funds are allocated 55% to Hetchy Power and 45% to Hetchy Water, as has historically been done by the SFPUC.

CleanPowerSF

CleanPowerSF is a community choice aggregation (CCA) program made possible by the 2002 passage of California Assembly Bill 117, enabling communities to purchase power on behalf of their residents and businesses and creating competition in power generation services. CleanPowerSF began serving customers with power generation in May 2016. CleanPowerSF's core business is to provide greener electricity supply to residential and commercial consumers that are retail distribution customers of Pacific Gas and Electric Company (PG&E) in San Francisco. The SFPUC operates CleanPowerSF as a financially independent service, with the ability to set rates and charges with adequate revenues, and to issue debt to support its operations and future projects, as needed. CleanPowerSF is discretely presented as a fund of the Enterprise starting fiscal year 2017.

Through CleanPowerSF, SFPUC seeks to achieve several complementary goals, including offering affordable and competitive electricity generation rates, developing and maintaining a diverse electricity resource portfolio that is comprised of renewable and other clean sources of supply, and providing high-quality customer service. The program serves approximately 385,000 customer accounts and provides San Francisco with an electricity supply from its default "Green" product that is sourced from at least 50% California State Renewables Portfolio Standard (RPS)-eligible resources. Additionally, CleanPowerSF offers "SuperGreen", a 100% RPS-eligible electricity supply, that is available to customers for a small additional cost. On June 1, 2022, CleanPowerSF opened enrollment for its "SuperGreen Saver" product, which provides eligible low-income ratepayers residing in neighborhoods that meet the State of California's criteria as Disadvantaged Communities with 100% RPS-eligible electricity at a 20% bill discount.

Overview of the Financial Statements

The Department's financial statements include the following:

Statements of Net Position present information on the Department's assets, deferred outflows, liabilities, and deferred inflows as of year-end, with the difference reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the Department is improving or worsening.

While the *Statements of Net Position* provide information about the nature and amount of resources and obligations at year-end, the *Statements of Revenues, Expenses, and Changes in Net Position* present the results of the Department's operations over the course of the fiscal year and information as to how the net position changed during the year. These statements can be used as an indicator of the extent to which the Department has successfully recovered its costs through user fees and other charges. All changes in net position are reported during the period in which the underlying event giving rise to the change occurs, regardless of the timing of the related cash flows. Thus, revenues and expenses are reported in these statements from some items that will result in cash flows in future fiscal periods, such as delayed collection of operating revenues and the expenses of employee earned but unused vacation leave.

The *Statements of Cash Flows* present changes in cash and cash equivalents resulting from operational, capital financing, non-capital financing, and investing activities. These statements summarize the annual flow of cash receipts and cash payments, without consideration of the timing of the event giving rise to the obligation or receipt, and exclude non-cash accounting measures of depreciation or amortization of assets.

The *Notes to Financial Statements* provide information that is essential to a full understanding of the financial statements that is not presented on the face of the financial statements.

Fund Financial Statements

The Department has five funds: Water, Wastewater, Hetchy Water, Hetchy Power, and CleanPowerSF.

Financial Analysis

Financial Highlights for Fiscal Year 2024

Department-wide Business Type Activities

- Total assets and deferred outflows of resources exceeded total liabilities and deferred inflows of resources by $3,118,736.
- Total assets exceeded total liabilities by $2,953,133.
- Net position increased by $117,350 or 3.9% during the fiscal year.
- Capital assets, net of accumulated depreciation and amortization, increased by $1,055,526 or 9.4% to $12,262,128.
- Operating revenues increased by $63,865 or 3.9% to $1,702,369.
- Operating expenses increased by $289,522 or 23.0% to $1,547,468.

Water

- Total assets and deferred outflows of resources exceeded total liabilities and deferred inflows of resources by $749,648.
- Total assets exceeded total liabilities by $641,038.
- Net position increased by $57,575 or 8.3% during the fiscal year.
- Capital assets, net of accumulated depreciation and amortization increased by $125,515 or 2.2% to $5,778,467.
- Current and other assets increased by $174,613 or 25.3% mainly due to increases of reimbursements receivable relating to the Mountain Tunnel Improvement project for Clean Water State Revolving Funds (SRF) Loans and restricted cash from the issuances of the 2023 Series AB and 2023 Series CD bonds.
- Operating revenues, excluding interest and investment income, and other non-operating revenues, decreased by $14,201 or 2.1% to $676,890.
- Operating expenses increased by $69,103 or 15.0% to $529,356.

Wastewater

- Total assets and deferred outflows of resources exceeded total liabilities and deferred inflows of resources by $1,337,439.
- Total assets exceeded total liabilities by $1,303,260.
- Net position decreased by $61,395 or 4.4% during the year.
- Capital assets, net of accumulated depreciation and amortization, increased by $802,064 or 17.1% to $5,488,410.
- Operating revenues, excluding interest and investment income, and other non-operating revenues, increased by $31,105 or 8.5% to $395,041.
- Operating expenses increased by $200,693 or 76.8% to $462,043.

Hetchy Water

- Total assets and deferred outflows of resources exceeded total liabilities and deferred inflows of resources by $283,257.
- Total assets exceeded total liabilities by $272,975.
- Net position increased by $9,129 or 3.3% during the fiscal year.
- Capital assets, net of accumulated depreciation and amortization, increased by $17,450 or 7.9% to $237,486.
- Operating revenues, excluding interest and investment income, and other non-operating revenues, decreased by $3,205 or 6.1% to $49,492.
- Operating expenses, excluding interest expenses decreased by $6,061 or 12.1% to $43,950.

Hetchy Power

- Total assets and deferred outflows of resources exceeded total liabilities and deferred inflows of resources by $569,902.
- Total assets exceeded total liabilities by $557,336.
- Net position increased by $51,552 or 9.9% during the fiscal year.
- Capital assets, net of accumulated depreciation and amortization, increased by $110,514 or 17.1% to $757,752.
- Operating revenues, excluding interest and investment income, and other non-operating revenues, increased by $10,349 or 5.1% to $214,352.
- Operating expenses, excluding interest expenses, other non-operating expenses, and amortization of premium, discount, and issuance costs, increased by $9,049 or 4.7% to $200,601.

CleanPowerSF

- Total assets and deferred outflows of resources exceeded total liabilities and deferred inflows of resources by $178,490.
- Total assets exceeded total liabilities by $178,524.
- Net position increased by $60,489 or 51.3% during the fiscal year.
- Capital assets, net of accumulated depreciation and amortization, decreased by $17 or 56.7% to $13.
- Operating revenues, excluding interest and investment income, and other non-operating revenues, increased by $39,817 or 12.2% to $366,594.
- Operating expenses, excluding interest expenses increased by $16,738 or 5.7% to $311,518.

Financial Highlights for Fiscal Year 2023

Department-wide Business Type Activities

- Total assets and deferred outflows of resources exceeded total liabilities and deferred inflows of resources by $3,001,386.
- Total assets exceeded total liabilities by $2,853,266.
- Net position increased by $177,611 or 6.3% during the fiscal year.
- Capital assets, net of accumulated depreciation and amortization, increased by $745,966 or 7.1% to $11,206,602.
- Operating revenues, excluding interest and investment income, and other non-operating revenues, increased by $216,058 or 15.2% to $1,638,504.
- Operating expenses increased by $128,265 or 11.4% to $1,257,946.

Water

- Total assets and deferred outflows of resources exceeded total liabilities and deferred inflows of resources by $692,073.
- Total assets exceeded total liabilities by $565,858.
- Net position increased by $58,646 or 9.3% during the fiscal year.
- Capital assets, net of accumulated depreciation and amortization increased by $30,969 or 0.6% to $5,652,952.
- Current and other assets decreased by $99,872 or 12.6% mainly due to bond principal and interest payments, capital project expenses, and payments for salaries.
- Operating revenues, excluding interest and investment income, and other non-operating revenues, increased by $117,974 or 20.6% to $691,091.
- Operating expenses increased by $58,489 or 14.6% to $460,253.

Wastewater

- Total assets and deferred outflows of resources exceeded total liabilities and deferred inflows of resources by $1,398,834.
- Total assets exceeded total liabilities by $1,385,856.
- Net position increased by $36,167 or 2.7% during the year.
- Capital assets, net of accumulated depreciation and amortization, increased by $635,341 or 15.7% to $4,686,346.
- Operating revenues, excluding interest and investment income, and other non-operating revenues, decreased by $4,946 or 1.3% to $363,936.
- Operating expenses increased by $4,192 or 1.6% to $261,350.

Hetchy Water

- Total assets and deferred outflows of resources exceeded total liabilities and deferred inflows of resources by $274,128.
- Total assets exceeded total liabilities by $269,248.
- Net position increased by $24,946 or 10.0% during the fiscal year.
- Capital assets, net of accumulated depreciation and amortization, increased by $18,654 or 9.3% to $220,036.
- Operating revenues, excluding interest and investment income, and other non-operating revenues, increased by $3,385 or 6.9% to $52,697.
- Operating expenses decreased by $2,288 or 4.4% to $50,011.

Hetchy Power

- Total assets and deferred outflows of resources exceeded total liabilities and deferred inflows of resources by $518,350.
- Total assets exceeded total liabilities by $512,386.
- Net position increased by $24,171 or 4.9% during the fiscal year.
- Capital assets, net of accumulated depreciation and amortization, increased by $61,273 or 10.5% to $647,238.
- Operating revenues, excluding interest and investment income, and other non-operating revenues, increased by $30,761 or 17.8% to $204,003.
- Operating expenses, excluding interest expenses, other non-operating expenses, and amortization of premium, discount, and issuance costs, increased by $35,209 or 22.5% to $191,552.

CleanPowerSF

- Total assets and deferred outflows of resources exceeded total liabilities and deferred inflows of resources by $118,001.
- Total assets exceeded total liabilities by $119,918.
- Net position increased by $33,681 or 39.9% during the fiscal year.
- Capital assets, net of accumulated depreciation and amortization, decreased by $271 or 90.0% to $30.
- Operating revenues, excluding interest and investment income, and other non-operating revenues, increased by $68,884 or 26.7% to $326,777.
- Operating expenses, excluding interest expenses increased by $32,663 or 12.5% to $294,780.

(Dollars in thousands, unless otherwise stated)

Financial Position

Department-wide Business Type Activities

The following table summarizes the department-wide changes in net position. Detailed discussion follows for each proprietary fund.

Table 1
Business Type Activities
Comparative Condensed Net Position
June 30, 2024, 2023, and 2022

	2024	2023	2022	2024 - 2023 Change	2023 - 2022 Change
Total assets:					
Current and other assets *	$ 2,079,998	1,807,747	1,914,886	272,251	(107,139)
Capital assets, net of accumulated depreciation and amortization	12,262,128	11,206,602	10,460,636	1,055,526	745,966
Total assets ^	14,342,126	13,014,349	12,375,522	1,327,777	638,827
Deferred outflows of resources:					
Unamortized loss on refunding of debt	89,186	124,643	139,514	(35,457)	(14,871)
Pensions	164,907	123,669	93,952	41,238	29,717
Other postemployment benefits	50,876	48,335	53,412	2,541	(5,077)
Total deferred outflows of resources	304,969	296,647	286,878	8,322	9,769
Liabilities:					
Current liabilities:					
Bonds	177,109	164,755	161,596	12,354	3,159
Certificates of participation	4,765	4,576	4,395	189	181
Commercial paper	280,654	—	625,473	280,654	(625,473)
State revolving fund loans	5,629	2,526	5,764	3,103	(3,238)
Other liabilities *	490,316	454,130	442,802	36,186	11,328
Subtotal current liabilities	958,473	625,987	1,240,030	332,486	(614,043)
Long-term liabilities:					
Arbitrage rebate payable	9,574	188	—	9,386	188
Bonds	7,791,378	7,473,933	6,825,078	317,445	648,855
Revenue Notes	—	349,556	350,356	(349,556)	(800)
Certificates of participation	120,210	124,974	129,550	(4,764)	(4,576)
State revolving fund loans	572,003	479,790	418,656	92,213	61,134
Commercial paper	341,373	487,811	—	(146,438)	487,811
Water Infrastructure Finance and Innovation Act (WIFIA) loans	922,431	122,357	—	800,074	122,357
Other liabilities *	673,551	496,487	343,311	177,064	153,176
Subtotal long-term liabilities	10,430,520	9,535,096	8,066,951	895,424	1,468,145
Total liabilities:					
Arbitrage rebate payable	9,574	188	—	9,386	188
Bonds	7,968,487	7,638,688	6,986,674	329,799	652,014
Revenue Notes	—	349,556	350,356	(349,556)	(800)
Certificates of participation	124,975	129,550	133,945	(4,575)	(4,395)
Commercial paper	622,027	487,811	625,473	134,216	(137,662)
State revolving fund loans	577,632	482,316	424,420	95,316	57,896
Water Infrastructure Finance and Innovation Act (WIFIA) loans	922,431	122,357	—	800,074	122,357
Other liabilities	1,163,867	950,617	786,113	213,250	164,504
Total liabilities	11,388,993	10,161,083	9,306,981	1,227,910	854,102
Deferred inflows of resources:					
Unamortized gain on refunding of debt	42,109	11,353	—	30,756	11,353
Leases	37,786	43,011	44,583	(5,225)	(1,572)
Pensions	22,598	49,027	445,403	(26,429)	(396,376)
Other postemployment benefits	36,873	45,136	41,658	(8,263)	3,478
Total deferred inflows of resources	139,366	148,527	531,644	(9,161)	(383,117)
Net position:					
Net investment in capital assets	2,075,817	2,098,355	2,042,920	(22,538)	55,435
Restricted for debt service	44,724	18,191	20,202	26,533	(2,011)
Restricted for capital projects	292,369	142,641	221,647	149,728	(79,006)
Restricted for other purposes	—	—	181,926	—	(181,926)
Unrestricted	705,826	742,199	357,080	(36,373)	385,119
Total net position#	$ 3,118,736	3,001,386	2,823,775	117,350	177,611

*Eliminated interfund payables and receivables of $405, $518 and $629 between Wastewater and Hetchy Power for the 525 Golden Gate Avenue Headquarters construction cost in fiscal years 2024, 2023 and 2022, respectively.

^Fiscal years 2022 and 2023 total assets reclassification of right-to-use lease and subscription assets from current and other assets to capital assets.

#Fiscal years 2022 and 2023 net position reclassification of restricted payable and capital related liabilities from restricted for capital projects and/or unrestricted to net investment in capital assets balance updated.

(Dollars in thousands, unless otherwise stated)

The following table summarizes Water's changes in net position.

Table 1A
Proprietary Fund – Water
Comparative Condensed Net Position
June 30, 2024, 2023, and 2022

	2024	2023	2022	2024 - 2023 Change	2023 - 2022 Change
Total assets:					
Current and other assets	$ 865,690	691,077	790,949	174,613	(99,872)
Capital assets, net of accumulated depreciation and amortization	5,778,467	5,652,952	5,621,983	125,515	30,969
Total assets ^	6,644,157	6,344,029	6,412,932	300,128	(68,903)
Deferred outflows of resources:					
Unamortized loss on refunding of debt	89,186	124,635	139,481	(35,449)	(14,846)
Pensions	93,526	70,101	52,852	23,425	17,249
Other postemployment benefits	29,974	28,616	32,445	1,358	(3,829)
Total deferred outflows of resources	212,686	223,352	224,778	(10,666)	(1,426)
Liabilities:					
Current liabilities:					
Revenue bonds	138,140	135,095	125,285	3,045	9,810
Certificates of participation	3,402	3,267	3,138	135	129
Commercial paper	190,000	—	206,297	190,000	(206,297)
State revolving fund loans	—	—	3,283	—	(3,283)
Other liabilities	148,337	148,547	182,349	(210)	(33,802)
Subtotal current liabilities	479,879	286,909	520,352	192,970	(233,443)
Long-term liabilities:					
Arbitrage rebate payable	869	—	—	869	—
Revenue bonds	4,826,497	4,575,751	4,735,650	250,746	(159,899)
Certificates of participation	85,830	89,232	92,499	(3,402)	(3,267)
Commercial paper	—	371,459	—	(371,459)	371,459
State revolving fund loans	259,970	163,627	118,478	96,343	45,149
Other liabilities	350,074	291,193	218,669	58,881	72,524
Subtotal long-term liabilities	5,523,240	5,491,262	5,165,296	31,978	325,966
Total liabilities:					
Arbitrage rebate payable	869	—	—	869	—
Revenue bonds	4,964,637	4,710,846	4,860,935	253,791	(150,089)
Certificates of participation	89,232	92,499	95,637	(3,267)	(3,138)
Commercial paper	190,000	371,459	206,297	(181,459)	165,162
State revolving fund loans	259,970	163,627	121,761	96,343	41,866
Other liabilities	498,411	439,740	401,018	58,671	38,722
Total liabilities	6,003,119	5,778,171	5,685,648	224,948	92,523
Deferred inflows of resources:					
Unamortized gain on refunding of debt	31,854	—	—	31,854	—
Leases	36,583	41,558	44,583	(4,975)	(3,025)
Pensions	13,305	28,504	248,704	(15,199)	(220,200)
Other postemployment benefits	22,334	27,075	25,348	(4,741)	1,727
Total deferred inflows of resources	104,076	97,137	318,635	6,939	(221,498)
Net position:					
Net investment in capital assets	350,430	460,213	512,313	(109,783)	(52,100)
Restricted for debt service	44,724	14,625	14,671	30,099	(46)
Restricted for capital projects	200,632	56,822	17,085	143,810	39,737
Restricted for other purposes	—	—	100,407	—	(100,407)
Unrestricted	153,862	160,413	(11,049)	(6,551)	171,462
Total net position#	$ 749,648	692,073	633,427	57,575	58,646

^Fiscal years 2022 and 2023 total assets reclassification of right-to-use lease and subscription assets from current and other assets to capital assets.
#Fiscal years 2022 and 2023 net position reclassification of restricted payable and capital related liabilities from restricted for capital projects and/or unrestricted to net investment in capital assets balance updated.

Water Net Position, Fiscal Year 2024

For the period ended June 30, 2024, the Water Enterprise's assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by $749,648. Total net position increased from prior year by $57,575 or 8.3% (see Table 1A). Increases of $289,462 in assets and deferred outflows of resources and increases of $231,887 in liabilities and deferred inflows of resources are described below.

Current and other assets are primarily comprised of restricted and unrestricted balances of cash, receivables for water deliveries and services, interest and lease receivables, interfund receivables due from other governmental agencies, prepaids, and inventory.

During the fiscal year 2024, current and other assets increased by $174,613 or 25.3%. The increases included $93,433 for reimbursements receivable from the State Water Resources Control Board (SWRCB) State Revolving Funds Loan relating to the SF Westside Recycled Water and the Mountain Tunnel Improvement projects, $53,237 in restricted and unrestricted cash and investments mainly due to the issuances of Series 2023 Series AB and 2023 Series CD bonds, $16,069 in Wholesale Balancing Account receivable (see Note 12 for details), $15,531 in charges for services receivable due to more billings than collections and adopted rate increases of 9.7% for wholesale customers and 5.0% for retail customers, $1,264 in interest receivable mainly due to higher interest rates, $505 in notes receivable from the sale of the Balboa Reservoir due to interest accruals, $366 due from other governments for a Federal Emergency Management Agency disaster cost recovery relating to the 2020 Wildfires Santa Clara Fence project, and $275 in restricted interest and other receivables mainly due to increases in capacity fees. These increases were offset by decreases of $4,567 in leases receivable due to payments received, $1,121 in prepaid expenses of multiple software licensing and membership fees, $366 in inventory due to more issuances than purchases during the fiscal year, and $13 for custom work projects due from the Department of Public Works (DPW).

Capital assets, net of accumulated depreciation and amortization, increased by $125,515 or 2.2% mainly from the San Joaquin Pipeline Valve and Safe Entry Improvement and Mountain Tunnel Improvement projects. The largest portion of the Water Enterprise's net position of $350,430 or 46.7% represents net investment in capital assets (see Capital Assets section of the MDA for more information), which decreased by $109,783 or 23.9% from prior year's $460,213. The change was explained by an increase of $235,298 in liabilities mainly from the issuances of 2023 Series AB and 2023 Series CD bonds, and additional State Revolving Funds Loans relating to the Mountain Tunnel Improvement and SF Westside Recycled Water projects, offset by an increase of $125,515 in capital assets mainly from additional assets placed into service.

Deferred outflows of resources decreased by $10,666 due to a decrease of $35,449 in unamortized loss on refunding of debt mainly from defeasance of refunding loss by the 2023 Series CD revenue refunding bonds, offset by increases of $23,425 from pensions and $1,358 in OPEB benefits based on actuarial estimates.

Total liabilities increased by $224,948 which was due to increases of $253,791 in outstanding revenue bonds mainly from the issuances of 2023 Series AB revenue bonds and 2023 Series CD revenue refunding bonds, $96,343 in SRF Loans payable due to additional loans relating to the Mountain Tunnel Improvement and SF Westside Recycled Water projects, $37,300 in pensions based on actuarial estimates, $9,700 in OPEB liabilities based on actuarial estimates, $6,442 in interest payable mainly from the issuances of 2023 Series AB revenue bonds and 2023 Series CD revenue refunding bonds, $3,148 in damage claims based on actuarial reports, $2,055 in accrued payroll, vacation and sick leave based on unused leave and a 4.75% cost-of-living adjustment, $1,715 in restricted and unrestricted payables due to higher year end expense accruals for operating activities as compared to prior year, $1,267 in accrued workers' compensation based on actuarial estimates, $1,073 in unearned revenues mainly for the water utility California state arrearages relief grant received, and $869 in arbitrage rebate payable mainly for the 2023 Series A bonds. These increases were offset by decreases of $181,459 in commercial paper from refunding by the 2023 Series AB revenue bonds, $3,267 in certificates of participation from repayment and amortization of premium, $2,440 payment to San Francisco Municipal Transportation Agency (MTA) for a settlement payable relating to the Van Ness Corridor Transit Improvement project, $1,189 in leases liability due to payments in the current year, and $400 in subscription liability from payments in the current year.

Deferred inflows of resources increased by $6,939 due to an increase of $31,854 in unamortized gain on refunding of debt from the issuance of 2023 Series CD revenue refunding bonds, offset by decreases of $15,199 related to pensions based on actuarial estimates, $4,975 in leases due to fewer leases, and $4,741 in OPEB benefits based on actuarial estimates.

Water Net Position, Fiscal Year 2023

For the period ended June 30, 2023, the Water Enterprise's assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by $692,073. Total net position increased from prior year by $58,646 or 9.3% (see Table 1A). The increase in net position was the result of a decrease of $128,975 in liabilities and deferred inflows of resources offset by a decrease of $70,329 in assets and deferred outflows of resources.

Current and other assets are primarily comprised of restricted and unrestricted balances of cash, receivables for water deliveries and services, interest and lease receivables, interfund receivables due from other governmental agencies, prepaids, and inventory.

During the fiscal year 2023, current and other assets decreased by $99,872 or 12.6%. The decreases included $100,407 in restricted net pension asset based on actuarial estimates, $45,106 in restricted and unrestricted cash and investments mainly due to debt principal and interest payments, capital projects spending, payments for salaries and goods and services, $6,625 in prepaid expenses of multiple software licensing and membership fees, $2,535 in lease receivable due to lease payments received, $632 in restricted interest and other receivables mainly due to capacity fees, and $63 mainly for custom work projects due from the Department of Public Works (DPW). These decreases were offset by increases of $28,594 for a reimbursement receivable from the State Water Resources Control Board (SWRCB) State Revolving Funds Loan relating to the Mountain Tunnel Improvement and SF Westside Recycled Water projects, $11,007 in notes receivable from the sale of the Balboa Reservoir, $10,052 in Wholesale Balancing Account receivable (see Note 12 for details), $2,249 in interest receivable mainly due to higher interest rates, $2,205 in charges for services receivable mainly due to a 15.9% rate increase for wholesale customers beginning July 1, 2022, and $1,389 in inventory due to more purchases than issuances during the fiscal year.

Capital assets, net of accumulated depreciation and amortization, increased by $30,969 or 0.6% mainly due to Mountain Tunnel Improvement and SF Westside Recycled Water projects. The largest portion of the Water Enterprise's net position of $460,213 or 66.5% represents net investment in capital assets (see Capital Assets section of the MDA for more information), which decreased by $52,100 or 10.2% from prior year's $512,313 The change was explained by an increase of $83,069 in liabilities related to capital assets mainly from State Revolving Funds Loan relating to the Mountain Tunnel Improvement and SF Westside Recycled Water projects, offset by a $30,969 increase in capital assets mainly from increased buildings, structures and improvements.

Deferred outflows of resources decreased by $1,426 due to decreases of $14,846 from amortization for unamortized loss on refunding and $3,829 in OPEB obligations based on actuarial estimates, offset by an increase of $17,249 from pensions based on actuarial estimates.

Total liabilities increased by $92,523, which was due to increases of $165,162 in commercial paper from additional principal issuances, $115,343 in pensions based on actuarial reports, $41,866 in SRF loan payable due to additional loans related to the Mountain Tunnel Improvement and SF Westside Recycled Water projects, $15,329 in restricted and unrestricted payables due to higher year end expense accruals for capital projects as compared to prior year, $4,486 in OPEB obligations based on actuarial estimates, $2,440 payable to San Francisco Municipal Transportation Agency for a settlement payable relating to the Van Ness Corridor Transit Improvement project, $1,168 in accrued payroll, vacation and sick leave due to cost of living adjustments and unused leave, $1,147 in lease liability from additional leases, and $762 in workers' compensation based on actuarial estimates. These increases were offset by decreases of $150,089 in outstanding revenue bonds from $125,284 in bond repayment, $24,813 in bond premium amortization, offset by $8 in bond discount amortization, $79,150 in the Wholesale Balancing Account liability (see Note 12 for details), $16,444 in general liability based on actuarial report, $5,160 in unearned revenues mainly from lower custom work deposits and reduced Bay Area Water Supply and Conservation Agency (BAWSCA) Bond Surcharges, $3,138 in certificates of participation from $3,124 in principal repayment and $14 in amortization of premium, $848 in subscription liabilities from the implementation of GASB Statement No. 96, *SBITAs,* and $351 in interest payable from lower outstanding revenue bonds.

Deferred inflows of resources decreased by $221,498 due to decreases of $220,200 related to pensions based on actuarial estimates and $3,025 in leases based on Controller's Office GASB 87 lease calculations, offset by an increase of $1,727 in OPEB obligations based on actuarial estimates.

(Dollars in thousands, unless otherwise stated)

The following table summarizes Wastewater's changes in net position.

Table 1B
Proprietary Fund – Wastewater
Comparative Condensed Net Position
June 30, 2024, 2023, and 2022

	2024	2023	2022	2024 - 2023 Change	2023 - 2022 Change
Total assets:					
Current and other assets	$ 577,997	574,446	624,771	3,551	(50,325)
Capital assets, net of accumulated depreciation and amortization	5,488,410	4,686,346	4,051,005	802,064	635,341
Total assets ^	6,066,407	5,260,792	4,675,776	805,615	585,016
Deferred outflows of resources:					
Unamortized loss on refunding of debt	—	8	33	(8)	(25)
Pensions	42,685	32,592	25,369	10,093	7,223
Other postemployment benefits	12,816	11,493	12,898	1,323	(1,405)
Total deferred outflows of resources	55,501	44,093	38,300	11,408	5,793
Liabilities:					
Current liabilities:					
Revenue bonds	35,370	28,070	34,345	7,300	(6,275)
Certificates of participation	900	864	830	36	34
Commercial paper	—	—	379,157	—	(379,157)
State revolving fund loans	5,629	2,526	2,481	3,103	45
Other liabilities	239,840	200,992	165,662	38,848	35,330
Subtotal current liabilities	281,739	232,452	582,475	49,287	(350,023)
Long-term liabilities:					
Arbitrage rebate payable	8,521	188	—	8,333	188
Revenue bonds	2,649,681	2,708,840	1,896,908	(59,159)	811,932
Revenue notes	—	349,556	350,356	(349,556)	(800)
Certificates of participation	22,695	23,594	24,458	(899)	(864)
Commercial paper	341,373	—	—	341,373	—
State revolving fund loans	312,033	316,163	300,178	(4,130)	15,985
Water Infrastructure Finance and Innovation Act (WIFIA) loans	922,431	122,357	—	800,074	122,357
Other liabilities	224,674	121,786	73,724	102,888	48,062
Subtotal long-term liabilities	4,481,408	3,642,484	2,645,624	838,924	996,860
Total liabilities:					
Arbitrage rebate payable	8,521	188	—	8,333	188
Revenue bonds	2,685,051	2,736,910	1,931,253	(51,859)	805,657
Revenue notes	—	349,556	350,356	(349,556)	(800)
Certificates of participation	23,595	24,458	25,288	(863)	(830)
Commercial paper	341,373	—	379,157	341,373	(379,157)
State revolving fund loans	317,662	318,689	302,659	(1,027)	16,030
Water Infrastructure Finance and Innovation Act (WIFIA) loans	922,431	122,357	—	800,074	122,357
Other liabilities	464,514	322,778	239,386	141,736	83,392
Total liabilities	4,763,147	3,874,936	3,228,099	888,211	646,837
Deferred inflows of resources:					
Unamortized gain on refunding of debt	10,255	11,353	—	(1,098)	11,353
Leases	1,203	1,453	—	(250)	1,453
Pensions	4,055	10,023	114,670	(5,968)	(104,647)
Other postemployment benefits	5,809	8,286	8,640	(2,477)	(354)
Total deferred inflows of resources	21,322	31,115	123,310	(9,793)	(92,195)
Net position:					
Net investment in capital assets	1,148,814	1,110,957	1,002,813	37,857	108,144
Restricted for debt service	—	3,510	5,391	(3,510)	(1,881)
Restricted for capital projects	31,782	53,137	204,562	(21,355)	(151,425)
Restricted for other purposes	—	—	48,770	—	(48,770)
Unrestricted	156,843	231,230	101,131	(74,387)	130,099
Total net position#	$ 1,337,439	1,398,834	1,362,667	(61,395)	36,167

^Fiscal years 2022 and 2023 total assets reclassification of right-to-use lease and subscription assets from current and other assets to capital assets.
#Fiscal years 2022 and 2023 net position reclassification of restricted payable and capital related liabilities from restricted for capital projects and/or unrestricted to net investment in capital assets balance updated.

Wastewater Net Position, Fiscal Year 2024

As of June 30, 2024, the Wastewater Enterprise's assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by $1,337,439. The Wastewater Enterprise's total net position decreased by $61,395 or 4.4% from prior year, comprised of decreases of $74,387 in unrestricted net position, $21,355 in restricted for capital projects, and $3,510 in restricted for debt service offset by an increase of $37,857 in net investment in capital assets. Increases in total assets and deferred outflows of resources of $817,023 and increases of $878,418 in total liabilities and deferred inflows of resources are described below (see Table 1B).

During the fiscal year 2024, current and other assets increased by $3,551 or 0.6%. The increase was due to an $8,245 rise in charges for services resulting from a $10,835 increase in sewer charges receivable, as there were more billings than collections. This was offset by a $2,590 increase in allowance for doubtful accounts related to sewer charges receivable that were over 120 days old. Other increases included $7,558 in other receivable due to revenue accrual for the upgrades fair share contribution from the Golden State Warriors and the University of California, San Francisco for the Mariposa Project, $1,526 in unrestricted and restricted interest receivable due to higher average annualized interest rate, $458 in restricted and unrestricted cash and investments due to loan proceeds from Water Infrastructure Finance and Innovation Act (WIFIA) loans and commercial paper issuances offset by capital project spending and debt service principal and interest payments, $317 increase in inventory as there were more purchases than issuances during the year, $172 increase in capacity charges receivable, net of allowance for doubtful accounts, and $10 increase in custom work receivable. These increases were primarily offset by a $13,942 decrease in receivables from the State Water Resources Control Board (SWRCB), as a result of receipts from reimbursement requests for the Southeast Water Pollution Control Plant New Headworks (Grit) Replacement Project. Other decreases included $440 in prior year prepaid expenses recognized in current year, $212 in lease receivable, $46 in receivable from the Department of Public Works (DPW) for the Mission Bay South Project, $38 prepayments amortizations for the Civic Center Garage lease and the Mariposa Pump Station & Force Project, $32 decrease in Federal interest subsidy receivable, $22 in property rent receivable, and $3 in miscellaneous receivable.

Capital assets, net of accumulated depreciation and amortization, increased by $802,064 or 17.1% reflecting an increase in construction and capital improvement activities. The largest portion of the Wastewater Enterprise's net position of $1,148,814 or 85.9%, represents net investment in capital assets (see Capital Assets section of the MDA for more information). Deferred outflows of resources increased by $11,408 mainly due to increases in pensions and other postemployment benefits of $10,093 and $1,323, respectively, based on actuarial report, offset by $8 amortization of the 2013 Series A bond refunding loss.

Total liabilities increased by $888,211 or 22.9%. As of June 30, 2024, total outstanding balance of $4,290,112 for revenue bonds, certificates of participation (COP), commercial paper, State Revolving Fund (SRF) loans, and WIFIA loans represented 90.1% of total liabilities, an increase of $738,142 or 20.8%. The increase was mainly due to $800,074 new WIFIA loans (included $7,506 of capitalized interest) for the Biosolids Digester Facilities Project and the Southeast Treatment Plant Improvement Project, $341,373 new issuance of commercial paper, and $1,498 SRF loan capitalized interest for the OSP Digester Gas Utilization Upgrade and SEP New Headworks (Grit) Replacement projects, offset by $347,465 defeasance of 2021 Series AB revenue notes by the WIFIA loans, principal repayments of $28,070 in bonds, $2,525 in SRF loans, and $863 in COP, and $25,880 in revenue bonds and notes premium amortization and defeasance. Other liabilities of $473,035, including arbitrage rebate payable, payables to vendors, contractors, and other government agencies for goods and services under contractual agreements, increased by $150,069 or 46.5% due to increases of $110,733 in damage claims liability based on actuarial report, $17,750 in net pension liability based on actuarial report, $8,549 in restricted and unrestricted payable to vendors and contractors mainly due to increased capital project spending, $8,333 in arbitrage rebate payable due to actuarial calculation, $4,488 in bond, loan, lease, and subscription interest payable mainly due to higher outstanding debt principal resulting from the issuance of 2023 Series ABC revenue bonds and commercial paper, $3,166 in unearned revenue mainly due to $1,429 in unspent Federal pass-through grant relating to California Water and Wastewater Arrearages Payment Program (CWWAPP), $1,169 in liens payable, and $652 in customer credit balances due to overpayments, offset by $84 decrease in deposits from Pacific Gas & Electric due to expenses incurred for the Cross Bore Project, $1,929 increase in employee related benefits including vacation, workers' compensation, and accrued payroll mainly due to actuarial estimates, and 4.75% increase in cost of living adjustment (COLA), and $225 increase in other postemployment benefits obligations based on actuarial report. The increase in other liabilities were offset by $2,102 in payment of prior year payable that was made in current year to Municipal Transportation Agency for its share of the Walsh Construction Settlement, $1,349 decrease in pollution remediation obligation due to payments made for the Yosemite Creek Remediation project, $1,297 in leases due to payments made, $243 decrease in subscription liability, and $113 payment to Hetch Hetchy Power related to the 525 Golden Gate Living Machine System. Deferred inflows of resources decreased by $9,793 due to decreases in pensions and other postemployment benefits of $5,968 and $2,477, respectively, based on actuarial reports, $1,098 in unamortized gain on refunding of debt due to amortization and refunding gain, and $250 in leases.

Wastewater Net Position, Fiscal Year 2023

For the year ended June 30, 2023, the Wastewater Enterprise's assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by $1,398,834. The Wastewater Enterprise's total net position increased by $36,167 or 2.7% as a result of increases of $108,144 in net investment in capital assets and $130,099 in unrestricted net position offset by decreases of $151,425 in restricted for capital projects, $48,770 in restricted for other purposes, and $1,881 in restricted for debt service (see Table 1B).

During the fiscal year 2023, current and other assets decreased by $50,325 or 8.1%. The decrease was mainly due to $188,853 in receivables from the State Water Resources Control Board (SWRCB) attributed to $207,364 cash receipts from reimbursement requests relating to the Southeast Water Pollution Control Plant (SEP) Biosolids Digester Project, the Southeast Water Pollution Control Plant New Headworks (Grit) Replacement Project, and the Oceanside Plant (OSP) Digester Gas Utilization Upgrade Project, offset by $18,511 aggregate new reimbursement requests for the SEP New Headworks (Grit) Replacement and OSP Digester Gas Utilization Upgrade projects. Other decreases included $48,770 in restricted net pension asset based on actuarial report, $1,014 due from the Treasure Island Development Authority (TIDA) for capacity fees, $241 in capacity charges net of allowance for doubtful accounts as more collection than billings in current year, $228 in receivables for charges for services due to $5,787 increase in allowance for doubtful accounts attributed to increased sewer charges receivable aged over 120 days old offset by $5,559 increase in charges for services due to higher billings, $96 decrease in interfund receivable due to $105 collection of prior year balance from the Academy of Sciences, offset by $9 receivable from the DPW for the Mission Bay South Project, $28 decrease in Federal interest subsidy receivable, $25 decrease in State grant receivable due to receipt of reimbursement for the Baker Beach project, and $7 decrease in custom work receivable. These decreases in current and other assets were offset by increases of $184,889 in restricted and unrestricted cash and investments largely from the issuance proceeds of 2023 Series ABC revenue bonds, $1,682 in interest receivable due to higher interest earnings, $1,457 in lease receivable due to additional GASB Statement No. 87, *Leases*, $495 increase in prepaid charges due to $1,004 prepaid expenses in the current year such as property rental, software license, and membership fees offset by $471 prior year prepaid expenses recognized in current year and $38 lease prepayments amortizations for the Civic Center Garage and the Mariposa Pump Station & Force, $382 in inventory as there were more purchases than issuances during the year, $27 in property rent receivable, and $5 in other receivable.

Capital assets, net of accumulated depreciation and amortization, increased by $635,341 or 15.7% reflecting an increase in construction and capital improvement activities. The largest portion of the Wastewater Enterprise's net position of $1,110,957 or 79.4%, represents net investment in capital assets (see Capital Assets section of the MDA for more information). Deferred outflows of resources increased by $5,793 mainly due to $7,223 increase in pensions based on actuarial report offset by $1,405 decrease in other postemployment benefits based on actuarial report, and $25 amortization of the 2013 Series A bonds refunding loss.

Total liabilities increased by $646,837 or 20.0%. As of June 30, 2023, total outstanding balance of $3,551,970 for revenue bonds, revenue notes, certificates of participation (COP), State Revolving Fund (SRF) loans, and Water Infrastructure Finance and Innovation Act (WIFIA) loans represented 91.7% of total liabilities, an increase of $563,257 or 18.8%. The increase was mainly due to issuance of 2023 Series ABC and 2022 Series B revenue bonds with an aggregate par value of $974,380 and $137,080, an aggregate premiums of $161,622 and $16,852 from the 2023 Series ABC and 2022 Series B, respectively, to refund principal amount of and interest on commercial paper and portion of certain outstanding revenue bonds and to finance certain capital projects, $177,564 from issuance of commercial paper, $122,357 new WIFIA loan to fund for the Biosolids Digester Facilities Project, and $18,511 additional SRF loans to fund for the SEP New Headworks (Grit) Replacement and OSP Digester Gas Utilization Upgrade projects. These increases were offset by $556,721 refunding of commercial paper, $419,505 refunded principal for revenue bonds series 2013AB and 2018C, debt principal repayments of $34,345 in bonds, $2,481 in SRF, and $826 in COP, $15,494 refunded premium for revenue bonds series 2013AB, and $15,737 in premium amortization. Other liabilities of $322,966, including arbitrage rebate payable, such as payables to vendors, contractors, and other government agencies for goods and services under contractual agreements, increased by $83,580 or 34.9% due to increases of $49,549 in net pension liability based on actuarial report, $33,539 in restricted and unrestricted payable to vendors and contractors due to increased vouchers, $6,450 in bond, loan, lease, and subscription interest payable mainly due to higher outstanding debt principal resulting from new debts relating to the issuance of revenue bonds 2023 Series ABC and 2022 Series B bonds, and new WIFIA loan, $2,442 in employee related benefits including vacation, workers' compensation, and accrued payroll mainly due to actuarial estimates, and 5.25% increase COLA, $2,102 in payable to Municipal Transportation Agency (MTA), and $320 in unearned revenues mainly due to $402 in customer credit balances due to overpayments offset by decreases of $80 in deposits from Pacific Gas & Electric due to expenses incurred for the Cross Bore Project and $2 in liens payable, and $188 in arbitrage rebate payable. The increase in other liabilities was offset by decreases of $7,695 in damage claims liability due to actuarial estimates, $2,341 in lease liability due to lease payment, $515 in subscription liability due to implementation of GASB 96 *Subscription-Based Information Technology Arrangements* (SBITAs), $260 in pollution remediation obligation, $111 in payable to Hetch Hetchy Power related to the 525 Golden Gate Living Machine System, and $88 in other postemployment benefits obligations based on actuarial report. Deferred inflows of resources decreased by $92,195 mainly due to decreases in pensions and other postemployment benefits by $104,647 and $354, respectively, based on actuarial report, offset by increases in unamortized gain on refunding of debt and leases by $11,353 and $1,453, respectively.

(Dollars in thousands, unless otherwise stated)

The following table summarizes Hetchy Water's changes in net position.

Table 1C – A
Proprietary Fund – Hetchy Water
Comparative Condensed Net Position
June 30, 2024, 2023, and 2022

	2024	2023	2022	2024 - 2023 Change	2023 - 2022 Change
Total assets:					
Current and other assets	$ 81,605	90,830	109,691	(9,225)	(18,861)
Capital assets, net of accumulated depreciation and amortization	237,486	220,036	201,382	17,450	18,654
Total assets ^	319,091	310,866	311,073	8,225	(207)
Deferred outflows of resources:					
Pensions	11,929	8,858	6,696	3,071	2,162
Other postemployment benefits	3,191	3,248	3,272	(57)	(24)
Total deferred outflows of resources	15,120	12,106	9,968	3,014	2,138
Liabilities:					
Current liabilities	8,198	9,888	17,553	(1,690)	(7,665)
Long-term liabilities	37,918	31,730	17,095	6,188	14,635
Total liabilities	46,116	41,618	34,648	4,498	6,970
Deferred inflows of resources:					
Pensions	1,941	4,142	34,477	(2,201)	(30,335)
Other postemployment benefits	2,897	3,084	2,734	(187)	350
Total deferred inflows of resources	4,838	7,226	37,211	(2,388)	(29,985)
Net position:					
Net investment in capital assets	233,276	214,014	194,688	19,262	19,326
Restricted for capital projects	31,330	10,980	—	20,350	10,980
Restricted for other purposes	—	—	13,912	—	(13,912)
Unrestricted	18,651	49,134	40,582	(30,483)	8,552
Total net position#	$ 283,257	274,128	249,182	9,129	24,946

^Fiscal years 2022 and 2023 total assets reclassification of right-to-use lease and subscription assets from current and other assets to capital assets.
#Fiscal years 2022 and 2023 net position reclassification of restricted payable and capital related liabilities from restricted for capital projects and/or unrestricted to net investment in capital assets balance updated.

Hetchy Water Net Position, Fiscal Year 2024

Hetchy Water's net position of $283,257 increased by $9,129 or 3.3% from prior year. Increases in total assets and deferred outflows of resources of $11,239 and increases of $2,110 in total liabilities and deferred inflows of resources are described below (see Table 1C-A). The decrease of $9,225 in current and other assets was attributed to decreases of $10,152 in cash and investments with City Treasury mainly from higher cash paid to suppliers and contractors for goods and services, $59 in due from other governments related to State grant reimbursement for Rim Fire Project, and $22 in inventory due to more issuances than purchases during the fiscal year. The decreases were offset by increases of $659 in prepaid charges, advances, and other receivables mainly due to higher prepayments to San Joaquin Tributaries Authority and County of Tuolumne, $283 in interest receivables attributed to higher interest rates, and $66 in charges for services receivables due to higher consumption from Lawrence Livermore National Laboratory.

Capital assets, net of accumulated depreciation and amortization, increased by $17,450 or 7.9% to $237,486 primarily from construction and capital improvement activities for the 2023 March Winter Storm and Mountain Tunnel Improvements Projects. Deferred outflows of resources increased by $3,014 due to an increase of $3,071 in pensions, offset by a decrease of $57 in OPEB based on actuarial reports.

Hetchy Water's total liabilities increased by $4,498 or 10.8% to $46,116, as explained by increases of $4,985 in net pension liability based on actuarial estimates, $1,362 in OPEB obligations based on actuarial estimates, $468 in employee related benefits due to 4.75% increase in COLA. These increases were offset by decreases of $1,720 in restricted payables due to lower project spending mainly for Mountain Tunnel Improvement Project, $432 in general liability based on actuarial estimates, $80 in subscription liability, $64 in unrestricted payables mainly due to decrease in management consulting services, $16 in lease liability, $4 in unearned revenues, refunds, and other mainly due to decrease in prepaid rent received from tenants, and $1 in interest payable related to SBITAs.

Deferred inflows of resources decreased by $2,388 due to decreases of $2,201 in pensions and $187 in OPEB based on actuarial reports.

Hetchy Water Net Position, Fiscal Year 2023

Hetchy Water's net position of $274,128 increased by $24,946 or 10.0% resulting from a net decrease of $23,015 in total liabilities and deferred inflows of resources and a net increase of $1,931 in total assets and deferred outflows of resources (see Table 1C-A). The decrease of $18,861 in current and other assets was attributed to decreases of $13,912 in restricted net pension assets based on actuarial report, $6,238 in cash and investments with City Treasury mainly from higher cash paid to suppliers and contractors for goods and services, $129 in prepaid charges, advances, and other receivables due to prepayments made in prior year to California Department of Water Resources for dam fees included in fiscal year 2023, and $70 in charges for services receivables due to lower consumption from Lawrence Livermore National Laboratory. These decreases were offset by increases of $1,211 in State grants receivable for the 2018 Moccasin Storm Project related to emergency repairs, $255 in interest receivables attributed to improved fair value of investments and higher interest rates, and $22 in inventory due to more purchases than issuances during the fiscal year.

Capital assets, net of accumulated depreciation and amortization, increased by $18,654 or 9.3% to $220,036 primarily from construction and capital improvement activities for the Mountain Tunnel Improvement Project and San Joaquin Pipeline Valve and Safe Entry Improvement Project. Deferred outflows of resources increased by $2,138 due to an increase of $2,162 in pensions offset by a decrease of $24 in OPEB based on actuarial reports.

Hetchy Water's total liabilities increased by $6,970 or 20.1% to $41,618, as explained by increases of $14,105 in net pension liability based on actuarial estimates, $667 in OPEB obligations based on actuarial assumptions, $242 in employee related benefits due to 5.25% increase in COLA, $76 in lease liability and $73 in general liability based on actuarial estimates. These increases were offset by decreases of $7,421 in unrestricted payables mainly due to lower license and permit fees to the National Park Service, $577 in restricted payables due to lower project spending, $170 in subscription liability per implementation of GASB Statement No. 96, *SBITAs*, $24 in unearned revenues, refunds, and other mainly due to recognition of grant advance as revenue for the Rim Fire Project, and $1 in interest payable related to SBITAs (see Note 11).

Deferred inflows of resources decreased by $29,985 due to a decrease of $30,335 in pensions offset by an increase of $350 in OPEB based on actuarial reports.

(Dollars in thousands, unless otherwise stated)

The following table summarizes Hetchy Power's changes in net position.

Table 1C – B
Proprietary Fund – Hetchy Power
Comparative Condensed Net Position
June 30, 2024, 2023, and 2022

	2024	2023	2022	2024 - 2023 Change	2023 - 2022 Change
Total assets:					
Current and other assets	$ 330,411	294,006	260,487	36,405	33,519
Capital assets, net of accumulated depreciation and amortization	757,752	647,238	585,965	110,514	61,273
Total assets ^	1,088,163	941,244	846,452	146,919	94,792
Deferred outflows of resources:					
Pensions	14,580	10,826	8,183	3,754	2,643
Other postemployment benefits	3,899	3,969	3,999	(70)	(30)
Total deferred outflows of resources	18,479	14,795	12,182	3,684	2,613
Liabilities:					
Current liabilities:					
Bonds	3,599	1,590	1,966	2,009	(376)
Certificates of participation	463	445	427	18	18
Commercial paper	90,654	—	40,019	90,654	(40,019)
Other liabilities	55,976	63,355	48,688	(7,379)	14,667
Subtotal current liabilities	150,692	65,390	91,100	85,302	(25,710)
Long-term liabilities:					
Bonds	315,200	189,342	192,520	125,858	(3,178)
Certificates of participation	11,685	12,148	12,593	(463)	(445)
Commercial paper	—	116,352	—	(116,352)	116,352
Arbitrage rebate payable	184	—	—	184	—
Other liabilities	53,066	45,626	22,762	7,440	22,864
Subtotal long-term liabilities	380,135	363,468	227,875	16,667	135,593
Total liabilities:					
Bonds	318,799	190,932	194,486	127,867	(3,554)
Certificates of participation	12,148	12,593	13,020	(445)	(427)
Commercial paper	90,654	116,352	40,019	(25,698)	76,333
Arbitrage rebate payable	184	—	—	184	—
Other liabilities	109,042	108,981	71,450	61	37,531
Total liabilities	530,827	428,858	318,975	101,969	109,883
Deferred inflows of resources:					
Pensions	2,372	5,062	42,138	(2,690)	(37,076)
Other postemployment benefits	3,541	3,769	3,342	(228)	427
Total deferred inflows of resources	5,913	8,831	45,480	(2,918)	(36,649)
Net position:					
Net investment in capital assets	343,297	313,171	333,106	30,126	(19,935)
Restricted for debt service	—	56	140	(56)	(84)
Restricted for capital projects	28,625	21,702	—	6,923	21,702
Restricted for other purposes	—	—	17,004	—	(17,004)
Unrestricted	197,980	183,421	143,929	14,559	39,492
Total net position#	$ 569,902	518,350	494,179	51,552	24,171

^Fiscal years 2022 and 2023 total assets reclassification of right-to-use lease and subscription assets from current and other assets to capital assets.
#Fiscal years 2022 and 2023 net position reclassification of restricted payable and capital related liabilities from restricted for capital projects and/or unrestricted to net investment in capital assets balance updated.

Hetchy Power Net Position, Fiscal Year 2024

Hetchy Power's net position of $569,902 increased by $51,552 or 9.9% from prior year. Increases in total assets and deferred outflows of resources of $150,603 and increases of $99,051 in total liabilities and deferred inflows of resources are described below (see Table 1C-B). Increase of $36,405 in current and other assets was attributed to increases of $28,989 in cash and investments mainly due to higher collections from billings attributable to 14.0% average rate increase and cash proceeds from commercial paper, $6,065 in prepaid charges, advances, and other receivables mainly due to prepayments to vendors such as County of Tuolumne for municipal services and additional collateral paid to satisfy the CAISO's financial security requirements, $4,079 in charges for services receivables mainly due to pending collections from wholesale customers, $1,320 in interest receivables attributed to higher interest rates, and $71 in inventory due to more purchases than issuances during the fiscal year. These increases were offset by decreases of $3,982 in restricted interest and receivables due to refundable deposit received from PG&E, $72 in due from other governments related to State grant reimbursement for Rim Fire Project, and $65 in due from other City departments mainly due to repayments for Moscone Renewable Energy Projects.

Capital assets, net of accumulated depreciation and amortization, increased by $110,514 or 17.1% to $757,752 primarily from construction and capital improvement activities for the Cluster 7 Mitigation and Transmission Line Clearance Mitigation Projects. Deferred outflows of resources increased by $3,684 due to an increase of $3,754 in pensions, offset by a decrease of $70 in OPEB based on actuarial reports.

Hetchy Power's total liabilities of $530,827 increased by $101,969 or 23.8%. As of June 30, 2024, outstanding debt increased by $101,724 due to $131,230 from issuance of 2023 Series A Revenue Bonds and $91,635 from commercial paper issuance, offset by commercial paper repayment of $117,333, bonds and certificates of participation principal repayments of $2,035, and $1,773 in amortization of premium and discount. Other liabilities of $109,042, such as payables to vendors, employees, contractors, and other government agencies for goods and services under contractual agreements, increased by $61 or 0.1%, mainly due to increases of $6,093 in net pension liability based on actuarial estimates, $5,748 in restricted payables to vendors and contractors due to higher year-end expense accruals mainly for the Warnerville Substation Project, $1,663 in OPEB obligations based on actuarial estimates, $1,094 in interest payable mainly due to 2023 Series A Revenue Bonds issuance, $724 in unearned revenues, refunds, and other mainly due to utility user taxes payable to Alameda county, and $610 in employee related benefits due to 4.75% increase in COLA. These increases were offset by decreases of $11,465 in unrestricted payables mainly due to lower year-end expense accruals for power purchases from APX, Inc. and distribution services from PG&E, $2,376 in general liability based on actuarial estimates, $1,946 in due to other City departments related to claim settlement reimbursement paid to SFMTA, $65 in subscription liability, and $19 in lease liability. Arbitrage rebate payable increased by $184 related to 2021 Series AB and 2023 Series A Revenue Bonds.

Deferred inflows of resources decreased by $2,918 due to decreases of $2,690 in pensions and $228 in OPEB based on actuarial reports.

Hetchy Power Net Position, Fiscal Year 2023

Hetchy Power's net position of $518,350 increased by $24,171 or 4.9% resulting from an increase of $97,405 in total assets and deferred outflows of resources, offset by a net increase of $73,234 in total liabilities and deferred inflows of resources (see Table 1C-B). Increase of $33,519 in current and other assets was attributed to increases of $47,496 in cash and investments mainly due to higher collections from billings, $2,088 in charges for services receivables mainly due to pending collections from non-work order City departments, $1,302 in interest receivables attributed to improved fair value of investments and higher interest rates, and $348 increase in State grants receivable mainly for the 2018 Moccasin Storm Project related to emergency repairs.

These increases were offset by decreases of $17,004 in restricted net pension assets based on actuarial report, $318 in due from other City departments mainly due to repayments from Moscone Renewable Energy Projects, $182 in prepaid charges, advances, and other receivables mainly due to prepayments made in prior year to California Department of Water Resources for dam fees included in fiscal year 2023, $152 in restricted interest and other receivables mainly due to lower IRS bond interest subsidy accrual, and $59 in inventory due to more issuances than purchases during the fiscal year.

Capital assets, net of accumulated depreciation and amortization, increased by $61,273 or 10.5% to $647,238 primarily from construction and capital improvement activities for the Moccasin Powerhouse Rewind Project and the Bay Corridor Project. Deferred outflows of resources increased by $2,613 due to an increase of $2,643 in pensions offset by a decrease of $30 in OPEB based on actuarial reports.

Hetchy Power's total liabilities of $428,858 increased by $109,883 or 34.4%. As of June 30, 2023, outstanding debt increased by $72,352 due to $76,333 commercial paper issuance for Hetchy Power facilities, offset by $2,397 from bonds and certificates of participation principal repayments and $1,584 in amortization of premium and discount. Other liabilities of $108,981, such as payables to vendors, employees, contractors, and other government agencies for goods and services under contractual agreements, increased by $37,531 or 52.5%, mainly due to increases of $17,239 in net pension liability based on actuarial estimates, $8,302 in unrestricted payables mainly due to higher power purchases, $5,127 in general liability based on actuarial estimates, $4,060 in restricted payables to vendors and contractors due to higher year-end expense accruals for capital projects mainly for the Winter Storm Projects and Moccasin Powerhouse Projects, $1,566 in due to other City departments mainly for claim settlement reimbursement to SFMTA, $815 in OPEB obligations based on actuarial assumptions, $464 in employee related benefits due to 5.25% increase in COLA, $268 increase in interest payable related to 2021 Series AB revenue bond issued in prior year, and $94 in lease liability. These increases were offset by decreases of $267 in unearned revenues, refunds, and other, and $137 in subscription liability per implementation of GASB Statement No. 96, *SBITAs* (see Note 11). Decrease of $267 in unearned revenues, refunds, and other was mainly due to $436 deposit refund to developer for custom work project at 1064 Mission Street, $126 in refund for Hunter's Point construction project, and $43 in grant advance due to recognition of Rim Fire State grant revenue, offset by increases of $170 in prepayments from Distributed Antenna System (DAS) program, and $168 in customer prepayments.

(Dollars in thousands, unless otherwise stated)

Deferred inflows of resources decreased by $36,649 due to a decrease of $37,076 in pensions offset by an increase of $427 in OPEB based on actuarial reports.

The following table summarizes CleanPowerSF's changes in net position.

Table 1C – C
Proprietary Fund – CleanPowerSF
Comparative Condensed Net Position
June 30, 2024, 2023, and 2022

	2024	2023	2022	2024 - 2023 Change	2023 - 2022 Change
Total assets:					
Current and other assets	$ 224,700	157,906	129,617	66,794	28,289
Capital assets, net of accumulated depreciation and amortization	13	30	301	(17)	(271)
Total assets ^	224,713	157,936	129,918	66,777	28,018
Deferred outflows of resources:					
Pensions	2,187	1,292	852	895	440
Other postemployment benefits	996	1,009	798	(13)	211
Total deferred outflows of resources	3,183	2,301	1,650	882	651
Liabilities:					
Current liabilities	38,079	31,461	28,661	6,618	2,800
Long-term liabilities	8,110	6,557	11,579	1,553	(5,022)
Total liabilities	46,189	38,018	40,240	8,171	(2,222)
Deferred inflows of resources:					
Pensions	925	1,296	5,414	(371)	(4,118)
Other postemployment benefits	2,292	2,922	1,594	(630)	1,328
Total deferred inflows of resources	3,217	4,218	7,008	(1,001)	(2,790)
Net position:					
Restricted for other purposes	—	—	1,833	—	(1,833)
Unrestricted	178,490	118,001	82,487	60,489	35,514
Total net position	$ 178,490	118,001	84,320	60,489	33,681

^Fiscal years 2022 and 2023 total assets reclassification of right-to-use lease and subscription assets from current and other assets to capital assets.

CleanPowerSF Net Position, Fiscal Year 2024

CleanPowerSF's net position of $178,490 increased by $60,489 or 51.3% from prior year. Increases in total assets and deferred outflows of resources of $67,659 and increases of $7,170 in total liabilities and deferred inflows of resources are described below (see Table 1C-C). Increase in current and other assets of $66,794 was due to increases of $61,154 in cash and investments with City Treasury mainly attributed to higher collections from billings, $9,368 in charges for services receivables mainly due to 15.0% average rate increase, and $1,133 in interest receivable attributed to higher interest rates. These increases were offset by a decrease of $4,861 in prepaid charges and other receivables mainly related to $5,000 cash collateral returned from APX, Inc.

Capital assets, net of accumulated depreciation and amortization, decreased by $17 or 56.7% to $13 due to decrease in subscription assets. Deferred outflows of resources increased by $882 due to an increase of $895 in pensions, offset by a decrease of $13 in OPEB based on actuarial reports.

Total liabilities increased by $8,171 or 21.5% to $46,189, mainly explained by increases of $4,674 in payables due to higher power purchases, $1,840 in unearned revenues, refunds, and other, $1,439 in net pension liability based on actuarial estimates, $136 in OPEB obligations based on actuarial assumptions, and $113 in employee related benefits due to COLA increase. These increases were offset by decreases of $18 in subscription liability and $13 in general liability based on actuarial estimates. Increase of $1,840 in unearned revenues, refunds, and other was mainly due to increases of $1,241 for the Community Food Service Energy Efficiency Program and Disadvantaged Communities Programs from California Public Utilities Commission (CPUC), $651 in net energy metering credits to customers who generated excess energy, and $8 in energy tax payable, offset by a decrease of $60 in customer prepayments.

Deferred inflows of resources decreased by $1,001 due to decreases of $630 in OPEB and $371 in pensions based on actuarial reports.

CleanPowerSF Net Position, Fiscal Year 2023

CleanPowerSF's net position of $118,001 increased by $33,681 or 39.9%, resulting from an increase of $28,669 in total assets and deferred outflows of resources and a decrease of $5,012 in total liabilities and deferred inflows of resources (see Table 1C-C). Increase in current and other assets of $28,289 was due to increases of $42,423 in cash and investments with City Treasury mainly attributed to higher collections from billings and $498 in interest receivable attributed to improved fair value of investments and higher interest rates. These increases were offset by decrease of $7,078 in charges for services receivables due to $5,485 lower unbilled accrual and $1,593 increase in allowance for uncollectible due to higher aged receivables greater than 120 days. Prepaid charges and other receivables decreased by $5,721, of which $5,463 in lower prepaid for power purchases and $4,258 in prepayments required by PG&E in prior year offset by $4,000 in collateral paid to the California Independent System Operator's (CAISO) to satisfy financial security requirements. Restricted net pension assets decreased by $1,833 based on actuarial report.

Capital assets, net of accumulated depreciation and amortization, decreased by $271 or 90.0% to $30 due to $230 in lease right-to-use assets net of accumulated amortization from lease termination of 544 Golden Gate and $41 in subscription assets net of accumulated amortization per implementation of GASB Statement No. 96, *SBITAs*. Deferred outflows of resources increased by $651 due to increases of $440 in pensions and $211 in OPEB based on actuarial reports.

Total liabilities decreased by $2,222 or 5.5% to $38,018, mainly explained by $9,000 cash collateral returned for power purchase agreement, $232 decrease in lease liability related to the lease termination at 544 Golden Gate, $39 decrease in subscription liability per implementation of GASB Statement No. 96, *SBITAs*, and $1 decrease in interest payable related to SBITAs (See Note 11). These decreases were offset by increases of $2,124 in net pension liability based on actuarial estimates, $1,950 in unearned revenues, refunds, and other, $1,789 in OPEB obligations based on actuarial assumptions, $818 in payables mainly due to higher power purchases, $367 in employee related benefits due to 5.25% increase in COLA, and $2 in general liability based on actuarial estimates. Increases of $1,950 in unearned revenues, refunds, and other was mainly due to increases of $2,075 received from California Public Utilities Commission (CPUC) for the Community Food Service Energy Efficiency Program and Disadvantaged Communities Programs, $64 in customer prepayments, and $5 in energy tax payable, offset by a decrease of $194 in net energy metering credits to retail and commercial customers.

Deferred inflows of resources decreased by $2,790 due to a decrease of $4,118 in pensions offset by an increase of $1,328 in OPEB based on actuarial reports.

(Dollars in thousands, unless otherwise stated)

Results of Operations

Department-wide Business Type Activities

The following table summarizes the department-wide revenues, expenses, and changes in net position. Detailed discussion follows for each proprietary fund.

Table 2
Business Type Activities
Comparative Condensed Revenues, Expenses, and Changes in Net Position
Years ended June 30, 2024, 2023, and 2022

	2024	2023	2022	2024 - 2023 Change	2023 - 2022 Change
Revenues:					
Charges for services	$ 1,665,162	1,598,926	1,375,765	66,236	223,161
Rents and concessions	9,655	14,387	14,719	(4,732)	(332)
Other operating revenues	27,552	25,191	31,962	2,361	(6,771)
Interest and investment income/(loss)	73,528	18,315	(26,202)	55,213	44,517
Other non-operating revenues	75,620	67,553	86,326	8,067	(18,773)
Total revenues	1,851,517	1,724,372	1,482,570	127,145	241,802
Expenses:					
Operating expenses	1,547,468	1,257,946	1,129,681	289,522	128,265
Interest expenses	375,413	319,924	297,068	55,489	22,856
Amortization of premium, discount, refunding loss, and issuance costs	(62,132)	(25,942)	(18,105)	(36,190)	(7,837)
Non-operating expenses	3,286	2,809	1,938	477	871
Total expenses	1,864,035	1,554,737	1,410,582	309,298	144,155
Change in net position before transfers and capital contributions	(12,518)	169,635	71,988	(182,153)	97,647
Capital contributions	130,879	7,992	—	122,887	7,992
Transfers from the City and County of San Francisco	547	20,080	45,036	(19,533)	(24,956)
Transfers to the City and County of San Francisco	(1,558)	(20,096)	(31,359)	18,538	11,263
Net capital contributions and transfers	129,868	7,976	13,677	121,892	(5,701)
Change in net position	117,350	177,611	85,665	(60,261)	91,946
Net position at beginning of year	3,001,386	2,823,775	2,738,110	177,611	85,665
Net position at end of year	$ 3,118,736	3,001,386	2,823,775	117,350	177,611

The following table summarizes Water's revenues, expenses, and changes in net position.

Table 2A
Proprietary Fund – Water
Comparative Condensed Revenues, Expenses, and Changes in Net Position
Years ended June 30, 2024, 2023, and 2022

	2024	2023	2022	2024 - 2023 Change	2023 - 2022 Change
Revenues:					
Charges for services	$ 650,233	661,241	539,526	(11,008)	121,715
Rents and concessions	8,556	13,282	13,765	(4,726)	(483)
Other operating revenues	18,101	16,568	19,826	1,533	(3,258)
Interest and investment income/(loss)	25,097	11,156	(10,896)	13,941	22,052
Other non-operating revenues	42,071	40,679	41,871	1,392	(1,192)
Total revenues	744,058	742,926	604,092	1,132	138,834
Expenses:					
Operating expenses	529,356	460,253	401,764	69,103	58,489
Interest expenses	222,055	214,913	213,681	7,142	1,232
Amortization of premium, discount, refunding loss, and issuance costs	(13,825)	(9,971)	(9,875)	(3,854)	(96)
Non-operating expenses	1,760	1,775	828	(15)	947
Total expenses	739,346	666,970	606,398	72,376	60,572
Change in net position before transfers and capital contributions	4,712	75,956	(2,306)	(71,244)	78,262
Capital contributions	53,599	2,717	—	50,882	2,717
Transfers from the City and County of San Francisco	505	5	15,035	500	(15,030)
Transfers to the City and County of San Francisco	(1,241)	(20,032)	(30,666)	18,791	10,634
Net capital contributions and transfers	52,863	(17,310)	(15,631)	70,173	(1,679)
Change in net position	57,575	58,646	(17,937)	(1,071)	76,583
Net position at beginning of year	692,073	633,427	651,364	58,646	(17,937)
Net position at end of year	$ 749,648	692,073	633,427	57,575	58,646

Water Results of Operations, Fiscal Year 2024

The Water Enterprise's total revenues of $744,058 for the year represented an increase of $1,132 or 0.2% from prior year (see Table 2A). Increases included $13,941 from interest and investment income, $1,533 in other operating revenues, and $1,392 in other non-operating revenues. These increases were offset by decreases of $11,008 in charges for services and $4,726 in rents and concessions.

Charges for services were $650,233, a decrease of $11,008 or 1.7%, mainly due to a higher Wholesale Balancing Account adjustment to increase revenues in prior year, offset by adopted rate increases of 9.7% for wholesale customers and 5% for retail customers beginning July 1, 2023. Rents and concessions were $8,556, a decrease of $4,726 or 35.6%, mainly due to funding allocation for low-income customer assistance programs. Other operating revenues were $18,101, an increase of $1,533 or 9.3%, mainly due to increased consumption by other City departments and an adopted rate increase of 5% beginning July 1, 2023. Interest and investment income were $25,097, an increase of $13,941 or 125.0%, mainly due to higher unrealized gains in the current year compared to prior year and higher interest rates. Other non-operating revenues were $42,071, an increase of $1,392 or 3.4%, mainly due to grants for COVID-19 pandemic related water utility arrearages relief and disaster cost recovery for the 2020 Wildfires Santa Clara Fence project.

The Water Enterprise's total expenses were $739,346, an increase of $72,376 or 10.9%. Operating expenses were $529,356, an increase of $69,103 or 15.0%, resulting from increases of $30,435 in general and administrative expenses mainly due to an increase in judgment and claims expenses based on actuarial estimates, $24,070 in personnel services mainly due to pension expenses based on actuarial estimates, $11,054 in other operating expenses mainly due SF Recycled Water and Mountain Tunnel Improvement projects spending, $3,209 in contractual services mainly for construction expenses, and $3,149 in materials and supplies mainly for water treatment supplies. These increases were offset by decreases of $2,272 for services provided by other departments mainly from lower water assessment fees paid to Hetch Hetchy Water, and $542 in depreciation. Interest expenses increased by $7,142 compared to prior year, mainly due to the issuances of 2023 Series AB revenue bonds and 2023 Series CD revenue refunding bonds. Amortization of bond premium, discount, refunding loss/gain and issuance costs increased by $3,854 due to the issuances of 2023 Series AB revenue bonds and 2023 Series CD revenue refunding bonds. Non-operating expenses decreased by $15 mainly due to higher rebates provided to customers in the prior year.

Capital contributions of $53,599 were received from developers for assets relating mainly to the Treasure Island, Yerba Buena Island, and Pier 70 Development project. Transfer in of $505 from the General Fund included $500 for research on environmental impacts in Hunter's Point Shipyard and $5 for the Mayor's Office's minimum compensation ordinance. Transfer out of $1,241 included $1,167 to the Arts Commission for the arts enrichment fund, $42 to Hetch Hetchy Water to fund various Mountain Tunnel Improvement projects, and $32 to the Office of the City Administrator for the Water Enterprise's contribution to the Surety Bond Program.

Water Results of Operations, Fiscal Year 2023

The Water Enterprise's total revenues of $742,926 for the year represented an increase of $138,834 or 23.0% from prior year (see Table 2A). Increases included $121,715 from charges for services, and $22,052 in interest and investment income. These increases were offset by decreases of $3,258 in other operating revenues, $1,192 in other non-operating revenues, and $483 in rents and concessions.

Charges for services were $661,241, an increase of $121,715 or 22.6% mainly due to an adopted rate increase of 15.9% for wholesale customers and a 5% drought surcharge for retail customers beginning July 1, 2022. Rents and concessions were $13,282, a decrease of $483 or 3.5% mainly due to lease terminations. Other operating revenues were $16,568, a decrease of $3,258 or 16.4% mainly due to decreased consumption by other City departments and fewer capacity fee applications. Interest and investment income was $11,156, an increase of $22,052 or 202.4% due to prior year unrealized losses and higher interest earned on pooled cash. Other non-operating revenues were $40,679, a decrease of $1,192 or 2.8% due to an accrued settlement and water utility arrearages relief grant received in prior year.

The Water Enterprise's total expenses were $666,970, an increase of $60,572 or 10.0%. Operating expenses were $460,253, an increase of $58,489 or 14.6%, as a result of increases of $52,324 in personnel services mainly due to pensions based on actuarial estimates, $6,937 in depreciation from additional capital assets placed into service, $6,603 in services provided by other departments mainly for higher water assessments fees paid to Hetch Hetchy Water, $4,357 in contractual services mainly for custom work and professional and specialized service charges, and increase of $4,327 in materials and supplies mainly for water treatment supplies. These increases were offset by a decrease of $16,059 in general administrative and other expenses mainly from judgment and claims. Interest expenses increased by $1,232, compared to prior year, mainly due to increased commercial paper interest. Amortization of bond premium, discount, refunding loss and issuance costs increased by $96 mainly due to amortization of bond refunding loss. Non-operating expenses increased by $947 mainly for youth employment and employment projects.

(Dollars in thousands, unless otherwise stated)

Transfer in of $5 from the General Fund was for the Mayor's Office's minimum compensation ordinance. Transfer out of $20,032 included $20,000 to Hetch Hetchy Water to fund various Mountain Tunnel Improvement projects, and $32 to the Office of the City Administrator for the Water Enterprise's contribution to the Surety Bond Program. Capital contribution of $2,717 was received from a developer for assets relating to the Potrero HOPE SF and Sunnydale HOPE SF projects.

The following table summarizes Wastewater's revenues, expenses, and changes in net position.

Table 2B
Proprietary Fund – Wastewater
Comparative Condensed Revenues, Expenses, and Changes in Net Position
Years ended June 30, 2024, 2023, and 2022

	2024	2023	2022	2024 - 2023 Change	2023 - 2022 Change
Revenues:					
Charges for services	$ 384,851	354,491	356,041	30,360	(1,550)
Rents and concessions	739	822	705	(83)	117
Other operating revenues	9,451	8,623	12,136	828	(3,513)
Interest and investment income/(loss)	25,528	2,556	(7,087)	22,972	9,643
Other non-operating revenues	24,297	9,910	25,454	14,387	(15,544)
Total revenues	444,866	376,402	387,249	68,464	(10,847)
Expenses:					
Operating expenses	462,043	261,350	257,158	200,693	4,192
Interest expenses	138,883	95,520	77,751	43,363	17,769
Amortization of premium, refunding loss, and issuance costs	(47,299)	(14,387)	(8,422)	(32,912)	(5,965)
Non-operating expenses	505	535	482	(30)	53
Total expenses	554,132	343,018	326,969	211,114	16,049
Change in net position before transfers and capital contributions	(109,266)	33,384	60,280	(142,650)	(26,896)
Capital contributions	48,080	2,740	—	45,340	2,740
Transfers from the City and County of San Francisco	—	75	—	(75)	75
Transfers to the City and County of San Francisco	(209)	(32)	(161)	(177)	129
Net capital contributions and transfers	47,871	2,783	(161)	45,088	2,944
Change in net position	(61,395)	36,167	60,119	(97,562)	(23,952)
Net position at beginning of year	1,398,834	1,362,667	1,302,548	36,167	60,119
Net position at end of year	$ 1,337,439	1,398,834	1,362,667	(61,395)	36,167

Wastewater Results of Operations, Fiscal Year 2024

The Wastewater Enterprise's total revenues were $444,866, an increase of $68,464 or 18.2% from prior year (see Table 2B). Charges for services increased by $30,360 or 8.6% mainly due to a 9% rate increase adopted on July 1, 2023, offset by a decrease in sanitary flow of 95,679 ccf, or 0.4% from both residential and non-residential customers. Interest and investment income increased by $22,972 or 898.7% mainly due to $10,485 increase in unrealized gain in City Treasury pooled investments, attributed to improved fair value of investments and a $12,487 increase in interest earned mainly due to higher average cash balances from issuance of WIFIA loans and 2023 Series AB bonds and increase in interest rates. Other non-operating revenues increased by $14,387, primarily due to a $12,104 rise in Federal and State grants received mainly for the CWWAPP and a revenue accrual of $7,558 for the upgrades fair share contribution from the Golden State Warriors and the University of California, San Francisco for the Mariposa Project. This increase was offset by the Monsanto settlement related to water pollution of $5,000 and the $196 Baker Beach grant received in the prior year, as well as decreases of $85 in

Federal interest subsidy and $37 in gains from the sale of assets. Other operating revenues increased by $828 or 9.6% mainly due to a $1,643 increase in revenues from other City departments, including Recreation & Park, Zuckerberg San Francisco General Hospital and Trauma Center, and the San Francisco Municipal Transportation Agency. This increase was offset by an $815 decrease in capacity fees, driven by a $544 increase in the allowance for doubtful accounts and write-offs, along with a $271 decline in revenue due to lower permits prices and issuance. Rents and concessions decreased by $83 or 10.1% mainly due to a decrease of $345 from three terminated leases offset by increases in rental income of $189 from tenants with 3.5% consumer price index average rate increase, $70 from short-term conference room rentals at Southeast Community Center and $3 related to leases.

Total expenses were $554,132, reflecting an increase of $211,114 or 61.5% compared to prior year. This was primarily due to increases of $200,693 in operating expenses, $43,363 in interest expenses mainly due to higher bond and WIFIA principal debt and arbitrage rebate liability, offset by an increase of $32,912 in amortization of premium, refunding loss, and issuance cost and $30 decrease in City grants program expenses due to $195 decrease in expenditures for community based organization services for the Youth Employment & Environment Project, offset by $165 increase in floodwater grant for the UC Wastewater Collection Project. The increase of $200,693 in operating expenses was primarily driven by several factors: a $178,078 rise in general and administrative and other operating expenses largely attributed to judgments and claims expenses based on actuarial report, along with increased project costs associated with the WIFIA Headworks New Grit Removal/Influent Pump and Biosolids Digester projects; a $16,109 increase in personnel services, mainly due to a $15,239 rise related to the GASB 68 pension adjustment and a 4.75% COLA; a $4,683 increase in depreciation and amortization expenses resulting from more assets being placed in service, a $3,108 rise in contractual services primarily due to higher maintenance costs for service equipment at the Southeast Treatment Plant and leasing activities; and a $168 increase in materials and supplies for sewage treatment at the Southeast Treatment Plant, all offset by a $1,453 decrease in expenses for services of other departments mainly in electric services provided by Hetch Hetchy Power at the Southeast Treatment Plant.

Capital contributions of $48,080 were for the Developer Built Infrastructure transferred to capital assets, comprised of $25,923 for the Pier 70 Phase 1, $17,550 for the Treasure Island Stage 1, and $4,607 for the Yerba Buena Island Street Improvements projects. Transfer out of $209 included $177 transfers to Culture and Recreation Fund for art enrichment allocation and $32 to the Office of the City Administrator for the Surety Bond Program.

Wastewater Results of Operations, Fiscal Year 2023

The Wastewater Enterprise's total revenues were $376,402, a decrease of $10,847 or 2.8% from prior year (see Table 2B). Charges for services decreased by $1,550 or 0.4% mainly due to an increase in allowance for doubtful accounts by $6,885 as there were more sewer charge receivables aging over 120 days, offset by a 5% drought surcharge and a sanitary flow increase of 47,124 ccf or 0.2% from residential and non-residential customers. Other non-operating revenues decreased by $15,544 or 61.1% mainly due to Federal and State grants received in prior year consisting of $9,302 for the customer utility arrearage relief, $8,000 SRF loan principal forgiveness of the SEP Biosolids Digester Facilities and the OSP Digester Gas Handling Utilization Upgrade projects, and $3,409 Baker Beach grant, a decrease of $91 in Federal interest subsidy, and $44 refunded federal grant relating to customer utility arrearage relief program, offset by $5,000 Monsanto settlement related to water pollution, $196 Baker Beach grant in current year, and increases of $92 in gain from sale of assets and $14 in miscellaneous revenue. Other operating revenues decreased by $3,513 or 28.9% mainly due to decreases of $3,203 in capacity fees resulting from $3,985 decrease in permits issued offset by $782 decrease in allowance for doubtful accounts, and $310 in other operating revenues to other City departments such as the Recreation & Park, the San Francisco Municipal Transportation Agency, and the Zuckerberg San Francisco General Hospital and Trauma Center. Rents and concessions increased by $117 or 16.6% mainly due to increases in rental income of $162 from short-term conference room rentals at Southeast Community Center beginning December 2022, $17 from tenants with 5.3% consumer price index average rate increase, offset by decreases of $59 from three terminated leases in the current year and $3 related to leases due to GASB 87 implementation. Interest and investment income increased by $9,643 or 136.1% mainly due to $4,436 decrease in unrealized loss in City Treasury pooled investments attributed to improved fair value of investments and higher interest rates, an increase of $3,697 in interest earned from pooled cash due to increase in cash balances and higher annualized interest rate, $1,500 increase in interest earned from fiscal agent account due to increase in fiscal agent cash balances and rising interest rates, and $10 interest earned from lease receivable.

(Dollars in thousands, unless otherwise stated)

Total expenses were $343,018, an increase of $16,049 or 4.9% due to increases of $17,769 in interest expenses mainly due to higher bond principal, $4,192 in operating expenses, and $53 increase in City grants program expenses due to increased expenditures for community based organization services such as for the Youth Employment & Environment Project and the UC Wastewater Treatment Project, offset by an increase of $5,965 in amortization of premium, refunding loss, and issuance cost. The increase of $4,192 in operating expenses were mainly due to increases of $26,270 in personnel services due to $21,594 increase in expenses related to GASB 68 pension expense and 5.25% increase in COLA, $2,462 in materials and supplies due to water sewage treatment supplies for Bayside Operations, $2,205 in contractual services mainly due to higher building and equipment maintenance for sludge removal, vehicle rental, and power utility, $1,354 in services provided by other departments mainly for electricity from Hetch Hetchy Power, water from Water Wastewater Enterprise, and for toxics waste and hazard materials services and cleanup charges related to the UC Wastewater Treatment Project, offset by decreases of $28,033 in general and administrative and other operating expenses mainly due to increased capitalized expenditures to capital assets and a decrease in judgments and claims offset by increased capital project expenses primarily related to SSIP Biosolids Digester Project, New Grit Removal/Influent Pump Project, and Westside Pump Station Reliability Improvement Project and $66 in depreciation and amortization expenses.

Capital contributions of $2,740 were for the Sunnydale HopeSF Developer Project. Net transfers of $43 included transfer in of $75 from the General Fund for the Wastewater Add-backs Master Project offset transfer out of $32 to the Office of the City Administrator for the Surety Bond Program.

The following table summarizes Hetchy Water's revenues, expenses, and changes in net position.

Table 2C – A
Proprietary Fund – Hetchy Water
Comparative Condensed Revenues, Expenses, and Changes in Net Position
Years ended June 30, 2024, 2023, and 2022

	2024	2023	2022	2024 - 2023 Change	2023 - 2022 Change
Revenues:					
Charges for services	$ 49,330	52,570	49,200	(3,240)	3,370
Rents and concessions	162	127	112	35	15
Interest and investment income/(loss)	3,255	457	(2,932)	2,798	3,389
Other non-operating revenues	338	1,861	479	(1,523)	1,382
Total revenues	53,085	55,015	46,859	(1,930)	8,156
Expenses:					
Operating expenses	43,950	50,011	52,299	(6,061)	(2,288)
Interest expenses	3	4	3	(1)	1
Non-operating expenses	45	54	37	(9)	17
Total expenses	43,998	50,069	52,339	(6,071)	(2,270)
Change in net position before transfers	9,087	4,946	(5,480)	4,141	10,426
Transfers from the City and County of San Francisco	42	20,000	30,001	(19,958)	(10,001)
Change in net position	9,129	24,946	24,521	(15,817)	425
Net position at beginning of year	274,128	249,182	224,661	24,946	24,521
Net position at end of year	$ 283,257	274,128	249,182	9,129	24,946

Hetchy Water Results of Operations, Fiscal Year 2024

Hetchy Water's total revenues were $53,085, a decrease of $1,930 or 3.5% from prior year's revenues (see Table 2C-A). Decreases included $3,240 in charges for services and $1,523 in other non-operating revenues, offset by increases of $2,798 in interest and investment income and $35 in rents and concessions.

Charges for services were $49,330, a decrease of $3,240 or 6.2% mainly due to decreased water assessment fees from the Water Enterprise to fund upcountry water-related costs. Interest and investment income was $3,255, an increase of $2,798 mainly due to unrealized gain in City Treasury pooled investments attributed to improved fair value of investments and higher interest rates. Other non-operating revenues were $338, a decrease of $1,523 mainly due to decreases of $1,388 in State grants revenue for the Moccasin Storm Project and Rim Fire Project related to emergency repairs, $239 in Federal grants revenue for the Rim Fire Project, and $2 in net gain from sale of fixed assets, offset by increases of $100 settlement revenue mainly for San Joaquin Pipeline Project and $6 miscellaneous revenue. Rents were $162, an increase of $35 mainly due to higher collections from recreational rentals and new leases.

Total operating expenses, excluding interest expenses and other non-operating expenses, were $43,950, a decrease of $6,061 or 12.1%. Decreases included $13,074 in other operating expenses mainly due to lower project spending on the Mountain Tunnel Improvement Project, $807 in general and administrative expenses due to lower judgments and claims expenses, and $2 in depreciation and amortization mainly related to fewer subscription assets. These decreases were offset by increases of $6,484 in personnel services due to higher pension expenses and 4.75% increase in COLA, $1,079 in contractual services from increased engineering services, $150 in material and supplies from treatment chemicals and hardware expenses, and $109 in services provided by other departments mainly due to higher risk management services.

Other non-operating expenses were $45, a decrease of $9 due to lower payments to community-based organization programs. Interest expenses were $3, a decrease of $1 due to lower interest expenses related to leases and subscription assets. A transfer in of $42 was received from the Water Enterprise to fund various capital projects.

As a result of the above activities, net position for the year ended June 30, 2024 increased by $9,129 or 3.3% compared to prior year.

Hetchy Water Results of Operations, Fiscal Year 2023

Hetchy Water's total revenues were $55,015, an increase of $8,156 or 17.4% from prior year's revenues (see Table 2C-A). Increases included $3,370 in charges for services, $3,389 in interest and investment income, $1,382 in other non-operating revenues, and $15 in rents and concessions.

Charges for services were $52,570, an increase of $3,370 or 6.8% mainly due to increased water assessment fees from the Water Enterprise to fund upcountry water-related costs. Interest and investment income was $457, an increase of $3,389 mainly due to decrease in unrealized loss in City Treasury pooled investments attributed to improved fair value of investments and higher interest rates. Other non-operating revenues were $1,861, an increase of $1,382 mainly due to increase of $1,177 in State grants revenue for the 2018 Moccasin Storm Project related to emergency repairs, $200 revenue related to labor settlements, and $9 in overhead charges, offset by decreases of $3 in net gain from sale of fixed assets and $1 in miscellaneous revenue. Rents were $127, an increase of $15 mainly due to higher collections from recreational rentals.

Total operating expenses, excluding interest expenses and other non-operating expenses, were $50,011, a decrease of $2,288 or 4.4%. Other operating expenses decreased by $7,358 mainly due to lower capital spending on the Mountain Tunnel Improvement Project, offset by increases of $2,788 in personnel services due to higher personnel and fringe benefit costs and 5.25% increase in COLA, $1,451 in general and administrative expenses due to higher fees, licenses, and permit expenses, $281 in contractual services from increased management consulting services, $263 in services provided by other departments mainly due to higher bureau allocations related to accounting services support from the Controller's Office, $243 in material and supplies from fuel and minor data processing equipment, and $44 in depreciation and amortization mainly related to additional facilities and improvements placed in service.

Other non-operating expenses were $54, an increase of $17 due to higher payments to community-based organization programs. Interest expenses were $4, an increase of $1 mainly due to implementation of GASB Statement No. 96, *SBITAs*. A transfer in of $20,000 was received from the Water Enterprise to fund various Mountain Tunnel Projects.

As a result of the above activities, net position for the year ended June 30, 2023 increased by $24,946 or 10.0% compared to prior year.

(Dollars in thousands, unless otherwise stated)

The following table summarizes Hetchy Power's revenues, expenses, and changes in net position.

Table 2C – B
Proprietary Fund – Hetchy Power
Comparative Condensed Revenues, Expenses, and Changes in Net Position
Years ended June 30, 2024, 2023, and 2022

	2024	2023	2022	2024 - 2023 Change	2023 - 2022 Change
Revenues:					
Charges for services	$ 214,154	203,847	173,105	10,307	30,742
Rents and concessions	198	156	137	42	19
Interest and investment income/(loss)	13,744	3,741	(4,001)	10,003	7,742
Other non-operating revenues	8,528	13,605	15,763	(5,077)	(2,158)
Total revenues	236,624	221,349	185,004	15,275	36,345
Expenses:					
Operating expenses	200,601	191,552	156,343	9,049	35,209
Interest expenses	14,472	9,486	5,627	4,986	3,859
Amortization of premium, discount, and issuance costs	(1,008)	(1,584)	192	576	(1,776)
Non-operating expenses	99	227	591	(128)	(364)
Total expenses	214,164	199,681	162,753	14,483	36,928
Change in net position before transfers and contributions	22,460	21,668	22,251	792	(583)
Capital contribution	29,200	2,535	—	26,665	2,535
Transfers to the City and County of San Francisco	(108)	(32)	(532)	(76)	500
Net capital contributions and transfers	29,092	2,503	(532)	26,589	3,035
Change in net position	51,552	24,171	21,719	27,381	2,452
Net position at beginning of year	518,350	494,179	472,460	24,171	21,719
Net position at end of year	$ 569,902	518,350	494,179	51,552	24,171

Hetchy Power Results of Operations, Fiscal Year 2024

Hetchy Power's total revenues were $236,624, an increase of $15,275 or 6.9% from prior year's revenues (see Table 2C-B). Increases included $10,307 from charges for services, $10,003 from interest and investment income, and $42 from rents and concessions, offset by a decrease of $5,077 from other non-operating revenues.

Charges for services were $214,154, an increase of $10,307 or 5.1%, mainly due to increases of $12,819 in revenue from City departments mainly due to average rate increase and lower allowance for uncollectible, $9,432 in resale of capacity to CleanPowerSF due to excess energy, $2,867 in sales to retail customers from increased consumption, and $1,055 from Treasure Island due to average rate increase, offset by a decrease of $15,866 mainly due to wholesale revenue from lower Congestion Revenue Right (CRR) credits from the California Independent System Operator (CAISO). Interest and investment income was $13,744, an increase of $10,003 mainly due to unrealized gain in City Treasury pooled investments attributed to improved fair value of investments and higher interest rates. Rents increased by $42 or 26.9% to $198 mainly due to higher collections from recreational rentals and new leases.

Other non-operating revenues were $8,528, a decrease of $5,077 or 37.3%, mainly due to decreases of $4,449 in revenue received in prior year for the Power System Mitigation Project, $567 in State grants revenue for the Moccasin Storm Project and Rim Fire Project related to emergency repairs, $344 in Federal grants revenue from the Rim Fire Project and California Arrearages Payment Program (CAPP) ended in prior year, $244 in settlement received in prior year due to labor litigation, and $78 in miscellaneous revenue. These decreases were offset by an increase of $605 in Cap and Trade revenue due to increase of 12,157 allowances sold.

Total operating expenses, excluding interest expenses, other non-operating expenses, and amortization of premium, discount, and issuance costs, increased by $9,049 or 4.7% to $200,601. Increases included $14,217 in other operating expenses mainly due to higher project spending for the Winter Storm Projects, $8,875 in personnel services due to higher pension expenses and 4.75% increase in COLA, $2,804 in contractual services for construction contracts and engineering services, and $583 in depreciation and amortization related to additional facilities and improvements placed in service. These increases were offset by decreases of $14,715 in general and administrative expenses due to lower judgments and claims expenses, $1,846 in services provided by other departments mainly due to lower legal service charges from City Attorney's Office, $708 in purchased electricity and transmission, distribution, and other power costs mainly related to transmission and related CAISO costs, and

$161 in materials and supplies for electrical supplies.

Interest expenses increased by $4,986 or 52.6% due to higher outstanding bonds from issuance of 2023 Series A Revenue Bonds. Amortization of premium and discount decreased by $576 due to costs of issuance for 2023 Series A Revenue Bonds.

Other non-operating expenses were $99, a decrease of $128 or 56.4% mainly due to lower incentive payments for Electric Vehicle Charge Program. Capital contributions of $29,200 were for assets at Pier 70, Treasure Island, and Yerba Buena Island. Transfer out of $108 included $76 to General Fund for Public Power Expansion Project and $32 to the Office of the City's Administrator for the Surety Bond Program.

As a result of the above activities, net position for the year ended June 30, 2024 increased by $51,552 or 9.9% compared to prior year.

Hetchy Power Results of Operations, Fiscal Year 2023

Hetchy Power's total revenues were $221,349, an increase of $36,345 or 19.6% from prior year's revenues (see Table 2C-B). Increases included $30,742 from charges for services, $7,742 from interest and investment income, and $19 from rents and concessions, offset by a decrease of $2,158 from other non-operating revenues.

Charges for services were $203,847, an increase of $30,742 or 17.8%, mainly due to increases of $19,450 in wholesale revenue from Congestion Revenue Right (CRR) credits from California Independent System Operator (CAISO) and $12,159 in billings from non-work order City departments as a result of increased operation due to easing of COVID-19 restrictions, offset by a decrease of $867 in resale of capacity to CleanPowerSF. Interest and investment income was $3,741, an increase of $7,742 mainly due to decrease in unrealized loss in City Treasury pooled investments attributed to improved fair value of investments and higher interest rates. Rents increased by $19 or 13.9% to $156 mainly due to higher collections from recreational rentals.

Other non-operating revenues were $13,605, a decrease of $2,158 or 13.7%, mainly due to decreases of $3,987 in State and Federal grants revenue from the Rim Fire Project and California Arrearages Payment Program (CAPP) to provide relief for customer unpaid bills, $590 in Low Carbon Fuel Standard credits, $306 Cap and Trade revenue due to decrease of 10,606 allowances sold, $22 in bond interest subsidies from IRS mainly due to lower subsidy for 2015 NCREBs, and $6 in net gain from sale of fixed assets, offset by increases of $2,084 from the Power System Mitigation Project, $244 in settlement revenue, $220 in Distributed Antenna System and miscellaneous revenue, and $205 in overhead charges.

Total operating expenses, excluding interest expenses, other non-operating expenses, and amortization of premium, discount, and issuance costs, increased by $35,209 or 22.5% to $191,552. Increases included $20,406 in purchased electricity and transmission, distribution, and other power costs attributed to volatile and higher pricing in power market, $10,988 in general and administrative expenses due to higher judgments and claims expenses , $4,654 in personnel services due to higher personnel and fringe benefit costs and 5.25% increase in COLA, $2,421 in services provided by other departments mainly due to higher legal service charges from City Attorney's Office, $1,360 in contractual services for construction contracts, $342 in materials and supplies for electrical supplies and fuel, and $108 in depreciation and amortization mainly related to additional facilities and improvements placed in service. These increases were offset by a decrease of $5,070 in other operating expenses mainly due to lower capital spending for Bay Corridor Project.

Interest expenses increased by $3,859 or 68.6% due to higher outstanding bonds and commercial paper. Amortization of premium and discount decreased by $1,776 due to higher costs of issuance for 2021 Series AB revenue bonds in prior year.

Other non-operating expenses were $227, a decrease of $364 or 61.6% mainly due to lower payments for GoSolarSF Incentive Program. Capital contributions of $2,535 were from the Sunnydale and Potrero Hope Projects. Transfer out of $32 to the Office of the City's Administrator was for the Surety Bond Program.

As a result of the above activities, net position for the year ended June 30, 2023 increased by $24,171 or 4.9% compared to prior year.

(Dollars in thousands, unless otherwise stated)

The following table summarizes CleanPowerSF's revenues, expenses, and changes in net position.

Table 2C – C
Proprietary Fund – CleanPowerSF
Comparative Condensed Revenues, Expenses, and Changes in Net Position
Years ended June 30, 2024, 2023, and 2022

	2024	2023	2022	2024 - 2023 Change	2023 - 2022 Change
Revenues:					
Charges for services	$ 366,594	326,777	257,893	39,817	68,884
Interest and investment income/(loss)	5,904	405	(1,286)	5,499	1,691
Other non-operating revenues	386	1,498	2,759	(1,112)	(1,261)
Total revenues	372,884	328,680	259,366	44,204	69,314
Expenses:					
Operating expenses	311,518	294,780	262,117	16,738	32,663
Interest expenses	—	1	6	(1)	(5)
Non-operating expenses	877	218	—	659	218
Total expenses	312,395	294,999	262,123	17,396	32,876
Change in net position	60,489	33,681	(2,757)	26,808	36,438
Net position at beginning of year	118,001	84,320	87,077	33,681	(2,757)
Net position at end of year	$ 178,490	118,001	84,320	60,489	33,681

CleanPowerSF Results of Operations, Fiscal Year 2024

CleanPowerSF's total revenues were $372,884, a $44,204 or 13.4% increase over prior year (see Table 2C-C). Charges for services increased by $39,817 or 12.2% mainly due to increases of $38,403 in electricity sales to retail and commercial customers from 15.0% average rate increase and $3,606 in wholesale sales due to excess energy, offset by $2,192 in lower capacity sales to counter parties. Capacity sales are based on availability. Interest and investment income was $5,904, an increase of $5,499 mainly due to unrealized gain in City Treasury pooled investments attributed to improved fair value of investments and higher interest rates. Other non-operating revenue decreased by $1,112 mainly due to $1,173 decrease in Federal CAPP grants which ended in prior year, offset by an increase of $61 in revenue mainly from Disadvantaged Communities (DAC) Programs.

Total operating expenses, excluding interest expenses and non-operating expenses were $311,518, an increase of $16,738 or 5.7% from prior year. Purchased electricity and transmission, distribution, and other power costs increased by $19,517 due to volatile and increased pricing in power market. Other increases included $490 in services provided by other departments mainly due to higher legal service charges from City Attorney's Office and $3 in material and supplies mainly for minor data processing equipment. These increases were offset by decreases of $1,413 in personnel services due to lower OPEB obligations based on actuarial reports, $739 in other operating expenses mainly due to recognition of grant expense related to CAPP in prior year, $552 in general and administrative expenses due to lower judgments and claims expenses, $315 in contractual services mainly due to lease termination at 544 Golden Gate, and $253 in depreciation and amortization related to fewer leases and subscription assets. Other non-operating expenses increased by $659 mainly due to rebates for the Electrify My Ride Program. Interest expenses decreased by $1 related to SBITAs.

As a result of the above activities, net position for the year ended June 30, 2024 increased by $60,489 or 51.3% compared to prior year.

CleanPowerSF Results of Operations, Fiscal Year 2023

CleanPowerSF's total revenues were $328,680, a $69,314 or 26.7% increase over prior year (see Table 2C-C). Charges for services increased by $68,884 or 26.7% mainly due to $70,629 in electricity sales to retail and commercial customers from increased consumption of 1.1% or 30,441 MWh, offset by $997 in lower capacity sales to Hetchy Power and $748 increase in allowance for uncollectible attributed to lower assistance received from CAPP for eligible customer account arrearages. Interest and investment income was $405, an increase of $1,691 mainly due to decrease in unrealized loss in City Treasury pooled investments attributed to improved fair value of investments and higher interest rates. Other non-operating revenue decreased by $1,261 mainly due to $1,251 decrease in Federal grants received from CAPP and $330 in liquidated damage compensation received from supplier for delay of the Renewable Energy Project in prior year, offset by an increase of $320 in revenue mainly from Disadvantaged Communities (DAC) Programs.

(Dollars in thousands, unless otherwise stated)

Total operating expenses, excluding interest expenses were $294,780, an increase of $32,663 or 12.5% from prior year. Purchased electricity and transmission, distribution, and other power costs increased by $25,640 due to volatile and increased pricing in power market, and higher resource adequacy capacity purchases related to compliance requirements from the CPUC. Other increases include $6,568 in personnel services due to higher personnel and fringe benefit costs and 5.25% increase in COLA, $681 in services provided by other departments mainly due to higher bureau allocations related to accounting services support from the Controller's Office, $112 in other operating expenses mainly due to higher bureau allocations, and $24 in material and supplies mainly for minor data processing equipment. These increases were offset by decreases of $221 in professional and contractual services mainly from lower management consulting and financial services, $115 in depreciation and amortization due to lease termination for 544 Golden Gate, and $26 in general and administrative due to lower bank fees. Other non-operating expenses increased by $218 in solar rebates for the Inverter Replacement Program. Interest expenses were $1, a decrease of $5 related to lease termination.

As a result of the above activities, net position for the year ended June 30, 2023 increased by $33,681 or 39.9% compared to prior year.

Capital Assets

Department-wide Business Type Activities

The following table summarizes the department-wide changes in capital assets. Detailed discussion follows for each proprietary fund.

Table 3
Business Type Activities
Capital Assets, Net of Accumulated Depreciation and Amortization
As of June 30, 2024, 2023, and 2022

	2024	2023	2022	2024 - 2023 Change	2023 - 2022 Change
Facilities, improvements, machinery, and equipment	$ 8,137,674	7,865,615	7,767,562	272,059	98,053
Intangible assets	32,694	33,816	34,731	(1,122)	(915)
Land and rights-of-way	163,075	163,075	163,194	—	(119)
Land Improvements	9,311	6,733	—	2,578	6,733
Construction work in progress	3,915,730	3,130,427	2,485,201	785,303	645,226
Right-to-use lease and subscription assets	3,644	6,936	9,948	(3,292)	(3,012)
Total	$ 12,262,128	11,206,602	10,460,636	1,055,526	745,966

The following table summarizes Water's changes in capital assets.

Table 3A
Proprietary Fund – Water
Capital Assets, Net of Accumulated Depreciation and Amortization
As of June 30, 2024, 2023, and 2022

	2024	2023	2022	2024 - 2023 Change	2023 - 2022 Change
Facilities, improvements, machinery, and equipment	$ 5,052,639	5,005,667	5,056,747	46,972	(51,080)
Intangible assets	2,657	2,331	3,152	326	(821)
Land and rights-of-way	113,322	113,322	113,441	—	(119)
Construction work in progress	606,804	526,994	444,254	79,810	82,740
Right-to-use lease and subscription assets	3,045	4,638	4,389	(1,593)	249
Total	$ 5,778,467	5,652,952	5,621,983	125,515	30,969

Water Capital Assets, Fiscal Year 2024

The Water Enterprise has net capital assets of $5,778,467 invested in a broad range of utility capital assets as of June 30, 2024 (see Table 3A). The investment in capital assets includes land, facilities, improvements, water treatment plants, aqueducts, water transmission, distribution mains, water storage facilities, pump stations, water reclamation facilities, machinery, and equipment. The Water Enterprise's net revenue and long-term debt are used to finance capital investments. Capital assets, net of accumulated depreciation and amortization, increased by $125,515 from the prior year. Facilities, improvements, machinery, and equipment increased by $46,972 mainly due to additions relating to various Water Main Replacement projects. Intangible assets increased by $326 mainly due to Maximo improvements and Software as a Service Applications additions. Land and rights-of-way was unchanged. Construction work in progress increased by $79,810 mainly from the San Joaquin Pipeline Valve and Safe Entry Improvements and Mountain Tunnel Improvement projects. Right-to-use lease and subscription assets decreased by $1,593 due to fewer leases and subscription assets.

(Dollars in thousands, unless otherwise stated)

As of June 30, 2024 and 2023, the Water Enterprise had capital commitments of $225,678 and $187,936, respectively.

Major additions to construction work in progress during the year ended June 30, 2024 include the following:

San Joaquin Pipeline Valve and Safe Entry Improvements	$	21,253
Mountain Tunnel Improvements		18,114
New City Distribution Division Headquarters		10,999
2023 March Winter Storm Joint Project		10,622
Lead Component Service Program		10,419
Water Main Replacement - WD-2847 Laidley/Castro to Harper/Bemis/Miguel/Various Side Streets		8,038
College Hill Reservoir Outlet and Pipeline		7,960
New services for water installation		7,195
Water Main Replacement - WD-2859 Taraval Segment B		6,482
Regional Groundwater Storage and Recovery		6,426
Skyline Ridge Trail		6,336
Water Main Replacement - WD-2801 Mariposa to Cesar Chavez/York/Hampshire Streets		6,289
Water Main Replacement - WD-2843 Diamond/27th/28th/Duncan Streets		5,675
Westside Recycled Water Project		5,444
San Andreas Reservoir Road Improvements		5,358
Other project additions individually below $5,000		84,360
Total	$	220,970

Major depreciable facilities, improvements, intangible assets, machinery, and equipment placed in service, including transfers of completed projects from construction work in progress, during the year ended June 30, 2024 include the following:

Water Main Replacement - WD-2859 Taraval Segment B	$	15,052
Water Main Replacement - WD-2843 Diamond/27th/28th/Duncan Streets		11,814
Water Main Replacement - WD-2847 Laidley/Castro to Harper/Bemis/Miguel/Various Side Streets		10,882
Renewed Water Service Lines		10,419
Harry Tracy Water Treatment Plant Filters No. 1-6 Stainless Steel Underdrains		10,356
Water Main Replacement - WD-2806 Vicente Street/19th to 25th Avenue		9,315
Water Main Replacement - WD-2718 Prospect/Fair/Coso Avenues/Coleridge Street		9,173
Contributed Capital - Yerba Buena Island 1.34 mg Prestressed Concrete Water Storage Tanks		8,770
Contributed Capital - Pier 70 Phase 1 Auxiliary Water Supply System Pipe Network		8,648
New Water Service Facilities		7,195
Auxiliary Water Supply System - Pipeline at Clarendon Avenue		6,871
Contributed Capital - Pier 70 Phase 1 Low Pressure Water Pipe Network		6,789
2023 March Emergency Major Road Repair - Cherry Lake Road		6,679
Potable Emergency Firefighting Water System - Pipeline at 19th Avenue		6,489
Other items individually below $5,000		72,425
Total	$	200,877

See Note 4 for additional information about capital assets.

Water System Improvement Program (WSIP)

The WSIP delivers capital improvements that enhance the Water Enterprise's ability to provide reliable, affordable, high-quality drinking water to its 27 wholesale customers and regional retail customers in Alameda, Santa Clara, and San Mateo Counties, as well as approximately 800,000 residential customers in San Francisco, in an environmentally sustainable manner. The program is structured to cost-effectively meet water quality requirements and long-term water supply objectives, as well as improve seismic and delivery reliability.

Overall, the $4.8 billion WSIP to upgrade the City of San Francisco's regional and local drinking water systems is 99% completed with $4.8 billion of project appropriations expended through fiscal year ended June 30, 2024. The program consists of 35 local projects located within San Francisco and 52 regional projects spread over seven different counties from the Sierra Foothills to San Francisco. As of June 30, 2024, 35 local projects were completed. For regional projects, 48 projects were completed, the Alameda Creek Recapture and Regional Groundwater Storage projects are under construction, the Bioregional Habitat Restoration project is in close-out, and Long-Term Mitigation Endowment project is not applicable as it does not include construction. The expected completion date is June 2032. Additional details regarding the WSIP are available at https://sfpuc.gov/construction-contracts/water-infrastructure-improvements.

(Dollars in thousands, unless otherwise stated)

Water Capital Assets, Fiscal Year 2023

The Water Enterprise has net capital assets of $5,652,952 invested in a broad range of utility capital assets as of June 30, 2023 (see Table 3A). The investment in capital assets includes land, facilities, improvements, water treatment plants, aqueducts, water transmission, distribution mains, water storage facilities, pump stations, water reclamation facilities, machinery, and equipment. The Water Enterprise's net revenue and long term debt are used to finance capital investments. Capital assets, net of accumulated depreciation and amortization, increased by $30,969 from the prior year. Facilities, improvements, machinery, and equipment decreased by $51,080 mainly due to depreciation. Intangible assets decreased by $821 mainly due to amortization. Land decreased by $119 from the sale of Balboa Reservoir. Construction work in progress increased by $82,740 mainly from the Mountain Tunnel Improvement and SF Westside Recycled Water projects. Right-to-use lease and subscription assets increased by $249 due to the implementation of GASB Statement No. 96, *SBITAs*.

Major additions to construction work in progress during the year ended June 30, 2023 include the following:

Mountain Tunnel Improvements	$	22,623
SF Westside Recycled Water Project		9,400
New Water Utility Service Facilities		7,594
Water Main Replacement and Auxiliary Water Supply System Pipeline - 19th Ave		7,183
College Hill Reservoir Outlet and Pipeline		7,087
Sunol Valley Water Treatment Plant Ozonation		6,987
Water Main Replacement - WD-2718 Prospect/Cortland/Fair Ave		5,987
Harry Tracy Water Treatment Plant - Filters No. 1 to 6 Underdrain Replacement		5,939
Water Main Replacement - WD-2859 Taraval Segment B		5,649
San Joaquin Pipeline Valve and Safe Entry Improvements		5,486
Water Main Replacement - WD-2843 Diamond/27th/28th Streets		5,372
Water Main Replacement - WD-2806 Vicente Street/19th to 25th Ave		5,189
Regional Groundwater Storage and Recovery		5,152
Other project additions individually below $5,000		80,743
Total	$	180,391

Major depreciable facilities, improvements, intangible assets, machinery, and equipment placed in service, including transfers of completed projects from construction work in progress, during the year ended June 30, 2023 include the following:

Auxiliary Water Supply System Pumping Station No. 2 Improvement - Structural System	$	14,683
Water Main Replacement - WD-2811 17th/Clayton/Ord Streets		11,240
New Water Utility Service Facilities		7,594
Water Main Replacement - 19th Ave		7,018
Auxiliary Water Supply System Pumping Station No. 2 Improvement - Diesel Engine Generator		6,235
Other items individually below $5,000		54,730
Total	$	101,500

See Note 4 for additional information about capital assets.

(Dollars in thousands, unless otherwise stated)

Water System Improvement Program (WSIP)

The WSIP delivers capital improvements that enhance the Water Enterprise's ability to provide reliable, affordable, high-quality drinking water to its 27 wholesale customers and regional retail customers in Alameda, Santa Clara, and San Mateo Counties, as well as approximately 800,000 residential customers in San Francisco, in an environmentally sustainable manner. The program is structured to cost-effectively meet water quality requirements and long-term water supply objectives, as well as improve seismic and delivery reliability.

Overall, the $4.8 billion WSIP to upgrade the City of San Francisco's regional and local drinking water systems is 99% completed with $4.8 billion of project appropriations expended through fiscal year ended June 30, 2023. The program consists of 35 local projects located within San Francisco and 52 regional projects spread over seven different counties from the Sierra Foothills to San Francisco. As of June 30, 2023, 35 local projects were completed. For regional projects, 48 projects were completed, the Alameda Creek Recapture and Regional Groundwater Storage projects are under construction, the Bioregional Habitat Restoration project is in close-out, and Long-Term Mitigation Endowment project is not applicable as it does not include construction. The expected completion date is February 2027. Additional details regarding the WSIP are available at https://www.sfpuc.gov/construction-contracts/water-infrastructure-improvements.

See Note 4 for additional information about capital assets.

The following table summarizes Wastewater's changes in capital assets.

Table 3B
Proprietary Fund – Wastewater
Capital Assets, Net of Accumulated Depreciation and Amortization
As of June 30, 2024, 2023, and 2022

	2024	2023	2022	2024 - 2023 Change	2023 - 2022 Change
Facilities, improvements, machinery, and equipment	$ 2,549,177	2,393,051	2,270,355	156,126	122,696
Intangible assets	6,373	7,333	7,107	(960)	226
Land and rights-of-way	44,572	44,572	44,572	-	-
Land Improvements	9,311	6,733	-	2,578	6,733
Construction work in progress	2,878,789	2,232,963	1,724,417	645,826	508,546
Right-to-use lease and subscription assets	188	1,694	4,554	(1,506)	(2,860)
Total	$ 5,488,410	4,686,346	4,051,005	802,064	635,341

Wastewater Capital Assets, Fiscal Year 2024

The Wastewater Enterprise has capital assets of $5,488,410, net of accumulated depreciation and amortization, invested in a broad range of utility capital assets as of June 30, 2024 (see Table 3B). This amount represents an increase of $802,064 or 17.1% from prior fiscal year. As of June 30, 2024, the Wastewater Enterprise had capital commitments of $667,703. The investment in capital assets includes land, buildings, improvements, wastewater treatment plants, sewer pipes and mains, underground transport and storage boxes, pump stations, machinery, and equipment. Construction work in progress increased by $645,826 or 28.9%. Facilities, improvements, machinery, and equipment increased by $156,126 or 6.5%. Land improvements increased by $2,578 or 38.3% relating to improvements for the Ocean Beach Project. Right-to-use lease and subscription assets decreased by $1,506 or 88.9% due to termination of leases and subscriptions and amortization. Intangible assets decreased by $960 or 13.1% due to amortization.

(Dollars in thousands, unless otherwise stated)

Major additions to construction work in progress during the year ended June 30, 2024 include the following:

Southeast Plant Biosolids Digester Facilities Project	$ 486,344
Southeast Plant New Headworks (Grit) Replacement	91,920
New Treasure Island Wastewater Treatment Plant Capital Improvements	57,168
Large Diameter Sewer Projects and Channel Force Main Intertie	27,993
WW-716 As-Needed Sewer Replacement Number 44	11,693
Taraval Sewer Improvements	10,455
Southeast Plant Power Feed and Primary Switchgear Upgrades	9,968
Westside Pump Station Reliability Improvements	9,691
Southeast Plant / Southeast Community Heating Ventilation Air Conditioning & Mechanical Upgrades	9,117
45th Avenue, 46th Avenue, 47th Avenue, Vicente Street, Wawona Street, and Sloat Boulevard Sewer Replacement	7,810
Oceanside Plant Condition Assessment Improvements - Part 2	7,666
Oceanside Plant Digester Gas Handling Utilization Upgrade	7,173
North Shore Pump Station Wet Weather Improvements	6,278
WW-715 As-Needed Sewer Replacement Number 43	6,272
Lower Alemany Area Stormwater Improvement Project	5,983
Southeast Plant Facility-Wide Distributed Control System Upgrades	5,583
Folsom Area Stormwater Improvement Project	5,578
Folsom Area Stormwater Phase 2	4,825
Green Infrastructure Grant Projects	4,716
Public Works Various Location Number 53 Infrastructure Improvements	4,377
Public Works Various Locations Number 55 Infrastructure Improvements	4,194
Other project additions individually below $4,000	94,639
Total	$ 879,443

Major depreciable facilities, improvements, intangible assets, machinery, and equipment placed in service, including transfers of completed projects from construction work in progress, during the year ended June 30, 2024 include the following:

Wawona Area Stormwater Improvement Project	$ 27,262
Contributed Capital: Pier 70 Phase 1	25,923
Contributed Capital: Treasure Island Stage 1	17,550
Public Works 19Th Avenue Infrastructure Improvements	14,755
WW-715 As-Needed Sewer Replacement Number 43	11,292
Large Diameter Sewer Projects And Channel Force Main Intertie	11,141
45th Avenue, 46th Avenue, 47th Avenue, Vicente Street, Wawona Street, and Sloat Boulevard Sewer Replacement	8,940
Public Works Various Locations Infrastructure Improvements Number 48	6,998
Public Works Number 56 Infrastructure Improvements	6,668
16th Street Sewer Replacement (Segment 2)	6,528
As-Needed Main Sewer Replacement Number 9 (WW-713)	6,416
Public Works Various Locations Pavement Improvements Number 38	6,240
Public Works Golden Gate Ave And Laguna Street Project	6,051
Public Works Various Locations Number 57 Infrastructure Improvements	5,711
WW-707 Various Locations Number 11	5,171
WW-704 Sewer Replacement Number 9	4,946
WW-708 Various Locations Number 12	4,772
Public Works Richmond Residential Streets Pavement Renovation	4,753
Contributed Capital: Yerba Buena Island Street Improvements	4,607
Public Works Various Locations Pavement Renovations Number 59	4,245
Public Works Various Locations Number 54 Infrastructure Improvements	4,136
Public Works Various Locations Number 52 Infrastructure Improvements	4,066
Other project additions individually below $4,000	40,791
Total	$ 238,962

See Note 4 for additional information about capital assets.

Sewer System Improvement Program (SSIP)

The Sewer System Improvement Program (SSIP) is the SFPUC's wastewater capital improvement program which includes multiple projects to improve the existing wastewater system. The implementation of the SSIP projects were originally phased over 20 years to maintain ratepayer affordability and minimize impacts to communities throughout the City. On March 22, 2016, the refined program scope and budget for $7.0 billion was endorsed by the Commission along with the baseline for scope, schedule, and budget for Phase 1 projects totaling $2.9 billion. The revised program is referred to as the "2016 SSIP Baseline".

(Dollars in thousands, unless otherwise stated)

As of June 30, 2024, 49 projects or 70.0% totaling $525 million were completed, 1 project in multiple phases, 5 projects in pre-construction phase, 7 projects in construction phase, and 8 projects in close-out phase. The Central Bayside System Improvement Project (CBSIP) was completed on June 30, 2023 with reported project expenditures of $36.7 million. The CBSIP provides collection system enhancement to the Channel and Islais Creek urban watersheds, including needed redundancy for the existing Channel Force Main, infrastructure improvements to sewers/pump stations, and stormwater management through elements of both green and grey infrastructure. Major components of the project consist of a tunnel to transport, via gravity, dry and wet-weather flows from the Channel and North Shore watersheds to the Southeast Water Pollution Control Plant (SEP), a large all-weather pump station to lift the flows into the SEP, improvements to Channel Pump Station, and green/gray infrastructure improvements within the watersheds. The New Headworks (Grit) Replacement Project is on-going construction. The project is reported at 86.8% complete and forecasted final completion is on May 30, 2025. As of June 30, 2024, total SSIP program expenditures totaled $3.2 billion. Additional details regarding the SSIP are available at https://www.sfpuc.gov/construction-contracts/sewer-system-improvement-program.

Wastewater Capital Assets, Fiscal Year 2023

The Wastewater Enterprise has capital assets of $4,686,346, net of accumulated depreciation and amortization, invested in a broad range of utility capital assets as of June 30, 2023 (see Table 3B). This amount represents an increase of $635,341 or 15.7% from prior fiscal year. As of June 30, 2023, the Wastewater Enterprise had capital commitments of $750,138. The investment in capital assets includes land, buildings, improvements, wastewater treatment plants, sewer pipes and mains, underground transport and storage boxes, pump stations, machinery, and equipment. Construction work in progress increased by $508,546 or 29.5%. Facilities, improvements, machinery, and equipment increased by $122,696 or 5.4%. Land improvements increased by $6,733 or 100% relating to improvements for the Southeast Community Center Project. Intangible assets increased by $226 or 3.2% due to asset addition of $1,212 for the Customer Billing System Project, offset by $986 depreciation expense. Right-to-use lease and subscription assets decreased by $2,860 or 62.8% due to amortization.

Major additions to construction work in progress during the year ended June 30, 2023 include the following:

Southeast Plant Biosolids and Digester Facilities Project	$ 332,775
Southeast Plant New Headworks (Grit) Replacement	157,143
Westside Pump Station Reliability Improvements	14,226
Large Diameter Sewer Projects and Channel Force Main Intertie	13,125
As-Needed Spot Sewer Replacement Number 42 (WW-699)	11,231
Southeast Community Center at 1550 Evans	9,794
Southeast Plant Power Feed and Primary Switchgear Upgrades	9,711
Oceanside Plant Digester Gas Handling Utilization Upgrade	9,195
North Shore Pump Station Wet Weather Improvements	8,853
New Treasure Island Wastewater Treatment Plant Capital Improvements	8,851
Southeast Plant Facility-Wide Distributed Control System Upgrades	7,581
Wawona Area Stormwater Improvement Project	5,879
As-Needed Main Sewer Replacement Number 9 (WW-713)	5,618
Folsom Area Stormwater Improvement Project	5,403
As-Needed Spot Sewer Replacement Number 43 (WW-715)	4,959
Public Works Golden Gate Avenue and Laguna Street Project	4,612
Ocean Beach Climate Change Adaptation Project	4,585
Taraval Sewer Improvements	4,519
Lower Alemany Area Stormwater Improvement Project	4,425
16Th Street Sewer Replacement (Segment 2)	4,262
Oceanside Plant Condition Assessment Improvements - Part 2	4,208
Other project additions individually below $4,000	78,530
Total	$ 709,485

(Dollars in thousands, unless otherwise stated)

Major depreciable facilities, improvements, intangible assets, machinery, and equipment placed in service, including transfers of completed projects from construction work in progress, during the year ended June 30, 2023 include the following:

Southeast Community Center at 1550 Evans	$ 111,510
Mariposa Pump Station & Force Main	35,852
As-Needed Spot Sewer Replacement Number 42 (WW-699)	12,531
Large Diameter Sewer Projects and Channel Force Main Intertie	9,182
Public Works 41st and 44th Avenue Infrastructure Improvements	7,042
Equipment Purchase, Repair & Replacement Project	6,076
Castro, 19th, 26th Street Water and Sewer Improvements - WD-2739	3,773
Other project additions individually below $3,000	18,887
Total	$ 204,853 *

* Does not include $1,573 equipment transfers from the Department of Public Works (DPW).

See Note 4 for additional information about capital assets.

Sewer System Improvement Program (SSIP)

The Sewer System Improvement Program (SSIP) is the SFPUC's wastewater capital improvement program which includes multiple projects to improve the existing wastewater system. The implementation of the SSIP projects were originally phased over 20 years to maintain ratepayer affordability and minimize impacts to communities throughout the City. On March 22, 2016, the refined program scope and budget for $7.0 billion was endorsed by the Commission along with the baseline for scope, schedule, and budget for Phase 1 projects totaling $2.9 billion. The revised program is referred to as the "2016 SSIP Baseline".

As of June 30, 2023, 43 projects or 61.4% totaling $457 million were completed, 7 projects in pre-construction phase, 11 projects in construction phase, and 9 projects in close-out phase. The SEP Seismic Reliability and Condition Assessment Improvements Project was completed on March 31, 2023 with reported project expenditures of $33.6 million. This project represents immediate improvements to the existing facilities at Southeast Plant (SEP) identified as part of the condition assessment effort that are not specifically included as part of another near-term SSIP Phase 1 project. This project includes items for rehabilitation such as concrete spalling repair and seismic retrofit of priority process buildings. The Westside Pump Station Reliability Improvements is on-going construction. The project is reported at 86.2% complete and forecasted final completion is on June 27, 2024. Program expenditures as of June 30, 2023 totaled $2.5 billion. Additional details regarding the SSIP are available at https://www.sfpuc.gov/construction-contracts/sewer-system-improvement-program.

The following table summarizes Hetchy Water's changes in capital assets.

Table 3C – A
Proprietary Fund – Hetchy Water
Capital Assets, Net of Accumulated Depreciation and Amortization
As of June 30, 2024, 2023, and 2022

	2024	2023	2022	2024 - 2023 Change	2023 - 2022 Change
Facilities, improvements, machinery, and equipmen	$ 138,220	133,905	133,263	4,315	642
Intangible assets	9,960	10,167	10,374	(207)	(207)
Land and rights-of-way	3,232	3,232	3,232	—	—
Right-to-use lease and subscription assets	190	282	375	(92)	(93)
Construction work in progress	85,884	72,450	54,138	13,434	18,312
Total	$ 237,486	220,036	201,382	17,450	18,654

Hetchy Water Capital Assets, Fiscal Year 2024

Hetchy Water has capital assets of $237,486, net of accumulated depreciation and amortization, invested in a broad range of utility capital assets as of June 30, 2024 (see Table 3C-A). This amount represents an increase of $17,450 or 7.9%, primarily due to increases of $13,434 in construction work in progress and $4,315 in facilities, improvements, machinery, and equipment, offset by decreases of $207 in amortization of intangible assets and $92 in right-to-use lease and subscription assets.

(Dollars in thousands, unless otherwise stated)

For the year ended June 30, 2024, Hetchy Water's major additions to construction work in progress totaled $23,029. Major depreciable facilities, improvements, intangible assets, machinery, and equipment placed in service totaled $10,538 (see Table 3D).

Hetchy Water Capital Assets, Fiscal Year 2023

Hetchy Water has capital assets of $220,036, net of accumulated depreciation and amortization, invested in a broad range of utility capital assets as of June 30, 2023 (see Table 3C-A). This amount represents an increase of $18,654 or 9.3%, primarily due to increases of $18,312 in construction work in progress and $642 in facilities, improvements, machinery, and equipment, offset by decreases of $207 in amortization of intangible assets and $93 in right-to-use lease and subscription assets.

For the year ended June 30, 2023, Hetchy Water's major additions to construction work in progress totaled $25,032. Major depreciable facilities, improvements, intangible assets, machinery, and equipment placed in service totaled $6,762 (see Table 3E).

See Note 4 for additional information about capital assets.

The following table summarizes Hetchy Power's changes in capital assets.

Table 3C – B
Proprietary Fund – Hetchy Power
Capital Assets, Net of Accumulated Depreciation and Amortization
As of June 30, 2024, 2023, and 2022

	2024	2023	2022	2024 - 2023 Change	2023 - 2022 Change
Facilities, improvements, machinery, and equipmen	$ 397,638	332,992	307,197	64,646	25,795
Intangible assets	13,704	13,985	14,098	(281)	(113)
Land and rights-of-way	1,949	1,949	1,949	—	—
Right-to-use lease and subscription assets	208	292	329	(84)	(37)
Construction work in progress	344,253	298,020	262,392	46,233	35,628
Total	$ 757,752	647,238	585,965	110,514	61,273

Hetchy Power Capital Assets, Fiscal Year 2024

Hetchy Power has capital assets of $757,752, net of accumulated depreciation and amortization, invested in utility capital assets as of June 30, 2024 (see Table 3C-B). This amount represents an increase of $110,514 or 17.1%, primarily due to increases of $64,646 in facilities, improvements, machinery, and equipment and $46,233 in construction work in progress, offset by decreases of $281 in amortization of intangible assets and $84 in right-to-use lease and subscription assets.

For the year ended June 30, 2024, Hetchy Power's major additions to construction work in progress totaled $98,413. Major depreciable facilities, improvements, intangible assets, machinery, and equipment placed in service totaled $82,741 (see Table 3D).

Hetchy Power Capital Assets, Fiscal Year 2023

Hetchy Power has capital assets of $647,238, net of accumulated depreciation and amortization, invested in utility capital assets as of June 30, 2023 (see Table 3C-B). This amount represents an increase of $61,273 or 10.5%, primarily due to increases of $35,628 in construction work in progress and $25,795 in facilities, improvements, machinery, and equipment, offset by decreases of $113 in amortization of intangible assets and $37 in right-to-use lease and subscription assets.

For the year ended June 30, 2023, Hetchy Power's major additions to construction work in progress totaled $75,348. Major depreciable facilities, improvements, intangible assets, machinery, and equipment placed in service totaled $43,392 (see Table 3E).

See Note 4 for additional information about capital assets.

(Dollars in thousands, unless otherwise stated)

CleanPowerSF Capital Assets, Fiscal Year 2024

Table 3C – C
Proprietary Fund – CleanPowerSF
Capital Assets, Net of Accumulated Depreciation and Amortization
As of June 30, 2024, 2023, and 2022

		2024	2023	2022	2024 - 2023 Change	2023 - 2022 Change
Right-to-use lease and subscription assets	$	13	30	301	(17)	(271)
Total	$	13	30	301	(17)	(271)

CleanPowerSF has capital assets of $13, net of accumulated amortization, for right-to-use lease and subscription assets as of June 30, 2024 (see Table 3C-C).

CleanPowerSF Capital Assets, Fiscal Year 2023

CleanPowerSF has capital assets of $30, net of accumulated amortization, for right-to-use lease and subscription assets as of June 30, 2023 (see Table 3C-C).

See Note 4 for additional information about capital assets.

Major additions to construction work in progress, depreciable facilities, improvements, intangible assets, machinery, and equipment placed in service, including transfers of completed projects from construction work in progress, during the years ended June 30, 2024 include the following:

Table 3D
Proprietary Funds – Hetchy Water and Hetchy Power
Major Additions to Construction Work in Progress and Facilities, Improvements, Intangible Assets, Machinery, and Equipment Placed in Service
Year ended June 30, 2024

		Hetchy Water	Hetchy Power	2024 Total
Cluster 7 Mitigation	$	—	21,505	21,505
2023 March Winter Storm		5,970	7,297	13,267
Moccasin Powerhouse Rewind		—	12,636	12,636
Mountain Tunnel Improvement		3,611	4,413	8,024
Power Asset Acquisition Analysis		—	7,770	7,770
Bay Corridor		—	7,658	7,658
O'Shaughnessy Dam Outlet Works Phase 1		3,282	4,012	7,294
Repair & Replacement Life Extension Program and Powerhouse		3,629	1,542	5,171
Sunnydale HOPE SF		—	4,686	4,686
Intervening Facilities		—	3,312	3,312
Pier 70		—	2,682	2,682
Moccasin Dam Long Term Improvement and Facilities Upgrade		1,698	2,075	3,773
Distribution Services Retail Customers		—	1,899	1,899
SFO Substation		—	1,833	1,833
Other project additions individually below $1,500		4,839	15,093	19,932
Additions to Construction Work in Progress	$	23,029	98,413	121,442
Transmission Line Clearance Mitigation - Lines 7/8	$	—	32,494	32,494
Contributed Capital - Pier 70 Streetlights and Trench		—	16,896	16,896
2023 Emergency Cherry Lake Road Repair		5,050	6,172	11,222
Contributed Capital - Treasure Island Switchyard, Trench, and Streetlights		—	9,698	9,698
2023 Emergency Hetch Hetchy Road Repair		1,424	1,740	3,164
Intervening Facilities		—	2,323	2,323
Contributed Capital - Yerba Buena Island Trench		—	1,862	1,862
Other project additions individually below $1,500		4,064	11,556	15,620
Facilities, Improvements, Intangible Assets, Machinery, and Equipment Placed in Service	$	10,538	82,741	93,279

(Dollars in thousands, unless otherwise stated)

Major additions to construction work in progress, depreciable facilities, improvements, intangible assets, machinery, and equipment placed in service, including transfers of completed projects from construction work in progress, during the years ended June 30, 2023 include the following:

Table 3E
Proprietary Funds – Hetchy Water and Hetchy Power
Major Additions to Construction Work in Progress and Facilities, Improvements, Intangible Assets, Machinery, and Equipment Placed in Service
Year ended June 30, 2023

	Hetchy Water	Hetchy Power	2023 Total
Moccasin Powerhouse Rewind	$ —	16,920	16,920
Mountain Tunnel Improvement	6,835	8,353	15,188
Bay Corridor	—	9,093	9,093
San Joaquin Pipeline Valve & Safe Entry Improvement	6,888	—	6,888
Transmission Line Clearance Mitigation Upgrade	—	6,061	6,061
Cluster 7 Mitigation	—	5,398	5,398
O'Shaughnessy Dam Outlet Works Phase 1	1,724	2,107	3,831
Treasure Island Capital Improvements	—	3,471	3,471
Moccasin Dam Long Term Improvement and Facilities Upgrade	1,518	1,856	3,374
Repair & Replacement Life Extension Program	3,149	—	3,149
Intervening Facilities	—	2,748	2,748
2023 March Winter Storm	874	1,068	1,942
Other project additions individually below $1,500	4,044	18,273	22,317
Additions to Construction Work in Progress	$ 25,032	75,348	100,380
Van Ness Bus Rapid Transit	$ —	13,916	13,916
Flow Control Facility Bypass Tunnel	3,291	4,022	7,313
Power Intervening Facilities	—	4,953	4,953
Mission Rock Phase I	—	2,075	2,075
Treasure Island Distribution Backbone	—	1,792	1,792
Yerba Buena Island Underground Distribution System	—	1,677	1,677
Marina Middle School Photovoltaic System	—	1,587	1,587
Other project additions individually below $1,500	3,471	13,370	16,841
Facilities, Improvements, Intangible Assets, Machinery, and Equipment Placed in Service	$ 6,762	43,392	50,154

Debt Administration

Department-wide Business Type Activities

The following table summarizes the department-wide outstanding debt, net of unamortized costs, discount, and premium. Detailed discussion follows for each proprietary fund.

Table 4
Business Type Activities
Outstanding Debt, Net of Unamortized Costs
As of June 30, 2024, 2023, and 2022

	2024	2023	2022	2024 - 2023 Change	2023 - 2022 Change
Bonds	$ 7,968,487	7,638,688	6,986,674	329,799	652,014
Revenue notes	—	349,556	350,356	(349,556)	(800)
Commercial paper	622,027	487,811	625,473	134,216	(137,662)
Certificates of participation	124,975	129,550	133,945	(4,575)	(4,395)
State revolving fund loans	577,632	482,316	424,420	95,316	57,896
Water Infrastructure Finance and Innovation Act (WIFIA) loans	922,431	122,357	—	800,074	122,357
Total	$ 10,215,552	9,210,278	8,520,868	1,005,274	689,410

(Dollars in thousands, unless otherwise stated)

Water Debt Administration

As of June 30, 2024, the Water Enterprise had $5,503,839 total debt outstanding, an increase of $165,408 over the prior year, as shown below in Table 4A. More detailed information about the Water Enterprise's debt activity is presented in Notes 6, 7, 8 and 9 to the financial statements.

Table 4A
Proprietary Fund – Water
Outstanding Debt, Net of Unamortized Costs
As of June 30, 2024, 2023, and 2022

	2024	2023	2022	2024 - 2023 Change	2023 - 2022 Change
Revenue bonds	$ 4,964,637	4,710,846	4,860,935	253,791	(150,089)
Commercial paper	190,000	371,459	206,297	(181,459)	165,162
Certificates of participation	89,232	92,499	95,637	(3,267)	(3,138)
State revolving fund loans	259,970	163,627	121,761	96,343	41,866
Total	$ 5,503,839	5,338,431	5,284,630	165,408	53,801

The increase of $253,791 in revenue bonds was due to increases of $928,890 in bond principal and $136,522 in bond premium from the issuances of 2023 Series AB revenue bonds and 2023 Series CD revenue refunding bonds, and $8 from the amortization of discount. These increases were offset by decreases of $619,115 in bond principal from refunding of various bonds by the 2023 Series CD revenue refund bonds, $135,075 in bond principal from repayment, $29,008 in premium from amortization, and $28,431 in bond premium from refunding. The Water Enterprise had $190,000 in tax-exempt commercial paper as of June 30, 2024, and $343,767 in tax-exempt and $27,692 in taxable commercial paper as of June 30, 2023. The $181,459 decrease of commercial paper resulted from a $372,609 decrease due to refunding by the 2023 Series AB revenue bonds, offset by a $190,995 increase in tax-exempt and $155 increase in taxable commercial paper from new issuances. The decrease of $3,267 in certificates of participation was from repayment. The $96,343 increase in SRF loans was from $97,477 in additional reimbursement requests submitted mainly for the Mountain Tunnel Improvement project offset by $1,134 in reversals of accrued interest capitalized to principal relating to the SF Westside Recycled Water project.

Credit Ratings and Bond Insurance – The Water Enterprise carried underlying ratings of "Aa2" and "AA-" from Moody's and S&P Global Ratings (S&P) on June 30, 2024, and "Aa2" and "AA-" from Moody's and S&P on June 30, 2023, respectively.

Debt Service Coverage – Pursuant to the Amended and Restated Indenture, the Water Enterprise is required to collect sufficient net revenues each fiscal year, together with any Water Enterprise funds (except Bond Reserve Funds), which are available for payment of debt service and are not budgeted to be expended, at least equal to 1.25 times annual debt service for said fiscal year, and for the SFPUC's debt service coverage policy, at least equal to 1.35 times annual debt service for said fiscal year. During fiscal years 2024 and 2023, the Water Enterprise's net revenues, together with fund balances available to pay debt service and not budgeted to be expended, were sufficient to meet the rate covenant requirements under the Water Enterprise's Amended and Restated Indenture and the SFPUC's debt service coverage policy (see Note 9).

Debt Authorization – Pursuant to the Charter Section 8B.124, the Water Enterprise can incur indebtedness upon two-thirds vote of the Board of Supervisors, as approved by voters in Proposition E in November 2002. As of June 30, 2024, the Board of Supervisors has authorized the issuance of $6,157,510 in revenue bonds under Proposition E, with $4,317,653 issued against this authorization. The Water Enterprise can also incur indebtedness of up to $1,628,000 for improvements to the water system pursuant to Proposition A that was approved by the voters in November 2002. As of June 30, 2024, $1,499,230 of the $1,628,000 Proposition A authorized bonds were issued. The Water Enterprise is also authorized to issue up to $500,000 in commercial paper.

Cost of Debt Capital – The Water Enterprise's outstanding long-term debt has coupon interest rates ranging from 0.7% to 7.0% as of June 30, 2024, and 0.3% to 7.0% as of June 30, 2023. The Water Enterprise's short-term debt has interest rates ranging from 2.2% to 5.2% during fiscal year 2024, and 1.2% to 5.3% during fiscal year 2023.

(Dollars in thousands, unless otherwise stated)

Wastewater Debt Administration

As of June 30, 2024, 2023, and 2022, the Wastewater Enterprise's debt from revenue bonds, revenue notes, commercial paper, certificates of participation, SRF, and WIFIA loans were $4,290,112, $3,551,970, and $2,988,713, respectively, as shown in Table 4B. More detailed information about the Wastewater Enterprise's debt activity is presented in Notes 6, 7, 8 and 9 to the financial statements.

Table 4B
Proprietary Fund – Wastewater
Outstanding Debt, Net of Unamortized Costs
As of June 30, 2024, 2023, and 2022

	2024	2023	2022	2024 - 2023 Change	2023 - 2022 Change
Revenue bonds	$ 2,685,051	2,736,910	1,931,253	(51,859)	805,657
Revenue notes	—	349,556	350,356	(349,556)	(800)
Commercial paper	341,373	—	379,157	341,373	(379,157)
Certificates of participation	23,595	24,458	25,288	(863)	(830)
State revolving fund loans	317,662	318,689	302,659	(1,027)	16,030
Water Infrastructure Finance and Innovation Act (WIFIA) loans	922,431	122,357	—	800,074	122,357
Total	$ 4,290,112	3,551,970	2,988,713	738,142	563,257

The increase of $738,142 was mainly due to $800,074 new WIFIA loans consisting of $792,568 aggregate draw down and $7,506 capitalized interest for the Biosolids Digester Facilities and the Southeast Treatment Plant Improvements projects, $340,000 new issuance and $1,373 interest rolled to principal for commercial paper, and $1,498 capitalized interest for the SRF Headworks and OSP Digester projects, offset by $347,465 defeasance of revenue notes 2021 Series AB, $31,458 repayment of outstanding debt, and $25,880 of premium amortizations and defeasance.

Credit Ratings and Bond Insurance – As of June 30, 2024 and 2023, the Wastewater Enterprise carried underlying ratings of "Aa2" and "AA" from Moody's and S&P Global Ratings (S&P), respectively.

Debt Service Coverage – Pursuant to the Amended and Restated Indenture, the Wastewater Enterprise is required to collect sufficient net revenues each fiscal year, together with any Wastewater Enterprise funds (except Bond Reserve Funds), which are available for payment of debt service and are not budgeted to be expended, at least equal to 1.25 times annual debt service for said fiscal year, and for the SFPUC's debt service coverage policy, at least equal to 1.35 times annual debt service for said fiscal year. During fiscal years 2024 and 2023, the Wastewater Enterprise's net revenues, together with fund balances available to pay debt service and not budgeted to be expended, were sufficient to meet the rate covenant requirements under the Wastewater Enterprise's Amended and Restated Indenture and the SFPUC's debt service coverage policy (see Note 9).

Debt Authorization – Pursuant to the Charter Section 8B.124, the Wastewater Enterprise can incur indebtedness upon two-thirds vote of the Board of Supervisors. As of June 30, 2024, the Wastewater Enterprise had $8,052,607 in combined debt issuance authorization from the Board of Supervisors under Proposition E, with $4,482,180 issued against this authorization. The Wastewater Enterprise has a $750,000 authorized commercial paper program, with $341,373 in tax-exempt commercial paper outstanding as of June 30, 2024 and $0 in tax-exempt commercial paper outstanding as of June 30, 2023.

Cost of Debt Capital – The coupon interest rates on the Wastewater Enterprise's outstanding revenue bonds and revenue notes ranged from 1.0% to 5.8% after factoring in federal interest subsidy receipts on Build America Bonds on June 30, 2024. The 2009 Series C certificates of participation carried coupon interest rates from 2.0% to 5.0% and 2009 Series D certificates of participation carried coupon interest rates from 6.4% to 6.5% in fiscal years 2024 and 2023, respectively. The interest rates on short-term debt ranged from 3.6% to 3.8% during fiscal year 2024 and from 0.9% to 3.1% during fiscal year 2023. The State revolving fund loans (CWSRF loans) carried original interest rates ranging from 0.8% to 1.8% during fiscal year 2024. The State has elected to apply administrative service and grant charges to certain agreement repayment schedules in lieu of receiving interest payments; these charges will not affect the installment payments or increase the repayment amounts. The WIFIA loan carried interest rate of 1.5% during fiscal year 2024 and capitalized interest added to the principal balance of the WIFIA loan on each Semi-Annual Payment Date occurring during the Capitalized Interest Period.

(Dollars in thousands, unless otherwise stated)

Hetchy Water Debt Administration

Hetchy Water did not have debt outstanding as of June 30, 2024 and 2023. Debt, including bond issuances, associated with the funding of water-related, upcountry infrastructure capital improvements is issued through the Water Enterprise, and is reflected in the Water Enterprise's financial statements.

Hetchy Power Debt Administration

As of June 30, 2024 and 2023, Hetchy Power had outstanding debt of $421,601 and $319,877, respectively, as shown in Table 4C. More detailed information about the Hetchy Power's debt activity is presented in Notes 6, 7, 8 and 9 to the financial statements.

Table 4C
Proprietary Fund – Hetchy Power
Outstanding Debt, Net of Unamortized Costs
As of June 30, 2024, 2023, and 2022

	2024	2023	2022	2024 - 2023 Change	2023 - 2022 Change
Clean Renewable Energy Bonds 2008	$ —	—	415	—	(415)
Certificates of Participation 2009 Series C	—	—	427	—	(427)
Certificates of Participation 2009 Series D (BABs)	12,148	12,593	12,593	(445)	—
Qualified Energy Conservation Bonds 2011	2,021	2,583	3,138	(562)	(555)
New Clean Renewable Energy Bonds 2015	1,343	1,491	1,637	(148)	(146)
2015 Series A Revenue Bonds	34,819	34,985	35,144	(166)	(159)
2015 Series B Revenue Bonds	2,033	2,948	3,849	(915)	(901)
2021 Series A Revenue Bonds	88,375	89,303	90,213	(928)	(910)
2021 Series B Revenue Bonds	59,142	59,622	60,090	(480)	(468)
2023 Series A Revenue Bonds	131,066	—	—	131,066	—
Commercial Paper	90,654	116,352	40,019	(25,698)	76,333
Total	$ 421,601	319,877	247,525	101,724	72,352

The increase of $101,724 was due to $131,230 from issuance of 2023 Series A Revenue Bonds and $91,635 from commercial paper issuance, offset by commercial paper repayment of $117,333, bonds and certificates of participation principal repayments of $2,035, and $1,773 in amortization of premium and discount.

Credit Ratings and Bond Insurance – The Power Enterprise's Power Revenue Bonds have been rated "AA-" by Fitch Inc and "AA" by S&P Global Ratings (S&P) as of June 30, 2024 and 2023, respectively.

In December 2020, Moody's Investors Service, ("Moody's") assigned a first-time A2 Issuer Rating to CleanPowerSF, with a stable outlook. Hetch Hetchy Water and Power contains the Power Enterprise as a separate enterprise fund, with CleanPowerSF a component unit of the Power Enterprise. CleanPowerSF is tracked and audited as a standalone fund, with financial statements, including revenues and expenses, separate and discrete from the Power Enterprise. As such, CleanPowerSF is deemed to be a separate credit from the Power Enterprise, with its own credit rating.

Debt Service Coverage – Pursuant to the Amended and Restated Indenture, the Power Enterprise is required to collect sufficient net revenues each fiscal year, together with any Power Enterprise funds (except Bond Reserve Funds), which are available for payment of debt service and are not budgeted to be expended, at least equal to 1.25 times annual debt service for said fiscal year, and for the SFPUC's debt service coverage policy, at least equal to 1.35 times annual debt service for said fiscal year. The Series 2015 AB power revenue bonds represent the first series of senior lien revenue bonds of Hetchy Power. Pursuant to Power's Master Trust Indenture, senior lien debt service coverage excludes debt service on subordinate obligations, such as Hetchy Power's existing NCREBs and QECBs. During fiscal years 2024 and 2023, the Power Enterprise's net revenues, together with fund balances available to pay debt service and not budgeted to be expended, were sufficient to meet the rate covenant requirements under the Power Enterprise's Amended and Restated Indenture and the SFPUC's debt service coverage policy (see Note 9).

Debt Authorization – Pursuant to Charter Section 9.107(6), the Power Enterprise can incur indebtedness upon three-fourths vote of the Board of Supervisors, for the purpose of the reconstruction or replacement of existing water facilities and electric power facilities, or combinations thereof, under the jurisdiction of the Public Utilities Commission. Pursuant to Charter Section 9.107(8), the Power Enterprise can issue revenue bonds, without voter approval, upon an affirmative vote of the Board of Supervisors, for the purpose of the acquisition, construction, installation, equipping, improvement, or rehabilitation of equipment or facilities for renewable energy and energy conservation. Pursuant to Proposition A, approved by the San Francisco voters on June 5, 2018, City Charter Section 8B.124 is amended to authorize the Power Enterprise to enter into indebtedness, including revenue bonds, notes, commercial paper or other forms of indebtedness, when authorized by ordinance approved by a two-thirds vote of the Board of Supervisors to reconstruct, replace, expand, repair, improve or construct new power facilities under the jurisdiction of SFPUC or for any other purpose of the Power Enterprise, and in compliance with City Charter Section 8B.124. Proposition A expressly prohibits the SFPUC from issuing bonds to finance the construction of power plants that generate electricity using fossil fuels or nuclear energy. As of June 30, 2024 and 2023, $287,460 and $163,555 of Hetchy Power revenue bonds were issued against existing authorization of $1,029,790 and $695,933, respectively.

Cost of Debt Capital – The Power Enterprise's outstanding long-term senior lien debt consists of the 2015 Series AB, 2021 Series AB, and 2023 Series A Power Revenue Bond issued in May 2015, December 2021, and October 2023, respectively, which are issued under the Master Indenture and are senior in lien to all the other Enterprise's outstanding debt obligations. Coupon interest rates range from 3.0% to 5.0%. The Power Enterprise has previously issued and incurred debt service on Tax Credit Bonds and certificates of participation, which constitute subordinate obligations. Interest rates on the Tax Credit Bonds, which include QECBs and NCREBs, ranging from 1.2% to 1.5% (net of the federal tax subsidy). Certificates of participation carried interest rates ranging from 2.0% to 6.5%. The Power Enterprise's short-term debt issued under its commercial paper program has interest rates ranging from 2.8% to 3.7% and 1.1% to 3.2% during fiscal years 2024 and 2023, respectively.

CleanPowerSF Debt Administration

CleanPowerSF did not have debt outstanding as of June 30, 2024 and 2023.

Rates and Charges

Water Enterprise Retail Customers

Proposition E, as approved by the voters in November 2002, amended the City Charter by adding the new Article VIIIB, entitled "Public Utilities," which changed the Commission's ability to issue new revenue bonds and set retail water rates. For the retail water rate setting, the Commission is required to:

- Establish rates, fees, and charges based on cost of service;
- Retain an independent rate consultant to conduct cost of service studies at least every five years;
- Consider establishing new connection fees;
- Consider conservation incentives and lifeline rates;
- Adopt a rolling five-year forecast annually; and
- Establish a Rate Fairness Board.

Pursuant to the City and County of San Francisco Charter Section 8B.125, an independent rate study is performed at least once every five years. In compliance with City Charter section 8B.125, a rate study was completed in spring 2023. In May 2023, the Commission subsequently adopted three years of retail rate increases from July 1, 2023 through June 30, 2026.

Other miscellaneous fees for service and charges were last approved in April 2024 to be effective July 1, 2024, and generally increase annually by the Consumer Price Index from the Controller's Office of the City and County of San Francisco, or the 20-City Average Construction Index (CCI) published by Engineering News-Record (ENR) Magazine. All current SFPUC Rates Schedules and Fees are available at https://www.sfpuc.gov/accounts-services/water-power-sewer-rates/rates.

Water Enterprise Wholesale Customers

The Water Supply Agreement (WSA) prescribes the rate setting process for the wholesale water rates. The WSA has a 25-year term, beginning on July 1, 2009, with two 5-year extension options, and was most recently amended and restated in January 2023. Compared to the prior contract with the wholesale customers, the WSA changed the rate basis by which the capital cost recovery is determined from a "utility basis" to a "cash basis," resulting in the repayment of the cost of capital over the life of the debt funding of those assets or at the time of budget appropriation and spending for revenue-funded capital projects, rather than the life of the asset. The WSA requires the rate be calculated and set annually and includes a reconciliation between prior year revenues and expenses. Refer to Note 12 of the notes to financial statements for further discussion on the balancing account of the wholesale customers.

(Dollars in thousands, unless otherwise stated)

Wastewater Enterprise

Proposition E, as approved by the voters in November 2002, amended the City Charter by adding the new Article VIIIB, entitled "Public Utilities," which changed the Commission's ability to issue new revenue bonds and set retail water rates. For the retail water rate setting, the Commission is required to:

- Establish rates, fees, and charges based on cost of service;
- Retain an independent rate consultant to conduct cost of service studies at least every five years;
- Consider establishing new connection fees;
- Consider conservation incentives and lifeline rates;
- Adopt a rolling five-year forecast annually; and
- Establish a Rate Fairness Board.

Pursuant to the City and County of San Francisco Charter Section 8B.125, an independent rate study is performed at least once every five years. In compliance with City Charter section 8B.125, a rate study was completed in spring 2023. In May 2023, the Commission subsequently adopted three years of retail rate increases from July 1, 2023 through June 30, 2026.

Other miscellaneous fees for service and charges were last approved in April 2024 to be effective July 1, 2024, and generally increase annually by the Consumer Price Index from the Controller's Office of the City and County of San Francisco, or the 20-City Average Construction Index (CCI) published by Engineering News-Record (ENR) Magazine. All current SFPUC Rates Schedules and Fees are available at https://www.sfpuc.gov/accounts-services/water-power-sewer-rates/rates.

The following table is the Water Enterprise's ten-year average rate adjustments:

Ten-year Average Rate Adjustments

Effective date	Retail	Wholesale[5]
July 1, 2016	10.0 [1]	9.3
July 1, 2017	7.0 [1]	—
July 1, 2018	9.0 [2]	—
July 1, 2019	8.0 [2]	—
July 1, 2020	7.0 [2]	—
July 1, 2021	7.0 [2]	—
July 1, 2022	— [3]	15.9
July 1, 2023	5.0 [4]	9.7
July 1, 2024	5.0 [4]	8.8
July 1, 2025	5.0 [4]	—

[1] Four-year retail rate increases adopted and effective July 1, 2014.
[2] Four-year retail rate increases adopted and effective July 1, 2018.
[3] No retail rate increase adopted and effective July 1, 2022.
[4] Three-year rate increases adopted and effective July 1, 2023.
[5] Wholesale rates adopted annually.

The following table is the Wastewater Enterprise's ten-year approved average rate adjustments:

Ten-year Average Rate Adjustments

Effective Date	Rate
July 1, 2016	7.0 [1]
July 1, 2017	11.0 [1]
July 1, 2018	7.0 [2]
July 1, 2019	7.0 [2]
July 1, 2020	8.0 [2]
July 1, 2021	8.0 [2]
July 1, 2022	— [3]
July 1, 2023	9.0 [4]
July 1, 2024	9.0 [4]
July 1, 2025	9.0 [4]

[1] Four-year rate increases adopted and effective July 1, 2014.
[2] Four-year rate increases adopted and effective July 1, 2018.
[3] No retail rate adjustment.
[4] Three-year rate increases adopted and effective July 1, 2023.

Hetchy Water

Hetchy Water charges for services relate to the storage and delivery of water. The water-related portion of upcountry expenditures not covered by the small quantity of water sales to upcountry customers or other miscellaneous revenues are paid by an assessment to the Water Enterprise. Assessment fees were $46,266 and $49,636 for the years ended June 30, 2024 and 2023, respectively. In fiscal year 2025, the assessment fees will be $49,241, an increase of $2,975 or 6.4% as reflected in the fiscal year 2025 adopted budget. The increase is primarily to cover a portion of the Water share of Hetchy Water capital projects with current year revenues rather than revenue bonds.

Hetchy Power

Hetchy Power charges for services relate to power generation and electricity delivery to contractual, municipal, and retail customers.

All current SFPUC Rates Schedules and Fees are available at https://www.sfpuc.gov/accounts-services/water-power-sewer-rates/rates. Rates for meter readings on or after July 1, 2024 were approved by the Commission in May 2024.

Hetchy Power Municipal Rates

Departments of the City and County of San Francisco, as well as certain other non-City government agencies, are eligible for municipal power rates. Historically, municipal customers paid either the General Use rate, which was a subsidized rate below the cost of service, or an Enterprise rate, which was set to exactly follow the equivalent PG&E rate.

Based on the results of the 2022 Power Cost of Service Study, beginning in fiscal year 2023, all municipal customers are being transitioned to standardized tariff schedules set to their cost of service. For General Use customers, this means that a) instead of a single flat rate per kWh, customers are assigned to a rate schedule based on their customer class (small commercial, industrial, etc.), and b) the subsidy is being gradually eliminated until the General Use rate reaches the equivalent retail rate, which is projected to take 3 to 8 years, depending on the customer class. For Enterprise customers, their rates no longer follow PG&E. Instead, they are set to a rate for their standardized customer class, and will be phased to cost of service over two years. Beginning in fiscal year 2024, almost all Enterprise customers are on equivalent rate schedules as retail non-municipal customers.

Hetchy Power Retail Rates

Based on the results of the 2022 Power Cost of Service Study, the Commission approved a two-year schedule of retail electric rates for residential, commercial, and industrial customers where Hetch Hetchy has been designated as the power provider to be applied to meter readings on or after July 1, 2022. These rates apply to all existing retail customers, and are the default rates for any new Hetchy Power customers.

CleanPowerSF

CleanPowerSF began offering services in May 2016, giving residential and commercial electricity consumers in San Francisco a choice of having their electricity supplied from clean renewable sources, such as solar geothermal, hydroelectric and wind, at competitive rates. CleanPowerSF offers three products: a "Green" default product comprised of at least 50% RPS-eligible renewable energy and two optional products, "SuperGreen" comprised of 100% RPS-eligible renewable energy at a small additional cost and "SuperGreen Saver" also comprised of 100% RPS-eligible renewable energy to qualifying low-income customers at a 20% bill discount.

Previously, rates were set formulaically at a percentage at or below the equivalent PG&E generation rate. In addition, the formula required rates to be set high enough to allow CleanPowerSF to recover its costs. Whenever PG&E rates changed, rates would automatically adjust following the set formula.

Based on the results of the 2022 Power Cost of Service Study, CleanPowerSF customers have now transitioned to fixed rate schedules for the entire fiscal year. The rates for each customer class are set based on their unique cost of service, which means that the percentage difference from the equivalent PG&E rates may vary based on the rate schedule and throughout the year as PG&E's rate change more frequently. Rates for meter readings on or after July 1, 2022 were approved by the Commission in May 2022; rates for meter readings on or after July 1, 2023 were approved by the Commission in May 2023; rates for meter readings on or after July 1, 2024 were approved by the Commission in May 2024.

CleanPowerSF Rates Schedules are available at https://cleanpowersf.org/residential for residential customers and https://cleanpowersf.org/commercial for commercial customers.

Request for Information

This report is designed to provide our citizens, customers, investors, and creditors with an overview of SFPUC's finances and to demonstrate SFPUC's respective accountability for the money it receives. Questions regarding any of the information provided in this report or requests for additional information should be addressed to San Francisco Public Utilities Commission, Chief Financial Officer, 525 Golden Gate Avenue, 13th Floor, San Francisco, CA 94102. This report is available at https://www.sfpuc.gov/about-us/reports/audited-financial-statements-reports.

THE SAN FRANCISCO PUBLIC UTILITIES COMMISSION

Statements of Net Position
Proprietary Funds
June 30, 2024 and 2023
(In thousands)

	Water		Wastewater		Hetchy Water		Hetchy Power		CleanPowerSF		Eliminations		SFPUC Total	
	Business Type Activities – Proprietary Funds													
Assets	2024	2023	2024	2023	2024	2023	2024	2023	2024	2023	2024	2023	2024	2023
Current assets:														
Cash and investments with City Treasury	$ 380,201	402,885	376,658	355,770	46,471	76,973	215,370	224,234	159,811	98,657	—	—	1,178,511	1,158,519
Cash and investments outside City Treasury	193	192	152	173	—	—	41	154	—	—	—	—	386	519
Receivables:														
Charges for services (net of allowance for doubtful accounts of $10,777, $12,865, $0, $1,699, and $9,226 in 2024 and $8,615, $10,060, $0, $3,923, and $7,923 in 2023)	79,483	63,943	48,338	40,093	471	405	16,356	12,277	50,993	41,625	—	—	195,641	158,343
Wholesale balancing account, current portion	26,121	5,571	—	—	—	—	—	—	—	—	—	—	26,121	5,571
Due from other City departments, current portion	102	115	82	128	—	—	1,558	1,134	—	—	(114) A	(113) B	1,628	1,264
Due from other governments	366	—	—	—	1,664	1,723	574	646	—	—	—	—	2,604	2,369
Interest	3,861	2,621	3,896	2,178	578	295	2,823	1,503	1,692	559	—	—	12,850	7,156
Interest-Leases	935	911	—	—	—	—	—	—	—	—	—	—	935	911
Restricted due from other governments	129,580	36,147	—	13,942	—	—	—	—	—	—	—	—	129,580	50,089
Leases receivable, current portion	3,246	3,521	226	212	—	—	—	—	—	—	—	—	3,472	3,733
Restricted interest and other receivable (net of allowance for doubtful accounts of $131, $345, $0, $0 and $0 in 2024 and $30, $99, $0, $0 and $0 in 2023)	3,789	3,510	689	1,191	—	—	169	4,151	—	—	—	—	4,647	8,852
Total current receivables	247,483	116,339	53,231	57,744	2,713	2,423	21,480	19,711	52,685	42,184	(114)	(113)	377,478	238,288
Prepaid charges, advances, and other receivables, current portion	4,958	5,909	8,142	570	754	92	6,341	1,579	441	5,641	—	—	20,636	13,791
Inventory	7,825	8,191	3,657	3,340	199	221	1,690	1,619	—	—	—	—	13,371	13,371
Restricted cash and investments outside City Treasury, current portion	40,065	10,863	41,778	48,717	—	—	6,849	5,371	—	—	—	—	88,692	64,951
Total current assets	680,725	544,379	483,618	466,314	50,137	79,709	251,771	252,668	212,937	146,482	(114)	(113)	1,679,074	1,489,439
Non-current assets:														
Restricted cash and investments with City Treasury	71,015	21,000	31,613	38,574	31,330	10,980	50,732	17,606	—	—	—	—	184,690	88,160
Restricted cash and investments outside City Treasury, less current portion	63,185	66,482	59,930	66,439	—	—	7,202	3,840	—	—	—	—	130,317	136,761
Leases receivable, less current portion	35,817	40,109	1,019	1,245	—	—	—	—	—	—	—	—	36,836	41,354
Restricted interest and other receivable, and prepaid (net of allowance for doubtful accounts of $0, $0, $0, $0, and $0 in 2024 and $8, $29, $0, $0, and $0 in 2023)	—	4	388	417	—	—	—	—	—	—	—	—	388	421
Charges for services, less current portion (net of allowance for doubtful accounts of $664, $351, $0, $0, and $0 in 2024 and $656, $566, $0, $0, and $0 in 2023)	200	209	342	342	—	—	—	—	—	—	—	—	542	551
Wholesale balancing account, less current portion	—	4,481	—	—	—	—	—	—	—	—	—	—	—	4,481
Note receivable - Balboa Reservoir, less current portion	11,512	11,007	—	—	—	—	—	—	—	—	—	—	11,512	11,007
Prepaid charges, advances, and other receivables, less current portion	3,236	3,406	1,087	1,115	138	141	10,843	9,540	11,763	11,424	—	—	27,067	25,626
Lease right-to-use assets, net of accumulated amortization	2,734	3,943	—	1,272	129	145	157	178	—	—	—	—	3,020	5,538
Subscription right-to-use assets, net of accumulated amortization	311	695	188	422	61	137	51	114	13	30	—	—	624	1,398
Capital assets, not being depreciated and amortized	720,805	640,995	2,926,407	2,280,581	89,122	75,688	347,633	301,400	—	—	—	—	4,083,967	3,298,664
Capital assets, net of accumulated depreciation and amortization	5,054,617	5,007,319	2,561,815	2,404,071	148,174	144,066	409,911	345,546	—	—	—	—	8,174,517	7,901,002
Due from other City departments, less current portion	—	—	—	—	—	—	9,863	10,352	—	—	(291) A	(405) B	9,572	9,947
Total non-current assets	5,963,432	5,799,650	5,582,789	4,794,478	268,954	231,157	836,392	688,576	11,776	11,454	(291)	(405)	12,663,052	11,524,910
Total assets	6,644,157	6,344,029	6,066,407	5,260,792	319,091	310,866	1,088,163	941,244	224,713	157,936	(405)	(518)	14,342,126	13,014,349
Deferred outflows of resources														
Unamortized loss on refunding of debt	89,186	124,635	—	8	—	—	—	—	—	—	—	—	89,186	124,643
Pensions	93,526	70,101	42,685	32,592	11,929	8,858	14,580	10,826	2,187	1,292	—	—	164,907	123,669
Other postemployment benefits	29,974	28,616	12,816	11,493	3,191	3,248	3,899	3,969	996	1,009	—	—	50,876	48,335
Total deferred outflows of resources	$ 212,686	223,352	55,501	44,093	15,120	12,106	18,479	14,795	3,183	2,301	—	—	304,969	296,647

(continued)

A. Included interfund payables and interfund receivables for fiscal year 2024 of $405 between Wastewater and Hetchy Power for the 525 Golden Gate Avenue Headquarters construction costs.
B. Included interfund payables and interfund receivables for fiscal year 2023 of $518 between Wastewater and Hetchy Power for the 525 Golden Gate Avenue Headquarters construction costs.

See accompanying notes to basic financial statements.

THE SAN FRANCISCO PUBLIC UTILITIES COMMISSION

Statements of Net Position
Proprietary Funds
June 30, 2024 and 2023
(In thousands)

	Business Type Activities – Proprietary Funds													
	Water		Wastewater		Hetchy Water		Hetchy Power		CleanPowerSF		Eliminations		SFPUC Total	
	2024	2023 #	2024	2023 #	2024	2023 #	2024	2023 #	2024	2023	2024	2023	2024	2023 #
Liabilities														
Current liabilities:														
Accounts payable $	25,353	22,671	18,841	23,207	969	1,033	13,505	24,970	29,018	24,344	—	—	87,686	96,225
Accrued payroll	13,444	11,807	8,119	7,631	1,428	1,252	3,292	3,041	639	543	—	—	26,922	24,274
Accrued vacation and sick leave, current portion	7,585	7,057	6,583	6,040	1,272	1,132	2,038	1,867	413	394	—	—	17,891	16,490
Accrued workers' compensation, current portion	2,188	1,914	1,685	1,509	228	216	417	401	—	—	—	—	4,518	4,040
Due to other City departments, current portion	—	2,440	114	2,215	—	—	—	1,946	—	—	(114) C	(113) D	—	6,488
Damage claims liability, current portion	5,716	11,125	28,742	1,650	121	300	1,872	450	17	16	—	—	36,468	13,541
Unearned revenues, refunds, and other, current portion	15,050	13,977	9,623	6,457	106	110	6,604	5,880	7,986	6,146	—	—	39,369	32,570
Bond, loan, lease and subscription interest payable, current portion	37,924	35,104	30,300	27,918	1	2	2,691	1,597	—	—	—	—	70,916	64,621
Bonds, current portion	138,140	135,095	35,370	28,070	—	—	3,599	1,590	—	—	—	—	177,109	164,755
Certificates of participation, current portion	3,402	3,267	900	864	—	—	463	445	—	—	—	—	4,765	4,576
Commercial paper, current portion	190,000	—	—	—	—	—	90,654	—	—	—	—	—	280,654	—
State revolving funds loans payable, current portion	—	—	5,629	2,526	—	—	—	—	—	—	—	—	5,629	2,526
Lease liability, current portion	1,028	1,189	—	1,297	16	16	19	19	—	—	—	—	1,063	2,521
Subscription liability, current portion	153	400	93	243	30	80	25	65	6	18	—	—	307	806
Current liabilities payable from restricted assets	39,896	40,863	135,740	122,825	4,027	5,747	25,513	23,119	—	—	—	—	205,176	192,554
Total current liabilities	479,879	286,909	281,739	232,452	8,198	9,888	150,692	65,390	38,079	31,461	(114)	(113)	958,473	625,987
Long-term liabilities:														
Arbitrage rebate payable	869	—	8,521	188	—	—	184	—	—	—	—	—	9,574	188
Net other postemployment benefits liability	158,301	148,601	49,260	49,035	16,269	14,907	19,883	18,220	4,189	4,053	—	—	247,902	234,816
Net pension liability	152,643	115,343	67,299	49,549	19,090	14,105	23,332	17,239	3,563	2,124	—	—	265,927	198,360
Accrued vacation and sick leave, less current portion	6,418	6,528	5,506	5,622	1,208	1,134	1,939	1,849	347	349	—	—	15,418	15,482
Accrued workers' compensation, less current portion	8,814	7,821	7,327	6,489	1,069	1,003	1,919	1,837	—	—	—	—	19,129	17,150
Due to other City departments, less current portion	—	—	291	405	—	—	—	—	—	—	(291) C	(405) D	—	—
Damage claims liability, less current portion	17,057	8,500	86,341	2,700	147	400	1,902	5,700	4	18	—	—	105,451	17,318
Unearned revenues, refunds, and other, less current portion	—	—	—	—	—	—	580	580	—	—	—	—	580	580
Liabilities payable from restricted assets, less current portion	—	—	—	—	—	—	3,354	—	—	—	—	—	3,354	—
Bonds, less current portion	4,826,497	4,575,751	2,649,681	2,708,840	—	—	315,200	189,342	—	—	—	—	7,791,378	7,473,933
Revenue Notes, less current portion	—	—	—	349,556	—	—	—	—	—	—	—	—	—	349,556
Certificates of participation, less current portion	85,830	89,232	22,695	23,594	—	—	11,685	12,148	—	—	—	—	120,210	124,974
Commercial paper, less current portion	—	371,459	341,373	—	—	—	—	116,352	—	—	—	—	341,373	487,811
State revolving funds loans payable, less current portion	259,970	163,627	312,033	316,163	—	—	—	—	—	—	—	—	572,003	479,790
Water Infrastructure Finance and Innovation Act (WIFIA) loans	—	—	922,431	122,357	—	—	—	—	—	—	—	—	922,431	122,357
Bond, loan, lease, and subscription interest payable, less current portion	3,622	—	2,106	—	—	—	—	—	—	—	—	—	5,728	—
Lease liability, less current portion	1,793	2,821	—	—	106	122	131	150	—	—	—	—	2,030	3,093
Subscription liability, less current portion	155	308	93	186	29	59	26	51	7	13	—	—	310	617
Pollution remediation obligations	1,271	1,271	6,451	7,800	—	—	—	—	—	—	—	—	7,722	9,071
Total long-term liabilities	5,523,240	5,491,262	4,481,408	3,642,484	37,918	31,730	380,135	363,468	8,110	6,557	(291)	(405)	10,430,520	9,535,096
Total liabilities	6,003,119	5,778,171	4,763,147	3,874,936	46,116	41,618	530,827	428,858	46,189	38,018	(405)	(518)	11,388,993	10,161,083
Deferred inflows of resources														
Unamortized gain on refunding of debt	31,854	—	10,255	11,353	—	—	—	—	—	—	—	—	42,109	11,353
Pensions	13,305	28,504	4,055	10,023	1,941	4,142	2,372	5,062	925	1,296	—	—	22,598	49,027
Leases	36,583	41,558	1,203	1,453	—	—	—	—	—	—	—	—	37,786	43,011
Other postemployment benefits	22,334	27,075	5,809	8,286	2,897	3,084	3,541	3,769	2,292	2,922	—	—	36,873	45,136
Total deferred inflows of resources	104,076	97,137	21,322	31,115	4,838	7,226	5,913	8,831	3,217	4,218	—	—	139,366	148,527
Net position														
Net investment in capital assets	350,430	460,213	1,148,814	1,110,957	233,276	214,014	343,297	313,171	—	—	—	—	2,075,817	2,098,355
Restricted for debt service	44,724	14,625	—	3,510	—	—	—	56	—	—	—	—	44,724	18,191
Restricted for capital projects	200,632	56,822	31,782	53,137	31,330	10,980	28,625	21,702	—	—	—	—	292,369	142,641
Unrestricted	153,862	160,413	156,843	231,230	18,651	49,134	197,980	183,421	178,490	118,001	—	—	705,826	742,199
Total net position $	749,648	692,073	1,337,439	1,398,834	283,257	274,128	569,902	518,350	178,490	118,001	—	—	3,118,736	3,001,386

C. Included interfund payables and interfund receivables for fiscal year 2024 of $405 between Wastewater and Hetchy Power for the 525 Golden Gate Avenue Headquarters construction costs.
D. Included interfund payables and interfund receivables for fiscal year 2023 of $518 between Wastewater and Hetchy Power for the 525 Golden Gate Avenue Headquarters construction costs.
#Fiscal year 2023 net position reclassification of restricted payable and capital related liabilities from restricted for capital projects and/or unrestricted to net investment in capital assets balance updated.

See accompanying notes to basic financial statements.

THE SAN FRANCISCO PUBLIC UTILITIES COMMISSION
Statements of Revenues, Expenses, and Changes in Net Position
Proprietary Funds
Years ended June 30, 2024 and 2023
(In thousands)

	Business Type Activities – Proprietary Funds											
	Water		Wastewater		Hetchy Water		Hetchy Power		CleanPowerSF		SFPUC Total	
	2024	2023	2024	2023	2024	2023	2024	2023	2024	2023	2024	2023
Operating revenues:												
Charges for services	$ 650,233	661,241	384,851	354,491	49,330	52,570	214,154	203,847	366,594	326,777	1,665,162	1,598,926
Rents and concessions	8,556	13,282	739	822	162	127	198	156	—	—	9,655	14,387
Capacity fees	863	1,256	2,262	3,077	—	—	—	—	—	—	3,125	4,333
Other revenues	17,238	15,312	7,189	5,546	—	—	—	—	—	—	24,427	20,858
Total operating revenues	676,890	691,091	395,041	363,936	49,492	52,697	214,352	204,003	366,594	326,777	1,702,369	1,638,504
Operating expenses:												
Personnel services	159,779	135,709	105,835	89,726	24,908	18,424	48,175	39,300	9,322	10,735	348,019	293,894
Contractual services	20,128	16,919	23,885	20,777	4,035	2,956	13,623	10,819	6,244	6,559	67,915	58,030
Transmission/distribution and other power costs	—	—	—	—	—	—	62,392	70,580	264	226	62,656	70,806
Purchased electricity	—	—	—	—	—	—	15,558	8,078	284,631	265,152	300,189	273,230
Materials and supplies	23,195	20,046	14,474	14,306	1,755	1,605	2,451	2,612	60	57	41,935	38,626
Depreciation and amortization	155,172	155,714	82,722	78,039	6,522	6,524	18,460	17,877	17	270	262,893	258,424
Services provided by other departments	77,638	79,910	39,546	40,999	3,501	3,392	6,828	8,674	4,792	4,302	132,305	137,277
General and administrative and other	93,444	51,955	195,581	17,503	3,229	17,110	33,114	33,612	6,188	7,479	331,556	127,659
Total operating expenses	529,356	460,253	462,043	261,350	43,950	50,011	200,601	191,552	311,518	294,780	1,547,468	1,257,946
Operating income (loss)	147,534	230,838	(67,002)	102,586	5,542	2,686	13,751	12,451	55,076	31,997	154,901	380,558
Non-operating revenues (expenses):												
Federal and state grants	12,414	—	12,256	152	—	1,627	26	937	—	1,173	24,696	3,889
Interest and investment income	25,097	11,156	25,528	2,556	3,255	457	13,744	3,741	5,904	405	73,528	18,315
Interest expenses	(222,055)	(214,913)	(138,883)	(95,520)	(3)	(4)	(14,472)	(9,486)	—	(1)	(375,413)	(319,924)
Amortization of premium, discount, refunding loss, and issuance costs	13,825	9,971	47,299	14,387	—	—	1,008	1,584	—	—	62,132	25,942
Net gain from sale of assets	2,060	12,660	77	114	2	4	2	3	—	—	2,141	12,781
Other non-operating revenues	27,597	28,019	11,964	9,644	336	230	8,500	12,665	386	325	48,783	50,883
Other non-operating expenses	(1,760)	(1,775)	(505)	(535)	(45)	(54)	(99)	(227)	(877)	(218)	(3,286)	(2,809)
Net non-operating revenues (expenses)	(142,822)	(154,882)	(42,264)	(69,202)	3,545	2,260	8,709	9,217	5,413	1,684	(167,419)	(210,923)
Change in net position before capital contributions and transfers	4,712	75,956	(109,266)	33,384	9,087	4,946	22,460	21,668	60,489	33,681	(12,518)	169,635
Capital contributions	53,599	2,717	48,080	2,740	—	—	29,200	2,535	—	—	130,879	7,992
Transfers from the City and County of San Francisco	505	5	—	75	42	20,000	—	—	—	—	547	20,080
Transfers to the City and County of San Francisco	(1,241)	(20,032)	(209)	(32)	—	—	(108)	(32)	—	—	(1,558)	(20,096)
Net capital contributions and transfers	52,863	(17,310)	47,871	2,783	42	20,000	29,092	2,503	—	—	129,868	7,976
Change in net position	57,575	58,646	(61,395)	36,167	9,129	24,946	51,552	24,171	60,489	33,681	117,350	177,611
Net position at beginning of year	692,073	633,427	1,398,834	1,362,667	274,128	249,182	518,350	494,179	118,001	84,320	3,001,386	2,823,775
Net position at end of year	$ 749,648	692,073	1,337,439	1,398,834	283,257	274,128	569,902	518,350	178,490	118,001	3,118,736	3,001,386

See accompanying notes to basic financial statements.

THE SAN FRANCISCO PUBLIC UTILITIES COMMISSION

Statements of Cash Flows

Proprietary Funds

Years ended June 30, 2024 and 2023

(In thousands)

	Business Type Activities – Proprietary Funds											
	Water		Wastewater		Hetchy Water		Hetchy Power		CleanPowerSF		SFPUC Total	
	2024	2023	2024	2023	2024	2023	2024	2023	2024	2023	2024	2023
Cash flows from operating activities:												
Cash received from customers, including cash deposits $	636,706	582,603	380,336	364,180	49,264	52,640	211,012	201,707	357,825	324,730	1,635,143	1,525,860
Cash received from tenants for rent	8,343	13,098	708	3,126	153	129	188	158	—	—	9,392	16,511
Cash received from miscellaneous revenues	4,776	4,832	6,648	686	36	30	4,886	8,689	3	6	16,349	14,243
Cash paid to employees for services	(151,655)	(142,866)	(104,126)	(95,895)	(23,234)	(21,537)	(45,847)	(42,804)	(9,517)	(8,063)	(334,379)	(311,165)
Cash paid to suppliers for goods and services	(194,099)	(174,938)	(116,262)	(95,599)	(13,563)	(31,864)	(146,934)	(113,682)	(291,457)	(275,322)	(762,315)	(691,405)
Cash paid for judgments and claims	(18,216)	(6,927)	(6,851)	(5,500)	(357)	(331)	(3,625)	(5,548)	(874)	(1,725)	(29,923)	(20,031)
Net cash provided by (used in) operating activities	285,855	275,802	160,453	170,998	12,299	(933)	19,680	48,520	55,980	39,626	534,267	534,013
Cash flows from non-capital financing activities:												
Cash received from grants	13,400	—	13,688	177	59	389	98	546	—	1,173	27,245	2,285
Cash received from settlements	—	6,750	—	5,000	300	200	—	244	—	—	300	12,194
Cash received from license fees	—	—	—	—	—	—	1,997	3,713	—	—	1,997	3,713
Cash received from Public Purpose Funds	—	—	—	—	—	—	—	—	1,624	2,394	1,624	2,394
Cash paid for rebates, program incentives, and other	(1,760)	(1,775)	(505)	(535)	(34)	(54)	(78)	(227)	(864)	(218)	(3,241)	(2,809)
Transfers from the City and County of San Francisco	505	5	—	75	42	20,000	—	—	—	—	547	20,080
Transfers to the City and County of San Francisco	(1,241)	(20,032)	(209)	(32)	—	—	(108)	(32)	—	—	(1,558)	(20,096)
Net cash provided by (used in) non-capital financing activities	10,904	(15,052)	12,974	4,685	367	20,535	1,909	4,244	760	3,349	26,914	17,761
Cash flows from capital and related financing activities:												
Proceeds from sale of capital assets	1,569	1,370	79	127	2	4	2	3	—	—	1,652	1,504
Proceeds from bond issuance, net of premium and discount	474,538	—	—	1,287,593	—	—	131,230	—	—	—	605,768	1,287,593
Proceeds from commercial paper borrowings	191,150	165,162	341,373	177,564	—	—	91,635	76,333	—	—	624,158	419,059
Proceeds from State revolving fund loans	4,044	12,371	13,942	207,364	—	—	—	—	—	—	17,986	219,735
Proceeds from WIFIA loans	—	—	811,356	122,357	—	—	—	—	—	—	811,356	122,357
Principal paid on commercial paper	(372,609)	—	—	(556,721)	—	—	(117,333)	—	—	—	(489,942)	(556,721)
Principal paid on revenue notes	—	—	(347,465)	—	—	—	—	—	—	—	(347,465)	—
Principal paid on long-term debt	(138,342)	(128,408)	(28,933)	(454,676)	—	—	(2,035)	(2,397)	—	—	(169,310)	(585,481)
Principal paid on state revolving fund loans	—	—	(2,525)	(2,481)	—	—	—	—	—	—	(2,525)	(2,481)
Interest paid on commercial paper	(1,511)	(5,170)	(1,372)	(8,674)	—	—	(1,969)	(1,327)	—	—	(4,852)	(15,171)
Interest paid on long-term debt	(214,366)	(209,194)	(112,460)	(75,309)	—	—	(11,221)	(7,886)	—	—	(338,047)	(292,389)
Interest paid on state revolving fund loans	—	—	(1,479)	(1,523)	—	—	—	—	—	—	(1,479)	(1,523)
Interest paid on WIFIA loans	—	—	—	(74)	—	—	—	—	—	—	—	(74)
Interest paid on revenue notes	—	—	—	(3,475)	—	—	—	—	—	—	—	(3,475)
Issuance costs paid on long-term debt	(4,545)	—	(195)	(3,124)	—	—	(765)	—	—	—	(5,505)	(3,124)
Acquisition and construction of capital assets	(228,113)	(172,835)	(871,699)	(681,615)	(25,692)	(25,856)	(94,130)	(72,541)	—	—	(1,219,634)	(952,847)
Lease payments	(1,270)	(1,050)	(1,303)	(2,371)	(18)	(18)	(22)	(22)	—	(233)	(2,613)	(3,694)
Subscription payments	(408)	(862)	(247)	(523)	(82)	(172)	(66)	(139)	(18)	(39)	(821)	(1,735)
Federal interest income subsidy	22,909	23,260	3,911	3,991	—	—	332	502	—	—	27,152	27,753
Net cash provided by (used in) capital and related financing activities	(266,954)	(315,356)	(197,017)	8,430	(25,790)	(26,042)	(4,342)	(7,474)	(18)	(272)	(494,121)	(340,714)
Cash flows from investing activities:												
Interest income received	17,141	9,141	18,001	4,948	1,083	914	8,568	3,663	3,838	1,207	48,631	19,873
Proceeds from sale of investment outside City Treasury	1,015,279	348,315	1,860,653	514,288	—	—	155,462	10,224	—	—	3,031,394	872,827
Purchase of investments outside City Treasury	(1,081,634)	(348,315)	(1,898,189)	(514,288)	—	—	(165,218)	(10,224)	—	—	(3,145,041)	(872,827)
Net cash provided by (used in) investing activities	(49,214)	9,141	(19,535)	4,948	1,083	914	(1,188)	3,663	3,838	1,207	(65,016)	19,873
Increase (decrease) in cash and cash equivalents	(19,409)	(45,465)	(43,125)	189,061	(12,041)	(5,526)	16,059	48,953	60,560	43,910	2,044	230,933
Cash and cash equivalents:												
Beginning of year	514,901	560,366	522,224	333,163	91,857	97,383	257,810	208,857	101,797	57,887	1,488,589	1,257,656
End of year $	495,492	514,901	479,099	522,224	79,816	91,857	273,869	257,810	162,357	101,797	1,490,633	1,488,589
Reconciliation of cash and cash equivalents to the statements of net position:												
Cash and investments with City Treasury:												
Unrestricted $	380,201	402,885	376,658	355,770	46,471	76,973	215,370	224,234	159,811	98,657	1,178,511	1,158,519
Restricted	71,015	21,000	31,613	38,574	31,330	10,980	50,732	17,606	—	—	184,690	88,160
Add: Unrealized loss on investments with City Treasury	7,188	13,479	6,504	12,551	2,015	3,904	3,465	6,605	2,546	3,140	21,718	39,679
Cash and investments outside City Treasury:												
Unrestricted	193	192	152	173	—	—	41	154	—	—	386	519
Restricted	103,250	77,345	101,708	115,156	—	—	14,051	9,211	—	—	219,009	201,712
Less: Restricted (with maturity more than 90 days – see table in Note 3)	(65,815)	—	(37,269)	—	—	—	(9,756)	—	—	—	(112,840)	—
Less: Unrealized (gain) on investments outside City Treasury	(540)	—	(267)	—	—	—	(34)	—	—	—	(841)	—
Cash and cash equivalents at end of year on statements of cash flows $	495,492	514,901	479,099	522,224	79,816	91,857	273,869	257,810	162,357	101,797	1,490,633	1,488,589

See accompanying notes to basic financial statements.

(continued)

THE SAN FRANCISCO PUBLIC UTILITIES COMMISSION
Statements of Cash Flows
Proprietary Funds
Years ended June 30, 2024 and 2023
(In thousands)

	Business Type Activities – Proprietary Funds											
	Water		Wastewater		Hetchy Water		Hetchy Power		CleanPowerSF		SFPUC Total	
	2024	2023	2024	2023	2024	2023	2024	2023	2024	2023	2024	2023
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities:												
Operating income (loss) $	147,534	230,838	(67,002)	102,586	5,542	2,686	13,751	12,451	55,076	31,997	154,901	380,558
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:												
Depreciation and amortization	155,172	155,714	82,722	78,039	6,522	6,524	18,460	17,877	17	270	262,893	258,424
Miscellaneous revenues	4,776	4,832	6,647	686	36	30	4,886	8,689	3	6	16,348	14,243
Provision for uncollectible accounts	2,263	4,584	2,807	5,500	—	—	(2,224)	2,626	1,303	1,593	4,149	14,303
Write-off of capital assets and other non-cash items	58	4,628	47,795	911	—	192	217	211	—	—	48,070	5,942
Changes in operating assets and liabilities:												
Receivables:												
Charges for services	(17,701)	(13,655)	(10,835)	(5,558)	(66)	70	(1,855)	(4,714)	(10,671)	5,485	(41,128)	(18,372)
Due from other City departments	13	63	—	1,208	—	—	187	345	—	—	200	1,616
Prepaid charges, advances, and other	560	6,709	(7,452)	1	(659)	129	(372)	115	5,200	5,908	(2,723)	12,862
Inventory	366	(1,389)	(317)	(382)	22	(22)	(71)	59	—	—	—	(1,734)
Accounts payable	2,682	(181)	(4,366)	830	(75)	(7,421)	(11,486)	8,302	4,661	818	(8,584)	2,348
Accrued payroll	1,637	1,312	488	1,229	176	154	251	357	96	170	2,648	3,222
Net other postemployment benefits obligations liability*	3,601	10,042	(3,575)	963	1,232	1,041	1,505	1,272	(481)	2,906	2,282	16,224
Net pension liability*	(1,324)	(21,699)	1,689	(13,551)	(287)	(4,480)	(351)	(5,476)	173	(601)	(100)	(45,807)
Leases	(327)	575	(38)	2,321	—	—	—	—	—	—	(365)	2,896
Subscriptions	8	895	—	535	—	—	—	—	—	—	8	1,430
Accrued vacation and sick leave	418	(144)	427	761	214	97	261	119	17	197	1,337	1,030
Accrued workers' compensation	1,267	762	1,014	452	78	(9)	98	(12)	—	—	2,457	1,193
Due to other City departments	(2,440)	2,440	(2,101)	2,102	—	—	(1,946)	1,566	—	—	(6,487)	6,108
Wholesale balancing account	(16,069)	(89,202)	—	—	—	—	—	—	—	—	(16,069)	(89,202)
Damage claims liability	3,148	(16,444)	110,733	(7,695)	(432)	73	(2,376)	5,127	(13)	2	111,060	(18,937)
Unearned revenues, refunds, and other liabilities	213	(4,878)	3,166	320	(4)	3	745	(394)	599	(9,125)	4,719	(14,074)
Pollution remediation obligations	—	—	(1,349)	(260)	—	—	—	—	—	—	(1,349)	(260)
Total adjustments	138,321	44,964	227,455	68,412	6,757	(3,619)	5,929	36,069	904	7,629	379,366	153,455
Net cash provided by (used in) operating activities $	285,855	275,802	160,453	170,998	12,299	(933)	19,680	48,520	55,980	39,626	534,267	534,013
Noncash transactions:												
Accrued capital asset costs $	39,896	40,863	135,740	122,825	4,027	5,747	28,867	23,119	—	—	208,530	192,554
Interfund payables	—	2,440	405	2,620	—	—	—	—	—	—	405	5,060
Interfund receivables	—	—	—	—	—	—	405	518	—	—	405	518
Payable to SFMTA	—	—	—	—	—	—	—	1,946	—	—	—	1,946
Unrealized loss on investments with City Treasury	7,188	13,479	6,504	12,551	2,015	3,904	3,465	6,605	2,546	3,140	21,718	39,679
Unrealized (gain) on investments outside City Treasury	(540)	—	(267)	—	—	—	(34)	—	—	—	(841)	—
Capital contributions	53,599	2,717	48,080	2,740	—	—	29,200	2,535	—	—	130,879	7,992
Sale of land with promissory note	11,512	11,007	—	—	—	—	—	—	—	—	11,512	11,007
Principal refunded	619,115	—	—	—	—	—	—	—	—	—	619,115	—
Bond proceeds paid to refunding escrow	590,874	—	—	—	—	—	—	—	—	—	590,874	—

*Includes related deferred outflows/inflows.
See accompanying notes to basic financial statements.

(1) Description of Reporting Entity

The San Francisco Public Utilities Commission (SFPUC or the Commission), established in 1932, is responsible for providing operational oversight of the public utility enterprises of the City, which include the Water, Wastewater, Hetchy Water and Power and CleanPowerSF. The Commission is responsible for determining such matters as the rates and charges for services, approval of contracts, and organizational policy.

Until August 1, 2008, the Commission consisted of five members, all appointed by the Mayor. Proposition E, a City and County of San Francisco Charter Section 4.112 amendment approved by the voters in the June 3, 2008 election, terminated the terms of all five existing members of the Commission, changed the process for appointing new members, and set qualifications for all members. Under the amended Charter, the Mayor continues to nominate candidates to the Commission, but nominees do not take office until the Board of Supervisors votes to approve their appointments by a majority (at least six members). The amended Charter provides for staggered four-year terms for the Commission members and requires them to meet the following qualifications:

- Seat 1 must have experience in environmental policy and an understanding of environmental justice issues.
- Seat 2 must have experience in ratepayer or consumer advocacy.
- Seat 3 must have experience in project finance.
- Seat 4 must have experience in water systems, power systems, or public utility management.
- Seat 5 is an at-large member.

The SFPUC is a department of the City, and as such, the financial operations of the Water, the Wastewater, and Hetchy Water and Hetchy Power and CleanPowerSF (Hetch Hetchy) enterprises are included in the Annual Comprehensive Financial Report of the City as enterprise funds. These financial statements are intended to present only the financial position, and the changes in financial position and cash flows of only the portion of the City that is attributable to the transactions of the enterprises. They do not purport to, and do not, present fairly the financial position of the City as of June 30, 2024 and 2023, the changes in its financial position, or, where applicable, the cash flows for the years then ended in conformity with U.S. generally accepted accounting principles (GAAP).

Water Enterprise

The San Francisco Water Enterprise was established in 1930 under the provisions of the Charter of the City and County of San Francisco (the City). The Water Enterprise acquired the fully developed, mature water works for San Francisco on March 3, 1930. Since then, the City has operated and maintained the water works as the San Francisco Water Enterprise. The Board of Supervisors of the City has adopted resolutions (the Water Resolutions) providing for the issuance of various water revenue and refunding bond series. The Water Resolutions require the City to keep separate books of records and accounts of the Water Enterprise. The Water Enterprise, which consists of a system of reservoirs, storage tanks, water treatment plants, pump stations, and pipelines, is engaged in the distribution of water to San Francisco and certain suburban areas. In fiscal year 2024, the Water Enterprise sold approximately 63,854 million gallons, i.e., about 174 million gallons per day of water, to approximately 2.7 million people within San Francisco and certain suburban areas.

Wastewater Enterprise

The San Francisco Wastewater Enterprise, formerly known as the San Francisco Clean Water Program (the Program), was established in 1977 following the transfer of all sewage system related assets and liabilities of the City to the Program.

In 1976, the electorate of the City approved a proposition authorizing the City to issue $240,000 in revenue bonds pursuant to the Revenue Bond Law of 1941 of the State of California for the purpose of acquiring, constructing, improving, and financing improvements to the City’s municipal sewage treatment and disposal system. Since then, the City’s Board of Supervisors has adopted resolutions (Wastewater Resolutions) providing for the issuance of various sewer revenue and refunding bond series. The

Wastewater Resolutions require the City to keep separate books of records and accounts of the Wastewater Enterprise.

Hetch Hetchy

San Francisco Hetch Hetchy Water and Power (Hetch Hetchy) was established as a result of the Raker Act of 1913, which granted water and power resources rights-of-way on the Tuolumne River in Yosemite National Park and Stanislaus National Forest to the City and County of San Francisco (the City). CleanPowerSF, launched in May 2016, provides green electricity from renewable sources to residential and commercial customers in San Francisco and was reported as part of Hetch Hetchy starting fiscal year 2016. Hetch Hetchy is a stand-alone enterprise comprised of three funds, Hetchy Power (aka the Power Enterprise), CleanPowerSF and Hetchy Water, the portion of the Water Enterprise's operations, specifically the upcountry water supply and transmission service. Hetch Hetchy accounts for the activities of Hetch Hetchy Water and Power and is engaged in the collection and conveyance of approximately 85% of the regional system's water supply and in the generation and transmission of electricity from that resource, as well as the City Power services including energy efficiency and renewable.

Approximately 55% of the electricity generated by Hetchy Power is used to provide electric service to the City's municipal customers (including the San Francisco Municipal Transportation Agency, Recreation and Parks Department, the Port of San Francisco, the San Francisco International Airport and its tenants, Zuckerberg San Francisco General Hospital and Trauma Center, streetlights, Moscone Convention Center, and the Water and Wastewater Enterprises). The majority of the remaining 45% balance of electricity is sold to CleanPowerSF and the wholesale electric market. As a result of the 1913 Raker Act, energy produced above the City's municipal load is sold first to the Districts (Modesto Irrigation District and Turlock Irrigation District) to cover their agricultural pumping and municipal load needs and any remaining energy is either sold to other municipalities and/or government agencies (not for resale) or sold into the California Independent System Operator (CAISO). Hetch Hetchy operation is an integrated system of reservoirs, hydroelectric power plants, aqueducts, pipelines, and transmission lines.

Hetch Hetchy also purchases wholesale electric power from various energy providers that are used in conjunction with owned hydro resources to meet the power requirements of its customers. Operations and business decisions can be greatly influenced by market conditions, state and federal power matters before the California Public Utilities Commission (CPUC), the CAISO, and the Federal Energy Regulatory Commission (FERC). Therefore, Hetch Hetchy serves as the City's representative at CPUC, CAISO, and FERC forums and continues to monitor regulatory proceedings.

(2) Significant Accounting Policies

(a) Basis of Accounting and Measurement Focus – Fund Financial Statements

The accounts of Water, Wastewater, Hetchy Water, Hetchy Power and CleanPowerSF are organized on the basis of a proprietary fund type and are included as enterprise funds of the City. The activities are accounted for with a separate set of self-balancing accounts that comprise the funds' assets, deferred outflows, liabilities, deferred inflows, net position, revenues, and expenses. Enterprise funds account for activities (i) that are financed with debt that is secured solely by a pledge of the net revenues from fees and charges of the activity; or (ii) that are required by laws or regulations that the activity's costs of providing services, including capital costs (such as depreciation or debt service), be recovered with fees and charges, rather than with taxes or similar revenues; or (iii) that the pricing policies of the activity establish fees and charges designed to recover its costs, including capital costs (such as depreciation or debt service).

The financial activities of Water, Wastewater, Hetchy Water, Hetchy Power and CleanPowerSF are accounted for on a flow of economic resources measurement focus, using the accrual basis of accounting in accordance with U.S. GAAP. Under this method, all assets and liabilities associated with its operations are included on the statements of net position; revenues are recognized when earned, and expenses are recognized when liabilities are incurred. Water and Wastewater Enterprises' operating revenues are defined as charges to customers, rental income, capacity fees and other revenues while Hetchy Water, Hetchy Power and CleanPowerSF's operating revenues are defined as charges to customers and rental incomes. Non-operating revenues include grants, interest and investment income, and other non-operating income.

The SFPUC applies all applicable Governmental Accounting Standards Board (GASB) pronouncements.

(b) Cash and Cash Equivalents

The SFPUC considers its pooled deposits and investments held with the City Treasury to be demand deposits and, therefore, cash and cash equivalents for financial reporting. The City Treasury also holds non-pooled cash and investments for the SFPUC. Non-pooled restricted deposits and restricted deposits and investments held outside the City Treasury with original maturities of three months or less are also considered to be cash equivalents.

(c) Investments

Money market funds are carried at cost, which approximates fair value. All other investments are stated at fair value based on quoted market prices. Changes in fair value are recognized as investment gains or losses and are recorded as a component of non-operating revenues.

(d) Inventory

Inventory consists primarily of construction materials and maintenance supplies and is valued at average cost. Inventory is expensed as it is consumed.

(e) Capital Assets

Capital assets are defined as assets with an initial individual cost of more than $5 and an estimated useful life in excess of one year. Capital assets with an original acquisition date prior to July 1, 1977 are recorded in the financial statements at estimated cost, as determined by an independent professional appraisal, or at cost, if known. All subsequent acquisitions have been recorded at cost. All donated capital assets and capital assets received in a service concession arrangement are valued at acquisition value at the time of donation. Depreciation and amortization are computed using the straight-line method over the estimated useful lives of the related assets, which range from 1 to 100 years for equipment and 1 to 200 years for buildings, structures, and improvements. No depreciation or amortization is recorded in the year of acquisition, and depreciation or amortization is recorded in the year of disposal.

(f) Intangible Assets

Intangible assets are defined as identifiable, non-financial assets capable of being separated, sold, transferred, or licensed, and include contractual or legal rights. Examples of intangible assets include rights-of-way easements, land use rights, water rights, leases, subscription-based information technology arrangements (SBITAs), licenses, and permits. The SFPUC capitalizes purchased or internally developed intangible assets with a useful life extending beyond one reporting period. It has established a capitalization threshold of $100. Intangible assets are amortized over the benefit period or the contract term for leases and SBITAs, except for certain assets having an indefinite useful life. Assets with an indefinite useful life generally provide a benefit that is not constrained by legal or contractual limitations or any other external factor and, therefore, are not amortized (see Note 4).

(g) Construction Work in Progress

The cost of acquisition and construction of major plant and equipment is recorded as construction work in progress. Costs of discontinued construction projects are recorded as expenses in the year in which the decision is made to discontinue such projects.

(h) Bond Discount, Premium, and Issuance Costs

Bond issuance costs related to prepaid insurance costs are capitalized and amortized using the effective interest method. Other bond issuance costs are expensed when incurred. Original issue bond discount or premium are offset against the related debt and are also amortized using the effective interest method.

(i) Accrued Vacation and Sick Leave

Accrued vacation pay, which may be accumulated up to ten weeks per employee, is charged to expense as earned. Sick leave earned subsequent to December 6, 1978 is non-vesting and may be accumulated up to six months per employee.

(j) Workers' Compensation

The SFPUC is self-insured for workers' compensation claims and accrues the estimated cost of those claims, including the estimated cost of incurred but not reported claims (see Note 16(b)).

(k) General Liability

The SFPUC is self-insured for general liability and uninsurable property damage claims. Commercially uninsurable property includes assets that are underground or provide transmission and distribution. Maintained commercial coverage does not cover claims attributed to loss from earthquake, contamination, pollution remediation efforts, and other specific naturally occurring contaminants such as mold. The liability represents an estimate of the cost of all outstanding claims, including adverse loss development, and estimated incurred but not reported claims (see Note 16(a)).

(l) Arbitrage Rebate Payable

Certain bonds are subject to arbitrage rebate requirements in accordance with regulations issued by the U.S. Treasury Department. The requirements generally stipulate that earnings from the investment of the tax exempt bond proceeds that exceed related interest costs on the bonds must be remitted to the federal government on every fifth anniversary of each bond issue. The Water Enterprise arbitrage rebate liability as of June 30, 2024 and 2023 was $869 and $0, respectively. The Wastewater Enterprise arbitrage liability as of June 30, 2024 and 2023 was $8,521 and $188, respectively. Hetchy Water, and CleanPowerSF did not have arbitrage rebate liability as of June 30, 2024 and 2023 (see Note 7). Hetchy Power arbitrage liability as of June 30, 2024 and 2023 was $184 and $0, respectively, related to 2021 Series AB and 2023 Series A revenue bonds (see Note 7).

(m) Refunding of Debt

Gains or losses occurring from refunding of debt prior to maturity are reported as deferred outflows and deferred inflows of resources from refunding of debt. Deferred outflows and deferred inflows of resources are recognized as a component of interest expense using the effective interest method over the remaining life of the old debt or the life of the new debt, whichever is shorter.

(Dollars in thousands, unless otherwise stated)

(n) Income Taxes

As a department of a government agency, the SFPUC is exempt from both federal income taxes and California State franchise taxes.

(o) Revenue Recognition

Charges for water, wastewater, and power services are based on usage. Effective July 1, 2013, the majority of residential and non-residential customers are billed on a monthly basis except for building and contractor customers which are billed on a bi-monthly basis by the Water and Wastewater Enterprises. Hetchy Water, Hetchy Power and CleanPowerSF revenues are based on water and power consumption and billing rates. Generally, customers are billed monthly. Revenues earned but unbilled are accrued as charges for services receivables on the Statements of Net Position. The unbilled amounts for the fiscal years ended June 30, 2024 and 2023 were as follow:

Fiscal Years Ended June 30		Water	Wastewater	Hetchy Water	Hetchy Power	CleanPowerSF	SFPUC Total
2024	$	44,465	23,256	—	3,624	25,591	96,936
2023		31,704	14,919	—	3,470	19,694	69,787

(p) Use of Estimates

The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets, deferred outflows, liabilities, and deferred inflows and the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

(q) Eliminations

Eliminations for internal activities between Wastewater and Hetchy Power are made in the Statements of Net Position. There were activities requiring eliminations during the fiscal years ended June 30, 2024 and June 30, 2023 between Wastewater and Hetchy Power.

(r) Accounting and Financial Reporting for Pollution Remediation Obligations

According to GASB Statement No. 49, *Accounting and Financial Reporting for Pollution Remediation Obligations*, a government would have to estimate its expected outlays for pollution remediation if it knows a site is polluted, and any of the following recognition triggers occur:

- Pollution poses an imminent danger to the public or environment and a government has little or no discretion to avoid fixing the problem;
- A government has violated a pollution prevention-related permit or license;
- A regulator has identified (or evidence indicates it will identify) a government as responsible (or potentially responsible) for cleaning up pollution, or for paying all or some of the cost of the cleanup;
- A government is named (or evidence indicates that it will be named) in a lawsuit to compel it to address the pollution; or
- A government begins or legally obligates itself to begin cleanup or post-cleanup activities (limited to amounts the government is legally required to complete).

As a part of ongoing operations, situations may occur requiring the removal of pollution or other hazardous material. These situations typically arise in the process of acquiring an asset, preparing an asset for its intended use, or during the design phase of projects under review by the project managers. Other times, pollution may arise during the implementation and construction of a major or minor capital project. Examples of pollution may include but are not limited to: asbestos or lead paint removal; leaking of sewage in underground pipes or neighboring areas, chemical spills, removal and disposal of known toxic waste, harmful biological and chemical pollution of water, or contamination of surrounding soils by underground storage tanks (see Note 17).

(s) Leases

Leases are defined as a contract that conveys control of the right to use another entity's underlying asset for a specified period. The SFPUC is a lessee and a lessor for various noncancellable leases of land, building, equipment, vehicles, easements, and etc.

Short-term Leases - For leases with a maximum possible term of 12 months or less at commencement, the SFPUC recognizes lease revenue if the SFPUC is the lessor of the lease or lease expense if the SFPUC is the lessee of the lease, based on the provisions of the lease contract. Liabilities are only recognized if payments are received in advance, and receivables are only recognized if payments are received subsequent to the reporting period.

Leases other than Short-term - For all other leases (i.e., those that are not short-term), SFPUC recognizes a lease liability and intangible right-to-use lease asset as lessee leases, or lease receivable and deferred inflow of resources as lessor leases.

Measurement of Lease Amounts (Lessee) - The SFPUC's lease liability is recorded at the present value of future minimum lease payments as of date of commencement. Subsequently, the lease liability is reduced by the principal portion of lease payments made. The lease asset is initially measured as the initial amount of the lease liability, less lease payments made at or before the lease commencement date, plus any initial direct costs ancillary to placing the underlying asset into service, less any lease incentives received at or before the lease commencement date. Subsequently, the lease asset is amortized into depreciation and amortization expense on a straight-line basis over the shorter of the lease term or the useful life of the underlying asset. If SFPUC is reasonably certain of exercising a purchase option contained in a lease, the lease asset will be amortized over the useful life of the underlying asset.

Measurement of Lease Amounts (Lessor) - The SFPUC's lease receivable is measured at the present value of payments expected to be received during the lease term, reduced by any provision of estimated uncollectible amounts. Subsequently, the lease receivable is reduced by the principal portion of lease payments collected. The deferred inflow of resources is initially measured as the initial amount of the lease receivable, less any lease incentives paid to, or on behalf of, the lessee at or before the commencement of the lease term, plus lease payments received from the lease at or before the commencement of the lease term that related to future periods. Subsequently, the deferred inflow of resources as lease revenue on a straight-line basis over the lease term.

Key Estimates and Judgments - Key estimates and judgments include how the SFPUC determines (a) the discount rate it uses to calculate the present value of the expected lease payments, (b) lease terms, (c) lease payments, and (d) materiality threshold for equipment.

- The SFPUC generally uses its estimated incremental borrowing rate as the discount rate for leases unless the rate is implicit in the agreement. The City's incremental borrowing rate (IBR) is established using the average of Municipal Market Data (MMD) AAA benchmark interest rate index by maturity date (year 1 to 30+), plus the average credit spread based on City's Aa/AA, COP, Tax-exempt to generate the yield curve and discount rate table. The City's incremental borrowing rate for leases is based on the rate of interest it would need to pay if it issued general obligation bonds to borrow an amount equal to the lease payments under similar terms at the commencement or remeasurement date.
- The lease term includes the noncancellable period of the lease, plus any additional periods covered by either lessee or lessor unilateral option to (1) extend for which it is reasonably certain to be exercised, or (2) terminate for which it is reasonably certain not to be exercised. Periods in which both the lessee and lessor have an option to terminate (or if

both parties have to agree to extend) are excluded from the lease term.

- Payments are evaluated by the SFPUC to determine if they should be included in the measurement of the lease receivables or lease liabilities, including those payments that require a determination of whether they are reasonably certain of being made, such as residual value guarantees, purchase options, payments for termination penalties, and other payments.
- Equipment and other leases have a capitalization threshold of $100. 70% below market rent and/or ground leases are determined to be below market rent (BMR), and are excluded from lease capitalization

Remeasurement of Lease - The SFPUC monitors changes in circumstances that may require remeasurement of a lease. When certain changes occur that are expected to significantly affect the amount of the lease receivable or lease liability, the receivable or liability is remeasured and a corresponding adjustment is made to the deferred inflow of resources or lease asset, respectively.

Presentation in Statements of Net Position - Lease assets are capital assets reported as non-current assets, lease liabilities are reported with current and long-term liabilities and both capital-related lease assets and liabilities are reported under net investment in capital assets in the Statements of Net Position (see Note 10).

(t) Subscription-Based Information Technology Arrangements (SBITAs)

SBITAs are defined as a contract that conveys control of the right to use another entity's IT software, alone or in combination with tangible capital assets for a specified period. The SFPUC has noncancellable subscription arrangements (similar to a lease) for the right to use various SBITAs.

Short-term SBITAs - For SBITAs with a maximum possible term of 12 months at commencement, the SFPUC recognizes subscription expense based on the provisions of the SBITAs. Liabilities are only recognized if payments are received in advance, and receivables are only recognized if payments are received subsequent to the reporting period.

SBITAs other than Short-term - For all other SBITAs (i.e., those that are not short-term), the SFPUC recognizes SBITAs liability and intangible right-to-use subscription asset.

Measurement of Subscription Amounts (Subscriber) – The SFPUC's subscription liability is recorded at the present value of future minimum subscription payments as of the date of commencement. Subsequently, the subscription liability is reduced by the principal portion of subscription payments made. The subscription asset is initially measured as the initial amount of the subscription liability, less payments made at or before the subscription commencement date, plus any initial direct costs ancillary to placing the underlying asset into service, less any subscription incentives received at or before the subscription commencement date. For SBITAs, subscription assets also include qualified software implementation costs. Subsequently, the subscription asset is amortized into depreciation and amortization expense on a straight-line basis over the subscription term.

Key Estimates and Judgments - Key estimates and judgments include how the SFPUC determines (a) the discount rate it uses to calculate the present value of the expected subscription payments, (b) subscription terms, (c) subscription payments, and (d) materiality threshold.

- The SFPUC generally uses its estimated incremental borrowing rate as the discount rate for SBITAs unless the rate is implicit in the agreement. The City's incremental borrowing rate (IBR) is established using the average of Municipal Market Data (MMD) AAA benchmark interest rate index by maturity date (year 1 to 30+), plus the average credit spread based on City's Aa/AA, COP, Tax-exempt to generate the yield curve and discount rate table.

- The subscription term includes the noncancellable period of the subscription, plus any additional periods covered by either subscriber or lessor unilateral option to (1) extend for which it is reasonably certain to be exercised, or (2) terminate for which it is reasonably certain not to be exercised. Periods in which both the subscriber and lessor have an option to terminate (or if both parties have to agree to extend) are excluded from the subscription term.
- Payments are evaluated by the SFPUC to determine if they should be included in the measurement of the subscription liabilities, including those payments that require a determination of whether they are reasonably certain of being made, such as residual value guarantees, purchase options, payments for termination penalties, and other payments.
- SBITAs have a capitalization threshold of $100.

Remeasurement of SBITAs – The SFPUC monitors changes in circumstances that may require remeasurement of a SBITAs. When certain changes occur that are expected to significantly affect the amount of the subscription liability, the liability is remeasured, and a corresponding adjustment is made to the subscription asset.

Presentation in Statements of Net Position - Subscription assets are capital assets and are reported with non-current assets, subscription liabilities are reported with current and long-term liabilities and both capital-related subscription assets and liabilities are reported under net investment in capital assets in the Statements of Net Position (see Note 11).

(u) Pension

Net pension liability, deferred outflows/inflows of resources related to pension, and pension expense are actuarially determined on a citywide basis. For purposes of measuring the net pension liability, deferred outflows/inflows of resources related to pensions, pension expense, information about the fiduciary net position of the SFERS Plan, and additions to/deductions from the SFERS Plan's fiduciary net position have been determined on the same basis as they are reported by the SFERS Plan (See Note 14(a)).

(v) Other Postemployment Benefits (OPEB)

Net OPEB liability, deferred outflows/inflows of resources related to OPEB, and OPEB expense are actuarially determined on a citywide basis. Net OPEB liability is measured as the portion of the present value of projected benefit payments to be provided to current active and inactive employees attributed to those employees' past service, less the amount of the Retiree Healthcare Trust Fund investments measured at fair value (see Note 14(b)).

(w) New Accounting Standards Adopted in Fiscal Year 2024

1) In April 2022, the GASB issued Statement No. 99, *Omnibus 2022*. GASB Statement No. 99 addresses a variety of topics. The requirements related to extension of the use of the London Interbank Offered Rate, accounting for Supplemental Nutrition Assistance Program distributions, disclosures of nonmonetary transactions, pledges of future revenues by pledging governments, clarification of certain provisions in Statement No. 34, and terminology updates related to Statement No. 53 and Statement No. 63 were adopted by the City for the year ended June 30, 2022. The requirements related to financial guarantees and the classification and reporting of derivative instruments within the scope of Statement No. 53 are effective for fiscal years beginning after June 15, 2023. The SFPUC adopted the provisions of Statement No. 99 in fiscal year 2024 which did not have a significant effect on its financial statements.
2) In June 2022, the GASB issued Statement No. 100, *Accounting Changes and Error Corrections*. This statement enhances accounting and financial reporting requirements for accounting changes and error corrections to provide more understandable, reliable, relevant, consistent, and comparable information for making decisions or assessing accountability. The

new standard is effective for periods beginning after June 15, 2023. The SFPUC adopted the provisions of Statement No. 100 in fiscal year 2024 which did not have a significant effect on its financial statements.

(x) New Accounting Standards Adopted in Fiscal Year 2023

1) In May 2019, the GASB issued Statement No. 91, *Conduit Debt Obligations*. GASB Statement No. 91 enhances the compatibility and consistency of conduit debt obligation reporting and reporting of related transactions by state and local government issuers. The new standard is effective for periods beginning after December 15, 2021. The SFPUC adopted the provisions of Statement No. 91 in fiscal year 2023 which did not have a significant effect on its financial statements.
2) In March 2020, the GASB Issued Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements.* The primary objective of this statement is to improve financial reporting by addressing issues related to public-private and public-public partnership and availability payment arrangements (PPPs). The new standard is effective for periods beginning after June 15, 2022. The SFPUC adopted the provisions of Statement No. 94 in fiscal year 2023 which did not have a significant effect on its financial statements.
3) In May 2020, the GASB issued Statement No. 96, *Subscription-Based Information Technology Arrangements (SBITAs)*. This statement defines such arrangements as contracts that convey control of the right to use another party's information technology software, alone or in combination with tangible capital assets, as specified in the contract for a period of time in an exchange or exchange-like transaction. The standard clarifies measurement and recognition of capitalizable costs, intangible assets, and subscription liabilities for such arrangements and also requires additional disclosures related to such arrangements. The new standard is effective for periods beginning after June 15, 2022. The SFPUC adopted the provisions of Statement No. 96 in fiscal year 2023 (see Note 11).

(y) Future Implementation of New Accounting Standards

1) In June 2022, the GASB issued Statement No. 101, *Compensated Absences*. This statement is to better meet the information needs of financial statement users by updating the recognition and measurement guidance for compensated absences. The new standard is effective for periods beginning after December 15, 2023. The SFPUC will implement the provisions of Statement No. 101 in fiscal year 2025.
2) In December 2023, the GASB issued Statement No. 102, *Certain Risk Disclosures*. This statement establishes financial reporting requirements for risk related to vulnerabilities due to certain concentrations or constraints within governments. The new standard is effective for periods beginning after June 15, 2024. The SFPUC will implement the provisions of Statement No. 102 in fiscal year 2025.
3) In April 2024, the GASB issued Statement No. 103, *Financial Reporting Model Improvements*. This statement is to improve key components of the financial reporting model to enhance its effectiveness in providing information that is essential for decision making and assessing a government's accountability. The new standard is effective for periods beginning after June 15, 2025. The SFPUC will implement the provisions of Statement No. 103 in fiscal year 2026.
4) In September 2024, the GASB issued Statement No. 104, *Disclosure of Certain Capital Assets*. This statement requires certain types of capital assets, such as lease assets recognized in accordance with Statement No. 87, *Leases*, and intangible right-to-use assets recognized in accordance with Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements* to be disclosed separately by major classes of underlying assets in the capital assets note disclosures. Subscription assets recognized in accordance with Statement No. 96, *Subscription-Based Information Technology Arrangements* are also required to be disclosed separately. Furthermore, the statement requires intangible assets other than those three types to be disclosed separately by major

(Dollars in thousands, unless otherwise stated)

class. Finally, the statement requires additional disclosures for capital assets held for sale. The new standard is effective for periods beginning after June 15, 2025. The SFPUC will implement the provisions of Statement No. 104 in fiscal year 2026.

(z) Reclassifications

The SFPUC has reclassified certain amounts relating to the prior period to conform to its current period presentation. Lease receivable, lease related interest receivable, lease related interest payable, and subscription related interest payable were reclassified from net investment in capital assets to unrestricted in the statements of net position for fiscal year 2023. Furthermore, capital related liabilities were reclassified from restricted for capital projects and/or unrestricted to net investment in capital assets in the statements of net position for fiscal year 2023. These reclassifications had no effect on previously reported changes in net position.

(3) Cash, Cash Equivalents, and Investments

Cash, cash equivalents, and investments with the City Treasury are invested in an unrated City pool pursuant to investment policy guidelines established by the City Treasurer. The objectives of the policy guidelines are, in order of priority, preservation of capital, liquidity, and yield. The policy addresses soundness of financial institutions in which the City will deposit funds, types of investment instruments as permitted by the California Government Code, and the percentage of the portfolio that may be invested in certain instruments with longer terms to maturity. The City Treasurer allocates income from the investment of pooled cash at month-end in proportion to SFPUC's average daily cash balances. The primary objectives of SFPUC's investment policy are consistent with the City's policy.

The SFPUC categorizes its fair value measurements within the fair value hierarchy established by GAAP. The hierarchy is based on the valuation inputs used to measure fair value of the assets. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; and Level 3 inputs are significant unobservable inputs. The inputs and techniques used for valuing securities are not necessarily an indication of risk associated with investing in those securities.

Certain investments such as money market investments, and cash and cash equivalents are not subject to the fair value hierarchy.

Department-wide Business Type Activities

Department-wide restricted and unrestricted cash and investments outside City Treasury, including commercial paper issuers, credit ratings and the fair value hierarchy as of June 30, 2024 and 2023 consist of the following:

SFPUC's Cash and Investments outside City Treasury

					Fair Value Measurements Using		
Investments	Credit Ratings (S&P/Moody's)	June 30, 2024 Maturities	June 30, 2024 Fair Value	Investments exempt from fair value	Quoted prices in active markets for identical assets (Level 1)	Significant other observable inputs (Level 2)	Unobservable Inputs (Level 3)
U.S. Treasury Money Market Funds	AAAm/Aaa-mf	< 90 days	$ 64,783	64,783	—	—	—
Money Market Funds	A-1/P-1	< 90 days	95	95	—	—	—
Commercial Paper-Toyota Motor Corp	A-1+/P-1	< 90 days	6,935	—	6,935	—	—
Commercial Paper-Toronto-Dominion Bank	A-1+/P-1	< 90 days	19,342	—	19,342	—	—
Commercial Paper-Toyota Motor Corp	A-1+/P-1	October 11, 2024	48,238	—	48,238	—	—
Commercial Paper-Toronto-Dominion Bank	A-1+/P-1	October 28, 2024	13,256	—	13,256	—	—
U.S. Agencies Securities	AA+/Aaa	March 21, 2025	17,538	—	17,538	—	—
U.S. Agencies Securities	AA+/Aaa	April 17, 2025	12,964	—	12,964	—	—
U.S. Treasury Bonds & Notes	A-1+/P-1	September 15, 2025	17,872	—	17,872	—	—
U.S. Treasury Bonds & Notes	A-1+/P-1	October 15, 2025	2,972	—	2,972	—	—
Cash and Cash Equivalents	N/A		15,014	15,014	—	—	—
Total Restricted Cash and Investments outside City Treasury			$ 219,009	79,892	139,117	—	—
Cash and Cash Equivalents	N/A		$ 386	386	—	—	—
Total Unrestricted Cash and Investments outside City Treasury			$ 386	386	—	—	—

(Dollars in thousands, unless otherwise stated)

SFPUC's Cash and Investments outside City Treasury

Investments	Credit Ratings (S&P/Moody's)	June 30, 2023 Maturities	Fair Value	Investments exempt from fair value	Fair Value Measurements Using: Quoted prices in active markets for identical assets (Level 1)	Significant other observable inputs (Level 2)	Unobservable Inputs (Level 3)
U.S. Treasury Money Market Funds	AAAm/Aaa-mf	< 90 days	$ 188,521	188,521	—	—	—
Money Market Funds	A-1+/P-1	< 90 days	93	93	—	—	—
Cash and Cash Equivalents	N/A		13,098	13,098	—	—	—
Total Restricted Cash and Investments outside City Treasury			$ 201,712	201,712	—	—	—
Cash and Cash Equivalents	N/A		$ 519	519	—	—	—
Total Unrestricted Cash and Investments outside City Treasury			$ 519	519	—	—	—

Department-wide cash, cash equivalents, and investments are shown on the accompanying statements of net position as follows:

	2024	2023
Current assets:		
Cash and investments with City Treasury	$ 1,178,511	$ 1,158,519
Cash and investments outside City Treasury	386	519
Restricted cash and investments outside City Treasury	88,692	64,951
Non-current assets:		
Restricted cash and investments with City Treasury	184,690	88,160
Restricted cash and investments outside City Treasury	130,317	136,761
Total cash, cash equivalents, and investments	$ 1,582,596	$ 1,448,910

The following table shows the percentage distribution of the City’s pooled investments by maturity:

Fiscal Years ended June 30	Investment maturities (in months): Under 1	1 to less than 6	6 to less than 12	12 to 60
2024	22.2%	19.5%	16.3%	42.0%
2023	21.5%	18.0%	14.5%	46.0%

Water Enterprise

Some restricted assets are held by an independent trustee outside the City’s investment pool. The assets are held for the purpose of paying future interest and principal on the bonds and for eligible capital project expenditures. The current balances as of June 30, 2024 and 2023 were $103,250 and $77,345, respectively. The Water Enterprise held all investments in guaranteed investment contracts, treasury and government obligations, commercial paper, corporate bonds, and notes, as well as money market mutual funds consisting of Treasury and Government Obligations.

Funds held by the trustee established under the 2002 Amended and Restated Indentures agreements are invested in “Permitted Investments,” as defined in the agreement, which includes money market funds and investment agreements. The agreement permits investment in money market funds registered under the Federal Investment Company Act of 1940 whose shares are registered under the Federal Securities Act of 1933 and have a rating by S&P of “AAAm-G,” “AAAm,” or “Aam,” and a rating by Moody’s of “Aaa,” “Aa1,” or “Aa2”. The credit ratings of the money market funds invested in as of June 30, 2024 were “Aaa-mf” and “P-1” by Moody’s, and “AAAm” and “A-1” by S&P. The credit ratings of the money market funds invested in as of June 30, 2023 were “Aaa-mf” and “P-1” by Moody’s, and “AAAm” and “A-1” by S&P. Investment agreements must be with a U.S. bank or trust company that have a rating by Moody’s and S&P of “A” or higher, or are guaranteed by any entity with a rating of “A” or higher, at the time the agreement is entered.

(Dollars in thousands, unless otherwise stated)

The following is a summary of the restricted and unrestricted cash and investments outside City Treasury, including commercial paper issuers, credit ratings, and the fair value hierarchy as of June 30, 2024 and 2023.

Water's Cash and Investments outside City Treasury

Investments	Credit Ratings (S&P/Moody's)	June 30, 2024 Maturities	June 30, 2024 Fair Value	Investments exempt from fair value	Fair Value Measurements Using: Quoted prices in active markets for identical assets (Level 1)	Significant other observable inputs (Level 2)	Unobservable Inputs (Level 3)
U.S. Treasury Money Market Funds	AAAm/Aaa-mf	< 90 days	$ 22,815	22,815	—	—	—
Money Market Funds	A-1/P-1	< 90 days	43	43	—	—	—
Commercial Paper-Toyota Motor Corp	A-1+/P-1	October 11, 2024	45,422	—	45,422	—	—
Commercial Paper-Toronto-Dominion Bank	A-1+/P-1	October 28, 2024	10,310	—	10,310	—	—
U.S. Agencies Securities	AA+/Aaa	April 17, 2025	10,083	—	10,083	—	—
Cash and Cash Equivalents	N/A		14,577	14,577	—	—	—
Total Restricted Cash and Investments outside City Treasury			$ 103,250	37,435	65,815	—	—
Cash and Cash Equivalents	N/A		$ 193	193	—	—	—
Total Unrestricted Cash and Investments outside City Treasury			$ 193	193	—	—	—

Water's Cash and Investments outside City Treasury

Investments	Credit Ratings (S&P/Moody's)	June 30, 2023 Maturities	June 30, 2023 Fair Value	Investments exempt from fair value	Fair Value Measurements Using: Quoted prices in active markets for identical assets (Level 1)	Significant other observable inputs (Level 2)	Unobservable Inputs (Level 3)
U.S. Treasury Money Market Funds	AAAm/Aaa-mf	< 90 days	$ 64,249	64,249	—	—	—
Money Market Funds	A-1/P-1	< 90 days	43	43	—	—	—
Cash and Cash Equivalents	N/A		13,053	13,053	—	—	—
Total Restricted Cash and Investments outside City Treasury			$ 77,345	77,345	—	—	—
Cash and Cash Equivalents	N/A		$ 192	192	—	—	—
Total Unrestricted Cash and Investments outside City Treasury			$ 192	192	—	—	—

The restricted cash and investments outside City Treasury as of June 30, 2024 and 2023 included an unrealized gain due to changes in fair value on commercial paper of $540 and $0, respectively.

Additional cash outside of the investment pool included revolving fund and cash in transit. The revolving fund has a balance of $28 and $28 as of June 30, 2024 and 2023, respectively, which is held in a commercial bank in non-interest bearing checking accounts covered by Federal Deposit Insurance Corporation depository insurance. These accounts were established as provided by the City's Administrative Code for revolving fund needs. The cash in transit was $165 and $164 as of June 30, 2024 and 2023, respectively.

The Water Enterprise's cash, cash equivalents, and investments are shown on the accompanying Statements of Net Position as follows:

	2024	2023
Current assets:		
Cash and investments with City Treasury	$ 380,201	402,885
Cash and investments outside City Treasury	193	192
Restricted cash and investments outside City Treasury	40,065	10,863
Non-current assets:		
Restricted cash and investments with City Treasury	71,015	21,000
Restricted cash and investments outside City Treasury	63,185	66,482
Total cash, cash equivalents, and investments	$ 554,659	501,422

(Dollars in thousands, unless otherwise stated)

As of June 30, 2024, the Water Enterprise has the following commercial paper investments that represent 5.0% or more of the total investments outside City Treasury:

	Fair Value	% of Investments
Toyota Motor Corp	$ 45,422	51.2 %
Toronto-Dominion Bank	10,310	11.6

Wastewater Enterprise

The restricted cash and investments for bond reserves are held by an independent trustee outside the City investment pool. The balances as of June 30, 2024 and 2023 were $101,708 and $115,156, respectively. Funds held by the trustee established under the 2003 Indenture are invested in "Permitted Investments" as defined in the Indenture. "Permitted Investments" include money market funds, registered under the Federal Investment Company Act of 1940 and whose shares are registered under the Federal Securities Act of 1933 and having a rating by S&P of "AAAm-G," "AAAm," or "Aam" and a rating by Moody's of "Aaa-mf," "Aa1," or "Aa2." "Permitted Investments" also include commercial paper, and US treasury and agency securities.

The following is a summary of the restricted and unrestricted cash and investments outside City Treasury, including commercial paper issuers, credit ratings, and the fair value hierarchy as of June 30, 2024 and 2023.

Wastewater's Cash and Investments outside City Treasury

Investments	Credit Ratings (S&P/Moody's)	June 30, 2024 Maturities	June 30, 2024 Fair Value	Investments exempt from fair value	Fair Value Measurements Using: Quoted prices in active markets for identical assets (Level 1)	Significant other observable inputs (Level 2)	Unobservable Inputs (Level 3)
U.S. Treasury Money Market Funds	AAAm/Aaa-mf	< 90 days	$ 37,830	37,830	—	—	—
Money Market Funds	A-1/P-1	< 90 days	52	52	—	—	—
Commercial Paper-Toyota Motor Corp	A-1+/P-1	< 90 days	6,935	—	6,935	—	—
Commercial Paper-Toronto-Dominion Bank	A-1+/P-1	< 90 days	19,342	—	19,342	—	—
Commercial Paper-Toyota Motor Corp	A-1+/P-1	October 11, 2024	1,859	—	1,859	—	—
U.S. Agencies Securities	AA+/Aaa	March 21, 2025	17,538	—	17,538	—	—
U.S. Treasury Bonds & Notes	A-1+/P-1	September 15, 2025	17,872	—	17,872	—	—
Cash and Cash Equivalents	N/A		280	280	—	—	—
Total Restricted Cash and Investments outside City Treasury			$ 101,708	38,162	63,546	—	—
Cash and Cash Equivalents	N/A		$ 152	152	—	—	—
Total Unrestricted Cash and Investments outside City Treasury			$ 152	152	—	—	—

Wastewater's Cash and Investments outside City Treasury

Investments	Credit Ratings (S&P/Moody's)	June 30, 2023 Maturities	June 30, 2023 Fair Value	Investments exempt from fair value	Fair Value Measurements Using: Quoted prices in active markets for identical assets (Level 1)	Significant other observable inputs (Level 2)	Unobservable Inputs (Level 3)
U.S. Treasury Money Market Funds	AAAm/Aaa-mf	< 90 days	$ 115,082	115,082	—	—	—
Money Market Funds	A-1/P-1	< 90 days	50	50	—	—	—
Cash and Cash Equivalents	N/A		24	24	—	—	—
Total Restricted Cash and Investments outside City Treasury			$ 115,156	115,156	—	—	—
Cash and Cash Equivalents	N/A		$ 173	173	—	—	—
Total Unrestricted Cash and Investments outside City Treasury			$ 173	173	—	—	—

The restricted cash and investments outside City Treasury as of June 30, 2024 and 2023 included an unrealized gain due to changes in fair values on Commercial Paper, U.S. Treasury Bonds & Notes, and U.S. Agency Securities of $267 and $0, respectively.

(Dollars in thousands, unless otherwise stated)

The Wastewater Enterprise's cash, cash equivalents, and investments are shown on the accompanying Statements of Net Position as follows:

		2024	2023
Current assets:			
Cash and investments with City Treasury	$	376,658	355,770
Cash and investments outside City Treasury		152	173
Restricted cash and investments outside City Treasury		41,778	48,717
Non-current assets:			
Restricted cash and investments with City Treasury		31,613	38,574
Restricted cash and investments outside City Treasury		59,930	66,439
Total cash, cash equivalents, and investments	$	510,131	509,673

As of June 30, 2024, the Wastewater Enterprise has the following commercial paper investments that represent 5.0% or more of the total investments outside City Treasury:

		Fair Value	% of Investments	
Toyota Motor Corp	$	8,794	8.7	%
Toronto-Dominion Bank		19,342	19.1	

Hetch Hetchy (Hetchy Water, Hetchy Power and CleanPowerSF)

Some restricted assets are held by an independent trustee outside the City's investment pool. The assets are held for the purpose of paying future interest and principal on the bonds and for eligible capital project expenditures. The balances as of June 30, 2024 and 2023 were $14,051 and $9,211, respectively. Hetch Hetchy held all investments in treasury and government obligations, commercial paper, as well as money market mutual funds consisting of treasury and government obligations.

As of June 30, 2024, a total of $4,138 in restricted cash and investments outside City Treasury were invested in U.S. Treasury Money Market Funds with maturity date less than 90 days. Of this, $4,095 were proceeds from 2023 Series A, 2021 Series AB, and 2015 Series AB bonds and $43 were proceeds from certificates of participation. As of June 30, 2023, a total of $9.190 in restricted cash and investments outside City Treasury were invested in U.S. Treasury Money Market Funds with maturity date less than 90 days. Of this, $8,175 were proceeds from 2021 Series AB and 2015 Series AB bonds and $1,015 were proceeds from certificates of participation.

The following tables present the Hetch Hetchy restricted and unrestricted cash and investments outside City Treasury as of June 30, 2024 and 2023:

Hetchy Power's Cash and Investments outside City Treasury

		June 30, 2024			Fair Value Measurements Using		
Investments	Credit Ratings (S&P/Moody's)	Maturities	Fair Value	Investments exempt from fair value	Quoted prices in active markets for identical assets (Level 1)	Significant other observable inputs (Level 2)	Unobservable Inputs (Level 3)
U.S. Treasury Money Market Funds	AAAm/Aaa-mf	< 90 days	$ 4,138	4,138	—	—	—
Commercial Paper-Toyota Motor Corp	A-1+/P-1	October 11, 2024	957	—	957	—	—
Commercial Paper-Toronto-Dominion Bank	A-1+/P-1	October 28, 2024	2,946	—	2,946	—	—
U.S. Agencies Securities	AA+/Aaa	April 17, 2025	2,881	—	2,881	—	—
U.S. Treasury Bonds & Notes	A-1+/P-1	October 15, 2025	2,972	—	2,972	—	—
Cash and Cash Equivalents	N/A		157	157	—	—	—
Total Restricted Cash and Investments outside City Treasury			$ 14,051	4,295	9,756	—	—
Cash and Cash Equivalents	N/A		$ 41	41	—	—	—
Total Unrestricted Cash and Investments outside City Treasury			$ 41	41	—	—	—

(Dollars in thousands, unless otherwise stated)

Hetchy Power's Cash and Investments outside City Treasury

Investments	Credit Ratings (S&P/Moody's)	June 30, 2023 Maturities		June 30, 2023 Fair Value	Investments exempt from fair value	Fair Value Measurements Using: Quoted prices in active markets for identical assets (Level 1)	Significant other observable inputs (Level 2)	Unobservable Inputs (Level 3)
Hetchy Power								
U.S. Treasury Money Market Funds	AAAm/Aaa-mf	< 90 days	$	9,190	9,190	—	—	—
Cash and Cash Equivalents	N/A			21	21	—	—	—
Total Restricted Cash and Investments outside City Treasury			$	9,211	9,211	—	—	—
Cash and Cash Equivalents	N/A		$	154	154	—	—	—
Total Unrestricted Cash and Investments outside City Treasury			$	154	154	—	—	—

Hetch Water and Hetchy Power and CleanPowerSF cash, cash equivalents, and investments as of June 30, 2024 and 2023 are shown on the accompanying Statements of Net Position as follows:

		Hetchy Water	Hetchy Power	CleanPowerSF	Total 2024
Current assets:					
Cash and investments with City Treasury	$	46,471	215,370	159,811	421,652
Cash and investments outside City Treasury		—	41	—	41
Restricted cash and investments outside City Treasury		—	6,849	—	6,849
Non-current assets:					
Restricted cash and investments with City Treasury		31,330	50,732	—	82,062
Restricted cash and investments outside City Treasury		—	7,202	—	7,202
Total cash, cash equivalents, and investments	$	77,801	280,194	159,811	517,806

		Hetchy Water	Hetchy Power	CleanPowerSF	Total 2023
Current assets:					
Cash and investments with City Treasury	$	76,973	224,234	98,657	399,864
Cash and investments outside City Treasury		—	154	—	154
Restricted cash and investments outside City Treasury		—	5,371	—	5,371
Non-current assets:					
Restricted cash and investments with City Treasury		10,980	17,606	—	28,586
Restricted cash and investments outside City Treasury		—	3,840	—	3,840
Total cash, cash equivalents, and investments	$	87,953	251,205	98,657	437,815

As of June 30, 2024, Hetchy Power has the following commercial paper investments that represent 5.0% or more of the total investments outside City Treasury:

		Fair Value	% of Investments	
Toronto-Dominion Bank	$	2,946	21.2	%
Toyota Motor Corp		957	6.9	

(Dollars in thousands, unless otherwise stated)

(4) Capital Assets

Department-wide Business Type Activities – Department-wide capital assets as of June 30, 2024 and 2023 consist of the following:

		2023	Increases	Decreases	2024
Capital assets not being depreciated and amortized:					
Land and rights-of-way	$	163,075	—	—	163,075
Intangible assets		5,162	—	—	5,162
Construction work in progress		3,130,427	1,221,855	(436,552) *	3,915,730
Total capital assets not being depreciated and amortized		3,298,664	1,221,855	(436,552)	4,083,967
Capital assets being depreciated and amortized:					
Facilities and improvements		11,535,007	510,195	—	12,045,202
Land Improvements		6,965	3,747	—	10,712
Intangible assets		82,736	1,862	—	84,598
Machinery and equipment		595,685	17,314	(938)	612,061
Right-to-use lease assets		16,897	—	(9,444)	7,453
Right-to-use subscription assets		4,935	—	(3,206)	1,729
Total capital assets being depreciated and amortized		12,242,225	533,118 *	(13,588)	12,761,755
Less accumulated depreciation and amortization for:					
Facilities and improvements		(3,822,951)	(234,987)	—	(4,057,938)
Land Improvements		(232)	(1,169)	—	(1,401)
Intangible assets		(54,082)	(2,984)	—	(57,066)
Machinery and equipment		(442,126)	(20,463)	938	(461,651)
Right-to-use lease assets		(11,359)	(2,518)	9,444	(4,433)
Right-to-use subscription assets		(3,537)	(772)	3,204	(1,105)
Total accumulated depreciation and amortization		(4,334,287)	(262,893)	13,586	(4,583,594)
Total capital assets being depreciated and amortized, net		7,907,938	270,225	(2)	8,178,161
Total capital assets, net	$	11,206,602	1,492,080	(436,554)	12,262,128

*Decrease in construction work in progress is less than increase in capital assets being depreciated is mainly explained by $48,070 in capital project write-offs for Water, Wastewater, and Hetchy Power, offset by $144,636 mainly related to direct additions to facilities and improvements, intangible assets and machinery and equipment.

		2022	Increases	Decreases	2023
Capital assets not being depreciated and amortized:					
Land and rights-of-way	$	163,194	—	(119)	163,075
Intangible assets		5,162	—	—	5,162
Construction work in progress		2,485,201	990,256	(345,030)	3,130,427
Total capital assets not being depreciated and amortized		2,653,557	990,256	(345,149) *	3,298,664
Capital assets being depreciated and amortized:					
Facilities and improvements		11,199,956	335,051	—	11,535,007
Land Improvements		—	6,965	—	6,965
Intangible assets		80,405	2,331	—	82,736
Machinery and equipment		583,988	13,733	(2,036)	595,685
Right-to-use lease assets		14,961	2,798	(862)	16,897
Right-to-use subscription assets		4,935	—	—	4,935
Total capital assets being depreciated and amortized		11,884,245	360,878 *	(2,898)	12,242,225
Less accumulated depreciation and amortization for:					
Facilities and improvements		(3,594,436)	(228,515)	—	(3,822,951)
Land Improvements		—	(232)	—	(232)
Intangible assets		(50,836)	(3,246)	—	(54,082)
Machinery and equipment		(421,946)	(22,194)	2,014	(442,126)
Right-to-use lease assets		(8,188)	(4,033)	862	(11,359)
Right-to-use subscription assets		(1,760)	(1,777)	—	(3,537)
Total accumulated depreciation and amortization		(4,077,166)	(259,997)	2,876	(4,334,287)
Total capital assets being depreciated and amortized, net		7,807,079	100,881	(22)	7,907,938
Total capital assets, net	$	10,460,636	1,091,137	(345,171)	11,206,602

*Decrease in construction work in progress is less than increase in capital assets being depreciated is mainly explained by $5,942 in capital project write-offs for Water, Wastewater, Hetchy Water and Hetchy Power, offset by $21,671 mainly related to direct additions to facilities and improvements, intangible assets and machinery and equipment.

(Dollars in thousands, unless otherwise stated)

Water Capital Assets – Water's capital assets as of June 30, 2024 and 2023 consist of the following:

		2023	Increases	Decreases	2024
Capital assets not being depreciated and amortized:					
Land and rights-of-way	$	113,322	—	—	113,322
Intangible assets		679	—	—	679
Construction work in progress		526,994	220,970	(141,160) *	606,804
Total capital assets not being depreciated and amortized		640,995	220,970	(141,160)	720,805
Capital assets being depreciated and amortized:					
Facilities and improvements		6,755,307	191,146	—	6,946,453
Intangible assets		26,121	1,593	—	27,714
Machinery and equipment		337,799	8,138	(131)	345,806
Right-to-use lease assets		8,208	—	(1,197)	7,011
Right-to-use subscription assets		2,450	—	(1,590)	860
Total capital assets being depreciated and amortized		7,129,885	200,877	(2,918)	7,327,844
Less accumulated depreciation and amortization for:					
Facilities and improvements		(1,828,932)	(141,039)	—	(1,969,971)
Intangible assets		(24,469)	(1,267)	—	(25,736)
Machinery and equipment		(258,507)	(11,273)	131	(269,649)
Right-to-use lease assets		(4,265)	(1,209)	1,197	(4,277)
Right-to-use subscription assets		(1,755)	(384)	1,590	(549)
Total accumulated depreciation and amortization		(2,117,928)	(155,172)	2,918	(2,270,182)
Total capital assets being depreciated and amortized, net		5,011,957	45,705	—	5,057,662
Total capital assets, net	$	5,652,952	266,675	(141,160)	5,778,467

*Decrease in construction work in progress includes $58 in capital project write-offs, mainly related to Chlorine Trim Station Repairs project. The remaining difference of $59,775 is mainly due to direct additions to facilities and improvements, intangible assets and machinery and equipment.

		2022	Increases	Decreases	2023
Capital assets not being depreciated and amortized:					
Land and rights-of-way	$	113,441	—	(119)	113,322
Intangible assets		679	—	—	679
Construction work in progress		444,254	180,391	(97,651)	526,994
Total capital assets not being depreciated and amortized		558,374	180,391	(97,770) *	640,995
Capital assets being depreciated and amortized:					
Facilities and improvements		6,660,691	94,616	—	6,755,307
Intangible assets		25,142	979	—	26,121
Machinery and equipment		332,473	5,905	(579)	337,799
Right-to-use lease assets		5,646	2,562	—	8,208
Right-to-use subscription assets		2,450	—	—	2,450
Total capital assets being depreciated and amortized		7,026,402	104,062	(579)	7,129,885
Less accumulated depreciation and amortization for:					
Facilities and improvements		(1,688,717)	(140,215)	—	(1,828,932)
Intangible assets		(22,669)	(1,800)	—	(24,469)
Machinery and equipment		(247,700)	(11,386)	579	(258,507)
Right-to-use lease assets		(2,834)	(1,431)	—	(4,265)
Right-to-use subscription assets		(873)	(882)	—	(1,755)
Total accumulated depreciation and amortization		(1,962,793)	(155,714)	579	(2,117,928)
Total capital assets being depreciated and amortized, net		5,063,609	(51,652)	—	5,011,957
Total capital assets, net	$	5,621,983	128,739	(97,770)	5,652,952

*Decrease in construction work in progress includes $4,628 in capital project write-offs, mainly related to Stern Grove Emergency Restoration and Lake Merced Water Level Restoration projects. The remaining difference of $10,920 is mainly due to direct additions to facilities and improvements, intangible assets and machinery and equipment.

(Dollars in thousands, unless otherwise stated)

Wastewater Capital Assets – Wastewater's capital assets as of June 30, 2024 and 2023 consist of the following:

	2023	Increases	Decreases	2024
Capital assets not being depreciated and amortized:				
Land and rights-of-way	$ 44,572	—	—	44,572
Intangible assets	3,046	—	—	3,046
Construction work in progress	2,232,963	879,443	(233,617) *	2,878,789
Total capital assets not being depreciated and amortized	2,280,581	879,443	(233,617)	2,926,407
Capital assets being depreciated and amortized:				
Facilities and improvements	3,923,910	229,886	—	4,153,796
Land Improvements	6,965	3,747	—	10,712
Intangible assets	10,760	269	—	11,029
Machinery and equipment	105,661	5,060	(807)	109,914
Right-to-use lease assets	8,247	—	(8,247)	—
Right-to-use subscription assets	1,487	—	(965)	522
Total capital assets being depreciated and amortized	4,057,030	238,962 *	(10,019)	4,285,973
Less accumulated depreciation and amortization for:				
Facilities and improvements	(1,551,767)	(74,441)	—	(1,626,208)
Land Improvements	(232)	(1,169)	—	(1,401)
Intangible assets	(6,473)	(1,229)	—	(7,702)
Machinery and equipment	(84,753)	(4,379)	807	(88,325)
Right-to-use lease assets	(6,975)	(1,272)	8,247	—
Right-to-use subscription assets	(1,065)	(232)	963	(334)
Total accumulated depreciation and amortization	(1,651,265)	(82,722)	10,017	(1,723,970)
Total capital assets being depreciated and amortized, net	2,405,765	156,240	(2)	2,562,003
Total capital assets, net	$ 4,686,346	1,035,683	(233,619)	5,488,410

*Decrease in construction work in progress is less than increase in capital assets being depreciated is due to direct additions to buildings structures and machinery and equipment by $48,080 and $5,060, respectively, offset by $47,795 in capital project write-offs, mainly related to the Channel Tunnel/Bayside Drainage Project. It was decided to shelve this project by management and expense the design costs due to higher than expected costs, reprioritization of other various projects and uncertain future regulatory requirements.

	2022	Increases	Decreases	2023
Capital assets not being depreciated and amortized:				
Land and rights-of-way	$ 44,572	—	—	44,572
Intangible assets	3,046	—	—	3,046
Construction work in progress	1,724,417	709,485	(200,939) *	2,232,963
Total capital assets not being depreciated and amortized	1,772,035	709,485	(200,939)	2,280,581
Capital assets being depreciated and amortized:				
Facilities and improvements	3,729,320	194,590	—	3,923,910
Land Improvements	—	6,965	—	6,965
Intangible assets	9,548	1,212	—	10,760
Machinery and equipment	103,274	3,659	(1,272)	105,661
Right-to-use lease assets	8,247	—	—	8,247
Right-to-use subscription assets	1,487	—	—	1,487
Total capital assets being depreciated and amortized	3,851,876	206,426 *	(1,272)	4,057,030
Less accumulated depreciation and amortization for:				
Facilities and improvements	(1,481,988)	(69,779)	—	(1,551,767)
Land Improvements	—	(232)	—	(232)
Intangible assets	(5,487)	(986)	—	(6,473)
Machinery and equipment	(80,251)	(5,754)	1,252	(84,753)
Right-to-use lease assets	(4,650)	(2,325)	—	(6,975)
Right-to-use subscription assets	(530)	(535)	—	(1,065)
Total accumulated depreciation and amortization	(1,572,906)	(79,611)	1,252	(1,651,265)
Total capital assets being depreciated and amortized, net	2,278,970	126,815	(20)	2,405,765
Total capital assets, net	$ 4,051,005	836,300	(200,959)	4,686,346

*Decrease in construction work in progress is less than increase in capital assets being depreciated is due to direct additions to machinery and equipment and buildings structures by $3,659 and $2,739, respectively, offset by $911 in capital project write-offs, mainly related to the Islais Creek Green Infrastructure Project.

(Dollars in thousands, unless otherwise stated)

Hetchy Water Capital Assets – Hetchy Water's capital assets as of June 30, 2024 and 2023 consist of the following:

	2023	Increases	Decreases	2024
Capital assets not being depreciated and amortized:				
Land and rights-of-way	$ 3,232	—	—	3,232
Intangible assets	6	—	—	6
Construction work in progress	72,450	23,029	(9,595) *	85,884
Total capital assets not being depreciated and amortized	75,688	23,029	(9,595)	89,122
Capital assets being depreciated and amortized:				
Facilities and improvements	311,312	9,228	—	320,540
Intangible assets	20,522	—	—	20,522
Machinery and equipment	29,891	1,310	—	31,201
Right-to-use lease assets	198	—	—	198
Right-to-use subscription assets	490	—	(320)	170
Total capital assets being depreciated and amortized	362,413	10,538 *	(320)	372,631
Less accumulated depreciation and amortization for:				
Facilities and improvements	(185,066)	(5,353)	—	(190,419)
Intangible assets	(10,361)	(207)	—	(10,568)
Machinery and equipment	(22,232)	(870)	—	(23,102)
Right-to-use lease assets	(53)	(16)	—	(69)
Right-to-use subscription assets	(353)	(76)	320	(109)
Total accumulated depreciation and amortization	(218,065)	(6,522)	320	(224,267)
Total capital assets being depreciated and amortized, net	144,348	4,016	—	148,364
Total capital assets, net	$ 220,036	27,045	(9,595)	237,486

*The difference between decrease in construction work in progress and increase in capital assets being depreciated due to direct additions of $943 to facilities, improvements, machinery, and equipment.

	2022	Increases	Decreases	2023
Capital assets not being depreciated and amortized:				
Land and rights-of-way	$ 3,232	—	—	3,232
Intangible assets	6	—	—	6
Construction work in progress	54,138	25,032	(6,720) *	72,450
Total capital assets not being depreciated and amortized	57,376	25,032	(6,720)	75,688
Capital assets being depreciated and amortized:				
Facilities and improvements	306,116	5,196	—	311,312
Intangible assets	20,522	—	—	20,522
Machinery and equipment	28,383	1,566	(58)	29,891
Right-to-use lease assets	67	105	26	198
Right-to-use subscription assets	490	—	—	490
Total capital assets being depreciated and amortized	355,578	6,867 *	(32)	362,413
Less accumulated depreciation and amortization for:				
Facilities and improvements	(179,839)	(5,227)	—	(185,066)
Intangible assets**	(10,154)	(207)	—	(10,361)
Machinery and equipment	(21,397)	(892)	57	(22,232)
Right-to-use lease assets	(6)	(21)	(26)	(53)
Right-to-use subscription assets	(176)	(177)	—	(353)
Total accumulated depreciation and amortization	(211,572)	(6,524)	31	(218,065)
Total capital assets being depreciated and amortized, net	144,006	343	(1)	144,348
Total capital assets, net	$ 201,382	25,375	(6,721)	220,036

*Decrease in construction work in progress included $192 in capital project write-offs, mainly related to Hetchy Water's share of 2018 Moccasin Storm Project. The remaining difference of $339 to capital asset additions was offset by direct additions to facilities, improvements, machinery, and equipment.

(Dollars in thousands, unless otherwise stated)

Hetchy Power Capital Assets – Hetchy Power's capital assets as of June 30, 2024 and 2023 consist of the following:

		2023	Increases	Decreases		2024
Capital assets not being depreciated and amortized:						
Land and rights-of-way	$	1,949	—	—		1,949
Intangible assets		1,431	—	—		1,431
Construction work in progress		298,020	98,413	(52,180)	*	344,253
Total capital assets not being depreciated and amortized		301,400	98,413	(52,180)		347,633
Capital assets being depreciated and amortized:						
Facilities and improvements		544,478	79,935	—		624,413
Intangible assets		25,333	—	—		25,333
Machinery and equipment		122,334	2,806	—		125,140
Right-to-use lease assets		244	—	—		244
Right-to-use subscription assets		397	—	(257)		140
Total capital assets being depreciated and amortized		692,786	82,741 *	(257)		775,270
Less accumulated depreciation and amortization for:						
Facilities and improvements		(257,186)	(14,154)	—		(271,340)
Intangible assets		(12,779)	(281)	—		(13,060)
Machinery and equipment		(76,634)	(3,941)	—		(80,575)
Right-to-use lease assets		(66)	(21)	—		(87)
Right-to-use subscription assets		(283)	(63)	257		(89)
Total accumulated depreciation and amortization		(346,948)	(18,460)	257		(365,151)
Total capital assets being depreciated and amortized, net		345,838	64,281	—		410,119
Total capital assets, net	$	647,238	162,694	(52,180)		757,752

*Decrease in construction work in progress included $217 in capital project write-offs, mainly related to Distribution Interface Project. The remaining difference of $30,778 to capital asset additions was offset by direct additions to facilities, improvements, machinery, and equipment.

		2022	Increases	Decreases		2023
Capital assets not being depreciated and amortized:						
Land and rights-of-way	$	1,949	—	—		1,949
Intangible assets		1,431	—	—		1,431
Construction work in progress		262,392	75,348	(39,720)	*	298,020
Total capital assets not being depreciated and amortized		265,772	75,348	(39,720)		301,400
Capital assets being depreciated and amortized:						
Facilities and improvements		503,829	40,649	—		544,478
Intangible assets		25,193	140	—		25,333
Machinery and equipment		119,858	2,603	(127)		122,334
Right-to-use lease assets		81	131	32		244
Right-to-use subscription assets		397	—	—		397
Total capital assets being depreciated and amortized		649,358	43,523 *	(95)		692,786
Less accumulated depreciation and amortization for:						
Facilities and improvements		(243,892)	(13,294)	—		(257,186)
Intangible assets		(12,526)	(253)	—		(12,779)
Machinery and equipment		(72,598)	(4,162)	126		(76,634)
Right-to-use lease assets		(8)	(26)	(32)		(66)
Right-to-use subscription assets		(141)	(142)	—		(283)
Total accumulated depreciation and amortization		(329,165)	(17,877)	94		(346,948)
Total capital assets being depreciated and amortized, net		320,193	25,646	(1)		345,838
Total capital assets, net	$	585,965	100,994	(39,721)		647,238

*Decrease in construction work in progress included $211 in capital project write-offs, mainly related to Hetchy Power's share of 2018 Moccasin Storm Project. The remaining difference of $4,014 to capital asset additions was offset by direct additions to facilities, improvements, machinery, and equipment.

(Dollars in thousands, unless otherwise stated)

CleanPowerSF Capital Assets – CleanPowerSF's capital assets as of June 30, 2024 and 2023 consist of the following:

		2023	Increases	Decreases	2024
Capital assets being depreciated and amortized:					
Right-to-use subscription assets	$	111	—	(74)	37
Total capital assets being depreciated and amortized		111	—	(74)	37
Less accumulated depreciation and amortization for:					
Right-to-use subscription assets		(81)	(17)	74	(24)
Total accumulated depreciation and amortization		(81)	(17)	74	(24)
Total capital assets being depreciated and amortized, net		30	(17)	—	13
Total capital assets, net	$	30	(17)	—	13

		2022	Increases	Decreases	2023
Capital assets being depreciated and amortized:					
Right-to-use lease assets	$	920	—	(920)	—
Right-to-use subscription assets		111	—	—	111
Total capital assets being depreciated and amortized		1,031	—	(920)	111
Less accumulated depreciation and amortization for:					
Right-to-use lease assets		(690)	(230)	920	—
Right-to-use subscription assets		(40)	(41)	—	(81)
Total accumulated depreciation and amortization		(730)	(271)	920	(81)
Total capital assets being depreciated and amortized, net		301	(271)	—	30
Total capital assets, net	$	301	(271)	—	30

See Notes 10 and 11 for additional information about right-to-use assets for leases and SBITAs.

(5) Restricted Assets

Department-wide Business Type Activities

The following table summarizes the department-wide restricted assets as of June 30, 2024 and 2023.

		2024	2023
Cash and investments with City Treasury	$	184,690	88,160
Cash and investments outside City Treasury		219,009	201,712
Interest and other receivables		134,615	59,362
Total restricted assets	$	538,314	349,234

Water Restricted Assets

Pursuant to the Indentures, all revenues of the Water Enterprise (except amounts on deposit in the rebate fund) are irrevocably pledged to the punctual payment of debt service on the Water Revenue and Refunding Bonds. Accordingly, the revenues of the Water Enterprise shall not be used for any other purpose while any of its Water Revenue and Refunding Bonds are outstanding, except as expressly permitted by the Indentures. Further, all revenues shall be deposited by the City Treasurer, by instruction of the Water Enterprise, in special funds designated as the Water Enterprise Revenue Fund (the Water Revenue Fund), which must be maintained in the City Treasury. These funds, held at the City Treasury, are recorded in the statement of net position of the Water Enterprise as cash and investments. Deposits in the Water Revenue Fund, including earnings thereon, shall be appropriated, transferred, expended, or used for the following purposes pertaining to the financing, maintenance, and operation of the Water Enterprise in accordance with the following priority:

1. The payment of operation and maintenance expenses for such utility and related facilities;
2. The payment of pension charges and proportionate payments to such compensation and other insurance or outside reserve funds as the Water Enterprise may establish, or the Board of Supervisors may require with respect to employees of the Water Enterprise;

(Dollars in thousands, unless otherwise stated)

3. The payment of principal, interest, reserve, sinking fund, and other mandatory funds created to secure Revenue Bonds issued by the Water Enterprise for the acquisition, construction, or extension of facilities owned, operated, or controlled by the Water Enterprise;
4. The payment of principal and interest on General Obligation Bonds issued by the City for the Water Enterprise's purposes;
5. Reconstruction and replacement as determined by the Water Enterprise or as required by any of the Water Enterprise's Revenue Bond ordinances duly adopted and approved; and
6. The acquisition of land, real property, or interest in real property for, and the acquisition, construction, enlargement, and improvement of, new and existing buildings, structures, facilities, equipment, appliances, and other property necessary or convenient to the development or improvement of such utility owned, controlled, or operated by the Water Enterprise; and for any other lawful purpose of the Water Enterprise, including the transfer of surplus funds pursuant to the Charter.

In accordance with the Indenture, the bond financing program maintains certain restricted cash and investment balances in trust. Restricted assets held in trust consisted of the following as of June 30, 2024 and 2023:

	2024	2023
Cash and investments with City Treasury:		
Water revenue bond construction fund	$ 71,015	21,000
Cash and investments outside City Treasury:		
2010A Water revenue bond fund	—	12
2010B Water revenue bond fund	22,813	21,861
2010D Water revenue bond fund	—	12
2010E Water revenue bond fund	16,495	16,643
2010F Water revenue bond fund	—	8
2010G Water revenue bond fund	18,994	18,178
2015A Water revenue refunding bond fund	7	4
2016A Water revenue refunding bond fund	13	8
2016B Water revenue refunding bond fund	1	1
2016C Water revenue bond fund	4	2
2017A Water revenue bond fund	1	—
2017B Water revenue bond fund	6	2
2017C Water revenue bond fund	—	1
2017D Water revenue refunding bond fund	6	4
2017E Water revenue refunding bond fund	1	1
2019A Water revenue refunding bond fund	7	5
2019B Water revenue refunding bond fund	1	—
2019C Water revenue refunding bond fund	1	—
2020A Water revenue bond fund	4	2
2020B Water revenue bond fund	2	1
2020C Water revenue bond fund	2	1
2020D Water revenue bond fund	1	—
2020E Water revenue refunding bond fund	3	2
2020F Water revenue refunding bond fund	17	13
2020G Water revenue refunding bond fund	1	23
2020H Water revenue refunding bond fund	1	8
2023A Water revenue bond fund	19,235	—
2023B Water revenue bond fund	3,551	—
2023C Water revenue refunding bond fund	99	—
2023D Water revenue refunding bond fund	19	—
2009C Certificates of participation - 525 Golden Gate	965	1,696
2009D Certificates of participation - 525 Golden Gate	7,345	5,761
Commercial Paper - Tax Exempt	17	15
Commercial Paper - Taxable	28	28
Habitat reserve endowment fund	13,610	13,053
Total cash and investments outside City Treasury	103,250	77,345
Interest and other receivables:		
Water bond construction, including interest, prepaids and other receivables	3,789	3,514
Due from other government for State Revolving Fund	129,580	36,147
Total restricted assets	$ 307,634	138,006

(Dollars in thousands, unless otherwise stated)

Restricted assets listed above as cash and investments with City Treasury are held in fund accounts within the Water Revenue Fund of the City Treasury.

Wastewater Restricted Assets

The Bond indenture is a legally binding agreement between the SFPUC and U.S. Bank, N.A. (trustee) regarding the issuance of bonds and requires all net revenues of the Wastewater Enterprise (except amounts on deposit in the rebate fund) are irrevocably pledged to the punctual payment of debt service on the Wastewater revenue bonds. Accordingly, the net revenues of the Wastewater Enterprise shall not be used for any other purpose while any of its revenue bonds are outstanding except as expressly permitted by the indenture. Further, all net revenues shall be deposited by the City Treasurer, by instruction of the Wastewater Enterprise, in special funds designated as the Revenue Fund, which must be maintained in the City Treasury. These funds, held at the City Treasury, are recorded in the statements of net position of the Wastewater Enterprise as cash and investments. Deposits in the Revenue Fund, including earnings thereon, shall be appropriated, transferred, expended, or used for the following purposes and only in accordance with the following priority:

1. The payment of operation and maintenance costs of the Wastewater Enterprise;
2. The payment of bonds, parity State revolving and Federal fund loans, policy costs, and amounts due as reimbursement under any letter of credit agreement; and
3. Any other lawful purpose of the Wastewater Enterprise.

In accordance with the Indenture, the Wastewater Enterprise maintains certain restricted cash and investment balances in trust. Restricted assets held in trust consisted of the following as of June 30, 2024 and 2023:

	2024	2023
Cash and investments with City Treasury:		
Wastewater revenue bond construction fund	$ 31,613	38,574
Cash and investments outside City Treasury:		
2009 Series C Certificates of Participation – 525 Golden Gate	255	449
2009 Series D Certificates of Participation – 525 Golden Gate	1,942	1,523
2010 Series A Wastewater revenue bond fund	145	137
2010 Series B Wastewater revenue bond fund	9,027	7,153
2013 Series B Wastewater revenue bond fund	1	5
2016 Series A Wastewater revenue bond fund	3	6
2016 Series B Wastewater revenue bond fund	1	2
2018 Series A Wastewater revenue bond fund	3	6
2018 Series B Wastewater revenue bond fund	4	5
2018 Series C Wastewater revenue bond fund	2	2
2021 Series A Wastewater revenue bond fund	2,239	13,298
2021 Series B Wastewater revenue bond fund	397	2,163
2022 Series B Wastewater revenue bond fund	43	86
2023 Series A Wastewater revenue bond fund	43,212	65,673
2023 Series B Wastewater revenue bond fund	15,998	24,313
2023 Series C Wastewater revenue bond fund	8	19
2021 Series A Wastewater revenue note fund	218	152
2021 Series B Wastewater revenue note fund	1	89
Commercial Paper - Tax Exempt	76	75
2020 WIFIA Biosolids Digester	15,248	—
2020 WIFIA Southeast Treatment Plant	12,885	—
Total cash and investments outside City Treasury	101,708	115,156
Interest and other receivables:		
Wastewater revenue bond construction fund including interest, prepaid, and other receivables	1,077	1,608
Due from other government for State Revolving Fund	—	13,942
Total restricted assets	$ 134,398	169,280

Restricted assets listed above as cash and investments with City Treasury are held in fund accounts within the Sewer Revenue Fund of the City Treasury.

(Dollars in thousands, unless otherwise stated)

Hetchy Water Restricted Assets

Hetchy Water restricted assets held in trust consist of the following as of June 30, 2024 and 2023:

		2024	2023
Cash and investments with City Treasury:			
Hetch Hetchy bond construction fund	$	31,330	10,980
Total restricted assets	$	31,330	10,980

Restricted assets listed above as cash and investments with City Treasury are held in fund accounts within the Hetchy Water Revenue Fund.

Hetchy Power Restricted Assets

Pursuant to the Hetchy Power Trust Indenture (the "Indenture"), established in fiscal year 2015, net revenues of the Hetchy Power are pledged first to the 2015 Series AB Bonds, 2021 Series AB Bonds, and 2023 Series A Bonds, and have a priority lien on the pledge of net revenues to the outstanding QECBs and NCREBs (the "Subordinate Obligations"). The Lease/Purchase Agreements for the Subordinate Obligations pledge the net revenues of the Hetchy Power to these bonds, and such pledge is subordinate in lien to the net revenues pledge for the 2015 Series AB Bonds, 2021 Series AB Bonds, and 2023 Series A Bonds (the "Bonds" or "Bond").

In the Indenture, the SFPUC covenants and agrees that it will pay into the Revenue Fund as received all Revenues of Hetchy Power and shall be used and applied, as provided by the Indenture, solely for the purposes of operating and maintaining Hetchy Power and paying all costs, charges, and expenses in connection therewith and for the purpose of making repairs, renewals, and replacements to Hetchy Power and constructing additions, betterments, and extensions thereto.

The Indenture provides that Revenues deposited in the Revenue Fund shall be disbursed in the following order of priority:

1. The payment of operation and maintenance expenses;
2. Any priority reconstruction and replacement fund deposits;
3. Deposit in the interest account of each Bond Fund;
4. Deposit in the bond retirement account of each Bond Fund;
5. Deposit in the reserve fund;
6. (i) Payment of principal and premium, if any, and interest on any Subordinate Obligations; (ii) deposit into a reserve fund securing any Subordinate Obligations; (iii) Swap Agreement payments pursuant to Swap Agreements entered into by the SFPUC with respect to any Subordinate Obligations; and (iv) payment to any financial institution or insurance company providing any letter of credit, line of credit, or other credit or liquidity facility, including municipal bond insurance and guarantees, that secures the payment of principal or interest on any Subordinate Obligations; in each case in any order of priority within this paragraph which may be hereafter established by the SFPUC by resolution;
7. Any additional reconstruction and replacement fund deposits into the reconstruction and replacement fund;
8. Any necessary or desirable capital additions or improvements to the Hetchy Power;
9. Any payment under a Take-or-Pay Power Purchase Agreement that does not constitute an operation and maintenance expense;
10. Any payment under a Swap Agreement that does not constitute a Swap Agreement payment; and
11. Any other lawful purpose of the SFPUC.

In the Indenture, the SFPUC covenants and agrees to transfer to the Trustee for deposit in the Interest Account of each applicable Bond Fund all Refundable Credits received by the SFPUC.

(Dollars in thousands, unless otherwise stated)

In accordance with the Agreements, Hetchy Power maintains certain restricted cash and investment balances in trust. Restricted assets held in trust consist of the following as of June 30, 2024 and 2023:

		2023	2023
Cash and investments with City Treasury:			
Hetch Hetchy bond construction fund	$	50,732	17,606
Cash and investments outside City Treasury:			
2009 Series C Certificates of Participation – 525 Golden Gate		131	231
2009 Series D Certificates of Participation – 525 Golden Gate		1,000	784
2015 Series A Revenue Bonds		2,205	2,261
2015 Series B Revenue Bonds		518	532
2021 Series AB Revenue Bonds		442	5,382
2023 Series A Revenue Bonds		9,730	—
Commercial Paper		25	21
Total restricted cash and investments outside City Treasury		14,051	9,211
Interest receivable:			
Hetch Hetchy bond construction fund		169	4,151
Total restricted assets	$	64,952	30,968

Restricted assets listed above as cash and investments with City Treasury are held in fund accounts within the Hetchy Power Revenue Fund.

(6) Short-Term Debt

Department-wide Business Type Activities

The following table summarizes the department-wide commercial paper debt.

		2023	Additions	Reductions	2024
Water	$	371,459	191,150	(372,609)	190,000
Wastewater		—	341,373	—	341,373
Hetchy Power		116,352	91,635	(117,333)	90,654
SFPUC Total	$	487,811	624,158	(489,942)	622,027

Water Short-Term Debt

The Commission and the Board of Supervisors have authorized the overall Interim Funding Program issuance of up to $500,000, pursuant to the voter-approved 2002 Proposition E. The program is made up of two components: (1) three series totaling $400,000 (aggregate principal amount) that are for the issuance of either tax-exempt or taxable commercial paper and which are each supported by a high-grade bank credit facility in the form of a letter of credit or bank liquidity facility; and (2) one series that is for a $100,000 direct bank loan that can be used to make tax-exempt or taxable draws from a high-grade bank pursuant to a revolving credit agreement. As of June 30, 2024 and 2023, amounts outstanding under Proposition E were $190,000 and $371,459, respectively. Commercial paper interest rates ranged from 3.9% to 5.5%.

With maturities up to 270 days, the Water Enterprise intends to maintain the program by remarketing the commercial paper upon maturity over the near-to-medium term, at which time outstanding commercial paper will likely be refunded with revenue bonds. This is being done to take advantage of the continued low interest rate environment. If the commercial paper interest rates rise to a level that exceeds these benefits, the Water Enterprise will refinance the commercial paper with the long-term, fixed-rate debt.

As of June 30, 2023, the Water Enterprise had $371,459 in outstanding commercial paper which were repaid by the 2023 Series AB Water Revenue Bonds issued in July 2023. The $371,459 has been reclassed to long-term liabilities on the financial statements.

The commercial paper notes can be issued in the aggregate principal amounts of up to $500,000 and may be marketed and re-marketed with maturities up to 270 days and are secured by three separate bank letters of credit and one revolving note, as set forth below. The commercial paper notes and the revolving notes are payable from revenues and are secured on a parity lien basis with each other. The commercial paper notes and the revolving notes, collectively, are secured on a basis subordinate to the payment of debt service on outstanding bonds and SRF Loans.

As of June 30, 2024, the commercial paper notes are secured by the following series. Series A-1/A-1-T, has a $100 million letter of credit from Sumitomo Mitsui Banking Corporation, acting through its New York Branch, which expires on May 16, 2025. The agreement for the Series A-1/A-1-T credit facility stipulates a quarterly commitment fee of 0.33%, on the maintenance of ratings of at least “AA-” by S&P and “Aa3” by Moody’s. Series A-2/A-2-T, has a $200 million letter of credit from Sumitomo Mitsui Banking Corporation, acting through its New York Branch, which expires on June 14, 2027. The agreement for the Series A-2/A-2-T credit facility stipulates a quarterly commitment fee of 0.29%, on the maintenance of ratings of at least “AA-” by S&P and “Aa3” by Moody’s. Series A-3/A-3-T has a $100 million letter of credit from Barclays Bank PLC which expires on July 19, 2024. The agreement for the Series A-3/A-3-T credit facility stipulates a quarterly commitment fee of 0.29%, on the maintenance of ratings of at least “AA-” by S&P and “Aa3” by Moody’s.

BofA Securities, Inc., J.P. Morgan Securities LLC and Wells Fargo Bank, National Association, serve as dealers for the commercial paper notes. The annual fee paid to the dealer equals 0.05% of the average outstanding principal amount of the Notes managed by the Dealer.

The revolving notes were issued pursuant to a $100 million revolving credit agreement with U.S. Bank National Association which expires on July 18, 2024. The revolving credit agreement stipulates an unutilized quarterly commitment fee of 0.21%, on the maintenance of ratings of at least “AA-” by S&P and “Aa3” by Moody’s. The revolving credit agreement had $0 outstanding as of June 30, 2024.

The commercial paper reimbursement agreement and the commercial paper revolving credit and term loan agreements for the Water Enterprise, contain a provision that in the event advances (or drawings) remain unpaid, such advances (or drawings) will convert into term loans and will be subject to the repayment provisions relating thereto.

In accordance with GASB Statement No. 88, *Certain Disclosures Related to Debt, Including Direct Borrowing and Direct Placements*, the Water Enterprise had $310,000 and $128,541 in unused authorization as of June 30, 2024 and 2023, respectively. Significant events of default include 1) payment defaults 2) material breach of warranty, representation, or other non-remedied breach of covenants as specified in the respective agreements (not cured within applicable grace periods) and 3) bankruptcy and insolvency events, which may result in all outstanding obligations to be immediately due and payable (unless waived by the respective Bank, if applicable); or issuance of a No-Issuance Notice, reduction in credit to outstanding amount plus interest coverage, and/or termination of the respective agreement. As of June 30, 2024, there were no such events describe herein.

Wastewater Short-Term Debt

Under the voter approved 2002 Proposition E, the Commission and Board of Supervisors authorized the issuance of up to $750,000 in commercial paper for the purpose of reconstructing, expanding, repairing, or improving the Wastewater Enterprise’s facilities. The program is made up of two components: (1) five series totaling $675,000 (aggregate principal amount) that are for the issuance of either tax-exempt or taxable commercial paper and which are each supported by a high-grade bank credit facility in the form of a letter of credit or bank liquidity facility; and (2) one series that is for a $75,000 direct bank loan that can be used to make tax-exempt or taxable draws from a high-grade bank pursuant to a revolving credit agreement. The Wastewater Enterprise had $341,373 and $0 in commercial paper outstanding as of June 30, 2024 and 2023, respectively. The $341,373 was repaid by the 2024 Series CD Wastewater Revenue Bonds issued in July 2024 and has been reclassed to long-term liabilities on the financial statements as of June 30, 2024.

The commercial paper notes can be issued in the aggregate principal amounts of up to $750,000 and may be marketed and re-marketed with maturities up to 270 days and are secured by six separate bank credit facilities, as set forth below. The commercial paper notes are payable from revenues and are secured on a parity lien basis with each other, collectively the “Subordinate Obligations”. The Subordinate Obligations are secured on a subordinate basis to the payment of debt service on the Wastewater Revenue Bonds.

As of June 30, 2024, the Commercial Paper Notes are secured by the following series: Series A-1 secured by a $150,000 letter of credit from Sumitomo Mitsui Bank expires on March 2, 2029. The agreement for the Series A-1 facility stipulates a commitment fee of 0.30%, on the maintenance of ratings of at least “Aa3” by Moody’s and “AA-” by S&P. Series A-2 secured by a $150,000 letter of credit facility stipulates a commitment fee of 0.27%, on the maintenance of ratings of at least “Aa3” by Moody’s and “AA-“ by S&P. Series A-4 secured by a $75,000 liquidity facility from TD Bank expires on July 3, 2028. The agreement for the Series A-4 facility stipulates a commitment fee of 0.21% on the maintenance of ratings of at least “Aa2” by Moody’s and “AA” by S&P. Series A-6 secured by a $200,000 State Street Bank expires on October 14, 2024. The agreement for the Series A-6 facility stipulates a commitment fee of 0.32%, on the maintenance of ratings of at least “Aa3” by Moody’s and “AA-” by S&P. Series A-7 secured by a $100,000 letter of credit from Sumitomo Mitsui Bank expires on May 31, 2027. The agreement for the Series A-7 facility stipulates a commitment fee of 0.30%, on the maintenance of ratings of at least “Aa3” by Moody’s and “AA-” by S&P.

Series R-1 secured by a $75,000 revolving credit agreement with U.S. Bank National Association expires on July 18, 2024. The revolving credit agreement stipulates an unutilized quarterly commitment fee of 0.19%, on the maintenance of ratings of at least “Aa3” by Moody’s and “AA-” by S&P. The revolving credit agreement had $0 outstanding as of June 30, 2024.

Morgan Stanley & Co. LLC, RBC Capital Markets, LLC, and U.S. Bancorp Investments, Inc. serve as dealers for the commercial paper notes. The annual fee is 0.05% paid to Morgan Stanley & Co. LLC, and U.S. Bancorp Investments, Inc. and 0.045% paid to RBC Capital Markets, LLC.

The commercial paper reimbursement agreements and the commercial paper revolving credit and term loan agreements for the Wastewater Enterprise, contain a provision that in the event advances (or drawings) remain unpaid, such advances (or drawings) will convert into term loans and will be subject to the repayment provisions relating thereto.

In accordance with GASB Statement No. 88, *Certain Disclosures Related to Debt, Including Direct Borrowings and Direct Placements*, the Wastewater Enterprise had $408,627 and $750,000 in unused authorization as of June 30, 2024 and 2023, respectively. Significant events of default include 1) payment defaults 2) material breach of warranty, representation, or other non-remedied breach of covenants as specified in the respective agreements (not cured within applicable grace periods), and 3) bankruptcy and insolvency events, which may result in all outstanding obligations to be immediately due and payable (unless waived by the respective Bank, if applicable); or issuance of a No-Issuance Notice, reduction in credit to outstanding amount plus interest coverage, and/or termination of the respective agreement. As of June 30, 2024 and 2023, there were no such events described herein.

Hetchy Water Short-Term Debt

Hetchy Water had no commercial paper outstanding as of June 30, 2024 and 2023.

Hetchy Power Short-Term Debt

Effective March 2019, under Charter Sections 9.107(6) and 9.107(8), and 2018 Proposition A, the Commission and Board of Supervisors authorized the issuance of up to $250,000 in commercial paper notes for the purpose of reconstructing, replacing, expanding, repairing or improving power facilities of Hetchy Power. Interest rates for the commercial paper ranged from 2.8% to 3.7% and 1.1% to 3.2% in fiscal years 2024 and 2023, respectively. Hetchy Power had $90,654 and $116,352 commercial paper outstanding as of June 30, 2024 and 2023, respectively. The Power Enterprise had $159,346 and $133,648 in unused authorization as of June 30, 2024 and 2023, respectively.

(Dollars in thousands, unless otherwise stated)

$117,333 was repaid by the 2023 Series A bonds issued on October 12, 2023 and has been reclassed to long-term liabilities on the June 30, 2023 financial statements.

The commercial paper notes can be issued in the aggregate principal amounts of up to $250,000 and may be marketed and re-marketed with maturities up to 270 days and are secured by two separate bank credit facilities, as set forth below. The commercial paper notes are payable from revenues and are secured on a parity lien basis with each other and with the outstanding 2011 QECBs and 2015 NCREBs, collectively the “Subordinate Obligations.” The Subordinate Obligations are secured on a subordinate basis to the payment of debt service on the Power Revenue Bonds.

As of June 30, 2024, the Commercial Paper Notes are secured by the following series: Series A-1 is secured by a $125,000 letter of credit from Bank of America N.A. which expires on March 6, 2026. The agreement for the Series A-1 facility stipulates a quarterly commitment fee of 0.31%, on the maintenance of ratings of at least “AA-” by S&P and “AA-” by Fitch Ratings. Series A-2 is secured by a $125,000 letter of credit from Bank of America N.A. which expires on March 6, 2026. The agreement for the Series A-2 credit facility stipulates a quarterly commitment fee of 0.29%, on the maintenance of ratings of at least “AA-” by S&P and “AA-” by Fitch Ratings.

Barclays Capital Inc., Goldman Sachs & Co. LLC, and RBC Capital Markets, LLC serve as dealers for the commercial paper notes. The annual fee is 0.05% paid to Barclays Capital LLC and Goldman Sachs & Co. LLC and 0.045% paid to RBC Capital markets, LLC on the average outstanding principal amount of the commercial paper notes managed by the respective dealer.

The commercial paper reimbursement agreements for the Power Enterprise contain a provision that in the event advances (or drawings) remain unpaid, such advances (or drawings) will convert into term loans and will be subject to the repayment provisions relating thereto.

In accordance with GASB Statement No. 88, *Certain Disclosures Related to Debt, Including Direct Borrowing and Direct Placements*, significant events of default include 1) payment defaults, 2) material breach of warranty, representation, or other non-remedied breach of covenants as specified in the respective agreements (not cured within applicable grace periods), and 3) bankruptcy and insolvency events, which may result in all outstanding obligations to be immediately due and payable (unless waived by the respective Bank, if applicable); or issuance of a No-Issuance Notice, reduction in credit to outstanding amount plus interest coverage, and/or termination of the respective agreement. As of June 30, 2024 and 2023, there were no such events described herein.

CleanPowerSF Short-Term Debt

CleanPowerSF had no commercial paper outstanding as of June 30, 2024 and 2023.

(7) Changes in Long-Term Liabilities

Department-wide Long-Term Liability activities for the years ended June 30, 2024 and 2023 are as follows:

	Interest rate	Maturity (Calendar Year)	2023	Additions	Reductions	2024	Due within one year
Revenue Bonds:							
2010B water revenue bonds (Build America)	4.00 – 6.00	2040	$ 336,390	—	(13,245)	323,145	13,725
2010E water revenue bonds (Build America)	4.90 – 6.00	2040	331,455	—	(13,165)	318,290	13,610
2010G water revenue bonds (Build America)	6.95	2050	351,470	—	—	351,470	—
2010 wastewater series B (Build America)	4.65 – 5.82	2040	185,235	—	(7,505)	177,730	7,745
2013 wastewater series A	1.00 – 5.00	2025	575	—	(575)	—	—
2013 wastewater series B	4.00 – 5.00	2042	93,095	—	—	93,095	—
2015A water revenue refunding bonds	2.00 – 5.00	2036	366,375	—	(92,240)	274,135	29,485
2016A water revenue refunding bonds	4.00 – 5.00	2039	686,945	—	(113,445)	573,500	24,800
2015 hetchy power series A revenue bonds	4.00 - 5.00	2045	32,025	—	—	32,025	—
2015 hetchy power series B revenue bonds	3.00 - 4.00	2026	2,885	—	(880)	2,005	910
2016B water revenue refunding bonds	1.50 – 5.00	2030	58,980	—	(13,175)	45,805	13,720
2016C water revenue bonds	0.87 – 4.19	2046	225,275	—	(6,105)	219,170	6,275
2016 wastewater series A	4.00 – 5.00	2046	240,580	—	(5,475)	235,105	5,760
2016 wastewater series B	4.00 – 5.00	2046	67,820	—	(1,545)	66,275	1,625

(Dollars in thousands, unless otherwise stated)

	Interest rate	Maturity (Calendar Year)	2023	Additions	Reductions	2024	Due within one year
Revenue Bonds:							
2017A water revenue bonds	5.00	2047	24,675	—	(2,445)	22,230	2,570
2017B water revenue bonds	5.00	2047	30,095	—	(2,985)	27,110	3,135
2017C water revenue bonds	5.00	2047	14,395	—	(1,425)	12,970	1,500
2017D water revenue refunding bonds	2.00 – 5.00	2035	345,340	—	(88,045)	257,295	10,230
2017E water revenue refunding bonds	4.00 – 5.00	2031	48,125	—	(795)	47,330	835
2017F water revenue refunding bonds	5.00	2031	8,005	—	(735)	7,270	770
2017G water revenue refunding bonds	2.03 – 2.91	2024	18,890	—	(13,665)	5,225	5,225
2018 wastewater series A	4.00 – 5.00	2043	221,335	—	(7,160)	214,175	6,580
2018 wastewater series B	5.00	2043	179,690	—	(5,810)	173,880	5,335
2019A water revenue refunding bonds	1.81 – 3.47	2043	587,825	—	(194,745)	393,080	2,700
2019B water revenue refunding bonds	3.15 – 3.52	2041	16,315	—	(70)	16,245	75
2019C water revenue refunding bonds	3.15 – 3.52	2041	17,775	—	(80)	17,695	80
2020A water revenue bonds	4.00 – 5.00	2050	150,895	—	—	150,895	—
2020B water revenue bonds	5.00	2050	61,330	—	—	61,330	—
2020C water revenue bonds	4.00	2050	85,335	—	—	85,335	—
2020D water revenue bonds	3.00	2050	49,200	—	—	49,200	—
2020E water revenue refunding bonds	2.83 – 2.95	2047	335,035	—	(151,400)	183,635	915
2020F water revenue refunding bonds	0.26 – 3.15	2047	135,455	—	(1,430)	134,025	1,440
2020G water revenue refunding bonds	0.26 – 3.10	2043	108,970	—	(44,310)	64,660	6,360
2020H water revenue refunding bonds	0.26 – 3.15	2047	64,815	—	(685)	64,130	690
2021 wastewater series A	4.00 – 5.00	2051	260,835	—	—	260,835	—
2021 wastewater series B	5.00	2051	37,045	—	—	37,045	—
2022 wastewater series B	5.00	2034	137,080	—	—	137,080	8,325
2021 hetchy power series A revenue bonds	4.00 – 5.00	2051	74,280	—	—	74,280	1,385
2021 hetchy power series B revenue bonds	4.00 – 5.00	2051	49,720	—	—	49,720	585
2023A water revenue bonds	5.00 – 5.25	2052	—	349,495	—	349,495	—
2023B water revenue bonds	5.00 – 5.25	2052	—	64,540	—	64,540	—
2023C water revenue refunding bonds	4.00 – 5.00	2043	—	486,875	—	486,875	—
2023D water revenue refunding bonds	5.00	2035	—	27,980	—	27,980	—
2023 wastewater series A	5.00 – 5.25	2042	530,565	—	—	530,565	—
2023 wastewater series B	4.00 – 5.00	2042	278,155	—	—	278,155	—
2023 wastewater series C	4.00	2048	165,660	—	—	165,660	—
2023 hetchy power series A revenue bonds	5.00	2053	—	123,905	—	123,905	—
Qualified Energy Conservation Bonds	4.74	2027	2,583	—	(562)	2,021	569
New Clean Renewable Energy Bonds 2015	4.62	2032	1,491	—	(148)	1,343	150
Less issuance discount			(115)	—	8	(107)	—
Add issuance premiums			618,784	143,847	(83,001)	679,630	—
Revenue Notes:							
2021A wastewater - Biosolids	1.00	2025	218,355	—	(218,355)	—	—
2021B wastewater - SEP Headworks	1.00	2026	129,110	—	(129,110)	—	—
Add issuance premiums			2,091	—	(2,091)	—	—
Total revenue bonds & notes payable			7,988,244	1,196,642	(1,216,399)	7,968,487	177,109
2009D COPs (Build America)	6.36 – 6.49	2041	129,550	—	(4,575)	124,975	4,765
State Revolving Fund Loans (CWSRF Loans) Water	1.00 – 1.10	2057	163,627	97,477	(1,134)	259,970	—
State Revolving Fund Loans (CWSRF Loans) Wastewater	0.80 – 1.80	2056	318,689	1,498	(2,525)	317,662	5,629
Water Infrastructure Finance and Innovation Act Loans (WIFIA)	1.45	2062	122,357	800,074	—	922,431	—
Water Commercial Papers**	2.20 – 5.15	2023	371,459	—	(371,459)	—	—
Wastewater Commercial Papers^	3.15 – 3.74	2024	—	341,373	—	341,373	—
Hetchy Power Commercial Papers**	2.80 – 3.69	2024	116,352	—	(116,352)	—	—
Bond, loan, lease, and subscription interest payable#			35,104	253,501	(214,653)	73,952	68,224
Arbitrage rebate payable			188	9,386	—	9,574	—
Net other postemployment benefits liability			234,816	18,439	(5,353)	247,902	—
Net pension liability			198,360	79,038	(11,471)	265,927	—
Accrued vacation and sick leave			31,972	21,452	(20,115)	33,309	17,891
Accrued workers' compensation			21,190	8,016	(5,559)	23,647	4,518
Due to other City departments*			4,048	—	(4,048)	—	—
Lease liability			5,614	—	(2,521)	3,093	1,063
Subscription liability			1,423	—	(806)	617	307
Damage claims liability			30,859	141,574	(30,514)	141,919	36,468
Liabilities payable from restricted assets			—	28,867	—	28,867	25,513
Pollution remediation obligations			9,071	—	(1,349)	7,722	—
Unearned revenues, refunds, and other			12,716	26,358	(23,798)	15,276	14,696
		$	9,795,639	3,023,695	(2,032,631)	10,786,703	356,183

*Ending balance included elimination entries of $405 interfund payables and receivables between Wastewater and Hetchy Power for the 525 Golden Gate Avenue Headquarters Living Machine.
#Fiscal year 2023 beginning balance was updated to include bond, loan, lease, and subscription interest payable.
**Water Enterprise and Hetchy Power's commercial paper was short-term in fiscal year 2024.
^Wastewater Enterprise, as of June 30, 2024, had $341,373 in outstanding commercial paper which were repaid by 2024 Series CD Wastewater Revenue Bonds in July 2024. The $341,373 has been reclassified to long-term liabilities on the financial statements.

(Dollars in thousands, unless otherwise stated)

	Interest rate	Maturity (Calendar Year)	2022	Additions	Reductions	2023	Due within one year
Revenue Bonds:							
2010B water revenue bonds (Build America)	4.00 – 6.00	2040	$ 349,170	—	(12,780)	336,390	13,245
2010B wastewater revenue bonds (Build America)	4.65 – 5.82	2040	192,515	—	(7,280)	185,235	7,505
2010E water revenue bonds (Build America)	4.90 – 6.00	2040	344,200	—	(12,745)	331,455	13,165
2010G water revenue bonds (Build America)	6.95	2050	351,470	—	—	351,470	—
2013A wastewater revenue bonds	1.00 – 5.00	2025	15,535	—	(14,960)	575	575
2013B wastewater revenue bonds	4.00 – 5.00	2042	331,585	—	(238,490)	93,095	—
2015A water revenue refunding bonds	2.00 – 5.00	2036	382,420	—	(16,045)	366,375	28,070
2015A hetchy power revenue bonds	4.00 – 5.00	2045	32,025	—	—	32,025	—
2015B hetchy power revenue bonds	3.00 – 4.00	2026	3,735	—	(850)	2,885	880
2016A water revenue refunding bonds	4.00 – 5.00	2039	719,735	—	(32,790)	686,945	23,590
2016B water revenue refunding bonds	1.50 – 5.00	2030	71,510	—	(12,530)	58,980	13,175
2016C water revenue bonds	0.87 – 4.19	2046	231,230	—	(5,955)	225,275	6,105
2016A wastewater revenue bonds	4.00 – 5.00	2046	240,580	—	—	240,580	5,475
2016B wastewater revenue bonds	4.00 – 5.00	2046	67,820	—	—	67,820	1,545
2017A water revenue bonds	5.00	2047	27,000	—	(2,325)	24,675	2,445
2017B water revenue bonds	5.00	2047	32,930	—	(2,835)	30,095	2,985
2017C water revenue bonds	5.00	2047	15,750	—	(1,355)	14,395	1,425
2017D water revenue refunding bonds	2.00 – 5.00	2035	346,795	—	(1,455)	345,340	1,270
2017E water revenue refunding bonds	4.00 – 5.00	2031	48,890	—	(765)	48,125	795
2017F water revenue refunding bonds	5.00	2031	8,705	—	(700)	8,005	735
2017G water revenue refunding bonds	2.03 – 2.91	2024	31,960	—	(13,070)	18,890	13,665
2018A wastewater revenue bonds	4.00 – 5.00	2043	229,050	—	(7,715)	221,335	7,160
2018B wastewater revenue bonds	5.00	2043	185,950	—	(6,260)	179,690	5,810
2018C wastewater revenue bonds	2.13	2048	179,145	—	(179,145)	—	—
2019A water revenue refunding bonds	1.81 – 3.47	2043	591,320	—	(3,495)	587,825	3,565
2019B water revenue refunding bonds	3.15 – 3.52	2041	16,385	—	(70)	16,315	70
2019C water revenue refunding bonds	3.15 – 3.52	2041	17,850	—	(75)	17,775	80
2020A water revenue bonds	4.00 – 5.00	2050	150,895	—	—	150,895	—
2020B water revenue bonds	5.00	2050	61,330	—	—	61,330	—
2020C water revenue bonds	4.00	2050	85,335	—	—	85,335	—
2020D water revenue bonds	3.00	2050	49,200	—	—	49,200	—
2020E water revenue refunding bonds	2.83 – 2.95	2047	335,535	—	(500)	335,035	1,530
2020F water revenue refunding bonds	0.26 – 3.15	2047	135,455	—	—	135,455	1,430
2020G water revenue refunding bonds	0.26 – 3.10	2043	114,765	—	(5,795)	108,970	7,065
2020H water revenue refunding bonds	0.26 – 3.15	2047	64,815	—	—	64,815	685
2021A wastewater revenue bonds	4.00 – 5.00	2051	260,835	—	—	260,835	—
2021B wastewater revenue bonds	5.00	2051	37,045	—	—	37,045	—
2021A hetchy power revenue Bonds	4.00 – 5.00	2051	74,280	—	—	74,280	—
2021B hetchy power revenue Bonds	4.00 – 5.00	2051	49,720	—	—	49,720	—
2022B wastewater revenue bonds	5.00	2034	—	137,080	—	137,080	—
2023A wastewater revenue bonds	5.00 – 5.25	2042	—	530,565	—	530,565	—
2023B wastewater revenue bonds	4.00 – 5.00	2042	—	278,155	—	278,155	—
2023C wastewater revenue bonds	4.00	2048	—	165,660	—	165,660	—
Clean Renewable Energy Bonds	0.00	2022	421	—	(421)	—	—
Qualified Energy Conservation Bonds	4.74	2027	3,138	—	(555)	2,583	562
New Clean Renewable Energy Bonds	4.62	2032	1,637	—	(146)	1,491	148
Less issuance discount			(130)	—	15	(115)	—
Add issuance premiums			497,138	178,474	(56,828)	618,784	—
Revenue Notes:							
2021A wastewater - Biosolids	1.00	2025	218,355	—	—	218,355	—
2021B wastewater - SEP Headworks	1.00	2026	129,110	—	—	129,110	—
Add issuance premiums			2,891	—	(800)	2,091	—
Total revenue bonds & notes payable			7,337,030	1,289,934	(638,720)	7,988,244	164,755
2009C Certificates of Participation (COPs)	2.00 – 5.00	2022	4,375	—	(4,375)	—	—
2009C COPs issuance premiums			20	—	(20)	—	—
2009D COPs (Build America)	6.36 – 6.49	2041	129,550	—	—	129,550	4,576
State Revolving Fund Loans (CWSRF Loans) Water	1.00 – 1.10	2057	121,761	41,866	—	163,627	—
State Revolving Fund Loans (CWSRF Loans) Wastewater	0.80 – 1.80	2051	302,659	18,511	(2,481)	318,689	2,526
Water Infrastructure Finance and Innovation Act Loans (WIFIA)	1.45	2059	—	122,357	—	122,357	—
Water Commercial Papers	1.20 – 5.30	2023	—	371,459	—	371,459	—
Hetchy Power Commercial Papers	1.05 – 3.15	2023	—	116,352	—	116,352	—
Arbitrage rebate payable			—	188	—	188	—
Net other postemployment benefits liability			227,147	7,757	(88)	234,816	—
Net pension liability			—	198,360	—	198,360	—
Accrued vacation and sick leave			30,942	20,145	(19,115)	31,972	16,490
Accrued workers' compensation			19,997	7,260	(6,067)	21,190	4,040
Due to other City departments*			380	4,048	(380)	4,048	4,048
Lease liability			6,870	2,798	(4,054)	5,614	2,521
Subscription liability			3,132	—	(1,709)	1,423	806
Damage claims liability			49,796	17,111	(36,048)	30,859	13,541
Wholesale balancing account water			79,150	—	(79,150)	—	—
Pollution remediation obligations			9,331	—	(260)	9,071	—
Unearned revenues, refunds, and other			20,057	33,434	(40,775)	12,716	12,136
			$ 8,342,197	2,251,580	(833,242)	9,760,535	225,439

*Ending balance included elimination entries of $518 interfund payables and receivables between Wastewater and Hetchy Power for the 525 Golden Gate Avenue Headquarters Living Machine.

(Dollars in thousands, unless otherwise stated)

Water Long-Term Liability activities for the years ended June 30, 2024 and 2023 are as follows:

	Interest rate	Maturity (Calendar Year)	2023	Additions	Reductions	2024	Due within one year
Revenue Bonds:							
2010B revenue bonds (Build America)	4.00 – 6.00 %	2040	$ 336,390	—	(13,245)	323,145	13,725
2010E revenue bonds (Build America)	4.90 – 6.00	2040	331,455	—	(13,165)	318,290	13,610
2010G revenue bonds (Build America)	6.95	2050	351,470	—	—	351,470	—
2015A revenue refunding bonds	2.00 – 5.00	2036	366,375	—	(92,240)	274,135	29,485
2016A revenue refunding bonds	4.00 – 5.00	2039	686,945	—	(113,445)	573,500	24,800
2016B revenue refunding bonds	1.50 – 5.00	2030	58,980	—	(13,175)	45,805	13,720
2016C revenue bonds	0.87 – 4.19	2046	225,275	—	(6,105)	219,170	6,275
2017A revenue bonds	5.00	2047	24,675	—	(2,445)	22,230	2,570
2017B revenue bonds	5.00	2047	30,095	—	(2,985)	27,110	3,135
2017C revenue bonds	5.00	2047	14,395	—	(1,425)	12,970	1,500
2017D revenue refunding bonds	2.00 – 5.00	2035	345,340	—	(88,045)	257,295	10,230
2017E revenue refunding bonds	4.00 – 5.00	2031	48,125	—	(795)	47,330	835
2017F revenue refunding bonds	5.00	2031	8,005	—	(735)	7,270	770
2017G revenue refunding bonds	2.03 – 2.91	2024	18,890	—	(13,665)	5,225	5,225
2019A revenue refunding bonds	1.81 – 3.47	2043	587,825	—	(194,745)	393,080	2,700
2019B revenue refunding bonds	3.15 – 3.52	2041	16,315	—	(70)	16,245	75
2019C revenue refunding bonds	3.15 – 3.52	2041	17,775	—	(80)	17,695	80
2020A revenue bonds	4.00 – 5.00	2050	150,895	—	—	150,895	—
2020B revenue bonds	5.00	2050	61,330	—	—	61,330	—
2020C revenue bonds	4.00	2050	85,335	—	—	85,335	—
2020D revenue bonds	3.00	2050	49,200	—	—	49,200	—
2020E revenue refunding bonds	2.83 – 2.95	2047	335,035	—	(151,400)	183,635	915
2020F revenue refunding bonds	0.26 – 3.15	2047	135,455	—	(1,430)	134,025	1,440
2020G revenue refunding bonds	0.26 – 3.10	2043	108,970	—	(44,310)	64,660	6,360
2020H revenue refunding bonds	0.26 – 3.15	2047	64,815	—	(685)	64,130	690
2023A revenue bonds	5.00 – 5.25	2052	—	349,495	—	349,495	—
2023B revenue bonds	5.00 – 5.25	2052	—	64,540	—	64,540	—
2023C revenue refunding bonds	4.00 – 5.00	2043	—	486,875	—	486,875	—
2023D revenue refunding bonds	5.00	2035	—	27,980	—	27,980	—
Less issuance discount			(115)	—	8	(107)	—
Add issuance premiums			251,596	136,522	(57,439)	330,679	—
Total revenue bonds payable			4,710,846	1,065,412	(811,621)	4,964,637	138,140
2009D COPs (Build America)	6.36 – 6.49	2041	92,499	—	(3,267)	89,232	3,402
State Revolving Funds Loan	1.00 – 1.10	2057	163,627	97,477	(1,134)	259,970	—
Commercial Papers**	2.20 – 5.15	2023	371,459	—	(371,459)	—	—
Bond, loan, lease, and subscription interest payable*			35,104	221,095	(214,653)	41,546	37,924
Net other postemployment benefits liability			148,601	9,700	—	158,301	—
Net pension liability			115,343	37,300	—	152,643	—
Accrued vacation and sick leave			13,585	13,724	(13,306)	14,003	7,585
Accrued workers' compensation			9,735	4,336	(3,069)	11,002	2,188
Arbitrage rebate payable			—	869	—	869	—
Lease liability			4,010	—	(1,189)	2,821	1,028
Subscription liability			708	—	(400)	308	153
Damage claims liability			19,625	18,823	(15,675)	22,773	5,716
Pollution remediation obligations			1,271	—	—	1,271	—
Total			$ 5,686,413	1,468,736	(1,435,773)	5,719,376	196,136

*Fiscal year 2023 beginning balance was updated to include bond, loan, lease, and subscription interest payable.
**Commercial paper recorded as short-term liability in fiscal year 2024.

(Dollars in thousands, unless otherwise stated)

	Interest rate	Maturity (Calendar Year)	2022	Additions	Reductions	2023	Due within one year
Revenue Bonds:							
2010B revenue bonds (Build America)	4.00 – 6.00 %	2040	$ 349,170	—	(12,780)	336,390	13,245
2010E revenue bonds (Build America)	4.90 – 6.00	2040	344,200	—	(12,745)	331,455	13,165
2010G revenue bonds (Build America)	6.95	2050	351,470	—	—	351,470	—
2015A revenue refunding bonds	2.00 – 5.00	2036	382,420	—	(16,045)	366,375	28,070
2016A revenue refunding bonds	4.00 – 5.00	2039	719,735	—	(32,790)	686,945	23,590
2016B revenue refunding bonds	1.50 – 5.00	2030	71,510	—	(12,530)	58,980	13,175
2016C revenue bonds	0.87 – 4.19	2046	231,230	—	(5,955)	225,275	6,105
2017A revenue bonds	5.00	2047	27,000	—	(2,325)	24,675	2,445
2017B revenue bonds	5.00	2047	32,930	—	(2,835)	30,095	2,985
2017C revenue bonds	5.00	2047	15,750	—	(1,355)	14,395	1,425
2017D revenue refunding bonds	2.00 – 5.00	2035	346,795	—	(1,455)	345,340	1,270
2017E revenue refunding bonds	4.00 – 5.00	2031	48,890	—	(765)	48,125	795
2017F revenue refunding bonds	5.00	2031	8,705	—	(700)	8,005	735
2017G revenue refunding bonds	2.03 – 2.91	2024	31,960	—	(13,070)	18,890	13,665
2019A revenue refunding bonds	1.81 – 3.47	2043	591,320	—	(3,495)	587,825	3,565
2019B revenue refunding bonds	3.15 – 3.52	2041	16,385	—	(70)	16,315	70
2019C revenue refunding bonds	3.15 – 3.52	2041	17,850	—	(75)	17,775	80
2020A revenue bonds	4.00 – 5.00	2050	150,895	—	—	150,895	—
2020B revenue bonds	5.00	2050	61,330	—	—	61,330	—
2020C revenue bonds	4.00	2050	85,335	—	—	85,335	—
2020D revenue bonds	3.00	2050	49,200	—	—	49,200	—
2020E revenue refunding bonds	2.83 – 2.95	2047	335,535	—	(500)	335,035	1,530
2020F revenue refunding bonds	0.26 – 3.15	2047	135,455	—	—	135,455	1,430
2020G revenue refunding bonds	0.26 – 3.10	2043	114,765	—	(5,795)	108,970	7,065
2020H revenue refunding bonds	0.26 – 3.15	2047	64,815	—	—	64,815	685
Less issuance discount			(124)	—	9	(115)	—
Add issuance premiums			276,409	—	(24,813)	251,596	—
Total revenue bonds payable			4,860,935	—	(150,089)	4,710,846	135,095
2009C Certificates of Participation (COPs)	2.00 – 5.00	2022	3,124	—	(3,124)	—	—
2009C COPs issuance premiums			14	—	(14)	—	—
2009D COPs (Build America)	6.36 – 6.49	2041	92,499	—	—	92,499	3,267
State Revolving Funds Loan	1.00 – 1.10	2057	121,761	41,866	—	163,627	—
Commercial Papers	1.20 – 5.30	2023	—	371,459	—	371,459	—
Net other postemployment benefits liability			144,115	4,486	—	148,601	—
Net pension liability			—	115,343	—	115,343	—
Accrued vacation and sick leave			13,729	12,427	(12,571)	13,585	7,057
Accrued workers' compensation			8,973	3,984	(3,222)	9,735	1,914
Lease liability			2,863	2,562	(1,415)	4,010	1,189
Subscription liability			1,556	—	(848)	708	400
Damage claims liability			36,069	1,898	(18,342)	19,625	11,125
Wholesale balancing account			79,150	—	(79,150)	—	—
Pollution remediation obligations			1,271	—	—	1,271	—
Total			$ 5,366,059	554,025	(268,775)	5,651,309	160,047

The payments of principal and interest amounts on various bonds are secured by net revenues of the Water Enterprise.

a) Water Revenue Bonds 2010 Series B

The 2010 Series B Bonds in the par amount of $417,720 were issued as taxable Build America Bonds (BAB) (with Direct Pay Subsidy) to provide $364,757 in new money for WSIP capital projects and pay financing costs. The 2010 Series B bonds were issued as serial and term bonds with coupons ranging from 4.0% to 6.0% and have a final maturity of 2040. The Series B bonds have a true interest cost (net of federal subsidy) of 3.9%. As of June 30, 2024 and 2023, the principal amount outstanding was $323,145 and $336,390, respectively.

b) Water Revenue Bonds 2010 Series E

In July 2010, the 2010 Series E Bonds in the par amount of $344,200 were issued as taxable Build America Bonds (with Direct Pay Subsidy) to provide $300,446 in new money proceeds for WSIP capital projects. The Series E bonds were issued as serial and term bonds with coupons ranging from 4.9% to 6.0% and have a final maturity of 2040. The Series E bonds have a true interest cost (net of federal subsidy) of 3.8%. As of June 30, 2024 and 2023, the principal amount of 2010 Series E bonds outstanding was $318,290 and $331,455, respectively.

c) Water Revenue Bonds 2010 Series G

In December 2010, the $351,470 Series G bonds were issued as taxable Build America Bonds (with Direct Pay Subsidy) to provide $288,252 in new money for WSIP capital projects. The Series G bonds were issued as term bonds with a coupon of 7.0% and have a final maturity of 2050. The Series G bonds have a true interest cost (net of federal subsidy) of 4.5%. As of June 30, 2024 and 2023, the principal amount of 2010 Series G bonds outstanding was $351,470.

d) Water Revenue Refunding Bonds 2015 Series A

In April 2015, the Water Enterprise issued tax-exempt revenue bonds, 2015 Series A in the amount of $429,600 for the purpose of refunding all the outstanding 2006 Series A bonds maturing on and after November 1, 2015 and portion of the outstanding 2009 Series A bonds maturing on and after November 1, 2023. The bonds carried “Aa3” and “AA-” ratings from Moody’s and S&P, respectively. The 2015 Series A bonds include serial bonds with interest rates varying from 2.0% to 5.0% and have a final maturity in 2036. The Series A bonds have a true interest cost of 3.3%. Unamortized 2006 Series A bond issuance costs were $1,392, and there were no unamortized bond issuance costs for 2009 Series A bonds at the date of the refunding. The refunding resulted in the recognition of a deferred accounting loss of $25,365, gross debt service savings of $28,148 over the next 20 two-year terms, and an economic gain of $48,561 or 10.3% of refunded principal.

A portion of the proceeds of the 2023 Series C bonds were used to pay at closing a portion of the 2015 Series A bonds which had been tendered for purchase on August 10, 2023. The proceeds of the 2023 Series C bonds were sufficient to pay the accrued interest and tender price of maturities of the 2015 Series A bonds starting on November 1, 2028 to November 1, 2033 and November 1, 2036. As of June 30, 2024 and 2023, the principal amount of 2015 Series A bonds outstanding was $274,135 and $366,375, respectively.

e) Water Revenue Refunding Bonds 2016 Series AB

In October 2016, the Water Enterprise issued tax-exempt revenue bonds, 2016 Series AB in the aggregate amount of $893,820. The 2016 Series A bonds were issued for the purpose of refunding a portion of the outstanding 2009 Series A bonds maturing on and after November 1, 2020, a portion of the outstanding 2009 Series B bonds maturing on and after November 1, 2020, and a portion of the outstanding 2010 Series F bonds maturing on and after November 1, 2021. The 2016 Series B bonds were issued for the purpose of refunding, on a current basis, all the outstanding 2006 Series B and Series C bonds, and a portion of the outstanding 2010 Series A bonds maturing on and after November 1, 2020, the bonds carried “Aa3” and “AA-” ratings from Moody’s and S&P, respectively. The 2016 Series AB bonds include serial bonds with interest rates varying from 1.5% to 5.0% and have a final maturity in 2039. The Series AB bonds have a true interest cost of 2.9%. Unamortized bond issuance costs at the date of refunding were $145 for 2006 Series B bonds and $54 for 2006 Series C bonds. The refunding resulted in the recognition of a deferred accounting loss of $106,205, gross debt service savings of $135,966, and an economic gain of $107,152 or 11.5% of refunded principal.

A portion of the proceeds of the 2023 Series C bonds were used to pay at closing a portion of the 2016 Series A bonds which had been tendered for purchase on August 10, 2023. The proceeds of the 2023 Series C bonds were sufficient to pay the accrued interest and tender price of maturities of the 2016 Series A bonds starting on November 1, 2031 to November 1, 2035. As of June 30, 2024 and 2023, the principal amount of 2016 Series AB bonds outstanding was $619,305 and $745,925, respectively.

f) Water Revenue Bonds 2016 Series C

In December 2016, the Water Enterprise issued taxable bonds, 2016 Series C in the amount of $259,350. The bonds were issued as Green Bonds. The purpose of the bonds was to refund all of the outstanding taxable commercial paper notes in the approximate amount of $237,000, and to provide $19,975 of new money for WSIP capital projects. The bonds carried “Aa3” and “AA-” ratings from Moody’s and S&P, respectively. The 2016 Series C bonds include serial bonds with interest rates varying from 0.9% to 4.0% and have a final maturity in 2046, and two term bonds with 4.0% and 4.2% interest rates and final maturities of 2041 and 2046. The Series C bonds have a true interest cost of 3.9%. As of June 30, 2024 and 2023, the principal amount of 2016 Series C bonds outstanding was $219,170 and $225,275, respectively.

g) Water Revenue Bonds 2017 Series ABC

In December 2017, the Water Enterprise issued tax-exempt revenue bonds, 2017 ABC in the aggregate amount of $339,540. The purpose of the 2017 Series ABC Bonds was to refund approximately $120,500 aggregate principal amount of commercial paper notes and to provide $230,500 new money for WSIP capital projects, other various capital projects of the Water Enterprise, and capital projects of Hetch Hetchy Water. The bonds carried “Aa3” and “AA-” ratings from Moody’s and S&P, respectively. The 2017 Series ABC bonds include serial bonds with coupon rates of 5.0% and have final maturity in 2045, and four term bonds with coupons of 5.0% and final maturities from 2045 to 2047.

The $121,140 2017 Series A bonds were issued as tax-exempt Green Bonds to refund approximately $60,265 of commercial paper notes and to provide $65,500 in new money for WSIP capital projects. The Series A bonds were issued as serial and term bonds with coupons of 5.0% and a final maturity of 2047. The Series A bonds have a true interest cost of 3.8%. A portion of the proceeds of the 2020 Series E refunding bonds were deposited with the trustee, acting as escrow agent under the irrevocable Escrow Agreement dated October 1, 2020 to refund and legally defease a portion of the outstanding 2017 Series A bonds. These deposits, together with certain other available monies were held by the escrow agent under the Escrow Agreement and invested in non-callable Federal Securities. The principal and interest on monies held by the escrow agent will be sufficient to redeem the maturities of the 2017 Series A bonds starting on November 1, 2030 and thereafter. The defeased principal amount outstanding for the 2017 Series A Revenue Bonds were $94,140 as June 30, 2024. As of June 30, 2024 and 2023, the principal amount of 2017 Series A bonds outstanding was $22,230 and $24,675, respectively.

The $147,725 2017 Series B bonds were issued as tax-exempt bonds to provide $150,000 in new money for Water Enterprise capital projects (non-WSIP). The Series B bonds were issued as serial and term bonds with coupons of 5.0% and have a final maturity of 2047. The Series B bonds have a true interest cost of 3.8%. A portion of the proceeds of the 2020 Series F refunding bonds were deposited with the trustee, acting as escrow agent under the irrevocable Escrow Agreement dated October 1, 2020 to refund and legally defease a portion of the outstanding 2017 Series B bonds. These deposits, together with certain other available monies were held by the escrow agent under the Escrow Agreement and invested in non-callable Federal Securities. The principal and interest on monies held by the escrow agent will be sufficient to redeem the maturities of the 2017 Series B bonds starting on November 1, 2030 and thereafter. The defeased principal amount outstanding for the 2017 Series B Revenue Bonds were $114,795 as of June 30, 2024. As of June 30, 2024 and 2023, the principal amount of 2017 Series B bonds outstanding was $27,110 and $30,095, respectively.

The $70,675 2017 Series C bonds were issued as tax-exempt bonds to refund approximately $60,266 of commercial paper notes and to provide $15,000 in new money for Hetch Hetchy Water capital projects. The Series C bonds were issued as serial bonds and a term bond with coupons of 5.0% and have a final maturity of 2047. The Series C bonds have a true interest cost of 3.8%. A portion of the proceeds of the 2020 Series H refunding bonds were deposited with the trustee, acting as escrow agent under the irrevocable Escrow Agreement dated October 1, 2020 to refund and legally defease a portion of the outstanding 2017 Series C bonds. These deposits, together with certain other available monies were held by the escrow agent under the Escrow Agreement and invested in non-callable Federal Securities. The principal and interest on monies held by the escrow agent will be sufficient to redeem the maturities of the 2017 Series C bonds starting on November 1, 2030 and thereafter. The defeased principal amount outstanding for the

2017 Series C Revenue Bonds were $54,925 as of June 30, 2024. As of June 30, 2024 and 2023, the principal amount of 2017 Series C bonds outstanding was $12,970 and $14,395, respectively.

h) Water Revenue Refunding Bonds 2017 Series DEFG

In December 2017, the Water Enterprise issued tax-exempt revenue bonds, 2017 Series DEF, and taxable 2017 Series G refunding bonds in the aggregate amount of $442,180. The 2017 Series D (WSIP, Green) bonds were issued for the purpose of refunding a portion of the outstanding 2011 Series A (WSIP) bonds maturing on and after November 1, 2022, a portion of the outstanding 2012 Series A bonds maturing on and after November 1, 2031. A portion of the proceeds of the 2023 Series C bonds were used to pay at closing a portion of the 2017 Series D bonds which had been tendered for purchase on August 10, 2023. The proceeds of the 2023 Series C bonds were sufficient to pay the accrued interest and tender price of maturities of the 2017 Series D bonds starting on November 1, 2031 to November 1, 2035.

The 2017 Series E bonds were issued for the purpose of refunding a portion of the outstanding 2011 Series C bonds maturing on or after November 1, 2022, a portion of the outstanding 2011 Series D bonds maturing on and after November 1, 2022, a portion of 2012 Series C1 bonds maturing on or after November 1, 2029.

The 2017 Series F bonds were issued for the purpose of refunding a portion of the outstanding 2011 Series B bonds maturing on or after November 1, 2022.

The taxable 2017 Series G (WSIP, Green) bonds were issued to refund a portion of the outstanding 2011 Series A bonds maturing on and after November 1, 2022.

The bonds carried “Aa3” and “AA-” ratings from Moody’s and S&P, respectively. The 2017 Series DEFG bonds include serial bonds with interest rates varying from 2.0% to 5.0% and have a final maturity in 2035. The Series DEFG bonds have a true interest cost of 2.9%. The refunding resulted in the recognition of a deferred accounting loss of $34,275, gross debt service savings of $68,942, and an economic gain of $51,698 or 10.7% of refunded principal. As of June 30, 2024 and 2023, the principal amount of 2017 Series DEFG bonds outstanding was $317,120 and $420,360, respectively.

i) Water Revenue Refunding Bonds 2019 Series ABC

In January 2020, the Water Enterprise issued taxable revenue bonds, 2019 Series ABC refunding bonds in the aggregate amount of $656,955. The 2019 Series A (WSIP, Green) bonds were issued for the purpose of refunding a portion of the outstanding 2010 Series F (WSIP) bonds maturing on and after November 1, 2020, a portion of the outstanding 2011 Series A (WSIP) bonds maturing on and after November 1, 2020, and a portion of the outstanding 2012 Series A (WSIP) bonds maturing on and after November 1, 2035. A portion of the proceeds of the 2023 Series C refunding bonds were deposited with the trustee, acting as escrow agent under the irrevocable Escrow Agreement dated August 1, 2023 to refund and legally defease a portion of the outstanding 2019 Series A bonds. These deposits, together with certain other available monies were held by the escrow agent under the Escrow Agreement and invested in non-callable Federal Securities. The principal and interest on monies held by the escrow agent will be sufficient to redeem portions of the maturities of the 2019 Series A bonds starting on November 1, 2024 to November 1, 2026 and November 1, 2029 to November 1 2033. A portion of the proceeds of the 2023 Series C bonds were used to pay at closing a portion of the 2019 Series A bonds which had been tendered for purchase on August 10, 2023. The proceeds of the 2023 Series C bonds were sufficient to pay the accrued interest and tender price of portions of maturities of the 2019 Series A bonds starting on November 1, 2026 to November 1, 2032, November 1, 2034, November 1, 2039 and November 1, 2043. The defeased principal amount outstanding for 2019 Series A Revenue Bonds were $5,745 as of June 30, 2024.

The 2019 Series B (Hetch Hetchy Water) bonds were issued for the purpose of refunding a portion of the outstanding 2011 Series B bonds maturing on or after November 1, 2032.

The 2019 Series C (Local) bonds were issued for the purpose of refunding a portion of the outstanding 2011 Series C bonds maturing on or after November 1, 2032.

The bonds carried “Aa2” and “AA-” ratings from Moody’s and S&P, respectively. The 2019 Series ABC bonds include serial bonds with interest rates varying from 1.8% to 3.5% and have a final maturity in 2043. The Series ABC bonds have a true interest cost of 3.3%. The refunding resulted in the recognition of a deferred accounting loss of $17,329, gross debt service savings of $119,827, and an economic gain of $92,556 or 14.0% of refunded principal. As of June 30, 2024 and 2023, the principal amount of 2019 Series ABC bonds outstanding was $427,020 and $621,915, respectively.

j) Water Revenue Bonds 2020 Series ABCD

In September 2020, the Water Enterprise issued tax-exempt revenue bonds, 2020 Series ABCD in the aggregate amount of $346,760. The purpose of the 2020 Series ABCD Bonds was to refund approximately $229,770 aggregate principal amount of commercial paper notes and to provide $164,632 new money for various capital projects of the Water Enterprise, and capital projects of Hetch Hetchy Water. The bonds carried “Aa2” and “AA-” ratings from Moody’s and S&P, respectively. The 2020 Series ABCD bonds include term bonds with coupons of 3.0% to 5.0% and final maturity in 2050.

The $150,895 2020 Series A bonds were issued as tax-exempt Green Bonds to refund approximately $180,000 of commercial paper notes for WSIP capital projects. The Series A bonds were issued as term bonds with coupons of 4.0% and 5.0% and a final maturity of 2050. The 2020 Series A bonds have a true interest cost of 3.3%. As of June 30, 2024 and 2023, the principal amount of 2020 Series A bonds outstanding was $150,895.

The $61,330 Series B bonds were issued as tax-exempt bonds to provide $69,644 in new money for Water Enterprise capital projects (non-WSIP, Regional). The Series B bonds were issued as term bonds with coupons of 5.0% and have a final maturity of 2050. The Series B bonds have a true interest cost of 3.7%. As of June 30, 2024 and 2023, the principal amount of 2020 Series B bonds outstanding was $61,330.

The $85,335 Series C bonds were issued as tax-exempt bonds to provide $94,948 in new money for Water Enterprise capital projects (non-WSIP, Local). The Series C bonds were issued as term bonds with coupons of 4.0% and have a final maturity of 2050. The Series C bonds have a true interest cost of 3.0%. As of June 30, 2024 and 2023, the principal amount of 2020 Series C bonds outstanding was $85,335.

The $49,200 Series D bonds were issued as tax-exempt bonds to refund approximately $49,761 of commercial paper notes for Hetch Hetchy Water capital projects. The Series D bonds were issued as term bonds with coupons of 3.0% and a final maturity of 2050. The 2020 Series D bonds have a true interest cost of 2.7%. As of June 30, 2024 and 2023, the principal amount of 2020 Series D bonds outstanding was $49,200.

k) Water Revenue Bonds 2020 Series EFGH

In October 2020, the Water Enterprise issued taxable revenue bonds, 2020 Series EFGH refunding bonds in the aggregate amount of $664,395. The 2020 Series E (WSIP, Green) bonds were issued for the purpose of refunding a portion of the outstanding 2010 Series D (WSIP) bonds maturing on and after November 1, 2020, a portion of the outstanding 2012 Series A (WSIP) bonds maturing on and after November 1, 2038, and a portion of the outstanding 2017 Series A (WSIP) bonds maturing on and after November 1, 2030. A portion of the proceeds of the 2023 Series C bonds were used to pay at closing a portion of the 2020 Series E bonds which had been tendered for purchase on August 10, 2023. The proceeds of the 2023 Series C bonds were sufficient to pay the accrued interest and tender price of the 2020 Series E bonds maturing November 1, 2041.

The 2020 Series F (non-WSIP, Regional) bonds were issued for the purpose of refunding a portion of the outstanding 2017 Series B bonds maturing on or after November 1, 2030.

The 2020 Series G (non-WSIP, Local) bonds were issued for the purpose of refunding a portion of the outstanding 2010 Series D bonds maturing on or after November 1, 2020, a portion of the 2011 Series D bonds maturing on or after November 1, 2022, a portion of 2012 Series B bonds maturing on or after November 1, 2031, and a portion of 2012 Series C bonds maturing on or after November 1, 2025. A portion of the proceeds of the 2023 Series D refunding bonds were deposited with the trustee, acting as escrow agent under the irrevocable Escrow Agreement dated August 1, 2023 to refund and legally defease a portion of the outstanding 2020 Series G bonds. These deposits, together with certain other available monies were held by the escrow agent under the Escrow Agreement and invested in non-callable Federal Securities. The principal and interest on monies held by the escrow agent will be sufficient to redeem portions of the maturities of the 2020 Series G bonds maturing on November 1, 2024 and November 1, 2025. A portion of the proceeds of the 2023 Series D bonds were used to pay at closing a portion of the 2020 Series G bonds which had been tendered for purchase on August 10, 2023. The proceeds of the 2023 Series D bonds were sufficient to pay the accrued interest and tender price of portions of maturities of the 2020 Series G bonds starting on November 1, 2026 to November 1, 2032 and November 1, 2035. The defeased principal amount outstanding for the 2020 Series G Revenue Bonds was $1,495 as of June 30, 2024.

The 2020 Series H (Hetch Hetchy Water) bonds were issued for the purpose of refunding a portion of the outstanding 2017 Series C bonds maturing on or after November 1, 2030.

The bonds carried “Aa2” and “AA-” ratings from Moody’s and S&P, respectively. The 2020 Series EFGH bonds include serial bonds and term bonds with interest rates varying from 0.3% to 3.1% and have a final maturity in 2047. The Series EFGH bonds have a true interest cost of 2.7%. The refunding resulted in the recognition of a deferred accounting loss of $27,010, gross debt service savings of $117,114, and an economic gain of $75,212 or 12.0% of refunded principal. As of June 30, 2024 and 2023, the principal amount of 2020 Series EFGH bonds outstanding was $446,450 and $644,275, respectively.

l) Water Revenue Bonds 2023 Series AB

In July 2023, the Water Enterprise issued tax-exempt revenue bonds, 2023 Series AB in the aggregate amount of $414,035. The purpose of the 2023 Series AB Bonds was to refund approximately $373,000 aggregate principal amount of commercial paper notes and to provide approximately $59,341 new money for various capital projects of the Water Enterprise, and capital projects of Hetch Hetchy Water. The bonds carried “Aa2” and “AA-” ratings from Moody’s and S&P, respectively. The 2023 Series AB bonds include serial and term bonds with coupons of 5.0% to 5.3% and final maturities in 2052.

The $349,495 2023 Series A bonds were issued as tax-exempt bonds to refund approximately $305,625 of commercial paper notes for Water Enterprise capital projects and to provide approximately $59,299 new money for various capital projects for the Water Enterprise. The Series A bonds were issued as serial and term bonds with coupons of 5.0% to 5.3% and a final maturity of 2052. The Series A bonds have a true interest cost of 4.1%. As of June 30, 2024, the principal amount of 2023 Series A bonds outstanding was $349,495.

The $64,540 Series B bonds were issued as tax-exempt bonds to refund approximately $67,348 of commercial paper notes for Hetch Hetchy Water capital projects and approximately $42 in new money for Hetch Hetchy Water capital projects. The Series B bonds were issued as serial and term bonds with coupons of 5.0% to 5.3% and have a final maturity of 2052. The Series B bonds have a true interest cost of 4.1%. As of June 30, 2024, the principal amount of 2023 Series B bonds outstanding was $64,540.

(Dollars in thousands, unless otherwise stated)

m) Water Revenue Refunding Bonds 2023 Series CD

In August 2023, the Water Enterprise issued tax-exempt revenue bonds, 2023 Series CD refunding bonds in the aggregate amount of $514,855. The 2023 Series C (WSIP, Green) bonds were issued for the purpose of paying the purchase price of a portion of the 2015 Series A revenue bonds maturing on or after November 1, 2028, a portion of the 2016 Series A revenue bonds maturing on or after November 1, 2031, a portion of the 2017 Series D revenue bonds maturing on or after November 1, 2031, a portion of the 2019 Series A (WSIP, Green) revenue bonds maturing on or after November 1, 2026, and a portion of the 2020 Series E (WSIP, Green) revenue bonds maturing on November 1, 2041 that were tendered for cash and advance refund portions of 2019 Series A maturing on or after November 1, 2024.

The 2023 Series D (Local Water) bonds were issued for the purpose of paying the purchase price of a portion of the 2020 Series G bonds maturing on or after November 1, 2026 that were tendered for cash and advance refund portions of 2020 Series G bonds maturing on or after November 1, 2024.

The bonds carried “Aa2” and “AA-” ratings from Moody’s and S&P, respectively. The 2023 Series CD bonds include serial bonds with interest rates of 4.0% to 5.0% and have a final maturity in 2043. The Series CD bonds have a true interest cost of 3.2%. The refunding resulted in the recognition of a deferred accounting gain of $33,378, gross debt service savings of approximately $85,376, and an economic gain of $58,518 or 9.5% of refunded principal. As of June 30, 2024, the principal amount of 2023 Series CD bonds outstanding was $514,855.

n) Future Annual Debt Service of Revenue Bonds

The following table presents the future annual debt service relating to the revenue and refunding bonds outstanding as of June 30, 2024. The federal interest subsidy amounts represent 35.0%, excluding sequestration, of the interest for the revenue bond 2010 Series B, E, and G.

	Principal	Interest before subsidy	Federal interest subsidy*	Interest net of subsidy
Fiscal years ending June 30:				
2025	$ 138,140	214,379	(20,370)	194,009
2026	149,540	207,947	(19,876)	188,071
2027	154,735	200,835	(19,345)	181,490
2028	159,210	193,311	(18,772)	174,539
2029	174,380	185,123	(18,164)	166,959
2030-2034	989,480	790,528	(79,528)	711,000
2035-2039	1,169,760	530,841	(53,376)	477,465
2040-2044	858,385	286,469	(25,530)	260,939
2045-2049	529,695	147,127	(12,339)	134,788
2050-2053	310,740	21,931	(1,184)	20,747
Total	4,634,065	2,778,491	(268,484)	2,510,007
Less: Current portion	(138,140)			
Less: Unamortized bond discount	(107)			
Add: Unamortized bond premiums	330,679			
Long-term portion as of June 30, 2024	$ 4,826,497			

* The SFPUC received an IRS notice dated April 17, 2024 that the federal interest subsidies on the 2010 Series B bonds, 2010 Series E bonds, and 2010 Series G bonds are reduced by 5.7%, or a total reduction of $16,228, due to sequestration over the remaining life of the bonds assuming the sequestration rate will remain the same after fiscal year 2024.

As defined in the Indentures, the principal and interest of the Water Enterprise’s revenue and refunding bonds are payable from its revenues, as well as monies deposited in certain funds and accounts pledged thereto (see Note 5).

(Dollars in thousands, unless otherwise stated)

o) Clean Water State Revolving Fund (CWSRF) Loan and Grant

In September 2017, the SFPUC entered into an Installment Sale Agreement with the State Water Resources Control Board for a Clean Water State Revolving Fund (CWSRF) Loan and Grant to fund the Water Enterprise's SF Westside Recycled Water Project. The CWSRF loan is in the amount of $191,094, which includes $15,000 of principal forgiveness, or a grant. It will bear an interest rate of 1.0% for a 30-year term, with loan repayment beginning one year after substantial completion of project construction. The CWSRF loan is secured on a parity lien basis with the Water Enterprise's outstanding revenue bonds. The principal outstanding as of June 30, 2024 and 2023 was $154,178 and $131,525, respectively. In addition, there was $15,000 of principal forgiveness in fiscal year 2023.

		Principal	Interest	Total
Fiscal years ending June 30:				
2025	$	—	—	—
2026		4,432	1,542	5,974
2027		4,477	1,497	5,974
2028		4,521	1,453	5,974
2029		4,567	1,407	5,974
2030-2034		23,526	6,342	29,868
2035-2039		24,728	5,143	29,871
2040-2044		25,989	3,882	29,871
2045-2049		27,315	2,556	29,871
2050-2054		28,708	1,163	29,871
2055		5,915	60	5,975
Total		154,178	25,045	179,223
Less: Current portion		—		
Long-term portion as of June 30, 2024	$	154,178		

p) Drinking Water State Revolving Fund (DWSRF) Loan

In April 2022, the SFPUC entered into an Installment Sale Agreement with the State Water Resources Control Board for a Drinking Water State Revolving Fund (DWSRF) Loan to fund the Water Enterprise's Mountain Tunnel Improvement Project. The DWSRF loan is in the amount of $238,219. It will bear an interest rate of 1.1% for a 30-year term, with interest payments beginning annually after the initial loan proceed draw occurs and loan principal repayment beginning one year after substantial completion of project construction. Power Enterprise is responsible for repayment for its share of SRF Loan debt service costs representing up to its allocable share of the cost of the Mountain Tunnel Improvement Project by a Memorandum of Understanding that will be executed with the Water Enterprise. The DWSRF loan is secured on a parity lien basis with the Water Enterprise's outstanding revenue bonds. The principal outstanding as of June 30, 2024 and 2023 was $105,792 and $32,102, respectively.

		Principal	Interest	Total
Fiscal years ending June 30:				
2025	$	—	—	—
2026		—	—	—
2027		—	—	—
2028		—	—	—
2029		3,041	1,058	4,099
2030-2034		15,669	4,827	20,496
2035-2039		16,468	4,028	20,496
2040-2044		17,308	3,188	20,496
2045-2049		18,191	2,305	20,496
2050-2054		19,119	1,377	20,496
2055-2058		15,996	402	16,398
Total		105,792	17,185	122,977
Less: Current portion		—		
Long-term portion as of June 30, 2024	$	105,792		

q) Proposition A

On November 5, 2002, the San Francisco voters passed Proposition A, which provides for the issuance of revenue bonds and/or other forms of indebtedness by the Commission in a principal amount not to exceed $1,628,000 to finance the acquisition and construction of improvements to the City's Water System. As of June 30, 2023, there was no commercial paper outstanding pursuant to this authorization and $1,499,230 of bonds had been issued in fiscal years 2006, 2010, 2012, 2021 against Prop A. The total authorization against Prop A was $1,499,230 as of June 30, 2024.

r) Proposition E

On November 5, 2002, the San Francisco voters passed Proposition E, which authorizes the Board of Supervisors' approval of the issuance of revenue bonds and/or other forms of indebtedness by the Commission to finance costs for the Commission's capital programs, including WSIP. As of June 30, 2024, the Board of Supervisors authorized the issuance of $6,157,510 in revenue bonds with $4,317,653 issued against this authorization; in September 2017 and amended in April 2023, the SFPUC entered into an Installment Sale Agreement with the State Water Resources Control Board for a Clean Water State Revolving Fund (CWSRF) Loan and Grant to fund the Water Enterprise's SF Westside Recycled Water Project in the amount of $191,094 (which includes a $15,000 grant) and in April 2022, the SFPUC entered in to an Installment Sale Agreement with the State Water Resources Control Board for a Drinking Water State Revolving Fund (DWSRF) Loan to fund the Mountain Tunnel Improvement Project in the amount of $238,219. Additionally, $190,000 and $371,459 in commercial paper were outstanding pursuant to this authorization as of June 30, 2024 and 2023, respectively.

s) Events of Default and Remedies

Significant Events of default as specified in the Water Enterprise Indenture (applicable to Water Revenue Bonds, and SRF Loan) include 1) Non-payment 2) material breach of warranty, representation or indenture covenants (not cured within applicable grace periods) and 3) bankruptcy and insolvency events, which may result in the Trustee (upon written request by the majority of the owners (by aggregate amount of the bond obligations or of a credit provider), declaring the principal and the interest accrued thereon, to be due and payable immediately. As of June 30, 2024 and 2023, there were no such events describe herein.

(Dollars in thousands, unless otherwise stated)

Wastewater Long-Term Liability activities for the years ended June 30, 2024 and 2023 are as follows:

	Interest rate	Maturity (Calendar Year)	2023	Additions	Reductions	2024	Due within one year
Revenue bonds:							
2010 Series B (Build America)	4.65 – 5.82 %	2040	$ 185,235	—	(7,505)	177,730	7,745
2013 Series A	1.00 – 5.00	2025	575	—	(575)	—	—
2013 Series B	4.00 – 5.00	2042	93,095	—	—	93,095	—
2016 Series A	4.00 – 5.00	2046	240,580	—	(5,475)	235,105	5,760
2016 Series B	4.00 – 5.00	2046	67,820	—	(1,545)	66,275	1,625
2018 Series A	4.00 – 5.00	2043	221,335	—	(7,160)	214,175	6,580
2018 Series B	5.00	2043	179,690	—	(5,810)	173,880	5,335
2021 Series A	4.00 – 5.00	2051	260,835	—	—	260,835	—
2021 Series B	5.00	2051	37,045	—	—	37,045	—
2022 Series B	5.00	2034	137,080	—	—	137,080	8,325
2023 Series A	5.00 – 5.25	2042	530,565	—	—	530,565	—
2023 Series B	4.00 – 5.00	2042	278,155	—	—	278,155	—
2023 Series C	4.00	2048	165,660	—	—	165,660	—
For issuance premiums			339,240	—	(23,789)	315,451	—
Revenue Notes:							—
2021 Series A - Biosolids	1.00	2025	218,355	—	(218,355)	—	—
2021 Series B - SEP Headworks	1.00	2026	129,110	—	(129,110)	—	—
For issuance premiums			2,091	—	(2,091)	—	—
Total revenue bonds and notes payable			3,086,466	—	(401,415)	2,685,051	35,370
2009 Series D COPs (Build America)	6.36 – 6.49	2041	24,458	—	(863)	23,595	900
State Revolving Fund Loans (CWSRF)	0.80 – 1.80	2056	318,689	1,498	(2,525)	317,662	5,629
Water Infrastructure Finance and Innovation Act Loans (WIFIA)	1.45	2062	122,357	800,074	—	922,431	—
Commercial Papers^	3.15 – 3.74	2024	—	341,373	—	341,373	—
Bond, loan, lease, and subscription interest payable			—	32,406	—	32,406	30,300
Arbitrage rebate payable			188	8,333	—	8,521	—
Net other postemployment benefits liability			49,035	225	—	49,260	—
Net pension liability			49,549	17,750	—	67,299	—
Accrued vacation and sick leave			11,662	4,425	(3,998)	12,089	6,583
Accrued workers' compensation			7,998	2,680	(1,666)	9,012	1,685
Due to other City departments			2,620	—	(2,215)	405	114
Lease liability			1,297	—	(1,297)	—	—
Subscription liability			429	—	(243)	186	93
Damage claims liability			4,350	112,467	(1,734)	115,083	28,742
Pollution remediation obligations			7,800	—	(1,349)	6,451	—
Total			$ 3,686,898	1,321,231	(417,305)	4,590,824	109,416

^As of June 30, 2024, the Wastewater Enterprise had $341,373 in outstanding commercial paper which were repaid by 2024 Series CD Wastewater Revenue Bonds in July 2024. The $341,373 has been reclassified to long-term liabilities on the financial statements.

	Interest rate	Maturity (Calendar Year)	2022	Additions	Reductions	2023	Due within one year
Revenue bonds:							
2010 Series B (Build America)	4.65 – 5.82 %	2040	$ 192,515	—	(7,280)	185,235	7,505
2013 Series A	1.00 – 5.00	2025	15,535	—	(14,960)	575	575
2013 Series B	4.00 – 5.00	2042	331,585	—	(238,490)	93,095	—
2016 Series A	4.00 – 5.00	2046	240,580	—	—	240,580	5,475
2016 Series B	4.00 – 5.00	2046	67,820	—	—	67,820	1,545
2018 Series A	4.00 – 5.00	2043	229,050	—	(7,715)	221,335	7,160
2018 Series B	5.00	2043	185,950	—	(6,260)	179,690	5,810
2018 Series C	2.13	2048	179,145	—	(179,145)	—	—
2021 Series A	4.00 – 5.00	2051	260,835	—	—	260,835	—
2021 Series B	5.00	2051	37,045	—	—	37,045	—
2022 Series B	5.00	2034	—	137,080	—	137,080	—
2023 Series A	5.00 – 5.25	2042	—	530,565	—	530,565	—
2023 Series B	4.00 – 5.00	2042	—	278,155	—	278,155	—
2023 Series C	4.00	2048	—	165,660	—	165,660	—
For issuance premiums			191,193	178,474	(30,427)	339,240	—
Revenue Notes:							
2021 Series A - Biosolids	1.00	2025	218,355	—	—	218,355	—
2021 Series B - SEP Headworks	1.00	2026	129,110	—	—	129,110	—
For issuance premiums			2,891	—	(800)	2,091	—
Total revenue bonds and notes payable			2,281,609	1,289,934	(485,077)	3,086,466	28,070
2009 Series C Certificates of Participation (COPs)	2.00 – 5.00	2022	826	—	(826)	—	—
2009 Series C COPs issuance premiums			4	—	(4)	—	—
2009 Series D COPs (Build America)	6.36 – 6.49	2041	24,458	—	—	24,458	864
State Revolving Fund Loans (CWSRF)	0.80 – 1.80	2056	302,659	18,511	(2,481)	318,689	2,526
Water Infrastructure Finance and Innovation Act Loans (WIFIA)	1.45	2059	—	122,357	—	122,357	—
Arbitrage rebate payable			—	188	—	188	—
Net other postemployment benefits liability			49,123	—	(88)	49,035	—
Net pension liability			—	49,549	—	49,549	—
Accrued vacation and sick leave			10,901	4,729	(3,968)	11,662	6,040
Accrued workers' compensation			7,546	2,976	(2,524)	7,998	1,509
Due to other City departments			629	2,102	(111)	2,620	2,215
Lease liability			3,638	—	(2,341)	1,297	1,297
Subscription liability			944	—	(515)	429	243
Damage claims liability			12,045	2,716	(10,411)	4,350	1,650
Pollution remediation obligations			8,060	—	(260)	7,800	—
Total			$ 2,702,442	1,493,062	(508,606)	3,686,898	44,414

The payments of principal and interest amounts on various bonds are secured by net revenues of the Wastewater Enterprise.

a) Wastewater Revenue Bonds 2010 Series B

During fiscal year 2010, the Wastewater Enterprise issued revenue bonds 2010 Series B (Federally Taxable – Build America Bonds – Direct Payment) in the amount of $192,515 with interest rates ranging from 4.7% to 5.8%. Proceeds from the bonds were used to redeem $53,500 in outstanding commercial paper notes, provide funding for capital projects in the amount of $112,429, fund a cash debt service reserve fund, and pay financing costs for the bonds. The bonds were rated “Aa3” and “AA-” by Moody’s and S&P, respectively, at the time of issuance. Bonds mature through October 1, 2040. The true interest cost is 3.7%. As of June 30, 2024 and 2023, the 2010 Series B bonds’ principal amount outstanding was $177,730 and $185,235, respectively.

b) Wastewater Revenue Bonds 2013 Series A

In January 2013, the Wastewater Enterprise issued tax-exempt revenue bonds 2013 Series A in the amount of $193,400 for the purpose of refunding the remaining portion of the outstanding 2003 Series A bonds maturing on and after October 1, 2013. The bonds carried “Aa3” and “AA-” ratings from Moody’s and S&P, respectively, at the time of issuance. The 2013 Series A refunding bonds include serial bonds with interest rates varying from 1.0% to 5.0% and have a final maturity in October 2025. The Series A bonds had a true interest cost of 1.2% at issuance. The 2013 Series A bonds also refunded the remaining portion of the outstanding state revolving fund loans. The refunding resulted in the recognition of a deferred accounting loss of $2,986, gross debt service savings of $35,107 over the next 13 years, and an economic gain of $32,783 or 15.4% of the refunded principal.

A portion of the proceeds of the 2022 Series B refunding bonds was deposited with the trustee, acting as escrow agent under the irrevocable Escrow Agreements, dated July 1, 2022 to refund and legally defease a portion of the outstanding 2013 Series A bonds. This deposit, together with certain other available monies was held by the escrow agent under the Escrow Agreement and invested in non-callable Federal Securities. As of June 30, 2024 and 2023, the principal amount outstanding of the 2013 Series A bonds was $0 and $575, respectively.

c) Wastewater Revenue Bonds 2013 Series B

In February 2013, the Wastewater Enterprise issued revenue bonds 2013 Series B in the amount of $331,585 with interest rates ranging from 4.0% to 5.0%. Proceeds from the bonds were used for Wastewater capital projects, pay off all outstanding Wastewater commercial paper notes, and pay the costs of issuing the bonds. The bonds were rated “Aa3” and “AA-” by Moody’s and S&P, respectively, at the time of issuance. Bonds mature through October 1, 2042. The true interest cost was 3.6% at issuance.

A portion of the proceeds of the 2022 Series B and 2023 Series B refunding bonds was deposited with the trustee, acting as escrow agent under the irrevocable Escrow Agreements, date July 1, 2022 and April 1, 2023, respectively to refund and legally defease a portion of the outstanding 2013 Series B bonds. This deposit, together with certain other available monies was held by the escrow agent under the Escrow Agreement and invested in non-callable Federal Securities. The 2013 Series B bonds were defeased by the 2022 Series B and 2023 Series B bonds for $147,920 and $90,570, respectively. The remaining bonds mature through October 1, 2042. As of June 30, 2024 and 2023, the principal amount outstanding of the 2013 Series B bonds was $93,095.

d) Wastewater Revenue Bonds 2016 Series A

In May 2016, the Wastewater Enterprise issued tax-exempt revenue bonds 2016 Series A (Green Bonds) in the amount of $240,580 with interest rates ranging from 4.0% to 5.0%. Proceeds from the bonds were used for Wastewater capital projects, to pay off $53,439 of outstanding commercial paper notes, to fund capitalized interest, and pay the costs of issuing the bonds. The bonds carried ratings of “AA” and “Aa3” from S&P and Moody’s, respectively, at the time of issuance. Bonds mature through October 1, 2046. The bonds have a true interest cost of 3.2%. As of June 30, 2024 and 2023, the principal amount outstanding of the 2016 Series A bonds was $235,105 and $240,580, respectively.

e) Wastewater Revenue Bonds 2016 Series B

In May 2016, the Wastewater Enterprise issued tax-exempt revenue bonds 2016 Series B in the amount of $67,820 with interest rates ranging from 4.0% to 5.0%. Proceeds from the bonds were used for Wastewater capital projects, to pay off $20,560 of outstanding commercial paper notes, to fund capitalized interest, and pay the costs of issuing the bonds. The bonds carried ratings of “AA” and “Aa3” from S&P and Moody’s, respectively, at the time of issuance. Bonds mature through October 1, 2046. The bonds have a true interest cost of 3.2%. As of June 30, 2024 and 2023, the principal amount outstanding of the 2016 Series B bonds was $66,275 and $67,820, respectively.

f) Wastewater Revenue Bonds 2018 Series A

In August 2018, the Wastewater Enterprise issued tax-exempt revenue bonds 2018 Series A (SSIP) (Green Bonds) in the amount of $229,050 with interest rates ranging from 4.0% to 5.0%. Proceeds from the bonds were used for Wastewater capital projects in furtherance of the SFPUC’s Sewer System Improvement Program (“SSIP”), to pay off $25,000 of outstanding commercial paper notes, to fund capitalized interest, and to pay the costs of issuing the bonds. The bonds carried ratings of “AA” and “Aa3” from S&P and Moody’s, respectively, at the time of issuance. Bonds mature through October 1, 2043. The bonds have a true interest cost of 3.4%. As of June 30, 2024 and 2023, the principal amount outstanding of the 2018 Series A bonds was $214,175 and $221,335, respectively.

g) Wastewater Revenue Bonds 2018 Series B

In August 2018, the Wastewater Enterprise issued tax-exempt revenue bonds 2018 Series B (Non-SSIP) in the amount of $185,950 with 5.0% interest rate. Proceeds from the bonds were used for Wastewater capital projects, to fund capitalized interest, and pay the costs of issuing the bonds. The bonds carried ratings of “AA” and “Aa3” from S&P and Moody’s, respectively, at the time of issuance. Bonds mature through October 1, 2043. The bonds have a true interest cost of 3.5%. As of June 30, 2024 and 2023, the principal amount outstanding of the 2018 Series B bonds was $173,880 and $179,690, respectively.

h) Wastewater Revenue Bonds 2021 Series AB

In November 2021, the Wastewater Enterprise issued tax-exempt revenue bonds, 2021 Series AB in the aggregate amount of $297,880. The purpose of the 2021 Series AB Bonds was to refund approximately $340,000 aggregate principal amount of commercial paper notes which funded various capital projects of the Wastewater Enterprise. The bonds carried “Aa2” and “AA” ratings from Moody’s and S&P, respectively.

The $260,835 2021 Series A Bonds were issued as tax-exempt Green Bonds to refund approximately $296,000 of commercial paper notes for SSIP capital projects. The Series A bonds were issued as serial bonds with coupons of 4.0% and 5.0% and a final maturity of 2051. The 2021 Series A bonds have a true interest cost of 3.0%. As of June 30, 2024 and 2023, the principal amount of the 2021 Series A bonds outstanding was $260,835.

The $37,045 2021 Series B bonds were issued as tax-exempt bonds to refund approximately $44,000 of commercial paper notes for Wastewater capital projects. The Series B bonds were issued as serial bonds with coupons of 5.0% and have a final maturity of 2051. The Series B bonds have a true interest cost of 3.2%. As of June 30, 2024 and 2023, the principal amount of the 2021 Series B bonds outstanding was $37,045.

i) Wastewater Revenue Notes 2021 Series AB

In November 2021, the Wastewater Enterprise issued tax-exempt revenue (Green) notes, 2021 Sub-Series A and Sub-Series B together with an aggregate principal of $347,465 to finance a portion of the design, acquisition and construction of the Biosolids Digester Facility Project and Southeast Water Pollution Control Plant improvements. The SFPUC intends to pay principal of the 2021A Notes and 2021B Notes from the proceeds of one or more draws under WIFIA Loan Agreements for the Biosolids Digester Facility Project and Southeast Treatment Plant Improvements, respectively, or from the proceeds of future obligations.

The $218,355 2021 Series A Notes were issued as tax-exempt Green Notes to fund a portion of the Biosolids Digester Facilities Project. The Series A Notes were issued with 1.0% coupons and a final maturity of 2025. The 2021 Series A Notes have a true interest cost of 0.8%. As of June 30, 2024 and 2023, the principal amount of 2021 Series A Notes outstanding was $0 and $218,355, respectively.

The $129,110 2021 Series B Notes were issued as tax-exempt Green Notes to fund a portion of Southeast Water Pollution Control Plant improvements. The Series B Notes were issued with 1.0% coupons and a final maturity of 2026. The 2021 Series B Notes have a true interest cost of 0.8%. As of June 30, 2024 and 2023, the principal amount of 2021 Series B Notes outstanding was $0 and $129,110, respectively.

In March 2024, the Wastewater Enterprise deposited a portion of WIFIA disbursements with the trustee, acting as escrow agent under the irrevocable Escrow Agreements, dated March 1, 2024 to refund and legally defease the outstanding 2021 Series A Notes and 2021 Series B Notes. This deposit, together with certain other available monies was held by the escrow agent under the Escrow Agreement and invested in non-callable Federal Securities. The principal and interest on monies held by the escrow agent were sufficient to redeem 2021 Series A Notes and 2021 Series B Notes with maturities October 1, 2025 and October 1, 2026, respectively. The defeased principal amount outstanding for 2021 Series A Notes and 2021 Series B Notes were $218,355 and $129,110, respectively, as of June 30, 2024. The refunding resulted in the recognition of an accounting gain in an aggregate amount of $22,212.

j) Wastewater Revenue Refunding Bonds 2022 Series B

In July 2022, the Wastewater Enterprise issued tax-exempt revenue bonds, 2022 Series B in the aggregate principal amount of $137,080 on a forward delivery basis. The 2022 Series B bonds were issued for the purpose of refunding a portion of the outstanding 2013 Series A bonds maturing on October 1, 2024 and October 1, 2025 and a portion of the outstanding 2013 Series B bonds maturing on October 1, 2024 through October 1, 2034. The 2013 Series A bonds were defeased by 2022 Series B bonds for $1,870 in July 2022. The bonds carried “Aa2” and “AA” ratings from Moody’s and S&P, respectively.

The 2022 Series B bonds include serial bonds, each with an interest rate of 5% and have a final maturity in 2034. The Series B bonds have a true interest cost of 3.2%. The refunding resulted in the recognition of a deferred accounting gain of $6,868, gross debt service savings of $12,446, and an economic gain of $12,012 or 8.0% of refunded bonds. As of June 30, 2024 and 2023, the principal amount of the 2022 Series B bonds outstanding was $137,080.

k) Wastewater Revenue Refunding Bonds 2023 Series ABC

In April 2023, the Wastewater Enterprise issued tax-exempt revenue bonds, 2023 Series ABC in the aggregate principal amount of $974,380. The purpose of the 2023 Series ABC bonds was to refund approximately $557,845 aggregate principal amount of commercial paper notes, finance various capital projects of the Wastewater Enterprise, and refund certain outstanding revenue bonds. The bonds carried “Aa2” and “AA” ratings from Moody’s and S&P, respectively.

(Dollars in thousands, unless otherwise stated)

The $530,565 2023 Series A bonds were issued as tax-exempt Green Bonds to refund approximately $400,900 of commercial paper notes for SSIP capital projects and finance certain capital projects benefitting the Wastewater Enterprise. The Series A bonds were issued as serial bonds with coupons of 5.0% and 5.3% and a final maturity of 2042. The 2023 Series A bonds have a true interest cost of 2.9%. As of June 30, 2024 and 2023, the principal amount of the 2023 Series A bonds outstanding was $530,565.

The $278,155 2023 Series B bonds were issued as tax-exempt bonds to refund a portion of the outstanding 2013 Series B bonds maturing on October 1, 2035 through October 1, 2039, refund approximately $156,900 of commercial paper notes for certain capital projects benefitting the Wastewater Enterprise and finance certain capital projects benefitting the Wastewater Enterprise. The Series B bonds were issued as serial bonds with coupons of 4.0% and 5.0% and a final maturity of 2042. The Series B bonds have a true interest cost of 3.0%. The refunding resulted in the recognition of a deferred accounting gain of $5,316, gross debt service savings of $10,626, and an economic gain of $7,647 or 8.4% of refunded bonds. As of June 30, 2024 and 2023, the principal amount of the 2023 Series B bonds outstanding was $278,155.

The $165,660 2023 Series C bonds were issued as tax-exempt Green Bonds to refund all of the outstanding 2018 Series C bonds. The Series C bonds were issued as serial bonds with a coupon of 4.0% and a final maturity of 2048. The 2023 Series C bonds have a true interest cost of 3.5%. The refunding resulted in the recognition of a deferred accounting gain of $963, gross debt service savings of $24,606, and an economic gain of $15,785 or 8.8% of refunded bonds. As of June 30, 2024 and 2023, the principal amount of the 2023 Series C bonds outstanding was $165,660.

l) Future Annual Debt Service of Revenue and Refunding Bonds

The following table presents the future annual debt service relating to the revenue and refunding bonds outstanding as of June 30, 2024. The interest before subsidy amounts includes the interest for 2010 Series B, 2013 Series B, 2016 Series A and B, 2018 Series A and B, 2021 Series A and B bonds, 2022 Series B, and 2023 Series A, B, and C bonds. The federal interest subsidy amounts represent 35.0% of the interest, excluding sequestration, for the 2010 Series B revenue bonds.

	Principal	Interest before subsidy	Federal interest subsidy*	Interest net of subsidy
Fiscal years ending June 30:				
2025	$ 35,370	111,665	(3,235)	108,430
2026	38,460	109,860	(3,105)	106,755
2027	70,295	107,170	(2,968)	104,202
2028	77,225	103,460	(2,822)	100,638
2029	104,875	98,877	(2,668)	96,209
2030-2034	541,195	411,644	(10,719)	400,925
2035-2039	515,035	277,620	(5,557)	272,063
2040-2044	499,950	156,118	(527)	155,591
2045-2049	374,635	61,243	—	61,243
2050-2052	112,560	7,096	—	7,096
Total	2,369,600	1,444,753	(31,601)	1,413,152
Less: Current portion	(35,370)			
Add: Unamortized bond premiums	315,451			
Long-term portion as of June 30, 2024	$ 2,649,681			

*The SFPUC received an IRS notice, dated April 17, 2024, that the federal interest subsidy on the 2010 Series B bonds is reduced by 5.7% through fiscal year 2030, or a total reduction of $1,910, due to sequestration over the remaining life of the bonds assuming the sequestration rate will remain the same after fiscal year 2024.

As defined in the Indenture, the principal and interest of the Wastewater Enterprise’s refunding bonds are payable from its corresponding revenue as well as monies deposited in certain funds and accounts pledged thereto (see Note 5).

m) Lake Merced Green Infrastructure Project - CWSRF Loan

In January 2016, then amended in May 2016, the SFPUC entered into an Installment Sale Agreement with the State Water Resources Control Board for a Clean Water State Revolving Fund ("CWSRF") Loan to fund the Lake Merced Green Infrastructure Project of the Sewer System Improvement Program. The aggregate amount of the CWSRF loans is $7,435. The loan bears an interest rate of 1.6% which was equal to one-half of the State of California's most recent 30-year General Obligation Bond true interest cost at the time the agreement was executed. The CWSRF loan will have a 30-year term, with loan repayment beginning one year after substantial completion of each project's construction; completion was in October 2020. The CWSRF loan is secured on a parity lien basis with the Wastewater Enterprise's outstanding revenue bonds. The SFPUC has received loan disbursements to date totaling $6,116 and a construction period interest of $166 transferred to principal. As of June 30, 2024 and 2023, the principal amount outstanding of the loan was $5,775 and $5,945, respectively.

n) Southeast Plant (SEP) 521/522 and Disinfection Upgrade Project - CWSRF Loan

In September 2017, then amended in December 2017 and May 2018, the SFPUC entered into an Installment Sale Agreement with the State Water Resources Control Board for a CWSRF Loan to fund the SEP 521/522 and Disinfection Upgrade Project of the Sewer System Improvement Program. The aggregate amount of the CWSRF loans is $40,007. The loan bears an interest rate of 1.8% which was equal to one-half of the State of California's most recent 30-year General Obligation Bond true interest cost at the time the agreement was executed. The CWSRF loan will have a 30-year term, with loan repayment beginning one year after substantial completion of each project's construction; substantial completion occurred in July 2019. The CWSRF loan is secured on a parity lien basis with the Wastewater Enterprise's outstanding revenue bonds. The SFPUC has received proceeds from loan disbursements to date totaling $39,741. As of June 30, 2024 and 2023, the principal amount outstanding of the loan was $35,350 and $36,409, respectively.

o) North Point Facility Outfall Rehabilitation Project CWSRF Loan

In September 2017, the SFPUC entered into an Installment Sale Agreement with the State Water Resources Control Board for a CWSRF Loan to fund the North Point Facility Outfall Rehabilitation Project of the Sewer System Improvement Program. The aggregate amount of the CWSRF loans is $20,199. The loan bears an interest rate of 1.8% which was equal to one-half of the State of California's most recent 30-year General Obligation Bond true interest cost at the time the agreement was executed. The CWSRF loan will have a 30-year term, with loan repayment beginning one year after substantial completion of each project's construction; substantial completion occurred in February 2018. The CWSRF loans is secured on a parity lien basis with the Wastewater Enterprise's outstanding revenue bonds. The SFPUC has received proceeds from loan disbursements to date totaling $17,706. As of June 30, 2024 and 2023, the principal amount outstanding of the loan was $14,744 and $15,231, respectively.

p) Southeast Plant (SEP) Primary/Secondary Clarifier Upgrade Project - CWSRF Loan

In September 2017, the SFPUC entered into an Installment Sale Agreement with the State Water Resources Control Board for a CWSRF Loan to fund the SEP Primary/Secondary Clarifier Upgrade Project of the Sewer System Improvement Program. The aggregate amount of the CWSRF loans is $34,446. The loan bears an interest rate of 0.8% which was equal to one-half of the State of California's most recent 30-year General Obligation Bond true interest cost at the time the agreement was executed. The CWSRF loan will have a 30-year term, with loan repayment beginning one year after substantial completion of each project's construction; substantial completion occurred in June 2018. The CWSRF loan is secured on a parity lien basis with the Wastewater Enterprise's outstanding revenue bonds. The SFPUC has received proceeds from loan disbursements to date totaling $29,197. As of June 30, 2024 and 2023, the principal amount outstanding of the loan was $24,445 and $25,254, respectively.

q) Oceanside Plant (OSP) Digester Gas Utilization Upgrade Project CWSRF Loan

In May 2020, the SFPUC entered into an Installment Sale Agreement with the State Water Resources Control Board for a CWSRF Loan to fund the OSP Digester Gas Utilization Upgrade Project of the Sewer System Improvement Program. The CWSRF loan is in the amount of $54,388, which includes $4,000 of principal forgiveness, or a grant. The loan bears an interest rate of 1.4% which was equal to one-half of the State of California's most recent 30-year General Obligation Bond true interest cost at the time the agreement was executed. The CWSRF loan will have a 30-year term, with loan repayment beginning one year after substantial completion of each project's construction. The CWSRF loan is secured on a parity lien basis with the Wastewater Enterprise's outstanding revenue bonds. The SFPUC has received proceeds from loan disbursements to date totaling $33,230, which included a loan forgiveness grant of $4,000. As of June 30, 2024 and 2023, the principal amount outstanding of the loan was $30,067 and $29,230, respectively.

r) Southeast Plant (SEP) Biosolids Digester Facilities Project - CWSRF Loan and Grant

In May 2020, the SFPUC entered into an Installment Sale Agreement with the State Water Resources Control Board for a CWSRF Loan to fund the SEP Biosolids Digester Facilities Project of the Sewer System Improvement Program. The CWSRF loan is in the amount of $132,000, which includes $4,000 of principal forgiveness, or a grant. The loan bears an interest rate of 1.4% which was equal to one-half of the State of California's most recent 30-year General Obligation Bond true interest cost at the time the agreement was executed. The CWSRF loan will have a 30-year term, with loan repayment beginning one year after substantial completion of each project's construction; substantial completion is expected in May 2026. The CWSRF loan is secured on a parity lien basis with the Wastewater Enterprise's outstanding revenue bonds. The SFPUC has received proceeds from loan disbursements to date totaling $132,000, which includes a $4,000 loan forgiveness grant. As of June 30, 2024 and 2023, the principal amount outstanding of the loan was $128,000.

s) Southeast Plant (SEP) New Headworks (Grit) Replacement Project - CWSRF Loan

In May 2021, the SFPUC entered into an Installment Sale Agreement with the State Water Resources Control Board for a CWSRF Loan to fund the SEP New Headworks (Grit) Replacement Project of the Sewer System Improvement Program. The CWSRF loan is in the amount of $112,036. The loan bears an interest rate of 1.1% which was equal to one-half of the State of California's most recent 30-year General Obligation Bond true interest cost at the time the agreement was executed. The CWSRF loan will have a 30-year term, with loan repayment beginning one year after substantial completion of each project's construction; substantial completion is expected in August 2027. The CWSRF loan is secured on a parity lien basis with the Wastewater Enterprise's outstanding revenue bonds. The SFPUC has received proceeds from loan disbursements to date totaling $64,678 and a receivable for reimbursement of $13,942. As of June 30, 2024 and 2023, the principal amount outstanding of the loan was $79,281 and $78,620, respectively.

(Dollars in thousands, unless otherwise stated)

t) Future Annual Debt Service of State Revolving Fund Loans (CWSRF Loans)

The future annual debt service relating to the SRF Loans to fund the Lake Merced Green Infrastructure Project, the North Point Facility Outfall Rehabilitation Project, the SEP Primary/Secondary Clarifier Upgrade Project, the SEP 521/522 and Disinfection Upgrade Project, the OSP Digester Gas Utilization Upgrade Project, the SEP Biosolids Digester Facilities Project, and the SEP New Headworks (Grit) Replacement Project outstanding as of June 30, 2024 is as follows:

		Principal	Interest and Fees*	Total
Fiscal years ending June 30:				
2025	$	5,629	2,727	8,356
2026		5,711	2,645	8,356
2027		9,257	4,354	13,611
2028		9,390	4,221	13,611
2029		9,525	4,086	13,611
2030-2034		49,720	18,333	68,053
2035-2039		53,409	14,645	68,054
2040-2044		57,379	10,675	68,054
2045-2049		59,630	6,399	66,029
2050-2054		47,720	2,555	50,275
2055-2056		10,292	217	10,509
Total		317,662	70,857	388,519
Less: Current portion		(5,629)		
Long-term portion as of June 30, 2024	$	312,033		

*Interest and Fees included debt administrative fees for the North Point Facility and SEP Clarifier Upgrade SRF loans.

u) Biosolids Digester Facility Project Water Infrastructure Finance Innovation Act Loan Agreement (WIFIA)

In July 2018, the SFPUC entered into a WIFIA Loan Agreement with the United States Environmental Protection Agency (EPA) in the amount of $699,242. The WIFIA Loan was entered into pursuant to the WIFIA statute authorized by Congress in 2014. The WIFIA Loan will fund 49% of the costs of the Wastewater Enterprise’s Biosolids Digester Facility Project plus certain eligible expenses. Payment of the WIFIA Loan will be secured by a senior lien pledge of the Wastewater Enterprise’s net revenues and is on a parity lien basis with the SFPUC’s outstanding Wastewater Revenue Bonds and Clean Water SRF Loans entered into with the California State Water Resources Control Board.

The original 2018 loan bore a fixed interest rate of 3.09% for a 35-year term, with loan repayment expected to begin in fiscal year 2026, after substantial completion of project construction. In June 2020 the SFPUC re-executed the WIFIA Loan Agreement to have a fixed interest rate of 1.45% for a 35-year term. All other terms of WIFIA Loan Agreement are unchanged.

In March of 2023, the SFPUC received disbursement of $122,283 in respect to eligible project costs and a capitalized interest of $74 added to principal. In January of 2024, the SFPUC received a second disbursement of $439,995 in respect to eligible project costs. As of June 30, 2024 and 2023, the principal amount outstanding of the loan including capitalized interest was $567,511 and $122,357, respectively.

v) Southeast Treatment Plant Improvements Project - WIFIA Loan

In June 2020, another WIFIA Loan agreement with the United States Environmental Protection Agency in the amount of $513,862 was executed. The WIFIA Loan was entered into pursuant to the WIFIA statute authorized by Congress in 2014. The WIFIA Loan will fund 49% of the costs of the Wastewater Enterprise’s SEP New Headworks Replacement Project and additional costs of the revised Biosolids Digester Facility Project plus certain eligible expenses. Payment of the WIFIA Loan will be secured by a senior lien pledge of the Wastewater Enterprise’s net revenues and is on a parity lien basis with the SFPUC’s outstanding Wastewater Revenue Bonds and

(Dollars in thousands, unless otherwise stated)

Clean Water SRF Loans entered into with the California State Water Resources Control Board. The loan will bear a fixed interest rate of 1.45% for a 35-year term, with loan repayment expected to begin in fiscal year 2025, after substantial completion of project construction.

In January of 2024, the SFPUC received disbursement of $352,573 in respect to eligible project costs. As of June 30, 2024 and 2023, the principal amount outstanding of the loan including capitalized interest was $354,920 and $0, respectively.

w) Master Loan Agreement and Project 1 Loan Agreement - WIFIA Loan

In April 2023, the SFPUC entered into a WIFIA Master Agreement and Project 1 Loan Agreement with the United States Environmental Protection Agency. The WIFIA Master Agreement and Project 1 Loan was entered into pursuant to the WIFIA authorized by Congress in 2014. The SFPUC entered the WIFIA Master Loan Agreement with the EPA in an amount not to exceed $791,337 to provide partial funding for projects in the Wastewater Enterprise Capital Plan. The Master Agreement defines the general terms for funding a series of WIFIA loans, the first of which is the "Project 1 Loan Agreement". The incurrence of the Project 1 Loan Agreement, in an aggregate initial principal amount not to exceed $369,335, will provide partial funding for six Wastewater Enterprise capital improvement projects. Those projects are Westside Pump Station Reliability Improvements, North Shore Pump Station Wet Weather Improvements, Wawona Area Stormwater Improvement, New Treasure Island Wastewater Treatment Plant, Folsom Area Stormwater Improvement, and Yosemite Creek Daylighting. Proceeds of the loan will fund 49% of project costs plus eligible expenses. The Project 1 Loan is on a parity lien basis with the SFPUC's outstanding Wastewater Revenue Bonds and Clean Water SRF Loans entered into with the California State Water Resources Control Board. The loan will bear a fixed interest rate of 3.65% for a 32-year term, with loan repayment expected to begin in fiscal year 2033. The EPA has approved $90,785 in project costs as of June 30, 2024. The SFPUC has not yet submitted any requests for disbursement and there was no outstanding loan principal as of June 30, 2024 and 2023.

x) Future Annual Debt Service of WIFIA Loans

The future annual debt service relating to the WIFIA Loan to fund the Biosolids Digester Facility Project and the Southeast Treatment Plant Project outstanding as of June 30, 2024 is as follows:

		Principal	Interest	Total
Fiscal years ending June 30:				
2025	$	—	—	—
2026		—	4,115	4,115
2027		—	8,229	8,229
2028		—	8,229	8,229
2029		—	8,229	8,229
2030-2034		—	54,010	54,010
2035-2039		—	66,876	66,876
2040-2044		26,482	66,693	93,175
2045-2049		176,558	59,576	236,134
2050-2054		302,405	41,821	344,226
2055-2059		346,570	18,414	364,984
2060-2062		70,416	1,291	71,707
Total		922,431	337,483	1,259,914
Less: Current portion		—		
Long-term portion as of June 30, 2024	$	922,431		

y) Events of Default and Remedies

Significant events of default as specified in the Wastewater Enterprise Indenture (applicable to Wastewater Revenue Bonds, SRF Loans, and WIFIA Loan include 1) Non-payment 2) material breach of warranty, representation, or indenture covenants (not cured within applicable grace periods), and 3) bankruptcy and insolvency events, which may result in the Trustee (upon written request by the majority of the owners (by aggregate amount of the bond obligations or of a credit provider), declaring the principal and the interest accrued thereon, to be due and payable immediately. As of June 30, 2024 and 2023, there were no such events described herein.

(Dollars in thousands, unless otherwise stated)

Hetchy Water Long-Term Liability activities for the years ended June 30, 2024 and 2023 are as follows:

		2023	Additions	Reductions	2024	Due within one year
Net other postemployment benefits liability	$	14,907	3,469	(2,107)	16,269	—
Net pension liability		14,105	9,809	(4,824)	19,090	—
Accrued vacation and sick leave		2,266	927	(713)	2,480	1,272
Accrued workers' compensation		1,219	337	(259)	1,297	228
Due to Other City departments		—	—	—	—	—
Lease liability		138	—	(16)	122	16
Subscription liability		139	—	(80)	59	30
Damage claims liability		700	96	(528)	268	121
Unearned revenues, refunds, and other		110	10	(14)	106	106
Total	$	33,584	14,648	(8,541)	39,691	1,773

		2022	Additions	Reductions	2023	Due within one year
Net other postemployment benefits liability	$	14,240	667	—	14,907	—
Net pension liability		—	14,105	—	14,105	—
Accrued vacation and sick leave		2,169	700	(603)	2,266	1,132
Accrued workers' compensation		1,228	76	(85)	1,219	216
Lease liability		62	105	(29)	138	16
Subscription liability		309	—	(170)	139	80
Damage claims liability		627	320	(247)	700	300
Unearned revenues, refunds, and other		134	15	(39)	110	110
Total	$	18,769	15,988	(1,173)	33,584	1,854

Hetchy Power Long-Term Liability activities for the years ended June 30, 2024 and 2023 are as follows:

	Interest Rate	Maturity (Calendar Year)		2023	Additions	Reductions	2024	Due within one year
Bonds:								
Qualified Energy Conservation Bonds	4.74 %	2027	$	2,583	—	(562)	2,021	569
New Clean Renewable Energy Bonds 2015	4.62	2032		1,491	—	(148)	1,343	150
2015 Series A Revenue Bonds	4.00 - 5.00	2045		32,025	—	—	32,025	—
2015 Series B Revenue Bonds	3.00 - 4.00	2026		2,885	—	(880)	2,005	910
2021 Series A Revenue Bonds	4.00 - 5.00	2051		74,280	—	—	74,280	1,385
2021 Series B Revenue Bonds	4.00 - 5.00	2051		49,720	—	—	49,720	585
2023 Series A Revenue Bonds	5.00	2053		—	123,905	—	123,905	—
Add issuance premiums				27,948	7,325	(1,773)	33,500	—
Total bonds payable				190,932	131,230	(3,363)	318,799	3,599
2009 Series D COPs (Build America)	6.36 – 6.49	2041		12,593	—	(445)	12,148	463
Commercial Papers*	2.80 – 3.69	2024		116,352	—	(116,352)	—	—
Net other postemployment benefits liability				18,220	4,239	(2,576)	19,883	—
Net pension liability				17,239	11,989	(5,896)	23,332	—
Accrued vacation and sick leave				3,716	2,123	(1,862)	3,977	2,038
Accrued workers' compensation				2,238	663	(565)	2,336	417
Arbitrage rebate payable				—	184	—	184	—
Due to other City departments				1,946	—	(1,946)	—	—
Lease liability				169	—	(19)	150	19
Liabilities payable from restricted assets				—	28,867	—	28,867	25,513
Subscription liability				116	—	(65)	51	25
Damage claims liability				6,150	9,273	(11,649)	3,774	1,872
Unearned revenues, refunds, and other				6,460	7,465	(6,741)	7,184	6,604
Total			$	376,131	196,033	(151,479)	420,685	40,550

*Commercial papers were short-term in fiscal year 2024.

(Dollars in thousands, unless otherwise stated)

	Interest Rate	Maturity (Calendar Year)	2022	Additions	Reductions	2023	Due within one year
Bonds:							
Clean Renewable Energy Bonds	0.00 %	2022	$ 421	—	(421)	—	—
Qualified Energy Conservation Bonds	4.74	2027	3,138	—	(555)	2,583	562
New Clean Renewable Energy Bonds 2015	4.62	2032	1,637	—	(146)	1,491	148
2015 Series A Revenue Bonds	4.00 - 5.00	2045	32,025	—	—	32,025	—
2015 Series B Revenue Bonds	3.00 - 4.00	2026	3,735	—	(850)	2,885	880
2021 Series A Revenue Bonds	4.00 - 5.00	2051	74,280	—	—	74,280	—
2021 Series B Revenue Bonds	4.00 - 5.00	2051	49,720	—	—	49,720	—
Less issuance discount			(6)	—	6	—	—
Add issuance premiums			29,536	—	(1,588)	27,948	—
Total bonds payable			194,486	—	(3,554)	190,932	1,590
2009 Series C Certificates of Participation (COPs)	2.00 – 5.00	2022	425	—	(425)	—	—
2009 Series C COPs issuance premiums			2	—	(2)	—	—
2009 Series D COPs (Build America)	6.36 – 6.49	2041	12,593	—	—	12,593	445
Commercial Papers	1.05 – 3.15	2023	—	116,352	—	116,352	—
Net other postemployment benefits liability			17,405	815	—	18,220	—
Net pension liability			—	17,239	—	17,239	—
Accrued vacation and sick leave			3,597	1,838	(1,719)	3,716	1,867
Accrued workers' compensation			2,250	224	(236)	2,238	401
Due to other City departments			380	1,946	(380)	1,946	1,946
Lease liability			75	131	(37)	169	19
Subscription liability			253	—	(137)	116	65
Damage claims liability			1,023	10,439	(5,312)	6,150	450
Unearned revenues, refunds, and other			6,727	10,385	(10,652)	6,460	5,880
Total			$ 239,216	159,369	(22,454)	376,131	12,663

CleanPowerSF Long-Term Liability activities for the years ended June 30, 2024 and 2023 are as follows:

	2023	Additions	Reductions	2024	Due within one year
Net other postemployment benefits liability	$ 4,053	806	(670)	4,189	—
Net pension liability	2,124	2,190	(751)	3,563	—
Accrued vacation and sick leave	743	253	(236)	760	413
Subscription liability	31	—	(18)	13	6
Damage claims liability	34	915	(928)	21	17
Unearned revenues, refunds, and other	6,146	18,883	(17,043)	7,986	7,986
Total	$ 13,131	23,047	(19,646)	16,532	8,422

	2022	Additions	Reductions	2023	Due within one year
Net other postemployment benefits liability	$ 2,264	1,789	—	4,053	—
Net pension liability	—	2,124	—	2,124	—
Accrued vacation and sick leave	546	451	(254)	743	394
Lease liability	232	—	(232)	—	—
Subscription liability	70	—	(39)	31	18
Damage claims liability	32	1,738	(1,736)	34	16
Unearned revenues, refunds, and other	13,196	23,034	(30,084)	6,146	6,146
Total	$ 16,340	29,136	(32,345)	13,131	6,574

a) Qualified Energy Conservation Bonds

In December 2011, Hetchy Power issued $8,291 of taxable QECBs. The QECBs were issued to fund certain qualified green components for the SFPUC's 525 Golden Gate Headquarters project. The QECBs were non-rated and privately placed with Banc of America Leasing. The net effective interest rate on the QECBs, after the federal tax subsidy, is 1.2% through 2028.

(Dollars in thousands, unless otherwise stated)

The future annual debt service relating to the QECBs outstanding as of June 30, 2024 is as follows:

Fiscal years ending June 30:	Principal	Interest before subsidy	Federal interest subsidy*	Interest net of subsidy
2025	$ 569	89	(63)	26
2026	576	62	(44)	18
2027	582	35	(24)	11
2028	294	7	(4)	3
Total	2,021	193	(135)	58
Less: Current portion	(569)			
Long-term portion as of June 30, 2024	$ 1,452			

*The SFPUC received an IRS notice dated April 17, 2024 that the federal interest subsidy is reduced by 5.7% or a total reduction of $8 due to sequestration over the remaining life of the bonds assuming the sequestration rate will remain the same after fiscal year 2024.

b) New Clean Renewable Energy Bonds 2015

In October 2015, Hetchy Power issued $4,100 of taxable 2015 NCREBs. The 2015 NCREBs were issued to fund certain qualified clean, renewable energy solar generation facilities at the Marina Middle School and the San Francisco Police Academy. The 2015 NCREBs were non-rated and privately placed with Banc of America Leasing. The net effective interest rate on the 2015 NCREBs, after the federal tax subsidy, is 1.4% through 2033. $1,272 of principal was prepaid in fiscal year 2021.

The future annual debt service relating to the 2015 NCREBs outstanding as of June 30, 2024 is as follows:

Fiscal years ending June 30:	Principal	Interest before subsidy	Federal interest subsidy*	Interest net of subsidy
2025	$ 150	60	(40)	20
2026	152	53	(35)	18
2027	154	47	(31)	16
2028	156	39	(26)	13
2029	159	32	(21)	11
2030-2033	572	53	(35)	18
Total	1,343	284	(188)	96
Less: Current portion	(150)			
Long-term portion as of June 30, 2024	$ 1,193			

*The SFPUC received an IRS notice dated April 17, 2024 that the federal interest subsidy is reduced by 5.7% or a total reduction of $11 due to sequestration over the remaining life of the bonds assuming the sequestration rate will remain the same after fiscal year 2024.

c) Power Revenue Bonds 2015 Series A (Green) and Series B

In May 2015, Hetchy Power issued tax-exempt revenue bonds, 2015 Series A (Green) in the amount of $32,025 with interest rates ranging from 4.0% to 5.0% and 2015 Series B in the amount of $7,530 with interest rates ranging from 3.0% to 4.0%. Proceeds from the bonds were used to finance reconstruction or replacement of existing facilities of the SFPUC's Hetch Hetchy project, to fund capitalized interest on the 2015 Series AB Bonds, to fund a debt service reserve account for the 2015 Series AB Bonds, and to pay costs of issuance of the 2015 Series AB bonds. The bonds were rated “A+” and “AA-” by S&P and Fitch, respectively. Final maturity for 2015 Series AB are November 1, 2045 and November 1, 2026, respectively. The true interest cost is 3.95%. As of June 30, 2024 and 2023, the outstanding principal amounts were $34,030 and $34,910, respectively.

(Dollars in thousands, unless otherwise stated)

The future annual debt service relating to the 2015 Series AB Bonds outstanding as of June 30, 2024 are as follows:

Hetchy Power - Power Revenue Bonds 2015 Series A (Green)

Fiscal years ending June 30:		Principal	Interest	Total
2025	$	—	1,593	1,593
2026		—	1,593	1,593
2027		830	1,576	2,406
2028		1,020	1,534	2,554
2029		1,075	1,482	2,557
2030-2034		6,225	6,528	12,753
2035-2039		7,940	4,765	12,705
2040-2044		10,135	2,516	12,651
2045-2046		4,800	243	5,043
Total		32,025	21,830	53,855
Add: Unamortized bond premium		2,794		
Long-term portion as of June 30, 2024	$	34,819		

Hetchy Power - Power Revenue Bonds 2015 Series B

Fiscal years ending June 30:		Principal	Interest	Total
2025	$	910	62	972
2026		945	25	970
2027		150	3	153
Total		2,005	90	2,095
Less: Current portion		(910)		
Add: Unamortized bond premium		28		
Long-term portion as of June 30, 2024	$	1,123		

d) Power Revenue Bonds 2021 Series A (Green) and Series B

In December 2021, Hetchy Power issued tax-exempt revenue bonds, 2021 Series A (Green) in the amount of $74,280 with interest rates ranging from 4.0% to 5.0% and 2021 Series B in the amount of $49,720 with interest rates ranging from 4.0% to 5.0%. Proceeds from the bonds were used to refinance a portion of the costs of various capital projects benefiting the Power Enterprise, to fund capitalized interest on the 2021 Series AB Bonds, and to pay costs of issuance. The bonds were rated “AA” and “AA-” by S&P and Fitch, respectively. Final maturity for 2021 Series AB are November 1, 2051. The true interest cost is 2.64%. As of June 30, 2024 and 2023, the outstanding principal amount was $124,000.

The future annual debt service relating to the 2021 Series AB Bonds outstanding as of June 30, 2024 are as follows:

Hetchy Power - Power Revenue Bonds 2021 Series A (Green)

Fiscal years ending June 30:		Principal	Interest	Total
2025		1,385	3,050	4,435
2026		1,455	2,979	4,434
2027		1,530	2,905	4,435
2028		1,605	2,826	4,431
2029		1,690	2,744	4,434
2030-2034		9,730	12,442	22,172
2035-2039		11,940	10,221	22,161
2040-2044		14,590	7,577	22,167
2045-2049		17,825	4,346	22,171
2050-2052		12,530	765	13,295
Total		74,280	49,855	124,135
Less: Current portion		(1,385)		
Add: Unamortized bond premium		14,095		
Long-term portion as of June 30, 2024	$	86,990		

(Dollars in thousands, unless otherwise stated)

Hetchy Power - Power Revenue Bonds 2021 Series B

Fiscal years ending June 30:	Principal	Interest	Total
2025	$ 585	2,030	2,615
2026	620	2,000	2,620
2027	650	1,969	2,619
2028	685	1,935	2,620
2029	715	1,900	2,615
2030-2034	4,130	8,932	13,062
2035-2039	5,220	7,964	13,184
2040-2044	6,465	6,798	13,263
2045-2049	15,985	4,887	20,872
2050-2052	14,665	896	15,561
Total	49,720	39,311	89,031
Less: Current portion	(585)		
Add: Unamortized bond premium	9,422		
Long-term portion as of June 30, 2024	$ 58,557		

e) Power Revenue Bonds 2023 Series A

In October 2023, Hetchy Power issued tax-exempt power revenue bonds, 2023 Series A in the amount of $123,905 with coupon interest rates of 5.0%. Proceeds from the bonds were used to finance or refinance Power Enterprise projects through the retirement of commercial paper issued as interim financing for such projects in furtherance of the Power Capital Improvement Program, to fund capitalized interest, and to pay costs of issuance. The bonds were rated “AA” and “AA-” by S&P and Fitch, respectively. Final maturity for 2023 Series A is November 1, 2053. The true interest cost is 4.56%. As of June 30, 2024, the outstanding principal amount was $123,905.

The future annual debt service relating to the 2023 Series A Bonds outstanding as of June 30, 2024 are as follows:

Fiscal years ending June 30:	Principal	Interest	Total
2025	$ —	6,195	6,195
2026	—	6,195	6,195
2027	1,075	6,168	7,243
2028	1,445	6,105	7,550
2029	1,820	6,024	7,844
2030-2034	10,915	28,603	39,518
2035-2039	14,640	25,403	40,043
2040-2044	18,760	21,251	40,011
2045-2049	24,090	15,922	40,012
2050-2054	51,160	8,080	59,240
Total	123,905	129,946	253,851
Add: Unamortized bond premium	7,161		
Long-term portion as of June 30, 2024	$ 131,066		

f) Events of Default and Remedies

In accordance with GASB Statement No. 88, *Certain Disclosures Related to Debt, Including Direct Borrowings and Direct Placements*, significant events of default as specified in the Power Enterprise Indenture (applicable to Power Revenue Bonds and energy bonds) and the Equipment Lease/Purchase Agreement include 1) non-payment, 2) material breach of warranty, representation, or indenture covenants (not cured within applicable grace periods) and 3) bankruptcy and insolvency events, which may result in the Trustee (upon written request by the majority of the owners (by aggregate amount of the bond obligations), declare the principal and the interest accrued thereon to be due and payable immediately. As of June 30, 2024 and 2023, there were no such events described herein. See Note 17(a) for information about CleanPowerSF guarantee.

(Dollars in thousands, unless otherwise stated)

(8) Certificates of Participation Issued for the 525 Golden Gate Avenue Headquarters Building

Department-wide Business Type Activities

In October 2009, the City issued $167,670 in certificates of participation to fund the headquarters building of the SFPUC at 525 Golden Gate Avenue. The 2009 Series C were issued for $38,120 and 2009 Series D for $129,550 as “Build America Bonds” (BABs) on a taxable basis under the 2009 American Recovery and Reinvestment Act. The 2009 Series C certificates carry interest rates ranging from 2.0% to 5.0% and mature on November 1, 2022. The 2009 Series D certificates carry interest rates ranging from 6.4% to 6.5% and mature on November 1, 2041. After adjusting for the federal interest subsidy, the true interest cost averages 3.4% and 4.3% for Series C and Series D, respectively.

Under the terms of a memorandum of understanding (MOU) between the City and the SFPUC dated October 1, 2009, the City conveyed the real property to the Trustee, the Bank of New York Mellon Trust Company, N.A., which was replaced by U.S. Bank in March 2014 under a property lease in exchange for the proceeds of the sale of the certificates. The Trustee has leased the property back to the City for the City’s use under a project lease. The City is obligated under the project lease to pay base rental payments and other payments to the Trustee each year during the 32-year term of the project lease. The Commission makes annual base rental payments to the City for the building equal to annual debt service on the certificates. It is anticipated these lease costs will be offset with reductions in costs associated with current office rental expense. There are no events of default stated in the memorandum of understanding.

Each of the three enterprises has an ownership interest in the building equal to their projected usage of space as follows: Water (73%), Wastewater (15%), and Hetchy Power (12%). Similarly, each enterprise is responsible for a portion of the annual base rental payment based on their ownership percentages less contributed equity. The percentage share of Base Rental Payments for the enterprises is as follows: Water (71.4%), Wastewater (18.9%), and Hetchy Power (9.7%). Certificates of Participation 2009 Series C have been fully repaid as of June 30, 2023

The future annual debt service relating to the certificates of participation 2009 Series D outstanding as of June 30, 2024 are as follows:

Water Enterprise

	Principal	Interest before subsidy	Federal interest subsidy*	Interest net of subsidy
Fiscal years ending June 30:				
2025	$ 3,402	5,652	(1,865)	3,787
2026	3,545	5,431	(1,792)	3,639
2027	3,695	5,201	(1,716)	3,485
2028	3,852	4,961	(1,637)	3,324
2029	4,013	4,710	(1,555)	3,155
2030-2034	22,762	19,369	(6,393)	12,976
2035-2039	28,071	11,157	(3,682)	7,475
2040-2042	19,892	1,972	(651)	1,321
Total	89,232	58,453	(19,291)	39,162
Less: Current portion	(3,402)			
Long-term portion as of June 30, 2024	$ 85,830			

*The SFPUC received an IRS notice dated April 17, 2024 that the federal interest subsidy on the 2009 Series D bonds is reduced by 5.7%, or a total reduction of $1,166, due to sequestration over the remaining life of the bonds assuming the sequestration rate will remain the same after fiscal year 2024.

(Dollars in thousands, unless otherwise stated)

Wastewater Enterprise

		Principal	Interest before subsidy	Federal interest subsidy*	Interest net of subsidy
Fiscal years ending June 30:					
2025	$	900	1,494	(493)	1,001
2026		937	1,436	(474)	962
2027		977	1,375	(454)	921
2028		1,019	1,312	(433)	879
2029		1,061	1,246	(411)	835
2030-2034		6,019	5,121	(1,690)	3,431
2035-2039		7,422	2,950	(974)	1,976
2040-2042		5,260	521	(172)	349
Total		23,595	15,455	(5,101)	10,354
Less: Current portion		(900)			
Long-term portion as of June 30, 2024	$	22,695			

*The SFPUC received an IRS notice dated April 17, 2024, that the federal interest subsidy on the 2009 Series D bonds is reduced by 5.7% through fiscal year 2030, or a total reduction of $308, due to sequestration over the remaining life of the bonds assuming the sequestration rate will remain the same after fiscal year 2024.

Hetchy Power

		Principal	Interest before subsidy	Federal interest subsidy*	Interest net of subsidy
Fiscal years ending June 30:					
2025	$	463	769	(254)	515
2026		483	739	(244)	495
2027		503	709	(234)	475
2028		524	675	(223)	452
2029		546	641	(212)	429
2029-2033		3,099	2,637	(870)	1,767
2034-2038		3,822	1,519	(501)	1,018
2039-2042		2,708	269	(89)	180
Total		12,148	7,958	(2,627)	5,331
Less: Current portion		(463)			
Long-term portion as of June 30, 2024	$	11,685			

*The SFPUC received an IRS notice dated April 17, 2024 that the federal interest subsidy is reduced by 5.7% or a total reduction of $159 due to sequestration over the remaining life of the bonds assuming the sequestration rate will remain the same after fiscal year 2024.

(9) Revenue Pledge

Department-wide Business Type Activities - Department-wide revenue pledge for the years ended June 30, 2024 and 2023 are as follows:

		2024	2023
Bonds issued with revenue pledge	$	7,288,964	7,020,019
Notes issued with revenue pledge		—	347,465
Clean Water State Revolving Fund (CWSRF) loans with revenue pledge		577,632	492,403
WIFIA loans with revenue pledge		922,431	122,357
Principal and interest remaining due at the end of the year		13,704,350	12,347,101
Principal and interest paid during the year		401,428	409,778
Net revenues for the year ended June 30		577,165	603,734
Funds available for debt service*		1,076,907	1,042,606

*Water Enterprise includes other available funds budgetary balances that are non-GAAP.

Water Revenue Pledge

The Water Enterprise has pledged future revenues to repay various revenue bonds and State Revolving Fund loans. Proceeds from the revenue bonds and State Revolving Fund loans provided financing for various capital construction projects, and to refund previously issued bonds. The bonds and State Revolving Fund loans are payable solely from revenues of the Water Enterprise through the fiscal year ending 2058.

(Dollars in thousands, unless otherwise stated)

The original amount of revenue bonds and State Revolving Funds loan, total principal and interest remaining, principal and interest paid during fiscal years 2024 and 2023, applicable net revenues and funds available for debt service are as follows:

		2024	2023
Bonds issued with revenue pledge	$	4,634,065	4,459,365
Clean Water State Revolving Fund (CWSRF) loans with revenue pledge		259,970	163,627
Principal and interest remaining due at the end of the year		7,714,756	7,193,317
Principal and interest paid during the year		306,369	307,062
Net revenues for the year ended June 30		337,985	372,689
Funds available for debt service*		555,585	566,764

*Includes other available funds budgetary balances that are non-GAAP.

Wastewater Revenue Pledge

The Wastewater Enterprise has pledged future revenues to repay various revenue bonds, SRF, and WIFIA loans. Proceeds from the revenue bonds, revenue notes, SRF, and WIFIA loans provided financing for various capital construction projects, and to refund previously issued bonds. The bonds, SRF, and WIFIA loans are payable through fiscal years 2052, 2056, and 2062, respectively, and are solely from revenues of the Wastewater Enterprise.

The outstanding amount of revenue bonds issued, revenue notes issued, SRF loans, and WIFIA loans, total principal and interest remaining, principal and interest paid during fiscal years 2024 and 2023, applicable net revenues, and funds available for debt service are as follows:

		2024	2023
Bonds issued with revenue pledge	$	2,369,600	2,397,670
Notes issued with revenue pledge		—	347,465
Clean Water State Revolving Fund (CWSRF) loans with revenue pledge		317,662	328,776
WIFIA loans with revenue pledge		922,431	122,357
Principal and interest remaining due at the end of the year		5,462,786	4,872,238
Principal and interest paid during the year		91,601	98,811
Net revenues for the year ended June 30		188,709	178,850
Funds available for debt service		354,681	313,443

Hetchy Power Revenue Pledge

Hetchy Power has pledged future power revenues to repay the 2011 QECBs and the 2015 NCREBs. Additionally, Hetchy Power has pledged future power revenues for 2015 Series AB, 2021 Series AB, and 2023 Series A power revenue bonds. Proceeds from the bonds provided financing for various capital construction and facility energy efficiency projects. 2015 Series AB, 2021 Series AB, and 2023 Series A power revenue bonds are payable through fiscal years 2046, 2052, and 2054, respectively, and are solely payable from net revenues of Hetchy Power on a senior lien basis to the 2011 QECBs and the 2015 NCREBs.

Outstanding bonds issued with revenue pledge, total principal and interest remaining, principal and interest paid during fiscal years 2024 and 2023, applicable net revenues, and funds available for debt service are as follows:

		2024	2023
Bonds issued with revenue pledge	$	285,299	162,984
Principal and interest remaining due at the end of the year		526,808	281,546
Principal and interest paid during the year*		3,458	3,905
Net revenues for the year ended June 30		50,471	52,195
Funds available for debt service		166,641	162,399

* Per Indenture, debt service for coverage is calculated using the amount of principal and interest paid during the year for the 2015 Series AB, 2021 Series AB, and 2023 Series A power revenue bonds net of capitalized interest, if any, which have a senior lien on Power Enterprise revenues; principal and interest paid during the year for the 2015 Series AB, 2021 Series AB, and 2023 Series A power revenue bonds was $2,565, net of capitalized interest.

(Dollars in thousands, unless otherwise stated)

(10) Leases

Department-wide Business Type Activities

Lessee

The SFPUC has entered into long-term leases for land, office space, communication site, data processing, machinery, and other equipment. The terms and conditions for these leases vary, which range between 1-75 years.

A summary of intangible right-to-use lease during the years ended June 30, 2024 and 2023 are as follows:

Right-to-use assets:		2023	Increases	Decreases	Remeasurements	2024
Land	$	605	—	(605)	—	—
Building/facility		16,292	—	(8,839)	—	7,453
Total lease assets		16,897	—	(9,444)	—	7,453
Less accumulated amortization for:						
Land		(580)	(55)	605	—	(30)
Building/facility		(10,779)	(1,191)	7,567	—	(4,403)
Total accumulated amortization		(11,359)	(1,246)	8,172	—	(4,433)
Total lease assets, net	$	5,538	(1,246)	(1,272)	—	3,020

Right-to-use assets:		2022	Increases	Decreases	Remeasurements	2023
Land	$	605	—	—	—	605
Building/facility		14,356	149	(862)	2,649	16,292
Total lease assets		14,961	149	(862)	2,649	16,897
Less accumulated amortization for:						
Land		(383)	(197)	—	—	(580)
Building/facility		(7,805)	(3,836)	862	—	(10,779)
Total accumulated amortization		(8,188)	(4,033)	862	—	(11,359)
Total lease assets, net	$	6,773	(3,884)	—	2,649	5,538

A summary of changes in the related lease liabilities during the years ended June 30, 2024 and 2023 are as follows:

		2023	Additions	Remeasurements	Deductions	2024	Due within one year
Water	$	4,010	—	—	(1,189)	2,821	1,028
Wastewater		1,297	—	—	(1,297)	—	—
Hetchy Water		138	—	—	(16)	122	16
Hetchy Power		169	—	—	(19)	150	19
CleanPowerSF		—	—	—	—	—	—
SFPUC Total	$	5,614	—	—	(2,521)	3,093	1,063

		2022	Additions	Remeasurements	Deductions	2023	Due within one year
Water	$	2,863	149	2,413	(1,415)	4,010	1,189
Wastewater		3,638	—	—	(2,341)	1,297	1,297
Hetchy Water		62	—	105	(29)	138	16
Hetchy Power		75	—	131	(37)	169	19
CleanPowerSF		232	—	—	(232)	—	—
SFPUC Total	$	6,870	149	2,649	(4,054)	5,614	2,521

Variable Lease Payments - Variable lease payments, other than those payments that depend on an index or rate or are fixed in substance, are excluded from the measurement of the lease liability. Such amounts are recognized as lease expenses in the period in which the obligation for those payments is incurred.

Certain equipment or facility rental leases require SFPUC to make variable lease payments that based on usage, related to the property taxes levied on the lessor, and insurance payments made by the lessor; these amounts are generally determined annually.

(Dollars in thousands, unless otherwise stated)

The amounts recognized as expense for variable lease payments not included in the measurement of the lease liability for SFPUC during the year ended June 30, 2024 and 2023 were as follows:

		Water	Wastewater	Hetchy Water	Hetchy Power	CleanPowerSF	SFPUC Total
2024	$	79	4	—	—	—	83
2023		263	673	—	—	160	1,096

Lessor

The SFPUC has leased facilities, easements, communication site and equipment to various tenants. The terms and conditions for these leases vary, which range between 1-65 years.

The SFPUC variable payments include percentage of sales, utility payments or payments depended on an index made by the lessee; these amounts are generally determined periodically. The SFPUC did not incur revenue related to residual value guarantees or lease termination penalties. The total amounts for Water Enterprise's lease revenue, interest revenue, and other lease-related revenues recognized during the year ended June 30, 2024 and 2023 were $1,742 and $1,161, respectively. The total amounts for Wastewater Enterprise's lease revenue, interest revenue, and other lease-related revenues recognized during the years ended June 30, 2024 and 2023 were $37 and $7, respectively.

Principal and interest requirements to maturity for the lease receivable on June 30, 2024 and 2023 are as follows:

		Water	Wastewater	SFPUC Total
2024	$	1,742	37	1,779
2023		1,161	7	1,168

Water Enterprise as Lessee

A summary of intangible right-to-use leases during the years ended June 30, 2024 and 2023 are as follows:

Right-to-use assets:		2023	Increases	Decreases	Remeasurements	2024
Land	$	605	—	(605)	—	—
Building/facility		7,603	—	(592)	—	7,011
Total lease assets		8,208	—	(1,197)	—	7,011
Less accumulated amortization for:						
Land		(580)	(55)	605	—	(30)
Building/facility		(3,685)	(1,154)	592	—	(4,247)
Total accumulated amortization		(4,265)	(1,209)	1,197	—	(4,277)
Total lease assets, net	$	3,943	(1,209)	—	—	2,734

Right-to-use assets:		2022	Increases	Decreases	Remeasurements	2023
Land	$	605	—	—	—	605
Building/facility		5,041	149	—	2,413	7,603
Total lease assets		5,646	149	—	2,413	8,208
Less accumulated amortization for:						
Land		(383)	(197)	—	—	(580)
Building/facility		(2,451)	(1,234)	—	—	(3,685)
Total accumulated amortization		(2,834)	(1,431)	—	—	(4,265)
Total lease assets, net	$	2,812	(1,282)	—	2,413	3,943

A summary of changes in the related leases liabilities during the years ended June 30, 2024 and 2023 is as follows:

Fiscal years		Beginning of year	Additions	Remeasurements	Deductions	End of year	Due within one year
2024	$	4,010	—	—	(1,189)	2,821	1,028
2023		2,863	149	2,413	(1,415)	4,010	1,189

(Dollars in thousands, unless otherwise stated)

Future annual lease payments as of June 30, 2024 and 2023 are as follows:

Fiscal years ending June 30:		Principal	Interest	FY 2024 Total
2025	$	1,028	55	1,083
2026		546	32	578
2027		135	26	161
2028		122	23	145
2029		85	21	106
2030-2034		418	77	495
2035-2039		436	29	465
2040-2044		51	1	52
Total		2,821	264	3,085
Less: Current portion		(1,028)		
Long-term portion as of June 30, 2024	$	1,793		

Fiscal years ending June 30:		Principal	Interest	FY 2023 Total
2024	$	1,189	81	1,270
2025		1,028	55	1,083
2026		546	32	578
2027		135	26	161
2028		122	23	145
2029-2033		416	86	502
2034-2038		445	39	484
2039-2043		129	3	132
Total		4,010	345	4,355
Less: Current portion		(1,189)		
Long-term portion as of June 30, 2023	$	2,821		

Water Enterprise as Lessor

Principal and interest requirements to maturity for the lease receivable as of June 30, 2024 and 2023 are as follows:

Fiscal years ending June 30:		Principal	Interest	FY 2024 Total
2025	$	3,246	807	4,053
2026		2,676	748	3,424
2027		2,409	695	3,104
2028		2,423	645	3,068
2029		2,215	595	2,810
2030-2034		10,897	2,348	13,245
2035-2039		8,246	1,280	9,526
2040-2044		363	921	1,284
2045-2049		—	1,056	1,056
2050-2054		—	1,224	1,224
2055-2059		240	1,179	1,419
2060-2064		898	748	1,646
2065-2069		1,291	617	1,908
2070-2074		1,778	433	2,211
2075+		2,381	181	2,562
Total	$	39,063	13,477	52,540

(Dollars in thousands, unless otherwise stated)

Fiscal years ending June 30:		Principal	Interest	FY 2023 Total
2024	$	3,521	869	4,390
2025		3,610	821	4,431
2026		3,046	756	3,802
2027		2,721	698	3,419
2028		2,423	645	3,068
2029-2033		10,951	2,571	13,522
2034-2038		9,941	1,477	11,418
2039-2043		828	914	1,742
2044-2048		—	1,027	1,027
2049-2053		—	1,191	1,191
2054-2058		117	1,263	1,380
2059-2063		832	768	1,600
2064-2068		1,208	647	1,855
2069-2073		1,676	475	2,151
2074+		2,756	250	3,006
Total	$	43,630	14,372	58,002

Wastewater Enterprise as Lessee

A summary of intangible right-to-use leases during the years ended June 30, 2024 and 2023 are as follows:

Right-to-use assets:		2023	Increases	Decreases	Remeasurements	2024
Building/facility	$	8,247	—	(8,247)	—	—
Total lease assets		8,247	—	(8,247)	—	—
Less accumulated amortization for:						
Building/facility		(6,975)	—	6,975	—	—
Total accumulated amortization		(6,975)	—	6,975	—	—
Total lease assets, net	$	1,272	—	(1,272)	—	—

Right-to-use assets:		2022	Increases	Decreases	Remeasurements	2023
Building/facility	$	8,247	—	—	—	8,247
Total lease assets		8,247	—	—	—	8,247
Less accumulated amortization for:						
Building/facility		(4,650)	(2,325)	—	—	(6,975)
Total accumulated amortization		(4,650)	(2,325)	—	—	(6,975)
Total lease assets, net	$	3,597	(2,325)	—	—	1,272

A summary of changes in the related leases liabilities during the years ended June 30, 2024 and 2023 are as follows:

Fiscal years		Beginning of year	Additions	Remeasurements	Deductions	End of year	Due within one year
2024	$	1,297	—	—	(1,297)	—	—
2023		3,638	—	—	(2,341)	1,297	1,297

Future annual lease payments as of June 30, 2024 and 2023 are as follows:

Fiscal year ending June 30:		Principal	Interest	FY 2024 Total
2024	$	1,297	6	1,303
Less: Current portion		(1,297)	6	1,303
Long-term portion as of June 30, 2024	$	—		

Fiscal years ending June 30:		Principal	Interest	FY 2023 Total
2023	$	—	—	—
2024		1,297	6	1,303
Total		1,297	6	1,303
Less: Current portion		—		
Long-term portion as of June 30, 2023	$	1,297		

(Dollars in thousands, unless otherwise stated)

Wastewater Enterprise as Lessor

Variable payments include percentage of sales, or payments depended on an index made by the lessee; these amounts are generally determined periodically. The Wastewater Enterprise did not incur revenue related to residual value guarantees or lease termination penalties. The total amounts for lease revenue, interest revenue, and other lease-related revenues recognized during the years ended June 30, 2024 and 2023 were $37 and $7, respectively.

Principal and interest requirements to maturity for the lease receivable as of June 30, 2024 are as follows:

Fiscal years ending June 30:		Principal	Interest	FY 2024 Total
2025	$	226	32	258
2026		241	26	267
2027		257	19	276
2028		215	12	227
2029		105	7	112
2030-2033		201	6	207
Total	$	1,245	102	1,347

Fiscal years ending June 30:		Principal	Interest	FY 2023 Total
2024	$	212	38	250
2025		226	32	258
2026		241	26	267
2027		257	19	276
2028		215	12	227
2029-2031		306	13	319
Total	$	1,457	140	1,597

Hetchy Water as Lessee

A summary of intangible right-to-use leases during the years ended June 30, 2024 and 2023 are as follows:

Right-to-use assets:		2023	Increases	Decreases	Remeasurements	2024
Building/facility	$	198	—	—	—	198
Total lease assets		198	—	—	—	198
Less accumulated amortization for:						
Building/facility		(53)	(16)	—	—	(69)
Total accumulated amortization		(53)	(16)	—	—	(69)
Total lease assets, net	$	145	(16)	—	—	129

Right-to-use assets:		2022	Increases	Decreases	Remeasurements	2023
Building/facility	$	67	—	26	105	198
Total lease assets		67	—	26	105	198
Less accumulated amortization for:						
Building/facility		(6)	(21)	(26)	—	(53)
Total accumulated amortization		(6)	(21)	(26)	—	(53)
Total lease assets, net	$	61	(21)	—	105	145

A summary of changes in the related leases liabilities during the years ended June 30, 2024 and 2023 are as follows:

Fiscal years		Beginning of year	Additions	Remeasurements	Deductions	End of year	Due within one year
2024	$	138	—	—	(16)	122	16
2023		62	—	105	(29)	138	16

(Dollars in thousands, unless otherwise stated)

Future annual lease payments as of June 30, 2024 and 2023 are as follows:

Fiscal years ending June 30:		Principal	Interest	FY 2024 Total
2025	$	16	2	18
2026		16	2	18
2027		16	2	18
2028		17	1	18
2029		17	1	18
2030-2034		17	4	21
2035-2039		19	1	20
2040-2042		4	—	4
Total		122	13	135
Less: Current portion		(16)		
Long-term portion as of June 30, 2024	$	106		

Fiscal years ending June 30:		Principal	Interest	FY 2023 Total
2024	$	16	2	18
2025		16	2	18
2026		16	2	18
2027		16	2	18
2028		17	1	18
2029-2033		30	4	34
2034-2038		19	2	21
2039-2042		8	—	8
Total		138	15	153
Less: Current portion		(16)		
Long-term portion as of June 30, 2023	$	122		

Hetchy Power as Lessee

A summary of intangible right-to-use leases during the years ended June 30, 2024 and 2023 are as follows:

Right-to-use assets:		2023	Increases	Decreases	Remeasurements	2024
Building/facility	$	244	—	—	—	244
Total lease assets		244	—	—	—	244
Less accumulated amortization for:						
Building/facility		(66)	(21)	—	—	(87)
Total accumulated amortization		(66)	(21)	—	—	(87)
Total lease assets, net	$	178	(21)	—	—	157

Right-to-use assets:		2022	Increases	Decreases	Remeasurements	2023
Building/facility	$	81	—	32	131	244
Total lease assets		81	—	32	131	244
Less accumulated amortization for:						
Building/facility		(8)	(26)	(32)	—	(66)
Total accumulated amortization		(8)	(26)	(32)	—	(66)
Total lease assets, net	$	73	(26)	—	131	178

A summary of changes in the related leases liabilities during the years ended 2024 and 2023 are as follows:

Fiscal years		Beginning of year	Additions	Remeasurements	Deductions	End of year	Due within one year
2024	$	169	–	–	(19)	150	19
2023		75	–	131	(37)	169	19

(Dollars in thousands, unless otherwise stated)

Future annual lease payments as of the years ended June 30, 2024 and 2023 are as follows:

Fiscal years ending June 30:		Principal	Interest	FY 2024 Total
2025	$	19	3	22
2026		20	2	22
2027		20	2	22
2028		20	2	22
2029		21	1	22
2030-2034		21	4	25
2035-2039		24	2	26
2040-2042		5	—	5
Total		150	16	166
Less: Current portion		(19)		
Long-term portion as of June 30, 2024	$	131		

Fiscal years ending June 30:		Principal	Interest	FY 2023 Total
2024	$	19	3	22
2025		19	3	22
2026		20	2	22
2027		20	2	22
2028		20	2	22
2029-2033		38	5	43
2034-2038		23	2	25
2039-2042		10	—	10
Total		169	19	188
Less: Current portion		(19)		
Long-term portion as of June 30, 2023	$	150		

CleanPowerSF as Lessee

CleanPowerSF had no intangible right-to-use leases as of June 30, 2024. A summary of intangible right-to-use leases during the year ended June 30, 2023 is as follows:

Right-to-use assets:		2022	Increases	Decreases	Remeasurements	2023
Building/facility	$	920	—	(920)	—	—
Total lease assets		920	—	(920)	—	—
Less accumulated amortization for:						
Building/facility		(690)	(230)	920	—	—
Total accumulated amortization		(690)	(230)	920	—	—
Total lease assets, net	$	230	(230)	—	—	—

A summary of changes in the related leases liabilities during the year ended June 30, 2023 is as follows:

Fiscal year		Beginning of year	Additions	Remeasurements	Deductions	End of year	Due within one year
2023	$	232	–	–	(232)	–	–

Future annual lease payments for the years ended June 30, 2024 and 2023 is $0.

(11) Subscription-Based Information Technology Arrangements (SBITAs)

Department-wide Business Type Activities

The SFPUC has noncancellable subscription arrangements (similar to a lease) for the right to use various information technology hardware and software (SBITAs). The terms and conditions for these subscriptions varies, which ranges between 1 – 5 years.

(Dollars in thousands, unless otherwise stated)

A summary of intangible right-to-use subscription IT assets during the years ended June 30, 2024 and 2023 are as follows:

		2023	Increases	Decreases	Remeasurements	2024
Subscription assets	$	4,935	—	(3,206)	—	1,729
Less accumulated amortization		(3,537)	(540)	2,972	—	(1,105)
Total Subscription assets, net	$	1,398	(540)	(234)	—	624

		2022	Increases	Decreases	Remeasurements	2023
Subscription assets	$	4,935	—	—	—	4,935
Less accumulated amortization		(1,760)	(1,777)	—	—	(3,537)
Total Subscription assets, net	$	3,175	(1,777)	—	—	1,398

A summary of changes in the related subscription liabilities during the years ended June 30, 2024 and 2023 are as follows:

		2023	Additions	Remeasurements	Deductions	2024	Due within one year
Water	$	708	—	—	(400)	308	153
Wastewater		429	—	—	(243)	186	93
Hetchy Water		139	—	—	(80)	59	30
Hetchy Power		116	—	—	(65)	51	25
CleanPowerSF		31	—	—	(18)	13	6
SFPUC Total	$	1,423	—	—	(806)	617	307

		2022	Additions	Remeasurements	Deductions	2023	Due within one year
Water	$	1,556	—	—	(848)	708	400
Wastewater		944	—	—	(515)	429	243
Hetchy Water		309	—	—	(170)	139	80
Hetchy Power		253	—	—	(137)	116	65
CleanPowerSF		70	—	—	(39)	31	18
SFPUC Total	$	3,132	—	—	(1,709)	1,423	806

Water

A summary of intangible right-to-use subscription IT assets during the years ended June 30, 2024 and 2023 are as follows:

		2023	Increases	Decreases	Remeasurements	2024
Subscription assets	$	2,450	—	(1,590)	—	860
Less accumulated amortization		(1,755)	(384)	1,590	—	(549)
Total Subscription assets, net	$	695	(384)	—	—	311

		2022	Increases	Decreases	Remeasurements	2023
Subscription assets	$	2,450	—	—	—	2,450
Less accumulated amortization		(873)	(882)	—	—	(1,755)
Total Subscription assets, net	$	1,577	(882)	—	—	695

A summary of changes in the related subscription liabilities during the years ended June 30, 2024 and 2023 are as follows:

Fiscal years		Beginning of year	Additions	Remeasurements	Deductions	End of year	Due within one year
2024	$	708	—	—	(400)	308	153
2023		1,556	—	—	(848)	708	400

(Dollars in thousands, unless otherwise stated)

Future annual subscription payments as of June 30, 2024 and 2023 are as follows:

Fiscal years ending June 30:		Principal	Interest	FY 2024 Total
2025	$	153	4	157
2026		155	2	157
Total		308	6	314
Less: Current portion		(153)		
Long-term portion as of June 30, 2024	$	155		

Fiscal years ending June 30:		Principal	Interest	FY 2023 Total
2024	$	400	8	408
2025		153	4	157
2026		155	2	157
Total		708	14	722
Less: Current portion		(400)		
Long-term portion as of June 30, 2023	$	308		

Wastewater

A summary of intangible right-to-use subscription IT assets during the years ended June 30, 2024 and 2023 are as follows:

		2023	Increases	Decreases	Remeasurements	2024
Subscription assets	$	1,487	—	(965)	—	522
Less accumulated amortization		(1,065)	—	731	—	(334)
Total Subscription assets, net	$	422	—	(234)	—	188

		2022	Increases	Decreases	Remeasurements	2023
Subscription assets	$	1,487	—	—	—	1,487
Less accumulated amortization		(530)	(535)	—	—	(1,065)
Total Subscription assets, net	$	957	(535)	—	—	422

A summary of changes in the related subscription liabilities during the years ended June 30, 2024 and 2023 are as follows:

Fiscal years		Beginning of year	Additions	Remeasurements	Deductions	End of year	Due within one year
2024	$	429	—	—	(243)	186	93
2023		944	—	—	(515)	429	243

Future annual subscription payments as of June 30, 2024 and 2023 are as follows:

Fiscal years ending June 30:		Principal	Interest	FY 2024 Total
2025	$	93	2	95
2026		93	1	94
Total		186	3	189
Less: Current portion		(93)		
Long-term portion as of June 30, 2024	$	93		

Fiscal years ending June 30:		Principal	Interest	FY 2023 Total
2024	$	243	4	247
2025		93	2	95
2026		93	1	94
Total		429	7	436
Less: Current portion		(243)		
Long-term portion as of June 30, 2023	$	186		

(Dollars in thousands, unless otherwise stated)

Hetchy Water

A summary of intangible right-to-use subscription IT assets during the years ended June 30, 2024 and 2023 are as follows:

		2023	Increases	Decreases	Remeasurements	2024
Subscription assets	$	490	—	(320)	—	170
Less accumulated amortization		(353)	(76)	320	—	(109)
Total Subscription assets, net	$	137	(76)	—	—	61

		2022	Increases	Decreases	Remeasurements	2023
Subscription assets	$	490	—	—	—	490
Less accumulated amortization		(176)	(177)	—	—	(353)
Total Subscription assets, net	$	314	(177)	—	—	137

A summary of changes in the related subscription liabilities during the years ended June 30, 2024 and 2023 are as follows:

Fiscal years		Beginning of year	Additions	Remeasurements	Deductions	End of year	Due within one year
2024	$	139	—	—	(80)	59	30
2023		309	—	—	(170)	139	80

Future annual subscription payments as of June 30, 2024 and 2023 are as follows:

Fiscal years ending June 30:		Principal	Interest	FY 2024 Total
2025	$	30	2	32
2026		29	1	30
Total		59	3	62
Less: Current portion		(30)		
Long-term portion as of June 30, 2024	$	29		

Fiscal years ending June 30:		Principal	Interest	FY 2023 Total
2024	$	80	2	82
2025		30	2	32
2026		29	1	30
Total		139	5	144
Less: Current portion		(80)		
Long-term portion as of June 30, 2023	$	59		

Hetchy Power

A summary of intangible right-to-use subscription IT assets during the years ended June 30, 2024 and 2023 are as follows:

		2023	Increases	Decreases	Remeasurements	2024
Subscription assets	$	397	—	(257)	—	140
Less accumulated amortization		(283)	(63)	257	—	(89)
Total Subscription assets, net	$	114	(63)	—	—	51

		2022	Increases	Decreases	Remeasurements	2023
Subscription assets	$	397	—	—	—	397
Less accumulated amortization		(141)	(142)	—	—	(283)
Total Subscription assets, net	$	256	(142)	—	—	114

(Dollars in thousands, unless otherwise stated)

A summary of changes in the related subscription liabilities during the years ended June 30, 2024 and 2023 are as follows:

Fiscal years		Beginning of year	Additions	Remeasurements	Deductions	End of year	Due within one year
2024	$	116	—	—	(65)	51	25
2023		253	—	—	(137)	116	65

Future annual subscription payments as of June 30, 2024 and 2023 are as follows:

Fiscal years ending June 30:		Principal	Interest	FY 2024 Total
2025	$	25	1	26
2026		26	—	26
Total		51	1	52
Less: Current portion		(25)		
Long-term portion as of June 30, 2024	$	26		

Fiscal years ending June 30:		Principal	Interest	FY 2023 Total
2024	$	65	1	66
2025		25	1	26
2026		26	—	26
Total		116	2	118
Less: Current portion		(65)		
Long-term portion as of June 30, 2023	$	51		

CleanPowerSF

A summary of intangible right-to-use subscription IT assets during the years ended June 30, 2024 and 2023 are as follows:

		2023	Increases	Decreases	Remeasurements	2024
Subscription assets	$	111	—	(74)	—	37
Less accumulated amortization		(81)	(17)	74	—	(24)
Total Subscription assets, net	$	30	(17)	—	—	13

		2022	Increases	Decreases	Remeasurements	2023
Subscription assets	$	111	—	—	—	111
Less accumulated amortization		(40)	(41)	—	—	(81)
Total Subscription assets, net	$	71	(41)	—	—	30

A summary of changes in the related subscription liabilities during the years ended June 30, 2024 and 2023 are as follows:

Fiscal years		Beginning of year	Additions	Remeasurements	Deductions	End of year	Due within one year
2024	$	31	—	—	(18)	13	6
2023		70	—	—	(39)	31	18

Future annual subscription payments as of June 30, 2024 and 2023 are as follows:

Fiscal years ending June 30:		Principal	Interest	FY 2024 Total
2025	$	6	—	6
2026		7	—	7
Total		13	—	13
Less: Current portion		(6)		
Long-term portion as of June 30, 2024	$	7		

(Dollars in thousands, unless otherwise stated)

Fiscal years ending June 30:		Principal	Interest	FY 2023 Total
2024	$	18	—	18
2025		6	—	6
2026		7	—	7
Total		31	—	31
Less: Current portion		(18)		
Long-term portion as of June 30, 2023	$	13		

As of June 30, 2024 and 2023, no variable subscription payments were noted for SFPUC's subscription IT arrangements.

(12) Water Wholesale Balancing Account – Water Supply Agreement

From 1984-2009, the Water Enterprise provided water service pursuant to the terms of the 1984 Water Settlement Agreement and Master Water Sales Contract, which established the basis for water rates to be charged to those customers (Wholesale Customers). The Master Water Sales Contract expired on June 30, 2009. The Commission and the Wholesale Customers approved a Water Supply Agreement (WSA) effective July 1, 2009 (the contract was most recently restated and amended in January 2023). The WSA has a 25-year term from July 1, 2009, with two options for five-year extensions. The existing 184 million gallons per day (mgd) Supply Assurance continues under the WSA and no increase in the Supply Assurance will be considered before December 31, 2028. During the period from 2009 to 2028, the WSA limits the quantity of water delivered to Retail Customers and Wholesale Customers from the watersheds to 265 mgd. Under the WSA, annual operating expenses, including debt service on bonds sold to finance regional system improvements and regional capital projects funded from revenues, will be allocated between Retail Customers and Wholesale Customers on the basis of proportionate annual water use. The original WSA stated the Wholesale Customers' share of net book value of existing regional assets as of June 30, 2009 would be recovered on level annual payment over the 25-year term of the WSA at an interest rate of 5.13%. The 25-year term repayment obligation was settled in February 2013. The Wholesale Customers made an early repayment to the Water Enterprise of the outstanding balance of $356,139 as allowed by Section 5.03 of the WSA. The WSA continues much of the rate setting, accounting, and dispute resolution provisions contained in the expired contract, and has emergency and drought-pricing adjustment provisions.

Pursuant to the terms of the WSA, the Water Enterprise is required to establish water rates applicable to the Wholesale Customers annually. The wholesale water rates are based on an estimate of the level of revenues necessary to recoup the cost of distributing water to the Wholesale Customers in accordance with the methodology outlined in Article V of the WSA (the Wholesale Revenue Requirement (WRR)). During fiscal years ending in 2024 and 2023, the WRR, net of adjustments, charged to such wholesale customers was $334,261 and $300,502, respectively. Such amounts are subject to final review by the Wholesale Customers, along with a trailing wholesale balancing account compliance audit of the WRR calculation.

Pursuant to Article VII, Section 7.02 of the WSA, the Water Enterprise is required to re-compute the WRR after the close of each fiscal year based on the actual costs incurred in the delivery of water to the Wholesale Customers. The difference between the wholesale revenues earned during the year and the "actual" WRR is recorded in a separate account (the Balancing Account) and represents the cumulative amount that is either owed to the Wholesale Customers (if the wholesale revenues exceed the WRR) or owed to the City (if the WRR exceeds the wholesale revenues paid). In accordance with Article VI of the WSA, the amount recorded in the Balancing Account shall earn interest at a rate equal to the average rate received by the City during the year on the invested pooled funds of the City Treasury and shall be taken into consideration in the determination of subsequent wholesale water rates. The Wholesale Customers owed the Water Enterprise $26,121 as of June 30, 2024. The Wholesale Customers owed the Water Enterprise $10,052 as of June 30, 2023. Refer to the compliance audit report for the final balancing account available at https://www.sfpuc.gov/about-us/reports/audited-financial-statements-reports.

(Dollars in thousands, unless otherwise stated)

(13) Other Non-Operating Revenues – Hetchy Power's Transbay Cable Construction and Licensing Fees

In 2007, the Board of Supervisors adopted the resolution to enter into two non-exclusive licenses with the Transbay Cable LLC (the Licensee) for the Transbay Cable Project. The Licensee proposed to install, operate, and maintain approximately 53 miles of high-voltage direct current transmission cable running from the City of Pittsburg to the City. The first license was a Construction License to install a 400 MW high-voltage transmission line, with a four-year term. The Licensee paid Hetchy Power $3,500 in Renewable Energy, Transmission and Grid Reliability. The Construction licensing fees were fully spent as of 2020.

The second license is an operational license for operation of the transmission line with 25-year term and an option to renew for 10 years. The project came on line November 29, 2010 and cumulative revenues of $22,708 were recorded. Per agreement, the SFPUC shall consider specifically renewable energy, conservation, and environmental health programs, which benefit low-income, at-risk, and environmentally disadvantaged communities. The San Francisco Electricity Reliability Payment shall also be partly used for green jobs training and placement programs, which benefit low-income, at-risk, and environmentally disadvantaged communities. As of June 30, 2024, cumulative expenses of $14,577 have been incurred, with $2,090 and $1,351 in fiscal years 2024 and 2023, respectively.

(14) Employee Benefits

a) Pension Plan

San Francisco City and County Employees' Retirement System – The SFPUC participates in a cost-sharing multiple-employer defined benefit pension Plan (SFERS Plan). The SFERS Plan is administered by the San Francisco City and County Employees' Retirement System (SFERS). For purposes of measuring the net pension liability, deferred outflows/inflows of resources related to pensions, pension expense, information about the fiduciary net position of the SFERS Plan, and additions to/deductions from the SFERS Plan's fiduciary net position have been determined on the same basis as they are reported by the SFERS Plan. Contributions are recognized in the period in which they are due pursuant to legal requirements. Benefit payments (including refunds of employee contributions) are recognized when currently due and payable in accordance with the benefit terms. Investments are reported at fair value.

Replacement Benefits Plan – Replacement Benefits Plan (RBP) is a qualified excess benefit plan established in October 1989. Internal Revenue Code Section 415(m) provides for excess benefit arrangements that legally permit benefit payments above the Section 415 limits, provided that the payments are not paid from the SFERS Plan. The RBP allows the City to pay SFERS retirees any portion of the Charter-mandated retirement allowance that exceeds the annual Section 415(b) limit. The RBP plan does not meet the criteria of a qualified trust under GASB Statement No. 73 because RBP assets are subject to the claims of the employer's general creditors under federal and state law in the event of insolvency.

GASB Statements No. 68 and No. 73 require that the SFERS Plan and RBP reported results must pertain to liability and asset information within certain defined timeframes. For this report, the following timeframes are used:

	Fiscal Year 2024	Fiscal Year 2023
Valuation Date (VD)	July 1, 2022 updated to June 30, 2023	July 1, 2021 updated to June 30, 2022
Measurement Date (MD)	June 30, 2023	June 30, 2022
Measurement Period (MP)	July 1, 2022 to June 30, 2023	July 1, 2021 to June 30, 2022

SFERS Plan – The City is an employer of the plan with a proportionate share of 94.85% as of June 30, 2023 (measurement date), 0.02% decreased from prior year, and 94.87% as of June 30, 2022 (measurement date). SFPUC's allocation percentage was determined based on its employer contributions divided by the City's total employer contributions for fiscal years 2023 and 2022. The net pension liability, deferred outflows/inflows of resources related to pensions, amortization of deferred outflows/ inflows, and pension expense are based on each department's allocated percentage. SFPUC's allocation of the City's proportionate share was 7.62%: 4.34% for Water, 1.95% for Wastewater, 0.55% for Hetchy Water, 0.68% for Hetchy Power and 0.10% for CleanPowerSF as of June 30, 2023 (measurement date). SFPUC's allocation of the City's proportionate share was 7.57%: 4.27% for Water, 1.99% for Wastewater, 0.55% for Hetchy Water, 0.68% for Hetchy Power and 0.08% for CleanPowerSF as of June 30, 2022 (measurement date).

RBP – The Water Enterprise's allocation percentage was determined based on the Water Enterprise's total pension liability divided by the City's total headcount for fiscal year 2023. The Water Enterprise's total pension liability, deferred outflows/inflows of resources related to pensions, amortization of deferred outflows/inflows and pension expense is based on the Water Enterprise's allocated percentage. The Water Enterprise's allocation of the City's proportionate share was 1.95% as of June 30, 2023, and 2.31% as of June 30, 2022 (measurement dates).

SFERS Plan Description – The Plan provides basic service retirement, disability, and death benefits based on specified percentages of defined final average monthly salary and provides annual cost-of-living adjustments (COLA) after retirement. The Plan also provides pension continuation benefits to qualified survivors. The City Charter and the Administrative Code are the authorities which establish and amend the benefit provisions and employer obligations of the Plan. The Retirement System issues a publicly available financial report that includes financial statements and required supplementary information for the Plan. That report may be obtained on the Retirement System's website https://mysfers.org/ by writing to the San Francisco City and County Employees' Retirement System, 1145 Market Street, 5th Floor, San Francisco, CA 94103 or by calling (415) 487-7000.

SFERS Benefits – The Retirement System provides service retirement, disability, and death benefits based on specified percentages of defined final average monthly salary and annual COLA after retirement. Benefits and refunds are recognized when due and payable in accordance with the terms of the SFERS Plan. The Retirement System pays benefits according to the category of employment and the type of benefit coverage provided by the City and County.

The four main categories of Plan members are:

a. Miscellaneous Non-Safety Members – staff, operational, supervisory, and all other eligible employees who are not in special membership categories.

b. Sheriff's Department and Miscellaneous Safety members – sheriffs assuming office on and after January 7, 2012, and undersheriffs, deputized personnel of the Sheriff's department, and miscellaneous safety employees hired on and after January 7, 2012.

c. Firefighter Members – firefighters and other employees whose principal duties are in fire prevention and suppression work or who occupy positions designated by law as firefighter member positions.

d. Police Members – police officers and other employees whose principal duties are in active law enforcement or who occupy positions designated by law as police member positions.

The membership groups and the related service retirement benefits are included in the Notes to the Basic Financial Statements of San Francisco Employees' Retirement System.

All members are eligible to apply for a disability retirement benefit, regardless of age, when they have 10 or more years of credited service and they sustain an injury or illness that prevents them from performing their duties. Safety members are eligible to apply for an industrial disability retirement benefit from their first day on the job if their disability is caused by an illness or injury that they receive while performing their duties.

All retired members receive a benefit adjustment each July 1, which is the Basic COLA. The majority of adjustments are determined by changes in CPI with increases capped at 2%. The Plan provides for a Supplemental COLA in years when there are sufficient "excess" investment earnings in the Plan. The maximum benefit adjustment each July 1 is 3.5% including the Basic

COLA. Proposition A passed on November 8, 2022 making members who retired before November 6, 1996 (Pre96 Retirees) eligible for a Supplemental COLA, even if SFERS is not fully funded based on the market value of assets. Also, Pre96 Retirees' base retirement allowances were adjusted to account for Supplemental COLAs not received in 2013, 2014, 2017, 2018, and 2019 due to the full funding requirement. Effective with Proposition A, Pre96 Retirees receive the same Supplemental COLAs as the after November 6, 1996 and before January 7, 2012 members. For all members hired before January 7, 2012, all Supplemental COLAs paid to them in retirement benefits will continue into the future even where an additional Supplemental COLA is not payable in any given year. For members hired on and after January 7, 2012, a Supplemental COLA will only be paid to retirees when the Plan is fully funded on a market value of asset basis and in addition for these members, Supplemental COLAs will not be permanent adjustments to retirement benefits. That is, in years when a Supplemental COLA is not paid, all previously paid Supplemental COLAs will expire.

Funding and Contribution Policy

SFERS Plan – Contributions are made by both the City and the participating employees. Employee contributions are mandatory as required by the Charter. Employee contribution rates varied from 7.5% to 11.5% and 7.5% to 12.0% as a percentage of gross covered salary in fiscal years 2024 and 2023. Most employee groups agreed through collective bargaining for employees to contribute the full amount of the employee contributions on a pretax basis. The City is required to contribute at an actuarially determined rate. Based on the July 1, 2022 actuarial report, the required employer contribution rates for fiscal year 2024 ranged from 15.24% to 18.24%. Based on the July 1, 2021 actuarial report, the required employer contribution rates for fiscal year 2023 ranged from 17.85% to 21.35%.

Employer contributions and employee contributions made by the employer to the SFERS Plan are recognized when due and the employer has made a formal commitment to provide the contributions. The City's proportionate share of employer contributions recognized by the Retirement System in fiscal years ended June 30, 2023 and 2022 (measurement years) were $638,003 and $729,578, respectively. The SFPUC's allocation of employer contributions for fiscal years 2023 and 2022 (measurement periods) were $48,672 and $55,460, respectively. The Water Enterprise's allocation of employer contributions for fiscal years 2023 and 2022 (measurement periods) were $27,925 and $31,151, respectively. The Wastewater Enterprise's allocation of employer contributions for fiscal years 2023 and 2022 (measurement periods) were $12,383 and $14,543, respectively. Hetchy Water's allocation of employer contributions for fiscal years 2023 and 2022 (measurement periods) were $3,525 and $4,149, respectively. Hetchy Power's allocation of employer contributions for fiscal years 2023 and 2022 (measurement periods) were $4,308 and $5,071, respectively. CleanPowerSF's allocation of employer contributions for fiscal years 2023 and 2022 (measurement periods) were $531 and $546, respectively.

Replacement Benefits Plan – The RBP is and will remain unfunded and the rights of any participant and beneficiary are limited to those specified in the RBP. The RBP constitutes an unsecured promise by the City to make benefit payments in the future to the extent funded by the City. The City paid $4,614 and $4,472 replacement benefits in the years ended June 30, 2024 and June 30,2023, respectively.

Pension Liabilities/(Asset), Pension Expenses, and Deferred Outflows and Inflows of Resources Related to Pensions

Fiscal Year 2024

As of June 30, 2024, the City reported net pension liability (NPL) of $3,588,821 for its proportionate share of the SFERS Plan and RBP, which includes the net pension liability for SFERS Plan of $3,456,687 and the NPL of the RBP was $132,134. The City's NPL for each of its cost-sharing plans is measured as a proportionate share of the plans' NPL. The net pension liability of the SFERS Plan is measured as of June 30, 2023 (measurement date), and the total pension liability for the SFERS Plan used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2022 rolled forward to June 30, 2023 using standard update procedures. The City's proportion of the net pension liability for the SFERS Plan was based on a projection of the City's long-term share of contributions to the pension plan relative to the projected contributions of all participating employers, actuarially determined.

(Dollars in thousands, unless otherwise stated)

The SFPUC's allocation of the City's proportionate share of the net pension liability for the plan as of June 30 2024 was $263,344 of which $150,060 for Water Enterprise, $67,299 for Wastewater Enterprise, $19,090 for Hetchy Water, $23,332 for Hetchy Power and $3,563 for CleanPowerSF. The Water Enterprise's allocation of the total pension liability for the RBP as of June 30, 2024 was $2,583.

For the year ended June 30, 2024, the City's recognized pension expense was $659,719 for the SFERS Plan and pension expense of $7,557 for RBP, including amortization of deferred outflows/inflows related pension items. SFPUC's allocation of pension expense for the SFERS Plan including amortization of deferred outflow/inflow related pension items were $48,429 of which $26,330, net of RBP of $1,422, was for the Water Enterprise, $14,091 was for the Wastewater Enterprise, $3,230 was for Hetchy Water, $3,948 was for Hetchy Power, and $830 was for CleanPowerSF. Pension expense increased from the prior year, largely due to the amortization of deferrals.

As of June 30, 2024, SFPUC reported deferred outflows of resources and deferred inflows of resources related to pensions were the following:

SFERS Plan - Schedule of Deferred Outflows of Resources

Fiscal Year 2024		Water	Wastewater	Hetchy Water	Hetchy Power	CleanPowerSF	SFPUC Total
Pension contribution subsequent to the measurement date	$	27,653	12,402	3,518	4,299	657	48,529
Differences between expected and actual experience		16,124	7,231	2,051	2,507	383	28,296
Changes in assumptions		19,421	8,710	2,470	3,021	461	34,083
Net difference between projected and actual earnings on pension plan investments		28,399	12,736	3,613	4,415	674	49,837
Change in employer's proportion		1,033	1,606	277	338	12	3,266
Total	$	92,630	42,685	11,929	14,580	2,187	164,011

SFERS Plan - Schedule of Deferred Inflows of Resources

Fiscal Year 2024		Water	Wastewater	Hetchy Water	Hetchy Power	CleanPowerSF	SFPUC Total
Differences between expected and actual experience	$	—	—	—	—	—	—
Changes in assumptions		8,861	3,974	1,127	1,378	210	15,550
Net difference between projected and actual earnings on pension plan investments		—	—	—	—	—	—
Change in employer's proportion		2,262	81	814	994	715	4,866
Total	$	11,123	4,055	1,941	2,372	925	20,416

Water Enterprise - RBP

Fiscal Year 2024		Schedule of Deferred Outflows of Resources	Schedule of Deferred Inflows of Resources
Differences between expected and actual experience	$	222	657
Changes in assumptions		202	532
Change in employer's proportion		472	993
Total	$	896	2,182

(Dollars in thousands, unless otherwise stated)

Amounts reported as deferred outflows, exclusive of contributions made after the measurement date, and deferred inflows of resources will be amortized annually and recognized in pension expense/(benefit) as follows:

Fiscal years		SFERS Plan Water	SFERS Plan Wastewater	SFERS Plan Hetchy Water	SFERS Plan Hetchy Power	SFERS Plan CleanPowerSF	SFERS Plan SFPUC Total	RBP Water
2025	$	(340)	769	(336)	(410)	(330)	(647)	(366)
2026		(9,299)	(3,318)	(1,374)	(1,680)	(422)	(16,093)	(550)
2027		55,297	25,168	7,151	8,740	1,225	97,581	(384)
2028		8,196	3,609	1,029	1,259	132	14,225	14
Total	$	53,854	26,228	6,470	7,909	605	95,066	(1,286)

Fiscal Year 2023

As of June 30, 2023, the City reported net pension liability (NPL) of $2,708,927 for its proportionate share of the SFERS Plan and RBP, which includes the net pension liability for SFERS Plan of $2,552,996 and the NPL of the RBP was $155,931. The City's net pension (asset)/liability (NPA)/NPL for the SFERS Plan is measured as the proportionate share of the (NPA)/NPL. The NPL of the SFERS Plan is measured as of June 30, 2022 (measurement date), and the total pension liability for the SFERS Plan and RBP used to calculate the NPL was determined by an actuarial valuation as of July 1, 2021 rolled forward to June 30, 2022 using standard update procedures. The City's proportion of the net pension (asset)/liability for the SFERS Plan was based on a projection of the City's long-term share of contributions to the pension plan relative to the projected contributions of all participating employers, actuarially determined.

The SFPUC's allocation of the City's proportionate share of the net pension liability for the plan as of June 30 2023 was $194,760 of which $111,743 for Water Enterprise, $49,549 for Wastewater Enterprise, $14,105 for Hetchy Water, $17,239 for Hetchy Power and $2,124 for CleanPowerSF. The Water Enterprise's allocation of the total pension liability for the RBP as of June 30, 2023 was $3,600.

For the year ended June 30, 2023, the City recognized net pension expense of $1,771, which includes pension (benefit) of ($13,196) for the SFERS Plan and pension expense of $14,967 for RBP, including amortization of deferred outflow/inflow related pension items. SFPUC's allocation of pension expense/(benefit) for the SFERS Plan including amortization of deferred outflow/inflow related pension items were $2,866 of which $6,225, net of RBP of $1,363, was for the Water Enterprise, ($1,167) was for the Wastewater Enterprise, ($955) was for Hetchy Water, ($1,168) was for Hetchy Power, and ($69) was for CleanPowerSF.

As of June 30, 2023, SFPUC reported deferred outflows of resources and deferred inflows of resources related to pensions were the following:

SFERS Plan - Schedule of Deferred Outflows of Resources

Fiscal Year 2023		Water	Wastewater	Hetchy Water	Hetchy Power	CleanPowerSF	SFPUC Total
Pension contribution subsequent to the measurement date	$	27,925	12,383	3,525	4,308	531	48,672
Differences between expected and actual experience		10,200	4,523	1,288	1,574	194	17,779
Changes in assumptions		29,035	12,874	3,665	4,479	552	50,605
Change in employer's proportion		1,869	2,812	380	465	15	5,541
Total	$	69,029	32,592	8,858	10,826	1,292	122,597

(Dollars in thousands, unless otherwise stated)

SFERS Plan - Schedule of Deferred Inflows of Resources

Fiscal Year 2023		Water	Wastewater	Hetchy Water	Hetchy Power	CleanPowerSF	SFPUC Total
Differences between expected and actual experience	$	—	—	—	—	—	—
Changes in assumptions		8,713	3,864	1,100	1,344	166	15,187
Net difference between projected and actual earnings on pension plan investments		13,890	6,159	1,753	2,143	264	24,209
Change in employer's proportion		3,138	—	1,289	1,575	866	6,868
Total	$	25,741	10,023	4,142	5,062	1,296	46,264

Water Enterprise - RBP

Fiscal Year 2023		Schedule of Deferred Outflows of Resources	Schedule of Deferred Inflows of Resources
Differences between expected and actual experience	$	475	455
Changes in assumptions		579	778
Change in employer's proportion		18	1,530
Total	$	1,072	2,763

Amounts reported as deferred outflows, exclusive of contributions made after the measurement date, and deferred inflows of resources will be amortized annually and recognized in pension (benefit)/ expense as follows:

		SFERS Plan						RBP
Fiscal years		Water	Wastewater	Hetchy Water	Hetchy Power	CleanPowerSF	SFPUC Total	Water
2024	$	(5,899)	(1,574)	(1,163)	(1,422)	(509)	(10,567)	(283)
2025		(8,602)	(2,830)	(1,366)	(1,669)	(426)	(14,893)	(374)
2026		(17,636)	(6,905)	(2,405)	(2,939)	(477)	(30,362)	(589)
2027		47,500	21,495	6,125	7,486	877	83,483	(445)
Total	$	15,363	10,186	1,191	1,456	(535)	27,661	(1,691)

Actuarial Assumptions

Fiscal Year 2024

A summary of the actuarial assumptions and methods used to calculate the Total Pension Liability for SFERS Plan as of June 30, 2023 (measurement year) is provided below, including any assumptions that differ from those used in the July 1, 2022 actuarial valuation. Refer to the July 1, 2022 actuarial valuation report for a complete description of all other assumptions, which can be found on the Retirement System's website https://mysfers.org/.

Key Actuarial Assumptions		SFERS Plan and Replacement Benefit Plan			
Valuation Date		July 1, 2022 updated to June 30, 2023			
Measurement Date		June 30, 2023			
Actuarial Cost Method		Entry-Age Normal Cost			
Expected Rate of Return		7.20% net of investment expenses			
Municipal Bond Yield		3.65% as of June 30, 2023			
		3.54% as of June 30, 2022			
		Bond Buyer 20-Bond GO Index, June 30, 2022 and June 29, 2023			
Inflation		2.50%			
Salary Increases		3.25% plus merit component based employee classification and years of service			
Discount Rate		7.20% as of June 30, 2023			
		7.20% as of June 30, 2022			
Administrative Expenses		0.60% of payroll as of June 30, 2023			
		0.60% of payroll as of June 30, 2022			
		Old Miscellaneous and all New Plans	Old Police & Fire pre 7/1/75	Old Police & Fire, Charters A8.595 and A8.596	Old Police & Fire, Charters A8.559 and A8.585
Basic COLA	June 30, 2023	2.00%	1.90%	2.50%	3.60%
Basic COLA	June 30, 2022	2.00%	1.90%	2.50%	3.60%

(Dollars in thousands, unless otherwise stated)

Changes of Assumptions SFERS plan and Replacement Benefits Plan – There were no changes in the discount rate for the measurement period ended June 30, 2023. The municipal bond yield increased from 3.54% to 3.65%.

Mortality rates for health Miscellaneous members were based upon adjusted PubG-2010 Employee and Retiree tables for non-annuitants and retirees, respectively. Mortality rates were then projected generationally from the base year using the MP-2019 projection scale.

The actuarial assumptions used at the June 30, 2023 measurement date were based upon the result of a demographic experience study for the period July 1, 2014 through June 30, 2019 and an economic experience study as of July 1, 2022.

Fiscal Year 2023

A summary of the actuarial assumptions and methods used to calculate the Total Pension Liability for both SFERS Plan and RBP as of June 30, 2022 (measurement date) is provided below, including any assumptions that differ from those used in the July 1, 2021 actuarial valuation. Refer to the July 1, 2021 actuarial valuation report for a complete description of all other assumptions, which can be found on the Retirement System's website https://mysfers.org/.

Key Actuarial Assumptions	**SFERS Plan**
Valuation Date	July 1, 2021 updated to June 30, 2022
Measurement Date	June 30, 2022
Actuarial Cost Method	Entry-Age Normal Cost
Expected Rate of Return	7.20% net of investment expenses
Municipal Bond Yield	3.54% as of June 30, 2022
	2.16% as of June 30, 2021
	Bond Buyer 20-Bond GO Index, June 24, 2021 and June 30, 2022
Inflation	2.50%
Salary Increases	3.25% plus merit component based employee classification and years of service
Discount Rate	7.20% as of June 30, 2022
	7.40% as of June 30, 2021
Administrative Expenses	0.60% of payroll as of June 30, 2022
	0.60% of payroll as of June 30, 2021

		Old Miscellaneous and all New Plans	Old Police & Fire pre 7/1/75	Old Police & Fire, Charters A8.595 and A8.596	Old Police & Fire, Charters A8.559 and A8.585
Basic COLA	June 30, 2022	2.00%	1.90%	2.50%	3.60%
Basic COLA	June 30, 2021	2.00%	1.90%	2.50%	3.60%

Key Actuarial Assumptions	**Replacement Benefits Plan**
Valuation Date	June 30, 2021 updated to June 30, 2022
Measurement Date	June 30, 2022
Actuarial Cost Method	Entry-Age Normal Cost
Municipal Bond Yield	3.54% as of June 30, 2022
	Bond Buyer 20-Bond GO Index, June 24, 2021 and June 30, 2022
Inflation	2.50%
Salary Increases	3.25% plus merit component based employee classification and years of service
Discount Rate	3.54% as of June 30, 2022
Administrative Expenses	0.60% of payroll as of June 30, 2022

		Old Miscellaneous	Old Police & Fire	Old Police & Fire, Charters	Old Police & Fire, Charters
Basic COLA	June 30, 2022	2.00%	1.90%	2.50%	3.60%
Basic COLA	June 30, 2021	2.00%	1.90%	2.50%	3.60%

Mortality rates for health Miscellaneous members were based upon adjusted PubG-2010 Employee and Retiree tables for non-annuitants and retirees, respectively. Mortality rates were then projected generationally from the base year using the MP-2019 projection scale.

The actuarial assumptions used at the June 30, 2022 measurement date was based upon the result of a demographic experience study for the period July 1, 2014 through June 30, 2019 and an economic experience study as of July 1, 2021.

(Dollars in thousands, unless otherwise stated)

Discount Rate

Fiscal Year 2024

SFERS Plan – The beginning and end of year measurements are based on different assumptions and contribution methods that may result in different discount rates. The discount rate was 7.20% as of June 30, 2023 and June 30, 2022 (measurement date).

The discount rate used to measure the Total Pension Liability as of June 30, 2023 was 7.20%. The projection of cash flows used to determine the discount rate assumed that plan member contributions will continue to be made at the rates specified in the Charter. Employer contributions were assumed to be made in accordance with the contribution policy in effect for July 1, 2022 actuarial valuation. That policy includes contributions equal to the employer portion of the entry age normal costs for members as of the valuation date, a payment for the expected administrative expenses, and an amortization payment on the unfunded actuarial liability.

The amortization payment is based on closed periods that vary in length depending on the source. Charter amendments prior to July 1, 2014 are amortized over 20 years. After July 1, 2014, any Charter changes to active member benefits are amortized over 15 years and changes to inactive member benefits, including Supplemental COLAs, are amortized over 5 years. However, the change due to Proposition A was amortized over 10 years. In the July 1, 2016 valuation, the increase in the unfunded actuarial liability attributable to the Supplemental COLAs granted effective July 1, 2013 was amortized over 17 years. For the July 1, 2021 valuation, all amortization periods for actuarial gains and losses and prior assumption changes were reduced to 5 years. The assumption change effective July 1, 2021 is amortized over 20 years. Future experience gains and losses and assumption or method changes on or after July 1, 2021 are amortized over 20 years. If the plan becomes 100% funded based on the actuarial value of assets, any new net surpluses are amortized over a rolling 20-year period. All amortization schedules are established as a level percentage of payroll so payments increase 3.25% each year. The unfunded actuarial liability is based on an actuarial value of assets that smooths investment gains and losses over five years and a measurement of the actuarial liability that excludes the value of any future Supplemental COLAs.

While the contributions and measure of actuarial liability in the funding valuation do not anticipate any future Supplemental COLAs, the projected contributions for the determination of the discount rate include the anticipated future amortization payments on future Supplemental COLAs for current members when they are expected to be granted. For members who were hired before Proposition C passed, a Supplemental COLA is granted if the actual investment earnings during the year exceed the expected investment earnings on the actuarial value of assets. For members who were hired after Proposition C passed, the market value of assets must also exceed the actuarial liability for a Supplemental COLA to be granted. When a Supplemental COLA is granted, the amount depends on the amount of excess earnings and the basic COLA amount for each membership group. Most members receive a 1.50% Supplemental COLA when a full Supplemental COLA is granted.

No Supplemental COLA was payable as of July 1, 2023 due to the unfavorable investment return for fiscal year 2023. The table below shows the net assumed Supplemental COLA for members with a 2.00% Basic COLA for sample years.

Assumed Supplemental COLA for Members with a 2.00% Basic COLA

Fiscal years	96 - Prop C	Before 11/6/96 or After Prop C
2025 +	0.75 %	0.50 %

The projection of benefit payments to current members for determining the discount rate includes the payment of anticipated future Supplemental COLAs.

(Dollars in thousands, unless otherwise stated)

Based on these assumptions, the Retirement System's fiduciary net position was projected to be available to make projected future benefit payments for current members through 2104. Projected benefit payments are discounted at the long-term expected return on assets of 7.20% to the extent the fiduciary net position is available to make the payments and at the municipal bond rate of 3.65% to the extent they are not available. The single equivalent rate used to determine the Total Pension Liability as of June 30, 2023 is 7.20%.

The long-term expected rate of return on pension plan investments was 7.20%. It was set by the Retirement Board after consideration of both expected future returns and historical returns experienced by the Retirement System. Expected future returns were determined by using a building-block method in which best-estimate ranges of expected future real rates of return were developed for each major asset class. These ranges were combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

Target allocation and best estimates of geometric long-term expected real rates of return (net of pension plan investment expense and inflation) for each major asset class are summarized in the following table.

Asset Class	Target Allocation	Long-term Expected Real Rate of Return
Global Equity	37.0 %	4.6 %
Private Equity	23.0	7.8
Private Credit	10.0	5.8
Real Assets	10.0	5.3
Hedge Funds/Absolute Returns	10.0	4.4
Treasuries	8.0	1.7
Liquid Credit	5.0	3.5
Leverage	(3.0)	1.4
Total	100.0 %	

RBP – The beginning and end of year measurements are based on different assumptions that result in different discount rates. The discount rate was 3.65% as of June 30, 2023. This reflects the yield for a 20-year, tax-exempt general obligation municipal bond with an average rating of AA/Aa or higher. The Municipal Bond Yields are the Bond Buyer 20-Year GO Index as of June 30, 2022 and June 29, 2023. These are the rates used to determine the total pension liability as of June 30, 2023.

The inflation assumption of 2.50% compounded annually was used for projecting the annual IRC Section 415(b) limitations. The actual IRC Section 415(b) limitations published by the IRS of $265 was used for the 2023 measurement date.

The SFERS assumptions about Basic and Supplemental COLA previously discussed also apply to the Replacement Benefits Plan, including the impact of the State Appeals Court determination that the full funding requirement for payment of Supplemental COLA included in Proposition C was unconstitutional and the impact is accounted for as a change in benefits.

On June 30, 2024, City's membership in the RBP had a total of 227 active members and 149 retirees and beneficiaries currently receiving benefits. The Water Enterprise has 6 active members and 4 retirees and beneficiary currently receiving benefits.

Fiscal Year 2023

SFERS Plan – The beginning and end of year measurements are based on different assumptions and contribution methods that may result in different discount rates. The discount rate was 7.20% as of June 30, 2022 (measurement date) and 7.40% as of June 30, 2021 (measurement date).

The discount rate used to measure the Total Pension Liability as of June 30, 2022 was 7.20%. The projection of cash flows used to determine the discount rate assumed that plan member contributions will continue to be made at the rates specified in the Charter. Employer contributions were assumed to be made in accordance with the contribution policy in effect for

(Dollars in thousands, unless otherwise stated)

July 1, 2021 actuarial valuation. That policy includes contributions equal to the employer portion of the entry age normal costs for members as of the valuation date, a payment for the expected administrative expenses, and an amortization payment on the unfunded actuarial liability.

The amortization payment is based on closed periods that vary in length depending on the source. Charter amendments prior to July 1, 2014 are amortized over 20 years. After July 1, 2014, any Charter changes to active member benefits are amortized over 15 years and changes to inactive member benefits, including Supplemental COLAs, are amortized over 5 years. The remaining unfunded actuarial liability not attributable to Charter amendments as of July 1, 2013 is amortized over a 19-year period commencing July 1, 2014. Experience gains and losses and assumption or method changes on or after July 1, 2014 are amortized over 20 years. The full amortization payment for the 2015 assumption changes is phased in over a period of 5 years. For the July 1, 2016 valuation, the increase in the unfunded actuarial liability attributable to the Supplemental COLAs granted on July 1, 2013 and July 1, 2014 are amortized over 17-years and 5-years respectively. All amortization schedules are established as a level percentage of payroll so payments increase 3.25% each year. The unfunded actuarial liability is based on an actuarial value of assets that smooths investment gains and losses over five years and a measurement of the actuarial liability that excludes the value of any future Supplemental COLAs.

While the contributions and measure of actuarial liability in the funding valuation do not anticipate any future Supplemental COLAs, the projected contributions for the determination of the discount rate include the anticipated future amortization payments on future Supplemental COLAs for current members when they are expected to be granted. For members who worked after November 6, 1996 and before Proposition C passed (Post 97 Retirees), a Supplemental COLA is granted if the actual investment earnings during the year exceed the expected investment earnings on the actuarial value of assets. For members who did not work after November 6, 1996 and before Proposition C passed, the market value of assets must also exceed the actuarial liability at the beginning of the year for a Supplemental COLA to be granted. When a Supplemental COLA is granted, the amount depends on the amount of excess earnings and the basic COLA amount for each membership group. The large majority of members receive a 1.50% supplemental COLA when granted.

Because the probability of a Supplemental COLA depends on the current funded level of the Retirement System for certain members, an assumption was developed as of June 30, 2022 for the probability and amount of Supplemental COLA for each future year. A full Supplemental COLA will be paid to all retired members, and their beneficiaries, who were retired effective July 1, 2022. The table below shows the net assumed Supplemental COLA for members with a 2.00% Basic COLA for sample years.

Fiscal years	96 - Prop C	Before 11/6/96 or After Prop C
2024	0.75 %	0.70 %
2025	0.75	0.60
2026	0.75	0.60
2027 +	0.75	0.50

The projection of benefit payments to current members for determining the discount rate includes the payment of anticipated future Supplemental COLAs.

Based on these assumptions, the Retirement System's fiduciary net position was projected to be available to make projected future benefit payments for current members for all future years. Projected benefit payments are discounted at the long-term expected return on assets of 7.20% to the extent the fiduciary net position is available to make the payments and at the municipal bond rate of 3.54% to the extent they are not available. The single equivalent rate used to determine the Total Pension Liability as of June 30, 2022 is 7.20%.

The long-term expected rate of return on pension plan investments was 7.20%. It was set by the Retirement Board after consideration of both expected future returns and historical returns experienced by the Retirement System. Expected future returns were determined by using a building-block method in which best-estimate ranges of expected future real rates of return were developed for each major asset class. These ranges were combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

(Dollars in thousands, unless otherwise stated)

Target allocation and best estimates of geometric long-term expected real rates of return (net of pension plan investment expense and inflation) for each major asset class are summarized in the following table:

Asset Class	Target Allocation	Long-term Expected Real Rate of Return
Global Equity	37.0 %	4.8 %
Private Equity	23.0	7.9
Private Credit	10.0	5.8
Real Assets	10.0	4.7
Hedge Funds/Absolute Returns	10.0	3.4
Treasuries	8.0	0.6
Liquid Credit	5.0	3.5
Leverage	(3.0)	0.6
Total	100.0 %	

RBP – The beginning and end of year measurements are based on different assumptions that result in different discount rates. The discount rate was 3.54% as of June 30, 2022. This reflects the yield for a 20-year, tax-exempt general obligation municipal bond with an average rating of AA/Aa or higher. The Municipal Bond Yields are the Bond Buyer 20-Year GO Index as of June 24, 2021 and June 30, 2022. These are the rates used to determine the total pension liability as of June 30, 2022.

The inflation assumption of 2.50% compounded annually was used for projecting the annual IRC Section 415(b) limitations. However, the actual IRC Section 415(b) limitations published by the IRS of $245 was used for the 2022 measurement date.

The SFERS assumptions about Basic and Supplemental COLA previously discussed also apply to the RBP, including the impact of the State Appeals Court determination that the full funding requirement for payment of Supplemental COLA included in Proposition C was unconstitutional and the impact is accounted for as a change in benefits.

On June 30, 2023, City's membership in the RBP had a total of 327 active members and 160 retirees and beneficiaries currently receiving benefits. The Water Enterprise has 7 active members and 6 retirees and beneficiaries currently receiving benefits.

Sensitivity of Proportionate Share of the Net Pension (Asset)/Liability to Changes in the Discount Rate

The following presents the SFPUC's allocation of the employer's proportionate share of the net pension (asset)/liability (NPA/NPL) for the SFERS Plan, calculated using the discount rate, as well as what the SFPUC's allocation of the employer's proportionate share of the net pension (asset)/liability would be if it were calculated using a discount rate that is 1% lower or 1% higher than the current rate.

SFERS Plan - Schedule of Employers' Proportionate Share of the Net Pension (Asset)/Liability

Fiscal Year 2024		Water	Wastewater	Hetchy Water	Hetchy Power	CleanPowerSF	SFPUC Total
1% Decrease Share of NPL @ 6.20%	$	351,972	157,852	44,775	54,725	8,357	617,681
Share of NPL @ 7.20%		150,060	67,299	19,090	23,332	3,563	263,344
1% Increase Share of (NPA) @ 8.20%		(16,414)	(7,362)	(2,088)	(2,552)	(390)	(28,806)

(Dollars in thousands, unless otherwise stated)

SFERS Plan - Schedule of Employers' Proportionate Share of the Net Pension (Asset)/Liability

Fiscal Year 2023		Water	Wastewater	Hetchy Water	Hetchy Power	CleanPowerSF	SFPUC Total
1% Decrease Share of NPL @ 6.20%	$	305,993	135,684	38,624	47,207	5,817	533,325
Share of NPL @ 7.20%		111,743	49,549	14,105	17,239	2,124	194,760
1% Increase Share of (NPA) @ 8.20%		(48,394)	(21,459)	(6,108)	(7,466)	(920)	(84,347)

The following presents the Water Enterprise's allocation of the employer's proportionate share of the total pension liability for the RBP, calculated using the discount rate, as well as what the Water Enterprise's allocation of the employer's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1% lower or 1% higher than the current rate.

Replacement Benefits Plan - Schedule of Employers' Proportionate Share of the Net Pension Liability

Fiscal Year 2024		Water
1% Decrease Share of NPL @ 2.65%	$	3,060
Measurement Date @ 3.65%		2,583
1% Increase Share of NPL @ 4.65%		2,207
Fiscal Year 2023		**Water**
1% Decrease Share of NPL @ 2.54%	$	4,270
Measurement Date @ 3.54%		3,600
1% Increase Share of NPL @ 4.54%		3,072

b) Other Postemployment Benefits

The SFPUC participates in the City's single-employer defined benefit other postemployment benefits plan (the Plan). The Plan is maintained by the City and is administered through the City's Health Service System. It provides postemployment medical, dental and vision insurance benefits to eligible employees, retired employees, surviving spouses, and domestic partners. Health benefit provisions are established and may be amended through negotiations between the City and the respective bargaining units. The City does not issue a separate report on its other postemployment benefits (OPEB) plan.

GASB Statement No. 75 requires that reported results must pertain to liability and asset information within certain defined timeframes. For this report, the following timeframes are used.

San Francisco Health Service System Retiree Plan - Single-Employer

	Fiscal Year 2024	Fiscal Year 2023
Valuation Date (VD)	June 30, 2022 updated to June 30, 2023	June 30, 2022
Measurement Date (MD)	June 30, 2023	June 30, 2022
Measurement Period (MP)	July 1, 2022 to June 30, 2023	July 1, 2021 to June 30, 2022

The SFPUC's allocation percentage of the Plan was determined based on its percentage of citywide "pay-as-you-go" contributions for the years ended June 30, 2023 and June 30, 2022. The SFPUC's net OPEB liability, deferred outflows/inflows of resources related to OPEB, amortization of deferred outflows/inflows and OPEB expense to each department is based on SFPUC's allocated percentage. The SFPUC's proportionate share of the City's OPEB elements as of June 30, 2023 (measurement date) was 6.32%: 4.03% for the Water Enterprise, 1.26% for the Wastewater Enterprise, 0.41% for Hetchy Water, 0.51% for Hetchy Power, and 0.11% for CleanPowerSF. The SFPUC's proportionate share of the City's OPEB elements as of June 30, 2022 (measurement date) was 6.26%: 3.97% for the Water Enterprise, 1.31% for the Wastewater Enterprise, 0.40% for Hetchy Water, 0.47% for Hetchy Power, and 0.11% for CleanPowerSF.

Benefits – Permanent full-time and elected employees are eligible to retire and receive postretirement health insurance benefits when they are eligible for retirement benefits from the City and County of San Francisco's Retirement System.

(Dollars in thousands, unless otherwise stated)

The eligibility requirements are as follows:

Normal Retirement	Miscellaneous	Age 50 with 20 years of credited service[1]
		Age 60 with 10 years of credited service
	Safety	Age 50 with 5 years of credited service
Disabled Retirement[2]		Any age with 10 years of credited service
Terminated Vested		5 years of credited service at separation

[1] Age 53 with 20 years of credited service, age 60 with 10 years of credited service, or age 65 for Miscellaneous members hired on or after January 7, 2012 under Charter Section 8.603.
[2] No service requirement for Safety members retiring under the industrial disability benefit or for surviving spouses/domestic partners of those killed in the line of duty.

Retiree healthcare benefits are administered by the San Francisco Health Service System and include the following:

Medical:	PPO – Blue Shield (self-insured) and UHC Medicare Advantage (fully-insured)
	HMO – Kaiser (fully-insured) and Blue Shield (flex-funded) and Health Net (flex-funded)
Dental:	Delta Dental, DeltaCare USA and United Healthcare Dental
Vision:	Vision benefits are provided under the medical insurance plans and are administered by Vision Service Plan.

Projections of the sharing of benefit-related costs are based on an established pattern of practice.

Contributions – Benefits provided under the Plan are currently paid through "pay-as-you-go" funding. Additionally, under the City Charter, active officers and employees of the City who commenced employment on or after January 10, 2009, shall contribute to the Retiree Health Care Trust Fund (Trust Fund) a percentage of compensation not to exceed 2% of pre-tax compensation. The City shall contribute 1% of compensation for officers and employees who commenced employment on or after January 10, 2009 until the City's GASB Actuary has determined that the City's portion of the Trust Fund is fully funded. At that time, the City's 1% contribution shall cease, and officers and employees will each contribute 50% of the maximum 2% of pre-tax compensation.

Starting July 1, 2016, active officers and employees of the City who commenced employment on or before January 9, 2009, shall contribute 0.25% of pre-tax compensation into the Trust Fund. Beginning on July 1st of each subsequent year, the active officers and employees of the City who commenced employment on or before January 9, 2009, shall contribute an additional 0.25% of pre-tax compensation up to a maximum of 1%. Starting July 1, 2016, the City shall contribute 0.25% of compensation into the Trust Fund for each officer and employee who commenced employment on or before January 9, 2009. Beginning on July 1st of each subsequent year, the City shall contribute an additional 0.25% of compensation, up to a maximum of 1% for each officer and employee who commenced employment on or before January 9, 2009. When the City's actuary has determined that the City's portion of the Trust Fund is fully funded, the City's 1% contribution shall cease, and officers and employees will each contribute 50% of the maximum 1% of pre-tax compensation. Additional or existing contribution requirements may be established or modified by amendment to the City's Charter.

Fiscal Year 2024

For the fiscal year ended June 30, 2024, the City's funding was based on "pay as you go" plus a contribution of $48,779 to the Retiree Healthcare Trust Fund. The "pay as you go" portion paid by the City was $229,922 for a total contribution of $278,701 for the fiscal year ended June 30, 2024. The SFPUC's proportionate share of contributions for fiscal year 2024 was $17,603: $11,241 for Water Enterprise, $3,498 for the Wastewater Enterprise, $1,155 for Hetchy Water, $1,412 for Hetchy Power, and $297 for CleanPowerSF and will be recognized as a reduction of the net OPEB liability in the reporting year ending June 30, 2025.

(Dollars in thousands, unless otherwise stated)

Fiscal Year 2023

For the fiscal year ended June 30, 2023, the City's funding was based on "pay-as-you-go" plus a contribution of $45,241 to the Retiree Healthcare Trust Fund. The "pay-as-you-go" portion paid by the City was $215,408 for a total contribution of $260,649 for the fiscal year ended June 30, 2023. The SFPUC's proportionate share of contributions for fiscal year 2023 was $16,339: $10,339 for Water Enterprise, $3,412 for the Wastewater Enterprise, $1,038 for Hetchy Water, $1,268 for Hetchy Power, and $282 for CleanPowerSF for fiscal year 2023 and will be recognized as a reduction of the net OPEB liability in the subsequent fiscal period.

OPEB Liabilities,OPEB Expenses and Deferred Outflows/Inflows of Resources Related to OPEB

Fiscal Year 2024

As of June 30, 2024, the City reported net OPEB liabilities related to the Plan of $3,924,832. The SFPUC's proportionate share of the City's net OPEB liability as of June 30, 2024 was $247,902: $158,301 for Water Enterprise, $49,260 for the Wastewater Enterprise, $16,269 for Hetchy Water, $19,883 for Hetchy Power, and $4,189 for CleanPowerSF.

For the year ended June 30, 2024, the City's recognized OPEB expense was $261,158. Amortization of the City's deferred outflows and inflows is included as a component of OPEB expense. The SFPUC's proportionate share of the City's OPEB expense/(income) was $17,951: $13,394 for Water Enterprise, ($647) for the Wastewater Enterprise, $2,390 for Hetchy Water, $2,922 for Hetchy Power, and ($108) for CleanPowerSF.

As of June 30, 2024, the SFPUC's reported its proportionate share of the City's deferred outflows and inflows of resources related to OPEB from the following sources:

Schedule of Deferred Outflows of Resources

Fiscal Year 2024		Water	Wastewater	Hetchy Water	Hetchy Power	CleanPowerSF	SFPUC Total
Contribution subsequent to the measurement date	$	11,241	3,498	1,155	1,412	297	17,603
Differences between expected and actual experience		6,801	2,116	699	854	180	10,650
Changes in assumptions		4,602	1,432	473	578	122	7,207
Net difference between projected and actual earnings on pension plan investments		1,212	377	125	152	32	1,898
Change in proportion		6,118	5,393	739	903	365	13,518
	Total $	29,974	12,816	3,191	3,899	996	50,876

Schedule of Deferred Inflows of Resources

Fiscal Year 2024		Water	Wastewater	Hetchy Water	Hetchy Power	CleanPowerSF	SFPUC Total
Differences between expected and actual experience	$	18,351	5,711	1,886	2,305	486	28,739
Change in proportion		3,983	98	1,011	1,236	1,806	8,134
	Total $	22,334	5,809	2,897	3,541	2,292	36,873

Amounts reported as deferred outflows, exclusive of contributions made after the measurement date, and deferred inflows of resources will be amortized annually and recognized in OPEB (benefit)/expense as follows:

Fiscal years		Water	Wastewater	Hetchy Water	Hetchy Power	CleanPowerSF	SFPUC Total
2025	$	(531)	1,056	(238)	(292)	(571)	(576)
2026		(459)	956	(79)	(96)	(456)	(134)
2027		(877)	829	(170)	(209)	(355)	(782)
2028		(2,223)	42	(362)	(443)	(244)	(3,230)
2029		489	626	(12)	(14)	33	1,122
Total	$	(3,601)	3,509	(861)	(1,054)	(1,593)	(3,600)

(Dollars in thousands, unless otherwise stated)

Fiscal Year 2023

As of June 30, 2023, the City reported net OPEB liabilities related to the Plan of $3,746,270. The SFPUC's proportionate share of the City's net OPEB liability as of June 30, 2023 was $234,816: $148,601 for Water Enterprise, $49,035 for the Wastewater Enterprise, $14,907 for Hetchy Water, $18,220 for Hetchy Power, and $4,053 for CleanPowerSF.

For the year ended June 30, 2023, the City's recognized OPEB expense was $256,974. Amortization of the City's deferred outflows and inflows is included as a component of OPEB expense. The SFPUC's proportionate share of the City's OPEB expense was $32,559: $20,381 for Water Enterprise, $4,374 for the Wastewater Enterprise, $2,078 for Hetchy Water, $2,540 for Hetchy Power, and $3,186 for CleanPowerSF.

As of June 30, 2023, the SFPUC's reported its proportionate share of the City's deferred outflows and inflows of resources related to OPEB from the following sources:

Schedule of Deferred Outflows of Resources

Fiscal Year 2023		Water	Wastewater	Hetchy Water	Hetchy Power	CleanPowerSF	SFPUC Total
Contribution subsequent to the measurement date	$	10,339	3,412	1,038	1,268	282	16,339
Differences between expected and actual experience		3,299	1,089	331	404	90	5,213
Changes in assumptions		6,344	2,093	636	778	173	10,024
Net difference between projected and actual earnings on pension plan investments		2,392	789	240	293	65	3,779
Change in proportion		6,242	4,110	1,003	1,226	399	12,980
	Total $	28,616	11,493	3,248	3,969	1,009	48,335

Schedule of Deferred Inflows of Resources

Fiscal Year 2023		Water	Wastewater	Hetchy Water	Hetchy Power	CleanPowerSF	SFPUC Total
Differences between expected and actual experience	$	24,740	8,164	2,482	3,033	675	39,094
Change in proportion		2,335	122	602	736	2,247	6,042
	Total $	27,075	8,286	3,084	3,769	2,922	45,136

Amounts reported as deferred outflows, exclusive of contributions made after the measurement date, and deferred inflows of resources will be amortized annually and recognized in OPEB (benefit)/expense as follows:

Fiscal years		Water	Wastewater	Hetchy Water	Hetchy Power	CleanPowerSF	SFPUC Total
2024	$	(2,253)	(137)	(193)	(236)	(527)	(3,346)
2025		(2,213)	(124)	(189)	(231)	(526)	(3,283)
2026		(720)	369	(39)	(48)	(485)	(923)
2027		(1,132)	236	(130)	(159)	(384)	(1,569)
2028		(2,480)	(549)	(323)	(394)	(273)	(4,019)
Total	$	(8,798)	(205)	(874)	(1,068)	(2,195)	(13,140)

(Dollars in thousands, unless otherwise stated)

Actuarial Assumptions

Fiscal Year 2024

A summary of the actuarial assumptions and methods used to calculate the total OPEB liability as of June 30, 2023 (measurement date) is provided below:

Key Actuarial Assumptions	
Valuation Date	June 30, 2022 updated to June 30, 2023
Measurement Date	June 30, 2023
Actuarial Cost Method	The Entry Age Actuarial Cost Method is used to measure the Plan's Total OPEB Liability
Healthcare Cost Trend Rates	Pre-Medicare trend starts at 7.24% trending down to ultimate rate of 3.94% in 2075 Medicare trend starts at 7.24% trending down to ultimate rate of 3.94% in 2075 10-County average trend starts at 5.00% trending down to ultimate rate of 3.94% in 2075 Vision and expenses trend remains a flat 3.00% for all years
Expected Rate of Return on Plan Assets	7.00%
Salary Increase Rate	Wage Inflation Component: 3.25% Additional Merit Component (dependent on years of service): Police: 0.50% - 7.50% Fire: 0.50% - 14.00% Muni Drivers: 0.00% - 16.00% Craft: 0.50% - 3.75% Misc: 0.30% - 5.50%
Inflation Rate	Wage Inflation: 3.25% compounded annually Consumer Price Inflation: 2.50% compounded annually
Mortality Tables	Base mortality tables are developed by multiplying a published table by an adjustment factor developed in SFERS experience study for the period ended June 30, 2019.

Non-Annuitants

	Published Table	Adjustment Factor	
		Male	Female
Miscellaneous	PubG-2010 Employee	0.834	0.866
Safety	PubS-2010 Employee	1.011	0.979

Healthy Retirees

	Published Table	Adjustment Factor	
		Male	Female
Miscellaneous	PubG-2010 Employee	1.031	0.977
Safety	PubS-2010 Employee	0.947	1.044

Disabled Retirees

	Published Table	Adjustment Factor	
		Male	Female
Miscellaneous	PubG-2010 Employee	1.045	1.003
Safety	PubS-2010 Employee	0.916	0.995

Beneficiaries

	Published Table	Adjustment Factor	
		Male	Female
Miscellaneous	PubG-2010 Employee	1.031	0.977
Safety	PubG-2010 Employee	1.031	0.977

The mortality rates in the base tables are projected generationally from the base year using the MP–2019 projection scale.

(Dollars in thousands, unless otherwise stated)

Fiscal Year 2023

A summary of the actuarial assumptions and methods used to calculate the total OPEB liability as of June 30, 2022 (measurement date) is provided below:

Key Actuarial Assumptions	
Valuation Date	June 30, 2022
Measurement Date	June 30, 2022
Actuarial Cost Method	The Entry Age Actuarial Cost Method is used to measure the Plan's Total OPEB Liability
Healthcare Cost Trend Rates	Pre-Medicare trend starts at 7.74% trending down to ultimate rate of 3.93% in 2076 Medicare trend starts at 7.74% trending down to ultimate rate of 3.94% in 2076 10-County average trend starts at 5.00% trending down to ultimate rate of 3.94% in 2076 Vision and expenses trend remains a flat 3.00% for all years
Expected Rate of Return on Plan Assets	7.00%
Salary Increase Rate	Wage Inflation Component: 3.25% Additional Merit Component (dependent on years of service): Police: 0.50% - 7.50% Fire: 0.50% - 14.00% Muni Drivers: 0.00% - 16.00% Craft: 0.50% - 3.75% Misc: 0.30% - 5.50%
Inflation Rate	Wage Inflation: 3.25% compounded annually Consumer Price Inflation: 2.50% compounded annually
Mortality Tables	Base mortality tables are developed by multiplying a published table by an adjustment factor developed in SFERS experience study for the period ending June 30, 2019.

Non-Annuitants

	Published Table	Adjustment Factor Male	Female
Miscellaneous	PubG-2010 Employee	0.834	0.866
Safety	PubS-2010 Employee	1.011	0.979

Healthy Retirees

	Published Table	Adjustment Factor Male	Female
Miscellaneous	PubG-2010 Employee	1.031	0.977
Safety	PubS-2010 Employee	0.947	1.044

Disabled Retirees

	Published Table	Adjustment Factor Male	Female
Miscellaneous	PubG-2010 Employee	1.045	1.003
Safety	PubS-2010 Employee	0.916	0.995

Beneficiaries

	Published Table	Adjustment Factor Male	Female
Miscellaneous	PubG-2010 Employee	1.031	0.977
Safety	PubG-2010 Employee	1.031	0.977

The mortality rates in the base tables are projected generationally from the base year using the MP–2019 projection scale.

Sensitivity of Liabilities to Changes in the Healthcare Cost Trend Rate and Discount Rate

The following presents the SFPUC's proportionate share of the City's net OPEB liability calculated using the healthcare cost trend rate, as well as what its allocation of the City's net OPEB liability would be if it were calculated using a healthcare cost trend rate that is 1% lower or 1% higher than the current rate as of June 30, 2024 and June 30, 2023:

	Water	Wastewater	Hetchy Water	Hetchy Power	CleanPowerSF	Total 2024
1% Decrease	$ 134,621	41,892	13,835	16,909	3,562	210,819
Healthcare Trend	158,301	49,260	16,269	19,883	4,189	247,902
1% Increase	187,684	58,404	19,288	23,574	4,966	293,916

	Water	Wastewater	Hetchy Water	Hetchy Power	CleanPowerSF	Total 2023
1% Decrease	$ 127,125	41,948	12,753	15,586	3,467	200,879
Healthcare Trend	148,601	49,035	14,907	18,220	4,053	234,816
1% Increase	175,238	57,824	17,579	21,486	4,779	276,906

(Dollars in thousands, unless otherwise stated)

Discount Rate

Fiscal Year 2024

The discount rate used to measure the Total OPEB Liability as of June 30, 2023 was 7.0%. Based on the assumption that plan member contributions will continue to be made at the rates specified in the Charter, it was determined that the Plan's projected fiduciary net position will be greater than or equal to the benefit payments projected for each future period. As such, the long-term expected rate of return on plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability.

The long-term expected rate of return on OPEB plan investments was 7.0% based on expected future returns and historical returns experienced by the Trust Fund. Expected future returns were determined based on 10-year and 20-year capital market assumptions for the Trust Fund's asset allocation. Target allocation for each major asset class and best estimates of geometric real rates of return are summarized in the following table:

Asset Class	Target Allocation	Long-term Expected Real Rate of Return
Equities		
U.S. Large Cap	25.0 %	6.1 %
U.S. Small Cap	2.0	6.7
Developed Market Equity (non-U.S.)	13.0	7.2
Emerging Market Equity	10.0	7.4
Credit		
Bank Loans	3.0	4.4
High Yield Bonds	3.0	4.7
Rate Securities		
Investment Grade Corporate Bonds	7.0	2.8
Short-term Treasury Inflation-Protected Securities (TIPS)	5.0	1.00
Private Markets		
Private Equity	10.0	8.4
Private Debt	5.0	6.4
Core Private Real Estate	5.0	3.9
Infrastructure (Core Private)	2.0	5.2
Risk Mitigating Strategies		
Global Macro	10.0	3.1
Total	100.0 %	

The following presents the SFPUC's proportionate share of the City's net OPEB liability calculated using the discount rate, as well as what the SFPUC's proportionate share of the City's net OPEB liability would be if it were calculated using a discount rate that is 1% lower or 1% higher than the current rate:

Fiscal Year 2024	Water	Wastewater	Hetchy Water	Hetchy Power	CleanPowerSF	SFPUC Total
1% Decrease 6.00%	$ 185,275	57,654	19,040	23,272	4,903	290,144
Discount Rate 7.00%	158,301	49,260	16,269	19,883	4,189	247,902
1% Increase 8.00%	136,180	42,377	13,995	17,105	3,604	213,261

Fiscal Year 2023

The discount rate used to measure the Total OPEB Liability as of June 30, 2022 was 7.0%. Based on the assumption that plan member contributions will continue to be made at the rates specified in the Charter, it was determined that the Plan's projected fiduciary net position will be greater than or equal to the benefit payments projected for each future period. As such, the long-term expected rate of return on plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability.

The long-term expected rate of return on OPEB plan investments was 7.0% based on expected future returns and historical returns experienced by the Trust Fund. Expected future returns were determined based on 10-year and 20-year capital market assumptions for the Trust Fund's asset allocation.

(Dollars in thousands, unless otherwise stated)

Target allocation for each major asset class and best estimates of geometric real rates of return are summarized in the following table:

Asset Class	Target Allocation	Long-term Expected Real Rate of Return
Equities		
U.S. Large Cap	28.0 %	6.8 %
U.S. Small Cap	3.0	7.4
Developed Market Equity (non-U.S.)	15.0	7.5
Emerging Market Equity	13.0	8.4
Credit		
Bank Loans	3.0	4.0
High Yield Bonds	3.0	4.4
Emerging Market Bonds	3.0	4.2
Rate Securities		
Investment Grade Bonds	9.0	2.4
Long-term Government Bonds	4.0	2.8
Short-term Treasury Inflation-Protected Securities (TIPS)	4.0	1.9
Private Markets		
Private Equity	5.0	10.0
Core Private Real Estate	5.0	6.1
Risk Mitigating Strategies		
Global Macro	5.0	5.0
Total	**100.0 %**	

The following presents the SFPUC's proportionate share of the City's net OPEB liability calculated using the discount rate, as well as what the SFPUC's proportionate share of the City's net OPEB liability would be if it were calculated using a discount rate that is 1% lower or 1% higher than the current rate:

Fiscal Year 2023		Water	Wastewater	Hetchy Water	Hetchy Power	CleanPowerSF	SFPUC Total
1% Decrease 6.00%	$	173,000	57,086	17,355	21,211	4,718	273,370
Discount Rate 7.00%		148,601	49,035	14,907	18,220	4,053	234,816
1% Increase 8.00%		128,583	42,429	12,899	15,765	3,507	203,183

The City issues a publicly available financial report that includes the complete note disclosures and required supplementary information related to the City's postemployment health care obligations. The report may be obtained on the City's website https://www.sf.gov/annual-comprehensive-financial-reports-acfr, by writing to the City and County of San Francisco, Office of the Controller, 1 Dr. Carlton B. Goodlett Place, Room 316, San Francisco, California 94102, or by calling (415) 554-7500.

(15) Related Parties

Various common costs incurred by the Commission are allocated proratably between Water, Wastewater, Hetchy Water, Hetchy Power, and CleanPowerSF. The allocations are based on the Commission management's best estimate and may change from year to year depending on the activities incurred by each enterprise and the information available.

The following tables show the administrative costs including COVID-19 Project expenses for the years ended June 30, 2024 and 2023:

Fiscal Years		Water		Wastewater		Hetchy Water		Hetchy Power		CleanPowerSF		SFPUC Total
2024	$	59,952	48.1%	35,943	28.8%	12,805	10.3%	10,297	8.3%	5,687	4.5%	124,684
2023		55,121	48.2%	32,909	28.8%	11,778	10.3%	9,452	8.3%	5,132	4.4%	114,392

SFPUC's 75-year lease agreement with the San Francisco Recreation and Parks Department, for the use of parking spaces for its fleet of vehicles at the Civic Center Garage, commenced on February 1, 2011. The total payment under this agreement is $6,274, which was fully made as of fiscal year 2015. The expenses and prepayments among the three SFPUC Enterprises are based on 525 Golden Gate occupancy. The following tables show the allocable share of expenses and prepayments for the years ended June 30, 2024 and 2023:

(Dollars in thousands, unless otherwise stated)

	2024				
	Water	Wastewater	Hetchy Water	Hetchy Power	SFPUC Total
Allocable share of expenses	$ 46	21	4	12	83
Allocable share of prepayment	3,174	1,103	142	729	5,148

	2023				
	Water	Wastewater	Hetchy Water	Hetchy Power	SFPUC Total
Allocable share of expenses	$ 45	21	5	12	83
Allocable share of prepayment	3,220	1,124	146	741	5,231

Water Enterprise

The Water Enterprise purchases water from Hetch Hetchy Water. The amounts, totaling $46,266 and $49,636 for the years ended June 30, 2024 and 2023, respectively, have been included in the services provided by other departments in the accompanying financial statements.

The Water Enterprise purchases electricity from Hetch Hetchy Power at market rates. The amounts, totaling $10,256 and $11,398 for the years ended June 30, 2024 and 2023, respectively, have been included in services provided by other departments in the accompanying financial statements.

The Water Enterprise sold water to the Wastewater Enterprise at retail rates. This amount, totaling $1,736 and $1,552 for the years ended June 30, 2024 and 2023, respectively, has been included in charges for services in the accompanying financial statements.

Since fiscal year 2008, the Water Enterprise has charged City departments for water usage except for fire hydrants, which are used for general public safety. In fiscal years 2024 and 2023, the Water Enterprise delivered water for fire hydrant purposes totaling $5 and $9, respectively, based on metered usage and applicable water rates, and the amount has been excluded from operating revenues in the accompanying financial statements.

A variety of City departments provide services such as engineering, purchasing, legal, data processing, telecommunications, and human resources to the Water Enterprise and charge amounts designed to recover those departments' costs. These charges, totaling $20,925 and $18,690 for the years ended June 30, 2024 and 2023, respectively, have been included in services provided by other departments in the accompanying financial statements.

During the fiscal year ended June 30, 2024, the Water Enterprise transferred $1,167 to the Arts Commission for the arts enrichment fund, $42 to Hetch Hetchy Water to fund various Mountain Tunnel Improvement projects, and $32 to the Office of the City Administrator for the Water Enterprise's contribution to the Surety Bond Program. During the fiscal year ended June 30, 2023, the Water Enterprise transferred $20,000 to Hetch Hetchy Water to fund various Mountain Tunnel Improvement projects, and $32 to the Office of the City Administrator for the Water Enterprise's contribution to the Surety Bond Program.

As of June 30, 2024, the Water Enterprise had interfund receivables of $102 from DPW relating to custom work projects. As of June 30, 2023, the Water Enterprise had interfund receivables of $115 from DPW relating to custom work projects.

The Water Enterprise a $0 and $2,440 payable to San Francisco Municipal Transportation Agency for a settlement payable relating to the Van Ness Corridor Transit Improvement project as of June 30, 2024 and 2023, respectively.

Wastewater Enterprise

The Wastewater Enterprise purchases electricity from Hetch Hetchy Power at market rates. This amount, totaling $12,377 and $14,876 for the years ended June 30, 2024 and 2023, respectively, has been included in services provided by other departments in the accompanying financial statements.

The Wastewater Enterprise purchases water from Water Enterprise at retail rates. This amount, totaling $1,701 and $1,552 for the years ended June 30, 2024 and 2023, respectively, has been included in services provided by other departments in the accompanying financial statements.

The Wastewater Enterprise provides sewer services to other City departments at non-residential rates established by the Commission, and through the Customer Services Bureau, bills and collects sewer service charges on behalf of the Wastewater Enterprise.

The City's Department of Public Works provides certain engineering and other services to the Wastewater Enterprise and charges amounts designed to recover its costs. These services are primarily related to street cleaning, engineering, building repair, and sewer repair. These amounts totaling approximately $8,711 and $9,156 for the years ended June 30, 2024 and 2023, respectively, have been included in services provided by other departments in the accompanying financial statements.

A variety of other City departments provide services such as purchasing, legal, data processing, telecommunications, and human resources to the Wastewater Enterprise and charge amounts designed to recover those departments' costs. These charges totaling approximately $16,757 and $15,415 for the years ended June 30, 2024 and 2023, respectively, have been included in services provided by other departments in the accompanying financial statements.

As of June 30, 2024 and 2023, the Wastewater Enterprise has payables in the amount of $0 and $2,102 respectively, to MTA related to Walsh settlement and $405 and $518, respectively, which is associated with the SFPUC Headquarters Living Machine system.

As of June 30, 2024 and 2023, the Wastewater Enterprise has interfund receivable from DPW for the Mission Bay South custom work project of $82 and $128, respectively.

SFPUC's 30-year lease agreement with the San Francisco Port Commission, for the use of approximately 4,833 square feet of land located within Seawall Lot 345 and within the public right-of-way on Terry A. Francois Boulevard and on Illinois Street, commenced on September 1st, 2018. SFPUC intends to use the premises for the reconstruction of the Mariposa Pump Station and Force Main Improvements. Total payment under this agreement is $502, which was fully made as of fiscal year 2019. As of June 30, 2024, the Wastewater Enterprise's expenses and prepayment were $17 and $405, respectively, and as of June 30, 2023 were $17 and $421, respectively.

Hetchy Water

The Water Enterprise purchases water from Hetchy Water. Included in the operating revenues are the water assessment fees of $46,266 and $49,636 for the years ended June 30, 2024 and 2023, respectively. The water assessment fees represent a recovery to fund upcountry, water-related costs that are not otherwise funded through Hetchy water-related revenue or Water revenue bonds.

A variety of City departments provide direct services such as engineering, purchasing, legal, data processing, telecommunication, and human resources to Hetchy Water and charge amounts designed to recover those departments' costs. These charges totaling approximately $3,501 and $3,392 for the years ended June 30, 2024 and 2023, respectively, have been included in services provided by other departments in the accompanying financial statements.

Hetchy Water received $42 and $20,000 for the years ended June 30, 2024 and 2023, respectively, from the Water Enterprise to fund upcountry projects.

Hetchy Power

For the years ended June 30, 2024 and 2023, operating revenues in sales of power to departments within the City were $125,197 and $121,046, respectively.

A variety of City departments provide direct services such as engineering, purchasing, legal, data processing, telecommunication, and human resources to Hetchy Power and charge amounts designed to recover those departments' costs. These charges totaling approximately $6,828 and $8,674 for the years ended June 30, 2024 and 2023, respectively, have been included in services provided by other departments in the accompanying financial statements.

The Water Enterprise also purchases electricity and gas from Hetchy Power. This amount totaled $10,256 and $11,398 for the years ended June 30, 2024 and 2023, respectively.

The Wastewater Enterprise purchases electricity and gas from Hetchy Power. This amount totaled $12,377 and $14,876 for the years ended June 30, 2024 and 2023, respectively.

The Low Carbon Fuel Standard (LCFS) program, overseen by the California Air Resources Board (CARB), seeks to reduce the carbon intensity of California's transportation fuel. Transportation fuel suppliers can achieve this goal by either reducing the carbon intensity of their fuels or purchasing LCFS credits from other fuel suppliers that have a lower carbon intensity. In 2017, the San Francisco Municipal Transportation Agency (SFMTA) joined the LCFS program, signing up its transit fleet of electric buses, cable cars, and light rail vehicles and generating LCFS credits. Through a Memorandum of Understanding (MOU) with SFMTA, approved by the SFPUC Commission in Resolution 17-0199, net proceeds from the sale of LCFS credits would be shared 50/50 between SFMTA and Hetchy Power. In Ordinance 0199-19, the Board of Supervisors authorized Hetchy Power to establish the Low Carbon Fuel Standard Fund to account for the revenue and expenditure from the credit sales. The Ordinance also allowed Hetchy Power to sell LCFS credits on behalf of other City agencies which includes Port of San Francisco (Port) and San Francisco International Airport (SFO). Revenue allocations and fees are based on agreements with the departments. LCFS revenue is reported as other non-operating revenues on the Statements of Revenues, Expenses, and Change in Net Position.

During the fiscal year ended June 30, 2024, Hetchy Power received total payments of LCFS credits of $1,838, of which $1,154 was transferred to other City departments ($684 for SFMTA, $372 for Port, and $98 for SFO). The remaining portion was reported as other non-operating revenues on the Statements of Revenues, Expenses, and Change in Net Position.

During the fiscal year ended June 30, 2023, Hetchy Power received total payments of LCFS credits attributable to SFMTA of $1,123, of which $561 was transferred to SFMTA and the remaining portion was reported as other non-operating revenues on the Statements of Revenues, Expenses, and Change in Net Position. In fiscal year 2023, municipal customers entering into an LCFS Partnership Agreement will pay for premium charges. The Port started earning its own LCFS credits on January 1, 2022, through the provision of shoreside power to docked ships. Hetchy Power has subsequently started selling the Port's LCFS credits in fiscal year 2023 and recognized $32 revenues from credit sales. Total of $210 was transferred to Port for fiscal year 2023.

Due from other City departments was $11,421 and $11,486 as of June 30, 2024 and 2023, respectively. Hetchy Power serves as the City's department for energy efficiency projects and maintains the Sustainable Energy Account (SEA) (formerly known as the Mayor's Energy Conservation Account) fund to sponsor and financially support such projects at various City departments. In this role, Hetchy Power may secure low-interest financing to supplement funds available in the SEA fund. As of June 30, 2024 and 2023, projects completed throughout the City amounted to $3,037 and $3,544, respectively and are recorded as due from other City Departments.

Hetch Hetchy funded a project for the Treasure Island Development Authority and recorded receivables in connection with an upgraded submarine power cable, and gas and electrical charges for the Treasure Island as due from other City departments. This amount totaled $7,041 and $7,177 for the years ended June 30, 2024 and 2023, respectively.

As of June 30, 2024 and 2023, Hetchy Power recorded receivables of $405 and $518, respectively, due from Wastewater Enterprise for its share of costs relating to SFPUC Headquarters Living Machine System.

(Dollars in thousands, unless otherwise stated)

As of June 30, 2024, Hetchy Power recorded receivable of $754 from General Fund related to utility user taxes refund. Details of due from other City departments are as follows:

	2024	2023
Treasure Island Development Authority	$ 7,041	7,177
SEA-related projects - Moscone Center	3,037	3,544
General Fund	754	—
Wastewater - 525 Golden Gate Headquarters Project	405	518
San Francisco Recreation and Park	105	209
Department of Public Works	79	38
Total due from other City departments	11,421	11,486
Less: current portion	(1,558)	(1,134)
Long-term portion as of June 30, net	$ 9,863	10,352

As of June 30, 2023, Hetchy Power had payables in the amount of $1,946 for claim settlement reimbursement to SFMTA. The amount was fully paid and Hetchy Power had no payable balance as of June 30, 2024.

CleanPowerSF

As of June 30, 2024, and 2023, operating revenue in sales of power to Hetchy Power were $1,421 and $1.549, respectively. Operating expenses in purchase of power from Hetchy Power were $13,521 and $5,846, respectively. Wholesale sales of energy, capacity and/or other electric power related products may be made between the CleanPowerSF and Hetchy Power, when available. CleanPowerSF and Hetchy Power transact for such products at prevailing market prices.

A variety of City departments provide direct services such as engineering, purchasing, legal, data processing, telecommunication, and human resources to CleanPowerSF and charge amounts designed to recover those departments' costs. These charges totaling approximately $4,792 and $4,302 for the years ended June 30, 2024 and 2023, respectively, have been included in services provided by other departments in the accompanying financial statements.

CleanPowerSF received program support services from Hetchy Power. This amount totaled $2,841 and $2,850 for the years ended June 30, 2024 and 2023, respectively.

(16) Risk Management

The SFPUC's Risk Management program includes both self-insured (i.e., self-retention) and insured exposures at risk. Risk assessments and purchasing of insurance coverage are collaboratively coordinated by SFPUC Enterprise Risk Management and the City's Office of Risk Management. With certain exceptions, the City and the SFPUC's general approach is to first evaluate the exposure at risk for self-insurance. Based on this analysis, internal mitigation strategies and financing through a self-retention mechanism are generally more economical as the SFPUC in coordination with the City Attorney's Office administers, adjusts, settles, defends, and pays claims from budgeted resources (i.e., pay-as-you-go fund). When economically more viable or when required by debt financing covenants, the SFPUC obtains commercial insurance. At least annually, the City actuarially determines general liability and workers' compensation risk exposures. The SFPUC does not maintain commercial earthquake coverage, with certain minor exceptions, such as a sub-limit for fire-sprinkler leakage due to earthquake under the SFPUC Property Insurance program. In the past three years, there was no settlements that exceeded insurance coverage.

(Dollars in thousands, unless otherwise stated)

	Risks	Coverage Approach
(a)	General liability	Self-Insured
(b)	Workers' compensation	Self-Insured through Citywide Pool
(c)	Property	Purchased Insurance and Self-Insured
(d)	Public officials liability	Purchased Insurance
(e)	Employment practices liability	Purchased Insurance
(f)	Cyber Liability	Purchased Insurance
(g)	Crime	Purchased Insurance
(h)	Electronic data processing	Purchased Insurance and Self-Insured
(i)	Surety bonds	Purchased and Contractual Risk Transfer
(j)	Errors and omissions	Purchased and Contractual Risk Transfer
(k)	Builders' risk	Contractual Risk Transfer
(l)	Tenants' and Users' Liability Insurance Policy	Purchased Insurance
(m)	Active Assailant Policy	Purchased Insurance

a) General Liability

Through coordination with the Controller and the City Attorney's Office, the general liability risk exposure is actuarially determined and is addressed through pay-as-you-go funding as part of the budgetary process. Associated costs and estimates are recorded as expenses as required under GAAP for financial statement purposes for both the SFPUC and the City and County of San Francisco's Annual Comprehensive Financial Report. The claim expense allocations are determined based on actuarially determined anticipated claim payments and the projected timing of disbursement. The changes for the general liability (damage claims) for the years ended June 30, 2024, 2023, and 2022 are as follows:

2024	Water	Wastewater	Hetchy Water	Hetchy Power	CleanPowerSF	SFPUC Total
Beginning of year	$ 19,625	4,350	700	6,150	34	30,859
Claims & changes in estimates	18,823	112,467	96	9,273	915	141,574
Claims paid & changes in estimates	(15,675)	(1,734)	(528)	(11,649)	(928)	(30,514)
End of year	$ 22,773	115,083	268	3,774	21	141,919

2023	Water	Wastewater	Hetchy Water	Hetchy Power	CleanPowerSF	SFPUC Total
Beginning of year	$ 36,069	12,045	627	1,023	32	49,796
Claims & changes in estimates	1,898	2,716	320	10,439	1,738	17,111
Claims paid & changes in estimates	(18,342)	(10,411)	(247)	(5,312)	(1,736)	(36,048)
End of year	$ 19,625	4,350	700	6,150	34	30,859

2022	Water	Wastewater	Hetchy Water	Hetchy Power	CleanPowerSF	SFPUC Total
Beginning of year	$ 36,723	16,713	525	1,108	6	55,075
Claims & changes in estimates	452	8,812	253	2,005	1,582	13,104
Claims paid & changes in estimates	(1,106)	(13,480)	(151)	(2,090)	(1,556)	(18,383)
End of year	$ 36,069	12,045	627	1,023	32	49,796

b) Workers' Compensation

The City actuarially determines and allocates workers' compensation costs to the SFPUC according to a formula based on the following: (i) the dollar amount of claims; (ii) yearly projections of payments based on historical experience; and (iii) the size of the SFPUC's payroll. The administration of workers' compensation claims and payouts are handled by the Workers' Compensation Division of the City's Department of Human Resources. Statewide workers' compensation reforms have resulted in budgetary savings in recent years. The City continues to develop and implement improved programs, such as return-to-work programs, to lower or mitigate the growth of workers' compensation costs. Programs include accident prevention, investigation, and duty modification for injured employees with medical restrictions so return to work can occur as soon as possible.

(Dollars in thousands, unless otherwise stated)

The changes in the liabilities for workers' compensation for the years ended June 30, 2024, 2023, and 2022 are as follows:

		2024*				
		Water	Wastewater	Hetchy Water	Hetchy Power	SFPUC Total
Beginning of year	$	9,735	7,998	1,219	2,238	21,190
Claims & changes in estimates		4,336	2,680	337	663	8,016
Claims paid & changes in estimates		(3,069)	(1,666)	(259)	(565)	(5,559)
End of year	$	11,002	9,012	1,297	2,336	23,647

		2023*				
		Water	Wastewater	Hetchy Water	Hetchy Power	SFPUC Total
Beginning of year	$	8,973	7,546	1,228	2,250	19,997
Claims & changes in estimates		3,984	2,976	76	224	7,260
Claims paid & changes in estimates		(3,222)	(2,524)	(85)	(236)	(6,067)
End of year	$	9,735	7,998	1,219	2,238	21,190

		2022*				
		Water	Wastewater	Hetchy Water	Hetchy Power	SFPUC Total
Beginning of year	$	8,828	6,582	1,120	2,118	18,648
Claims & changes in estimates		2,793	3,207	223	322	6,545
Claims paid & changes in estimates		(2,648)	(2,243)	(125)	(190)	(5,206)
End of year	$	8,973	7,546	1,218	2,250	19,987

*CleanPowerSF had no workers' compensation liability as of June 30, 2024, 2023 and 2022.

c) Property

The SFPUC's property risk management approach varies depending on whether the facility is currently under construction, the property is part of revenue-generating operations, the property is of high value, or is mission-critical in nature. During the course of construction, the SFPUC requires each contractor to provide its own insurance, while ensuring the full scope of work be covered with satisfactory levels to limit the SFPUC's risk exposure. Once construction is complete, the SFPUC performs an assessment to determine whether liability/loss coverage will be obtained through the commercial property policy or self-insurance. The majority of property scheduled in the insurance program is for: 1. revenue generating facilities, 2. debt financed facilities, 3. mandated coverage to meet statutory requirements for bonding of various public officials, or 4. high-value, mission-critical property or equipment.

d) Public Officials Liability

All SFPUC public officials with financial oversight responsibilities are provided coverage through a commercial public officials liability policy.

e) Employment Practices Liability

An employment practices liability policy is retained to protect against employment-related claims and liabilities.

f) Cyber Liability

A cyber liability policy is retained to protect against cyber-related claims and liabilities.

g) Crime

The SFPUC also retains a commercial crime policy, in lieu of bonding its employees, to provide coverage against liabilities or losses due to third-party crime or employee fraud.

h) Electronic Data Processing

The electronic data processing policy protects selected high-value electronic property in case of damage or loss.

i) Surety Bonds

Bonds are required in most phases of the public utilities construction contracting process for such phases as bid, performance, and payment or maintenance. Additionally, bonds may be required in other contracts where goods or services are provided to ensure compliance with applicable terms and conditions such as warranty.

j) Errors and Omissions

Errors and omissions, also known as professional liability, are commonly transferred through contract to the contracted professional, or retained through self-insurance on a case-by-case basis depending on the size, complexity, or scope of construction or professional service contracts. Examples of such contracts are inclusive of services provided by engineers, architects, design professionals, and other licensed or certified professional service providers.

k) Builders' Risk

Builders' risk policies of insurance are required to be provided by the contractor on all construction projects for the full value of construction.

l) Tenants' and Users' Liability Insurance Policy

A policy is retained to provide coverage for injuries and property damage to third parties relating to injuries sustained on premises and scheduled events, purchased for the Southeast Community Center.

m) Active Assailant Policy

A policy is retained to protect against third party injuries, first party property damage, business interruption, and crises management for events occurring on premise, purchased for the Southeast Community Center.

n) Energy Risk Management

Similar to other electric utilities with a heavy reliance on hydroelectric generation, Hetch Hetchy is exposed to risks that could impact its ability to generate net revenues to fund operating and capital investment activities. Hydroelectric generation facilities in the Sierra Nevada are the primary source of electricity for Hetch Hetchy. For this reason, the Hetch Hetchy revenues can vary with watershed hydrology, unexpected generator outages, and market prices for energy. Given the inherent risk for all hydroelectric generation, several risk management interventions have been developed to mitigate exposure.

(Dollars in thousands, unless otherwise stated)

o) Enterprise Risk Management

The Power Enterprise adopted the ISO 31000 standard for Hetchy Power and the CleanPowerSF program as the framework for implementing Enterprise Risk Management (ERM). The SFPUC utilizes this framework to systematically and proactively identify and mitigate risks that threaten its business objectives. Since not all risks are insurable or transferable contractually, the ERM program provides an additional method to manage risks and protect the SFPUC's current and expanding business allowing for increased operational resiliency and the ability to capitalize on opportunities.

(17) Commitments and Litigation

a) Commitments

SFPUC has outstanding commitments with third parties for various capital projects and other purchase agreements for materials and services. The following tables show the commitments for the years ended June 30, 2024 and 2023:

		Total outstanding commitments			
Fiscal years ended June 30:		Water	Wastewater	Hetch Hetchy	SFPUC Total
2024	$	248,510	675,849	154,975	1,079,334
2023		220,706	762,085	136,322	1,119,113

Hetchy Water

To meet certain requirements of the Don Pedro Reservoir operating license, the City entered into an agreement with the Modesto Irrigation District (MID) and Turlock Irrigation District (TID) in which the Districts would be responsible for an increase in water flow releases from the reservoir in exchange for annual payments from the City, which are included in Hetchy Water's operating expenses. The payment amounts were $5,714 and $5,329 for fiscal years 2024 and 2023, respectively. The payments are to be made for the duration of the license, but may be terminated with one year's prior written notice after 2001. The City and the Districts have also agreed to monitor the fisheries in the lower Tuolumne River for the duration of the license. A maximum monitoring expense of $1,400 is to be shared between the City and the Districts over the term of the license. The City's share of the monitoring costs is 52%, while the Districts are responsible for 48% of the costs.

Hetchy Power

Wholesale Distribution Tariff (WDT) and Key Operating Agreements for Grid Access

Upon expiration of the City's previous Interconnection Agreement with PG&E, the City began taking service in 2015 under the WDT for distribution service and under the CAISO Open-Access Transmission Tariff for transmission service. The FERC-regulated Wholesale Distribution Tariff is implemented by PG&E through the City specific Service Agreements and Interconnection Agreements. The terms of these agreements have been in contention since the effective date. The City continues to negotiate with PG&E and, where necessary, file complaints and protests at FERC. In September 2020, PG&E filed a revised WDT. Under the terms of the new WDT, the City would pay substantially higher rates, at least twice to potentially four times the current charges, and be required to install costly and inefficient equipment not needed for technical, safety or reliability of operations. In addition, Hetchy Power would no longer be allowed to connect to the "network" grid in the center of San Francisco; have new secondary interconnections; and/or serve any small, typically unmetered loads, such as streetlights, Distributed Antenna System (DAS), traffic signals, and bus shelters.

Staff prepare regular reporting to the Board of Supervisors outlining on-going disputes with PG&E over project requirements, costs and delays. During fiscal years 2024 and 2023, Hetchy Power purchased distribution services for $27,932 and $29,008, respectively, from PG&E under the terms of the Service Agreements and Interconnection Agreements that implement the WDT. The City continues to litigate and dispute these terms at FERC and in the court systems; and pursue the purchase of PG&E's electric grid in San Francisco.

Western System Power Pool and other Market Purchases and Sales

Hetchy Power may purchase or sell energy and other related products (such as ancillary services, spinning reserves, resource adequacy products, and congestion revenue rights) with different market entities through the Western System Power Pool (WSPP) and the CAISO. During fiscal years 2024 and 2023, Hetchy Power purchased $11,945 and $3,676 of power and other related products, respectively. Sales of excess power, after meeting Hetch Hetchy's obligations, were $6,532 or 149,000 MWh for fiscal year 2024 and $1,157 or 155,000 MWh for fiscal year 2023, respectively.

Power Purchase Agreement (PPA)

Hetchy Power (Buyer) purchases energy, capacity, and environmental attributes from a local solar photovoltaic project located at Sunset Reservoir (the facility) pursuant to the 2009 25-year PPA with SFCity1, LP, owned by Duke Energy (Seller). In November 2010, the facility commenced commercial operation and began to provide Hetchy Power energy generated by the facility.

The PPA sets the starting purchase price of generated energy at $235/MWh, increasing by 3% each year throughout the term of the agreement, and it is expected that the facility will generate 6,560 MWh per year on average. Rates for fiscal years ended June 30, 2024 and 2023 were $354/MWh and $344/MWh, respectively. In the event that the facility generates more energy than expected due to better than normal meteorological conditions, the PPA requires the Buyer to purchase all the excess energy but generation in excess of 120% of expected is purchased at no cost. The PPA also requires the Seller to generate a minimum amount of energy from the facility annually. If energy production falls below 50% of expected, the Seller must provide replacement power, and if energy falls below 90% of expected, the price for energy generated is lowered. In fiscal years 2024 and 2023, purchases of energy under the Agreement were $2,184, or 6,269 MWh, and $2,037, or 6,006 MWh, respectively.

APX, Inc

Hetchy Power and CleanPowerSF participate in the CAISO energy markets which requires the SFPUC to have a contract with a certified Scheduling Coordinator (SC). In June 2022, CleanPowerSF renewed a 5-year contract with APX, Inc with contract amount not to exceed $134,743 to fulfill this requirement. APX, Inc provides a number of services including but not limited to an interface with the CAISO's energy scheduling portal, manage invoice payments to the CAISO and communications between the CAISO and the SFPUC, and dispatch of the Hetch Hetchy plant 24 hours a day, seven days a week. The contract also provides that APX, Inc will act as the SC for renewable generation plants under some of CleanPowerSF's Power Purchase Agreements. Hetchy Power's share was $456 and $471 as of June 30, 2024 and 2023, respectively. CleanPowerSF's share was $264 and $226 as of June 30, 2024 and 2023, respectively.

On January 6, 2023, Amendment No. 1 was requested and approved to increase this contract by $125,000, increasing the total contract to $259,743, with no change to the agreement duration. On March 17, 2023, Amendment No. 2, was approved to increase the contract by $636,000 for a total not to exceed contract amount of $895,743, with no change to the agreement duration. The drivers for these Amendments were higher than anticipated power prices, due to extreme weather, drought conditions, and global energy shortages.

CleanPowerSF

CleanPowerSF regularly adds new short-term and medium-term contracts with multiple counterparties pursuant to master agreements, including the WSPP Master Agreement, to purchase renewable, carbon-free and conventional energy and resource adequacy capacity. CleanPowerSF has also entered into long-term contracts for renewable energy and capacity with renewable energy developers including sPower, Terra-Gen, NextEra, Intersect Power and EDF Renewables. These contracts have been entered to allow CleanPowerSF to meet its existing retail sales obligations, to support future retail sales from anticipated load growth, and to comply with State requirement that 65% of CleanPowerSF's Renewables Portfolio Standard (RPS) compliance targets be fulfilled by RPS-eligible electricity from contracts of 10 or more years. Citywide enrollment was completed in 2020. Since it began serving customers in 2016, CleanPowerSF's cumulative opt-out rate is 4.6% of all enrolled accounts. The total power purchase cost, net of wholesale sales, were $270,340 and $259,532 in fiscal years 2024 and 2023, respectively.

CleanPowerSF contracts with Calpine Energy Solutions to provide meter data management, billing and customer care support. Calpine is responsible for calculating and providing CleanPowerSF charges to PG&E, which in turn bills both CleanPowerSF and PG&E customers for electricity transmission, distribution, and CleanPowerSF generation services. PG&E remits payments received from customers for CleanPowerSF charges to the City. During fiscal years 2024 and 2023, amounts paid were $4,742 and $4,679, respectively.

CleanPowerSF Guarantee

In March 2018, CleanPowerSF entered into a five-year, $75,000 Credit Agreement with JPMorgan Chase Bank, National Association ("Bank") to provide letters of credit or loans from the Bank to guarantee certain power purchase agreement payment obligations of CleanPowerSF and to meet working capital needs, if necessary. In November 2021 the Credit Agreement decreased (at the request of CleanPowerSF) the available amount from $75,000 to $20,000, and the stated term of the agreement was extended to March 2024. Additional changes to the agreement effected by the November 2021 Amendments include elimination of target reserve requirements, revisions to debt service coverage (allowing for a liquidity test two times in the aggregate for any consecutive four quarters) and rate-setting covenants, changes to ongoing reporting requirements to the Bank, and changes to events of default, including the addition of an event of default if CleanPowerSF's long-term unenhanced credit rating is downgraded below investment grade or suspended, withdrawn or otherwise unavailable. In May 2022 CleanPowerSF executed another amendment to its Credit Agreement to eliminate and change certain financial covenants contained in the 2018 Credit Agreement. Specifically, this Amendment eliminated the covenant of the Commission to maintain a specified debt service coverage ratio and changed such financial covenant to commit the Commission to maintain a specified level of Day Liquidity on Hand (as defined in the Credit Agreement). In March 2024 CleanPowerSF executed a fourth amendment to the Credit Agreement increasing the available amount from $20,000 to $75,000 and extended the agreement end date from March 2024 to March 2027. The Credit Agreement is secured by CleanPowerSF's net revenues; there is no pledge of, or lien on net revenues that ranks senior to the obligations under the Credit Agreement. The Bank issued letters of credit in the face amounts totaling $6,183 for fiscal years ended June 30, 2024 and 2023, respectively. CleanPowerSF did not draw on the Credit Agreement during fiscal years 2024 and 2023. Accordingly, the uncommitted credit capacity under the Credit Agreement was $68,817 and $13,817 during fiscal years 2024 and 2023, respectively.

Original financial covenants include that CleanPowerSF maintain a Debt Service Coverage Ratio as defined in the Credit Agreement of not less than 1.05 for each fiscal quarter, as determined for the four consecutive fiscal quarter periods ended on the last day of such fiscal quarter. CleanPowerSF was in compliance with all covenants and requirements of the Credit Agreement as amended for fiscal years ended June 30, 2024 and 2023.

GASB Statement No. 88, *Certain Disclosures Related to Debt, Including Direct Borrowings and Direct Placements,* requires the disclosure of certain information related to debt, including unused letters of credit. Significant events of default under the Credit Agreement, include 1) non-payment, 2) material breach of warranty, representation, or other non-remedied breach of covenants as specified in the agreement and 3) bankruptcy and insolvency events, which could result in all outstanding loans under the Credit Agreement to be immediately due and payable; or the immediate termination of the Bank's commitment to issue letters of credit or make loans under the Credit Agreement.

Green Tariff and Community Solar Green Tariff Programs for Disadvantaged Communities

In June In June 2018. the CPUC established the Disadvantaged Communities-Green Tariff (DAC-GT) program and Community Solar Green Tariff (CSGT) program to address barriers to solar adoption faced by low-income electric customers in neglected communities. The DAC-GT program provides a 20% bill discount on 100% RPS eligible electricity service to income-qualified customers residing in Disadvantaged Communities (DACs) as defined by the California Environmental Protection Agency's (Cal EPA) Office of Environmental Health Hazard Assessment (OEHHA). Similar to DAC-GT, the CSGT program provided a 20% bill discount to qualifying customers in DACs to benefit from the development of solar generation projects located in their own or nearby DACs.

The CPUC approved CleanPowerSF's application to establish DAC-GT and CSGT programs in April 2021 and to receive funds to cover program administration and a portion of electricity supply costs. CleanPowerSF began enrolling customers in the DAC-GT program branded as "SuperGreen Saver" on June 1, 2022. The CSGT program was expected to start serving customers during fiscal year 2026, but the CPUC discontinued the program. As of June 30, 2024 and 2023, CleanPowerSF received $98 and $868, respectively, from a combination of ratepayer funds and California Cap and Trade Auction proceeds.

b) Grants

Grants that the SFPUC received are subject to audit and final acceptance by the granting agency. Current and prior year costs of such grants are subject to adjustment upon audit.

c) Litigation

The SFPUC is a defendant in various legal actions and claims that arise during the normal course of business. The final disposition of these legal actions and claims is not determinable. However, in the opinion of management, the outcome of any litigation of these matters will not have a material effect on the financial position or changes in net position of SFPUC.

d) Environmental Issue

Water

As of June 30, 2024 and 2023, the pollution remediation liability of $1,271 is related to the Pacific Rod & Gun Club site construction projects for the full value of construction.

Wastewater

As of June 30, 2024, and 2023, the Wastewater Enterprise recorded $6,451 and $7,800 in pollution remediation liability, respectively for the Yosemite Creek toxic sediments. The decrease of $1,349 in pollution remediation liability in fiscal year 2024 is due to payment related to the Yosemite Creek Remediation effort.

Hetch Hetchy

Hetch Hetchy had no pollution remediation liability as of June 30, 2024 and 2023.

(18) Subsequent Events

a) Water Enterprise Interim Funding Program

On July 16, 2024 the SFPUC entered into an Amended and Restated Revolving Credit Agreement with U.S. Bank National Association to provide a revolving line of credit in the principal amount of up to $100,000. The commitment expiration date under the Revolving Credit Agreement is July 16, 2027.

b) Water Enterprise Interim Funding Program

On July 16, 2024 the SFPUC entered into a Second Amendment to Reimbursement Agreement, together with an Omnibus Amendment and Extension of Stated Expiration Date to the Irrevocable Letter of Credit with Barclays Bank PLC that, among other things, amends the Stated Expiration Date of the A-3 LOC to July 15, 2027.

c) Wastewater Enterprise 2024 Series ABCD Revenue (Refunding) Bonds

On July 31, 2024, the SFPUC issued its San Francisco Wastewater Revenue Bonds, 2024 Series A (SSIP) (Green Bonds) (Federally Taxable), 2024 Series B (Non-SSIP) (Federally Taxable), 2024 C (SSIP) (Green Bonds) and 2024 Series D (Non-SSIP) with a total principal of $1,142,975 to finance or refinance Wastewater Enterprise projects through new money and the refunding and retirement of commercial paper issued as interim financing for such projects in furtherance of the Wastewater Capital Improvement Program.

d) Hetchy Power, Issuance of Commercial Paper Notes

On October 10, 2024, the SFPUC issued $45,000 in Power Enterprise commercial paper notes to finance a portion of the design, acquisition, and construction of various capital projects in furtherance of the SFPUC's Power Enterprise capital improvement program. The commercial paper notes are expected to be refinanced with proceeds of Power's revenue bonds in fiscal year 2026, which is preliminary and subject to change.

Required Supplementary Information (Unaudited)

Supplementary Information (Proprietary Funds)

THE SAN FRANCISCO PUBLIC UTILITIES COMMISSION

Required Supplemental Information (Unaudited)

Schedules of the Proportionate Share of the Net Pension (Asset)/Liability Fiscal Years Ended 2015 to 2024
(In thousands)

City - San Francisco Employee's Retirement System (SFERS) Plan and Measurement Period (MP)*		2015 (MP 2014)	2016 (MP 2015)	2017 (MP 2016)	2018 (MP 2017)	2019 (MP 2018)	2020 (MP 2019)	2021 (MP 2020)	2022 (MP 2021)	2023 (MP 2022)	2024 (MP 2023)
Proportion of net pension liability		93.78%	93.90%	94.22%	94.07%	94.10%	94.13%	94.39%	94.64%	94.87%	94.85%
Proportionate share of the net pension (asset)/liability	$	1,660,365	2,156,049	5,476,654	4,697,131	4,030,207	4,213,808	5,107,270	(2,446,564)	2,552,996	3,456,687
Covered payroll (City and County only)	$	2,398,979	2,529,879	2,681,695	2,880,112	3,045,153	3,186,405	3,378,945	3,434,713	3,553,859	3,810,429
Proportionate share of the net pension (asset)/liability as a percentage of covered payroll		69.21%	85.22%	204.22%	163.09%	132.35%	132.24%	151.15%	-71.23%	71.84%	90.72%
Plan fiduciary net position as a percentage of total pension (asset)/liability		91.84%	89.90%	77.61%	81.78%	85.20%	85.30%	83.10%	107.80%	92.40%	90.20%
Water											
Proportion of net pension liability		5.08%	5.00%	4.75%	4.45%	4.35%	4.23%	4.21%	4.27%	4.27%	4.34%
Proportionate share of the net pension (asset)/liability	$	84,374	108,024	259,956	209,003	175,429	178,133	215,240	(100,407)	111,743	150,060
Covered payroll^		121,868	126,494	127,381	128,165	132,464	134,785	142,254	146,662	151,750	165,373
Proportionate share of the net pension (asset)/liability as a percentage of covered payroll		69.23%	85.40%	204.08%	163.07%	132.44%	132.16%	151.31%	-68.46%	73.64%	90.74%
Wastewater											
Proportion of net pension liability		2.27%	2.20%	2.17%	2.15%	2.11%	2.05%	2.03%	1.99%	1.99%	1.95%
Proportionate share of the net pension (asset)/liability	$	37,615	48,177	118,907	100,973	85,037	86,235	103,746	(48,770)	49,549	67,299
Covered payroll^		54,457	55,657	58,193	61,922	64,253	65,321	68,593	68,351	70,722	74,303
Proportionate share of the net pension (asset)/liability as a percentage of covered payroll		69.07%	86.56%	204.33%	163.06%	132.35%	132.02%	151.25%	-71.35%	70.06%	90.57%
Hetchy Water											
Proportion of net pension liability		0.56%	0.57%	0.57%	0.54%	0.50%	0.51%	0.52%	0.57%	0.55%	0.55%
Proportionate share of the net pension (asset)/liability	$	9,242	12,093	31,235	25,216	20,390	21,477	26,645	(13,912)	14,105	19,090
Covered payroll^		13,434	14,420	15,286	15,553	15,226	16,251	17,571	19,578	19,546	20,957
Proportionate share of the net pension (asset)/liability as a percentage of covered payroll		68.80%	83.86%	204.34%	162.13%	133.92%	132.16%	151.64%	-71.06%	72.16%	91.09%
Hetchy Power											
Proportion of net pension liability		0.68%	0.69%	0.70%	0.65%	0.62%	0.62%	0.64%	0.69%	0.68%	0.68%
Proportionate share of the net pension (asset)/liability	$	11,295	14,781	38,177	30,819	24,920	26,249	32,566	(17,004)	17,239	23,332
Covered payroll		16,313	17,456	18,772	18,721	18,880	19,756	21,625	23,700	24,166	25,911
Proportionate share of the net pension (asset)/liability as a percentage of covered payroll		69.24%	84.68%	203.37%	164.62%	131.99%	132.87%	150.59%	-71.75%	71.34%	90.05%
CleanPowerSF											
Proportion of net pension liability		Data not available - CleanPowerSF launched in May 2016.			0.02%	0.03%	0.04%	0.06%	0.07%	0.08%	0.10%
Proportionate share of the net pension (asset)/liability	$				1,087	1,070	1,805	3,008	(1,833)	2,124	3,563
Covered payroll^					576	914	1,275	2,027	2,404	2,843	3,810
Proportionate share of the net pension (asset)/liability as a percentage of covered payroll					188.72%	117.07%	141.57%	148.40%	-76.25%	74.71%	93.52%
SFPUC Total											
Proportion of net pension liability		8.59%	8.46%	8.19%	7.81%	7.61%	7.45%	7.46%	7.59%	7.57%	7.62%
Proportionate share of the net pension (asset)/liability	$	142,526	183,075	448,275	367,098	306,846	313,899	381,205	(181,926)	194,760	263,344
Covered payroll^		206,072	214,027	219,632	224,937	231,737	237,388	252,070	260,695	269,027	290,354
Proportionate share of the net pension (asset)/liability as a percentage of covered payroll		69.16%	85.54%	204.10%	163.20%	132.41%	132.23%	151.23%	-69.78%	72.39%	90.70%

*Changes of Assumptions - There are no changes in the discount rate for the measurement period ended June 30, 2023, 2021, 2020 and 2018. For the measurement period ended June 30, 2022, the discount rate was decreased from 7.40% to 7.20%. For the measurement period ended June 30, 2019, the discount rate was decreased from 7.50% to 7.40%. For the measurement period ended June 30, 2017, the discount rate was increased from 7.46% to 7.50%.

^Water, Wastewater, Hetchy Water, Hetchy Power, CleanPowerSF and SFPUC covered payroll is calculated based on the percentage of proportion of net pension (asset)/liability by the total covered payroll from SFERS (https://www.mysfers.org). The total covered payroll excludes San Francisco Unified School District, San Francisco Community College District, and the San Francisco Courts.

Source: Office of the Controller, City and County of San Francisco and San Francisco Employees' Retirement System (SFERS).
See accompanying auditor's report.

THE SAN FRANCISCO PUBLIC UTILITIES COMMISSION

Required Supplemental Information (Unaudited)

Schedules of Employer Contributions – Pension Plan

Fiscal Years Ended 2015 to 2024
(In thousands)

City - SFERS Plan and Measurement Period (MP)	2015* (MP 2015)	2016 (MP 2016)	2017 (MP 2017)	2018 (MP 2018)	2019 (MP 2019)	2020 (MP 2020)	2021 (MP 2021)	2022 (MP 2022)	2023 (MP 2023)	2024 (MP 2024)
Actuarially determined contributions[1]	$ 556,511	496,343	519,073	582,568	607,408	701,307	791,736	729,578	638,003	636,992
Contributions in relation to the actuarially determined contributions[1]	(556,511)	(496,343)	(519,073)	(582,568)	(607,408)	(701,307)	(791,736)	(729,578)	(638,003)	(636,992)
Contribution deficiency (excess)	$ —	—	—	—	—	—	—	—	—	—
Covered payroll	$ 2,529,879	2,681,695	2,880,112	3,045,153	3,186,405	3,378,945	3,434,713	3,553,859	3,810,429	4,109,863
Contributions as a percentage of covered payroll	22.00%	18.51%	18.02%	19.13%	19.06%	20.76%	23.05%	20.53%	16.74%	15.50%
Water										
Actuarially determined contributions[1]	$ 28,280	24,497	24,638	25,922	26,440	29,647	33,367	31,151	27,925	27,653
Contributions in relation to the actuarially determined contributions[1]	(28,280)	(24,497)	(24,638)	(25,922)	(26,440)	(29,647)	(33,367)	(31,151)	(27,925)	(27,653)
Contribution deficiency (excess)	$ —	—	—	—	—	—	—	—	—	—
Covered payroll^	$ 126,494	127,381	128,165	132,464	134,785	142,254	146,662	151,750	165,373	178,368
Contributions as a percentage of covered payroll	22.36%	19.23%	19.22%	19.57%	19.62%	20.84%	22.75%	20.53%	16.89%	15.50%
Wastewater										
Actuarially determined contributions[1]	$ 12,608	10,930	11,270	12,523	12,816	14,352	16,083	14,543	12,383	12,402
Contributions in relation to the actuarially determined contributions[1]	(12,608)	(10,930)	(11,270)	(12,523)	(12,816)	(14,352)	(16,083)	(14,543)	(12,383)	(12,402)
Contribution deficiency (excess)	$ —	—	—	—	—	—	—	—	—	—
Covered payroll^	$ 55,657	58,193	61,922	64,253	65,321	68,593	68,351	70,722	74,303	80,142
Contributions as a percentage of covered payroll	22.65%	18.78%	18.20%	19.49%	19.62%	20.92%	23.53%	20.56%	16.67%	15.48%
Hetchy Water										
Actuarially determined contributions[1]	$ 3,097	2,806	2,961	3,128	3,073	3,574	4,130	4,149	3,525	3,518
Contributions in relation to the actuarially determined contributions[1]	(3,097)	(2,806)	(2,961)	(3,128)	(3,073)	(3,574)	(4,130)	(4,149)	(3,525)	(3,518)
Contribution deficiency (excess)	$ —	—	—	—	—	—	—	—	—	—
Covered payroll^	$ 14,420	15,286	15,553	15,226	16,251	17,571	19,578	19,546	20,957	22,604
Contributions as a percentage of covered payroll	21.48%	18.36%	19.04%	20.54%	18.91%	20.34%	21.10%	21.23%	16.82%	15.56%
Hetchy Power										
Actuarially determined contributions[1]	$ 3,786	3,430	3,618	3,822	3,756	4,369	5,048	5,071	4,308	4,299
Contributions in relation to the actuarially determined contributions[1]	(3,786)	(3,430)	(3,618)	(3,822)	(3,756)	(4,369)	(5,048)	(5,071)	(4,308)	(4,299)
Contribution deficiency (excess)	$ —	—	—	—	—	—	—	—	—	—
Covered payroll^	$ 17,456	18,772	18,721	18,880	19,756	21,625	23,700	24,166	25,911	27,947
Contributions as a percentage of covered payroll	21.69%	18.27%	19.33%	20.24%	19.01%	20.20%	21.30%	20.98%	16.63%	15.38%
CleanPowerSF										
Actuarially determined contributions[1]	$ Data not available - CleanPowerSF launched in May 2016.			135	161	300	466	546	531	657
Contributions in relation to the actuarially determined contributions[1]				(135)	(161)	(300)	(466)	(546)	(531)	(657)
Contribution deficiency (excess)	$			—	—	—	—	—	—	—
Covered payroll^				914	1,275	2,027	2,404	2,843	3,810	4,110
Contributions as a percentage of covered payroll				14.77%	12.63%	14.80%	19.38%	19.21%	13.94%	15.99%
SFPUC Total										
Actuarially determined contributions[1]	$ 47,771	41,663	42,487	45,530	46,246	52,242	59,094	55,460	48,672	48,529
Contributions in relation to the actuarially determined contributions[1]	(47,771)	(41,663)	(42,487)	(45,530)	(46,246)	(52,242)	(59,094)	(55,460)	(48,672)	(48,529)
Contribution deficiency (excess)	$ —	—	—	—	—	—	—	—	—	—
Covered payroll^	$ 214,027	219,632	224,361	231,737	237,388	252,070	260,695	269,027	290,354	313,171
Contributions as a percentage of covered payroll	22.32%	18.97%	18.94%	19.65%	19.48%	20.73%	22.67%	20.62%	16.76%	15.50%

(continued)

*In fiscal year 2015, the actuarially determined contributions were based on an estimate. Due to the early implementation of GASB Statement No. 82, *Pension Issues*, the City decreased the actuarially determined contributions for the City SFERS plan to deduct the employer pickup in the amount of $8.6 million, (City and County only).

^Water, Wastewater, Hetchy Water, Hetchy Power, CleanPowerSF and SFPUC covered payroll is calculated based on the latest available measurement period percentage of proportion of net pension (asset)/liability by the Total covered payroll from SFERS (https://www.mysfers.org). The total covered payroll for SFERS excludes San Francisco Unified School District, San Francisco Community College District, and the San Francisco Courts. Fiscal year 2023 is an estimated percentage of proportion of net pension liability based on measurement period 2022. Fiscal year 2021 and 2022 payroll data updated.

Source: Office of the Controller, City and County of San Francisco and San Francisco Employees' Retirement System (SFERS)

See accompanying auditor's report.

THE SAN FRANCISCO PUBLIC UTILITIES COMMISSION

Required Supplementary Information (Unaudited)
Schedules of Employer Contributions - Pension Plan
Fiscal Years Ended 2015 to 2024

Methods and assumptions used to determine contribution rates to SFERS Plan

	Fiscal Year 2024	Fiscal Year 2023
Valuation date................................	July 1, 2021	July 1, 2020
Actuarial cost method....................	Entry-age normal cost method	Entry-age normal cost method
Amortization method......................	Level annual percentage of payroll	Level annual percentage of payroll
Remaining amortization period......	Closed 15-year period	Closed 15-year period
Asset valuation method.................	5 year smoothed market	5 year smoothed market
Investment rate of return................	7.20% (net of investment expenses)	7.40% (net of investment expenses)
Inflation...	2.50%	2.50%
Projected salary increase..............	Wage inflation component: 3.25%	Wage inflation component: 3.25%

	Fiscal Year 2022	Fiscal Year 2021
Valuation date................................	July 1, 2019	July 1, 2018
Actuarial cost method....................	Entry-age normal cost method	Entry-age normal cost method
Amortization method......................	Level annual percentage of payroll	Level annual percentage of payroll
Remaining amortization period......	Closed 15-year period	Closed 15-year period
Asset valuation method.................	5 year smoothed market	5 year smoothed market
Investment rate of return................	7.40% (net of investment expenses)	7.40% (net of investment expenses)
Inflation...	2.75%	3.00% compounded annually
Projected salary increase..............	Wage inflation component: 3.50%	Wage inflation component: 3.50%

	Fiscal Year 2020	Fiscal Year 2019
Valuation date................................	July 1, 2017	July 1, 2016
Actuarial cost method....................	Entry-age normal cost method	Entry-age normal cost method
Amortization method......................	Level annual percentage of payroll	Level annual percentage of payroll
Remaining amortization period......	Closed 15-year period	Closed 15-year period
Asset valuation method.................	5 year smoothed market	5 year smoothed market
Investment rate of return................	7.50% (net of investment expenses)	7.50% (net of investment expenses)
Inflation...	3.00% compounded annually	3.25% compounded annually
Projected salary increase..............	Wage inflation component: 3.50%	Wage inflation component: 3.75%

	Fiscal Year 2018	Fiscal Year 2017
Valuation date................................	July 1, 2015	July 1, 2014
Actuarial cost method....................	Entry-age normal cost method	Entry-age normal cost method
Amortization method......................	Level annual percentage of payroll	Level annual percentage of payroll
Remaining amortization period......	Closed 15-year period	Closed 15-year period
Asset valuation method.................	5 year smoothed market	5 year smoothed market
Investment rate of return................	7.50% (net of investment expenses)	7.50% (net of investment expenses)
Inflation...	3.25% compounded annually	3.25% compounded annually
Projected salary increase..............	Wage inflation component: 3.75%	Wage inflation component: 3.75%

	Fiscal Year 2016	Fiscal Year 2015
Valuation date................................	July 1, 2013	July 1, 2012
Actuarial cost method....................	Entry-age normal cost method	Entry-age normal cost method
Amortization method......................	Level annual percentage of payroll	Level annual percentage of payroll
Remaining amortization period......	Rolling 15-year period	Rolling 15-year period
Asset valuation method.................	5 year smoothed market	5 year smoothed market
Investment rate of return................	7.58% (net of investment expenses)	7.58% (net of investment expenses)
Inflation...	3.33% compounded annually	3.33% compounded annually
Projected salary increase..............	Wage inflation component: 3.83%	Wage inflation component: 3.83%

Methods and assumptions updated per Office of the Controller.

Source: Office of the Controller, City and County of San Francisco.

THE SAN FRANCISCO PUBLIC UTILITIES COMMISSION

Required Supplementary Information (Unaudited)

Schedules of Changes in Total Pension Liability and Related Ratios - Replacement Benefits Plan

Fiscal Years 2021 to 2024

(In thousands)

City Replacement Benefits Plan		**2021*** (MP 2020)	**2022** (MP 2021)	**2023** (MP 2022)	**2024** (MP 2023)
Plan total pension liability:					
Service Cost…..	$	1,976	2,571	2,894	1,299
Interest…..		4,776	4,076	4,726	5,462
Changes of benefits…...................................		—	—	—	—
Differences between expected and actual experience…...................................		7,800	24,547	(24,639)	(23,541)
Changes of assumptions…............................		37,013	7,274	(42,151)	(2,403)
Benefit payments…...		(3,634)	(4,097)	(4,473)	(4,614)
Net change in total pension liability.…............		47,931	34,371	(63,643)	(23,797)
Total pension liability, beginning….................		137,272	185,203	219,574	155,931
Plan total pension liability, ending…..........	$	185,203	219,574	155,931	132,134
Covered-employee payroll..............................	$	3,414,923	3,470,495	3,589,396	3,848,752
Plan total pension liability as a percentage of the covered-employee payroll	$	5.42%	6.33%	4.34%	3.43%
Water Enterprise					
Proportion of RBP liability		0.64%	1.85%	2.31%	1.95%
Proportionate share of RBP liability	$	1,177	4,056	3,600	2,583
Covered payroll^		21,695	64,104	82,869	75,237
Proportionate share of the net pension (asset)/liability as a percentage of covered payroll		5.43%	6.33%	4.34%	3.43%

*Fiscal year 2021 was the first year SFPUC Water Enterprise has Replacement Benefits Plan. Therefore, the four years data is shown. RSI will be provided for 10 years as it becomes available.

^Water covered payroll is calculated based on the percentage of proportion of RBP liability by the total covered payroll.

No assets are accumulated in a trust that meet the criteria in GASB Statement No. 73 to pay related benefits.

Source: Office of the Controller, City and County of San Francisco.

See accompanying auditor’s report.

THE SAN FRANCISCO PUBLIC UTILITIES COMMISSION
Required Supplementary Information (Unaudited)
Schedules of Changes in Other Postemployment Benefits Liability and Related Ratios
Other Postemployment Healthcare Benefits Plan
Fiscal Years Ended 2018 to 2024
(In thousands)

City Plan and Measurement Period (MP)	2018*	2019	2020	2021	2022	2023	2024
	(MP 2017)	(MP 2018)	(MP 2019)	(MP 2020)	(MP 2021)	(MP 2022)	(MP 2023)
Total Other Postemployment Benefits (OPEB) Liability							
Service Cost	$ 125,195	127,850	133,736	141,642	155,840	154,800	145,520
Interest (includes interest on service cost)	272,942	290,029	283,520	314,907	300,122	306,758	311,626
Differences between expected and actual experience	—	(385,732)	194,068	(381,922)	(151,947)	(224,065)	135,809
Changes of assumptions	—	111,119	—	151,725	—	49,784	—
Benefits payments, including refunds of member contributions	(165,470)	(178,019)	(185,839)	(196,445)	(206,439)	(211,025)	(215,408)
Net change in total OPEB liability	232,667	(34,753)	425,485	29,907	97,576	76,252	377,547
Total OPEB liability - beginning	3,659,019	3,891,686	3,856,933	4,282,418	4,312,323	4,409,899	4,486,151
Adjustments to OPEB	—	—	—	(2)	—	—	—
Total OPEB liability - ending	$ 3,891,686	3,856,933	4,282,418	4,312,323	4,409,899	4,486,151	4,863,698
Plan fiduciary net position							
Contributions - employer	$ 183,898	203,858	218,625	235,963	245,994	252,866	260,649
Contributions - member	31,686	41,682	51,024	60,236	61,582	66,455	73,426
Net investment income	17,368	14,105	26,959	22,746	128,916	(87,003)	80,490
Benefit payments, including refunds of member contributions	(165,470)	(178,019)	(185,839)	(196,445)	(206,439)	(211,025)	(215,408)
Administrative expense	(109)	(137)	(132)	(113)	(265)	(189)	(172)
Net change in plan fiduciary net position	67,373	81,489	110,637	122,387	229,788	21,104	198,985
Plan fiduciary net position - beginning	107,104	174,477	255,966	366,603	488,989	718,777	739,881
Adjustments to OPEB	—	—	—	(1)	—	—	—
Plan fiduciary net position - ending	174,477	255,966	366,603	488,989	718,777	739,881	938,866
Net OPEB liability - ending	$ 3,717,209	3,600,967	3,915,815	3,823,334	3,691,122	3,746,270	3,924,832
Plan fiduciary net position as a percentage of the total OPEB liability	4.48%	6.64%	8.56%	11.34%	16.30%	16.49%	19.30%
Covered payroll	$ 3,393,658	3,583,448	3,763,446	3,951,792	3,955,498	4,184,087	4,524,099
Net OPEB liability as a percentage of covered payroll	109.53%	100.49%	104.05%	96.75%	93.32%	89.54%	86.75%
Water							
Proportion of net OPEB liability	$ 166,336	150,771	163,684	148,771	144,115	148,601	158,301
Percentage of proportion of net OPEB liability	4.47%	4.19%	4.18%	3.89%	3.90%	3.97%	4.03%
Covered payroll	151,858	150,037	157,315	153,769	154,437	165,968	182,471
Net OPEB liability as a percentage of covered payroll	109.53%	100.49%	104.05%	96.75%	93.32%	89.54%	86.75%
Wastewater							
Proportion of net OPEB liability	$ 59,517	53,567	58,183	50,711	49,123	49,035	49,260
Percentage of proportion of net OPEB liability	1.60%	1.49%	1.49%	1.33%	1.33%	1.31%	1.26%
Covered payroll	54,337	53,306	55,919	52,415	52,641	54,766	56,781
Net OPEB liability as a percentage of covered payroll	109.53%	100.49%	104.05%	96.75%	93.32%	89.54%	86.75%
Hetchy Water							
Proportion of net OPEB liability	$ 15,872	15,404	16,350	14,444	14,240	14,907	16,269
Percentage of proportion of net OPEB liability	0.43%	0.43%	0.42%	0.38%	0.39%	0.40%	0.41%
Covered payroll	14,490	15,329	15,714	14,929	15,260	16,649	18,753
Net OPEB liability as a percentage of covered payroll	109.53%	100.49%	104.05%	96.75%	93.32%	89.54%	86.75%
Hetchy Power							
Proportion of net OPEB liability	$ 19,400	18,826	19,983	17,653	17,405	18,220	19,883
Percentage of proportion of net OPEB liability	0.52%	0.52%	0.51%	0.46%	0.47%	0.49%	0.51%
Covered payroll	17,711	18,734	19,205	18,246	18,652	20,349	22,919
Net OPEB liability as a percentage of covered payroll	109.53%	100.49%	104.05%	96.75%	93.32%	89.54%	86.75%
CleanPowerSF							
Proportion of net OPEB liability	$ 728	1,242	2,197	2,909	2,264	4,053	4,189
Percentage of proportion of net OPEB liability	0.02%	0.03%	0.06%	0.08%	0.06%	0.11%	0.11%
Covered payroll	665	1,236	2,112	3,007	2,426	4,527	4,829
Net OPEB liability as a percentage of covered payroll	109.53%	100.49%	104.05%	96.75%	93.32%	89.54%	86.75%
SFPUC Total							
Proportion of net OPEB liability	$ 261,853	239,810	260,397	234,488	227,147	234,816	247,902
Percentage of proportion of net OPEB liability	7.04%	6.66%	6.66%	6.14%	6.15%	6.27%	6.32%
Covered payroll	239,061	238,643	250,265	242,366	243,416	262,259	285,753
Net OPEB liability as a percentage of covered payroll	109.53%	100.49%	104.05%	96.75%	93.32%	89.54%	86.75%

(continued)

*Fiscal year 2018 was the first year of implementation of GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. Therefore, seven years data is shown. RSI will be provided for 10 years as it becomes available.

^ Water, Wastewater, Hetchy Water, Hetchy Power, CleanPowerSF and SFPUC covered payroll is based on the percentage of proportion of net OPEB liability to the City's covered payroll.

Source: Office of the Controller, City and County of San Francisco.

See accompanying auditor's report.

THE SAN FRANCISCO PUBLIC UTILITIES COMMISSION
Required Supplementary Information (Unaudited)
Schedules of Employer Contributions - Other Postemployment Healthcare Benefits Plan
Fiscal Years Ended 2018 to 2024
(In thousands)

City - City Plan and Measurement Period	2018* (MP 2018)	2019 (MP 2019)	2020 (MP 2020)	2021 (MP 2021)	2022 (MP 2022)	2023** (MP 2023)	2024 (MP 2024)
Charter Required or Actuarially determined contributions (ADC)	$ 203,858	218,625	235,963	245,992	252,866	260,649	278,701
Contributions in relation to charter required contribution or ADC	(203,858)	(218,625)	(235,963)	(245,992)	(252,866)	(260,649)	(278,701)
Contribution deficiency (excess)	$ —	—	—	—	—	—	—
Covered payroll	$ 3,583,448	3,763,446	3,951,792	3,955,498	4,184,087	4,524,099	4,956,257
Contributions as a percentage of covered payroll	5.69%	5.81%	5.97%	6.22%	6.04%	5.76%	5.62%
Water							
Charter Required or Actuarially determined contributions (ADC)	$ 9,122	9,154	9,863	9,572	9,873	10,339	11,241
Contributions in relation to charter required contribution or ADC	(9,122)	(9,154)	(9,863)	(9,572)	(9,873)	(10,339)	(11,241)
Contribution deficiency (excess)	$ —	—	—	—	—	—	—
Covered payroll^	$ 150,037	157,315	153,769	154,437	165,968	182,471	199,902
Contributions as a percentage of covered payroll	6.08%	5.82%	6.41%	6.20%	5.95%	5.67%	5.62%
Wastewater							
Charter Required or Actuarially determined contributions (ADC)	$ 3,264	3,252	3,506	3,263	3,365	3,412	3,498
Contributions in relation to charter required contribution or ADC	(3,264)	(3,252)	(3,506)	(3,263)	(3,365)	(3,412)	(3,498)
Contribution deficiency (excess)	$ —	—	—	—	—	—	—
Covered payroll^	$ 53,306	55,919	52,415	52,641	54,766	56,781	62,205
Contributions as a percentage of covered payroll	6.12%	5.82%	6.69%	6.20%	6.14%	6.01%	5.62%
Hetchy Water							
Charter Required or Actuarially determined contributions (ADC)	$ 870	935	985	929	975	1,038	1,155
Contributions in relation to charter required contribution or ADC	(870)	(935)	(985)	(929)	(975)	(1,038)	(1,155)
Contribution deficiency (excess)	$ —	—	—	—	—	—	—
Covered payroll^	$ 15,329	15,714	14,929	15,260	16,649	18,753	20,544
Contributions as a percentage of covered payroll	5.68%	5.95%	6.60%	6.09%	5.86%	5.54%	5.62%
Hetchy Power							
Charter Required or Actuarially determined contributions (ADC)	$ 1,064	1,143	1,204	1,136	1,192	1,268	1,412
Contributions in relation to charter required contribution or ADC	(1,064)	(1,143)	(1,204)	(1,136)	(1,192)	(1,268)	(1,412)
Contribution deficiency (excess)	$ —	—	—	—	—	—	—
Covered payroll^	$ 18,734	19,205	18,246	18,652	20,349	22,919	25,108
Contributions as a percentage of covered payroll	5.68%	5.95%	6.60%	6.09%	5.86%	5.53%	5.62%
CleanPowerSF							
Charter Required or Actuarially determined contributions (ADC)	$ 40	75	132	187	155	282	297
Contributions in relation to charter required contribution or ADC	(40)	(75)	(132)	(187)	(155)	(282)	(297)
Contribution deficiency (excess)	$ —	—	—	—	—	—	—
Covered payroll^	1,236	2,112	3,007	2,426	4,527	4,829	5,290
Contributions as a percentage of covered payroll	3.24%	3.55%	4.39%	7.71%	3.42%	5.84%	5.61%
SFPUC Total							
Charter Required or Actuarially determined contributions (ADC)	$ 14,360	14,559	15,690	15,087	15,560	16,339	17,603
Contributions in relation to charter required contribution or ADC	(14,360)	(14,559)	(15,690)	(15,087)	(15,560)	(16,339)	(17,603)
Contribution deficiency (excess)	$ —	—	—	—	—	—	—
Covered payroll^	$ 238,642	250,265	242,366	243,416	262,259	285,753	313,049
Contributions as a percentage of covered payroll	6.02%	5.82%	6.47%	6.20%	5.93%	5.72%	5.62%

*Fiscal year 2018 was the first year of implementation of GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. Therefore, seven years data is shown. RSI will be provided for 10 years as it becomes available.

**Fiscal year 2023 covered payroll data and percentage updated in fiscal year 2024.

^ Water, Wastewater, Hetchy Water, Hetchy Power, CleanPowerSF and SFPUC covered payroll is calculated based on the percentage of proportion of net OPEB liability by the Total covered payroll. For fiscal year 2024, the percentage of proportion of net OPEB liability is based on FY2023.

Source: Office of the Controller, City and County of San Francisco.

See accompanying auditor’s report.

THE SAN FRANCISCO PUBLIC UTILITIES COMMISSION
Schedule of Changes in Net Position – Dollar and Percentage Change vs. Prior Year
Proprietary Funds
June 30, 2024 and 2023
(In thousands)

	Business Type Activities – Proprietary Funds													
	Water		Wastewater		Hetchy Water		Hetchy Power		CleanPowerSF		Eliminations		SFPUC Total	
Assets	$ Change	% Change	$ Change	% Change	$ Change	% Change	$ Change	% Change	$ Change	% Change	$ Change	% Change	$ Change	% Change
Current assets:														
Cash and investments with City Treasury $	(22,684)	(5.6)	20,888	5.9	(30,502)	(39.6)	(8,864)	(4.0)	61,154	62.0	—	—	19,992	1.7
Cash and investments outside City Treasury	1	0.5	(21)	(12.1)	—	—	(113)	(73.4)	—	—	—	—	(133)	(25.6)
Receivables:														
Charges for services (net of allowance for doubtful accounts of $10,777, $12,865, $0, $1,699, and $9,226 in 2024 and $8,615, $10,060, $0, $3,923, and $7,923 in 2023)	15,540	24.3	8,245	20.6	66	16.3	4,079	33.2	9,368	22.5	—	—	37,298	23.6
Wholesale balancing account, current portion	20,550	368.9	—	—	—	—	—	—	—	—	—	—	20,550	368.9
Due from other City departments, current portion	(13)	(11.3)	(46)	(35.9)	—	—	424	37.4	—	—	(1)	(0.9)	364	28.8
Due from other governments	366	100.0	—	—	(59)	(3.4)	(72)	(11.1)	—	—	—	—	235	9.9
Interest	1,240	47.3	1,718	78.9	283	95.9	1,320	87.8	1,133	202.7	—	—	5,694	79.6
Interest-Leases	24	2.6	—	—	—	—	—	—	—	—	—	—	24	2.6
Restricted due from other governments	93,433	258.5	(13,942)	(100.0)	—	—	—	—	—	—	—	—	79,491	158.7
Leases receivable, current portion	(275)	(7.8)	14	6.6	—	—	—	—	—	—	—	—	(261)	(7.0)
Restricted interest and other receivable (net of allowance for doubtful accounts of $131, $345, $0, $0 and $0 in 2024 and $30, $99, $0, $0 and $0 in 2023)	279	7.9	(502)	(42.1)	—	—	(3,982)	(95.9)	—	—	—	—	(4,205)	(47.5)
Total current receivables	131,144	112.7	(4,513)	(7.8)	290	12.0	1,769	9.0	10,501	24.9	(1)	(0.9)	139,190	58.4
Prepaid charges, advances, and other receivables, current portion	(951)	(16.1)	7,572	1,328.4	662	719.6	4,762	301.6	(5,200)	(92.2)	—	—	6,845	49.6
Inventory	(366)	(4.5)	317	9.5	(22)	(10.0)	71	4.4	—	—	—	—	—	—
Restricted cash and investments outside City Treasury, current portion	29,202	268.8	(6,939)	(14.2)	—	—	1,478	27.5	—	—	—	—	23,741	36.6
Total current assets	136,346	25.0	17,304	3.7	(29,572)	(37.1)	(897)	(0.4)	66,455	45.4	(1)	(0.9)	189,635	12.7
Non-current assets:														
Restricted cash and investments with City Treasury	50,015	238.2	(6,961)	(18.0)	20,350	185.3	33,126	188.2	—	—	—	—	96,530	109.5
Restricted cash and investments outside City Treasury, less current portion	(3,297)	(5.0)	(6,509)	(9.8)	—	—	3,362	87.6	—	—	—	—	(6,444)	(4.7)
Leases receivable, less current portion	(4,292)	(10.7)	(226)	(18.2)	—	—	—	—	—	—	—	—	(4,518)	(10.9)
Restricted interest and other receivable, and prepaid (net of allowance for doubtful accounts of $0, $0, $0, $0, and $0 in 2024 and $8, $29, $0, $0, and $0 in 2023)	(4)	(100.0)	(29)	(7.0)	—	—	—	—	—	—	—	—	(33)	(7.8)
Charges for services, less current portion (net of allowance for doubtful accounts of $664, $351, $0, $0, and $0 in 2024 and $656, $566, $0, $0, and $0 in 2023)	(9)	(4.3)	—	—	—	—	—	—	—	—	—	—	(9)	(1.6)
Wholesale balancing account, less current portion	(4,481)	(100.0)	—	—	—	—	—	—	—	—	—	—	(4,481)	(100.0)
Note receivable - Balboa Reservoir, less current portion	505	4.6	—	—	—	—	—	—	—	—	—	—	505	4.6
Prepaid charges, advances, and other receivables, less current portion	(170)	(5.0)	(28)	(2.5)	(3)	(2.1)	1,303	13.7	339	3.0	—	—	1,441	5.6
Lease right-to-use assets, net of accumulated amortization	(1,209)	(30.7)	(1,272)	(100.0)	(16)	(11.0)	(21)	(11.8)	—	—	—	—	(2,518)	(45.5)
Subscription right-to-use assets, net of accumulated amortization	(384)	(55.3)	(234)	(55.5)	(76)	(55.5)	(63)	(55.3)	(17)	(56.7)	—	—	(774)	(55.4)
Capital assets, not being depreciated and amortized	79,810	12.5	645,826	28.3	13,434	17.7	46,233	15.3	—	—	—	—	785,303	23.8
Capital assets, net of accumulated depreciation and amortization	47,298	0.9	157,744	6.6	4,108	2.9	64,365	18.6	—	—	—	—	273,515	3.5
Due from other City departments, less current portion	—	—	—	—	—	—	(489)	(4.7)	—	—	114	28.1	(375)	(3.8)
Total non-current assets	163,782	2.8	788,311	16.4	37,797	16.4	147,816	21.5	322	2.8	114	28.1	1,138,142	9.9
Total assets	300,128	4.7	805,615	15.3	8,225	2.6	146,919	15.6	66,777	42.3	113	21.8	1,327,777	10.2
Deferred outflows of resources														
Unamortized loss on refunding of debt	(35,449)	(28.4)	(8)	(100.0)	—	—	—	—	—	—	—	—	(35,457)	(28.4)
Pensions	23,425	33.4	10,093	31.0	3,071	34.7	3,754	34.7	895	69.3	—	—	41,238	33.3
Other postemployment benefits	1,358	4.7	1,323	11.5	(57)	(1.8)	(70)	(1.8)	(13)	(1.3)	—	—	2,541	5.3
Total deferred outflows of resources $	(10,666)	(4.8)	11,408	25.9	3,014	24.9	3,684	24.9	882	38.3	—	—	8,322	2.8

(continued)

See accompanying auditor's report.

THE SAN FRANCISCO PUBLIC UTILITIES COMMISSION
Schedule of Changes in Net Position – Dollar and Percentage Change vs. Prior Year
Proprietary Funds
June 30, 2024 and 2023
(In thousands)

	Business Type Activities – Proprietary Funds													
	Water		Wastewater		Hetchy Water		Hetchy Power		CleanPowerSF		Eliminations		SFPUC Total	
	$ Change	% Change	$ Change	% Change	$ Change	% Change	$ Change	% Change	$ Change	% Change	$ Change	% Change	$ Change	% Change
Liabilities														
Current liabilities:														
Accounts payable	$ 2,682	11.8	(4,366)	(18.8)	(64)	(6.2)	(11,465)	(45.9)	4,674	19.2	—	—	(8,539)	(8.9)
Accrued payroll	1,637	13.9	488	6.4	176	14.1	251	8.3	96	17.7	—	—	2,648	10.9
Accrued vacation and sick leave, current portion	528	7.5	543	9.0	140	12.4	171	9.2	19	4.8	—	—	1,401	8.5
Accrued workers' compensation, current portion	274	14.3	176	11.7	12	5.6	16	4.0	—	—	—	—	478	11.8
Due to other City departments, current portion	(2,440)	(100.0)	(2,101)	(94.9)	—	—	(1,946)	(100.0)	—	—	(1)	(0.9)	(6,488)	(100.0)
Damage claims liability, current portion	(5,409)	(48.6)	27,092	1,641.9	(179)	(59.7)	1,422	316.0	1	6.3	—	—	22,927	169.3
Unearned revenues, refunds, and other, current portion	1,073	7.7	3,166	49.0	(4)	(3.6)	724	12.3	1,840	29.9	—	—	6,799	20.9
Bond, loan, lease and subscription interest payable, current portion	2,820	8.0	2,382	8.5	(1)	(50.0)	1,094	68.5	—	—	—	—	6,295	9.7
Bonds, current portion	3,045	2.3	7,300	26.0	—	—	2,009	126.4	—	—	—	—	12,354	7.5
Certificates of participation, current portion	135	4.1	36	4.2	—	—	18	4.0	—	—	—	—	189	4.1
Commercial paper, current portion	190,000	100.0	—	—	—	—	90,654	100.0	—	—	—	—	280,654	100.0
State revolving funds loans payable, current portion	—	—	3,103	122.8	—	—	—	—	—	—	—	—	3,103	122.8
Lease liability, current portion	(161)	(13.5)	(1,297)	(100.0)	—	—	—	—	—	—	—	—	(1,458)	(57.8)
Subscription liability, current portion	(247)	(61.8)	(150)	(61.7)	(50)	(62.5)	(40)	(61.5)	(12)	(66.7)	—	—	(499)	(61.9)
Current liabilities payable from restricted assets	(967)	(2.4)	12,915	10.5	(1,720)	(29.9)	2,394	10.4	—	—	—	—	12,622	6.6
Total current liabilities	192,970	67.3	49,287	21.2	(1,690)	(17.1)	85,302	130.5	6,618	21.0	(1)	(0.9)	332,486	53.1
Long-term liabilities:														
Arbitrage rebate payable	869	100.0	8,333	4,432.4	—	—	184	100.0	—	—	—	—	9,386	4,992.6
Net other postemployment benefits liability	9,700	6.5	225	0.5	1,362	9.1	1,663	9.1	136	3.4	—	—	13,086	5.6
Net pension liability	37,300	32.3	17,750	35.8	4,985	35.3	6,093	35.3	1,439	67.7	—	—	67,567	34.1
Accrued vacation and sick leave, less current portion	(110)	(1.7)	(116)	(2.1)	74	6.5	90	4.9	(2)	(0.6)	—	—	(64)	(0.4)
Accrued workers' compensation, less current portion	993	12.7	838	12.9	66	6.6	82	4.5	—	—	—	—	1,979	11.5
Due to other City departments, less current portion	—	—	(114)	(28.1)	—	—	—	—	—	—	114	28.1	—	—
Damage claims liability, less current portion	8,557	100.7	83,641	3,097.8	(253)	(63.3)	(3,798)	(66.6)	(14)	(77.8)	—	—	88,133	508.9
Unearned revenues, refunds, and other, less current portion	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Liabilities payable from restricted assets, less current portion	—	—	—	—	—	—	3,354	100.0	—	—	—	—	3,354	100.0
Bonds, less current portion	250,746	5.5	(59,159)	(2.2)	—	—	125,858	66.5	—	—	—	—	317,445	4.2
Revenue Notes, less current portion	—	—	(349,556)	(100.0)	—	—	—	—	—	—	—	—	(349,556)	(100.0)
Certificates of participation, less current portion	(3,402)	(3.8)	(899)	(3.8)	—	—	(463)	(3.8)	—	—	—	—	(4,764)	(3.8)
Commercial paper, less current portion	(371,459)	(100.0)	341,373	100.0	—	—	(116,352)	(100.0)	—	—	—	—	(146,438)	(30.0)
State revolving funds loans payable, less current portion	96,343	58.9	(4,130)	(1.3)	—	—	—	—	—	—	—	—	92,213	19.2
Water Infrastructure Finance and Innovation Act (WIFIA) loans	—	—	800,074	653.9	—	—	—	—	—	—	—	—	800,074	653.9
Bond, loan, lease, and subscription interest payable, less current portion	3,622	100.0	2,106	100.0	—	—	—	—	—	—	—	—	5,728	100.0
Lease liability, less current portion	(1,028)	(36.4)	—	—	(16)	(13.1)	(19)	(12.7)	—	—	—	—	(1,063)	(34.4)
Subscription liability, less current portion	(153)	(49.7)	(93)	(50.0)	(30)	(50.8)	(25)	(49.0)	(6)	(46.2)	—	—	(307)	(49.8)
Pollution remediation obligations	—	—	(1,349)	(17.3)	—	—	—	—	—	—	—	—	(1,349)	(14.9)
Total long-term liabilities	31,978	0.6	838,924	23.0	6,188	19.5	16,667	4.6	1,553	23.7	114	28.1	895,424	9.4
Total liabilities	224,948	3.9	888,211	22.9	4,498	10.8	101,969	23.8	8,171	21.5	113	21.8	1,227,910	12.1
Deferred inflows of resources														
Unamortized gain on refunding of debt	31,854	100.0	(1,098)	(9.7)	—	—	—	—	—	—	—	—	30,756	270.9
Pensions	(15,199)	(53.3)	(5,968)	(59.5)	(2,201)	(53.1)	(2,690)	(53.1)	(371)	(28.6)	—	—	(26,429)	(53.9)
Leases	(4,975)	(12.0)	(250)	(17.2)	—	—	—	—	—	—	—	—	(5,225)	(12.1)
Other postemployment benefits	(4,741)	(17.5)	(2,477)	(29.9)	(187)	(6.1)	(228)	(6.0)	(630)	(21.6)	—	—	(8,263)	(18.3)
Total deferred inflows of resources	6,939	7.1	(9,793)	(31.5)	(2,388)	(33.0)	(2,918)	(33.0)	(1,001)	(23.7)	—	—	(9,161)	(6.2)
Net position														
Net investment in capital assets	(109,783)	(23.9)	37,857	3.4	19,262	9.0	30,126	9.6	—	—	—	—	(22,538)	(1.1)
Restricted for debt service	30,099	205.8	(3,510)	(100.0)	—	—	(56)	(100.0)	—	—	—	—	26,533	145.9
Restricted for capital projects	143,810	253.1	(21,355)	(40.2)	20,350	185.3	6,923	—	—	—	—	—	149,728	105.0
Unrestricted	(6,551)	(4.1)	(74,387)	(32.2)	(30,483)	(62.0)	14,559	7.9	60,489	51.3	—	—	(36,373)	(4.9)
Total net position	$ 57,575	8.3	(61,395)	(4.4)	9,129	3.3	51,552	9.9	60,489	51.3	—	—	117,350	3.9

See accompanying auditor's report.

THE SAN FRANCISCO PUBLIC UTILITIES COMMISSION

Schedule of Changes in Revenues, Expenses, and Net Position – Dollar and Percentage Change vs. Prior Year
Proprietary Funds
Years Ended June 30, 2024 and 2023
(In thousands)

	Business Type Activities – Proprietary Funds											
	Water		Wastewater		Hetchy Water		Hetchy Power		CleanPowerSF		SFPUC Total	
	$ Change	% Change	$ Change	% Change	$ Change	% Change	$ Change	% Change	$ Change	% Change	$ Change	% Change
Operating revenues:												
Charges for services	$ (11,008)	(1.7)	30,360	8.6	(3,240)	(6.2)	10,307	5.1	39,817	12.2	66,236	4.1
Rents and concessions	(4,726)	(35.6)	(83)	(10.1)	35	27.6	42	26.9	—	—	(4,732)	(32.9)
Capacity fees	(393)	(31.3)	(815)	(26.5)	—	—	—	—	—	—	(1,208)	(27.9)
Other revenues	1,926	12.6	1,643	29.6	—	—	—	—	—	—	3,569	17.1
Total operating revenues	(14,201)	(2.1)	31,105	8.5	(3,205)	(6.1)	10,349	5.1	39,817	12.2	63,865	3.9
Operating expenses:												
Personnel services	24,070	17.7	16,109	18.0	6,484	35.2	8,875	22.6	(1,413)	(13.2)	54,125	18.4
Contractual services	3,209	19.0	3,108	15.0	1,079	36.5	2,804	25.9	(315)	(4.8)	9,885	17.0
Transmission/distribution and other power costs	—	—	—	—	—	—	(8,188)	(11.6)	38	16.8	(8,150)	(11.5)
Purchased electricity	—	—	—	—	—	—	7,480	92.6	19,479	7.3	26,959	9.9
Materials and supplies	3,149	15.7	168	1.2	150	9.3	(161)	(6.2)	3	5.3	3,309	8.6
Depreciation and amortization	(542)	(0.3)	4,683	6.0	(2)	(0.0)	583	3.3	(253)	(93.7)	4,469	1.7
Services provided by other departments	(2,272)	(2.8)	(1,453)	(3.5)	109	3.2	(1,846)	(21.3)	490	11.4	(4,972)	(3.6)
General and administrative and other	41,489	79.9	178,078	1,017.4	(13,881)	(81.1)	(498)	(1.5)	(1,291)	(17.3)	203,897	159.7
Total operating expenses	69,103	15.0	200,693	76.8	(6,061)	(12.1)	9,049	4.7	16,738	5.7	289,522	23.0
Operating income (loss)	(83,304)	(36.1)	(169,588)	(165.3)	2,856	106.3	1,300	(10.4)	23,079	72.1	(225,657)	(59.3)
Non-operating revenues (expenses):												
Federal and state grants	12,414	100.0	12,104	7,963.2	(1,627)	(100.0)	(911)	(97.2)	(1,173)	(100.0)	20,807	535.0
Interest and investment income	13,941	125.0	22,972	898.7	2,798	612.3	10,003	267.4	5,499	1,357.8	55,213	301.5
Interest expenses	(7,142)	(3.3)	(43,363)	(45.4)	1	25.0	(4,986)	(52.6)	1	100.0	(55,489)	(17.3)
Amortization of premium, discount, refunding loss, and issuance costs	3,854	38.7	32,912	228.8	—	—	(576)	(36.4)	—	—	36,190	139.5
Net gain from sale of assets	(10,600)	(83.7)	(37)	(32.5)	(2)	(50.0)	(1)	(33.3)	—	—	(10,640)	(83.2)
Other non-operating revenues	(422)	(1.5)	2,320	24.1	106	46.1	(4,165)	(32.9)	61	18.8	(2,100)	(4.1)
Other non-operating expenses	15	0.8	30	5.6	9	16.7	128	56.4	(659)	302.3	(477)	(17.0)
Net non-operating revenues (expenses)	12,060	7.8	26,938	38.9	1,285	56.9	(508)	(5.5)	3,729	221.4	43,504	(20.6)
Change in net position before capital contributions and transfers	(71,244)	(93.8)	(142,650)	(427.3)	4,141	(83.7)	792	3.7	26,808	79.6	(182,153)	(107.4)
Capital contributions	50,882	94.9	45,340	1,654.7	—	—	26,665	1,051.9	—	—	122,887	1,537.6
Transfers from the City and County of San Francisco	500	10,000.0	(75)	(100.0)	(19,958)	(99.8)	—	—	—	—	(19,533)	(97.3)
Transfers to the City and County of San Francisco	18,791	93.8	(177)	(553.1)	—	—	(76)	(237.5)	—	—	18,538	(92.2)
Net capital contributions and transfers	70,173	(405.4)	45,088	1,620.1	(19,958)	(99.8)	26,589	1,062.3	—	—	121,892	1,528.2
Change in net position	(1,071)	(1.8)	(97,562)	(269.8)	(15,817)	(63.4)	27,381	113.3	26,808	79.6	(60,261)	(33.9)
Net position at beginning of year	58,646	9.3	36,167	2.7	24,946	10.0	24,171	4.9	33,681	39.9	177,611	6.3
Net position at end of year	$ 57,575	8.3	(61,395)	(4.4)	9,129	3.3	51,552	9.9	60,489	51.3	117,350	3.9

See accompanying auditor's report.

Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With *Government Auditing Standards*

The San Francisco Public Utilities Commission, the
Honorable Mayor, and the Board of Supervisors of
City and County of San Francisco, California

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*), the financial statements of the business-type activities and each major fund of the San Francisco Public Utilities Commission (SFPUC) as of and for the year ended June 30, 2024, and the related notes to the financial statements, which collectively comprise the SFPUC's basic financial statements, and have issued our report thereon dated December 20, 2024.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the SFPUC's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the SFPUC's internal control. Accordingly, we do not express an opinion on the effectiveness of the SFPUC's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that were not identified.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the SFPUC's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Macias Gini & O'Connell LLP
2121 N. California Blvd., Suite 750
Walnut Creek, CA 94596

www.mgocpa.com

Purpose of This Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Macias Gini & O'Connell LLP

Walnut Creek, California
December 20, 2024

Statistical Section
(Unaudited)

Financial Trends

These schedules contain trend information to help understand how SFPUC's financial performance and well-being have changed over time.

Revenue Capacity

These schedules contain information to help the reader assess SFPUC's revenues sources and rate structures.

Debt Capacity

These schedules contain information to help the reader assess the affordability of the SFPUC's current levels of outstanding debt and its ability to issue additional debt in the future.

Demographic and Economic Information

These schedules offer demographic and economic indicators to help the reader understand the environment within which SFPUC's financial activities take place.

Operating Information

These schedules contain service and infrastructure data to enhance the reader's ability to understand how the information in the SFPUC financial report relates to the services it provides and the activities it performs.

The San Francisco Public Utilities Commission
An Enterprise Department of the City and County of San Francisco, California

Statistical Section

Financial Trends

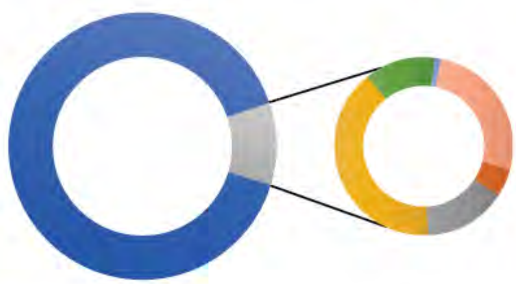
Department-wide

Comparative Highlights of Revenues and Expenses

Fiscal Years Ended 2024 and 2023

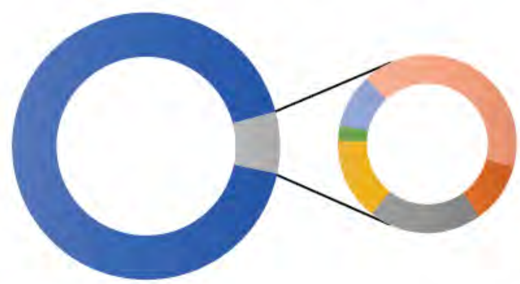
(Dollars in Thousands)

2024 Revenues - $1,851,517



Charges for services	$1,665,162	90.0%
Other	$186,355	10.0%
Rents and concessions	$9,655	0.5%
Other operating revenues	$27,552	1.5%
Interest and investment income	$73,528	4.0%
Federal and state grants	$24,696	1.3%
Net gain from sale of assets	$2,141	0.1%
Other non-operating revenues	$48,783	2.6%

2023 Revenues - $1,724,372



Charges for services	$1,598,926	92.7%
Other	$125,446	7.3%
Rents and concessions	$14,387	0.8%
Other operating revenues	$25,191	1.5%
Interest and investment income	$18,315	1.1%
Federal and state grants	$3,889	0.2%
Net gain from sale of assets	$12,781	0.7%
Other non-operating revenues	$50,883	3.0%

2024 Expenses - $1,864,035

Personnel services	$348,019	18.7%
Contractual services	$67,915	3.6%
Purchased power & related costs	$362,845	19.5%
Materials and supplies	$41,935	2.2%
Depreciation and amortization	$262,893	14.1%
Services provided by other departments	$132,305	7.1%
General & administrative and other operating expenses	$331,556	17.8%
*Interest expense	$313,281	16.8%
Non-operating expenses	$3,286	0.2%

2023 Expenses - $1,554,737

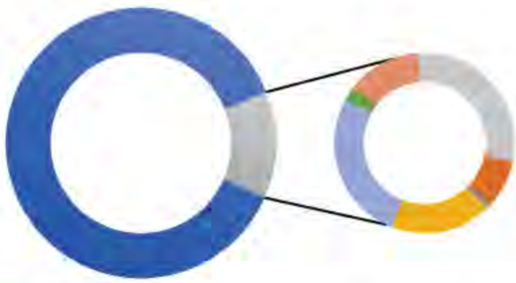
Personnel services	$293,894	19.0%
Contractual services	$58,030	3.7%
Purchased power & related costs	$344,036	22.1%
Materials and supplies	$38,626	2.5%
Depreciation and amortization	$258,424	16.6%
Services provided by other departments	$137,277	8.8%
General & administrative and other operating expenses	$127,659	8.2%
*Interest expense	$293,982	18.9%
Non-operating expenses	$2,809	0.2%

*Interest expense, net of amortization of premium, discount, refunding loss and issuance costs.

Source: City and County of San Francisco Financial System and San Francisco Public Utilities Commission Audited Financial Statements.

Financial Trends
Water Fund
Comparative Highlights of Revenues and Expenses
Fiscal Years Ended 2024 and 2023
(Dollars in Thousands)

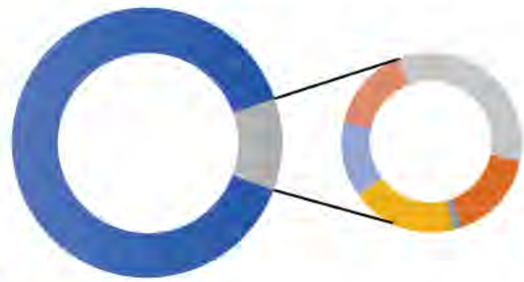
2024 Revenues - $744,058



Charges for services	$650,233	87.4%
Other	$93,825	12.6%

Rents and concessions	$8,556	1.1%
Capacity fees	$863	0.1%
Other operating revenues	$17,238	2.3%
Interest and investment income	$25,097	3.4%
Net gain from sale of assets	$2,060	0.3%
Federal and state grants	$12,414	1.7%
Other non-operating revenues	$27,597	3.7%

2023 Revenues - $742,926



Charges for services	$661,241	88.9%
Other	$81,685	11.1%

Rents and concessions	$13,282	1.8%
Capacity fees	$1,256	0.2%
Other operating revenues	$15,312	2.1%
Interest and investment income	$11,156	1.5%
Net gain from sale of assets	$12,660	1.7%
Federal and state grants	$0	0.0%
Other non-operating revenues	$28,019	3.8%

2024 Expenses - $739,346

Personnel services	$159,779	21.7%
Contractual services	$20,128	2.7%
Materials and supplies	$23,195	3.1%
Depreciation and amortization	$155,172	21.0%
Services provided by other departments	$77,638	10.5%
General & administrative and other operating expense	$93,444	12.6%
*Interest expense	$208,230	28.2%
Non-operating expenses	$1,760	0.2%

2023 Expenses - $666,970

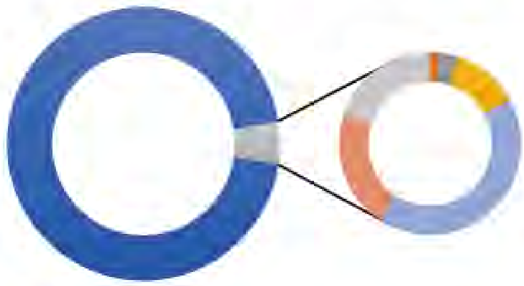
Personnel services	$135,709	20.4%
Contractual services	$16,919	2.5%
Materials and supplies	$20,046	3.0%
Depreciation and amortization	$155,714	23.3%
Services provided by other departments	$79,910	12.0%
General & administrative and other operating expense	$51,955	7.8%
*Interest expense	$204,942	30.7%
Non-operating expenses	$1,775	0.3%

*Interest expense, net of amortization of premium, discount, refunding loss and issuance costs.

Source: City and County of San Francisco Financial System and San Francisco Public Utilities Commission Audited Financial Statements.

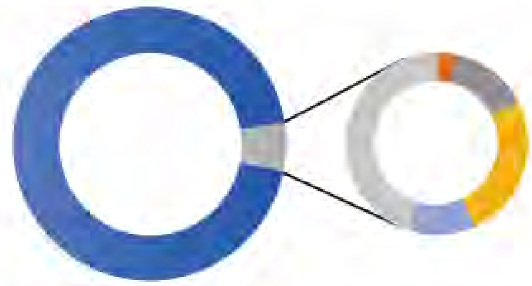
Financial Trends
Wastewater Fund
Comparative Highlights of Revenues and Expenses
Fiscal Years Ended 2024 and 2023
(Dollars in Thousands)

2024 Revenues - $444,866



Charges for services	$384,851	86.5%
Other	$60,015	13.5%
Rents and concessions	$739	0.2%
Capacity fees	$2,262	0.5%
Other operating revenues	$7,189	1.6%
Interest and investment income	$25,528	5.7%
Net gain from sale of assets	$77	0.0%
Federal and state grants	$12,256	2.8%
Other non-operating revenues	$11,964	2.7%

2023 Revenues - $376,402



Charges for services	$354,491	94.2%
Other	$21,911	5.8%
Rents and concessions	$822	0.2%
Capacity fees	$3,077	0.8%
Other operating revenues	$5,546	1.5%
Interest and investment income	$2,556	0.7%
Net gain from sale of assets	$114	0.0%
Federal and state grants	$152	0.0%
Other non-operating revenues	$9,644	2.6%

2024 Expenses - $554,132

Personnel services	$105,835	19.2%
Contractual services	$23,885	4.3%
Materials and supplies	$14,474	2.6%
Depreciation and amortization	$82,722	14.9%
Services provided by other departments	$39,546	7.1%
General & administrative and other operating expense	$195,581	35.3%
*Interest expense	$91,584	16.5%
Non-operating expenses	$505	0.1%

2023 Expenses - $343,018

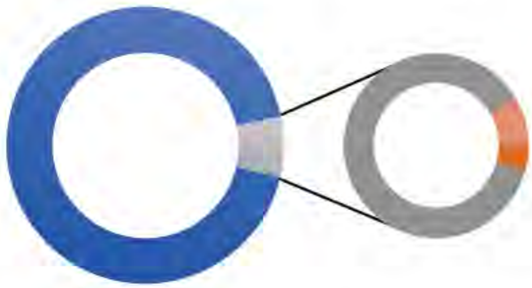
Personnel services	$89,726	26.1%
Contractual services	$20,777	6.1%
Materials and supplies	$14,306	4.2%
Depreciation and amortization	$78,039	22.8%
Services provided by other departments	$40,999	12.0%
General & administrative and other operating expense	$17,503	5.1%
*Interest expense	$81,133	23.7%
Non-operating expenses	$535	0.0%

*Interest expense, net of amortization of premium, discount, refunding loss and issuance costs.

Source: City and County of San Francisco Financial System and San Francisco Public Utilities Commission Audited Financial Statements.

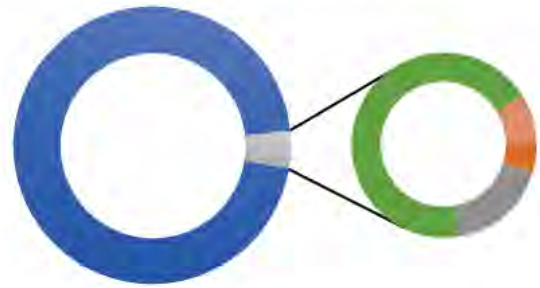
Financial Trends
Hetchy Water Fund
Comparative Highlights of Revenues and Expenses
Fiscal Years Ended 2024 and 2023
(Dollars in Thousands)

2024 Revenues - $53,085



Charges for services	$49,330	93.0%
Other	$3,755	7.0%
Rents and concessions	$162	0.3%
Interest and investment income	$3,255	6.1%
Net gain from sale of assets	$2	0.0%
Federal and state grants	$0	0.0%
Other non-operating revenues	$336	0.6%

2023 Revenues - $55,015



Charges for services	$52,570	95.6%
Other	$2,455	4.4%
Rents and concessions	$127	0.2%
Interest and investment income	$457	0.8%
Net gain from sale of assets	$4	0.0%
Federal and state grants	$1,627	3.0%
Other non-operating revenues	$230	0.4%

2024 Expenses - $43,998

Personnel services	$24,908	56.6%
Contractual services	$4,035	9.2%
Materials and supplies	$1,755	4.0%
Depreciation and amortization	$6,522	14.8%
Services provided by other departments	$3,501	8.0%
General and administrative and other	$3,229	7.3%
Interest expense	$3	0.0%
Non-operating expenses	$45	0.1%

2023 Expenses - $50,069

Personnel services	$18,424	36.9%
Contractual services	$2,956	5.9%
Materials and supplies	$1,605	3.2%
Depreciation and amortization	$6,524	13.0%
Services provided by other departments	$3,392	6.8%
General and administrative and other	$17,110	34.2%
Interest expense	$4	0.0%
Non-operating expenses	$54	0.0%

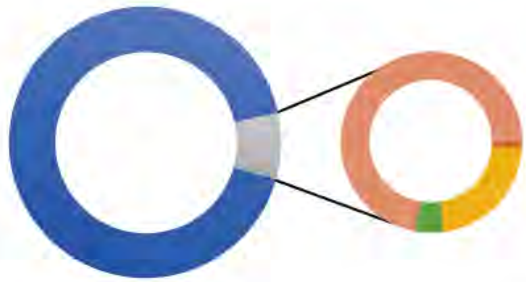
Source: City and County of San Francisco Financial System and San Francisco Public Utilities Commission Audited Financial Statements.

Financial Trends
Hetchy Power Fund
Comparative Highlights of Revenues and Expenses
Fiscal Years Ended 2024 and 2023
(Dollars in Thousands)

2024 Revenues - $236,624

Charges for services	$214,154	90.5%
Other	$22,470	9.5%
Rents and concessions	$198	0.1%
Interest and investment income	$13,744	5.8%
Net gain from sale of assets	$2	0.0%
Federal and state grants	$26	0.0%
Other non-operating revenues	$8,500	3.6%

2023 Revenues - $221,349



Charges for services	$203,847	92.1%
Other	$17,502	7.9%
Rents and concessions	$156	0.1%
Interest and investment income	$3,741	1.7%
Net gain from sale of assets	$3	0.0%
Federal and state grants	$937	0.4%
Other non-operating revenues	$12,665	5.7%

2024 Expenses - $214,164

Personnel services	$48,175	22.5%
Contractual services	$13,623	6.4%
Purchased power & related costs	$77,950	36.4%
Materials and supplies	$2,451	1.1%
Depreciation and amortization	$18,460	8.6%
Services provided by other departments	$6,828	3.2%
General and administrative and other	$33,114	15.5%
*Interest expense	$13,464	6.3%
Incentive programs	$59	0.0%
Non-operating expenses	$40	0.0%

2023 Expenses - $199,681

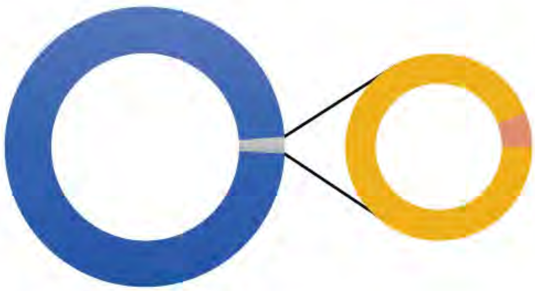
Personnel services	$39,300	19.7%
Contractual services	$10,819	5.4%
Purchased power & related costs	$78,658	39.4%
Materials and supplies	$2,612	1.3%
Depreciation and amortization	$17,877	9.0%
Services provided by other departments	$8,674	4.3%
General and administrative and other	$33,612	16.8%
*Interest expense	$7,902	4.0%
Incentive programs	$161	0.1%
Non-operating expenses	$66	0.0%

*Interest expense, net of amortization of premium, discount, refunding loss and issuance costs.

Source: City and County of San Francisco Financial System and San Francisco Public Utilities Commission Audited Financial Statements.

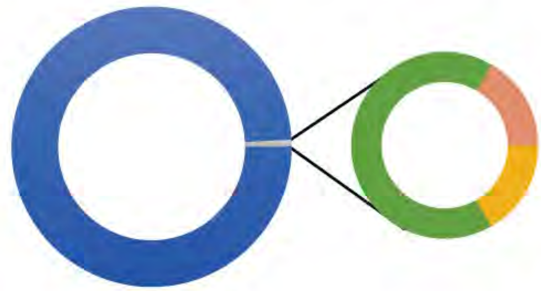
Financial Trends
CleanPowerSF
Comparative Highlights of Revenues and Expenses
Fiscal Years Ended 2024 and 2023
(Dollars in Thousands)

2024 Revenues - $372,884



Charges for services	$366,594	98.3%
Other	$6,290	1.7%
Interest and investment loss	$5,904	1.6%
Other non-operating revenues	$386	0.1%

2023 Revenues - $328,680



Charges for services	$326,777	99.4%
Other	$1,903	0.6%
Interest and investment income	$405	0.1%
Federal and state grants	$1,173	0.4%
Other non-operating revenues	$325	0.1%

2024 Expenses - $312,395

Personnel services	$9,322	3.0%
Contractual services	$6,244	2.0%
Purchased power & related costs	$284,895	91.2%
Materials and supplies	$60	0.0%
Depreciation and amortization	$17	0.0%
Services provided by other departments	$4,792	1.5%
General and administrative and other	$6,188	2.0%
Incentive programs	$607	0.2%
Non-operating expenses	$270	0.1%

2023 Expenses - $294,999

Personnel services	$10,735	3.6%
Contractual services	$6,559	2.2%
Purchased power & related costs	$265,378	90.0%
Materials and supplies	$57	0.0%
Depreciation and amortization	$270	0.1%
Services provided by other departments	$4,302	1.5%
General and administrative and other	$7,479	2.5%
Interest expense	$1	0.0%
Incentive programs	$218	0.1%

Source: City and County of San Francisco Financial System and San Francisco Public Utilities Commission Audited Financial Statements.

Financial Trends

Department-wide - Changes in Net Position
Fiscal Years Ended 2015 to 2024
(Dollars in Thousands)

Revenues:		**2015**	**2016**	**2017**	**2018**	**2019**	**2020**	**2021** ^	**2022**	**2023**	**2024**
Charges for services	$	792,199	807,259	895,472	989,842	1,172,573	1,303,411	1,259,466	1,375,765	1,598,926	1,665,162
Rents and concessions		13,336	13,096	9,734	13,813	13,989	13,135	14,624	14,719	14,387	9,655
Other operating revenues		24,317	25,672	22,445	29,043	32,296	32,217	27,182	31,962	25,191	27,552
Subtotal operating revenues		**829,852**	**846,027**	**927,651**	**1,032,698**	**1,218,858**	**1,348,763**	**1,301,272**	**1,422,446**	**1,638,504**	**1,702,369**
Interest and investment income/(loss)		8,175	6,060	8,511	11,694	46,639	32,103	30	(26,202)	18,315	73,528
Other non-operating revenues		63,430	51,972	58,422	55,705	52,483	129,198	72,337	86,326	67,553	75,620
Subtotal non-operating revenues		**71,605**	**58,032**	**66,933**	**67,399**	**99,122**	**161,301**	**72,367**	**60,124**	**85,868**	**149,148**
Total revenues	$	**901,457**	**904,059**	**994,584**	**1,100,097**	**1,317,980**	**1,510,064**	**1,373,639**	**1,482,570**	**1,724,372**	**1,851,517**

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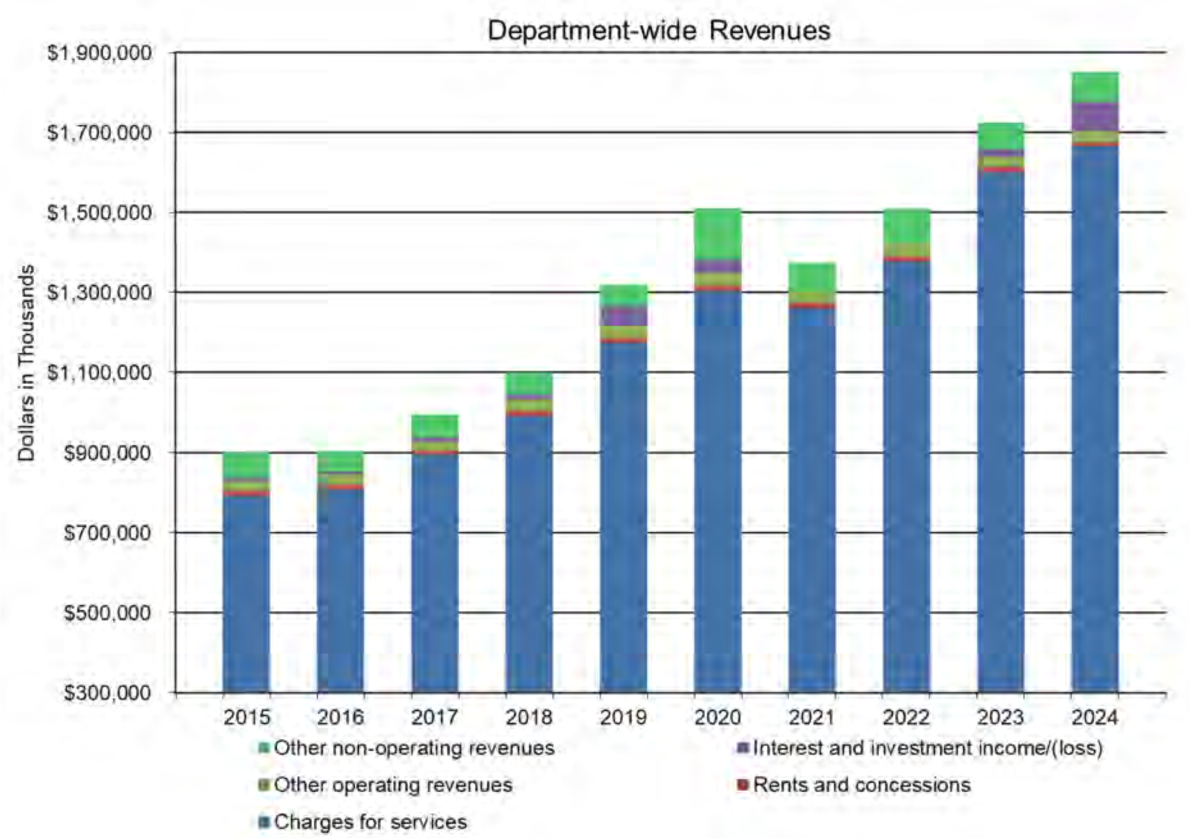
^Fiscal year 2021, implementation of GASB Statement No. 87, *Leases*.

Source: City and County of San Francisco Financial System and San Francisco Public Utilities Commission Audited Financial Statements.



Financial Trends

Department-wide - Changes in Net Position
Fiscal Years Ended 2015 to 2024
(Dollars in Thousands)

Expenses:		**2015**	**2016**	**2017**	**2018**	**2019**	**2020**	**2021^**	**2022#**	**2023**	**2024**
Personnel services	$	220,385	227,930	365,494	271,888	248,189	275,892	291,245	201,290	293,894	348,019
Contractual services		35,216	34,915	31,563	39,408	44,832	50,821	48,299	50,048	58,030	67,915
Purchased power & related costs		20,296	26,792	43,407	64,732	170,275	223,601	233,682	297,990	344,036	362,845
Materials and supplies		24,842	26,128	23,972	28,024	25,130	26,695	25,554	31,228	38,626	41,935
Depreciation and amortization		163,525	173,978	191,997	193,457	200,712	226,194	241,810	251,516	258,424	262,893
Services provided by other departments		104,535	106,476	105,417	102,199	108,043	109,444	121,130	125,955	137,277	132,305
General and administrative and Other operating expenses		88,559	88,615	98,327	106,960	130,003	136,755	188,105	171,654	127,659	331,556
Subtotal operating expenses		**657,358**	**684,834**	**860,177**	**806,668**	**927,184**	**1,049,402**	**1,149,825**	**1,129,681**	**1,257,946**	**1,547,468**
Interest expenses		161,712	178,864	179,819	192,183	224,867	237,271	221,622	297,068	319,924	375,413
Amortization of premium, discount, refunding loss, and issuance costs		(10,554)	(11,950)	(15,090)	(19,188)	(23,722)	(22,627)	(16,498)	(18,105)	(25,942)	(62,132)
Non-operating expenses		7,916	4,439	4,466	4,129	3,766 ^^	1,652 ^^	3,582	1,938	2,809	3,286
Subtotal non-operating expenses		**159,074**	**171,353**	**169,195**	**177,124**	**204,911**	**216,296**	**208,706**	**280,901**	**296,791**	**316,567**
Total expenses		**816,432**	**856,187**	**1,029,372**	**983,792**	**1,132,095**	**1,265,698**	**1,358,531**	**1,410,582**	**1,554,737**	**1,864,035**
Change in net position before capital contributions and transfers		85,025	47,872	(34,788)	116,305	185,885	244,366	15,108	71,988	169,635	(12,518)
Capital contributions *		—	—	—	—	—	—	4,180	—	7,992	130,879
Transfers in (out)		52,806	17,899	(30,644)	(28,371)	1,360	(805)	17,091	13,677	(16)	(1,011)
Change in net position		**137,831**	**65,771**	**(65,432)**	**87,934**	**187,245**	**243,561**	**36,379**	**85,665**	**177,611**	**117,350**
Net position at beginning of year											
Beginning of year, as previously reported		2,349,629	2,225,451	2,292,646	2,225,790	2,270,925	2,458,170	2,701,731	2,738,110	2,823,775	3,001,386
Cumulative effect of accounting change due to error		—	—	—	(6,767) **	—	—	—	—	—	—
Cumulative effect of accounting change		(262,009) ~	—	—	(36,032) ⌂	—	—	—	—	—	—
Less: CleanPowerSF beginning net position		—	—	(1,424)	—	—	—	—	—	—	—
Beginning of year as restated		2,087,620	2,225,451	2,291,222	2,182,991	2,270,925	2,458,170	2,701,731	2,738,110	2,823,775	3,001,386
Net position at end of year	**$**	**2,225,451**	**2,291,222**	**2,225,790**	**2,270,925**	**2,458,170**	**2,701,731**	**2,738,110**	**2,823,775**	**3,001,386**	**3,118,736**

#Fiscal year 2022 implementation of GASB Statement No. 96, *Subscriptions-Based Information Technology Arrangements (SBITAs).*

*Fiscal year 2021, Capital Contributions of $4,180 was from Department of Public Works, fiscal year 2023 of $7,992 was from a developer for HOPE SF projects and fiscal year 2024 of $130,879 was from a developer for Pier 70 Phase 1 project, Treasure Island Stage 1 project and Yerba Buena Island Street Improvements project.

^Fiscal year 2021 implementation of GASB Statement No. 87, *Leases*.

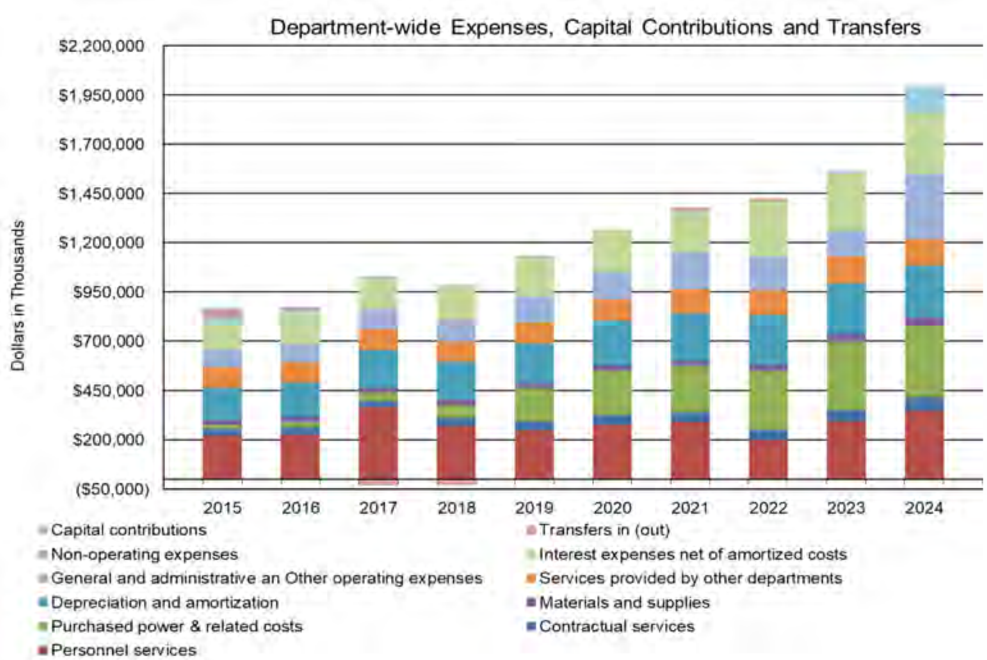
**Fiscal year 2018, Wastewater Enterprise recorded certain immaterial corrections to the 2018 financial statement to eliminate the recognition of certain capital assets that are recorded by another fund. The impact of the change was to decrease beginning position as of July 2017 by $6,767 and increase fiscal year 2018 expenses by $28,313.

⌂Fiscal year 2018 implementation of GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions.*

~Fiscal year 2015 implementation of GASB Statement No. 68, *Accounting and Financial Reporting for Pensions.*

^^ Non-operating expenses include net loss from sale of assets.

Source: City and County of San Francisco Financial System and San Francisco Public Utilities Commission Audited Financial Statements.



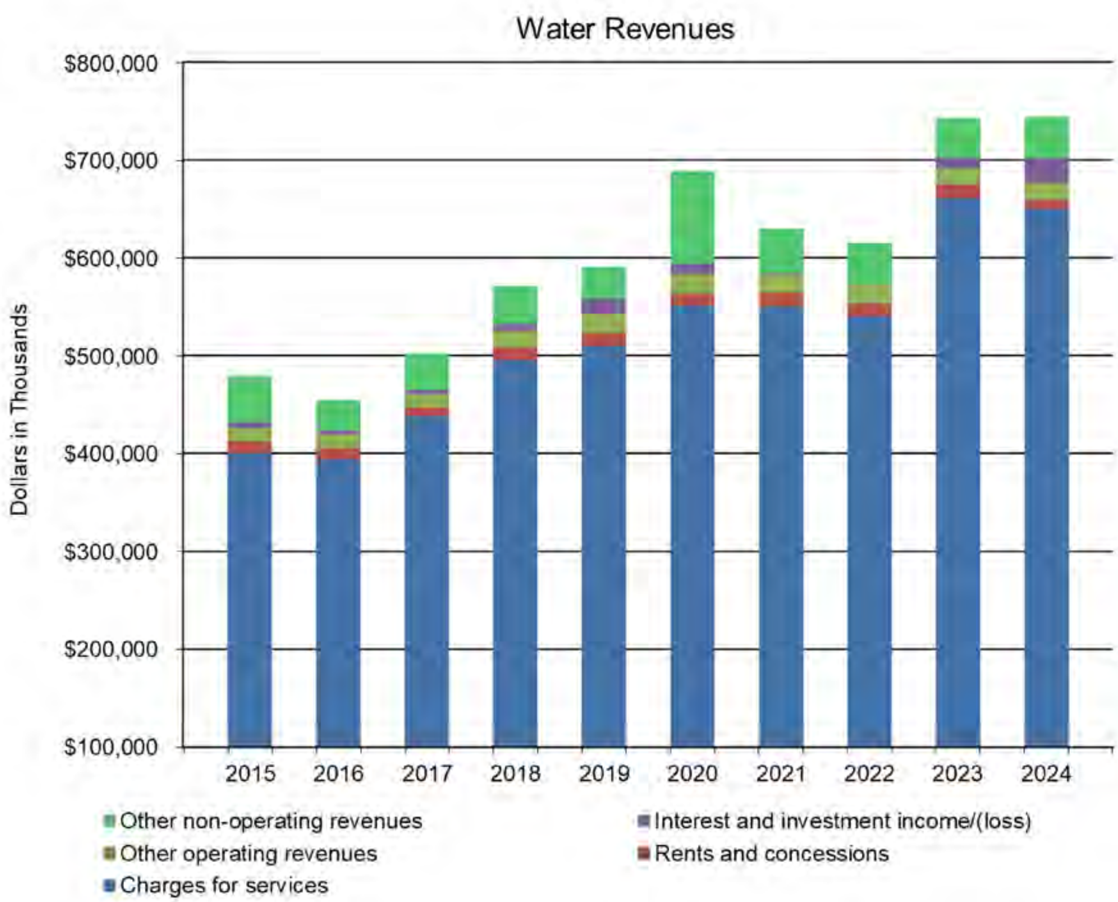
Financial Trends
Water - Changes in Net Position
Fiscal Years Ended 2015 to 2024
(Dollars in Thousands)

Revenues:		**2015**	**2016**	**2017**	**2018**	**2019**	**2020**	**2021^**	**2022**	**2023**	**2024**
Charges for services	$	400,023	393,582	438,207	495,138	509,703	550,753	550,306	539,526	661,241	650,233
Rents and concessions		12,284	12,081	8,813	12,906	13,010	12,124	13,735	13,765	13,282	8,556
Other operating revenues		13,740	13,853	13,311	17,595	19,678	20,474	18,395	19,826	16,568	18,101
Subtotal operating revenues		**426,047**	**419,516**	**460,331**	**525,639**	**542,391**	**583,351**	**582,436**	**573,117**	**691,091**	**676,890**
Interest and investment income/(loss)		5,789	3,595	4,331	6,448	15,650	10,517	1,374	(10,896)	11,156	25,097
Other non-operating revenues		47,314	31,253	37,405	39,064	32,399	94,734	45,874	41,871	40,679	42,071
Subtotal non-operating revenues		**53,103**	**34,848**	**41,736**	**45,512**	**48,049**	**105,251**	**47,248**	**30,975**	**51,835**	**67,168**
Total revenues	**$**	**479,150**	**454,364**	**502,067**	**571,151**	**590,440**	**688,602**	**629,684**	**604,092**	**742,926**	**744,058**

(Continued)

^Fiscal year 2021, implementation of GASB Statement No. 87, *Leases*.

Source: City and County of San Francisco Financial System and San Francisco Public Utilities Commission Audited Financial Statements.



Financial Trends

Water - Changes in Net Position
Fiscal Years Ended 2015 to 2024
(Dollars in Thousands)

Expenses:		**2015**	**2016**	**2017**	**2018**	**2019**	**2020**	**2021 ^**	**2022 #**	**2023**	**2024**
Personnel services	$	99,192	103,027	182,034	128,295	111,594	119,943	132,528	83,385	135,709	159,779
Contractual services		12,729	13,451	10,664	14,131	13,715	14,523	14,029	12,562	16,919	20,128
Materials and supplies		12,667	12,896	12,564	15,936	13,421	14,050	13,175	15,719	20,046	23,195
Depreciation and amortization		95,384	106,666	118,826	118,751	120,815	142,228	145,444	148,777	155,714	155,172
Services provided by other departments		60,365	60,868	59,173	56,860	59,751	61,128	70,235	73,307	79,910	77,638
General and administrative and Other operating expenses		16,613	17,878	38,566	36,174	37,798	46,245	73,371	68,014	51,955	93,444
Subtotal operating expenses		**296,950**	**314,786**	**421,827**	**370,147**	**357,094**	**398,117**	**448,782**	**401,764**	**460,253**	**529,356**
Interest expenses		137,106	153,258	148,075	164,001	177,998	191,246	184,678	213,681	214,913	222,055
Amortization of premium, discount, refunding loss, and issuance costs		(6,100)	(8,849)	(9,029)	(13,540)	(17,788)	(13,752)	(7,782)	(9,875)	(9,971)	(13,825)
Non-operating expenses		4,829	2,210	2,607	1,920	1,388	529	2,208	828	1,775	1,760
Subtotal non-operating expenses		**135,835**	**146,619**	**141,653**	**152,381**	**161,598**	**178,023**	**179,104**	**204,634**	**206,717**	**209,990**
Total expenses		**432,785**	**461,405**	**563,480**	**522,528**	**518,692**	**576,140**	**627,886**	**606,398**	**666,970**	**739,346**
Change in net position before capital contributions and transfers		46,365	(7,041)	(61,413)	48,623	71,748	112,462	1,798	(2,306)	75,956	4,712
Capital contributions *		—	—	—	—	—	—	4,180	—	2,717	53,599
Transfers in (out)		50,995	33,244	(59,988)	(30,986)	(19,134)	(13,585)	4,371	(15,631)	(20,027)	(736)
Change in net position		**97,360**	**26,203**	**(121,401)**	**17,637**	**52,614**	**98,877**	**10,349**	**(17,937)**	**58,646**	**57,575**
Net position at beginning of year											
Beginning of year, as previously reported		654,212	596,465	622,668	501,267 ⌂	489,524	542,138	641,015	651,364	633,427	692,073
Cumulative effect of accounting change		(155,107) ~	—	—	(29,380)	—	—	—	—	—	—
Beginning of year as restated		499,105	596,465	622,668	471,887	489,524	542,138	641,015	651,364	633,427	692,073
Net Position at end of year	$	**596,465**	**622,668**	**501,267**	**489,524**	**542,138**	**641,015**	**651,364**	**633,427**	**692,073**	**749,648**

#Fiscal year 2022, implementation of GASB Statement No. 96, *Subscriptions-Based Information Technology Arrangements (SBITAs).*
*Fiscal year 2021 of $4,180 from Department of Public Works, fiscal year 2023 of $2,717 from a developer for HOPE SF projects, and fiscal year 2024 of $53,599 from a developer for Pier 70 Phase 1 project, Treasure Island Stage 1 project and Yerba Buena Island Street Improvements project.
^Fiscal year 2021, implementation of GASB Statement No. 87, *Leases.*
⌂Fiscal year 2018, implementation of GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions.*
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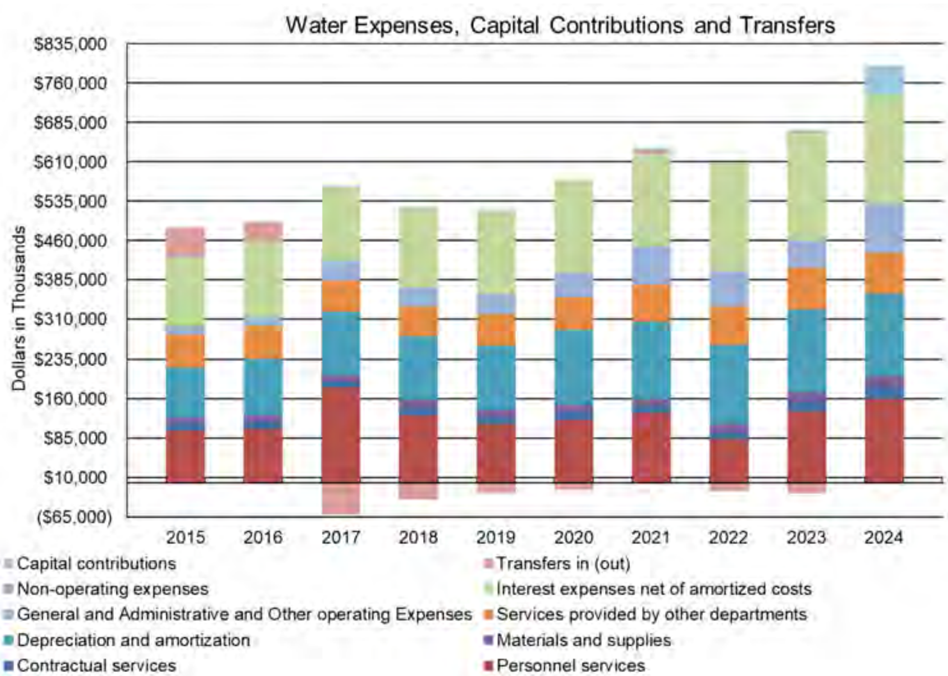
Source: City and County of San Francisco Financial System and San Francisco Public Utilities Commission Audited Financial Statements.



Financial Trends

Wastewater - Changes in Net Position
Fiscal Years Ended 2015 to 2024
(Dollars in Thousands)

Revenues:		**2015**	**2016**	**2017**	**2018**	**2019**	**2020**	**2021**	**2022**	**2023**	**2024**
Charges for services	$	244,604	249,203	267,601	303,037	317,761	331,721	318,236	356,041	354,491	384,851
Rents and concessions		821	753	606	611	702	664	642	705	822	739
Other operating revenues		10,577	11,819	9,134	11,448	12,618	11,743	8,787	12,136	8,623	9,451
Subtotal operating revenues		**256,002**	**261,775**	**277,341**	**315,096**	**331,081**	**344,128**	**327,665**	**368,882**	**363,936**	**395,041**
Interest and investment income/(loss)		1,207	1,185	2,327	2,317	20,701	12,137	(1,187)	(7,087)	2,556	25,528
Other non-operating revenues		6,564	8,263	8,633	5,330	6,164	5,596	4,911	25,454	9,910	24,297
Subtotal non-operating revenues		**7,771**	**9,448**	**10,960**	**7,647**	**26,865**	**17,733**	**3,724**	**18,367**	**12,466**	**49,825**
Total revenues	**$**	**263,773**	**271,223**	**288,301**	**322,743**	**357,946**	**361,861**	**331,389**	**387,249**	**376,402**	**444,866**

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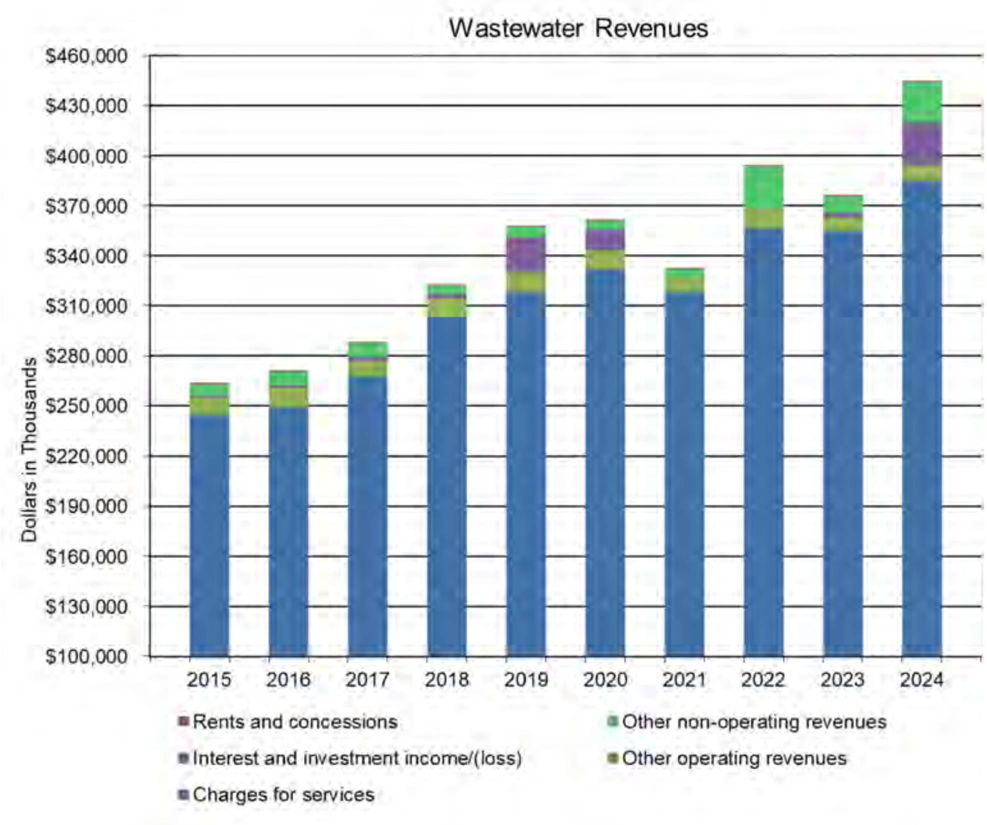
Source: City and County of San Francisco Financial System and San Francisco Public Utilities Commission Audited Financial Statements.



Financial Trends

Wastewater - Changes in Net Position
Fiscal Years Ended 2015 to 2024
(Dollars in Thousands)

Expenses:		2015	2016	2017	2018	2019	2020	2021 ^	2022 #	2023	2024
Personnel services	$	76,396	79,088	115,288	91,977	80,693	91,013	90,449	63,456	89,726	105,835
Contractual services		13,841	15,069	13,825	16,061	19,040	19,357	16,489	18,572	20,777	23,885
Materials and supplies		9,815	10,192	8,736	9,446	9,853	8,991	9,091	11,844	14,306	14,474
Depreciation and amortization		50,254	50,799	55,441	55,591	60,033	62,967	74,343	78,105	78,039	82,722
Services provided by other departments		36,212	36,157	36,832	36,374	36,629	37,309	38,313	39,645	40,999	39,546
General and administrative and Other operating expenses		29,967	30,248	14,098	29,457	53,565	42,622	63,488	45,536	17,503	195,581
Subtotal operating expenses		**216,485**	**221,553**	**244,220**	**238,906**	**259,813**	**262,259**	**292,173**	**257,158**	**261,350**	**462,043**
Interest expenses		22,791	22,251	28,474	24,978	43,803	43,216	34,944	77,751	95,520	138,883
Amortization of premium, refunding loss, and issuance costs		(5,347)	(2,979)	(5,806)	(5,400)	(5,697)^^	(8,647)	(8,497)	(8,422)	(14,387)	(47,299)
Non-operating expenses		280	485	383	414	1,013	52	409	482	535	505
Subtotal non-operating expenses		**17,724**	**19,757**	**23,051**	**19,992**	**39,119**	**34,621**	**26,856**	**69,811**	**81,668**	**92,089**
Total expenses		**234,209**	**241,310**	**267,271**	**258,898**	**298,932**	**296,880**	**319,029**	**326,969**	**343,018**	**554,132**
Change in net position before capital contributions and transfers		29,564	29,913	21,030	63,845	59,014	64,981	12,360	60,280	33,384	(109,266)
Capital contributions *		—	—	—	—	—	—	—	—	2,740	48,080
Transfers in (out)		(232)	(16,025)	(30,707)	(26,960)	(3,996)	(1,188)	(2,748)	(161)	43	(209)
Change in net position		**29,332**	**13,888**	**(9,677)**	**36,885**	**55,018**	**63,793**	**9,612**	**60,119**	**36,167**	**(61,395)**
Net position at beginning of year											
Beginning of year, as previously reported		1,181,867	1,142,052	1,155,940	1,146,263**	1,174,125	1,229,143	1,292,936	1,302,548	1,362,667	1,398,834
Cumulative effect of accounting change due to error		—	—	—	(6,767)	—	—	—	—	—	—
Cumulative effect of accounting change		(69,147)~	—	—	(2,256)⌂	—	—	—	—	—	—
Beginning of year as restated		1,112,720	1,142,052	1,155,940	1,137,240	1,174,125	1,229,143	1,292,936	1,302,548	1,362,667	1,398,834
Net Position at end of year	$	**1,142,052**	**1,155,940**	**1,146,263**	**1,174,125**	**1,229,143**	**1,292,936**	**1,302,548**	**1,362,667**	**1,398,834**	**1,337,439**

*Fiscal year 2023 of $2,740 from a developer for HOPE SF projects and fiscal year 2024 of $48,080 from a developer for Pier 70 Phase 1 project, Treasure Island Stage 1 project and Yerba Buena Island Street Improvements project.

#Fiscal year 2022, implementation of GASB Statement No. 96, *Subscriptions-Based Information Technology Arrangements (SBITAs).*

^Fiscal year 2021, implementation of GASB Statement No. 87, *Leases.*

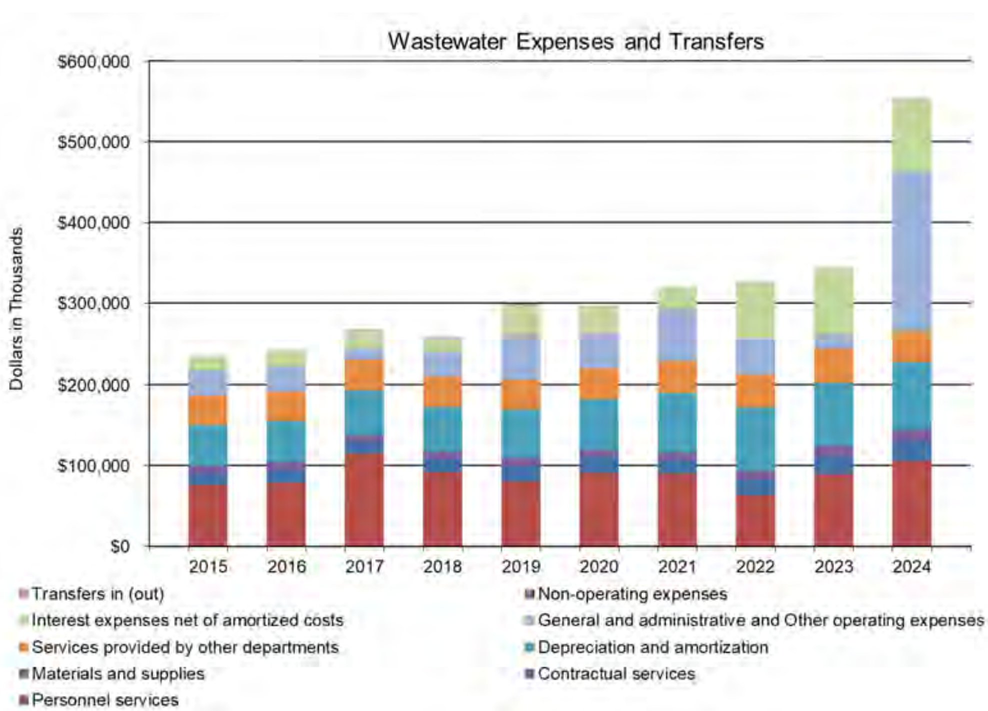
**Fiscal year 2018, Wastewater Enterprise recorded certain immaterial corrections to the 2018 financial statement to eliminate the recognition of certain capital assets that are recorded by another fund. The impact of the change was to decrease beginning position as of July 2017 by $6,767 and increase fiscal year 2018 expenses by $28,313.

⌂Fiscal year 2018, implementation of GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions.*

~Fiscal year 2015, implementation of GASB Statement No. 68, *Accounting and Financial Reporting for Pensions.*

^^Non-operating expense includes net loss/gain from sales of assets.

Source: City and County of San Francisco Financial System and San Francisco Public Utilities Commission Audited Financial Statements.

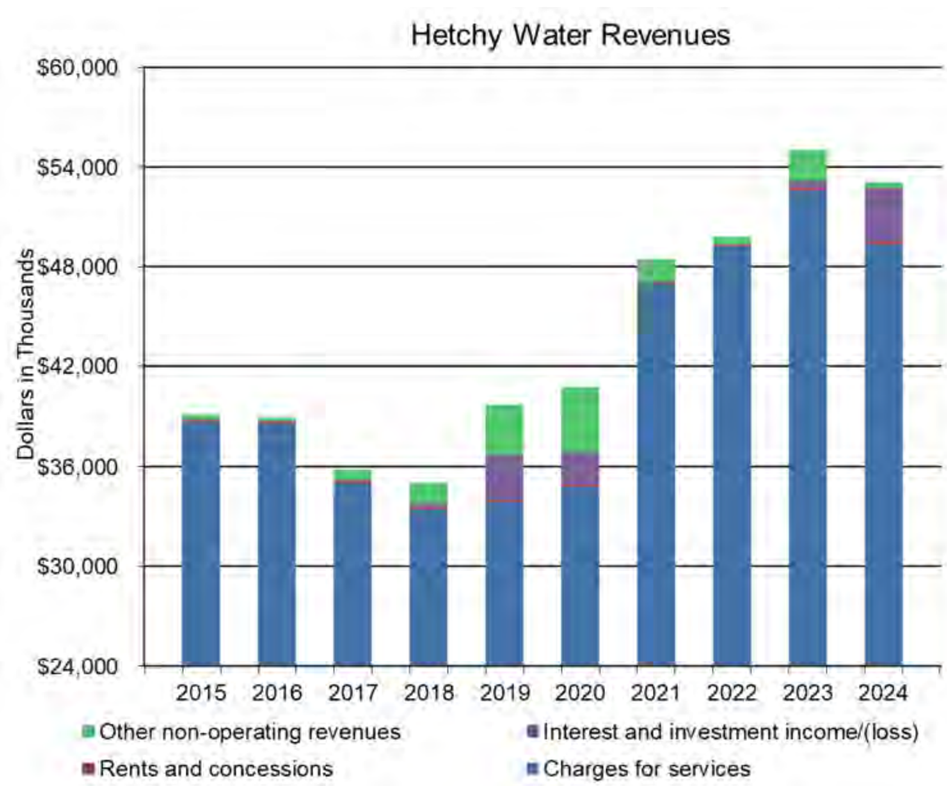


Financial Trends
Hetchy Water - Changes in Net Position
Fiscal Years Ended 2015 to 2024
(Dollars in Thousands)

Revenues:		**2015**	**2016**	**2017**	**2018**	**2019**	**2020**	**2021**	**2022**	**2023**	**2024**
Charges for services	$	38,731	38,624	35,008	33,427	33,880	34,797	46,979	49,200	52,570	49,330
Rents and concessions		104	118	142	133	125	156	111	112	127	162
Subtotal operating revenues		**38,835**	**38,742**	**35,150**	**33,560**	**34,005**	**34,953**	**47,090**	**49,312**	**52,697**	**49,492**
Interest and investment income/(loss)		(74)	(38)	46	218	2,670	1,932	(232)	(2,932)	457	3,255
Other non-operating revenues		250	200	616	1,237	3,013	3,861	1,352	479	1,861	338
Subtotal non-operating revenues		**176**	**162**	**662**	**1,455**	**5,683**	**5,793**	**1,120**	**(2,453)**	**2,318**	**3,593**
Total revenues	**$**	**39,011**	**38,904**	**35,812**	**35,015**	**39,688**	**40,746**	**48,210**	**46,859**	**55,015**	**53,085**

(Continued)

Source: City and County of San Francisco Financial System and San Francisco Public Utilities Commission Audited Financial Statements.



Financial Trends

Hetchy Water - Changes in Net Position

Fiscal Years Ended 2015 to 2024

(Dollars in Thousands)

Expenses:	**2015**	**2016**	**2017**	**2018**	**2019**	**2020**	**2021^**	**2022#**	**2023**	**2024**
Personnel services	$ 11,557	12,183	21,998	14,516	13,707	16,304	19,871	15,636	18,424	24,908
Contractual services	794	902	1,017	1,524	1,205	1,642	2,398	2,675	2,956	4,035
Materials and supplies	1,321	1,191	1,161	1,101	1,133	1,337	1,272	1,362	1,605	1,755
Depreciation and amortization	4,102	3,874	4,505	5,066	5,380	5,276	6,028	6,480	6,524	6,522
Services provided by other departments	1,979	2,054	1,962	1,572	1,622	1,853	2,517	3,129	3,392	3,501
General and administrative and Other operating expenses	18,948	16,332	19,456	16,013	27,258	18,461	18,433	23,017	17,110	3,229
Subtotal operating expenses	**38,701**	**36,536**	**50,099**	**39,792**	**50,305**	**44,873**	**50,519**	**52,299**	**50,011**	**43,950**
Interest expenses	—	—	—	—	—	—	2	3	4	3
Non-operating expenses	313	68	68	68	—	11	63	37	54	45
Total expenses	**39,014**	**36,604**	**50,167**	**39,860**	**50,305**	**44,884**	**50,584**	**52,339**	**50,069**	**43,998**
Change in net position before capital contributions and transfers	(3)	2,300	(14,355)	(4,845)	(10,617)	(4,138)	(2,374)	(5,480)	4,946	9,087
Transfers in (out)*	—	—	60,000	30,000	20,000	14,000	16,000	30,001	20,000	42
Change in net position	**(3)**	**2,300**	**45,645**	**25,155**	**9,383**	**9,862**	**13,626**	**24,521**	**24,946**	**9,129**
Net position at beginning of year										
Beginning of year, as previously reported	137,404	120,411	122,711	168,356	191,790	201,173	211,035	224,661	249,182	274,128
Cumulative effect of accounting change	(16,990)~	—	—	(1,721)⌂	—	—	—	—	—	—
Beginning of year as restated	120,414	120,411	122,711	166,635	191,790	201,173	211,035	224,661	249,182	274,128
Net position at end of year	**$ 120,411**	**122,711**	**168,356**	**191,790**	**201,173**	**211,035**	**224,661**	**249,182**	**274,128**	**283,257**

#Fiscal year 2022, implementation of GASB Statement No. 96, *Subscriptions-Based Information Technology Arrangements (SBITAs).*

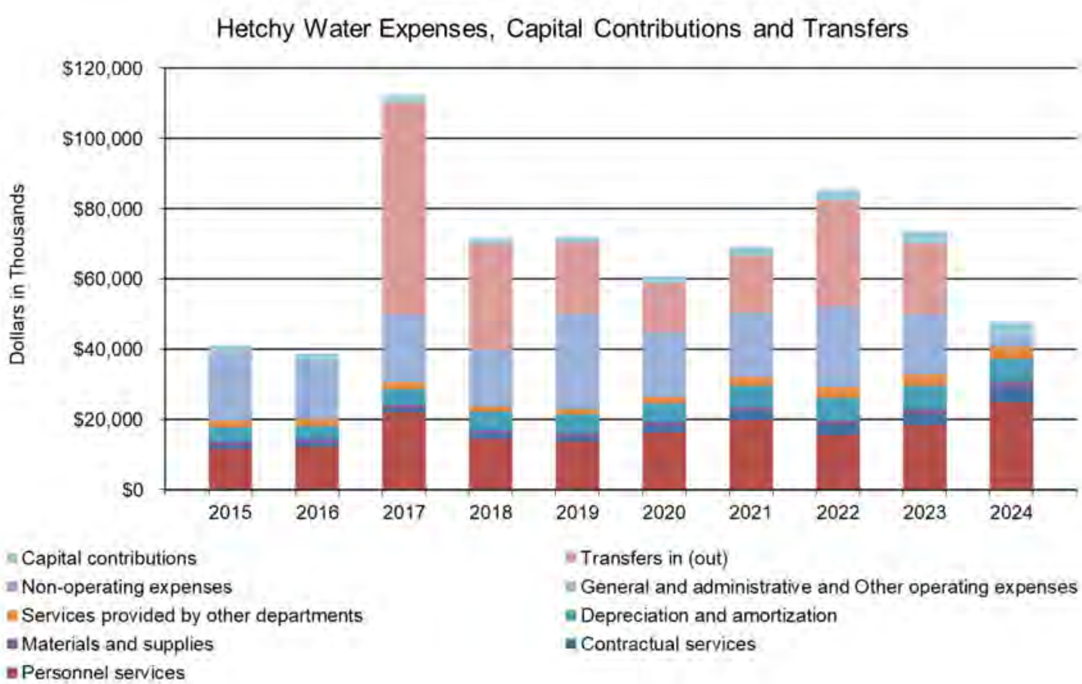
^Fiscal year 2021, implementation of GASB Statement No. 87, *Leases.*

⌂Fiscal year 2018, implementation of GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions.*

~Fiscal year 2015, implementation of GASB Statement No. 68, *Accounting and Financial Reporting for Pensions.*

*Fiscal year 2014, Capital Contributions of $166 was from the Department of Emergency Management.

Source: City and County of San Francisco Financial System and San Francisco Public Utilities Commission Audited Financial Statements.

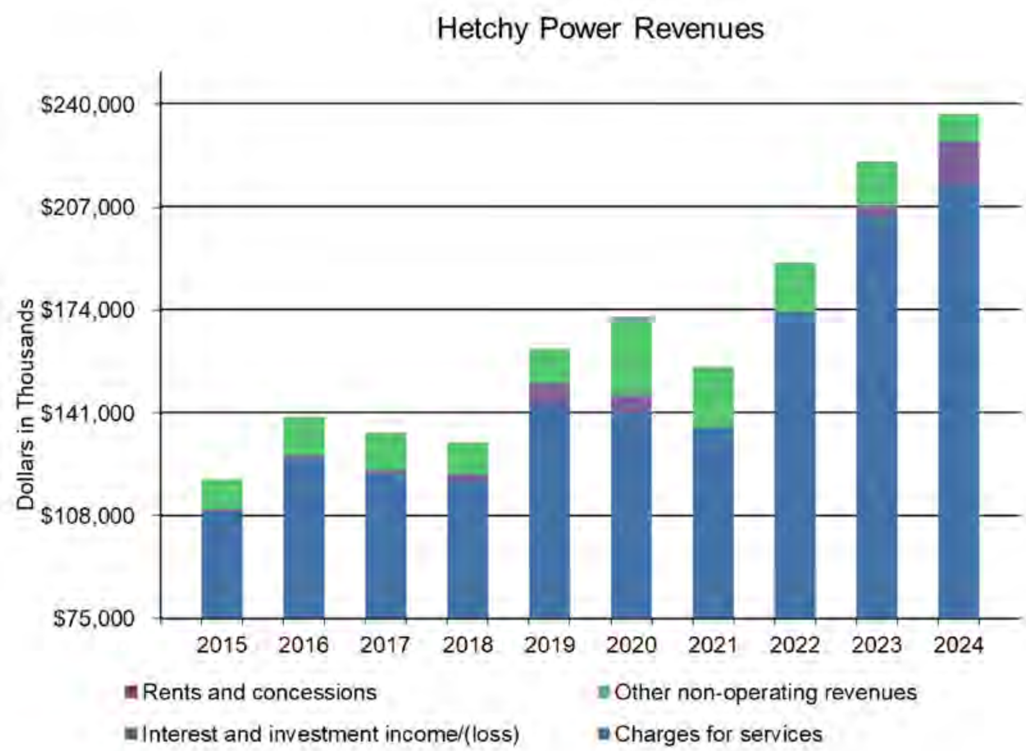


Financial Trends
Hetchy Power - Changes in Net Position
Fiscal Years Ended 2015 to 2024
(Dollars in Thousands)

Revenues:		**2015**	**2016**	**2017**	**2018**	**2019**	**2020**	**2021**	**2022**	**2023**	**2024**
Charges for services	$	108,841	125,850	120,789	118,672	143,409	140,680	136,247	173,105	203,847	214,154
Rents and concessions		127	144	173	163	152	191	136	137	156	198
Subtotal operating revenues		**108,968**	**125,994**	**120,962**	**118,835**	**143,561**	**140,871**	**136,383**	**173,242**	**204,003**	**214,352**
Interest and investment income/(loss)		1,253	1,318	1,718	2,537	6,883	5,746	24	(4,001)	3,741	13,744
Other non-operating revenues		9,302	12,256	11,764	10,073	10,907	25,006	19,273	15,763	13,605	8,528
Subtotal non-operating revenues		**10,555**	**13,574**	**13,482**	**12,610**	**17,790**	**30,752**	**19,297**	**11,762**	**17,346**	**22,272**
Total revenues	**$**	**119,523**	**139,568**	**134,444**	**131,445**	**161,351**	**171,623**	**155,680**	**185,004**	**221,349**	**236,624**

(Continued)

Source: City and County of San Francisco Financial System and San Francisco Public Utilities Commission Audited Financial Statements.



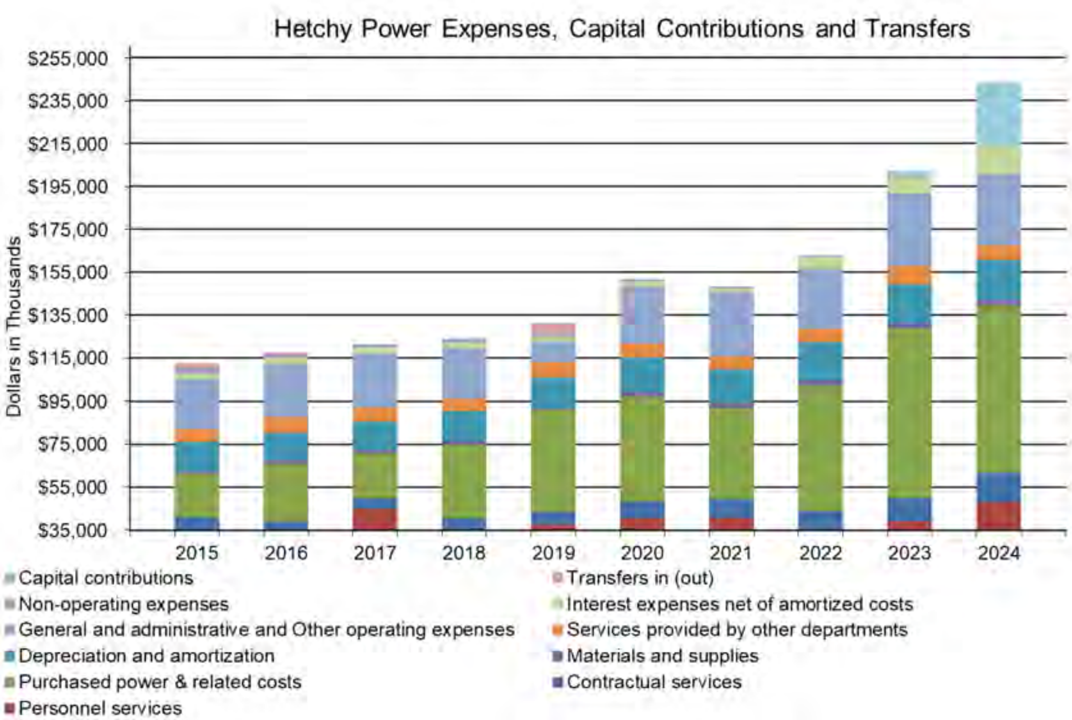
Financial Trends

Hetchy Power - Changes in Net Position
Fiscal Years Ended 2015 to 2024
(Dollars in Thousands)

Expenses:		2015	2016	2017	2018	2019	2020	2021^	2022 #	2023	2024
Personnel services	$	33,240	33,632	44,961	34,950	37,583	40,712	40,756	34,646	39,300	48,175
Contractual services		7,852	5,493	4,916	5,526	6,086	7,742	8,705	9,459	10,819	13,623
Purchased power & related costs		20,296	26,792	20,970	34,435	47,437	48,831	42,693	58,252	78,658	77,950
Materials and supplies		1,039	1,849	1,510	1,541	672	2,260	1,990	2,270	2,612	2,451
Depreciation and amortization		13,785	12,639	13,225	14,049	14,484	15,723	15,650	17,769	17,877	18,460
Services provided by other departments		5,979	7,397	6,716	5,848	6,833	6,426	6,137	6,253	8,674	6,828
General and administrative and Other operating expenses		23,031	24,157	24,637	23,046	9,593	26,433	29,709	27,694	33,612	33,114
Subtotal operating expenses		**105,222**	**111,959**	**116,935**	**119,395**	**122,688**	**148,127**	**145,640**	**156,343**	**191,552**	**200,601**
Interest expenses		1,815	3,355	3,200	3,103	2,936	2,740	1,972	5,627	9,486	14,472
Amortization of premium, discount, and issuance costs		893	(122)	(255)	(248)	(237)	(228)	(219)	192	(1,584)	(1,008)
Non-operating expenses		2,494	1,676	1,408	1,727	1,365	1,060	902	591	227	99
Total expenses		**110,424**	**116,868**	**121,288**	**123,977**	**126,752**	**151,699**	**148,295**	**162,753**	**199,681**	**214,164**
Change in net position before capital contributions and transfers		9,099	22,700	13,156	7,468	34,599	19,924	7,385	22,251	21,668	22,460
Capital contributions *		—	—	—	—	—	—	—	—	2,535	29,200
Transfers in (out)		2,043	680	51	(425)	4,490	(32)	(532)	(532)	(32)	(108)
Change in net position		**11,142**	**23,380**	**13,207**	**7,043**	**39,089**	**19,892**	**6,853**	**21,719**	**24,171**	**51,552**
Net position at beginning of year											
Beginning of year, as previously reported		376,146	366,523	389,903	401,686	406,626	445,715	465,607	472,460	494,179	518,350
Cumulative effect of accounting change		(20,765)~	—	—	(2,103)⌂	—	—	—	—	—	—
Less: CleanPowerSF beginning net position		—	—	(1,424)	—	—	—	—	—	—	—
Beginning of year as restated		355,381	366,523	388,479	399,583	406,626	445,715	465,607	472,460	494,179	518,350
Net position at end of year	**$**	**366,523**	**389,903**	**401,686**	**406,626**	**445,715**	**465,607**	**472,460**	**494,179**	**518,350**	**569,902**

*Fiscal year 2024 $29,200 capital contributions were from a developer for Pier 70 Phase 1 project, Treasure Island Stage 1 project and Yerba Buena Island Street Improvements project.
#Fiscal year 2022, implementation of GASB Statement No. 96, *Subscriptions-Based Information Technology Arrangements (SBITAs).*
^Fiscal year 2021, implementation of GASB Statement No. 87, *Leases.*
⌂Fiscal year 2018, implementation of GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions.*
~Fiscal year 2015, implementation of GASB Statement No. 68, *Accounting and Financial Reporting for Pensions.*
*Fiscal year 2014, capital contributions of $202 was from the Department of Emergency Management.

Source: City and County of San Francisco Financial System and San Francisco Public Utilities Commission Audited Financial Statements.



Financial Trends

CleanPowerSF - Changes in Net Position

Fiscal Years Ended 2017 to 2024

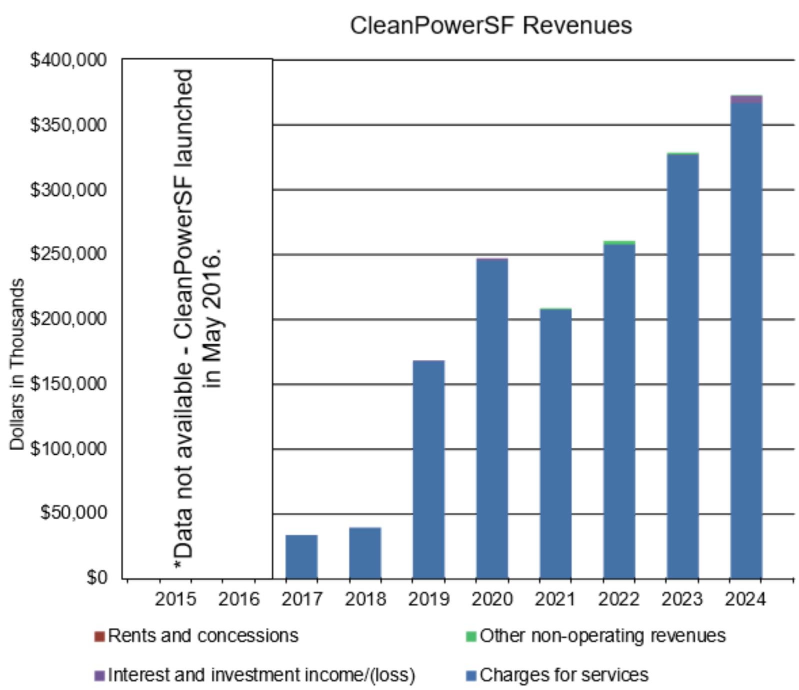
(Dollars in Thousands)

Revenues:		**2015**	**2016**	**2017**	**2018**	**2019**	**2020**	**2021**	**2022**	**2023**	**2024**
Charges for services	$	*Data not available - CleanPowerSF launched in May 2016.		33,867	39,568	167,820	245,460 #	207,698	257,893	326,777 ^	366,594
Subtotal operating revenues				**33,867**	**39,568**	**167,820**	**245,460**	**207,698**	**257,893**	**326,777**	**366,594**
Interest and investment income/(loss)				89	174	735	1,771	51	(1,286)	405	5,904
Other non-operating revenues				4	1	—	1	927	2,759	1,498	386
Subtotal non-operating revenues				**93**	**175**	**735**	**1,772**	**978**	**1,473**	**1,903**	**6,290**
Total revenues	**$**			**33,960**	**39,743**	**168,555**	**247,232**	**208,676**	**259,366**	**328,680**	**372,884**

(Continued)

^Fiscal year 2023, increase in charges for services is due to rate increase and higher consumptions.
#Fiscal year 2020, increase in charges for services is due to completion of city-wide enrollment.
*Fiscal year 2016, CleanPowerSF was presented as part of Hetchy Power.

Source: City and County of San Francisco Financial System and San Francisco Public Utilities Commission Audited Financial Statements.



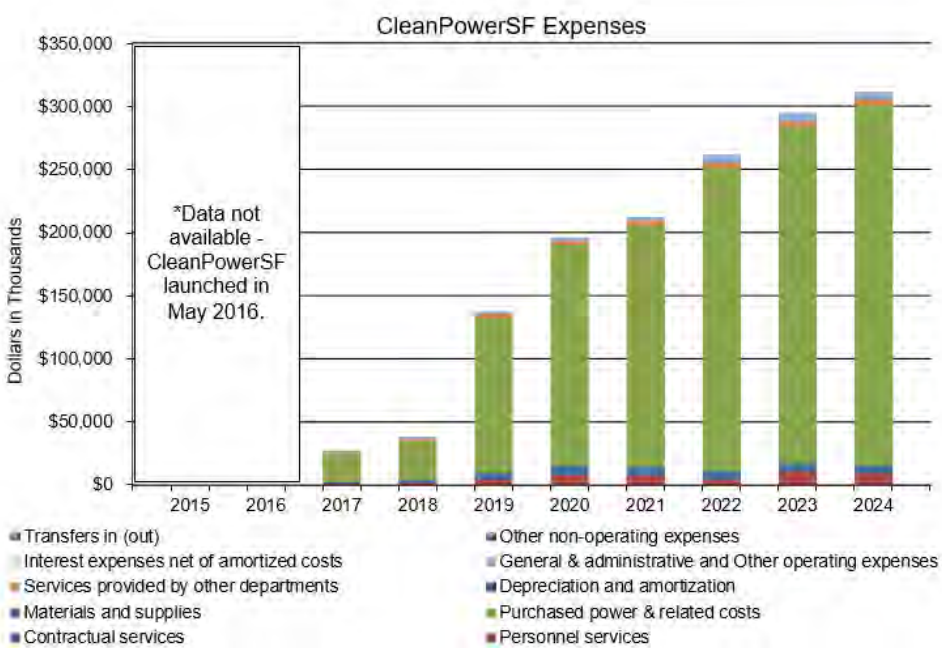
Financial Trends

CleanPowerSF - Changes in Net Position
Fiscal Years Ended 2017 to 2024
(Dollars in Thousands)

Expenses:		**2015**	**2016**	**2017**	**2018**	**2019**	**2020**	**2021 ^**	**2022 #**	**2023**	**2024**
Personnel services	$	*Data not available - CleanPowerSF launched in May 2016.		1,213	2,150	4,612	7,920	7,641	4,167	10,735	9,322
Contractual services				1,141	2,166	4,786	7,557	6,678	6,780	6,559	6,244
Purchased power & related costs				22,437	30,297	122,838	174,770 ~	190,989	239,738	265,378	284,895
Materials and supplies				1	—	51	57	26	33	57	60
Depreciation and amortization				—	—	—	—	345	385	270	17
Services provided by other departments				734	1,545	3,208	2,728	3,928	3,621	4,302	4,792
General & administrative and other operating expenses				1,570	2,270	1,789	2,994	3,104	7,393	7,479	6,188
Subtotal operating expenses				**27,096**	**38,428**	**137,284**	**196,026**	**212,711**	**262,117**	**294,780**	**311,518**
Interest expenses				70	101	130	69	26	6	1	—
Other non-operating expenses				—	—	—	—	—	—	218	877
Total expenses				**27,166**	**38,529**	**137,414**	**196,095**	**212,737**	**262,123**	**294,999**	**312,395**
Change in net position				**6,794**	**1,214**	**31,141**	**51,137**	**(4,061)**	**(2,757)**	**33,681**	**60,489**
Net position at beginning of year											
Beginning of year, as previously reported				1,424	8,218 ⌂	8,860	40,001	91,138	87,077	84,320	118,001
Cumulative effect of accounting change				—	(572)	—	—	—	—	—	—
Beginning of year as restated				1,424	7,646	8,860	40,001	91,138	87,077	84,320	118,001
Net position at end of year	**$**			**8,218**	**8,860**	**40,001**	**91,138**	**87,077**	**84,320**	**118,001**	**178,490**

#Fiscal year 2022, implementation of GASB Statement No. 96, *Subscriptions-Based Information Technology Arrangements (SBITAs).*
^Fiscal year 2021, implementation of GASB Statement No. 87, *Leases*.
~Fiscal year 2020, increase in purchased power and related costs was due to higher enrollment and electricity sales.
⌂Fiscal year 2018, implementation of GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions.*
*Fiscal year 2016, CleanPowerSF was presented as part of Hetchy Power.

Source: City and County of San Francisco Financial System and San Francisco Public Utilities Commission Audited Financial Statements.



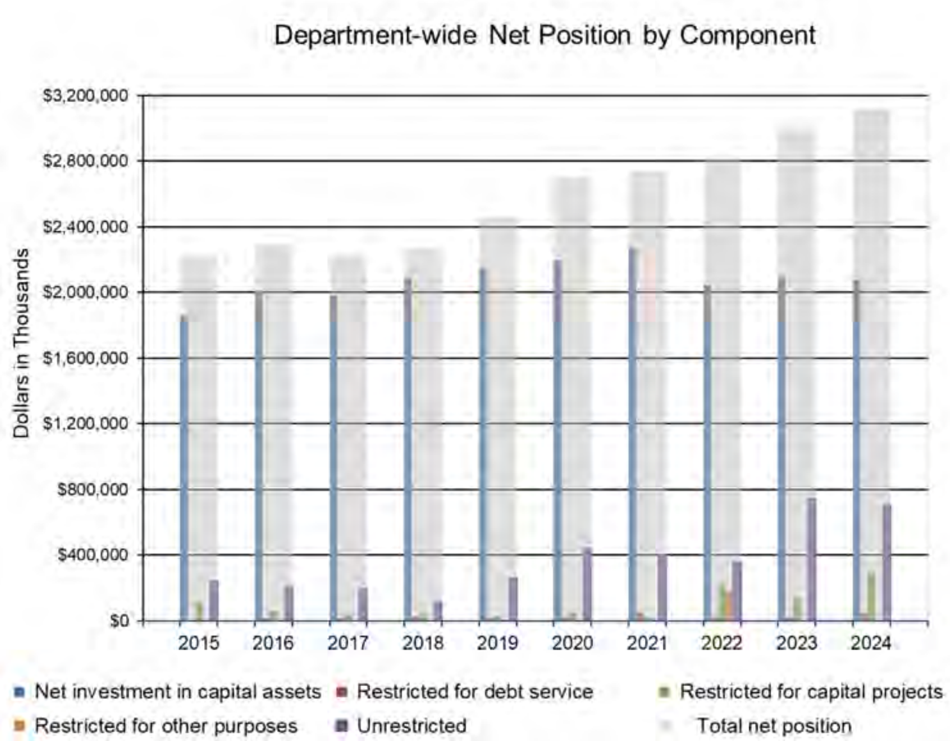
Financial Trends

Department-wide - Summary of Net Position by Component
Fiscal Years Ended 2015 to 2024
(Dollars in Thousands)

		2015 *	2016	2017	2018 ⌂	2019	2020	2021 @	2022 #	2023	2024
Net investment in capital assets	$	1,859,439	2,011,814	1,979,445	2,087,816	2,147,756	2,194,130	2,271,638	2,042,920	2,098,355	2,075,817
Restricted for debt service		1,704	13,409	12,451	25,079	18,617	17,285	48,677	20,202	18,191	44,724
Restricted for capital projects		120,496	60,357	39,557	44,690	26,906	49,635	22,319	221,647	142,641	292,369
Restricted for other purposes		—	—	—	—	—	—	—	181,926	—	—
Unrestricted		243,812	205,642	194,337	113,340	264,891	440,681	395,476	357,080	742,199	705,826
Total net position ^	**$**	**2,225,451**	**2,291,222**	**2,225,790**	**2,270,925**	**2,458,170**	**2,701,731**	**2,738,110**	**2,823,775**	**3,001,386**	**3,118,736**

^Fiscal years 2022 and 2023, net position reclassification of restricted payable and capital related liabilities from restricted for capital projects and/or unrestricted to net investment in capital assets balance updated.
#Fiscal year 2022, implementation of GASB Statement No. 96, *Subscriptions-Based Information Technology Arrangements (SBITAs).*
@Fiscal year 2021, implementation of GASB Statement No. 87, *Leases*.
⌂Fiscal year 2018, implementation of GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions.*
Fiscal year 2015, implementation of GASB Statement No. 68, Accounting and Financial Reporting for Pensions.*

Source: City and County of San Francisco Financial System and San Francisco Public Utilities Commission Audited Financial Statements.



Financial Trends

Water - Summary of Net Position by Component
Fiscal Years Ended 2015 to 2024
(Dollars in Thousands)

		2015 *	2016	2017	2018 ⌂	2019	2020	2021 @	2022 #	2023	2024
Net investment in capital assets	$	425,073	543,327	495,868	504,476	563,457	527,856	517,302	512,313	460,213	350,430
Restricted for debt service		1,053	12,122	10,989	22,933	16,193	15,916	45,586	14,671	14,625	44,724
Restricted for capital projects		95,735	40,743	37,904	32,978	—	43,122	22,319	17,085	56,822	200,632
Restricted for other purposes		—	—	—	—	—	—	—	100,407	—	—
Unrestricted		74,604	26,476	(43,494)	(70,863)	(37,512)	54,121	66,157	(11,049)	160,413	153,862
Total net position ^	**$**	**596,465**	**622,668**	**501,267**	**489,524**	**542,138**	**641,015**	**651,364**	**633,427**	**692,073**	**749,648**

^Fiscal years 2022 and 2023, net position reclassification of restricted payable and capital related liabilities from restricted for capital projects and/or unrestricted to net investment in capital assets balance updated.
#Fiscal year 2022, implementation of GASB Statement No. 96, *Subscriptions-Based Information Technology Arrangements (SBITAs).*
@Fiscal year 2021, implementation of GASB Statement No. 87, *Leases.*
⌂Fiscal year 2018, implementation of GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions.*
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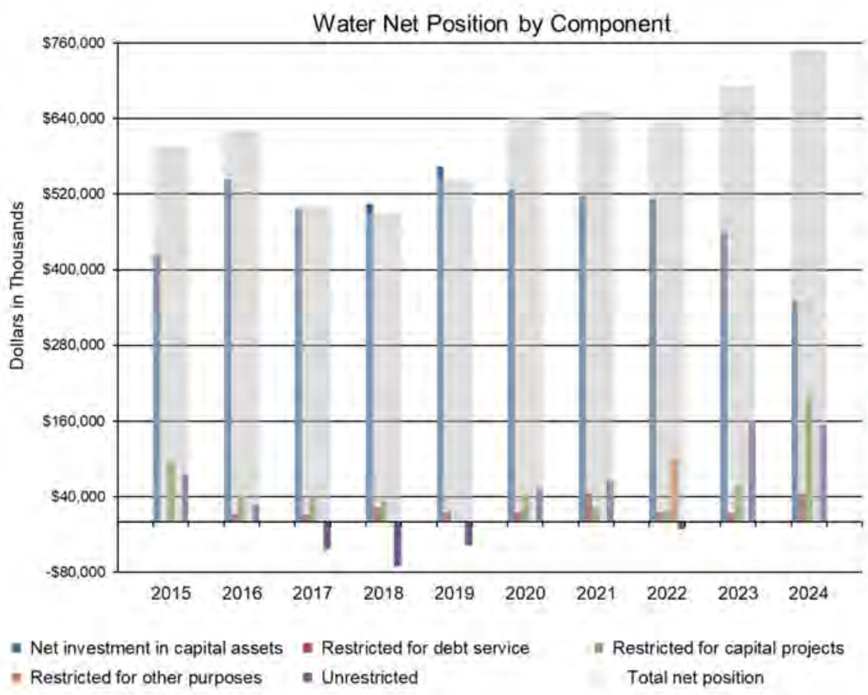


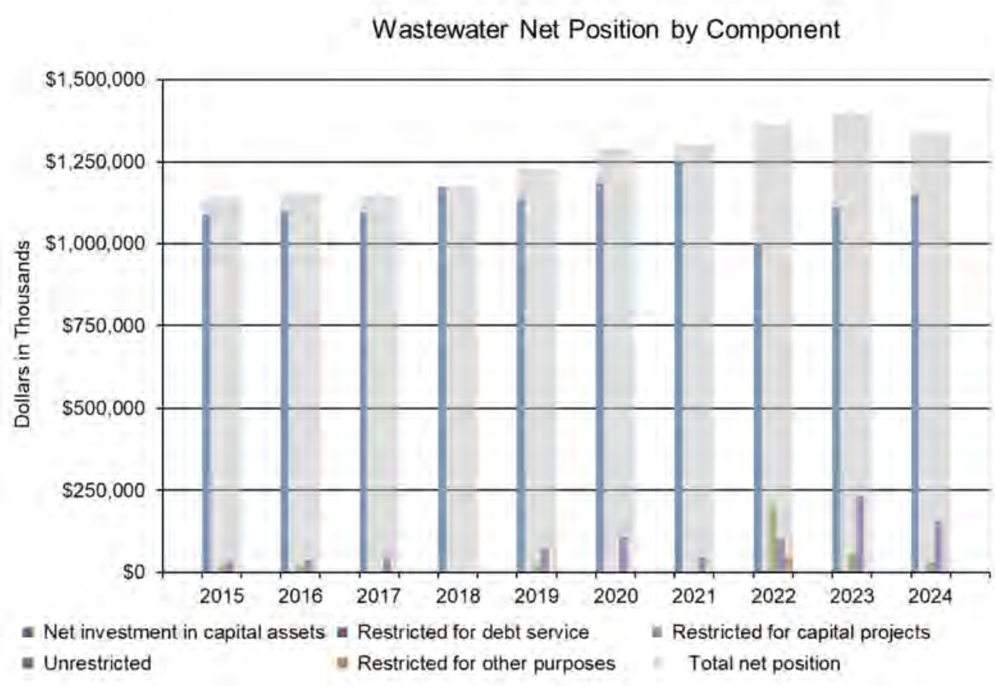
Financial Trends

Wastewater - Summary of Net Position by Component
Fiscal Years Ended 2015 to 2024
(Dollars in Thousands)

		2015*	2016	2017	2018⌂	2019	2020	2021@	2022#	2023	2024
Net investment in capital assets	$	1,088,552	1,098,723	1,095,165	1,172,623	1,133,662	1,183,288	1,253,789	1,002,813	1,110,957	1,148,814
Restricted for debt service		349	981	977	1,312	1,279	1,227	2,992	5,391	3,510	—
Restricted for capital projects		20,327	18,205	1,653	—	18,505	—	—	204,562	53,137	31,782
Restricted for other purposes		—	—	—	—	—	—	—	48,770	—	—
Unrestricted		32,824	38,031	48,468	190	75,697	108,421	45,767	101,131	231,230	156,843
Total net position ^	**$**	**1,142,052**	**1,155,940**	**1,146,263**	**1,174,125**	**1,229,143**	**1,292,936**	**1,302,548**	**1,362,667**	**1,398,834**	**1,337,439**

^Fiscal years 2022 and 2023, net position reclassification of restricted payable and capital related liabilities from restricted for capital projects and/or unrestricted to net investment in capital assets balance updated.
#Fiscal year 2022, implementation of GASB Statement No. 96, *Subscriptions-Based Information Technology Arrangements (SBITAs).*
@Fiscal year 2021, implementation of GASB Statement No. 87, *Leases.*
⌂Fiscal year 2018, implementation of GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions.*
Fiscal year 2015, implementation of GASB Statement No. 68, Accounting and Financial Reporting for Pensions.*

Source: City and County of San Francisco Financial System and San Francisco Public Utilities Commission Audited Financial Statements.



Financial Trends

Hetchy Water - Summary of Net Position by Component

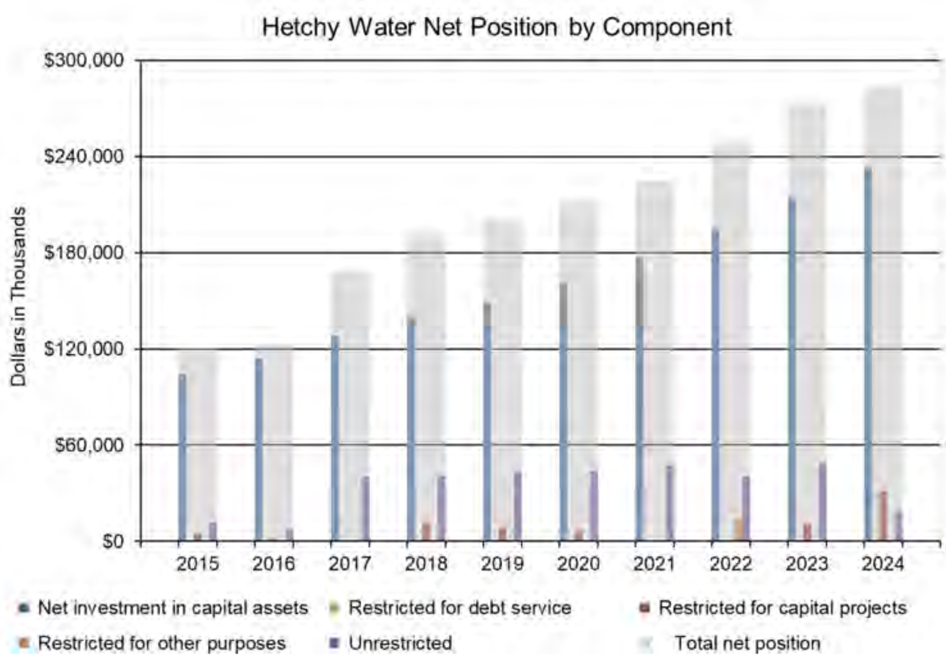
Fiscal Years Ended 2015 to 2024

(Dollars in Thousands)

		2015 *	2016	2017	2018 ⌂	2019	2020	2021 @	2022 #	2023	2024
Net investment in capital assets	$	104,330	113,867	127,731	139,799	149,103	160,782	177,481	194,688	214,014	233,276
Restricted for debt service		—	—	—	—	—	—	—	—	—	—
Restricted for capital projects		4,434	1,409	—	11,712	8,401	6,513	—	—	10,980	31,330
Restricted for other purposes		—	—	—	—	—	—	—	13,912	—	—
Unrestricted		11,647	7,435	40,625	40,279	43,669	43,740	47,180	40,582	49,134	18,651
Total net position ^	**$**	**120,411**	**122,711**	**168,356**	**191,790**	**201,173**	**211,035**	**224,661**	**249,182**	**274,128**	**283,257**

^Fiscal years 2022 and 2023, net position reclassification of restricted payable and capital related liabilities from restricted for capital projects and/or unrestricted to net investment in capital assets balance updated.
#Fiscal year 2022, implementation of GASB Statement No. 96, *Subscriptions-Based Information Technology Arrangements (SBITAs).*
@Fiscal year 2021, implementation of GASB Statement No. 87, *Leases.*
⌂Fiscal year 2018, implementation of GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions.*
Fiscal year 2015, implementation of GASB Statement No. 68, Accounting and Financial Reporting for Pensions.*

Source: City and County of San Francisco Financial System and San Francisco Public Utilities Commission Audited Financial Statements.



Financial Trends

Hetchy Power - Summary of Net Position by Component

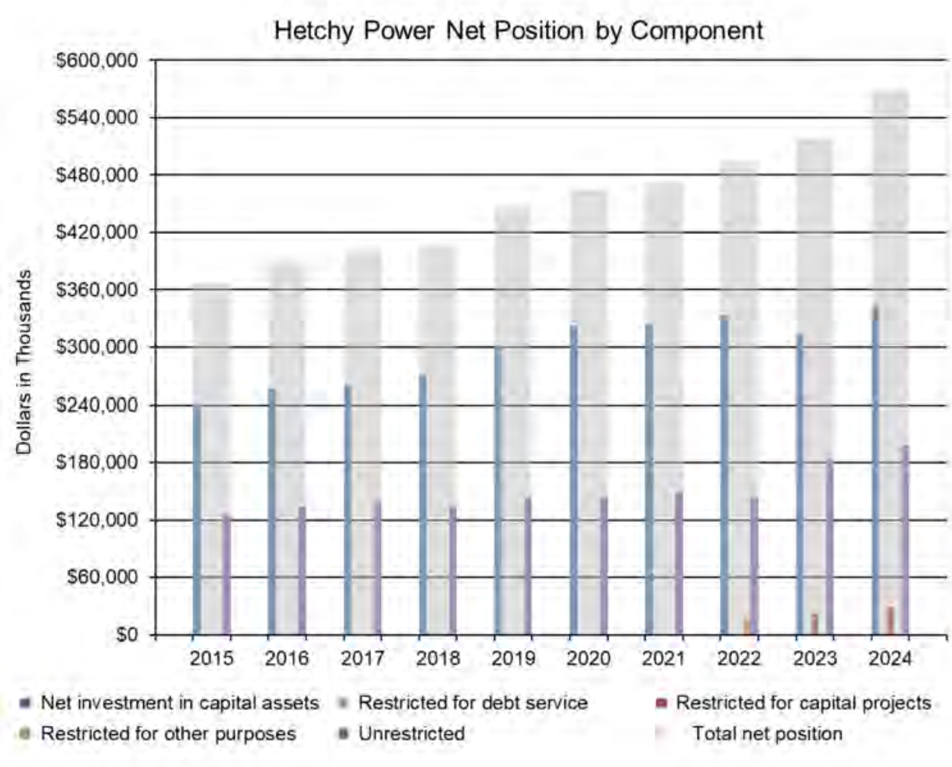
Fiscal Years Ended 2015 to 2024

(Dollars in Thousands)

		2015 *	2016	2017	2018 ⌂	2019	2020	2021 @	2022 #	2023	2024
Net investment in capital assets	$	241,484	255,897	260,681	270,918	301,534	322,204	323,066	333,106	313,171	343,297
Restricted for debt service		302	306	485	834	1,145	142	99	140	56	—
Restricted for capital projects		—	—	—	—	—	—	—	—	21,702	28,625
Restricted for other purposes		—	—	—	—	—	—	—	17,004	—	—
Unrestricted		124,737	133,700	140,520	134,874	143,036	143,261	149,295	143,929	183,421	197,980
Total net position ^	**$**	**366,523**	**389,903**	**401,686**	**406,626**	**445,715**	**465,607**	**472,460**	**494,179**	**518,350**	**569,902**

^Fiscal years 2022 and 2023, net position reclassification of restricted payable and capital related liabilities from restricted for capital projects and/or unrestricted to net investment in capital assets balance updated.
#Fiscal year 2022 implementation of GASB Statement No. 96, *Subscriptions-Based Information Technology Arrangements (SBITAs).*
@Fiscal year 2021 implementation of GASB Statement No. 87, *Leases.*
⌂Fiscal year 2018 implementation of GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions.*
Fiscal year 2015 implementation of GASB Statement No. 68, Accounting and Financial Reporting for Pensions.*

Source: City and County of San Francisco Financial System and San Francisco Public Utilities Commission Audited Financial Statements.



Financial Trends

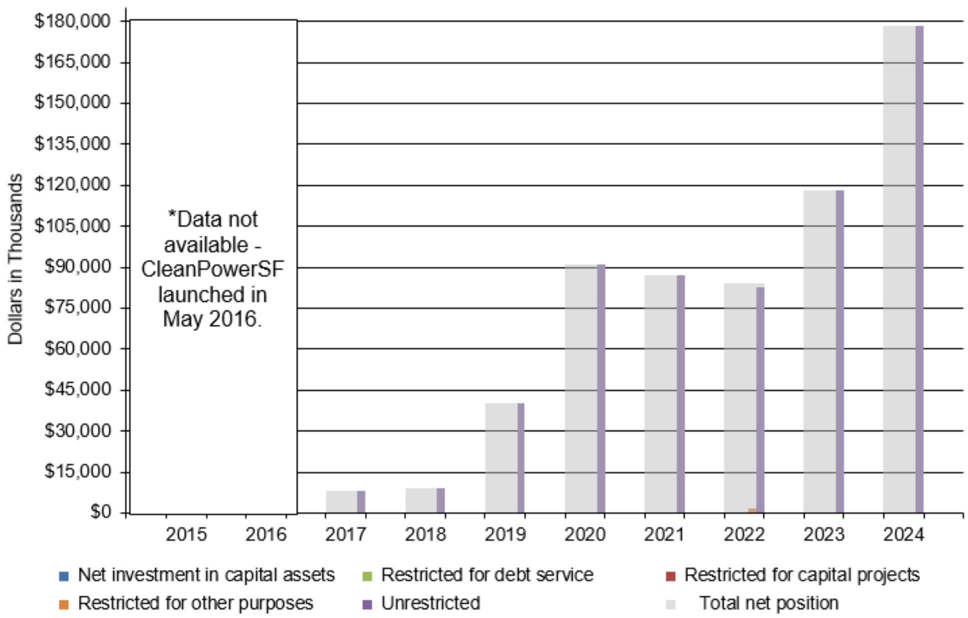
CleanPowerSF - Summary of Net Position by Component
Fiscal Years Ended 2017 to 2024
(Dollars in Thousands)

		2015	2016	2017	2018⌂	2019	2020^	2021@	2022#	2023	2024
Net investment in capital assets	$	*Data not available - CleanPowerSF launched in May 2016.		—	—	—	—	—	—	—	—
Restricted for debt service				—	—	—	—	—	—	—	—
Restricted for capital projects				—	—	—	—	—	—	—	—
Restricted for other purposes				—	—	—	—	—	1,833	—	—
Unrestricted				8,218	8,860	40,001	91,138	87,077	82,487	118,001	178,490
Total net position	$			**8,218**	**8,860**	**40,001**	**91,138**	**87,077**	**84,320**	**118,001**	**178,490**

#Fiscal year 2022 implementation of GASB Statement No. 96, *Subscriptions-Based Information Technology Arrangements (SBITAs).*
@Fiscal year 2021 implementation of GASB Statement No. 87, *Leases.*
^Fiscal year 2020, increase in Unrestricted Net Position is due to completion of city-wide enrollment.
⌂Fiscal year 2018 implementation of GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions.*

Source: City and County of San Francisco Financial System and San Francisco Public Utilities Commission Audited Financial Statements.

CleanPowerSF Net Position by Component

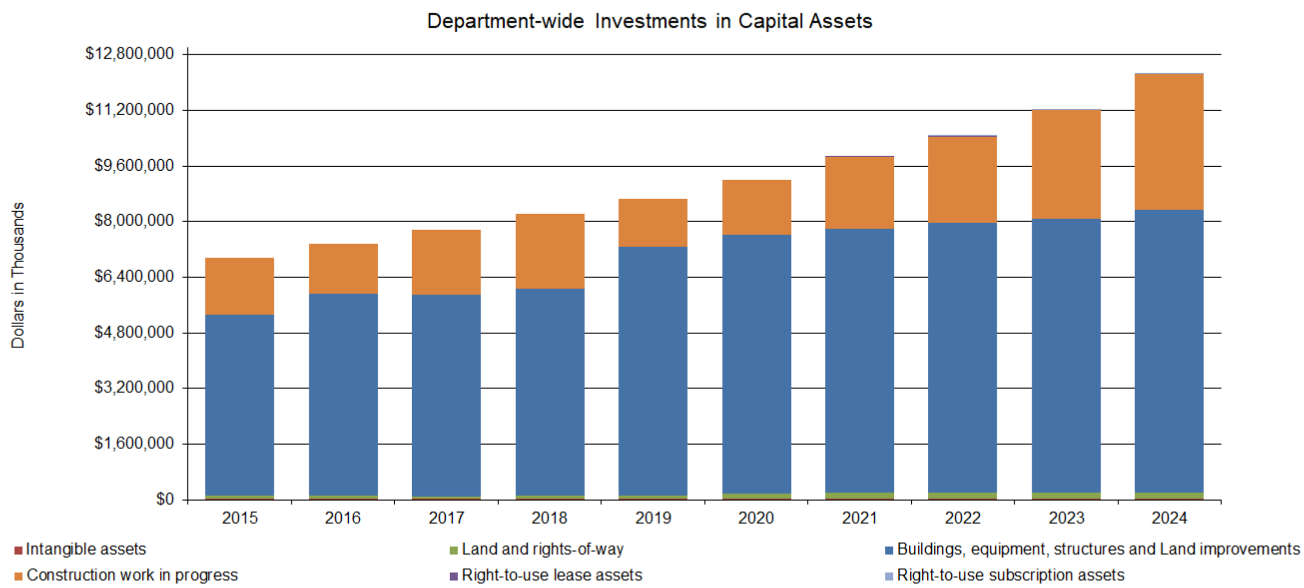


Financial Trends
Department-wide Investments in Capital Assets
Summary of Intangible Assets, Property, Plant and Equipment
Fiscal Years Ended 2015 to 2024
(Dollars in Thousands)

		2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Buildings, equipment, structures and Land improvements	$	7,800,455	8,565,038	8,736,914	9,084,980	10,483,615	10,957,712	11,369,025	11,783,944	12,137,657	12,667,975
Less accumulated depreciation		(2,572,737)	(2,742,700)	(2,930,531)	(3,120,191)	(3,316,443)	(3,538,382)	(3,773,696)	(4,016,382)	(4,265,309)	(4,520,990)
Subtotal		5,227,718	5,822,338	5,806,383	5,964,789	7,167,172	7,419,330	7,595,329	7,767,562	7,872,348	8,146,985
Intangible assets, net of amortization*		38,885	36,674	34,904	36,956	34,853	32,528	35,102	34,731	33,816	32,694
Land and rights-of-way		67,213	67,213	67,301	70,947	71,228	155,089	154,001	163,194	163,075	163,075
Construction work in progress		1,625,592	1,436,187	1,841,297	2,161,089	1,387,840	1,592,097	2,079,754	2,485,201	3,130,427	3,915,730
Right-to-use lease assets, net of amortization^		—	—	—	—	—	—	10,898	6,773	5,538	3,020
Right-to-use subscription assets, net of amortization^		—	—	—	—	—	—	—	3,175	1,398	624
Total capital assets, net of depreciation and amortization	**$**	**6,959,408**	**7,362,412**	**7,749,885**	**8,233,781**	**8,661,093**	**9,199,044**	**9,875,084**	**10,460,636**	**11,206,602**	**12,262,128**

*Include amortizable and non-amortizable intangible assets.
^Fiscal year 2021 implementation of GASB Statement No. 87, Leases and fiscal year 2022 implementation of GASB Statement No. 96, Subscriptions-based Information Technology Arrangements (SBITAs).

Source: City and County of San Francisco Financial System and San Francisco Public Utilities Commission Audited Financial Statements.



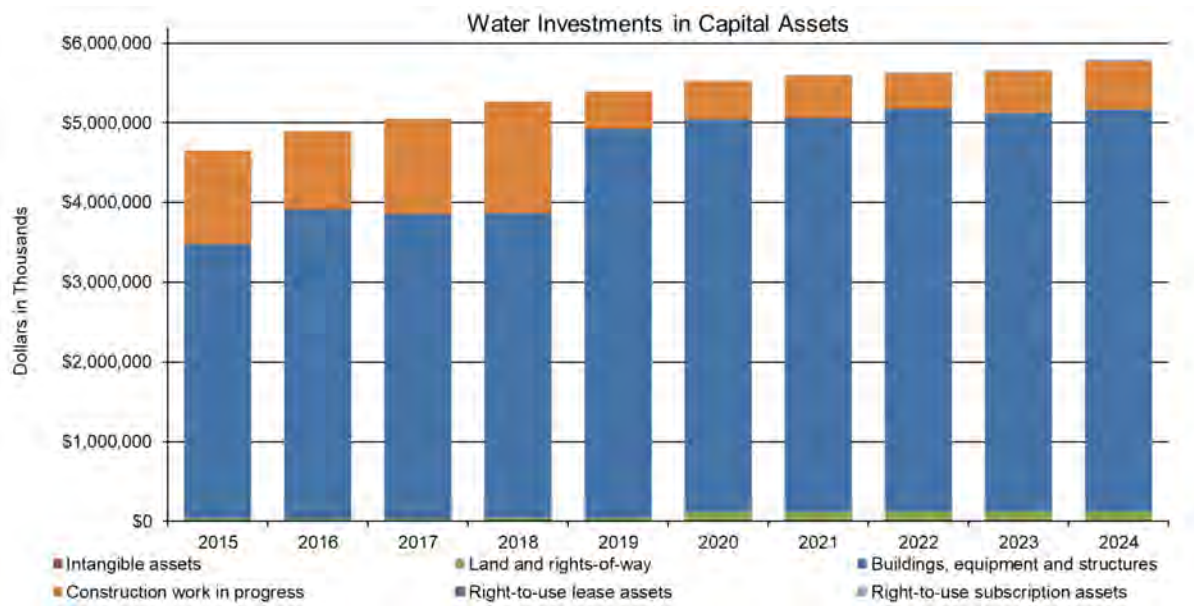
Financial Trends

Water - Investments in Capital Assets
Summary of Intangible Assets, Property, Plant and Equipment
Fiscal Years Ended 2015 to 2024
(Dollars in Thousands)

		2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Buildings, equipment and structures	$	4,497,411	5,036,587	5,100,680	5,217,106	6,399,688	6,577,333	6,739,364	6,993,164	7,093,106	7,292,259
Less accumulated depreciation		(1,054,987)	(1,158,520)	(1,274,504)	(1,391,274)	(1,509,481)	(1,648,895)	(1,791,178)	(1,936,417)	(2,087,439)	(2,239,620)
Subtotal		3,442,424	3,878,067	3,826,176	3,825,832	4,890,207	4,928,438	4,948,186	5,056,747	5,005,667	5,052,639
Intangible assets, net of amortization*		7,244	5,843	4,671	7,321	5,816	4,089	2,763	3,152	2,331	2,657
Land and rights-of-way		26,811	26,811	26,777	30,029	30,029	105,336	104,248	113,441	113,322	113,322
Construction work in progress		1,176,805	987,780	1,195,840	1,400,051	462,606	492,682	532,602	444,254	526,994	606,804
Right-to-use lease assets, net of amortization^		—	—	—	—	—	—	4,237	2,812	3,943	2,734
Right-to-use subscription assets, net of amortization^		—	—	—	—	—	—	—	1,577	695	311
Total capital assets, net of depreciation and amortization	**$**	**4,653,284**	**4,898,501**	**5,053,464**	**5,263,233**	**5,388,658**	**5,530,545**	**5,592,036**	**5,621,983**	**5,652,952**	**5,778,467**

*Include amortizable and non-amortizable intangible assets.
^Fiscal year 2021 implementation of GASB Statement No. 87, Leases and fiscal year 2022 implementation of GASB Statement No. 96, Subscriptions-based Information Technology Arrangements (SBITAs).

Source: City and County of San Francisco Financial System and San Francisco Public Utilities Commission Audited Financial Statements.



Financial Trends

Wastewater - Investments in Capital Assets

Summary of Intangible Assets, Property, Plant and Equipment

Fiscal Years Ended 2015 to 2024

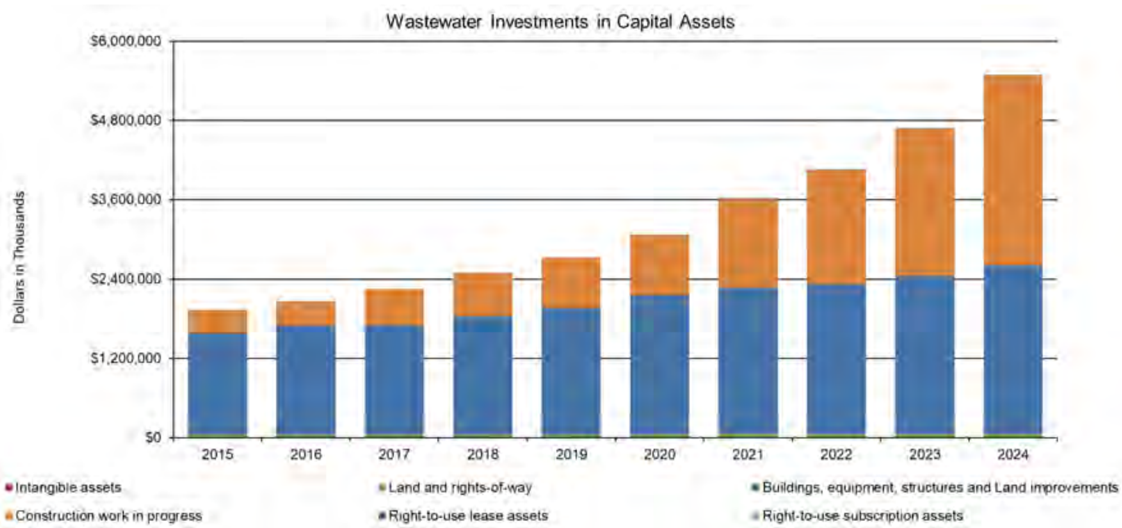
(Dollars in Thousands)

		2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Buildings, equipment, structures and Land improvements	$	2,665,863	2,842,648	2,904,499	3,094,871	3,271,188	3,520,624	3,702,375	3,832,594	4,036,536	4,274,422
Less accumulated depreciation		(1,134,843)	(1,185,275)	(1,240,172)	(1,295,323)	(1,354,209)	(1,416,292)	(1,488,148)	(1,562,239)	(1,636,752)	(1,715,934)
Subtotal		1,531,020	1,657,373	1,664,327	1,799,548	1,916,979	2,104,332	2,214,227	2,270,355	2,399,784	2,558,488
Intangible assets, net of amortization*		3,921	3,594	3,457	3,320	3,183	3,046	7,407	7,107	7,333	6,373
Land and rights-of-way		35,737	35,737	35,737	35,737	36,018	44,572	44,572	44,572	44,572	44,572
Construction work in progress		362,110	362,958	548,179	652,521	765,624	910,338	1,340,644	1,724,417	2,232,963	2,878,789
Right-to-use lease assets, net of amortization^		—	—	—	—	—	—	5,922	3,597	1,272	—
Right-to-use subscription assets, net of amortization^		—	—	—	—	—	—	—	957	422	188
Total capital assets, net of depreciation and amortization	**$**	**1,932,788**	**2,059,662**	**2,251,700**	**2,491,126**	**2,721,804**	**3,062,288**	**3,612,772**	**4,051,005**	**4,686,346**	**5,488,410**

*Include amortizable and non-amortizable intangible assets.

^Fiscal year 2021 implementation of GASB Statement No. 87, Leases and fiscal year 2022 implementation of GASB Statement No. 96, Subscriptions-based Information Technology Arrangements (SBITAs).

Source: City and County of San Francisco Financial System and San Francisco Public Utilities Commission Audited Financial Statements.



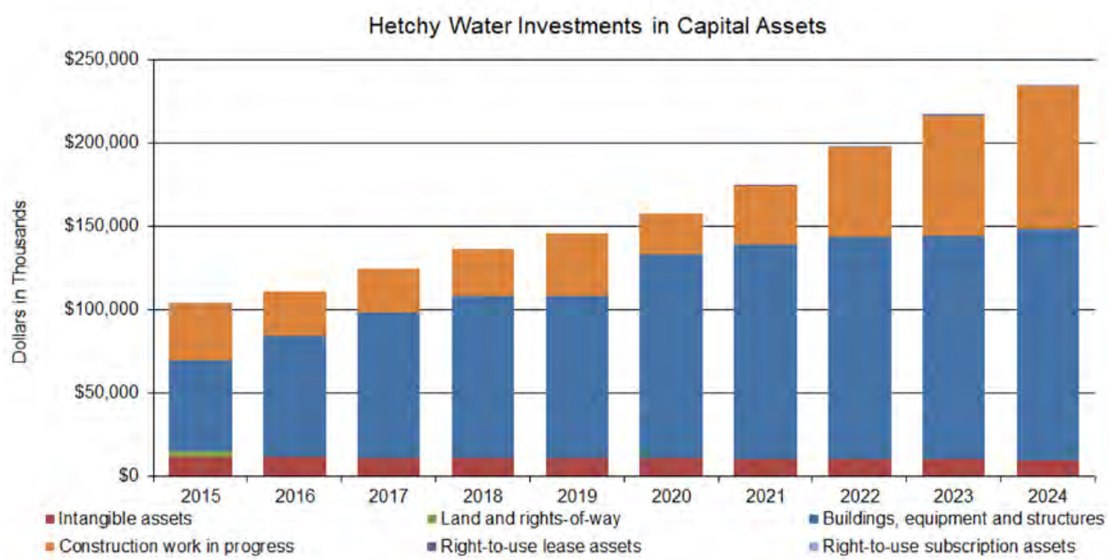
Financial Trends

Hetchy Water - Investments in Capital Assets
Summary of Intangible Assets, Property, Plant and Equipment
Fiscal Years Ended 2015 to 2024
(Dollars in Thousands)

		2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Buildings, equipment and structures	$	221,345	242,936	261,139	276,177	281,562	311,783	323,486	334,499	341,203	351,741
Less accumulated depreciation		(166,546)	(170,199)	(174,352)	(179,139)	(184,312)	(189,350)	(195,151)	(201,236)	(207,298)	(213,521)
Subtotal		54,799	72,737	86,787	97,038	97,250	122,433	128,335	133,263	133,905	138,220
Intangible assets, net of amortization*		11,825	11,618	11,410	11,203	10,996	10,789	10,581	10,374	10,167	9,960
Land and rights-of-way		3,003	3,003	3,055	3,232	3,232	3,232	3,232	3,232	3,232	3,232
Construction work in progress		34,703	26,509	26,479	28,326	37,625	24,328	35,333	54,138	72,450	85,884
Right-to-use lease assets, net of amortization^		—	—	—	—	—	—	74	61	145	129
Right-to-use subscription assets, net of amortization^		—	—	—	—	—	—	—	314	137	61
Total capital assets, net of depreciation and amortization	**$**	**104,330**	**113,867**	**127,731**	**139,799**	**149,103**	**160,782**	**177,555**	**201,382**	**220,036**	**237,486**

*Include amortizable and non-amortizable intangible assets.
^Fiscal year 2021 implementation of GASB Statement No. 87, Leases and fiscal year 2022 implementation of GASB Statement No. 96, Subscriptions-based Information Technology Arrangements (SBITAs).

Source: City and County of San Francisco Financial System and San Francisco Public Utilities Commission Audited Financial Statements.



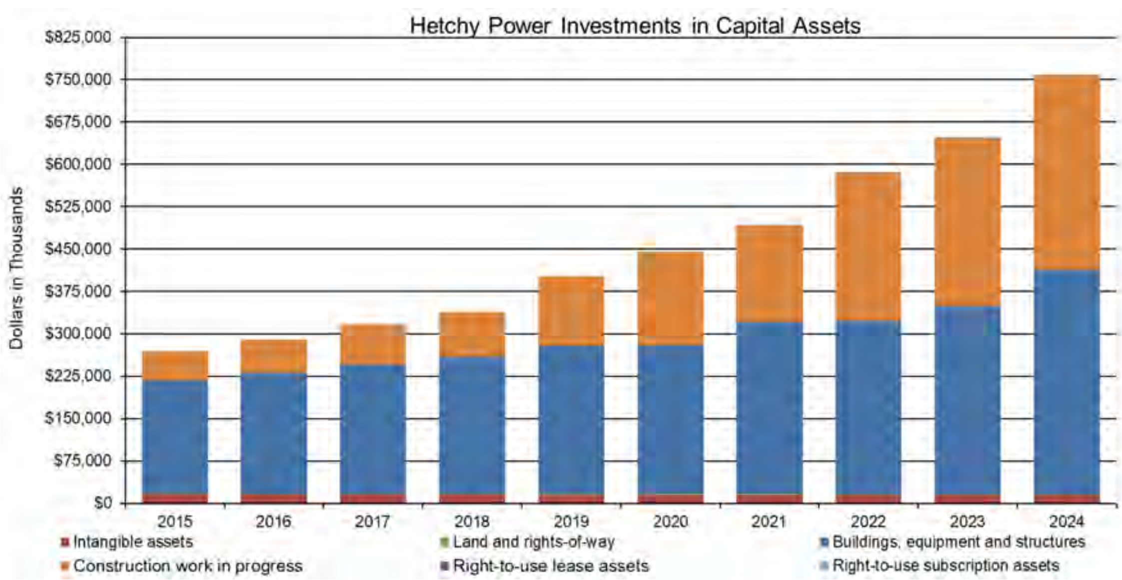
Financial Trends

Hetchy Power - Investments in Capital Assets
Summary of Intangible Assets, Property, Plant and Equipment
Fiscal Years Ended 2015 to 2024
(Dollars in Thousands)

		2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Buildings, equipment and structures	$	415,836	442,867	470,596	496,826	531,177	547,972	603,800	623,687	666,812	749,553
Less accumulated depreciation		(216,361)	(228,706)	(241,503)	(254,455)	(268,441)	(283,845)	(299,219)	(316,490)	(333,820)	(351,915)
Subtotal		199,475	214,161	229,093	242,371	262,736	264,127	304,581	307,197	332,992	397,638
Intangible assets, net of amortization*		15,895	15,619	15,366	15,112	14,858	14,604	14,351	14,098	13,985	13,704
Land and rights-of-way		1,662	1,662	1,732	1,949	1,949	1,949	1,949	1,949	1,949	1,949
Construction work in progress		51,974	58,940	70,799	80,191	121,985	164,749	171,175	262,392	298,020	344,253
Right-to-use lease assets, net of amortization^		—	—	—	—	—	—	90	73	178	157
Right-to-use subscription assets, net of amortization^		—	—	—	—	—	—	—	256	114	51
Total capital assets, net of depreciation and amortization	**$**	**269,006**	**290,382**	**316,990**	**339,623**	**401,528**	**445,429**	**492,146**	**585,965**	**647,238**	**757,752**

*Include amortizable and non-amortizable intangible assets.
^Fiscal year 2021 implementation of GASB Statement No. 87, Leases and fiscal year 2022 implementation of GASB Statement No. 96, Subscriptions-based Information Technology Arrangements (SBITAs).

Source: City and County of San Francisco Financial System and San Francisco Public Utilities Commission Audited Financial Statements.



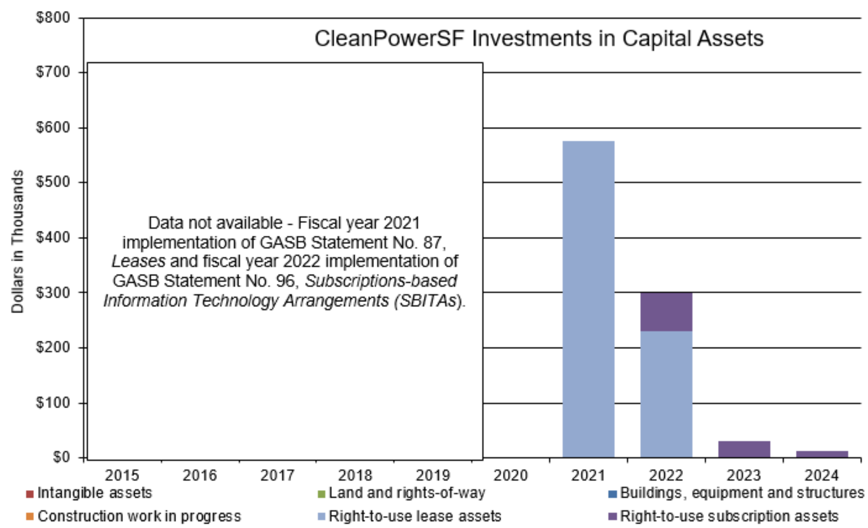
Financial Trends

CleanPowerSF - Investments in Capital Assets
Summary of Intangible Assets, Property, Plant and Equipment
Fiscal Years Ended 2015 to 2024
(Dollars in Thousands)

		2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Buildings, equipment and structures	$	Data not availble - Fiscal year 2021 implementation of GASB Statement No. 87, *Leases* and fiscal year 2022 implementation of GASB Statement No. 96, *Subscriptions-based Information Technology Arrangements (SBITAs).*						—	—	—	—
Less accumulated depreciation								—	—	—	—
Subtotal								—	—	—	—
Intangible assets, net of amortization								—	—	—	—
Land and rights-of-way								—	—	—	—
Construction work in progress								—	—	—	—
Right-to-use lease assets, net of amortization^								575	230	—	—
Right-to-use subscription assets, net of amortization^								—	71	30	13
Total capital assets, net of depreciation and amortization	**$**							**575**	**301**	**30**	**13**

^Fiscal year 2021 implementation of GASB Statement No. 87, Leases and fiscal year 2022 implementation of GASB Statement No. 96, Subscriptions-based Information Technology Arrangements (SBITAs).

Source: City and County of San Francisco Financial System and San Francisco Public Utilities Commission Audited Financial Statements.



Statistical Section

Revenue Capacity

Revenue Capacity
Water Rate History
Fiscal Years Ended 2015 to 2024

Rates Per Hundred Cubic Feet

	Retail									Wholesale	
		Single-Family			Multiple-Family			Non-Residential			
Fiscal Years Ended June 30	Service Charge ($)[1]	Volume Charge ($/ccf) (0-4 ccf)	Volume Charge ($/ccf) (over 4 ccf)	% Increase/ (Decrease)[4]	Volume Charge ($/ccf) (0-3 ccf)	Volume Charge ($/ccf) (over 3 ccf)	% Increase/ (Decrease)[4]	Volume Charge ($/ccf)	% Increase/ (Decrease)	Volume Charge ($/ccf)	% Increase/ (Decrease)
2015 [2]	$ 8.81	$ 4.86	$ 6.52	10.1	$ 4.98	$ 6.67	9.4	$ 5.79	7.2	$ 2.93	19.6
2016 [3]	9.87	5.45	7.31	12.1	5.58	7.48	12.1	6.49	12.1	3.75	28.0
2017	10.86	6.00	8.05	10.1	6.14	8.23	10.0	7.14	10.0	4.10	9.3
2018	11.63	6.42	8.62	7.0	6.57	8.81	7.0	7.64	7.0	4.10	0.0
2019 [5]	12.30	7.10	9.10	8.0	7.22	9.26	7.6	8.43	10.3	4.10	0.0
2020 [5]	13.28	7.85	9.61	8.5	7.94	9.73	8.4	9.14	8.4	4.10	0.0
2021 [5]	14.19	8.68	10.15	8.3	8.73	10.23	8.1	9.81	7.3	4.10	0.0
2022 [5]	15.17	9.60	10.71	8.4	9.60	10.76	8.1	10.55	7.5	4.10	0.0
2023 [6]	15.17	10.08	11.25	4.0	10.08	11.30	3.6	11.08	5.0	4.75	15.9
2024 [7]	16.64	10.33	11.47	3.8	10.19	10.94	2.5	11.12	0.4	5.21	9.7

[1]Monthly service charge for 5/8" meter. Larger meter sizes charged at different rates.
[2]Rates approved on May 13, 2014.
[3]Effective July 1, 2015, the Single-Family Residential Tier 1 changed from 0-3 ccf to 0-4 ccf.
[4]The percentage increase/(decrease) is based on an average monthly bill of 6 ccf for Single-Family and 4 ccf for Multiple-Family.
[5]Rates approved on May 8, 2018. The temporary drought surcharge was in effect starting April 2022 but not shown for fiscal year 2022 as it was only in effect for April-June 2022.
[6]Up to 5% temporary drought surcharge due to water shortage declaration was added to retail volume charge and effective through April 2023.
[7]Three years of rates were approved on May 23, 2023.

Source: San Francisco Public Utilities Commission Annual Disclosure Reports and Rate Schedules.

Revenue Capacity
Wastewater Rate History
Fiscal Years Ended 2015 to 2024

Rates Per Hundred Cubic Feet

Fiscal Years Ended June 30	Single-Family			Multiple-Family			Non-Residential			
	Volume Charge ($/ccf) (0-4 ccf)	Volume Charge ($/ccf) (over 4 ccf)	% Increase/ (Decrease)[3]	Volume Charge ($/ccf) (0-3 ccf)	Volume Charge ($/ccf) (over 3 ccf)	% Increase/ (Decrease)[3]	Volume Charge ($/ccf)	Chemical Oxygen Demand Charge ($/lb)	Suspended Solids Charge ($/lb)	Oil and Grease Charge ($/lb)
2015 [1]	$ 9.06	$ 11.23	6.1	$ 9.24	$ 11.48	10.0	$ 6.15	$ 0.44	$ 0.83	$ 0.87
2016 [2]	9.82	11.34	6.9	9.95	11.51	5.8	6.45	0.46	0.87	0.91
2017	10.84	11.66	9.0	10.91	11.75	7.9	6.90	0.49	0.93	0.97
2018 [4]	12.40	12.40	12.2	12.40	12.40	11.8	7.66	0.55	1.03	1.08

Fiscal Years Ended June 30		Single-Family		Multiple-Family		Non-Residential			
	Service Charge ($)[5]	Volume Charge ($/ccf)	% Increase/ (Decrease)[3]	Volume Charge ($/ccf)	% Increase/ (Decrease)[3]	Volume Charge ($/ccf)	Chemical Oxygen Demand Charge ($/lb)	Suspended Solids Charge ($/lb)	Oil and Grease Charge ($/lb)
2019 [6]	$ 0.98	$ 13.06	4.5	$ 13.06	3.5	$ 7.84	$ 0.52	$ 1.30	$ 1.33
2020 [6]	2.19	13.88	6.6	13.88	5.3	8.29	0.56	1.41	1.42
2021 [6]	3.60	14.89	9.1	14.89	7.4	8.86	0.60	1.53	1.54
2022 [6]	5.21	15.97	8.9	15.97	9.5	9.46	0.65	1.65	1.66
2023 [7]	5.21	16.75	4.6	16.75	4.5	9.93	0.68	1.73	1.74
2024 [8]	4.85	16.91	0.5	16.91	0.4	9.74	0.86	1.68	1.05

Fiscal Years Ended June 30	Simplified Residential Stormwater			Non-Residential and Residential Over 6,000 square feet	
	Tier 1 Charge ($/1,000sq ft)	Tier 2 Charge ($/1,000 sq ft)	Tier 3 Charge ($/1,000 sq ft)	Permeable Area Charge ($/1,000 sq ft)	Impermeable Area Charge ($/1,000 sq ft)
2024 [8,9]	$ 2.31	$ 3.60	$ 5.41	$ 0.19	$ 1.89

[1]Four years of rates were approved on May 13, 2014.
[2]Effective July 1, 2015, the Single-Family Residential Tier 1 rate structure changed from 0-3 ccf to 0-4 ccf.
[3]The percentage increase/(decrease) is based on an average monthly bill of 5.4 ccf for Single-Family (based on a 90% flow factor) and 3.8 ccf for Multiple-Family (based on a 95% flow factor).
[4]Effective July 1, 2017, no tiers for wastewater volumetric charges for single-family and multi-family residential wastewater.
[5]Effective July 1, 2018, all wastewater customers pay a monthly service charge per account.
[6]Rates approved on May 22, 2018. The temporary drought surcharge was in effect starting April 2022 but not shown for fiscal year 2022 as it was only in effect for April-June 2022.
[7]Up to 5% temporary drought surcharge due to water shortage declaration was added to retail volume charge and effective through April 2023.
[8]Three years of rates were approved on May 23, 2023.
[9]In fiscal year 2024, the SFPUC implemented a stormwater component to the Wastewater bill. Residential customers with 6,000 square feet or less and with 6 or fewer dwelling units received the Simplified Residential Stormwater Rate. Tiers are determined by total square feet parcel area (Tier 1: 0-1,700 square feet. Tier 2: 1,701-3,300 square feet. Tier 3: 3,301 - 6,000 square feet).

Source: San Francisco Public Utilities Commission Annual Disclosure Reports and Rate Schedules.

Revenue Capacity

Hetchy Power Electric Rate History
Fiscal Years Ended 2015 to 2024

Rates Per Kilowatt Hour	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Residential*										
Residential Services - Multi-family	$ 0.20526	0.21784	0.23073	0.22894	0.23298	0.26429	0.28308	0.33772	0.35571	0.45412
Residential - Public Power										
Tier 1	0.11451	0.11705	0.13391	0.14198	0.14610	0.14868	0.15537	0.17781	0.20880	0.22770
Tier 2	0.13018	0.13306	0.15222	0.16139	0.16607	0.16900	0.17661	0.20211	0.25056	0.27324
Tier 3	0.26649	0.27238	0.31160	0.33037	0.33995	0.34595	0.36153	0.41372	0.37584	0.40986
Commercial										
Small General Service	0.21152	0.22560	0.23020	0.23786	0.24931	0.26884	0.27749	0.32523	0.33903	0.44866
Medium General Demand-Metered Service	0.18503	0.19667	0.20346	0.21265	0.21889	0.23721	0.24167	0.30162	0.31870	0.40470
Medium General Demand-Metered TOU** Service	0.14761	0.15049	0.15893	0.16176	0.16709	0.18735	0.18959	0.23972	0.24666	0.30896
Industrial										
Service to Customers with equal to or greater than Demand of 1,000 Kilowatts or More - Secondary Voltage	0.15216	0.15969	0.16868	0.17553	0.18279	0.19804	0.19537	0.23230	0.26114	0.34171
Service to Customers with equal to or greater than Demand of 1,000 Kilowatts or More - Primary Voltage	0.13908	0.14498	0.15229	0.15874	0.16466	0.17774	0.17627	0.22023	0.23647	0.29029
Service to Customers with equal to or greater than Demand of 1,000 Kilowatts or More - Transmission Voltage	0.10608	0.10743	0.11719	0.12501	0.12786	0.14240	0.13414	0.18171	0.19384	0.21379
General Fund City Departments#	0.05750	0.06750	0.07250	0.07750	0.07377	0.07877	0.08877	0.09877	0.10877	0.15877
Streetlights	0.15045	0.15712	0.15874	0.16451	0.17354	0.18693	0.18754	0.23439	0.25629	0.36491
Traffic Signals	0.15866	0.17187	0.18018	0.18432	0.18945	0.20194	0.19768	0.20413	0.25923	0.26563

*Residential rates include master-metered multi-family services (EM) and multi-family services (ES). Tiers for Residential Public Power vary between Winter and Summer months.
**TOU stands for time-of-use.
#Prior to fiscal year 2019, the General Fund rate shown was one of six rates being charged to customers. In fiscal year 2019, the six rates were consolidated into one, which was set to a ½ cent per kWh increase from the weighted average of the six prior rates. The decrease in fiscal year 2019 is a function of the change in what this line item represents – rates did not decrease. Starting fiscal year 2023, City departments are assigned to a rate schedule based on the customer class (small commercial, industrial, etc.).

The rates shown for each year are average rates per kWh charged in the months including June for residential, commercial, and industrial rates. Rates are subject to change at any time.

Source: San Francisco Public Utilities Commission Rates Schedules and Fees and PG&E electric rates schedules.

Revenue Capacity
CleanPowerSF Electric Rate History
Fiscal Years Ended 2016 to 2024

Rates per Kilowatt-hour	2015	2016	2017	2018	2019	2020	2021#	2022**	2023	2024
Residential	Data not available - CleanPowerSF launched in May 2016.									
Green		**New rate classification starting fiscal year 2022						0.09112	0.11766	0.13679
SuperGreen								0.10112	0.12766	0.14679
E-1 (Green)	$	0.07267	0.07267	0.06836	0.07163	0.08235	0.06918	N/A	N/A	N/A
E-1 (SuperGreen)		0.09267	0.09267	0.08836	0.08663	0.09235	0.07918	N/A	N/A	N/A
E-6 (Green)		0.06719	0.06693	0.05868	0.06612	0.08197	0.06935	N/A	N/A	N/A
E-6 (SuperGreen)		0.08719	0.08693	0.07868	0.08112	0.09197	0.07935	N/A	N/A	N/A
E-TOUA (Green)		N/A	0.06801	0.06283	0.06548	0.07702	N/A	N/A	N/A	N/A
E-TOUA (SuperGreen)		N/A	0.08801	0.08283	0.08048	0.08702	N/A	N/A	N/A	N/A
E-TOUB (Green)		N/A	0.06819	0.06285	0.06460	0.07598	0.06223	N/A	N/A	N/A
E-TOUB (SuperGreen)		N/A	0.08819	0.08285	0.07960	0.08598	0.07223	N/A	N/A	N/A
E-TOUC* (Green)		N/A	N/A	N/A	0.07010	0.07913	0.06449	N/A	N/A	N/A
E-TOUC* (SuperGreen)		N/A	N/A	N/A	0.08510	0.08913	0.07449	N/A	N/A	N/A
EVA (Green)		0.05837	0.05822	0.05350	0.05358	0.06526	N/A	N/A	N/A	N/A
EVA (SuperGreen)		0.07837	0.07822	0.07350	0.06858	0.07526	N/A	N/A	N/A	N/A
EVB (Green)		N/A	0.04747	0.04263	0.03889	0.04692	0.06154	N/A	N/A	N/A
EVB (SuperGreen)		N/A	0.06747	0.06263	0.05389	0.05692	0.07154	N/A	N/A	N/A
Non-Residential										
Small Commercial Green		**New rate classification starting fiscal year 2022						0.08833	0.10927	0.12244
Small Commercial SuperGreen								0.09583	0.11427	0.12744
Medium Commerical Green								0.09415	0.11186	0.11911
Medium Commercial SuperGreen								0.09915	0.11686	0.12411
Large Commercial Green								0.08003	0.10192	0.11815
Large Commercial SuperGreen								0.08503	0.10692	0.12315
Industrial Green								0.07752	0.09596	0.09627
Industrial SuperGreen								0.08502	0.10096	0.10127
Streetlights Green								0.07434	0.10420	0.12559
Streetlights SuperGreen								0.08184	0.10920	0.13059
Outdoor Lighting Green								0.07999	0.10980	0.10980
Outdoor Lighting SuperGreen								0.08749	0.11480	0.11480
Agriculture Green								0.06277	0.08831	0.08416
Agriculture SuperGreen								0.07027	0.09331	0.08916
Commercial										
A-1 (Green)		0.07772	0.07740	0.07447	0.07919	0.08011	0.06498	N/A	N/A	N/A
A-1 (SuperGreen)		0.09772	0.09740	0.08847	0.08919	0.08761	0.07248	N/A	N/A	N/A
A-1X (Green)		0.07770	0.07751	0.07509	0.07954	0.08184	0.06600	N/A	N/A	N/A
A-1X (SuperGreen)		0.09770	0.09751	0.08909	0.08954	0.08934	0.07359	N/A	N/A	N/A
A-6 (Green)		0.08883	0.08820	0.08631	0.09491	0.10079	0.09359	N/A	N/A	N/A
A-6 (SuperGreen)		0.10883	0.10820	0.10031	0.10491	0.10829	0.10109	N/A	N/A	N/A
A-10S (Non Time of Use - Green)		0.07940	0.07940	0.07674	0.08355	0.08252	0.06828	N/A	N/A	N/A
A-10S (Non Time of Use - SuperGreen)		0.09940	0.09940	0.09074	0.08855	0.08752	0.07328	N/A	N/A	N/A
A-10SX (Time of Use - Green)		0.07899	0.07813	0.07579	0.08322	0.08185	0.06671	N/A	N/A	N/A
A-10SX (Time of Use - SuperGreen)		0.09899	0.09813	0.08979	0.08822	0.08685	0.07171	N/A	N/A	N/A
E-19S (Green)		0.07925	0.07853	0.07658	0.08336	0.08010	0.06392	N/A	N/A	N/A
E-19S (SuperGreen)		0.09925	0.09853	0.09058	0.08836	0.08510	0.06892	N/A	N/A	N/A
E-19SV (Green)		0.07368	0.07304	0.07104	0.07670	0.07387	0.06150	N/A	N/A	N/A
E-19SV (SuperGreen)		0.09368	0.09304	0.08504	0.08170	0.07887	0.06650	N/A	N/A	N/A
E-20P (Green)		0.07005	0.06895	0.06729	0.07300	0.06958	N/A	N/A	N/A	N/A
E-20P (SuperGreen)		0.09005	0.08895	0.08129	0.08300	0.07708	N/A	N/A	N/A	N/A
E-20S (Green)		0.07502	0.07395	0.07167	0.07774	0.07434	0.06282	N/A	N/A	N/A
E-20S (SuperGreen)		0.09502	0.09395	0.08567	0.08774	0.08184	0.07032	N/A	N/A	N/A

The rates shown for each year are the average rates per kWh calculated by the SFPUC and PG&E in its Joint Rate Comparisons prepared in fiscal years 2016 to 2021. Each average rate is calculated using the energy consumption (and if applicable, demand) of a typical customer on that rate schedule in San Francisco and the rates in place during each reported fiscal year.

*Rate E-TOUC was a new rate beginning fiscal year 2019, and therefore was not included in the Joint Rate Comparison. The same methodology to calculate average rate was applied.
#Fiscal year 2021, Rates E-TOU-A and EVA are discontinued as of January 2021. Rate E-20P was not included due to lack of data to provide average rate.
**N/A due to new rate classification for fiscal year 2022.

May exclude new rates due to insufficient data for average rate calculation.

Source: San Francisco Public Utilities Commission and PG&E Joint Rate Comparisons. Starting fiscal year 2022, SFPUC CleanPowerSF Management Report.

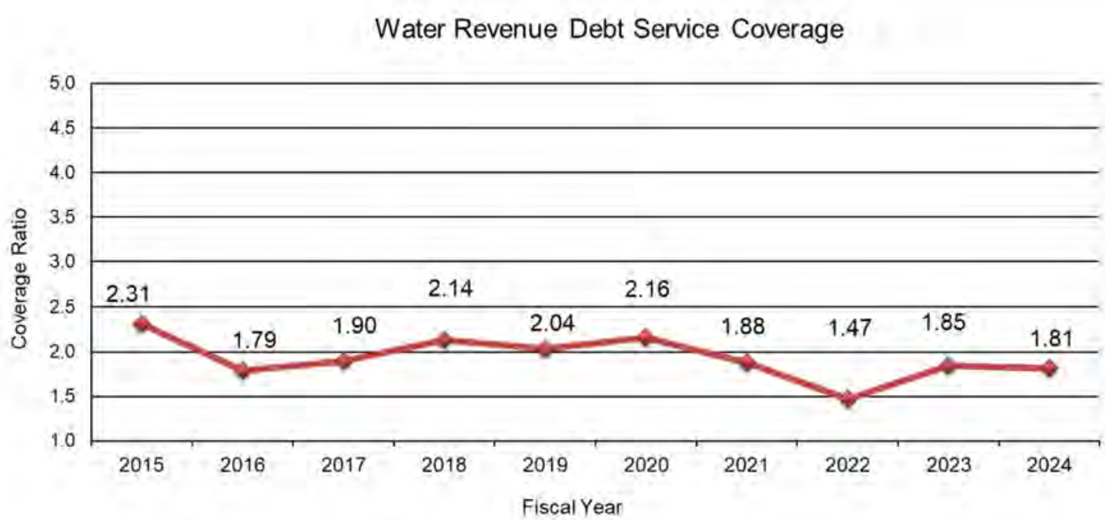
Revenue Capacity

Water - Net Revenue and Debt Service Coverage
Fiscal Years Ended 2015 to 2024
(Dollars in Thousands)

		2015	2016	2017	2018	2019	2020	2021#	2022	2023	2024
Operating, other and investment revenue	$	431,836	423,111	464,662	532,087	558,041	593,868	581,141	565,317	705,443	704,041
Less operating, other and maintenance expenses		(296,950)	(314,786)	(421,827)	(370,147)	(357,094)	(398,117)	(448,690)	(401,634)	(438,837)	(502,318)
Adjustment to investing activities[1]		732	635	111	(1,245)	(4,821)	(516)	3,846	13,050	(2,015)	(7,956)
Depreciation and non-cash expenses		98,192	107,268	121,375	119,624	122,248	148,294	150,257	151,114	164,817	157,335
Changes in working capital		(37,175)	(11,062)	63,520	31,060	(11,073)	(20,763)	24,707	(42,906)	(124,668)	(22,917)
Appropriated fund balance		—	23,994	10,747	1,452	4,318	17,181	27,785	21,977	67,949	9,800
Net revenue[4]		196,635	229,160	238,588	312,831	311,619	339,947	339,046	306,918	372,689	337,985
Other available funds[2]		248,390	162,733	155,852	186,752	221,362	241,931	128,692	103,506	194,075	217,600
Funds available for revenue debt service	$	445,025	391,893	394,440	499,583	532,981	581,878	467,738	410,424	566,764	555,585
Revenue debt service[3]	$	192,312	219,195	207,812	233,959	261,638	269,210	248,427	279,352	307,062	306,369
Revenue debt service coverage (indenture basis)		**2.31**	**1.79**	**1.90**	**2.14**	**2.04**	**2.16**	**1.88**	**1.47**	**1.85**	**1.81**

[1]Adjustment of investing activities and non-operating revenues to a cash basis.
[2]As per the Indenture, in addition to current year cash flow, the coverage calculation permits the inclusion of all funds except for Trust and Agency Fund not budgeted to be spent in such months and legally available to pay debt service.
[3]Revenue debt service is calculated net of capitalized interest and federal interest subsidy the Commission is scheduled to receive during the 12-month period ending June 30 for any series of bonds.
[4]Net revenues beginning fiscal year 2016 include appropriated available funds. Starting in fiscal year 2022, certain types of non-operating revenue is included in net revenue.
#Starting fiscal year 2021, Treasure Island revenue and expenses are excluded from debt service coverage.

Source: San Francisco Public Utilities Commission Annual Disclosure Reports.



Revenue Capacity

Wastewater - Net Revenue and Debt Service Coverage

Fiscal Years Ended 2015 to 2024

(Dollars in Thousands)

		2015	2016	2017	2018	2019	2020	2021 #	2022	2023	2024
Operating, other and investment revenue	$	257,209	262,960	279,668	317,413	351,782	356,265	325,008	360,756	365,667	419,959
Less operating, other and maintenance expenses		(216,485)	(221,553)	(244,220)	(238,906)	(259,813)	(262,259)	(290,737)	(255,010)	(254,283)	(452,231)
Adjustment to investing activities[1]		127	(12)	251	(489)	(8,047)	2,950	4,356	8,422	2,392	(7,527)
Depreciation and non-cash expenses		51,773	56,285	57,998	60,072	68,568	68,603	78,368	77,806	84,450	133,324
Changes in working capital		3,923	2,404	26,292	18,336	(2,125)	523	(8,596)	(36,470)	(19,376)	95,184
Net revenue[3]		96,547	100,084	119,989	156,426	150,365	166,082	108,399	155,504	178,850	188,709
Other available funds[2]		134,413	139,847	131,554	153,596	103,281	215,722	197,778	155,331	134,593	165,972
Funds available for revenue debt service	$	230,960	239,931	251,543	310,022	253,646	381,804	306,177	310,835	313,443	354,681
Revenue debt service*	$	48,878	60,022	48,769*	47,003	60,347	62,797	82,066	86,619	98,811	91,601
Revenue debt service coverage (indenture basis)		**4.73**	**4.00**	**5.16**	**6.60**	**4.20**	**6.08**	**3.73**	**3.59**	**3.17**	**3.87**

[1]Adjustment of investing activities and non-operating revenues to a cash basis.

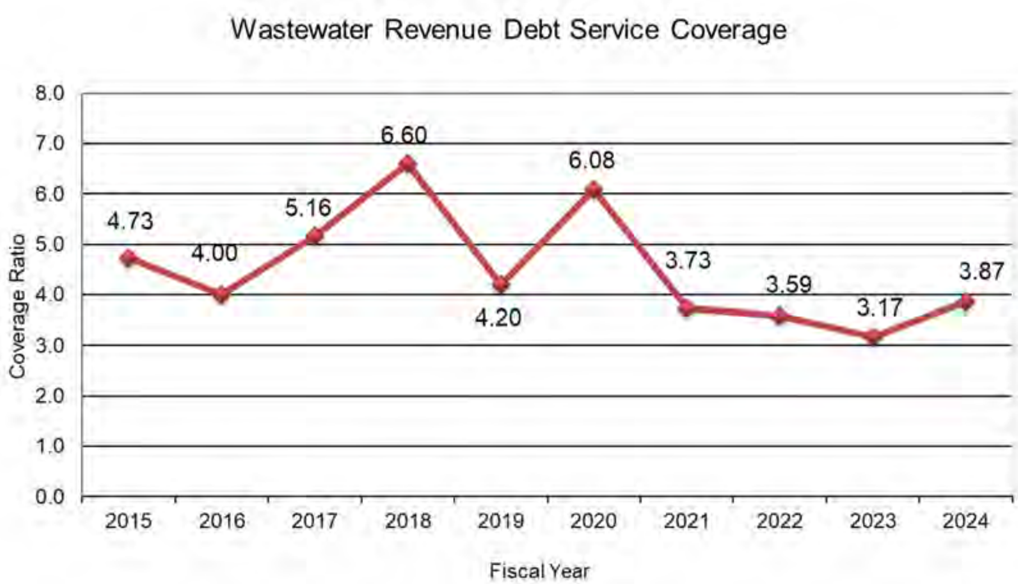
[2]As per the Indenture, in addition to current year cash flow, the coverage calculation permits the inclusion of all funds except for Trust and Agency Fund not budgeted to be spent in such 12 months and legally available to pay debt service.

[3]State revolving fund loan for Sewer System Improvement projects (starting fiscal year 2019) have the same seniority as revenue bonds. Starting in fiscal year 2022, certain types of non-operating revenue is included in net revenue.

#Starting fiscal year 2021, Treasure Island revenue and expenses are excluded from debt service coverage.

*In fiscal year 2018 Wastewater financial statements, fiscal year 2017 revenue debt service is presented gross of capitalized interest, $60,407.

Source: San Francisco Public Utilities Commission Annual Disclosure Reports.



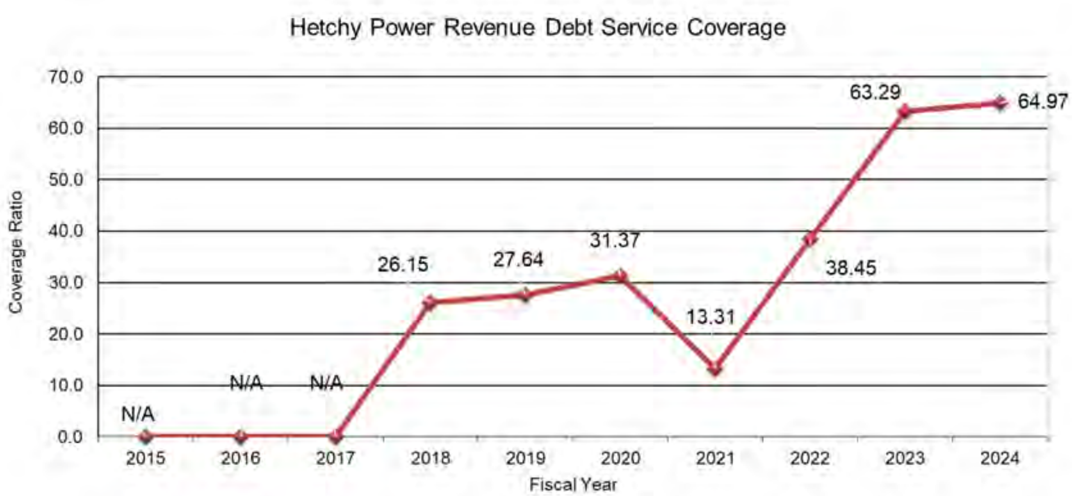
Revenue Capacity

Hetchy Power - Net Revenue and Debt Service Coverage
Fiscal Years Ended 2015 to 2024
(Dollars in Thousands)

		2015	2016	2017	2018	2019	2020	2021[#]	2022	2023	2024
Operating, other and investment revenue	$	117,704	122,954	122,187	122,251	152,873	151,835	142,696	176,896	208,887	226,341
Less operating, other and maintenance expenses		(105,222)	(110,012)	(116,935)	(119,395)	(122,688)	(148,127)	(139,566)	(142,716)	(181,769)	(175,660)
Adjustment to investing activities*		(8)	11	29	419	(2,606)	101	1,902	3,297	(15)	(4,047)
Depreciation and non-cash expenses		17,654	15,331	14,208	14,131	14,604	27,470	23,037	18,351	20,714	16,530
Changes in working capital		7,037	(9,214)	11,740	13,281	(2,386)	3,243	(18,641)	(2,702)	3,785	(13,377)
Low Carbon Fuel Standard revenue		—	—	—	—	—	6,920	1,181	1,184	593	684
Net revenue[1]		37,165	19,070	31,229	30,687	39,797	41,442	10,609	54,310	52,195	50,471
Other available funds⌂		14,031	13,974	32,199	36,525	31,215	39,119	23,569	44,315	110,204	116,170
Funds available for revenue debt service	$	51,196	33,044	63,428	67,212	71,012	80,561	34,178	98,625	162,399	166,641
Revenue debt service**	$	N/A	N/A	N/A	2,570	2,569	2,568	2,567	2,565	2,565	2,565
Revenue debt service coverage (indenture basis)		**N/A**	**N/A**	**N/A**	**26.15**	**27.64**	**31.37**	**13.31**	**38.45**	**63.31**	**64.97**

Not Applicable (N/A) debt service for CREBs, QECBs and NCREBs, is subordinate in lien pursuant to Power's Master Trust Indenture dated May 1, 2015.
[1]Certain types of non-operating revenue is included in net revenue.
*Adjustment of investing activities and non-operating revenues to a cash basis.
**Series 2015 AB power revenue bonds senior lien debt service is capitalized through fiscal year 2018. Therefore, no basis for calculating debt service coverage from fiscal years 2015 to 2017.
⌂Starting fiscal year 2019, other available funds are calculated based on percentage of unrestricted net position due to implementation of new financial system, PeopleSoft. Fiscal year 2018 and prior, fund equity was determined by financial activities in the general ledger fund equity account, however it is no longer available in PeopleSoft.
#Starting fiscal year 2021, Treasure Island revenue and expenses are excluded from debt service coverage.

Source: San Francisco Public Utilities Commission Annual Disclosure Reports.



Statistical Section

Debt Capacity

Debt Capacity
Debt Ratings
As of June 30, 2024

Debt by Type	Ratings by Moody's Ratings	Ratings by S&P Global Ratings
Water		
Revenue bonds	Aa2	AA-
Commercial paper - $500 million tax-exempt/taxable		
$200 million Sumitomo Mitsui Letter of Credit	P-1	A-1
$100 million Barclays PLC Letter of Credit	P-1	A-1
$100 million Sumitomo Mitsui Letter of Credit	P-1	A-1
$100 million US Bank Revolving Credit Agreement	N/A	N/A
Certificates of participation - SFPUC Headquarters Project*	Aa1	AA+
Wastewater		
Revenue bonds	Aa2	AA
Commercial paper - $750 million tax-exempt		
$200 million State Street Liquidity Facility	P-1	A-1+
$150 million Bank of America Letter of Credit	P-1	A-1
$150 million Sumitomo Mitsui Letter of Credit	P-1	A-1
$100 million Sumitomo Mitsui Letter of Credit	P-1	A-1
$75 million Toronto Dominion Bank Liquidity Facility	P-1	A-1+
$75 million US Bank Revolving Credit Agreement	N/A	N/A
Certificates of participation - SFPUC Headquarters Project*	Aa1	AA+
Hetchy Power		
Revenue bonds**	N/A	AA
Commercial paper - $250 million tax-exempt		
$125 million Bank of America Letter of Credit***	N/A	A-1
$125 million Bank of America Letter of Credit***	N/A	A-1
Certificates of participation - SFPUC Headquarters Project*	Aa1	AA+

*COPs issued by City & County of San Francisco and reflects General Fund COP credit rating at issuance.
**Hetchy Power revenue bonds are rated AA- by Fitch.
***Power letter of credit is rated F1+ by Fitch.
CleanPowerSF did not have any debt outstanding as of June 30, 2024 but had a credit rating of A2 from Moody's investor service.
Source: Rating agency reports.

Water, Wastewater, Hetchy Power, and CleanPowerSF
Credit Ratings
Fiscal Years Ended 2015 to 2024

	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Moody's Ratings										
Water	Aa3	Aa3	Aa3	Aa3	Aa3	Aa2	Aa2	Aa2	Aa2	Aa2
Wastewater	Aa3	Aa3	Aa3	Aa3	Aa3	Aa2	Aa2	Aa2	Aa2	Aa2
CleanPowerSF	First rating from Moody's Ratings assigned in December, 2020.						A2	A2	A2	A2
S&P Global Ratings										
Water	AA-	AA-	AA-	AA-	AA-	AA-	AA-	AA-	AA-	AA-
Wastewater	AA-	AA	AA	AA	AA	AA	AA	AA	AA	AA
Hetchy Power	A+	A+	A+	A+	AA	AA	AA	AA	AA	AA
Fitch Ratings										
Hetchy Power	AA-	AA-	AA-	AA-	AA-	AA-	AA-	AA-	AA-	AA-

Debt Capacity

Water - Summary of Debt Outstanding (Excludes Commercial Paper)

As of June 30, 2024

(Dollars in Thousands)

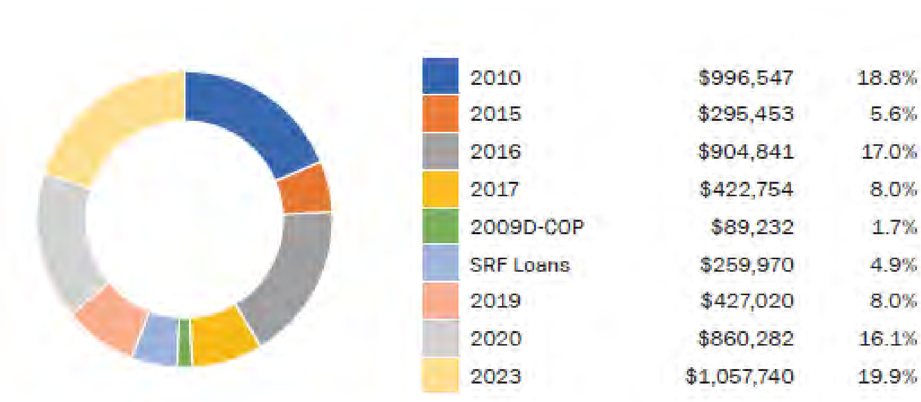
Revenue Bonds and Certificates of Participation

Revenue bonds	Amount	Use of proceeds
2010 Series B (Build America Bonds)	$ 323,145	Water System Improvement Program
2010 Series E (Build America Bonds)	319,157	Water System Improvement Program
2010 Series G (Build America Bonds)	354,245	Water System Improvement Program
2015 Series A	295,453	Refunded remainder of 2006A Bonds and partial refunding of 2009A Bonds
2016 Series A	637,891	Refunded portion of 2009A, 2009B and 2010F Bonds
2016 Series B	47,886	Refunded remainder of 2006B and 2006C Bonds and portion of 2010A
2016 Series C	219,064	Refund all of outstanding taxable commercial paper notes.
2017 Series A	24,386	Water System Improvement Program
2017 Series B	29,748	Non Water System Improvement Program (Non-WSIP)
2017 Series C	14,232	Hetchy Water Improvements
2017 Series D	289,458	Refund 2011A and 2012A Bonds
2017 Series E	51,714	Refund 2011C, 2011D and 2012C1 Bonds
2017 Series F	7,991	Refund 2011B Bonds
2017 Series G	5,225	Refund 2011A Bonds
2019 Series A	393,080	Refunding Federal Taxable WSIP
2019 Series B	16,245	Refunding Federal Taxable Hetch Hetchy
2019 Series B	17,695	Refunding Federal Taxable Local Water Main
2020 Series A	188,685	Water System Improvement Program (Green Bonds)
2020 Series B	73,698	Regional Water
2020 Series C	99,408	Local Water
2020 Series D	52,041	Hetch Hetchy Water
2020 Series E	183,635	Refunding Federal Taxable WSIP
2020 Series F	134,025	Refunding Federal Taxable Non-WSIP
2020 Series G	64,660	Refunding Federal Taxable Local Water
2020 Series H	64,130	Refunding Federal Taxable Hetch Hetchy Water
2023 Series A	396,000	Refunding Commercial Paper and funding for capital projects
2023 Series B	73,128	Refunding Commercial Paper and funding Hetch Hetchy captial projects
2023 Series C	556,561	Refunding 2015A and portion of 2016A, 2017D and 2019A Bonds
2023 Series D	32,051	Refunding portion of 2020G.
Total revenue bonds	**4,964,637**	
State of California revolving fund loans	**259,970**	SF Westsid Recycled Water project and Mountain Tunnel project
2009 Series D Certificates of participation (COPs)	**89,232**	525 Golden Gate Avenue Headquarters Building
Total Water debt outstanding	**$ 5,313,839**	

Amount shown above are inclusive of unamortized bond premium and discount.

Source: City and County of San Francisco Financial System and San Francisco Public Utilities Commission Audited Financial Statements.

Water Debt Composition



Debt Capacity
Wastewater - Summary of Debt Outstanding (Excludes Commercial Paper)
As of June 30, 2024
(Dollars in Thousands)

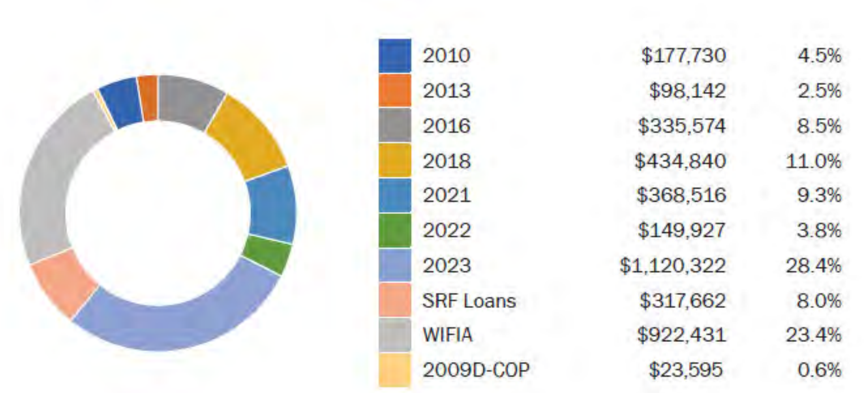
Revenue Bonds, Notes, Loans and Certificates of Participation

Revenue bonds/notes		Amount	Use of proceeds
2010 Series B (Build America Bonds)	$	177,730	Clean Water Capital Improvement Programs
2013 Series B		98,142	Sewer System Improvement Program (SSIP)
2016 Series A		261,779	Sewer System Improvement Program (SSIP)
2016 Series B		73,795	Sewer System Improvement Program (SSIP)
2018 Series A		237,170	Sewer System Improvement Program (SSIP)
2018 Series B		197,670	Sewer System Improvement Program (SSIP)
2021 Series A		320,576	Sewer System Improvement Program (SSIP)
2021 Series B		47,940	Sewer System Improvement Program (SSIP)
2022 Series B		149,927	Refunding 2013 Series AB bonds
2023 Series A		621,337	Sewer System Improvement Program (SSIP)
2023 Series B		320,776	Capital Projects Non-SSIP
2023 Series C		178,209	Sewer System Improvement Program (SSIP)
Total revenue bonds/notes		**2,685,051**	
State of California revolving fund loans		**317,662**	Sewer System Improvement Program
Water Infrastructure Finance and Innovation Act (WIFIA) Loans		**922,431**	WIFIA Loans
2009 Series D Certificates of participation (COPs)		**23,595**	525 Golden Gate Avenue Headquarters Building
Total Wastewater debt outstanding	**$**	**3,948,739**	

Amount shown above are inclusive of unamortized bond premium and discount.

Source: City and County of San Francisco Financial System and San Francisco Public Utilities Commission Audited Financial Statements.

Wastewater Debt Composition



Debt Capacity

Hetchy Power - Summary of Debt Outstanding (Excludes Commercial Paper)

As of June 30, 2024

(Dollars in Thousands)

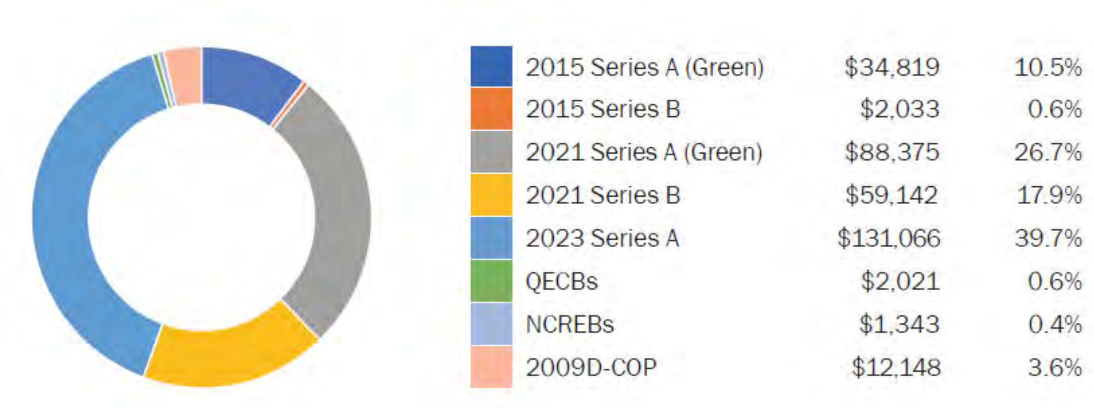
Bonds and Certificates of Participation

		Amount	Use of proceeds
Revenue Bonds			
2015 Series A (Green)	$	34,819	Hetch Hetchy facilities
2015 Series B		2,033	Hetch Hetchy facilities
2021 Series A (Green)		88,375	Refinance portion costs of Hetchy Power projects
2021 Series B		59,142	Refinance portion costs of Hetchy Power projects
2023 Series A		131,066	Refinance portion costs of Hetchy Power projects
Total revenue bonds		**315,435**	
Other Bonds			
Qualified Energy Conservation Bonds (QECBs)		2,021	525 Golden Gate Avenue green energy
2015 New Clean Renewable Energy Bonds (NCREBs)		1,343	City facilities renewable energy
Total other bonds		**3,364**	
2009 Series D Certificates of participation (COPs)		12,148	525 Golden Gate Avenue Headquarters Building
Total Hetchy Power debt outstanding	**$**	**330,947**	

Amount shown above are inclusive of unamortized bond premium.

Source: City and County of San Francisco Financial System and San Francisco Public Utilities Commission Audited Financial Statements.

Hetchy Power Debt Composition



Debt Capacity

History of Outstanding Debt by Type - Principal Only (Excludes Commercial Paper)
Fiscal Years Ended 2015 to 2024
(Dollars in Thousands)

Department-wide

Fiscal Year Ended	Bonds	Revenue Notes*	Capital Appreciation Bonds*	State Revolving Fund Loans	Water Infrastructure Finance and Innovation Act (WIFIA) Loans
2015	$ 5,106,187	$ —	$ 5,471	$ —	$ —
2016	5,389,447	—	5,860	—	—
2017	5,657,792	—	6,278	—	—
2018	5,983,428	—	6,725	22,607	—
2019	6,513,703	—	2,029	88,032	—
2020	6,366,836	—	—	161,820	—
2021	6,631,009	—	—	215,966	—
2022	6,986,674	350,356	—	424,420	—
2023	7,638,688	349,556	—	482,316	122,357
2024	7,968,487	—	—	577,632	922,431

Department-wide

Fiscal Year Ended	Certificates of Participation^	Leases@	Subcriptions@	Total
2015	$ 160,615	$ —	$ —	$ 5,272,273
2016	157,207	—	—	5,552,514
2017	153,673	—	—	5,817,743
2018	150,008	—	—	6,162,768
2019	146,207	—	—	6,749,971
2020	142,265	—	—	6,670,921
2021	138,180	10,945	—	6,996,100
2022	133,945	6,870	3,132	7,905,397
2023	129,550	5,614	1,423	8,729,504
2024	124,975	3,093	617	9,597,235

Water

Fiscal Year Ended	Revenue Bonds^	State Revolving Fund Loans	Capital Appreciation Bonds*	Certificates of Participation^	Leases@
2015	$ 4,298,827	$ —	$ 5,471	$ 114,680	$ —
2016	4,257,454	—	5,860	112,246	—
2017	4,554,967	—	6,278	109,722	—
2018	4,909,041	—	6,725	107,106	—
2019	4,808,548	—	2,029	104,392	—
2020	4,695,295	73,271	—	101,578	—
2021	4,994,775	107,407	—	98,662	4,244
2022	4,860,935	121,761	—	95,637	2,863
2023 **	4,710,846	163,627	—	92,499	4,010
2024	4,964,637	259,970	—	89,232	2,821

Water

Fiscal Year Ended	Subcriptions@	Total	Service Area by Population#	Debt per Capita (in thousands)	Number of Customer Accounts	Debt per Customer Account (in thousands)
2015	$ —	$ 4,418,978	2,635,893	$ 1.68	174,111	$ 25.38
2016	—	4,375,560	2,657,633	1.65	174,083	25.13
2017	—	4,670,967	2,680,705	1.74	174,349	26.79
2018	—	5,022,872	2,705,107	1.86	175,054	28.69
2019	—	4,914,969	2,710,848	1.81	175,803	27.96
2020	—	4,870,144	2,723,429	1.79	176,379	27.61
2021	—	5,205,088	2,654,874	1.96	176,246	29.53
2022	1,556	5,082,752	2,663,063	1.91	177,072	28.70
2023	708	4,971,690	2,679,577	1.86	177,613	27.99
2024**	308	5,316,968	2,690,857	1.98	178,961	29.71

(Continue)

Debt Capacity

History of Outstanding Debt by Type - Principal Only (Excludes Commercial Paper)
Fiscal Years Ended 2015 to 2024
(Dollars in Thousands)

Wastewater

Fiscal Year Ended	Leases@	Subcriptions@	Total	Service Area by Population#	Debt per Capita (in thousands)	Number of Customer Accounts	Debt per Customer Account (in thousands)
2015	$ —	$ —	$ 777,508	862,004	$ 0.90	163,686	$ 4.75
2016	—	—	1,101,563	876,103	1.26	163,587	6.73
2017	—	—	1,073,938	879,166	1.22	163,738	6.56
2018	—	—	1,070,074	880,696	1.22	163,976	6.53
2019	—	—	1,768,244	881,549	2.01	173,956	10.16
2020	—	—	1,737,141	870,518	2.00	174,516	9.95
2021	5,952	—	1,730,520	811,935	2.13	174,356	9.93
2022	3,638	944	2,614,138	807,774	3.24	175,171	14.92
2023 **	1,297	429	3,553,696	808,988	4.45	175,680	20.23
2024	—	186	3,948,925	804,842	4.91	177,098	22.30

Wastewater

Fiscal Year Ended	Revenue Bonds^	Revenue Notes*	State Revolving Fund Loans	Water Infrastructure Finance and Innovation Act (WIFIA) Loans	Certificates of Participation^
2015	$ 747,185	$ —	$ —	$ —	$ 30,323
2016	1,071,883	—	—	—	29,680
2017	1,044,925	—	—	—	29,013
2018	1,019,146	—	22,607	—	28,321
2019	1,652,609	—	88,032	—	27,603
2020	1,621,733	—	88,549	—	26,859
2021	1,589,922	—	108,559	—	26,087
2022	1,931,253	350,356	302,659	—	25,288
2023	2,736,910	349,556	318,689	122,357	24,458
2024**	2,685,051	—	317,662	922,431	23,595

Hetchy Power

Fiscal Year Ended	Bonds^	Certificates of Participation^	Leases@	Subcriptions@	Total
2015	$ 60,175	$ 15,612	$ —	$ —	$ 75,787
2016	60,110	15,281	—	—	75,391
2017	57,900	14,938	—	—	72,838
2018	55,241	14,581	—	—	69,822
2019	52,546	14,212	—	—	66,758
2020	49,808	13,828	—	—	63,636
2021	46,312	13,431	94	—	59,837
2022	194,486	13,020	75	253	207,834
2023	190,932	12,593	169	116	203,810
2024	318,799	12,148	150	51	331,148

Hetchy Power

Fiscal Year Ended	Number of Customer Accounts	Debt per Customer Account (in thousands)
2015	2,305	$ 32.88
2016	2,627	28.70
2017	3,068	23.74
2018	3,547	19.68
2019	3,747	17.82
2020	4,077	15.61
2021	5,385	11.11
2022	5,110	40.67
2023	6,238	32.67
2024	7,043	47.02

**2024 population was estimated by multiplying 2023 population by the 2021 and 2022 population growth rate.
@2021 to 2023 updated to include right-to-use leases and in Department-wide, $78, $62, $138, and $122 for Hetchy Water, and $577, $232, $0, $0 for CleanPowerSF. 2022 to 2023 updated to include right-to-use subscription leases and in Department-wide, $309, $139, and $59 for Hetchy Water and $70, $31, and $13 for CleanPowerSF.
#2020 to 2023 updated from last year's ACFR with newly available data.
^Bonds, Notes, and Certificates of Participation are inclusive of bond

Source: San Francisco Public Utilities Commission, Power Enterprise: Audited Financial Statements, Office of the Controller, City and County of San Francisco and BAWSCA.org.

Debt Capacity

Department-wide - Future Principal and Interest Payments*
(Excludes Commercial Paper)
(Dollars in Thousands)

	Water			Wastewater			Power			SFPUC Total		
Payments Due for FY Ended	Total Principal	Total Interest	Total Principal & Interest Payments	Total Principal	Total Interest	Total Principal & Interest Payments	Total Principal	Total Interest	Total Principal & Interest Payments	Total Principal	Total Interest	Total Principal & Interest Payments
2025	$ 141,542	197,796	339,338	41,899	112,158	154,057	4,062	13,491	17,553	187,503	323,445	510,948
2026	157,517	193,252	350,769	45,108	114,477	159,585	4,231	13,323	17,554	206,856	321,052	527,908
2027	162,907	186,472	349,379	80,529	117,706	198,235	5,474	13,123	18,597	248,910	317,301	566,211
2028	167,583	179,316	346,899	87,634	113,967	201,601	5,729	12,868	18,597	260,946	306,151	567,097
2029	186,001	172,579	358,580	115,461	109,359	224,820	6,005	12,590	18,595	307,467	294,528	601,995
2030	196,964	164,066	361,030	120,892	103,922	224,814	6,300	12,293	18,593	324,156	280,281	604,437
2031	203,125	155,700	358,825	126,603	98,209	224,812	6,607	11,988	18,595	336,335	265,897	602,232
2032	212,993	147,521	360,514	119,624	95,104	214,728	6,924	11,667	18,591	339,541	254,292	593,833
2033	213,849	138,674	352,523	112,283	92,360	204,643	7,252	11,337	18,589	333,384	242,371	575,755
2034	224,506	129,184	353,690	117,532	87,104	204,636	7,588	11,005	18,593	349,626	227,293	576,919
2035	234,551	119,318	353,869	123,046	81,591	204,637	7,942	10,647	18,589	365,539	211,556	577,095
2036	246,985	109,201	356,186	128,778	75,860	204,638	8,311	10,279	18,590	384,074	195,340	579,414
2037	262,458	98,634	361,092	103,381	70,671	174,052	8,693	9,894	18,587	374,532	179,199	553,731
2038	244,780	88,316	333,096	107,964	66,087	174,051	9,096	9,488	18,584	361,840	163,891	525,731
2039	250,253	78,642	328,895	112,697	61,351	174,048	9,520	9,063	18,583	372,470	149,056	521,526
2040	259,858	68,782	328,640	117,584	56,464	174,048	9,960	8,623	18,583	387,402	133,869	521,271
2041	218,738	59,662	278,400	122,607	51,436	174,043	10,426	8,155	18,581	351,771	119,253	471,024
2042	174,321	52,381	226,702	117,116	46,501	163,617	10,912	7,670	18,582	302,349	106,552	408,901
2043	131,840	46,748	178,588	120,334	41,647	161,981	10,435	7,183	17,618	262,609	95,578	358,187
2044	136,817	41,757	178,574	111,430	37,260	148,690	10,925	6,691	17,616	259,172	85,708	344,880
2045	104,526	37,098	141,624	115,624	33,382	149,006	11,440	6,181	17,621	231,590	76,661	308,251
2046	109,340	32,750	142,090	119,883	29,392	149,275	11,975	5,644	17,619	241,198	67,786	308,984
2047	114,380	28,196	142,576	124,394	25,229	149,623	12,525	5,094	17,619	251,299	58,519	309,818
2048	119,671	23,415	143,086	124,349	21,403	145,752	13,085	4,533	17,618	257,105	49,351	306,456
2049	127,284	18,190	145,474	126,573	17,812	144,385	13,675	3,946	17,621	267,532	39,948	307,480
2050	133,516	12,515	146,031	103,923	14,764	118,687	14,285	3,333	17,618	251,724	30,612	282,336
2051	140,070	6,555	146,625	105,460	12,262	117,722	14,930	2,690	17,620	260,460	21,507	281,967
2052	36,829	2,734	39,563	108,727	9,699	118,426	15,600	2,020	17,620	161,156	14,453	175,609
2053	38,395	1,168	39,563	71,368	7,889	79,257	16,350	1,268	17,618	126,113	10,325	136,438
2054	9,757	317	10,074	73,207	6,857	80,064	17,190	430	17,620	100,154	7,604	107,758
2055	9,854	219	10,073	70,763	5,801	76,564	—	—	—	80,617	6,020	86,637
2056	3,979	121	4,100	72,552	4,770	77,322	—	—	—	76,531	4,891	81,422
2057	4,018	81	4,099	69,271	3,710	72,981	—	—	—	73,289	3,791	77,080
2058	4,060	41	4,101	71,159	2,696	73,855	—	—	—	75,219	2,737	77,956
2059	—	—	—	73,117	1,654	74,771	—	—	—	73,117	1,654	74,771
2060	—	—	—	23,034	772	23,806	—	—	—	23,034	772	23,806
2061	—	—	—	23,460	432	23,892	—	—	—	23,460	432	23,892
2062	—	—	—	23,922	87	24,009	—	—	—	23,922	87	24,009
Total	**$ 4,983,267**	**2,591,399**	**7,574,666**	**3,633,288**	**1,831,846**	**5,465,134**	**297,447**	**246,517**	**543,964**	**8,914,002**	**4,669,762**	**13,583,764**

May not total due to rounding.
*Principal and interest (net of federal interest subsidy) includes bonds, COPs, WIFIA loans and state revolving fund loans (including fees) and excludes premium and discounts.

Source: San Francisco Public Utilities Commission Official Statements.

Debt Capacity
Water - Future Principal and Interest Payments
(Excludes Commercial Paper)
(Dollars in Thousands)

Principal Payments								
Payments Due for FY Ended	**State Revolving Fund Loans**	**COPs Series 2009D**	**2010B**	**2010E**	**2010G**	**2015A**	**2016A**	**2016B**
2025	$ —	3,402	13,725	13,610	—	29,485	24,800	13,720
2026	4,432	3,545	14,225	14,080	—	30,990	26,050	7,715
2027	4,477	3,695	14,765	14,585	—	20,945	38,150	8,015
2028	4,521	3,852	15,355	15,125	—	20,530	46,305	3,815
2029	7,608	4,013	15,965	15,715	—	9,155	48,655	3,990
2030	7,684	4,180	16,600	16,340	—	10,585	51,135	4,180
2031	7,761	4,359	17,260	16,990	—	15,420	53,460	4,370
2032	7,838	4,545	17,945	17,665	11,060	22,370	15,945	—
2033	7,917	4,737	18,660	18,365	11,575	19,390	26,770	—
2034	7,995	4,941	19,405	19,095	12,110	21,525	23,830	—
2035	8,076	5,155	20,175	19,855	12,665	28,610	19,905	—
2036	8,157	5,373	20,980	20,645	13,255	29,765	12,830	—
2037	8,238	5,605	21,810	21,470	13,865	15,365	43,670	—
2038	8,321	5,844	22,680	22,320	14,505	—	45,455	—
2039	8,404	6,094	23,580	23,210	15,175	—	47,305	—
2040	8,488	6,355	24,520	24,130	15,880	—	49,235	—
2041	8,573	6,625	25,495	25,090	16,610	—	—	—
2042	8,659	6,912	—	—	17,380	—	—	—
2043	8,745	—	—	—	18,180	—	—	—
2044	8,832	—	—	—	19,025	—	—	—
2045	8,921	—	—	—	19,900	—	—	—
2046	9,010	—	—	—	20,820	—	—	—
2047	9,100	—	—	—	21,785	—	—	—
2048	9,191	—	—	—	22,790	—	—	—
2049	9,284	—	—	—	23,845	—	—	—
2050	9,376	—	—	—	24,945	—	—	—
2051	9,470	—	—	—	26,100	—	—	—
2052	9,564	—	—	—	—	—	—	—
2053	9,660	—	—	—	—	—	—	—
2054	9,757	—	—	—	—	—	—	—
2055	9,854	—	—	—	—	—	—	—
2056	3,979	—	—	—	—	—	—	—
2057	4,018	—	—	—	—	—	—	—
2058	4,060	—	—	—	—	—	—	—
Total	**$ 259,970**	**89,232**	**323,145**	**318,290**	**351,470**	**274,135**	**573,500**	**45,805**

(Continued)

May not total due to rounding.

Source: San Francisco Public Utilities Commission Official Statements.

Debt Capacity

Water - Future Principal and Interest Payments
(Excludes Commercial Paper)
(Dollars in Thousands)

Principal Payments

Payments Due for FY Ended		2016C	2017A	2017B	2017C	2017D	2017E	2017F	2017G
2025	$	6,275	2,570	3,135	1,500	10,230	835	770	5,225
2026		6,455	2,705	3,295	1,575	20,515	7,425	875	—
2027		6,645	2,840	3,465	1,660	21,540	7,830	920	—
2028		6,850	2,990	3,645	1,745	22,615	6,630	965	—
2029		7,075	3,140	3,830	1,830	23,740	7,080	1,020	—
2030		7,310	3,300	4,025	1,925	24,935	8,555	855	—
2031		7,565	—	—	—	26,140	7,960	905	—
2032		7,835	—	—	—	9,895	1,015	960	—
2033		8,120	—	—	—	31,835	—	—	—
2034		8,435	—	—	—	18,250	—	—	—
2035		8,760	—	—	—	39,510	—	—	—
2036		9,110	—	—	—	8,090	—	—	—
2037		9,475	4,685	5,715	2,735	—	—	—	—
2038		9,860	—	—	—	—	—	—	—
2039		10,265	—	—	—	—	—	—	—
2040		10,685	—	—	—	—	—	—	—
2041		11,125	—	—	—	—	—	—	—
2042		11,585	—	—	—	—	—	—	—
2043		12,070	—	—	—	—	—	—	—
2044		12,590	—	—	—	—	—	—	—
2045		13,125	—	—	—	—	—	—	—
2046		13,685	—	—	—	—	—	—	—
2047		14,270	—	—	—	—	—	—	—
2048		—	—	—	—	—	—	—	—
2049		—	—	—	—	—	—	—	—
2050		—	—	—	—	—	—	—	—
2051		—	—	—	—	—	—	—	—
2052		—	—	—	—	—	—	—	—
2053		—	—	—	—	—	—	—	—
2054		—	—	—	—	—	—	—	—
2055		—	—	—	—	—	—	—	—
2056		—	—	—	—	—	—	—	—
2057		—	—	—	—	—	—	—	—
2058		—	—	—	—	—	—	—	—
Total	**$**	**219,170**	**22,230**	**27,110**	**12,970**	**257,295**	**47,330**	**7,270**	**5,225**

(Continued)

May not total due to rounding.

Source: San Francisco Public Utilities Commission Official Statements.

Debt Capacity

Water - Future Principal and Interest Payments
(Excludes Commercial Paper)
(Dollars in Thousands)

	Principal Payments							
Payments Due for FY Ended	2019A	2019B	2019C	2020A	2020B	2020C	2020D	2020E
2025	$ 2,700	75	80	—	—	—	—	915
2026	2,760	75	80	—	—	—	—	940
2027	2,820	80	85	—	—	—	—	965
2028	1,865	80	90	—	—	—	—	995
2029	1,310	85	90	—	—	—	—	1,025
2030	2,980	85	95	—	—	—	—	1,055
2031	3,060	90	95	—	—	—	—	4,515
2032	29,910	90	100	—	—	—	—	4,645
2033	2,835	1,340	1,465	—	—	—	—	4,780
2034	2,925	1,385	1,510	—	—	—	—	4,920
2035	2,885	1,425	1,550	—	—	—	—	5,055
2036	31,780	1,470	1,600	—	—	—	—	5,200
2037	40,100	1,525	1,660	—	—	—	—	720
2038	42,825	1,575	1,720	—	—	—	—	5,610
2039	19,140	1,630	1,775	—	—	—	—	24,155
2040	19,710	1,690	1,835	—	—	—	—	24,850
2041	36,785	1,745	1,900	—	—	—	—	25,565
2042	38,045	1,800	1,965	—	—	—	—	26,295
2043	53,380	—	—	—	—	—	—	6,405
2044	55,265	—	—	—	—	—	—	6,600
2045	—	—	—	10,730	4,300	5,950	3,425	6,795
2046	—	—	—	11,445	4,590	6,340	3,660	7,000
2047	—	—	—	12,195	4,895	6,760	3,895	7,205
2048	—	—	—	19,525	7,840	10,825	6,240	7,425
2049	—	—	—	30,970	12,520	17,360	10,015	—
2050	—	—	—	32,160	13,240	18,550	10,700	—
2051	—	—	—	33,870	13,945	19,550	11,265	—
2052	—	—	—	—	—	—	—	—
2053	—	—	—	—	—	—	—	—
2054	—	—	—	—	—	—	—	—
2055	—	—	—	—	—	—	—	—
2056	—	—	—	—	—	—	—	—
2057	—	—	—	—	—	—	—	—
2058	—	—	—	—	—	—	—	—
Total	**$ 393,080**	**16,245**	**17,695**	**$ 150,895**	**61,330**	**85,335**	**49,200**	**183,635**

(Continued)

May not total due to rounding.

Source: San Francisco Public Utilities Commission Official Statements.

Debt Capacity

Water - Future Principal and Interest Payments

(Excludes Commercial Paper)

(Dollars in Thousands)

Principal Payments

Payments Due for FY Ended		2020F	2020G	2020H	2023A	2023B	2023C	2023D	Total Principal Payments
2025	$	1,440	6,360	690	—	—	—	—	141,542
2026		1,450	7,635	695	—	—	—	—	157,517
2027		1,465	5,485	700	—	—	—	1,775	162,907
2028		1,485	6,550	710	—	—	—	865	167,583
2029		1,505	1,815	720	7,150	1,320	12,425	5,740	186,001
2030		1,530	4,610	735	7,515	1,390	12,100	3,260	196,964
2031		5,720	5,485	2,740	7,900	1,460	7,225	2,645	203,125
2032		5,830	12,170	2,790	8,310	1,535	25,000	5,540	212,993
2033		5,955	2,380	2,850	8,735	1,615	27,385	7,140	213,849
2034		6,090	—	2,915	9,180	1,695	57,660	640	224,506
2035		6,235	1,140	2,985	9,650	1,780	39,135	—	234,551
2036		6,385	325	3,055	10,145	1,875	56,570	375	246,985
2037		910	1,200	435	10,665	1,970	50,640	—	262,458
2038		6,875	1,235	3,290	11,215	2,070	39,380	—	244,780
2039		7,075	1,275	3,385	11,790	2,175	43,820	—	250,253
2040		7,280	1,315	3,480	12,395	2,290	45,720	—	259,858
2041		7,490	1,355	3,585	13,030	2,405	31,360	—	218,738
2042		7,700	1,395	3,685	13,700	2,530	32,670	—	174,321
2043		7,940	1,440	3,800	14,400	2,660	2,820	—	131,840
2044		8,195	1,490	3,920	15,140	2,795	2,965	—	136,817
2045		8,455	—	4,045	15,935	2,945	—	—	104,526
2046		8,725	—	4,170	16,795	3,100	—	—	109,340
2047		9,000	—	4,305	17,700	3,270	—	—	114,380
2048		9,290	—	4,445	18,655	3,445	—	—	119,671
2049		—	—	—	19,660	3,630	—	—	127,284
2050		—	—	—	20,720	3,825	—	—	133,516
2051		—	—	—	21,840	4,030	—	—	140,070
2052		—	—	—	23,015	4,250	—	—	36,829
2053		—	—	—	24,255	4,480	—	—	38,395
2054		—	—	—	—	—	—	—	9,757
2055		—	—	—	—	—	—	—	9,854
2056		—	—	—	—	—	—	—	3,979
2057		—	—	—	—	—	—	—	4,018
2058		—	—	—	—	—	—	—	4,060
Total	**$**	**134,025**	**64,660**	**64,130**	**349,495**	**64,540**	**486,875**	**27,980**	**4,983,267**

(Continued)

May not total due to rounding.

Source: San Francisco Public Utilities Commission Official Statements.

Debt Capacity
Water - Future Principal and Interest Payments
(Excludes Commercial Paper)
(Dollars in Thousands)

Interest Payments

Payments Due for FY Ended		State Revolving Fund Loans	COPs 2009D Before Subsidy	2010B Before Subsidy	2010E Before Subsidy	2010G Before Subsidy	2015A	2016A	2016B
2025	$	—	5,652	18,872	18,418	24,427	12,073	25,663	1,569
2026		1,542	5,431	18,102	17,692	24,427	10,571	24,393	1,209
2027		1,497	5,201	17,269	16,917	24,427	9,273	22,788	894
2028		1,453	4,961	16,365	16,084	24,427	8,236	20,676	639
2029		2,465	4,710	15,426	15,182	24,427	7,494	18,301	464
2030		2,389	4,450	14,449	14,220	24,427	7,000	15,808	279
2031		2,312	4,176	13,433	13,219	24,427	6,386	13,460	87
2032		2,235	3,887	12,376	12,180	24,042	5,476	11,992	—
2033		2,156	3,585	11,278	11,099	23,255	4,432	10,924	—
2034		2,077	3,271	10,136	9,976	22,433	3,517	9,659	—
2035		1,997	2,944	8,951	8,809	21,572	2,514	8,566	—
2036		1,917	2,602	7,715	7,593	20,672	1,355	7,747	—
2037		1,835	2,247	6,430	6,329	19,729	384	6,553	—
2038		1,753	1,875	5,096	5,015	18,743	—	4,771	—
2039		1,669	1,489	3,708	3,650	17,712	—	2,916	—
2040		1,585	1,084	2,265	2,229	16,633	—	985	—
2041		1,501	664	765	753	15,504	—	—	—
2042		1,415	224	—	—	14,323	—	—	—
2043		1,328	—	—	—	13,087	—	—	—
2044		1,241	—	—	—	11,793	—	—	—
2045		1,152	—	—	—	10,441	—	—	—
2046		1,063	—	—	—	9,027	—	—	—
2047		973	—	—	—	7,546	—	—	—
2048		882	—	—	—	5,997	—	—	—
2049		791	—	—	—	4,377	—	—	—
2050		697	—	—	—	2,682	—	—	—
2051		604	—	—	—	907	—	—	—
2052		509	—	—	—	—	—	—	—
2053		413	—	—	—	—	—	—	—
2054		317	—	—	—	—	—	—	—
2055		219	—	—	—	—	—	—	—
2056		121	—	—	—	—	—	—	—
2057		81	—	—	—	—	—	—	—
2058		41	—	—	—	—	—	—	—
Total	**$**	**42,230**	**58,453**	**182,636**	**179,365**	**451,464**	**78,711**	**205,202**	**5,141**

(Continued)

May not total due to rounding.

Source: San Francisco Public Utilities Commission Official Statements.

Debt Capacity

Water - Future Principal and Interest Payments

(Excludes Commercial Paper)

(Dollars in Thousands)

Interest Payments

Payments Due for FY Ended		2016C	2017A	2017B	2017C	2017D	2017E	2017F	2017G
2025	$	8,297	1,047	1,278	611	12,504	2,296	344	76
2026		8,117	915	1,116	535	11,736	2,090	303	—
2027		7,925	777	947	453	10,684	1,709	258	—
2028		7,719	631	770	368	9,580	1,347	211	—
2029		7,497	478	583	279	8,422	1,004	161	—
2030		7,260	318	386	185	7,206	613	116	—
2031		7,007	234	285	136	5,969	220	71	—
2032		6,738	234	286	137	5,119	21	24	—
2033		6,448	234	286	137	4,088	—	—	—
2034		6,137	234	286	137	2,836	—	—	—
2035		5,809	234	286	137	1,391	—	—	—
2036		5,463	234	286	137	202	—	—	—
2037		5,098	118	142	67	—	—	—	—
2038		4,712	—	—	—	—	—	—	—
2039		4,306	—	—	—	—	—	—	—
2040		3,883	—	—	—	—	—	—	—
2041		3,443	—	—	—	—	—	—	—
2042		2,985	—	—	—	—	—	—	—
2043		2,499	—	—	—	—	—	—	—
2044		1,983	—	—	—	—	—	—	—
2045		1,445	—	—	—	—	—	—	—
2046		884	—	—	—	—	—	—	—
2047		298	—	—	—	—	—	—	—
2048		—	—	—	—	—	—	—	—
2049		—	—	—	—	—	—	—	—
2050		—	—	—	—	—	—	—	—
2051		—	—	—	—	—	—	—	—
2052		—	—	—	—	—	—	—	—
2053		—	—	—	—	—	—	—	—
2054		—	—	—	—	—	—	—	—
2055		—	—	—	—	—	—	—	—
2056		—	—	—	—	—	—	—	—
2057		—	—	—	—	—	—	—	—
2058		—	—	—	—	—	—	—	—
Total	**$**	**115,953**	**5,688**	**6,937**	**3,319**	**79,737**	**9,300**	**1,488**	**76**

(Continued)

May not total due to rounding.

Source: San Francisco Public Utilities Commission Official Statements.

Debt Capacity

Water - Future Principal and Interest Payments
(Excludes Commercial Paper)
(Dollars in Thousands)

Interest Payments

Payments Due for FY Ended		2019A	2019B	2019C	2020A	2020B	2020C	2020D	2020E	2020F
2025	$	12,943	553	603	7,295	3,066	3,414	1,477	5,224	3,586
2026		12,884	551	600	7,295	3,066	3,413	1,476	5,198	3,575
2027		12,819	548	598	7,295	3,067	3,413	1,476	5,171	3,559
2028		12,763	546	595	7,295	3,066	3,414	1,476	5,144	3,541
2029		12,723	543	592	7,295	3,066	3,414	1,476	5,115	3,519
2030		12,668	541	589	7,295	3,066	3,414	1,476	5,086	3,494
2031		12,588	538	586	7,295	3,066	3,414	1,476	5,007	3,429
2032		12,127	535	583	7,295	3,066	3,414	1,476	4,878	3,320
2033		11,666	513	558	7,295	3,066	3,414	1,476	4,745	3,197
2034		11,580	470	511	7,295	3,066	3,414	1,476	4,608	3,062
2035		11,489	425	463	7,295	3,067	3,413	1,476	4,467	2,918
2036		10,919	377	411	7,295	3,067	3,413	1,476	4,322	2,764
2037		9,732	324	353	7,295	3,067	3,413	1,476	4,238	2,672
2038		8,363	270	294	7,295	3,067	3,413	1,476	4,149	2,561
2039		7,339	213	232	7,295	3,067	3,413	1,476	3,727	2,363
2040		6,698	155	168	7,295	3,067	3,413	1,476	3,036	2,159
2041		5,733	94	103	7,295	3,067	3,413	1,476	2,324	1,949
2042		4,434	32	35	7,295	3,067	3,413	1,476	1,592	1,733
2043		2,846	—	—	7,294	3,067	3,413	1,476	1,126	1,498
2044		960	—	—	7,294	3,066	3,413	1,475	934	1,244
2045		—	—	—	7,026	2,959	3,294	1,425	738	983
2046		—	—	—	6,471	2,737	3,049	1,318	534	712
2047		—	—	—	5,892	2,500	2,787	1,205	324	434
2048		—	—	—	5,131	2,181	2,435	1,053	109	146
2049		—	—	—	3,917	1,672	1,871	809	—	—
2050		—	—	—	2,400	1,027	1,153	498	—	—
2051		—	—	—	814	349	391	169	—	—
2052		—	—	—	—	—	—	—	—	—
2053		—	—	—	—	—	—	—	—	—
2054		—	—	—	—	—	—	—	—	—
2055		—	—	—	—	—	—	—	—	—
2056		—	—	—	—	—	—	—	—	—
2057		—	—	—	—	—	—	—	—	—
2058		—	—	—	—	—	—	—	—	—
Total	**$**	**193,274**	**7,228**	**7,874**	**177,549**	**74,755**	**83,248**	**35,997**	**81,796**	**58,418**

(Continued)

May not total due to rounding.

Source: San Francisco Public Utilities Commission Official Statements.

Debt Capacity

Water - Future Principal and Interest Payments
(Excludes Commercial Paper)
(Dollars in Thousands)

Interest Payments

Payments Due for FY Ended		2020G	2020H	2023A	2023B	2023C	2023D	Federal Interest Subsidy	Total Interest Payments Net of Subsidy	Total Principal & Interest Payments
2025	$	1,105	1,715	17,921	3,309	23,294	1,399	(22,235)	197,796	339,338
2026		1,050	1,710	17,921	3,309	23,294	1,399	(21,668)	193,252	350,769
2027		986	1,703	17,921	3,309	23,294	1,355	(21,061)	186,472	349,379
2028		911	1,694	17,921	3,309	23,294	1,289	(20,409)	179,316	346,899
2029		853	1,684	17,742	3,276	22,983	1,124	(19,719)	172,579	358,580
2030		798	1,672	17,376	3,209	22,370	899	(18,993)	164,066	361,030
2031		710	1,641	16,990	3,137	21,887	751	(18,237)	155,700	358,825
2032		540	1,589	16,585	3,063	21,081	546	(17,324)	147,521	360,514
2033		393	1,530	16,159	2,984	19,772	229	(16,245)	138,674	352,523
2034		367	1,465	15,711	2,901	17,646	35	(15,122)	129,184	353,690
2035		353	1,396	15,240	2,814	15,226	19	(13,953)	119,318	353,869
2036		335	1,322	14,746	2,723	12,833	9	(12,734)	109,201	356,186
2037		313	1,278	14,225	2,627	10,153	—	(11,464)	98,634	361,092
2038		275	1,225	13,678	2,526	7,902	—	(10,143)	88,316	333,096
2039		236	1,130	13,104	2,420	5,941	—	(8,764)	78,642	328,895
2040		196	1,033	12,499	2,308	3,946	—	(7,331)	68,782	328,640
2041		155	932	11,863	2,191	2,274	—	(5,837)	59,662	278,400
2042		112	829	11,195	2,067	955	—	(4,801)	52,381	226,702
2043		68	717	10,492	1,937	219	—	(4,319)	46,748	178,588
2044		23	595	9,754	1,801	74	—	(3,893)	41,757	178,574
2045		—	470	8,957	1,654	—	—	(3,446)	37,098	141,624
2046		—	341	8,098	1,495	—	—	(2,979)	32,750	142,090
2047		—	207	7,192	1,328	—	—	(2,490)	28,196	142,576
2048		—	70	6,238	1,152	—	—	(1,979)	23,415	143,086
2049		—	—	5,232	966	—	—	(1,445)	18,190	145,474
2050		—	—	4,172	770	—	—	(885)	12,515	146,031
2051		—	—	3,055	564	—	—	(299)	6,555	146,625
2052		—	—	1,878	347	—	—	—	2,734	39,563
2053		—	—	637	118	—	—	—	1,168	39,563
2054		—	—	—	—	—	—	—	317	10,074
2055		—	—	—	—	—	—	—	219	10,073
2056		—	—	—	—	—	—	—	121	4,100
2057		—	—	—	—	—	—	—	81	4,099
2058		—	—	—	—	—	—	—	41	4,101
Total	**$**	**9,779**	**27,948**	**344,502**	**63,614**	**278,438**	**9,054**	**(287,775)**	**2,591,399**	**7,574,666**

May not total due to rounding.

Source: San Francisco Public Utilities Commission Official Statements.

Debt Capacity
Wastewater - Future Principal and Interest Payments
(Excludes Commercial Paper)
(Dollars in Thousands)

	Principal Payments							
Payments Due for FY Ended	State Revolving Fund Loans	WIFIA Loans	COPs Series 2009D	2010B	2013B	2016A	2016B	2018A
2025	$ 5,629	—	900	7,745	—	5,760	1,625	6,580
2026	5,711	—	937	8,000	—	6,055	1,705	6,915
2027	9,257	—	977	8,270	—	6,365	1,795	7,270
2028	9,390	—	1,019	8,560	—	6,690	1,885	7,645
2029	9,525	—	1,061	8,860	—	7,035	1,980	8,035
2030	9,662	—	1,105	9,180	—	7,395	2,085	8,445
2031	9,801	—	1,152	9,520	—	7,775	2,190	8,880
2032	9,942	—	1,202	9,875	—	8,170	2,305	9,335
2033	10,085	—	1,253	10,250	—	8,590	2,420	9,815
2034	10,230	—	1,307	10,640	—	9,030	2,545	10,315
2035	10,378	—	1,363	11,045	—	9,495	2,675	10,845
2036	10,528	—	1,420	11,470	—	9,980	2,815	11,400
2037	10,679	—	1,482	11,910	—	10,495	2,960	11,985
2038	10,834	—	1,545	12,365	—	10,975	3,095	12,600
2039	10,990	—	1,612	12,845	—	11,425	3,220	13,245
2040	11,149	—	1,680	13,340	—	11,890	3,350	13,880
2041	11,310	—	1,752	13,855	20,390	12,375	3,490	14,510
2042	11,473	—	1,828	—	35,625	12,880	3,630	15,170
2043	11,639	—	—	—	37,080	13,405	3,780	15,860
2044	11,808	26,482	—	—	—	13,955	3,935	11,445
2045	11,979	27,185	—	—	—	14,520	4,095	—
2046	12,152	27,851	—	—	—	15,115	4,260	—
2047	12,328	28,611	—	—	—	15,730	4,435	—
2048	12,507	45,792	—	—	—	—	—	—
2049	10,664	47,119	—	—	—	—	—	—
2050	10,811	57,132	—	—	—	—	—	—
2051	9,246	58,714	—	—	—	—	—	—
2052	9,102	60,545	—	—	—	—	—	—
2053	9,220	62,148	—	—	—	—	—	—
2054	9,341	63,866	—	—	—	—	—	—
2055	5,110	65,653	—	—	—	—	—	—
2056	5,182	67,370	—	—	—	—	—	—
2057	—	69,271	—	—	—	—	—	—
2058	—	71,159	—	—	—	—	—	—
2059	—	73,117	—	—	—	—	—	—
2060	—	23,034	—	—	—	—	—	—
2061	—	23,460	—	—	—	—	—	—
2062	—	23,922	—	—	—	—	—	—
Total	**$ 317,662**	**$ 922,431**	**23,595**	**177,730**	**93,095**	**235,105**	**66,275**	**214,175**

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(Continued)

May not total due to rounding.

Source: San Francisco Public Utilities Commission Official Statements.

Debt Capacity

Wastewater - Future Principal and Interest Payments

(Excludes Commercial Paper)

(Dollars in Thousands)

Principal Payments

Payments Due for FY Ended	2018B	2021A	2021B	2022B	2023A	2023B	2023C	Total Principal Payments
2025	$ 5,335	—	—	8,325	—	—	—	41,899
2026	5,610	—	—	10,175	—	—	—	45,108
2027	5,900	—	—	10,695	22,000	8,000	—	80,529
2028	6,200	—	—	11,245	25,500	9,500	—	87,634
2029	6,520	—	—	11,825	44,250	16,370	—	115,461
2030	6,855	—	—	12,425	46,650	17,090	—	120,892
2031	7,205	—	—	13,065	49,045	17,970	—	126,603
2032	7,575	—	—	13,735	41,760	15,725	—	119,624
2033	7,960	—	—	14,440	34,740	12,730	—	112,283
2034	8,375	—	—	15,185	36,255	13,650	—	117,532
2035	8,800	—	—	15,965	38,405	14,075	—	123,046
2036	9,255	—	—	—	41,560	30,350	—	128,778
2037	9,730	—	—	—	20,820	23,320	—	103,381
2038	10,225	—	—	—	21,895	24,430	—	107,964
2039	10,750	—	—	—	23,035	25,575	—	112,697
2040	11,275	—	—	—	24,230	26,790	—	117,584
2041	11,790	—	—	—	24,070	9,065	—	122,607
2042	12,325	—	—	—	17,695	6,490	—	117,116
2043	12,890	—	—	—	18,655	7,025	—	120,334
2044	9,305	23,905	3,340	—	—	—	7,255	111,430
2045	—	25,130	3,515	—	—	—	29,200	115,624
2046	—	26,420	3,695	—	—	—	30,390	119,883
2047	—	27,775	3,885	—	—	—	31,630	124,394
2048	—	29,050	4,080	—	—	—	32,920	124,349
2049	—	30,235	4,290	—	—	—	34,265	126,573
2050	—	31,470	4,510	—	—	—	—	103,923
2051	—	32,755	4,745	—	—	—	—	105,460
2052	—	34,095	4,985	—	—	—	—	108,727
2053	—	—	—	—	—	—	—	71,368
2054	—	—	—	—	—	—	—	73,207
2055	—	—	—	—	—	—	—	70,763
2056	—	—	—	—	—	—	—	72,552
2057	—	—	—	—	—	—	—	69,271
2058	—	—	—	—	—	—	—	71,159
2059	—	—	—	—	—	—	—	73,117
2060	—	—	—	—	—	—	—	23,034
2061	—	—	—	—	—	—	—	23,460
2062	—	—	—	—	—	—	—	23,922
Total	**$ 173,880**	**260,835**	**37,045**	**137,080**	**530,565**	**278,155**	**165,660**	**3,633,288**

(Continued)

May not total due to rounding.

Source: San Francisco Public Utilities Commission Official Statements.

Debt Capacity

Wastewater - Future Principal and Interest Payments
(Excludes Commercial Paper)
(Dollars in Thousands)

	Interest Payments*									
Payments Due for FY Ended		State Revolving Fund Loans *	WIFIA Loans	COPs 2009D Before Subsidy	2010B Before Subsidy	2013B	2016A	2016B	2018A	2018B
2025	$	2,727	—	1,494	9,801	3,724	10,228	2,883	9,836	8,560
2026		2,645	4,115	1,436	9,409	3,724	9,963	2,809	9,498	8,287
2027		4,354	8,229	1,375	8,992	3,724	9,683	2,729	9,144	7,999
2028		4,221	8,229	1,312	8,550	3,724	9,356	2,637	8,771	7,697
2029		4,086	8,229	1,246	8,084	3,724	9,013	2,541	8,379	7,379
2030		3,949	8,229	1,177	7,592	3,724	8,652	2,439	7,967	7,044
2031		3,810	8,229	1,104	7,073	3,724	8,273	2,333	7,533	6,692
2032		3,669	10,802	1,027	6,523	3,724	7,875	2,220	7,078	6,323
2033		3,526	13,375	948	5,945	3,724	7,455	2,101	6,599	5,935
2034		3,379	13,375	865	5,344	3,724	7,015	1,977	6,096	5,527
2035		3,233	13,375	778	4,720	3,724	6,552	1,847	5,567	5,097
2036		3,083	13,375	689	4,073	3,724	6,066	1,710	5,011	4,646
2037		2,931	13,375	594	3,397	3,723	5,553	1,565	4,426	4,172
2038		2,777	13,375	496	2,690	3,723	5,071	1,430	3,813	3,673
2039		2,621	13,376	393	1,957	3,723	4,623	1,303	3,166	3,149
2040		2,462	13,375	287	1,194	3,723	4,157	1,172	2,557	2,598
2041		2,301	13,375	175	402	3,316	3,672	1,035	1,989	2,021
2042		2,137	13,375	59	—	2,196	3,167	893	1,396	1,417
2043		1,971	13,375	—	—	742	2,641	745	775	787
2044		1,804	13,193	—	—	—	2,094	590	228	233
2045		1,632	12,804	—	—	—	1,524	430	—	—
2046		1,459	12,406	—	—	—	932	265	—	—
2047		1,282	11,998	—	—	—	314	89	—	—
2048		1,104	11,519	—	—	—	—	—	—	—
2049		922	10,849	—	—	—	—	—	—	—
2050		775	10,086	—	—	—	—	—	—	—
2051		625	9,250	—	—	—	—	—	—	—
2052		504	8,389	—	—	—	—	—	—	—
2053		386	7,503	—	—	—	—	—	—	—
2054		265	6,593	—	—	—	—	—	—	—
2055		144	5,657	—	—	—	—	—	—	—
2056		73	4,697	—	—	—	—	—	—	—
2057		—	3,710	—	—	—	—	—	—	—
2058		—	2,696	—	—	—	—	—	—	—
2059		—	1,654	—	—	—	—	—	—	—
2060		—	772	—	—	—	—	—	—	—
2061		—	432	—	—	—	—	—	—	—
2062		—	87	—	—	—	—	—	—	—
Total	**$**	**70,857**	**337,483**	**15,455**	**95,746**	**65,834**	**133,879**	**37,743**	**109,829**	**99,236**

(Continued)

May not total due to rounding.
*Interest and fees include debt admin fees for the Clarifier SRF loan and North Point Facility SRF Loan.

Source: San Francisco Public Utilities Commission Official Statements.

Debt Capacity

Wastewater - Future Principal and Interest Payments
(Excludes Commercial Paper)
(Dollars in Thousands)

Interest Payments

Payments Due for FY Ended		2021A	2021B	2022B	2023A	2023B	2023C	Federal Interest Subsidy	Total Interest Payments Net of Subsidy	Total Principal & Interest Payments
2025	$	11,466	1,851	6,646	26,635	13,408	6,627	(3,728)	112,158	154,057
2026		11,466	1,852	6,183	26,635	13,408	6,626	(3,579)	114,477	159,585
2027		11,466	1,853	5,662	26,085	13,207	6,626	(3,422)	117,706	198,235
2028		11,466	1,852	5,113	24,898	12,769	6,627	(3,255)	113,967	201,601
2029		11,466	1,852	4,536	23,154	12,123	6,626	(3,079)	109,359	224,820
2030		11,466	1,853	3,930	20,881	11,287	6,626	(2,894)	103,922	224,814
2031		11,466	1,852	3,293	18,489	10,411	6,626	(2,699)	98,209	224,812
2032		11,466	1,853	2,623	16,219	9,568	6,626	(2,492)	95,104	214,728
2033		11,466	1,853	1,919	14,306	8,857	6,626	(2,275)	92,360	204,643
2034		11,466	1,853	1,178	12,531	8,197	6,626	(2,049)	87,104	204,636
2035		11,466	1,853	399	10,665	7,504	6,626	(1,815)	81,591	204,637
2036		11,466	1,853	—	8,666	6,444	6,626	(1,572)	75,860	204,638
2037		11,465	1,853	—	7,106	5,202	6,626	(1,317)	70,671	174,052
2038		11,466	1,852	—	6,038	4,108	6,626	(1,051)	66,087	174,051
2039		11,465	1,852	—	4,915	2,958	6,626	(776)	61,351	174,048
2040		11,466	1,852	—	3,734	1,749	6,626	(488)	56,464	174,048
2041		11,465	1,852	—	2,496	902	6,626	(191)	51,436	174,043
2042		11,466	1,852	—	1,422	514	6,627	(20)	46,501	163,617
2043		11,465	1,853	—	490	176	6,627	—	41,647	161,981
2044		10,868	1,769	—	—	—	6,481	—	37,260	148,690
2045		9,642	1,597	—	—	—	5,753	—	33,382	149,006
2046		8,353	1,416	—	—	—	4,561	—	29,392	149,275
2047		6,999	1,227	—	—	—	3,320	—	25,229	149,623
2048		5,723	1,028	—	—	—	2,029	—	21,403	145,752
2049		4,538	818	—	—	—	685	—	17,812	144,385
2050		3,303	600	—	—	—	—	—	14,764	118,687
2051		2,018	369	—	—	—	—	—	12,262	117,722
2052		681	125	—	—	—	—	—	9,699	118,426
2053		—	—	—	—	—	—	—	7,889	79,257
2054		—	—	—	—	—	—	—	6,857	80,064
2055		—	—	—	—	—	—	—	5,801	76,564
2056		—	—	—	—	—	—	—	4,770	77,322
2057		—	—	—	—	—	—	—	3,710	72,981
2058		—	—	—	—	—	—	—	2,696	73,855
2059		—	—	—	—	—	—	—	1,654	74,771
2060		—	—	—	—	—	—	—	772	23,806
2061		—	—	—	—	—	—	—	432	23,892
2062		—	—	—	—	—	—	—	87	24,009
Total	**$**	**269,975**	**44,145**	**41,482**	**255,365**	**142,792**	**148,727**	**(36,702)**	**1,831,846**	**5,465,134**

May not total due to rounding.

Source: San Francisco Public Utilities Commission Official Statements.

Debt Capacity

Power - Future Principal and Interest Payments
(Excludes Commercial Paper)
(Dollars in Thousands)

	Principal Payments								
Payments Due for FY Ended	COPs Series 2009D	Qualified Energy Conservation Bonds 2011	2015A	2015B	New Clean Renewable Energy Bonds 2015	2021A	2021B	2023A	Total Principal Payments
2025	$ 463	569	—	910	150	1,385	585	—	4,062
2026	483	576	—	945	152	1,455	620	—	4,231
2027	503	582	830	150	154	1,530	650	1,075	5,474
2028	524	294	1,020	—	156	1,605	685	1,445	5,729
2029	546	—	1,075	—	159	1,690	715	1,820	6,005
2030	569	—	1,125	—	161	1,775	750	1,920	6,300
2031	594	—	1,185	—	163	1,860	790	2,015	6,607
2032	619	—	1,240	—	165	1,945	825	2,130	6,924
2033	644	—	1,305	—	83	2,035	860	2,325	7,252
2034	673	—	1,370	—	—	2,115	905	2,525	7,588
2035	702	—	1,435	—	—	2,200	950	2,655	7,942
2036	731	—	1,510	—	—	2,290	995	2,785	8,311
2037	763	—	1,585	—	—	2,385	1,045	2,915	8,693
2038	796	—	1,665	—	—	2,480	1,090	3,065	9,096
2039	830	—	1,745	—	—	2,585	1,140	3,220	9,520
2040	865	—	1,835	—	—	2,690	1,185	3,385	9,960
2041	901	—	1,925	—	—	2,800	1,240	3,560	10,426
2042	942	—	2,020	—	—	2,915	1,290	3,745	10,912
2043	—	—	2,125	—	—	3,030	1,345	3,935	10,435
2044	—	—	2,230	—	—	3,155	1,405	4,135	10,925
2045	—	—	2,340	—	—	3,285	1,465	4,350	11,440
2046	—	—	2,460	—	—	3,420	1,525	4,570	11,975
2047	—	—	—	—	—	3,560	4,160	4,805	12,525
2048	—	—	—	—	—	3,705	4,330	5,050	13,085
2049	—	—	—	—	—	3,855	4,505	5,315	13,675
2050	—	—	—	—	—	4,010	4,695	5,580	14,285
2051	—	—	—	—	—	4,175	4,885	5,870	14,930
2052	—	—	—	—	—	4,345	5,085	6,170	15,600
2053	—	—	—	—	—	—	—	16,350	16,350
2054	—	—	—	—	—	—	—	17,190	17,190
Total	**$ 12,148**	**2,021**	**32,025**	**2,005**	**1,343**	**74,280**	**49,720**	**123,905**	**297,447**

(Continued)

May not total due to rounding.

Source: San Francisco Public Utilities Commission Official Statements.

Debt Capacity

Power - Future Principal and Interest Payments
(Excludes Commercial Paper)
(Dollars in Thousands)

Interest Payments											
Payments Due for FY Ended	COPs 2009D Before Subsidy	QECBs 2011 Before Subsidy	2015A	2015B	NCREBs 2015 Before Subsidy	2021A	2021B	2023A	Federal Interest Subsidy	Total Interest Payments Net of Subsidy	Total Principal & Interest Payments
2025	$ 769	89	1,593	62	60	3,050	2,030	6,195	(357)	13,491	17,553
2026	739	62	1,593	25	53	2,979	2,000	6,195	(323)	13,323	17,554
2027	709	35	1,576	3	47	2,905	1,969	6,168	(289)	13,123	18,597
2028	675	7	1,534	—	39	2,826	1,935	6,105	(253)	12,868	18,597
2029	641	—	1,482	—	32	2,744	1,900	6,024	(233)	12,590	18,595
2030	606	—	1,427	—	25	2,657	1,864	5,930	(216)	12,293	18,593
2031	568	—	1,369	—	17	2,576	1,825	5,832	(199)	11,988	18,595
2032	530	—	1,308	—	9	2,490	1,784	5,728	(182)	11,667	18,591
2033	487	—	1,245	—	2	2,401	1,747	5,617	(162)	11,337	18,589
2034	446	—	1,179	—	—	2,318	1,712	5,496	(146)	11,005	18,593
2035	400	—	1,108	—	—	2,231	1,674	5,366	(132)	10,647	18,589
2036	354	—	1,034	—	—	2,142	1,636	5,230	(117)	10,279	18,590
2037	307	—	957	—	—	2,048	1,595	5,088	(101)	9,894	18,587
2038	255	—	876	—	—	1,951	1,552	4,938	(84)	9,488	18,584
2039	203	—	790	—	—	1,849	1,507	4,781	(67)	9,063	18,583
2040	149	—	701	—	—	1,745	1,461	4,616	(49)	8,623	18,583
2041	90	—	607	—	—	1,634	1,412	4,442	(30)	8,155	18,581
2042	30	—	508	—	—	1,520	1,362	4,260	(10)	7,670	18,582
2043	—	—	405	—	—	1,401	1,309	4,068	—	7,183	17,618
2044	—	—	295	—	—	1,277	1,254	3,865	—	6,691	17,616
2045	—	—	181	—	—	1,149	1,197	3,654	—	6,181	17,621
2046	—	—	62	—	—	1,014	1,137	3,431	—	5,644	17,619
2047	—	—	—	—	—	875	1,023	3,196	—	5,094	17,619
2048	—	—	—	—	—	730	853	2,950	—	4,533	17,618
2049	—	—	—	—	—	578	677	2,691	—	3,946	17,621
2050	—	—	—	—	—	421	493	2,419	—	3,333	17,618
2051	—	—	—	—	—	257	301	2,132	—	2,690	17,620
2052	—	—	—	—	—	87	102	1,831	—	2,020	17,620
2053	—	—	—	—	—	—	—	1,268	—	1,268	17,618
2054	—	—	—	—	—	—	—	430	—	430	17,620
Total	**$ 7,958**	**193**	**21,830**	**90**	**284**	**49,855**	**39,311**	**129,946**	**(2,950)**	**246,517**	**543,964**

May not total due to rounding.

Source: San Francisco Public Utilities Commission Official Statements.

Statistical Section

Demographic and Economic Information

City and County of San Francisco Economic and General Information

Summary of Accounts by Type of Customer

Water Accounts and Billings

Historical Water Sales in Hundred Cubic Feet

Historical Water Sales in Millions of Gallons per Day

Historical Water Sales in Millions of Gallons

Wholesale Water Customers

Accounts and Billings by Type of Customer

Historical Hetchy Water Sales

Historical Hetchy Power Electric Sales

Historical CleanPowerSF Electric Sales

City and County of San Francisco Economic and General Information

The following provides general economic and demographic information about the City and County of San Francisco (the "City").

San Francisco Area

The corporate limits of the City encompass over 93 square miles, of which approximately 49 square miles are land, with the balance consisting of tidelands and a portion of the San Francisco Bay. The City is located on a peninsula bounded by the Pacific Ocean to the west, the Bay to the east, the entrance to the Bay and the Golden Gate Bridge to the north and San Mateo County to the south.

San Francisco Economy

San Francisco economy growth is growing in a steady pace. The City benefits from a highly skilled, educated, and professional labor force. Key industries include high tech, tourism, real estate, banking and finance, retailing, apparel design and manufacturing. The City is the economic center of the nine counties contiguous to the Bay: Alameda, Contra Costa, Marin, Napa, San Francisco, San Mateo, Santa Clara, Solano, and Sonoma Counties (the "Bay Area"). The economy of the Bay Area includes a wide range of industries, supplying local needs as well as the needs of national and international markets. Major business sectors in the Bay Area include retail and entertainment, conventions and tourism, service businesses, banking, professional and financial services, corporate headquarters, international and wholesale trade, technology, multimedia and advertising, biotechnology, and higher education.

San Francisco median homes prices peaked in 2021 with over $1.8 million. The median price is estimated to remained constant at approximately $1.6 million at the end of 2024. Personal income per capita for 2024 is $167,542 and a typical home cost approximately 9 times the typical income, one of the higher home price-to-income ratio in the nation.

San Francisco Population and Income

The City had a population estimated at 804,842 as of fiscal year 2024. The table reflects the population and per capita personal income of the City, as estimated based on the U.S. Census Bureau.

CITY AND COUNTY OF SAN FRANCISCO
Population and Income - Fiscal Years 2020-2024

Fiscal Year	Population[1]	Per Capita Personal Income[2]
2020	870,518	$141,052
2021	811,935	159,834
2022	807,774	155,947
2023	808,988	162,292
2024	804,842	167,542

[1]2024 population was estimated by multiplying the estimated 2023 population by the 2021 to 2022 population growth rate. Fiscal years 2020 to 2023 data were updated from last year's ACFR with newly available data.

[2]Per capita personal income for 2024 was estimated by dividing the estimated personal income for 2023 by the reported population in 2023. Fiscal years 2020 to 2023 data were updated from last year's ACFR with newly available data. FY2024 was estimated by multiplying the latest quarterly State income by 1,000 and dividing by the estimated 2023 population.

Source: Office of the Controller, City and County of San Francisco

San Francisco Conventions and Tourism

According to the San Francisco Travel Association (the "Travel Association"), a non-profit membership organization, average hotel occupancy was 64.2%, an increase of 3.2% from 2022 and hotel rooms occupied during Moscone conventions totaled 618,298, an 82.6% increase from 2022. 2023 was a strong convention year with Dreamforce and the Asia Pacific Economic Cooperation Leaders' Submit. San Francisco International Airport served over 50 million passengers in 2023, an increase of 18.7% from 2022 and new and returning flying routes are added. It is forecast for 2024, leisure travel to continue to steady recovery and is forecast to reach 23.7 million and expected visitors spending to reach $9.45 billion.

San Francisco Employment

According to the data from California Employment Development Department, the City's unemployment rate increased by 0.3% in 2024. This increase is slightly lower than the State of California rate increase of 0.4% in 2024.

Tables below summarizes information on the civilian labor, employment, and unemployment in the City; and employment by industry from calendar years 2019 to 2023.

CITY AND COUNTY OF SAN FRANCISCO Civilian Labor Force, Employment, and Unemployment [1] June 2023 and 2024[2]					
Year	Area	Labor Force	Employment	Unemployment	Unemployment Rate
June 2024	San Francisco	550,100	530,300	19,900	3.6%
	State	19,293,300	18,265,300	1,028,000	5.3%
June 2023	San Francisco	576,700	557,900	18,800	3.3%
	State	19,308,700	18,364,000	944,700	4.9%

[1]Labor force data reflects the March 2023 benchmark.
[2]Data not seasonally adjusted.

Source: California Employment Development Department, Labor Market Information Division.

CITY AND COUNTY OF SAN FRANCISCO Estimated Average Annual Employment by Sector - Calendar Years 2019-2023[1]					
	2019	**2020**	**2021**	**2022**	**2023**
Total Farm	400	200	300	300	200
Total Nonfarm	762,500	696,300	698,700	754,200	743,500
Professional & Business Services	203,100	200,900	200,600	217,700	203,800
Leisure & Hospitality	101,800	59,100	57,000	75,600	82,000
Government	98,800	98,200	101,300	106,500	108,500
Educational & Health Services	94,100	91,500	93,900	96,500	99,600
Trade, Transportation & Utilities	84,300	73,200	70,100	70,600	66,400
Financial Activities	62,000	60,300	61,000	61,700	59,200
Information	52,500	54,600	58,200	67,500	63,900
Manufacturing & Construction	37,900	36,600	33,800	34,800	35,900
Other Services	28,400	22,100	23,100	24,300	24,400
Total All Industries	**762,900**	**696,500**	**699,000**	**755,200**	**743,700**

[1]Data reflects the March 2023 benchmark and 2022 is updated with newly available data.

Source: California Employment Development Department, Labor Market Information Division.

The table below list major employers in San Francisco County, as reported by the San Francisco Business Times.

CITY AND COUNTY OF SAN FRANCISCO Major Employers	
Employer Name	**Industry**
More than 10,000 Employees	
City and County of San Francisco	City Government
Salesforce	Customer Relationship Management Software
United Airlines	Airline Carrier
University of California, San Francisco	Health Sciences University and Medical Center
5,000 - 9,999 Employees	
San Francisco Unified School District (SFUSD)	Public Education
Sutter Health	Health Care System
Wells Fargo Bank	Financial Services
1,000 - 4,999 Employees	
Accenture	Professional Services and Technology Consulting
Adobe Inc.	Digital media and marketing
Allied Universal	Security Systems, Guarding Services
Autodesk Inc.	Security Systems, Guarding Services
Bank of America	Financial Services
Cisco Systems Inc.	Technology, Networking, Security and Digital
DoorDash Inc.	On-demand logistics platform for local commerce
First Republic Bank	Financial Services
iRhythm Technologies Inc.	Medical Technology
Kaiser Permanente	Health Care System
Lyft Inc.	Ride-Sharing Service
Uber Technologies Inc.	Ride-Sharing Service

Source: Calendar year 2022 San Francisco Business Times and City and County of San Francisco.

San Francisco Taxable Sales

The following table provides information on taxable sales for the City for calendar years 2019 through 2023. Total retail sales increased in 2023 by approximately $3.1 billion compared to 2020.

CITY AND COUNTY OF SAN FRANCISCO Taxable Sales - Calendar Years 2019-2023[1] ($ in Thousands)					
	2019	**2020**	**2021**	**2022**	**2023**
Building Material/Garden Equipment/Supplies	$ 718,692	642,104	685,895	691,182	636,795
Clothing and Clothing Accessories Stores	2,029,312	1,163,031	1,587,968	1,746,756	1,576,178
Food and Beverage Stores	861,757	746,455	722,410	768,429	794,715
Food Services and Drinking Places	5,046,263	2,081,728	2,953,373	4,266,095	4,537,493
Gasoline Stations	548,509	304,977	432,768	612,261	553,559
General Merchandise Stores	755,350	560,059	667,930	691,405	628,274
Home Furnishings and Appliance Stores	1,034,213	768,022	919,239	940,945	790,701
Motor Vehicle and Parts Dealers	601,929	593,476	625,719	575,323	590,487
Other Retail Stores[2]	2,671,219	2,690,590	2,508,494	2,633,438	2,500,262
Retails Stores Total	**$ 14,267,244**	**9,550,442**	**11,103,796**	**12,925,834**	**12,608,464**
All Other Outlets not listed above	6,689,891	4,839,281	5,503,318	6,685,572	6,493,613
Total All Outlets	**$ 20,957,135**	**14,389,723**	**16,607,114**	**19,611,406**	**19,102,077**

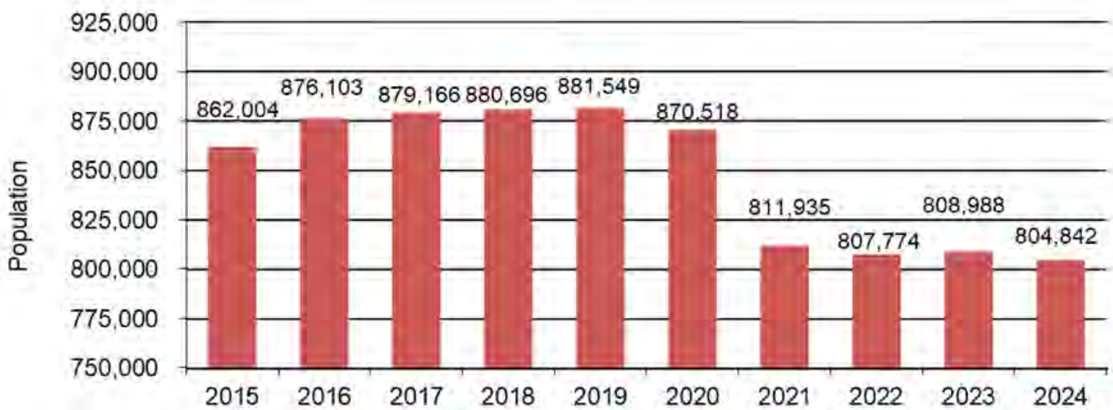
[1]Most recent annual data available and may not total due to rounding.
[2]Other Retail Stores include Health and Personal Care Stores, Sporting Goods, Hobby Book, and Music stores, Miscellaneous Store Retailers, and Non-store Retailers.

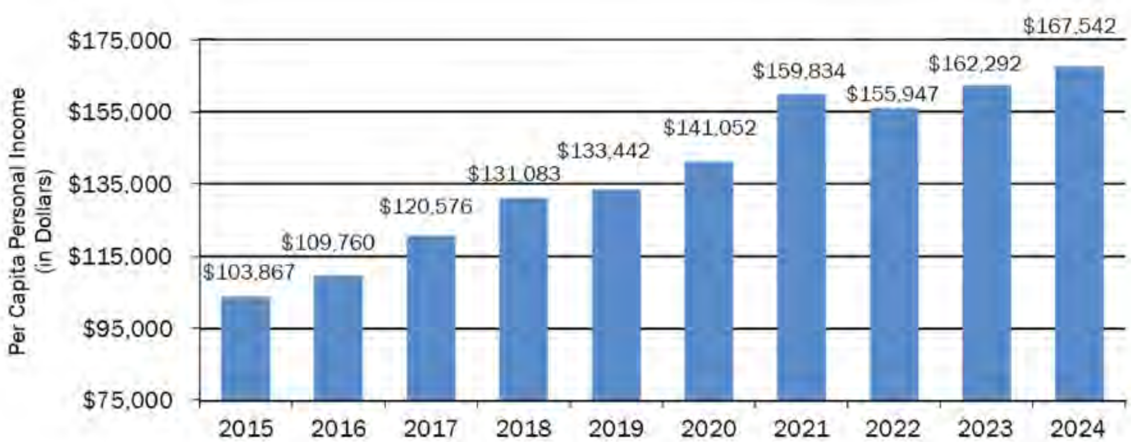
Source: California Department of Tax and Fee Administration.

Demographic and Economic Information

San Francisco Population and Income
Fiscal Years Ended 2015 to 2024

Year	Population [1]	Personal Income (In Thousands) [2]	Per Capita Personal income [3]
2015	862,004	$ 89,533,450	$ 103,867
2016	876,103	96,161,308	109,760
2017	879,166	106,006,635	120,576
2018	880,696	115,444,581	131,083
2019	881,549	117,635,944	133,442
2020	870,518	122,788,484	141,052
2021	811,935	129,774,521	159,834
2022	807,774	125,970,097	155,947
2023	808,988	131,292,367	162,292
2024	804,842 [4]	134,844,875 [5]	167,542 [6]





[1]Data from US Census Bureau. Fiscal years 2020 to 2023 were updated from last year's Annual Comprehensive Financial Report (ACFR) with newly available data.
[2]Data from US Bureau of Economic Analysis. Fiscal years 2021 to 2023 were updated from last year's ACFR with newly available data.
[3]Data from US Bureau of Economic Analysis. Fiscal years 2020 to 2023 were updated from last year's ACFR with newly available data.
[4]2024 population was calculated by multiplying the estimated 2023 population by the 2021 to 2022 population growth rate.
[5]Personal income was estimated by assuming that its percentage of state personal income in fiscal years 2023 remained at the 2022 level of 4.19 percent.
[6]Per capita personal income for 2024 was estimated by dividing the estimated personal income for 2023 by the reported population in 2023. 2024 was estimated by multiplying the latest quarterly State income by 1,000 and dividing by the estimated 2023 population.
Source: Office of the Controller, City and County of San Francisco.

Demographic & Economic Information

San Francisco City and County Principal Employers

Employer	2022[1] Employees	2022[1] Rank	2022[1] Percentage of Total City Employment	2013[2] Employees	2013[2] Rank	2013[2] Percentage of Total City Employment
City and County of San Francisco	35,643	1	6.6 %	25,458	1	4.2 %
University of California, San Francisco	29,475	2	5.4	20,100	2	3.3
Salesforce	11,953	3	2.2	—	—	—
United Airlines	10,000	4	2.1	—	—	—
San Francisco Unified School District	8,842	5	1.6	8,189	4	1.3
Sutter Health	6,134	6	1.1	—	—	—
Wells Fargo Bank	5,886	7	1.1	8,200	3	1.3
Kaiser Permanente	4,676	8	0.9	3,492	10	0.6
Allied Universal	3,827	9	0.7	—	—	—
Uber Technologies Inc.	3,413	10	0.6	—	—	—
California Pacific Medical Center	—	—	—	5,934	6	1.0
Gap, Inc.	—	—	—	6,000	5	1.0
Pacific Gas & Electric Corporation	—	—	—	4,394	7	0.7
San Francisco State University	—	—	—	3,707	9	0.6
State of California	—	—	—	4,108	8	0.7
Total	**119,849**		**22.3 %**	**89,582**		**14.7 %**
Total City Employment[3]			**538,142**			**608,600**

[1]Calendar year 2023 data is not available, so the latest data is from calendar year 2022. City and County of San Francisco data provided by Office of Controller's Payroll and Personnel Services Division. The San Francisco Unified School District data is from the "Facts At A Glance 2022-2023" within the SFUSD Website. All other data is obtained from the San Francisco Business Times Book of Lists.

[2]Percentages have been restated based on updated employment information, and as a result, may differ from amounts reported in the fiscal year 2014 Annual Comprehensive Financial Report from the City and County of San Francisco.

[3]Data is from State of California Employee Development Department.

Source: Office of the Controller, City and County of San Francisco.

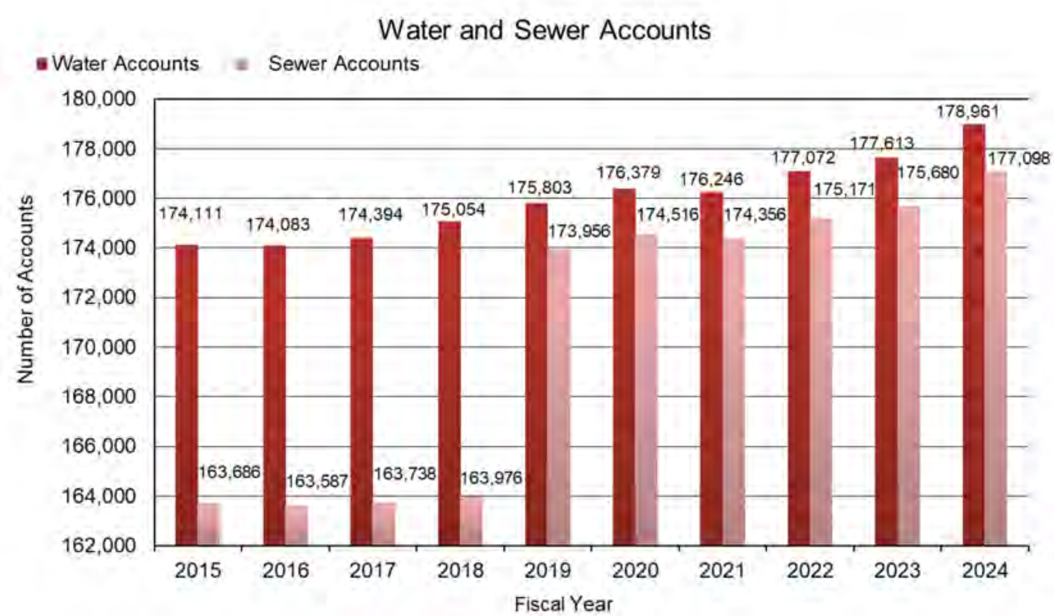
Demographic & Economic Information

Summary of Water and Sewer Accounts by Type of Customer
Fiscal Years Ended 2015 to 2024

	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Water Account Types										
Retail - San Francisco										
Multi-Family Residential	41,279	41,369	41,594	42,101	42,482	42,849	43,360	43,693	44,020	44,280
Single-Family Residential	110,140	110,050	110,118	110,153	110,413	110,584	110,113	110,485	110,659	111,445
Commercial	20,384	20,320	20,344	20,429	20,512	20,509	20,306	20,399	20,423	20,690
Industrial	81	81	80	80	81	77	75	72	69	71
Municipal	1,849	1,885	1,882	1,915	1,939	1,985	2,019	2,049	2,067	2,100
Subtotal	**173,733**	**173,705**	**174,018**	**174,678**	**175,427**	**176,004**	**175,873**	**176,698**	**177,238**	**178,586**
Retail - Other										
Commercial	85	85	83	86	87	87	86	87	86	87
Municipal	1	1	1	1	1	1	1	1	1	1
Other	3	3	3	3	2	2	2	2	2	2
Residential	211	211	211	208	208	207	206	206	208	207
Subtotal	**300**	**300**	**298**	**298**	**298**	**297**	**295**	**296**	**297**	**297**
Wholesale										
Private utilities	22	22	22	22	22	22	22	22	22	22
Public utilities	56	56	56	56	56	56	56	56	56	56
Subtotal	**78**	**78**	**78**	**78**	**78**	**78**	**78**	**78**	**78**	**78**
Total water accounts	**174,111**	**174,083**	**174,394**	**175,054**	**175,803**	**176,379**	**176,246**	**177,072**	**177,613**	**178,961**
Sewer Account Types										
Retail & Resale*										
Multi-Family Residential	36,313	36,293	36,323	36,326	36,387	36,467	36,528	36,595	36,603	36,660
Single-Family Residential	111,173	111,137	111,268	111,385	111,681	111,869	111,398	111,786	111,995	112,795
Commercial[2]	15,460	15,411	15,388	15,494	24,465	24,721	24,941	25,278	25,564	26,002
Municipal[2]	731	738	751	763	1,109	1,150	1,182	1,208	1,218	1,233
Suburban (Watershed Keepers)	9	8	8	8	8	7	7	7	6	4
Unmetered Properties[1]	No data prior to fiscal year 2019					302	300	297	294	404
Total sewer accounts	**163,686**	**163,587**	**163,738**	**163,976**	**173,956**	**174,516**	**174,356**	**175,171**	**175,680**	**177,098**

[1]Beginning in fiscal year 2019, Unmetered Properties accounts are included.
[2]Large increase in commercial sewer accounts in fiscal year 2019 is due to new requirements that all water accounts for fire-fighting purposes have a corresponding sewer account. Fiscal year 2019 sewer accounts were updated between Commercial and Municipal.
*Increase in residential and commercial accounts in fiscal year 2024, mainly due to additional stormwater accounts.

Source: San Francisco Public Utilities Commission Customer Care and Billing System and Rate Schedules.



Demographic & Economic Information

Summary of Hetchy Water, Hetchy Power and CleanPowerSF Accounts by Type of Customer
Fiscal Years Ended 2015 to 2024

Hetchy Water Accounts	**2015**	**2016**	**2017**	**2018**	**2019**	**2020**	**2021**	**2022**	**2023**	**2024**
Upcountry Water Sales	7	6	5	5	5	5	5	5	5	5

Source: San Francisco Public Utilities Commission Customer Care and Billing System.

Hetchy Power Electric Meters	**2015**	**2016**	**2017**	**2018**	**2019**	**2020**	**2021**	**2022**	**2023**	**2024**
City Agencies	1,480	1,494	1,491	1,511	1,499	1,512	1,489	1,522	1,546	1,564
Non-City Agencies*	783	1,090	1,536	1,996	2,209	2,526	3,858	3,551	4,654	5,439
Moccasin/City of Riverbank	40	41	39	38	37	37	36	35	36	38
Modesto/Turlock Irrigation Districts	2	2	2	2	2	2	2	2	2	2
Total accounts**	**2,305**	**2,627**	**3,068**	**3,547**	**3,747**	**4,077**	**5,385**	**5,110**	**6,238**	**7,043**
Gas and Steam Meters										
Nature Gas	352	359	351	355	352	352	352	355	356	356
Steam	12	12	12	12	12	12	12	12	12	10
Total accounts	**364**	**371**	**363**	**367**	**364**	**364**	**364**	**367**	**368**	**366**

*Non-City Agencies include electric retail and municipal customers such as Moscone tenants, Exploratorium, and Yerba Buena Gardens. Increases from fiscal years 2016 to 2021 are new accounts in various Redevelopment Projects and the Distributed Antenna System.

**The decrease in accounts from fiscal years 2021 to 2022 is due to corrections to the customer type during the new billing system transition. New accounts from affordable housing units contributed to the increase from fiscal years 2022 to 2024.

Source: San Francisco Public Utilities Commission Power Enterprise Customer To Meter Billing System. Fiscal year 2020 and prior was from Utility Star Billing System.

CleanPowerSF Account	**2015**	**2016**	**2017**	**2018**	**2019**	**2020**	**2021**	**2022***	**2023**	**2024**
Residential	Data not available - CleanPowerSF launched in May 2016.	364	69,492	74,160	343,807 ^	351,219 ^	352,835	356,443	365,800	354,294
Commercial										
Small Commercial Service		6,256	6,169	6,422	27,750	27,368	27,044	26,569	26,961	26,099
Medium Commercial Service		541	504	688	2,428	2,381	2,272	2,124	2,050	1,845
Large Commercial Service		299	314	336	1,812	1,887	1,859	1,819	2,016	2,080
Agricultural		—	3	7	25	25	25	27	22	35
Street and Outdoor Lighting		—	—	—	306	299	297	297	305	311
Commercial Subtotal		7,096	6,990	7,453	32,321	31,960	31,497	30,836	31,354	30,370
Total accounts		**7,460**	**76,482**	**81,613**	**376,128**	**383,179**	**384,332**	**387,279**	**397,154**	**384,664**

^Increase is from completion of citywide enrollment.
*Fiscal year 2022 data was as of November 2022.

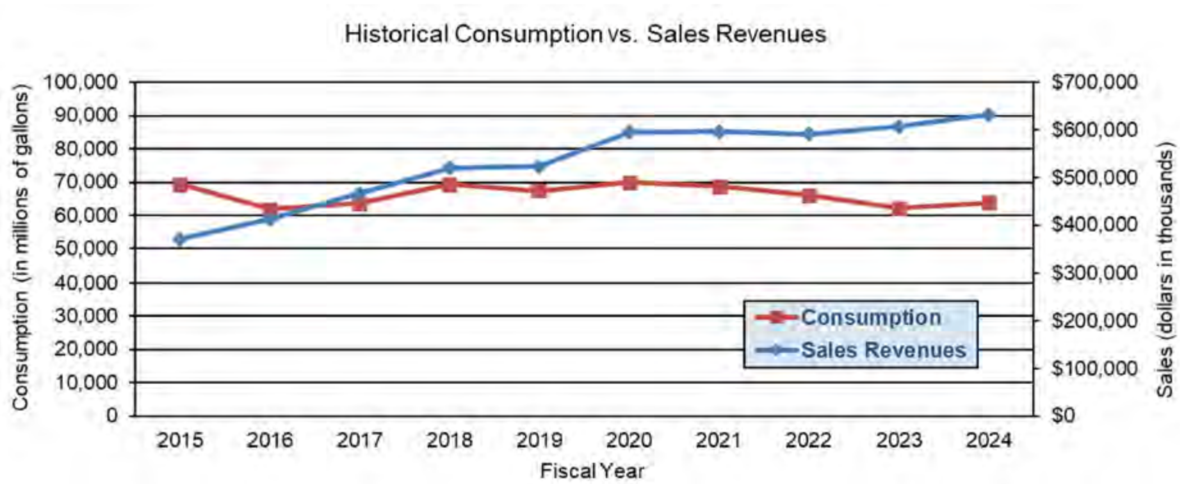
Source: Calpine's customer snapshot reports.

Demographic & Economic Information
Water Accounts and Billings
Fiscal Years Ended 2015 to 2024
(Dollars in Thousands)

Fiscal Year	Number of Consumer Accounts	Water Consumed (CCF)*	Water Consumed (MG)**	Service Charges Billed ($)	Water Charges Billed ($)	Total Amount Billed ($)
2015	174,111	92,624,944	69,285	33,561	336,182	369,743
2016	174,083	82,783,466	61,922	37,125	375,020	412,145
2017	176,379	85,169,254	63,706	40,650	425,629	466,279
2018	175,054	92,689,320	69,331	43,748	476,385	520,133
2019	175,803	89,997,393	67,319	44,104	478,448	522,552
2020	176,379	93,495,127	69,934	47,310	548,199	595,509
2021	176,246	91,994,566	68,812	50,391	545,521	595,912
2022	177,072	88,243,491	66,006	53,820	537,588	591,408
2023 ^	177,613	82,862,373	61,982	54,062	553,100	607,162
2024	178,961	85,367,087	63,853	55,140	576,389	631,529

*Hundred cubic feet = 748 gallons
**Millions of gallons
'^Due to various billing cycles, fiscal year 2023 sales for wholesale customers were updated to reflect their accurate consumption.

Source: Summary of Annual Water Sales reports, San Francisco Public Utilities Commission Customer Care and Billing System.



Demographic & Economic Information

Historical Water Sales in Hundred Cubic Feet

Fiscal Years Ended 2015 to 2024

	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2024 % of Total
Retail Customers											
Multi-Family Residential	10,923,723	10,511,291	10,730,224	11,088,325	11,001,321	11,377,523	11,091,058	10,652,590	10,623,605	10,608,337	12.4%
Single-Family Residential	7,056,525	6,674,624	6,765,508	6,954,084	6,766,191	7,051,008	7,101,350	6,413,178	6,085,256	5,989,644	7.0%
Commercial [1]	8,881,095	8,486,990	8,286,580	8,539,377	8,145,347	7,391,713	5,152,409	5,761,374	6,065,939	5,982,433	7.0%
Industrial	100,995	94,178	92,846	86,555	84,142	73,296	43,251	47,821	46,458	40,247	0.0%
Municipal [3,4,6]	1,351,523	1,252,031	1,519,354	1,582,906	1,592,205	1,652,984	1,387,438	1,388,349	1,224,514	1,337,141	1.6%
Suburban Retail [3]	1,860,949	1,556,586	1,397,568	1,524,511	1,426,850	1,474,800	1,368,225	1,329,569	1,337,597	1,414,370	1.7%
Retail water sales	**30,174,810**	**28,575,700**	**28,792,080**	**29,775,758**	**29,016,056**	**29,021,324**	**26,143,731**	**25,592,881**	**25,383,369**	**25,372,172**	**29.7%**
Wholesale Customers											
California Water Service [2]	14,177,253	11,442,469	11,853,307	13,437,872	12,823,623	14,158,729	14,422,994	14,163,074	12,855,814	12,658,135	14.9%
Hayward Municipal Water[5]	6,634,616	5,979,616	6,281,522	7,101,954	6,821,848	6,929,989	7,098,350	6,854,523	6,301,398	6,430,378	7.5%
Alameda County Water District[5]	3,885,891	2,924,129	3,039,722	3,875,669	3,745,166	3,788,287	4,638,801	4,575,609	4,721,709	4,865,627	5.7%
City of Sunnyvale	3,801,695	3,816,230	3,966,024	4,615,487	4,281,432	4,602,280	4,745,166	4,336,157	3,948,671	4,646,165	5.4%
City of Palo Alto	4,671,433	4,006,084	4,382,560	4,859,576	4,600,987	4,757,199	4,785,384	4,709,184	4,210,399	4,366,041	5.1%
City of Redwood City	3,909,265	3,484,888	3,764,419	4,109,993	3,945,340	4,269,768	4,180,327	3,862,674	3,521,880	3,748,266	4.4%
City of Mountain View	3,715,499	3,285,167	3,374,726	3,679,915	3,551,507	3,706,595	3,857,685	3,600,525	3,288,144	3,600,443	4.2%
City of Milpitas	2,556,289	2,199,649	2,361,244	2,544,956	2,504,392	2,956,102	2,618,214	2,332,408	2,193,250	2,590,051	3.0%
City of San Jose	2,189,406	1,990,436	2,017,559	2,198,147	2,104,452	2,065,632	2,052,823	1,975,039	1,850,941	1,909,985	2.2%
Estero Municipal Improvement District	1,942,828	1,755,953	1,869,684	2,064,667	1,966,799	2,115,607	2,101,149	1,887,409	1,715,469	1,820,120	2.1%
All Other Wholesale Customers [2,5]	14,965,959	13,323,145	13,466,407	14,425,326	14,635,791	15,123,615	15,349,943	14,354,008	12,871,329	13,359,704	15.8%
Wholesale water sales	**62,450,134**	**54,207,766**	**56,377,174**	**62,913,562**	**60,981,337**	**64,473,803**	**65,850,836**	**62,650,610**	**57,479,004**	**59,994,915**	**70.3%**
Total water sales	**92,624,944**	**82,783,466**	**85,169,254**	**92,689,320**	**89,997,393**	**93,495,127**	**91,994,567**	**88,243,491**	**82,862,373**	**85,367,087**	**100.0%**
% Change from prior year	**1.0%**	**-10.6%**	**2.9%**	**8.8%**	**-2.9%**	**3.9%**	**-1.6%**	**-4.1%**	**-6.1%**	**3.0%**	
Number of accounts	**174,111**	**174,083**	**174,394**	**175,054**	**175,803**	**176,379**	**176,246**	**177,072**	**177,613**	**178,961**	
Retail	174,033	174,005	174,316	174,976	175,725	176,301	176,168	176,994	177,535	178,883	
Wholesale	78	78	78	78	78	78	78	78	78	78	

[1]Includes Docks and Ships under Commercial.

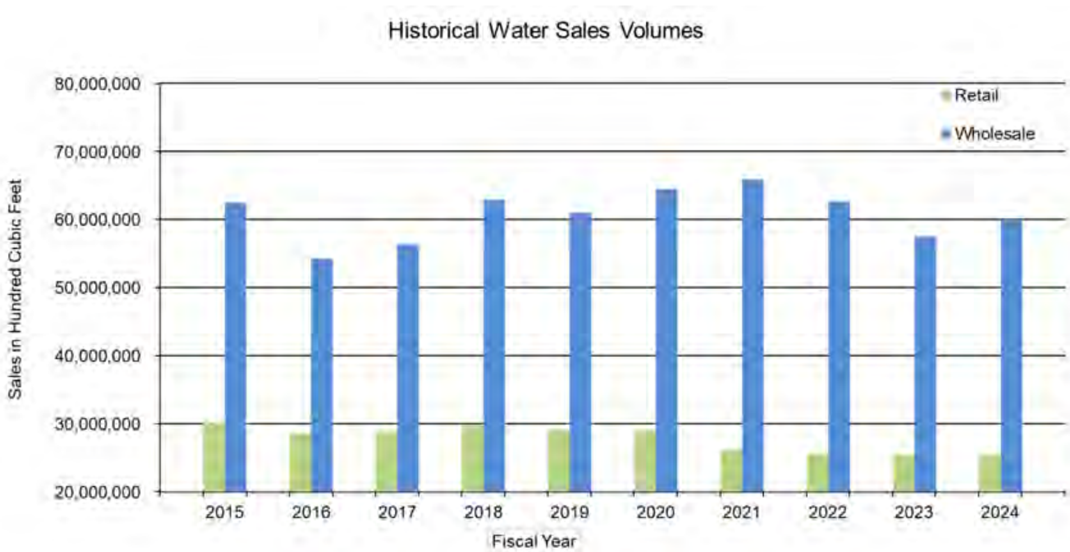
[2]From fiscal year 2016 onward, California Water Service Company, Daly City, and San Bruno are participating in the conjunctive use groundwater program. These customers receive a bill credit for regional water system usage in-lieu of groundwater pumping. Totals reported in this table exclude water credited under the conjunctive use program.

[3]Master-metered Treasure Island water sales were included under Commercial from fiscal years 2011 to 2012 and under Suburban Retail from fiscal years 2013 to 2016. Beginning in fiscal year 2017, they have been classified under Municipal. Current Treasure Island usage represents purchases by the Treasure Island Development Authority and various commercial, residential, and governmental leases. As new development is completed on Treasure Island, customers will open individual accounts under the appropriate commercial or residential line items, and the master- metered amount will be reduced accordingly.

[4]Beginning in fiscal year 2017, recycled water sales to Harding Park are included under Municipal.

[5]Due to various billing cycles, fiscal year 2023 sales for wholesale customers were updated to reflect their accurate consumption.

Source: Rate Schedules, Summary of Annual Water Sales reports, San Francisco Public Utilities Commission Customer Care and Billing System.



Demographic & Economic Information

Historical Water Sales in Millions of Gallons per Day
Fiscal Years Ended 2015 to 2024

	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2024 % of Total
Retail Customers											
Multi-Family Residential	22.4	21.5	22.0	22.7	22.5	23.3	22.7	21.9	21.8	21.7	12.4%
Single-Family Residential	14.5	13.6	13.9	14.3	13.9	14.4	14.6	13.1	12.5	12.2	7.0%
Commercial [1]	18.2	17.3	17.0	17.5	16.7	15.1	10.6	11.8	12.4	12.2	7.0%
Industrial	0.2	0.2	0.2	0.2	0.2	0.2	0.1	0.1	0.1	0.1	0.0%
Municipal [3,4,6]	2.8	2.6	3.1	3.2	3.3	3.4	2.8	2.8	2.5	2.7	1.6%
Suburban Retail [3]	3.8	3.2	2.9	3.1	2.9	3.0	2.8	2.7	2.7	2.9	1.7%
Retail water sales	**61.9**	**58.4**	**59.1**	**61.0**	**59.5**	**59.4**	**53.6**	**52.4**	**52.0**	**51.8**	**29.7%**
Wholesale Customers*											
California Water Service [2]	29.1	23.4	24.3	27.5	26.3	29.0	29.6	29.0	26.4	25.9	14.9%
Hayward Municipal Water[5]	13.6	12.2	12.9	14.6	14.0	14.2	14.5	14.0	12.9	13.1	7.5%
Alameda County Water District[5]	8.0	6.0	6.2	7.9	7.7	7.7	9.5	9.4	9.7	9.9	5.7%
City of Sunnyvale	7.8	7.8	8.1	9.5	8.8	9.4	9.7	8.9	8.1	9.5	5.4%
City of Palo Alto	9.6	8.2	9.0	10.0	9.4	9.7	9.8	9.6	8.6	8.9	5.1%
City of Redwood City	8.0	7.1	7.7	8.4	8.1	8.8	8.6	7.9	7.2	7.7	4.4%
City of Mountain View	7.6	6.7	6.9	7.5	7.3	7.6	7.9	7.4	6.7	7.4	4.2%
City of Milpitas	5.2	4.5	4.8	5.2	5.1	6.1	5.4	4.8	4.5	5.3	3.0%
City of San Jose	4.5	4.1	4.1	4.5	4.3	4.2	4.2	4.1	3.8	3.9	2.2%
Estero Municipal Improvement District	4.0	3.6	3.8	4.2	4.0	4.3	4.3	3.9	3.5	3.7	2.1%
All Other Wholesale Customers [2,5]	30.7	27.3	27.6	29.6	30.0	31.0	31.5	29.5	26.4	27.3	15.8%
Wholesale water sales	**128.1**	**110.9**	**115.4**	**128.9**	**125.0**	**132.0**	**135.0**	**128.5**	**117.8**	**122.6**	**70.3%**
Total water sales	**190.0**	**169.3**	**174.5**	**189.9**	**184.5**	**191.4**	**188.6**	**180.9**	**169.8**	**174.4**	**100.0%**
% Change from prior year	**1.0%**	**-10.6%**	**2.9%**	**8.8%**	**-2.9%**	**3.9%**	**-1.6%**	**-4.1%**	**-6.1%**	**3.0%**	
Number of accounts	**174,111**	**174,083**	**174,394**	**175,054**	**175,803**	**176,379**	**176,246**	**177,072**	**177,613**	**178,961**	
Retail	174,033	174,005	174,316	174,976	175,725	176,301	176,168	176,994	177,535	178,883	
Wholesale	78	78	78	78	78	78	78	78	78	78	

[1]Includes Docks and Ships under Commercial.

[2]From fiscal year 2016 onward, California Water Service Company, Daly City, and San Bruno are participating in the conjunctive use groundwater program. These customers receive a bill credit for regional water system usage in-lieu of groundwater pumping. Totals reported in this table exclude water credited under the conjunctive use program.

[3]Master-metered Treasure Island water sales were included under Commercial from fiscal years 2011 to 2012 and under Suburban Retail from fiscal years 2013 to 2016. Beginning in fiscal year 2017, they have been classified under Municipal. Current Treasure Island usage represents purchases by the Treasure Island Development Authority and various commercial, residential, and governmental leases. As new development is completed on Treasure Island, customers will open individual accounts under the appropriate commercial or residential line items, and the master- metered amount will be reduced accordingly.

[4]Beginning in fiscal year 2017, recycled water sales to Harding Park are included under Municipal.

[5]Due to various billing cycles, fiscal year 2023 sales for wholesale customers were updated to reflect their accurate consumption.

Source: Rate Schedules, Summary of Annual Water Sales reports, San Francisco Public Utilities Commission Customer Care and Billing System.

Demographic & Economic Information

Historical Water Sales in Millions of Gallons

Fiscal Years Ended 2015 to 2024

	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2024 % of Total
Retail Customers											
Multi-Family Residential	8,171	7,862	8,026	8,294	8,229	8,510	8,296	7,968	7,946	7,935	12.4%
Single-Family Residential	5,278	4,993	5,061	5,202	5,061	5,274	5,312	4,797	4,552	4,480	7.0%
Commercial [1]	6,643	6,348	6,198	6,387	6,093	5,529	3,854	4,310	4,537	4,475	7.0%
Industrial	76	70	69	65	63	55	32	36	35	30	0.0%
Municipal [3,4,6]	1,011	937	1,136	1,184	1,191	1,236	1,038	1,038	916	1,000	1.6%
Suburban Retail [3]	1,392	1,164	1,045	1,140	1,067	1,103	1,023	995	1,001	1,058	1.7%
Retail water sales	**22,571**	**21,374**	**21,535**	**22,272**	**21,704**	**21,707**	**19,555**	**19,144**	**18,987**	**18,978**	**29.7%**
Wholesale Customers*											
California Water Service [2]	10,605	8,559	8,866	10,052	9,592	10,591	10,788	10,594	9,616	9,468	14.9%
Hayward Municipal Water[5]	4,963	4,473	4,699	5,312	5,103	5,184	5,310	5,127	4,713	4,810	7.5%
Alameda County Water District[5]	2,907	2,187	2,274	2,899	2,801	2,834	3,470	3,423	3,532	3,639	5.7%
City of Sunnyvale	2,844	2,855	2,967	3,452	3,203	3,443	3,549	3,243	2,954	3,475	5.4%
City of Palo Alto	3,494	2,997	3,278	3,635	3,442	3,558	3,579	3,522	3,149	3,266	5.1%
City of Redwood City	2,924	2,607	2,816	3,074	2,951	3,194	3,127	2,889	2,634	2,804	4.4%
City of Mountain View	2,779	2,457	2,524	2,753	2,657	2,773	2,886	2,693	2,460	2,693	4.2%
City of Milpitas	1,912	1,645	1,766	1,904	1,873	2,211	1,958	1,745	1,641	1,937	3.0%
City of San Jose	1,638	1,489	1,509	1,644	1,574	1,545	1,536	1,477	1,385	1,429	2.2%
Estero Municipal Improvement District	1,453	1,313	1,399	1,544	1,471	1,582	1,572	1,412	1,283	1,361	2.1%
All Other Wholesale Customers [2,5]	11,195	9,966	10,073	10,790	10,948	11,312	11,482	10,737	9,628	9,993	15.8%
Wholesale water sales	**46,714**	**40,548**	**42,171**	**47,059**	**45,615**	**48,227**	**49,257**	**46,862**	**42,995**	**44,875**	**70.3%**
Total water sales	**69,285**	**61,922**	**63,706**	**69,331**	**67,319**	**69,934**	**68,812**	**66,006**	**61,982**	**63,853**	**100.0%**
% Change from prior year	**1.0%**	**-10.6%**	**2.9%**	**8.8%**	**-2.9%**	**3.9%**	**-1.6%**	**-4.1%**	**-6.1%**	**3.0%**	
Number of accounts	**174,111**	**174,083**	**176,379**	**175,054**	**175,803**	**176,379**	**176,246**	**177,072**	**177,613**	**178,961**	
Retail	174,033	174,005	176,301	174,976	175,725	176,301	176,168	176,994	177,535	178,883	
Wholesale	78	78	78	78	78	78	78	78	78	78	

[1]Includes Docks and Ships under Commercial.

[2]From fiscal year 2016 onward, California Water Service Company, Daly City, and San Bruno are participating in the conjunctive use groundwater program. These customers receive a bill credit for regional water system usage in-lieu of groundwater pumping. Totals reported in this table exclude water credited under the conjunctive use program.

[3]Master-metered Treasure Island water sales were included under Commercial from fiscal years 2011 to 2012 and under Suburban Retail from fiscal years 2013 to 2016. Beginning in fiscal year 2017, they have been classified under Municipal. Current Treasure Island usage represents purchases by the Treasure Island Development Authority and various commercial, residential, and governmental leases. As new development is completed on Treasure Island, customers will open individual accounts under the appropriate commercial or residential line items, and the master-metered amount will be reduced accordingly.

[4]Beginning in fiscal year 2017, recycled water sales to Harding Park are included under Municipal.

[5]Due to various billing cycles, fiscal year 2023 sales for wholesale customers were updated to reflect their accurate consumption.

Source: Rate Schedules, Summary of Annual Water Sales reports, San Francisco Public Utilities Commission Customer Care and Billing System.

Wholesale Water Customers
Map of Bay Area Water Supply and Conservation Agency (BAWSCA) Members

1. Alameda County Water District
2. City of Brisbane
3. City of Burlingame
4a. California Water Service Company - Bear Gulch
4b. California Water Service Company - Mid-Peninsula
4c. California Water Service Company - South San Francisco
5. Coastside County Water District
6. City of Daly City
7. City of East Palo Alto
8. Estero Municipal Improvement District
9. Guadalupe Valley Municipal Improvement District
10. City of Hayward
11. Town of Hillsborough
12. City of Menlo Park
13. Mid-Peninsula Water District
14. City of Millbrae
15. City of Milpitas
16. City of Mountain View
17. North Coast County Water District
18. City of Palo Alto
19. Purissima Hills Water District
20. City of Redwood City
21. City of San Bruno
22. City of San Jose
23. City of Santa Clara
24. Stanford University
25. City of Sunnyvale
26. Westborough Water District

*Cordilleras Mutual Water is a SFPUC Wholesale Customer but not a member of BAWSCA.
Source: Bay Area Water Supply and Conservation Agency (BAWSCA), San Mateo County General Plan.

Demographic & Economic Information

Water Accounts & Billings by Type of Customer
Fiscal Years Ended 2015 to 2024
(Dollars in Thousands)

Customer Type		2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Multiple-Family Residential											
Number of accounts		41,279	41,369	41,594	42,101	42,482	42,849	43,360	43,693	44,020	44,280
Billings	$	68,517	74,055	83,180	91,994	97,879	109,461	115,888	121,922	125,529	125,973
Single-Family Residential											
Number of accounts		110,140	110,050	110,118	110,153	110,413	110,584	110,113	110,485	110,659	111,445
Billings	$	50,670	54,209	60,424	66,304	69,840	78,329	85,094	84,328	83,030	84,394
Commercial[1]											
Number of accounts		20,384	20,320	20,344	20,429	20,512	20,509	20,306	20,399	20,423	20,690
Billings	$	58,416	63,080	67,748	74,720	76,950	76,586	59,883	71,480	76,805	75,775
Industrial											
Number of accounts		81	81	80	80	81	77	75	72	69	71
Billings	$	644	677	736	738	796	765	528	612	614	546
Municipal[2]											
Number of accounts		1,849	1,885	1,882	1,916	1,939	1,985	2,019	2,049	2,067	2,100
Billings	$	8,719	9,274	11,999	13,147	14,253	15,901	14,541	16,224	15,279	16,982
Suburban Retail											
Number of accounts		300	300	298	297	298	297	295	296	297	297
Billings	$	8,122	7,845	8,836	10,466	10,313	11,127	11,113	11,668	12,693	13,728
Wholesale[4]											
Number of accounts		78	78	78	78	78	78	78	78	78	78
Billings	$	174,655	203,005	233,356	262,764	252,521	303,340	308,865	285,174	270,653	314,131
Total											
Number of accounts		174,111	174,083	174,394	175,054	175,803	176,379	176,246	177,072	177,613	178,961
Billings	$	369,743	412,145	466,279	520,133	522,552	595,509	595,912	591,408	607,162	631,529
Percentage of Revenue											
Residential		32.2%	31.1%	30.8%	30.4%	32.1%	31.5%	33.7%	34.9%	34.3%	33.3%
Non-residential [3]		20.5%	19.6%	19.2%	19.0%	19.6%	17.5%	14.4%	16.9%	17.4%	16.9%
Wholesale		47.3%	49.3%	50.0%	50.6%	48.3%	51.0%	51.9%	48.2%	48.3%	49.8%
Total Percentage of Revenue		100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%

[1]Includes Docks and Ships and Builders and Contractors under Commercial.
[2]Beginning in fiscal year 2017, Treasure Island and Harding Park recycled water revenues are included in Municipal.
[3]All Suburban Retail usage is included in the Non-Residential line item for purposes of calculating the percentage of revenue from each customer type. However, Suburban Retail usage includes some residential usage.
[4]Due to various billing cycles, fiscal year 2023 sales for wholesale customers were updated to reflect their accurate billings.

Source: San Francisco Public Utilities Commission Customer Care and Billing System.

Demographic & Economic Information

Wastewater Accounts, Billings & Discharge by Type of Customer
Fiscal Years Ended 2015 to 2024
(Dollars in Thousands)

Customer Type	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Multiple-Family Residential										
Number of accounts	36,313	36,293	36,323	36,326	36,387	36,467	36,528	36,595	36,603	36,660
Hundred cubic feet	10,199,389	9,854,965	9,996,526	10,282,601	10,222,770	10,536,087	10,262,890	9,909,343	9,919,161	9,870,025
Millions of gallons per day	20.9	20.1	20.2	21.1	20.9	21.5	21.0	20.3	20.3	20.2
Billings	$ 100,178	101,730	110,829	126,789	133,454	146,548	153,611	161,553	167,375	170,687
Single-Family Residential										
Number of accounts	111,173	111,137	111,268	111,385	111,681	111,869	111,398	111,786	111,995	112,795
Hundred cubic feet	6,296,323	5,993,115	6,058,304	6,228,159	6,067,155	6,324,480	6,369,781	5,753,733	5,469,845	5,394,310
Millions of gallons per day	12.9	12.2	12.3	12.8	12.4	13.0	13.1	11.8	11.2	11.0
Billings	$ 61,048	61,177	66,661	76,534	79,971	89,688	95,297	96,687	96,545	99,207
Commercial [2]										
Number of accounts	15,460	15,411	15,388	15,494	24,465	24,721	24,941	25,278	25,564	26,002
Hundred cubic feet	7,594,556	7,366,932	7,171,298	7,230,465	6,978,016	6,246,081	4,154,011	4,818,146	5,131,013	5,100,817
Millions of gallons per day	15.6	15.1	15.1	14.8	14.3	12.8	8.5	9.9	10.5	10.4
Billings	$ 76,042	77,387	80,968	89,803	91,069	86,650 ^	61,071	78,207	86,205	89,669
Municipal [1, 2]										
Number of accounts	731	738	751	763	1,109	1,150	1,182	1,208	1,218	1,233
Hundred cubic feet	570,386	588,044	578,015	589,621	585,833	545,917	420,610	476,957	465,494	520,411
Millions of gallons per day	1.2	1.2	1.2	1.2	1.2	1.1	0.9	1.0	1.0	1.1
Billings	$ 5,534	5,965	7,586	7,163	9,002	8,885	7,605	8,829	9,197	10,825
Suburban Retail (Watershed Keepers)										
Number of accounts	9	8	8	8	8	7	7	7	6	4
Hundred cubic feet	259	200	221	321	217	216	203	62	150	200
Millions of gallons per day	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Billings	$ 2	2	2	4	3	3	3	2	3	4
Unmetered Properties*										
Number of accounts	No data prior to fiscal year 2019				306	302	302	297	294	404
Hundred cubic feet					N/A	N/A	N/A	N/A	N/A	N/A
Millions of gallons per day					N/A	N/A	N/A	N/A	N/A	N/A
Billings	$				82	112	117	118	110	78
Total										
Number of accounts	163,686	163,587	163,738	163,976	173,956	174,516	174,358	175,171	175,680	177,098
Hundred cubic feet	24,660,912	23,803,256	23,804,362	24,331,167	23,853,991	23,652,781	21,207,495	20,958,241	20,985,663	20,885,763
Millions of gallons per day	50.5	48.6	48.8	49.9	48.8	48.4	43.5	43.0	43.0	42.7
Billings	$ 242,804	246,261	266,046	300,293	313,581	331,886	317,704	345,396	359,435	370,470
Percentage of Revenue										
Residential	66.4%	66.2%	66.7%	67.7%	68.1%	71.2%	78.3%	74.8%	73.4%	72.9%
Non-residential	33.6%	33.8%	33.3%	32.3%	31.9%	28.8%	21.7%	25.2%	26.6%	27.1%
Total Percentage of Revenue	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%

[1]Beginning in fiscal year 2017, Treasure Island revenues are included under Municipal.
[2]Large increase in commercial sewer accounts in fiscal year 2019 is due to new requirements that all water accounts for fire-fighting purposes have a corresponding sewer account. Fiscal year 2019 sewer accounts were updated between Commercial and Municipal.
*Beginning in fiscal year 2019, Unmetered Properties accounts are included.
^Billing amount has been updated.

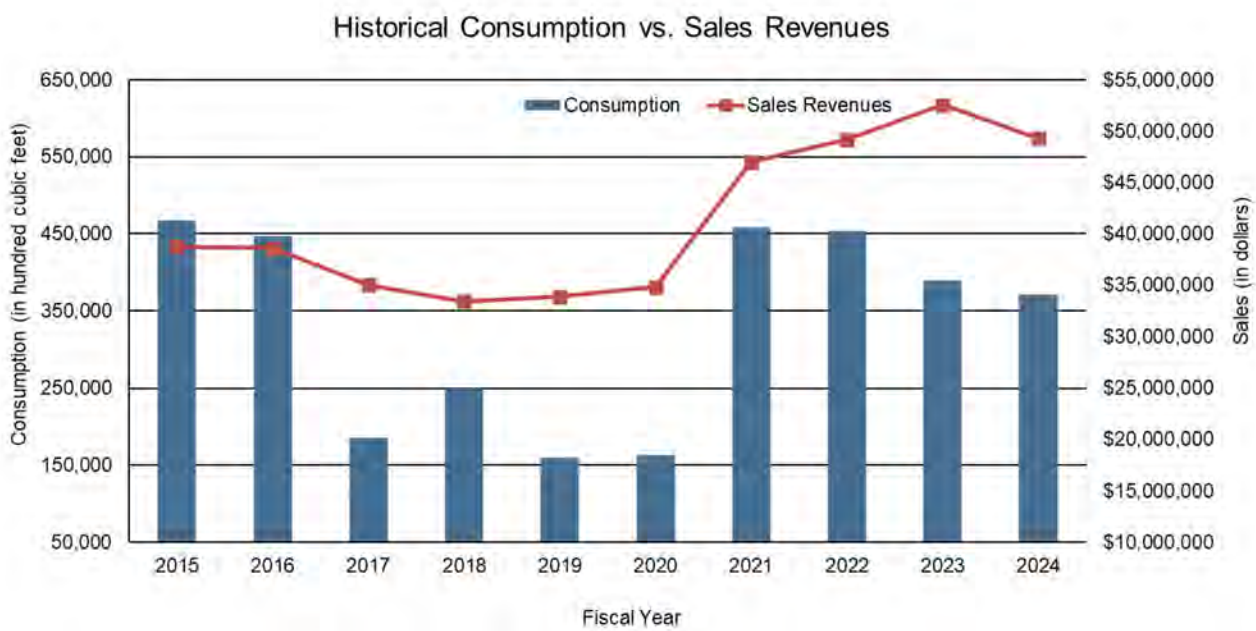
Source: San Francisco Public Utilities Commission Customer Care and Billing System.

Demographic & Economic Information
Historical Hetchy Water Sales
Fiscal Years Ended 2015 to 2024

	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Sales*										
Groveland Community Services District	$ 121,840	163,525	168,757	168,377	147,448	160,626	188,208	155,032	139,593	113,887
Lawrence Livermore	1,787,240	1,836,447	211,771	630,097	132,893	36,863	2,627,028	3,214,043	2,776,239	2,935,237
State of California	8,960	9,429	11,430	13,625	13,392	13,139	11,135	12,422	13,948	9,340
Other Residential Customers	13,391	14,368	15,680	14,726	7,943	1,425	3,469	3,979	3,889	5,803
Water Assessment	36,800,000	36,600,000	34,600,000	32,600,000	33,578,000	34,585,000	44,149,000	45,815,000	49,636,000	46,266,000
Total sales	**$ 38,731,431**	**38,623,769**	**35,007,638**	**33,426,825**	**33,879,676**	**34,797,053**	**46,978,840**	**49,200,476**	**52,569,669**	**49,330,267**
Consumption (hundred cubic feet)**										
Groveland Community Services District	156,801	161,249	154,319	166,624	143,437	158,037	188,595	151,839	134,734	106,254
Lawrence Livermore	307,606	282,531	28,389	81,029	14,267	2,543	266,323	298,585	251,881	262,692
State of California	1,174	1,230	1,302	1,459	1,346	1,235	960	996	1,119	772
Other Residential Customers	2,248	2,152	2,085	1,803	1,986	2,454	2,258	2,105	2,069	2,131
Total consumption	**467,829**	**447,162**	**186,095**	**250,915**	**161,036**	**164,269**	**458,136**	**453,525**	**389,803**	**371,849**

Note: May not total due to rounding.

Sources:
*City and County of San Francisco Financial System and San Francisco Public Utilities Commission Audited Financial Statements.
**San Francisco Public Utilities Commission Customer Care and Billing System. Fiscal year 2015 and prior was from Moccasin meter readings.



Demographic & Economic Information

Historical Hetchy Power Electric Sales
Fiscal Years Ended 2015 to 2024

	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Sales (Megawatt hours)										
General Fund Rate Subsidized~~	359,519	373,114	366,880	375,327	366,867	348,157	303,588	331,968	337,995	336,353
Enterprise Rate~~	487,869	495,272	484,070	471,554	477,477	452,951	404,810	422,200	433,999	447,918
Wholesale market Power Sales (Megawatt)@	N/A	N/A	N/A	N/A	N/A	N/A	110,000	—	—	95,000
Western Systems Power Pool#	—	9,520	29,050	15,900	—	84,574	43	—	—	54,000
Modesto/Turlock Irrigation Districts◊	115,026	377,981	152,321	46,651	—	—	—	—	—	—
Non-city Agencies*	101,605	99,568	95,297	112,157	146,527	133,805	128,945	132,250	144,908	154,542
Moccasin/City of Riverbank	25,472	30,451	9,114	9,650	8,235	7,220	7,672	20,939	22,881	13,519
Total sales	**1,089,491**	**1,385,906**	**1,136,732**	**1,031,239**	**999,106**	**1,026,707**	**955,058**	**907,357**	**939,783**	**1,101,332**
Purchases**	45,465	113,154	808	188,052	157,227	58,477	6,598	6,505	46,806	162,669
Generation~	988,649	1,532,068	1,726,072	1,302,461	1,212,348	1,287,848	975,790	1,223,074	1,300,487	1,396,271
Total purchases/generation	**1,034,114**	**1,645,222**	**1,726,880**	**1,490,513**	**1,369,575**	**1,346,325**	**982,388**	**1,229,579**	**1,347,293**	**1,558,940**
Banked/(Withdrawal)⌂	**78,391**	—	—	—	—	—	—	—	—	—
Sales (Dollars in thousands)* **										
General Fund Rate Subsidized~~	$ 18,125	22,151	23,668	26,591	28,766	28,990	28,095	34,154	45,276	54,335
Enterprise Rate~~	65,022	65,897	67,627	67,598	73,224	74,895	68,696	81,707	81,105	79,700
Wholesale market Power Sales@	N/A	N/A	N/A	N/A	N/A	N/A	468	—	1,157	2,750
Western Systems Power Pool#	—	157	755	688	—	2,780	1	—	—	3,783
Modesto/Turlock Irrigation Districts◊	4,488	13,634	7,700	2,612	—	—	—	—	—	—
Non-city Agencies*	14,628	15,610	16,350	19,359	23,258	22,255	22,902	24,753	29,582	32,047
Moccasin/City of Riverbank	1,100	1,095	550	577	539	625	887	2,377	2,524	1,775
Total sales	**$ 103,363**	**118,544**	**116,650**	**117,425**	**125,787**	**129,545**	**121,049**	**142,991**	**159,644**	**174,390**
Purchases* *	**$ 2,045**	**5,546**	**1,859**	**8,671**	**11,832**	**7,381**	**6,271**	**6,430**	**7,971**	**15,549**
Number of meters										
Electric	2,305	2,627	3,068	3,547	3,747	4,077	5,385	5,110	6,238	7,043

*Non-city Agencies include electric retail and municipal customers such as Moscone tenants, Exploratorium, and Yerba Buena Gardens.
**Purchases include Western Systems Power Pool (WSPP), Spot Market with Modesto Irrigation District, Sunset Reservoir Photovoltaic generation. Decrease in fiscal year 2017 was due to no purchases with WSPP.
***Sales in dollars do not include utility and surcharge taxes.
~Includes cogeneration and all in-city solar generation. Generation is generic for all electricity production/output. Cogeneration is specific to the combustion turbines at the Southeast treatment plant.
~~The breakdown for City Agencies is grouped per budget schedule.
@Starting fiscal year 2021, 3rd party sale for attributes is added but is not part of the Total average sale per KWh.
#WSPP includes only energy sales. Excludes sales to CleanPowerSF and CAISO.
⌂Closure of the energy bank with PG&E in fiscal year 2015.
◊Purchase agreement ended in December 2017.

Source: San Francisco Public Utilities Commission Power Enterprise Customer To Meter Billing System.
Fiscal year 2020 and prior was from Utility Star Billing System.

Demographic & Economic Information
Historical CleanPowerSF Electric Sales
Fiscal Years Ended 2016 to 2024

		2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Power Sales (Megawatt hours)*		Data not available - CleanPowerSF launched in May 2016.									
Residential			163	148,220	233,515	433,541	1,236,988 ^	1,295,948	1,217,861	1,265,771	1,171,777
Commercial											
Small Commercial Service			14,985	111,618	116,296	484,704	463,977	398,230	411,281	402,982	388,592
Medium Commercial Service			14,129	92,718	88,924	417,703	402,651	331,389	362,464	359,687	333,164
Large Commercial Service			12,999	93,968	118,327	797,052	870,886	853,230	869,320	860,008	991,559
Agricultural			—	42	1,293	6,043	6,004	7,453	8,835	6,402	6,845
Street and Outdoor Lighting			—	—	38	1,452	1,515	1,477	1,467	1,395	803
Commercial Subtotal			42,113	298,346	324,878	1,706,954	1,745,033	1,591,779	1,653,367	1,630,474	1,720,963
Total Power Sales			**42,276**	**446,566**	**558,393**	**2,140,495**	**2,982,021**	**2,887,727**	**2,871,228**	**2,896,245**	**2,892,740**
Sales (Dollars in thousands)*											
Residential	$		14	10,782	15,993	30,787	102,434 ^	98,172	109,135	149,734	160,263
Commercial											
Small Commercial Service			1,226	8,649	8,716	38,830	38,314	29,289	36,411	44,609	47,740
Medium Commercial Service			1,386	7,278	6,809	34,254	33,505	24,516	33,369	40,497	39,927
Large Commercial Service			1,109	6,860	8,611	62,595	67,963	58,170	74,068	89,017	114,449
Agricultural			—	3	59	329	326	366	581	543	626
Street and Outdoor Lighting			—	—	3	113	105	91	111	147	120
Commercial Subtotal			3,721	22,790	24,198	136,121	140,213	112,432	144,540	174,813	202,862
Total Sales	**$**		**3,735**	**33,572**	**40,191**	**166,908**	**242,647**	**210,604**	**253,675**	**324,547**	**363,125**
Average Sale (in Dollars per Kilowatt hour)											
Residential	$		0.08334	0.07274	0.06849	0.07101	0.08281	0.07575	0.08961	0.11829	0.13677
Commercial											
Small Commercial Service			0.08181	0.07749	0.07495	0.08011	0.08258	0.07355	0.08853	0.11070	0.12285
Medium Commercial Service			0.09812	0.07850	0.07657	0.08201	0.08321	0.07398	0.09206	0.11259	0.11984
Large Commercial Service			0.08530	0.07300	0.07277	0.07853	0.07804	0.06818	0.08520	0.10351	0.11542
Agricultural			—	—	0.04563	0.05444	0.05430	0.04911	0.06576	0.08482	0.09145
Street and Outdoor Lighting			—	—	—	0.07782	0.06931	0.06161	0.07566	0.10538	0.14944
Commercial Subtotal			0.08836	0.07639	0.07448	0.07974	0.08035	0.07063	0.08742	0.10722	0.11788
Total Average Sales	**$**		**0.08834**	**0.07518**	**0.07198**	**0.07798**	**0.08137**	**0.07293**	**0.08835**	**0.11206**	**0.12553**

^Large increase in residential is due to completion of citywide enrollment.
**Starting FY2020, the sales dollar data is based on audited financial statements.

Source: *CleanPowerSF Management Reports.

Statistical Section

Operating Information

Operating Information

Budgeted Full-Time Equivalent (FTEs) Employees by Division
Fiscal Years Ended 2015 to 2024

Enterprises and Bureaus	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Water Enterprise										
City Distribution & Water Administration	260	268	276	291	304	307	300	314	312	310
Natural Resources	82	82	84	85	86	87	89	91	95	94
Water Quality	76	81	82	83	85	85	85	86	86	88
Water Resources	24	24	23	23	23	23	22	23	22	23
Water Supply & Treatment	229	229	232	232	229	229	231	239	239	240
Total Water	**671**	**684**	**697**	**714**	**727**	**731**	**727**	**753**	**754**	**755**
Wastewater Enterprise										
Administration	11	14	12	12	12	13	12	18	14	15
Source Control & Wastewater Labs	66	66	65	66	59	60	59	58	61	62
Environmental Engineering	53	53	54	54	58	58	59	60	62	60
Maintenance	141	141	137	138	135	135	141	149	152	152
Bayside Operations	114	115	114	114	111	113	112	112	104	105
Planning & Regulation	47	47	46	47	46	46	32	33	34	33
Sewer Collection Operations	51	51	51	51	59	59	63	65	79	81
Total Wastewater	**483**	**487**	**479**	**482**	**480**	**484**	**478**	**495**	**506**	**508**
Hetch Hetchy Water and Power Enterprise										
Hetchy Water										
Water Project Operations	201	207	203	206	211	216	217	218	214	216
Hetchy Power*										
Energy Services	30	30	29	30	27	28	—	—	—	—
Long Range Planning & Light, Heat, and Power	51	51	52	52	54	54	109	111	121	127
Power Administration	23	23	20	21	21	21	—	—	—	—
Subtotal Hetchy Power	104	104	101	103	102	103	109	111	121	127
Total Hetch Hetchy Water and Power	**305**	**311**	**304**	**309**	**313**	**319**	**326**	**329**	**335**	**343**
CleanPowerSF	Data not available - CleanPowerSF launched in May 2016.									
Administration			9	11	13	19	26	36	32	33
Total CleanPowerSF			**9**	**11**	**13**	**19**	**26**	**36**	**32**	**33**
Bureaus										
Business Services Admin, AIC#, Audit and Financial Services	71	71	73	73	73	73	72	74	77	77
Customer Services	106	106	103	103	104	104	103	103	110	112
Communications	22	22	22	22	21	21	21	21	21	21
General Manager and Others ^	11	11	12	13	18	19	21	28	30	30
Strategic Planning, Real Estate Services, and Community Benefits	18	18	18	18	17	17	22	23	24	25
Human Resource Services	58	59	58	58	58	58	62	69	72	73
Information Technology Services	78	78	78	78	78	78	79	81	80	84
Infrastructure	384	389	385	385	380	376	377	374	375	375
Total Bureaus	**748**	**754**	**749**	**750**	**749**	**746**	**757**	**773**	**789**	**797**
Total SFPUC annually budgeted positions	**2,207**	**2,236**	**2,238**	**2,266**	**2,282**	**2,299**	**2,314**	**2,386**	**2,416**	**2,436**
Annual Salary Ordinance Positions (AAO) ~	**2,430**	**2,456**	**2,473**	**2,493**	**2,542**	**2,557**	**2,599**	**2,657**	**2,720**	**2,745**

*Beginning fiscal year 2021, Hetchy Power positions are reported under Long Range Planning and Light, Heat, and Power.

#AIC is acronym for Assurance and Internal Controls. Effective Feb 2019, AIC was realigned to two teams: 1. Audit and Compliance and 2. Strategy, Innovation and Change.

^FTEs were added for Security in fiscal year 2011 and Enterprise Workforce Planning in fiscal year 2017.

~AAO includes temporary positions and attrition.

Source: Annual Salary Ordinance.

Operating Information

Water Operating & Capacity Indicators
Fiscal Years Ended 2015 to 2024

Water	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Water mains (miles)^^	1,240	1,718 ^	1,717 ^	1,718	1,719	1,719	1,719	1,719	1,719	1,724 ^
Water main breaks repaired	97	136	102	133	168	142	161	191	208	120
New service installations	837	710	1,162	733	628	610	543	428	496	372
Meter installed and replaced	1,360	1,395	2,209	1,888	1,699	1,817	1,835	718	871	1,170
Responses to fire alarms	22	20	20	24	13	12	16	14	23	12
Production and Consumption (millions of gallons)										
Water production	69,553	64,454	68,995	73,330	71,272	75,034	73,767	68,271	64,446	68,558
Average daily production	191	176	189	201	195	205	202	187	177	187
Maximum daily production	255	242	283	272	275	277	274	237	241	241
Water consumption#	69,284	61,932	63,706	69,331	67,319	69,934	68,812	66,005	61,981	63,854
Average daily consumption#	189.9	169.2	174.6	190.0	184.5	190.9	188.6	180.8	169.8	174.4
Watershed area (acres)										
Alameda	37,314	37,314	37,314	37,314	37,314	38,306	38,306	38,944	38,944	38,944
Peninsula	22,854	22,854	22,854	22,854	22,854	22,854	22,854	22,854	22,854	22,854
Total	**60,168**	**60,168**	**60,168**	**60,168**	**60,168**	**61,160**	**61,160**	**61,798**	**61,798**	**61,798**
Reservoir storage (millions of gallons)*										
Calaveras@	6,491	8,774	11,986	8,220	13,026	20,390	19,170	19,533	24,952	29,347
Crystal Springs	17,380	17,103	17,385	16,192	17,015	16,940	16,711	16,251	17,565	15,795
Pilarcitos	767	783	872	773	838	849	622	776	827	843
San Andreas	5,626	5,786	5,935	5,587	5,483	5,381	5,123	5,113	5,223	4,643
San Antonio	14,433	14,927	14,576	13,263	14,835	14,434	14,917	14,587	15,872	16,252
Total	**44,697**	**47,373**	**50,754**	**44,035**	**51,197**	**57,994**	**56,543**	**56,260**	**64,439**	**66,880**
Treatment plant average capacity (millions of gallons)										
Harry Tracy **	29.3	35.9	45.3	33.2	38.0	34.7	31.7	29.9	29.2	33.2
Sunol Valley	16.9	27.0	39.6	16.5	26.1	11.1	6.9	22.6	29.3	35.4
Total	**46.2**	**62.9**	**84.9**	**49.7**	**64.1**	**45.8**	**38.6**	**52.5**	**58.5**	**68.6**

*In addition to these regional reservoirs, San Francisco Public Utilities Commission has In-city system storage capacity of 413 million gallons (value revised based on current reservoir storage operation limits).

**The decrease in fiscal years 2014, 2018, 2020 and 2021 was due to a reduction in treating local reservoir water (Calaveras and San Antonio) in favor of increasing use of Hetchy Water which was not filtered at the plant. Increasing Hetchy Water use reduced treatment costs and conserved local supplies.

^The increase in fiscal year 2016 included the suburban mains of 245.9 miles, upcountry mains of 229.5 miles and an increase of approximately 2.8 miles of pipe that was installed as part of the Mission Bay, Candlestick Point and Hunter's View project. The decrease in fiscal year 2017 is mainly related to Pilarcitos Aqueduct. The increase in fiscal year 2024 is mainly related to new potable main installed.

^^Starting fiscal year 2016, water mains (miles) include suburban.

@The Increase of water in the reservoir storage started in fiscal year 2019 due to the completion of the new Calaveras dam.

#Due to various billing cycles, fiscal year 2023 sales for wholesale customers were updated to reflect their accurate consumption.

Source: Water Monthly Operating Report, Hetch Hetchy Capital Outlays Summary, Treatment Plant Influent Flow and Sewer Service Charge Calculation Reports.

Operating Information

Wastewater, Hetchy Water and Hetchy Power Operating & Capacity Indicators

Fiscal Years Ended 2015 to 2024

	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Wastewater										
Collection System pipes (miles)@	Data not available FY2019 and prior					1,123	1,125	1,131	1,131	1,139
Sanitary sewers (miles)@	993	993	993	993	993	N/A	N/A	N/A	N/A	N/A
Transport/storage sewers (miles)@	17	17	17	17	17	N/A	N/A	N/A	N/A	N/A
Sewer breaks repaired	1,663	1,520	1,481	912	819	810	531	920	769	719
Inspection performed (miles)	156	80	93	135	215	191	61	56	55	78
Sewer replaced (miles)	14.9	19.5	13.6	11.0	11.4	15.2	8.9	3.8	8.1	10.1
Responses to customer calls	16,190	10,863	8,260	8,410	7,885	8,510	6,779	6,929	10,283	8,970
Treatment plant/ facilities average daily flow (millions of gallons per day)										
Oceanside plant	15.6	16.0	18.4	15.3	16.5	14.5	13.9	13.9	16.2	15.3
North Point plant	4.7	7.1	11.8	2.7	4.2	1.1	0.9	2.4	4.7	3.3
Southeast plant	64.4	65.4	74.7	61.9	70.2	56.1	48.7	52.2	63.9	61.2
Yerba Buena & Treasure Island	0.3	0.3	0.3	0.3	0.4	0.3	0.3	0.3	0.4	0.4
Total	**85.0**	**88.8**	**105.2**	**80.2**	**91.3**	**72.0**	**63.8**	**68.8**	**85.2**	**80.2**
Hetchy Water										
Watershed area (square miles)										
Hetch Hetchy	459	459	459	459	459	459	459	459	459	459
Lake Eleanor	79	79	79	79	79	79	79	79	79	79
Lake Lloyd (Cherry)	114	114	114	114	114	114	114	114	114	114
Total	**652**	**652**	**652**	**652**	**652**	**652**	**652**	**652**	**652**	**652**
Reservoir storage (millions of gallons)*										
Hetch Hetchy	110,745	117,424	111,755	117,231	113,020	116,653	101,808	115,948	107,925	117,359
Lake Eleanor	7,731	8,677	7,610	8,186	8,677	8,398	8,429	8,614	7,883	8,740
Lake Lloyd (Cherry)	64,025	88,478	77,951⌂	83,067	87,829	86,332	82,150	85,989	83,869	87,888
Total	**182,501**	**214,579**	**197,316**	**208,484**	**209,526**	**211,383**	**192,387**	**210,551**	**199,677**	**213,987**
Hetchy Power										
Hydroelectric generation (megawatt hours)										
Holm	436,499	654,952	919,492	431,659	508,060	538,201	339,180	535,177	553,559	613,428
Kirkwood	283,922	528,724	482,996	510,888	401,779	422,278	328,410	390,066	438,612	491,090
Moccasin	255,778	338,005	319,691	356,004	295,766	325,194	304,325	294,705	305,464	286,649
Moccasin Low-Head #	—	1,359	—	—	—	—	—	—	—	—
Total	**976,199** **	**1,523,040**^	**1,722,179**^	**1,298,551** **	**1,205,605**	**1,285,673**	**971,915**	**1,219,948**	**1,297,635**	**1,391,167**

@Starting FY2020, sanitary sewers and Transport/storage sewers is Included in the Collection System pipes category, which includes combined storm and sanitary collection system pipes, sewer mains, transport/storage boxes, other storage structures, and tunnels.

*In addition to these regional reservoirs, San Francisco Public Utilities Commission has In-City System Storage Capacity of 413 million gallons (value revised based on current reservoir storage operation limits).

⌂The decrease in fiscal year 2017 was mainly due to repair work at Lake Lloyd.

**The decrease in fiscal years 2014, 2015 and 2018 was mainly due to the dry year condition which resulted in less water available for hydroelectric generation.

#Moccasin Low-Head was out of service in fiscal years 2015, and 2017 to 2024.

^The increase in fiscal years 2016 and 2017 was due to higher precipitation and lower water bank.

Source: Wastewater Monthly Operating Report, Hetch Hetchy Capital Outlays Summary, Treatment Plant Influent Flow, and Sewer Service Charge Calculation Reports.

Operating Information

Major Water and Sewer Customer Accounts by Revenue
Fiscal Years Ended 2015 to 2024
(Dollars in Thousands)

Customer Type	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Water Wholesale Customers										
California Water Service Company	$ 46,911	48,792	57,541	63,489	60,859	66,944	67,781	64,447	70,051	74,681
Hayward Municipal Water System	21,475	21,475	28,613	32,316	31,103	31,518	32,130	30,880	29,140	35,828
Alameda County Water District	13,213	13,847	14,366	16,947	16,849	17,609	21,089	20,509	24,485	27,606
City of Sunnyvale	12,885	15,600	17,810	21,265	19,800	21,029	21,460	19,768	20,375	25,779
City of Palo Alto	15,743	16,946	19,975	21,985	21,134	21,773	21,705	21,323	21,671	24,600
City of Redwood City	13,151	14,661	17,169	18,781	18,190	19,408	18,948	17,758	18,241	20,941
City of Mountain View	12,407	13,750	15,340	16,791	16,248	16,790	17,415	16,358	16,895	20,068
City of Milpitas	8,612	9,389	10,722	11,509	11,494	13,284	11,897	10,997	11,307	14,168
City of Daly City	5,571	8,804	12,555	13,076	12,642	12,642	12,288	12,288	12,288	11,866
ESD/San Jose Municipal Water System	7,185	8,222	9,307	10,182	9,652	9,576	9,410	8,940	9,404	10,674
Water Retail Customers										
San Francisco International Airport	3,095	3,220	3,907	4,452	4,880	4,748	3,685	4,420	5,298	6,048
Lawrence Livermore National Laboratory	N/A	1,836	211	631	133	N/A	2,636	3,214	2,776	2,935
NASA Shared Services Center (NSSC)	1,484	1,347	1,741	2,514	2,243	2,481	2,924	2,399	2,457	2,765
Parkmerced Investors Properties, LLC	1,393	1,449	1,678	1,840	2,088	2,372	1,878	2,615	2,345	2,472
University of California, San Francisco	1,100	1,435	1,534	1,689	1,694	2,185	2,304	2,529	2,419	2,279
Golden Gate National Cemetery	649	839	836	946	900	1,320	1,557	1,663	1,573	1,731
Recreation & Parks Department	878	578	1,393	1,397	1,353	2,679	2,481	2,927	1,432	1,697
Public Health Department	672	808	1,040	1,168	1,157	1,318	1,223	1,261	1,243	1,415
San Francisco State University	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	896	997
1169 Market Street	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	812
Sewer Retail Customers										
Parkmerced Investors Properties, LLC	2,326	2,248	2,493	2,790	3,098	3,477	2,779	3,878	3,476	3,730
University of California, San Francisco	1,882	2,266	2,068	2,360	2,414	2,852	3,068	3,378	3,152	3,255
Public Health Department	647	1,041	1,334	1,547	1,461	1,635	1,513	1,091	1,534	1,773
1169 Market	607	579	640	743	694	614	651	894	1,185	1,246
Royal Tallow & Soap	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	1,038
San Francisco State University	601	618	648	860	810	803	496	804	881	1,019
Hyatt Corporation	607	579	640	743	694	N/A	N/A	N/A	633	751
NRG Energy Center San Francisco	782	874	926	970	1,043	889	653	632	817	617
The Stonestown Properties	N/A	N/A	N/A	595	722	761	831	617	628	573
T8 Urban Housing Associates, LLC	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	556

N/A-No sales in the fiscal year or data not available. Highlighted data were not part of major customers.

Source: San Francisco Public Utilities Commission Customer Care and Billing System.

Operating Information

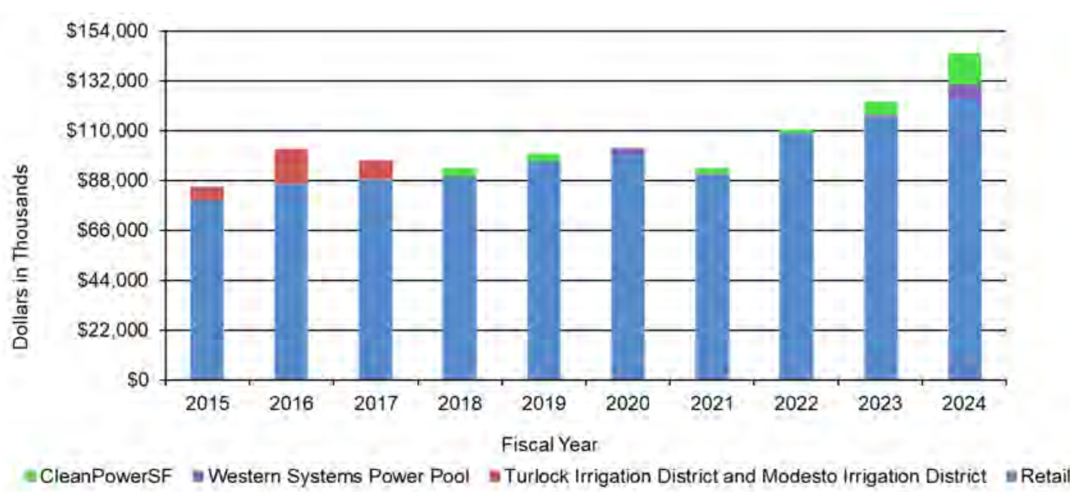
Major Electric Retail and Wholesale Customer Accounts by Revenue
Fiscal Years Ended 2015 to 2024
(Dollars in Thousands)

Customer Type	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Retail Customers										
San Francisco International Airport	$ 41,614	42,687	43,070	43,434	44,574	46,248	41,626	51,110	46,604	45,996
Municipal Transportation Agency	6,466	7,631	8,193	8,594	8,249	7,758	6,353	9,607	14,489	17,431
Administrative Services Agency	4,386	5,419	5,442	5,743	9,739	9,919	8,707	9,356	11,644	13,487
SFPUC - Wastewater Enterprise	9,748	9,847	10,397	9,979	10,687	10,531	10,522	10,898	13,451	12,566
SFPUC - Water Enterprise	8,640	7,954	8,950	8,592	9,369	9,831	10,130	10,796	10,662	10,655
Department of Public Health	1,878	2,842	3,125	3,470	4,837	5,228	5,723	6,358	7,298	8,785
San Francisco Unified School District	1,864	2,214	2,285	2,394	2,252	2,193	1,929	3,068	4,092	5,055
Port of San Francisco	1,971	1,941	1,983	2,294	2,236	2,061	1,639	3,156	3,634	3,330
Recreation and Parks Department	N/A	N/A	N/A	N/A	N/A	1,167	1,145	1,145	2,075	2,561
Port Tenants	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	2,162
Wholesale Customers										
CleanPowerSF (per WSPP)	$ Data not available for CleanPowerSF	367	1,893	See below of details					5,846	13,521
Energy		N/A	N/A	3,284	580	299	31	32	5,275	3,517
Other		N/A	N/A	217	2,446	40	2,425	1,557	571	10,004
Western Systems Power Pool # (Exclude CPSF)	— *	157	237	See below for details					1,157	6,533
Energy	N/A	N/A	N/A	668	—	2,780	1	—	—	3,783
Other	N/A	N/A	N/A	—	—	325	468	—	1,157 #	2,750
Modesto Irrigation District	2,666 *	6,345	8,003	2,422	N/A	N/A	N/A	N/A	N/A	N/A
Turlock Irrigation District	3,331 *	8,615	387	N/A	N/A	N/A	N/A	N/A	N/A	N/A

*Reflects reduced power generation and power available for sale.
**Updated to reflect latest data.
#Excludes sales to CleanPowerSF and CAISO. Fiscal year 2023 data updated. Other includes wholesale market power sales.
N/A-No sales in the fiscal year or data not available. Highlighted data were not part of major customers.

Source: San Francisco Public Utilities Commission Power Enterprise Customer To Meter Billing System. Fiscal year 2020 and prior was from Utility Star Billing System.

Electric Retail and Wholesale Revenue



Operating Information
Performance Measures
Fiscal Year 2024

	Target	Projection	Actual
1. Reliable Service and Assets			
Number of dry weather main sewer overflows per 100 miles of main sewer	<3	1.24	1.95
Percent of in-city service connections without water for more than 4 hours due to an unplanned outage	0.10%	0.6%	0.14%
Percent of streetlight outages complying with 48-hour SFPUC response goal; complex streetlights evaluated	100.0%	95.0%	100.0%
System renewal and replacement rates for in-City water distribution mains	15 miles	4.9 miles	4.5 miles
System renewal and replacement rates for Wastewater pipelines	11.3 miles	8.0 miles	7.5 miles
2. Organizational Excellence			
Number of employees over the maximum permissible overtime threshold (25% of straight time)	10.0	6.0	21.0
3. Effective Workforce			
Number of promotions	300	267	281
Time to hire (days)	275	100	96
4. Financial Sustainability			
Average residential Power bill as a percent of median income in San Francisco	0.76%	0.66%	0.87%
Average residential Wastewater bill as a percent of median income in San Francisco	0.70%	0.64%	0.66%
Average residential Water bill as a percent of median income in San Francisco	0.58%	0.55%	0.55%
Operating cost coverage (total operational revenues/total operating costs) for Power	0.86	0.84	1.27
Operating cost coverage (total operational revenues/total operating costs) for Wastewater	2.00	1.60	1.86
Operating cost coverage (total operational revenues/total operating costs) for Water	1.91	1.91	2.21
Power debt service coverage - Indentured Coverage	1.35x	N/A	64.97
Wastewater debt service coverage - Indentured Coverage	1.35x	N/A	3.87
Water debt service coverage - Indentured Coverage	1.35x	N/A	1.81
5. Stakeholder and Community Interest			
Number of adults and children who have participated in transformative engagement through SFPUC sponsored education programs	3,250	3,250	5,020
Percent of eligible customers enrolled in California Alternate Rates for Energy (CARE) for CleanPowerSF Customers	90% or more	78.0%	77.0%
Percent of Eligible electric customers receiving low-income discount rate	60.0%	60.0%	52.0%
Percent of eligible households enrolled in Community Assistance Program (CAP)	17.53%	20.14%	20.60%
Percent of retail customers rating the SFPUC as "good" or better on a customer survey	90.0%	90.0%	89.0%
6. Environmental Stewardship			
Average water used by San Francisco residential customers (Gallons Per Capita Per Day - gpcd)	50 or less	42.8	41.8
Gallons of stormwater removed annually from the combined sewer system by green infrastructure (Million Gallons MG)	264 MG	291 MG	286 MG
Percent of biogas going to beneficial uses - Oceanside Plant	75.0%	0.0%	0.0%
Percent of biogas going to beneficial uses - Southeast Plant	50.0%	75.0%	44.0%
Percent of CleanPowerSF customer account retention rate	90% or more	90% or more	93.5%
Percent of water supplied by alternative sources to system as a whole	3.4%	3.4%	2.9%

Source: SFPUC Strategic Plan

ANNUAL COMPREHENSIVE FINANCIAL REPORT
Project Team Acknowledgments

Nancy L. Hom
Chief Financial Officer
Assistant General Manager, Business Services

Vivian Ai Yi Chen
Deputy Chief Financial Officer

Laura Busch
Deputy Chief Financial Officer

DIVISIONAL LEADERSHIP

Brendan Conran, Financial Reporting Director
Joey Tse, Manager, Hetchy Water and Power, CleanPowerSF
Ying Yan, Manager, Water, and Wastewater
Susan Quan, Principal Analyst, Audits & Financial Reports
Joyce Chan, Accounting Services Director
Howard Huang, Accounting Operations Manager
Sanda Thaik, Capital Projects/Fixed Assets Accounting Manager

FINANCIAL SERVICES STAFF

Allen Cheuk	Holly Jung	Maria Hernandez	Saul Beltran
Anthony Morales	Jane Cruz	Meici Chan	Serena Jiang
Christy Huey	Jane Louie	Merlene Reyes	Tiffany Bui
Coral Liang	Jason Chui	Michael Fenton	Tiffany Lam
Cynthia Papillon	Joanne Huang	Mya Moehammady	Wai Ling Chan Luk (Cathleen)
Dante Mendoza	Justin Liu	Nicholas Martin	Wilson Huang
David Yeung	Keith Chan	Olena Volynets	Wing Lui
Destiny Garcia	Kenneth Pang	Rachel Chen	Vanessa Zhou
Edward Huang	Kevin Ng	Rita Kong	Vivien Kwok
Eva Costiniano-Jones	Kim Tran	Rong Chen	
Evelyn Diolazo	Linwan Lu	Rossi Chan	*Budget Team*
Francis San Felipe	Lucie Chow	Russell Valles	*Capital Finance Team*
Grant Moy III	Maggie Davenport	Sandy Chen	*Financial Planning Team*

DESIGN AND CONTENT CONTRIBUTORS

External Affairs
Masood Ordikhani, Assistant General Manager

Communications Division
John Cote, Director
Cindy Chu, Manager
Elena Cornejo
Nancy H. Crowley
Robin Scheswohl
Roi Esguerra
Tran Nguyen

Community Benefits Division

Power Enterprise and CleanPowerSF
Barbara Hale, Assistant General Manager
CleanPowerSF
Operations
Programs and Planning

Infrastructure
Stephen Robinson, Assistant General Manager
Construction Management Bureau

Real Estate Division
Rosanna S Russell, Director

Water Enterprise
Steve Ritchie, Assistant General Manager
City Distribution Division
Hetch Hetchy Water
Natural Resources & Lands Management
Water Quality Division
Water Supply & Treatment

Wastewater Enterprise
Joel Prather, Assistant General Manager
Business Strategy and Performance Collections
System Division

Business Services
Nancy L. Hom, CFO and Assistant General Manager
Customer Service Bureau
Information Technology Services
Strategy, Innovation, and Change

Human Resources
Wendy Macy, Chief People Officer
Employment Life Cycle

City and County of San Francisco, Office of the Controller
Ben Rosenfield, Former Controller
Greg Wagner, Controller
Controller’s Office

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.

Cover photo: Hetch Hetchy Reservoir Drum Gates

Back cover photo: Moccasin Powerhouse Generator Rehabilitation

Photos by: Robin Scheswohl

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

SFPUC Financial Services
525 Golden Gate Avenue, 4th Floor
San Francisco, CA 94102-3220
sfpuc.gov

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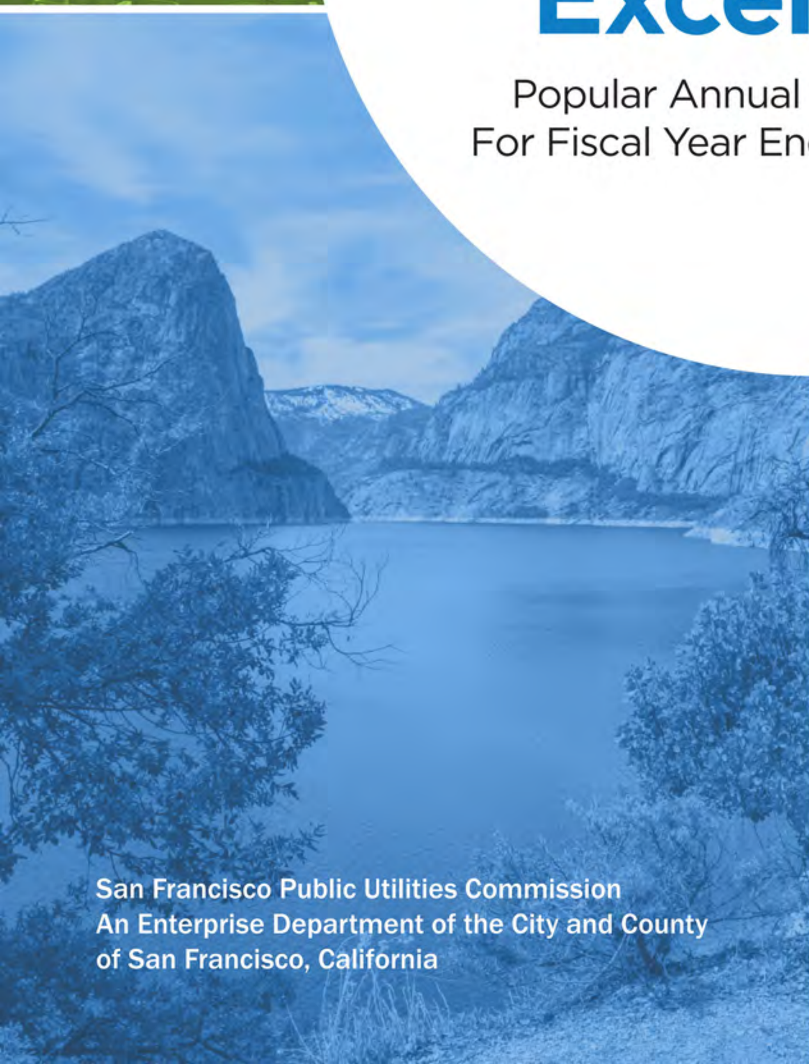
San Francisco
Water Power Sewer
Services of the San Francisco Public Utilities Commission

Organizational Excellence

Popular Annual Financial Report
For Fiscal Year Ended June 30, 2024



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

San Francisco **Public Utilities Commission**

(AS OF DATE OF PUBLICATION)

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.

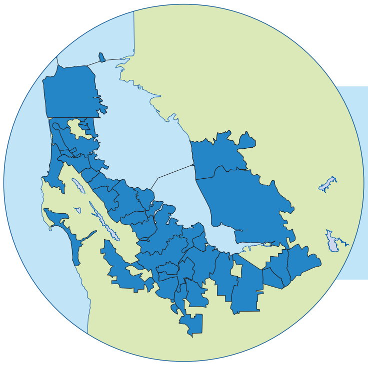
Power

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 stormwater, moving the wastewater to the three treatment plants for treatment and discharge to the San Francisco Bay and Pacific Ocean.

Contents



Bay Area Reliance on Hetch Hetchy Regional Water System

Message from our **General Manager**

Dear Customers and Interested Parties,

On behalf of the San Francisco Public Utilities Commission (SFPUC), I am pleased to present the Popular Annual Financial Report for Fiscal Year 2023-2024.

The SFPUC delivers essential water, power, and sewer services that support the functioning and well-being of San Francisco and the Bay Area. This report highlights our commitment to our core mission and long-term financial strength. We are guided by three key priorities: affordability, responsible management, and investing where it matters.

As part of our commitment to affordability, we secured alternative revenue sources to help manage utility rates, including nearly $14 million in state and federal debt relief and $9 million in low-income assistance for customers who fell behind on their water and sewer bills during the pandemic.

In total, the SFPUC has secured and credited customers with more than $40 million in pandemic-related utility bill relief. This includes a second round of CleanPowerSF and Hetch Hetchy Power bill credits and low-income discounts totaling almost $1.3 million, which the SFPUC assigned to customers in early 2023.

Responsible management of our resources is central to our budget and operations. By creating and committing to an environmental justice policy 15 years ago, followed by a comprehensive community benefits policy, we have built trust and established partnerships in historically underserved communities, while improving the quality of life in SFPUC service areas.

City residents worked more than 34% of the total hours on SFPUC construction projects through the end of fiscal year 2024. They also completed 59% of all apprentice hours on the Sewer System Improvement Program, gaining training, trades skills, family-supporting wages, and healthcare and pension benefits. Future construction projects are expected to create another 50,000 jobs over the next 10 years.

The SFPUC is prioritizing infrastructure projects that will have the greatest impact on our community's growth and sustainability, investing where it matters most. One of the most notable projects in our 10-year capital plan is the SFPUC's $1.5 billion commitment to reduce nutrients and protect water quality in San Francisco Bay.

Launching CleanPowerSF eight years ago has helped position the SFPUC as a utility of the future. Now we provide about 75% of San Francisco's electricity through our CleanPowerSF and Hetch Hetchy Power programs, and we are working to expand public power so that all San Franciscans can benefit.

Our public power is clean, reliable, and affordable, saving customers $170 million in 2023 compared to what they would have otherwise paid to PG&E. We are moving forward on our bid to buy the portion of PG&E's electricity grid that serves San Francisco. The money to acquire the grid would not come from the City's budget or taxes. It would be paid over time through electric rates.

While infrastructure forms the backbone of our operations, our people drive our success. The SFPUC is investing in retention, recruitment, and a diverse, equitable, and inclusive workforce. This investment not only expands talent development opportunities, it also enhances our financial strength, bringing different perspectives to improve problem-solving, spur innovation, and serve our diverse customer base.

The SFPUC remains a leader among public utilities, prioritizing both people and the environment. I am thankful to our Commissioners and staff for their unwavering dedication to serving San Francisco and securing a better and sustainable future for everyone.

Dennis J. Herrera,
SFPUC General Manager

A Century-Long Commitment

Access to clean water is essential for life and public health. San Francisco's Hetch Hetchy Regional Water System has been a key driver in the Bay Area's economic growth over the last 100 years, while helping to sustain Northern California's complex and diverse ecosystems.

Continuous Growth and Improvement

San Francisco's water system has grown from simple streams and wells to a sophisticated network of dams, reservoirs, tunnels, and pipelines that bring water from the Sierra Nevada to 2.7 million customers in the Bay Area. This system depends on healthy watersheds. We're committed to protecting them to ensure thriving ecosystems and clean, reliable, and affordable drinking water.

Steelhead Trout Start Rebound in Alameda Creek

Steelhead trout were once abundant in Alameda Creek when the SFPUC's private predecessor, Spring Valley Water Company, purchased this land in the early 1900s. Over a century of development created barriers to fish migration that greatly reduced those numbers. After over two decades of working with public agencies and nonprofits to restore steelhead trout to Alameda Creek, SFPUC biologists recorded a significant milestone this year, capturing and releasing 2,588 juvenile steelhead, up from an average of 37 per year over the past eight years. The natural steelhead run's restoration will also enhance the health of the creek and surrounding watershed.

Protecting Monarchs, Preserving Watersheds

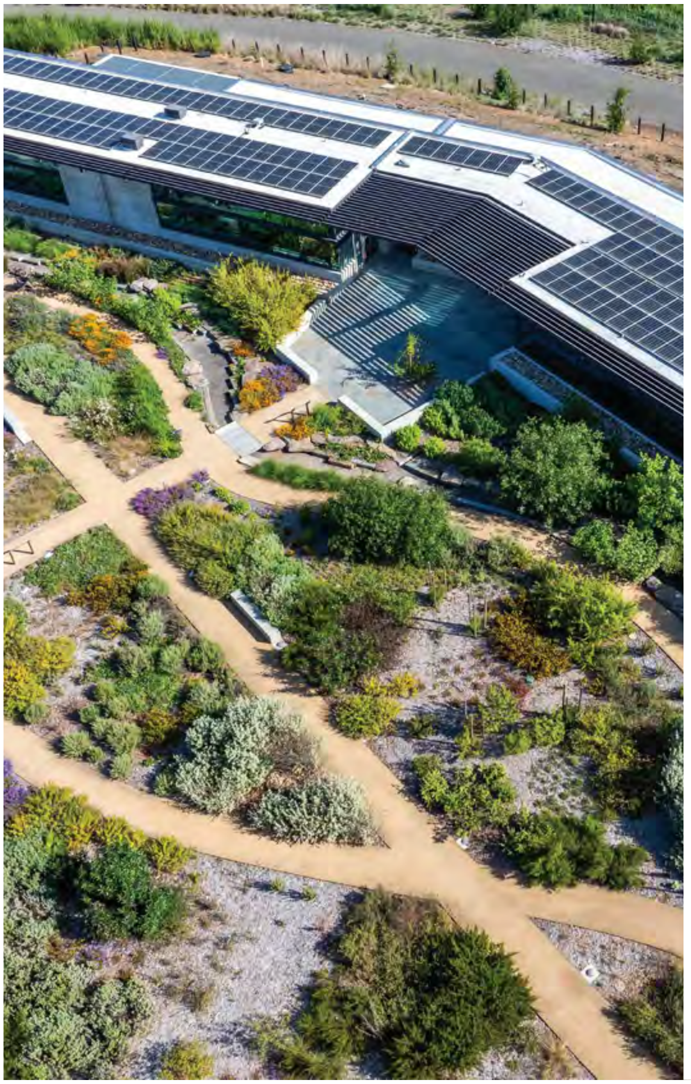
The monarch butterfly may soon be listed as endangered, and the SFPUC is taking steps before that to protect it. The Department of Fish and Wildlife has created a program allowing utilities to operate with more flexibility while actively conserving the monarch butterfly. In anticipation of the butterfly's listing, Hetch Hetchy Water is leading efforts to develop a Monarch Butterfly Conservation Agreement.

This winter, we'll submit our agreement ahead of the meeting being held to determine the monarch butterfly's status. If accepted, Hetch Hetchy Water will create conservation plots, using methods like timed grazing and delayed mowing, to protect the butterfly's habitat.

Bringing Ozonation Benefits to More Customers

While harmless algae naturally occur in our healthy reservoir system, they can sometimes cause slight taste and odor issues, especially in the warmer months. Ozonation, a chemical-free method that breaks down organic matter from algae, improves water quality and is already in use at the Harry Tracy Water Treatment Plant in San Bruno.

This summer, the SFPUC began construction on the Sunol Valley Water Treatment Plant's Ozonation Project to ensure that the Hetch Hetchy water stored in our warmer Alameda County reservoirs – Calaveras and San Antonio – will be fresh-tasting and odor-free. When completed, the new Sunol Valley Water Treatment Plant's ozonation system will reduce organic contaminants, enhancing water quality and supporting the overall health of the Alameda Creek Watershed.



Left: Alameda Creek Watershed Center, Right: Songs of the Watershed is a sculptural and sonic installation honoring the Muwekma Ohlone Tribe by artist Walter Kitundu. Ruupaywa (the eagle) is a chief, a protector, and a creator in the Muwekma Ohlone creation story, Photos by: Robin Scheswohl and Tim Ramirez

Prioritizing Safety on the Peninsula

The SFPUC is using every tool in the box to reduce wildfire risk in our watersheds, from grazing cows and goats to forecasting daily fire potential to grinding dense brush. Along the 23,000-acre Peninsula watershed, the SFPUC partners with CAL FIRE on controlled burns, mimicking natural brush-clearing fires that occurred before European settlement. These burns also provide valuable firefighting training and help protect our drinking water.

The Peninsula watershed is home to the Lower Crystal Springs Dam in San Mateo County, recognized as a National Historic Civil Engineering Landmark in December of 2023. Owned and operated by the SFPUC, the dam was completed in 1890 and forms the backbone of a water system that serves more than one million people in northern San Mateo County and in San Francisco County.

Maintaining healthy watersheds year after year is fundamental to sustaining a regional water system that consistently delivers high-quality, safe, and reliable drinking water. Through our commitment to operational excellence, we test our water more than 250,000 times a year for contaminants, including microbes, copper, lead, and disinfection byproducts. For the 28th consecutive year, we published our Annual Water Quality Report for San Francisco, showcasing our dedication to delivering drinking water that meets or exceeds all state and federal standards.

Efficient, Safe, Consistent

For over 100 years, Hetch Hetchy Power has generated clean, 100% greenhouse gas-free electricity for San Francisco. Launched in 2016, our community choice aggregation program, CleanPowerSF, provides clean, affordable, and reliable power to over 380,000 residential and commercial customers. Together, they supply more than 75% of the power consumed today in San Francisco.

Fostering Continuous Improvement for a Sustainable Future

In June, the SFPUC expanded its renewable energy portfolio, committing to a 15-megawatt battery energy storage and 20-megawatt solar project in Stanislaus County. The renewable energy project helps secure more clean, affordable, and reliable electricity for over 380,000 CleanPowerSF customers in San Francisco.

The new Paulsell Energy Center generates enough electricity annually to power approximately 17,000 average San Francisco homes. Additionally, the 15-megawatt 4-hour battery energy storage system holds solar energy that is produced during the day and uses it at night, when power from the grid is more costly and reliant on natural gas.

Since launching CleanPowerSF in 2016, the SFPUC has helped accelerate California's transition from fossil fuel power to more renewable energy, helping to green the electrical grid, create jobs, and grow the market for clean energy.

Collaboration Key to 'Electrify My Ride' Success

Achieving a carbon-free City takes big initiatives as well as smaller efforts, all working together to make meaningful change. In early 2024, the SFPUC launched "Electrify My Ride," offering a $1,000 customer rebate off the purchase of a new electric bike to low-income power customers, making this eco-friendly transportation option accessible to more San Francisco residents. Customers redeemed over $350,000 in rebates.

Electrify My Ride was the SFPUC's first effort to encourage the use of micromobility options, like e-bikes and electric scooters, which are small, electric-powered devices that produce zero emissions during use. Keys to the campaign's success included developing partnerships with bike retailers and using multiple channels, such as social media, email campaigns, and community events, to reach customers.

For example, an "E-Bike Test Ride Event" at a local retailer in the South of Market neighborhood led several customers to try their first electric bike and make a purchase the same day.

Electrify My Ride feedback was overwhelmingly positive. One customer said, "This is an amazing opportunity to get something I would never have been able to afford. The benefits in convenience and overall health are priceless. "Thank you!".

The exciting next phase of Electrify My Ride is coming in 2025!

Left: Bike Connection Staff and SFPUC staff at "E-Bike Test Ride" event, Top right: The Paulsell Solar Energy Center, Bottom right: SFPUC crew converting "Path of Gold" light with energy efficient bulb, Photos by: Bike Connection staff, NextEra Energy Resources, Ian Anoneuvo

'Path of Gold' Streetlights Get Brilliant Upgrade

Since 1916, San Francisco's historic and architecturally distinctive "Path of Gold" streetlights have lit Market Street, the City's main thoroughfare. Now the streetlights will shine brighter and use energy more efficiently thanks to critical upgrades from the SFPUC.

Recently, SFPUC workers replaced aging lightbulbs in all 327 iconic streetlights with more efficient LED versions, saving 640 megawatt-hours annually. That's enough energy for an electric vehicle to drive around the circumference of the Earth 74 times! The new durable LEDs benefit all of San Francisco through reduced energy consumption and lower maintenance and repair costs, saving ratepayers money. They also will improve visibility for pedestrians, cyclists, and public transportation along the 3.1-mile corridor, ensuring that our public spaces are well-lit and welcoming.

Over half of all streetlights in San Francisco are powered by Hetch Hetchy Power's 100% greenhouse gas-free electricity, which helps reduce air pollution, improve air quality, and support healthier living conditions for our community. When we prioritize brighter, more efficient, and sustainable lighting, it's a win-win for the people of San Francisco and the planet.

Small Technology Wins Lead to Big Impacts for Customers and San Francisco

Small technology wins have resulted in big impacts for our Power customers and San Francisco.

Each year, Power receives over 20,000 requests from contractors or other agencies to review their excavation plans and provide them with underground utility location information. Previously, this process included submitting and reviewing requests via email and paper packets for field workers, creating an extended approval process.

The SFPUC Power enterprise recently introduced a new cloud-based approval system, significantly improving efficiency within the agency and accelerating approvals for requestors.

In addition, new digital workspaces have increased productivity and collaboration among staff. The Power Redevelopment Team used their digital space to design, install, and seamlessly connect over 600 new residential units in San Francisco to Hetch Hetchy Power this past year. By improving the way we work, we can be more efficient in providing quality customer service and supplying customers with affordable, reliable, and clean electricity.

Innovative Sewer Solutions, Expertly Delivered

We own and operate about 1,900 miles of sewer mains and laterals right under the street. End to end, it would stretch from here to Colorado and back.

Innovative Tech and Teamwork Boost Sewer Management

Recognizing the scale and complexity of our capital program, our Collection System Division developed a robust quality assurance and quality control program. We validated contractor workmanship on new sewers through closed circuit television inspections and used advanced data storage for quick, reliable access to high-resolution inspection records.

We're also expanding the use of trenchless technologies to rehabilitate sewer systems, avoiding extensive digging, disruptions, and exposure to construction hazards. Staff are partnering with San Francisco Public Works and the SFPUC's Bureau of Construction Management to improve inspections during critical construction phases, ensuring that the most essential and high-risk phases of construction receive the necessary attention, while reducing the need for future interventions.

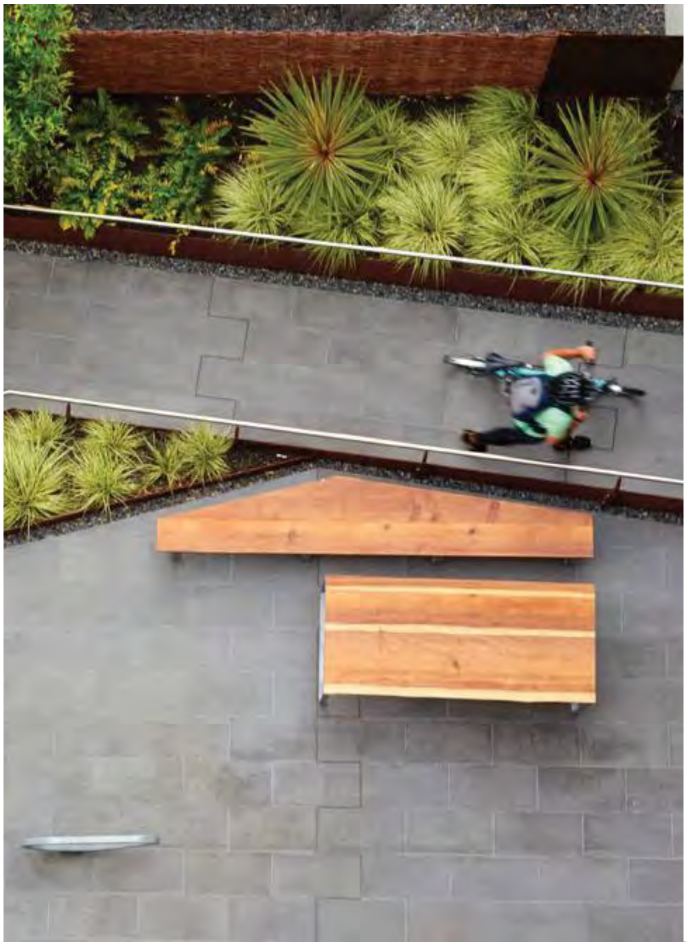
Green Infrastructure Partnerships Drive 1 Billion Gallon Stormwater Plan

Designed to inspire San Francisco property owners to innovate and invest in green infrastructure, such as permeable pavements, rain gardens, and green roofs, the SFPUC's Green Infrastructure Grant Program supports stormwater diversion and helps manage runoff. It also delivers other public benefits. To receive funding, projects are required to achieve two additional outcomes, such as environmental justice, climate resilience, or biodiversity, fostering broader community improvements.

During fiscal year 2024, the Green Infrastructure Grant Program awarded $3.6 million in grants to Mariners Village, Cornerstone Academy-Cambridge, and Cornerstone Academy-Silver, supporting key green infrastructure projects across the city. Additionally, three previously awarded projects for St. Monica Catholic Church and School, St. Thomas the Apostle Church and School, Everett Middle School and Visitacion Valley Elementary School, began construction. Three others, St. Anne of the Sunset Church and School, St. Emydius Church and School, and Crocker Amazon Park completed construction.

The Wastewater Enterprise also increased the maximum funding available per project and expanded eligibility to include initiatives on public land, enhancing the program's overall impact.

Since its launch, the Green Infrastructure Grant Program has made steady progress in diverting stormwater from non-permeable surfaces, awarding nearly $24 million across 23 projects. These grants



Stormwater Management Ordinance Green Infrastructure projects in San Francisco Hayes Valley and Treasure Island Buckeye Grove, Photos by: SFPUC Urban Watershed Planning Division.

have supported 18 schools and educational facilities, reaching over 6,000 students, as well as three public parks and various residential and institutional properties. Collectively, these projects are set to capture 15 million gallons of stormwater annually, bringing the City another step closer to its goal of capturing 1 billion gallons of stormwater annually using green infrastructure by 2050.

Shaping a Sustainable Future through Stormwater Management

Passed in 2010, the San Francisco Stormwater Management Ordinance requires new and re-development projects that create or replace 5,000 square feet or more of impervious surface to use green infrastructure practices to reduce stormwater runoff and improve water quality. The SFPUC administers the stormwater management program in compliance with the ordinance and the Clean Water Act.

Nearly 440 development projects have been approved since the ordinance went into effect 14 years ago. Last fiscal year, we completed 77 Stormwater Control Plan reviews, maintaining an average review time of nine weeks. The green infrastructure developed under the ordinance manages about 266 million gallons of rainwater annually across one square mile of urban space, diverting 90 million gallons away from the City's sewer system – enough to fill nearly 15,000 swimming pools.

This legislation remains San Francisco's most significant stormwater management initiative, with a long-term goal of capturing 1 billion gallons of stormwater annually by 2050. Additionally, customers may be eligible to apply for a stormwater credit to lower their monthly sewer bill by complying with the Stormwater Management Ordinance.

A Culture of Service

Our focus on continuous improvement, operational efficiencies, and inclusion helps foster a culture of service where everyone – from employees to customers to the public – feels valued and supported.

The Value of Local Participation

When the SFPUC began contracting for the construction of the Southeast Community Center at 1550 Evans St., the agency introduced a new requirement called Local Participation, aimed at maximizing contractors use of Local Business Enterprises (LBEs) and local workers while meeting legal requirements for local business and hiring.

As a result of Local Participation strategies, 31% of work was subcontracted to LBEs, exceeding the City's 20% requirement. Of the 37 LBEs awarded contracts, 25 were from the neighborhood, generating $15 million for local businesses.

Local workers completed 39% journey-level hours and 62% apprentice hours, exceeding the City's local worker requirements of 30% total work hours and 50% apprentice hours. Additionally, neighborhood residents living in the project's immediate area worked 39% of the apprentice hours. Local businesses and workers praised their work as a model for community involvement.

Since then, the SFPUC has incorporated Local Participation into other large-scale projects including our new Wastewater Treatment Plant on Treasure Island and the Water Enterprise's new headquarters at 2000 Marin St., providing more opportunities for local businesses and workers.

Helping Those in Need

The SFPUC is a leader in ratepayer affordability among public utilities, with robust customer assistance programs for all of our essential services. This fiscal year we expanded and improved our Customer Assistance Program for water and wastewater customers, offering low-income customers discounts on their bill.

We increased our discount from 25% to 40% to support our lowest income customers. Additionally, all late fees were eliminated, and customers who qualify for the program are now exempt from shutoffs or liens due to late payments.

Customer Assistance Program participation has increased more than 200% over the last two years, growing from 2,100 customers in January 2022 to over 7,000 customers by June 2024. The SFPUC has conducted comprehensive outreach campaigns to low-income, Black, indigenous, people of color, immigrant, and environmental justice communities to facilitate this growth. This expansion has been funded by non-rate revenues, which are now distinctly ear-marked to fund the Customer Assistance Program.

Our outreach drew more than 25,000 visitors to the application webpage this fiscal year alone. The SFPUC used a mix of modern communication tools, such as social media and digital streaming ads, along with traditional methods like mailings, email, face-to-face outreach at neighborhood events, and TV, radio, and newspaper advertising.

The SFPUC sent thousands of letters and emails in different languages to customers who were behind on their bills to let them know about available financial help. We informed customers about state relief funds the SFPUC applied for, received, and added directly to their accounts. We also gave them information about payment plans, how to sign up for them, and how to apply for the California Low Income Household Water Assistance Program, as well as other support options.

Rewriting the Insurance Narrative

In the wake of California's escalating insurance crisis, the SFPUC faced steep premium increases affecting our enterprises and inability to insure new mission-

Local workforce at the Southeast Community Center through SFPUC's Local Participation program, Photos by: Robin Scheswohl

critical power generation assets. The SFPUC proactively restructured our insurance strategy and quickly brought our asset portfolio to the insurance markets to seek better pricing and expanded coverage.

Working collaboratively, we presented a compelling case for underwriters, highlighting our proactive risk mitigation strategies and a strong loss-control program, which collectively reduced the likelihood of costly claims from both wildfire and mechanical issues. The agency negotiated favorable terms culminating in a substantial cost saving of up to $1 million in the first year alone.

The SFPUC's journey from facing repeated premium increases and limitations of coverage to securing a deal that promises both stability and savings was done thanks to a variety of partnerships, at the City and SFPUC department level, and through our brokers. We also created a blueprint for successful property insurance renewals and set a strong precedent for agencies to be good stewards of their assets and take initiative to drive for good financial and operational outcomes.

More Highlights

- The SFPUC's Policy and Government Affairs team helped protect the City's pre-1914 water rights at the state level, which are essential to our water operations. Additionally, we helped pass about 45 local laws and responded to over 100 requests from community members referred to us by the San Francisco Board of Supervisors.
- Relationship building was a hallmark of the SFPUC's Racial Equity, Diversity, and Inclusion team's first year, creating and organizing multiple initiatives including a prestigious speaker series, a thought-provoking reading club, and Inclusive Excellence Professional Development workshops for key SFPUC leadership groups.
- At the 6th Annual San Francisco Collaborative Partnering Awards, two major SFPUC projects were recognized with top honors. The Southeast Community Center earned the prestigious Gold Award (Buildings – Over $20 Million), while the Mariposa Dry Weather Pump Station Project received the Silver Award (Buildings – Under $20 Million).
- Our Social Impact Partnership program facilitated over $2.5 million in donations from contracting firms to nonprofits and public schools located near SFPUC construction projects. A new reporting portal has improved contractor compliance thanks to better data integrity and an improved user experience.

Keeping Our Water Rates Affordable

Single-Family Residential FY 2023-24

Average Monthly Usage (ccf)	4.70
Average Monthly Bill	$142.86
Cost per Person per Day	$2.07
Total Cost per Gallon	$0.041
Total Combined Bill as % of San Francisco Median Household Income	1.61%
Total Combined Bill as % of San Francisco Low Income Household	3.88%

Calculation is based on the average monthly water usage
Average Water/Sewer Bill as % of Typical Household (40th Percentile) Income
Average Water/Sewer Bill as % of Low-Income Household (20th Percentile) Income

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.

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 2024 Annual Comprehensive Financial Report (ACFR)**, 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 ACFR, which provides complete financial information and disclosures in conformance with GAAP, is available online at www.sfpuc.org/about-us/reports.

Government Finance Officers Association

Award for
Outstanding
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Popular Annual
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Presented to

City and County of San Francisco
Public Utilities Commission
California

For its Annual Financial Report
For the Fiscal Year Ended

June 30, 2023

Christopher P. Morrill
Executive Director/CEO

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 67% 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 bonds, commercial paper, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets. For FY2024, SFPUC net position increased by 4% or $118 million as compared to FY2023, mainly due to increase in restricted for capital projects.

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.

1. Assets are resources with present service capacity that the government presently owns or controls.

2. 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.

3. 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 elements presented in a Statement of Net Position, i.e., Total assets plus deferred outflows minus total liabilities minus deferred inflows. 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** reflected continued revenue growth. SFPUC strives to achieve strong financial performance and effectively controls its operating costs to not exceed revenues.

Total revenues, transfers in and contributions increased by $232 million when compared to prior year. This is mainly due to capital contributions from developers, and higher charges for services for our customers.

Total expenses and transfers out increased by $291 million, as compared to prior year. This was primarily due to higher judgment and claims expenses based on actuarial estimates.

Definitions

- **Capital Assets:** Include depreciable, amortizable, non-amortizable and non-depreciable facilities and buildings, improvement, machinery and equipment, intangible assets, land, rights-of-way, right-to-use lease and subscription assets, 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:** Net difference between assets and deferred outflows of resources, and liabilities and deferred inflows of resources.
- **Change in Net Position:** The total of net income (loss), net of transfers, contributions, 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 2024 By the Numbers

Miles	1,724 miles of water mains | 1,139 miles of collection system pipes
Millions of gallons (MG)	280,867 MG water reservoir storage | 68,558 MG water production | 63,854 MG water consumption
Millions of gallons per day (MGD)	175.2 MGD water consumption | 80.2 MGD sewer treatment
San Francisco Population	804,842
San Francisco Personal Income per Capita	$167,542
SFPUC Website	sfpuc.gov

SFPUC Assets (DOLLARS IN MILLIONS)

Fiscal Year		FY2024	FY2023	FY2022	2024-23 $ Change	2023-22 $ Change
Cash & Investments	$	1,583	1,448	1,225	135	223
Charges for Services Receivables (net of allowance for doubtful accounts)		196	159	162	37	(3)
Capital Assets^		12,262	11,207	10,460	1,055	747
Others		301	200	528	101	(328)
Total Assets	**$**	**14,342**	**13,014**	**12,375**	**1,328**	**639**

^Fiscal years 2022 to 2023, total asset reclassification from capital assets and others.

Fiscal year 2024, SFPUC assets increased by $1,328 million or 10%, mainly due to $1,055 million in capital assets mainly from San Joaquin Pipeline Valve and Safe Entry Improvement and Mountain Tunnel Improvement projects, and $135 million in cash and investments mainly due to higher collections from billings.

Fiscal year 2023, SFPUC assets increased by $639 million or 5%, mainly due to $747 million additional construction and capital improvements, and $223 million in cash and investments. The increase is offset by decreases of $328 million mainly in receivables from State Water Resources Control Board for various construction projects, and restricted net pension asset based on actuarial estimates.

SFPUC Liabilities (DOLLARS IN MILLIONS)

Fiscal Year		FY2024	FY2023	FY2022	2024-23 $ Change	2023-22 $ Change
Certificates of Participation	$	125	129	134	(4)	(5)
Commercial Papers		622	488	625	134	(137)
Bonds		7,968	7,639	6,987	329	652
Notes		—	350	350	(350)	—
State Revolving Fund Loans		578	482	424	96	58
Water Infrastructure Finance and Innovation Act loans		922	122	—	800	122
Others		1,174	951	787	223	164
Total Liabilities	**$**	**11,389**	**10,161**	**9,307**	**1,228**	**854**

Fiscal year 2024, SFPUC liabilities increased by $1,228 million or 12%. The increases included $1,005 million in outstanding debts due to bonds, WIFIA loans and State loans issuances, and $223 million mainly due to judgment and claims expenses based on actuarial estimates.

Fiscal year 2023, SFPUC liabilities increased by $854 million or 9%. The increases included $690 million in outstanding debts due to bonds, WIFIA loans and State revolving fund loans issuances, and $164 million mainly due to pensions based on actuarial estimates.

Financials at a Glance

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

		Water	Wastewater	Hetchy Water	Hetchy Power	CleanPowerSF	SFPUC
S&P Global Bond Rating		AA-	AA	N/A	AA	N/A	N/A
Moody's Investors Service		Aa2	Aa2	N/A	N/A	A2	N/A
Fitch		N/A	N/A	N/A	AA-	N/A	N/A
Current Ratio		1.42 times	1.72 times	6.11 times	1.67 times	5.59 times	1.75 times
Debt Ratio		90.4%	78.5%	14.4%	48.8%	20.6%	79.4%
Debt Service Coverage[1]		1.81	3.87	N/A	64.97	N/A	N/A
Average Borrowing Rate[2]		3.43%	3.20%	N/A	3.61%	N/A	N/A

[1]Debt Service Coverage based on indenture basis
[2]The SFPUC's high credit ratings helps to reduce high borrowing costs. Weighted average interest rate on outstanding bonds as of 6/30/24.

		Water	Wastewater	Hetchy Water	Hetchy Power	CleanPowerSF	SFPUC
Total Assets[2]	$	6,644.2	6,066.4	319.1	1,088.1	224.7	14,342.1
Deferred Outflows of Resources	$	212.6	55.5	15.1	18.4	3.2	304.8
Total Liabilities[2]	$	6,003.1	4,763.1	46.1	530.8	46.2	11,388.9
Deferred Inflows of Resources	$	104.1	21.3	4.8	5.9	3.2	139.3
Net Position	$	749.6	1,337.5	283.3	569.8	178.5	3,118.7

[2]SFPUC total included elimination entries of $0.4 million interfund payables and receivables between Wastewater and Hetchy Power.

		Water	Wastewater	Hetchy Water	Hetchy Power	CleanPowerSF	SFPUC
Number of Customer Accounts		178,961	177,098	5	7,043	384,664	747,771
Capital Budget	$	389.7	953.1	151.8	32.7	2.2	1,529.5
Adopted Annual Operating Budget	$	675.1	431.7	94.5	209.4	280.3	1,691.0

Definitions

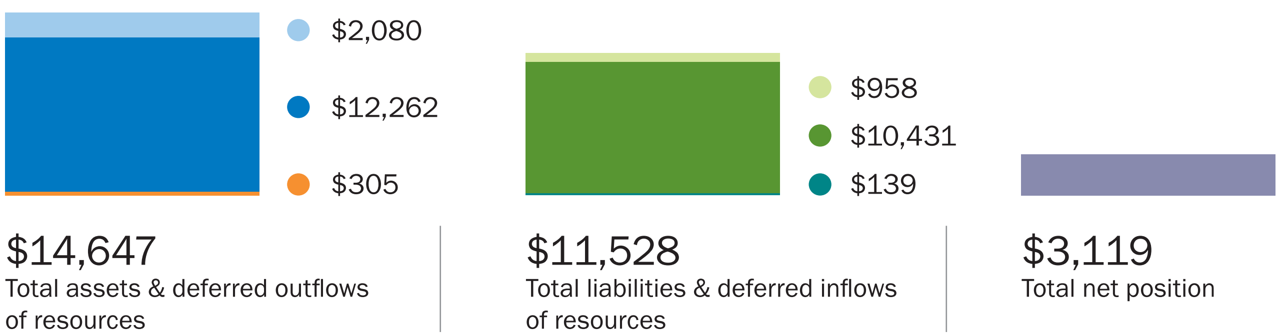
- **Current Ratio:** measures the enterprise's ability to pay short-term obligations with its current assets. It is defined as current assets divided by current liabilities.
- **Debt Ratio:** measures how much of the enterprise's assets are financed by debt. It is defined as total liabilities divided by total assets.
- **Debt Service Coverage:** measures the enterprise's ability to meet both legal and policy-driven revenue obligations associated with debt. The enterprise revenues pledged for the repayment of debt service must meet the following financial ratios: minimum debt service coverage requirements of 1.00x (current) and 1.25x (indenture).

Five-Year Comparative Consolidated Net Position

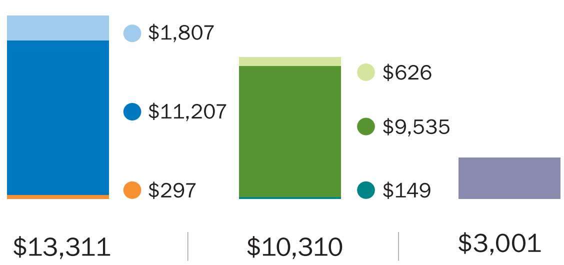
(DOLLARS IN MILLIONS)

- 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

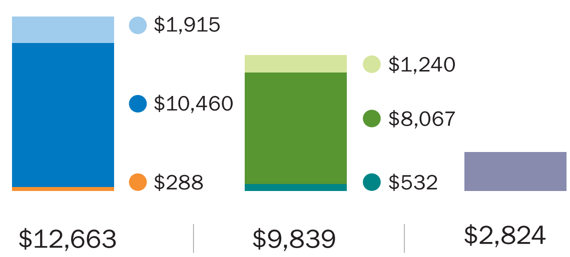
2024



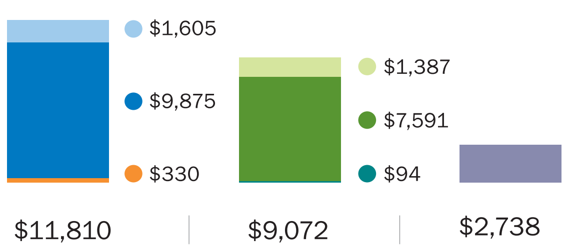
2023



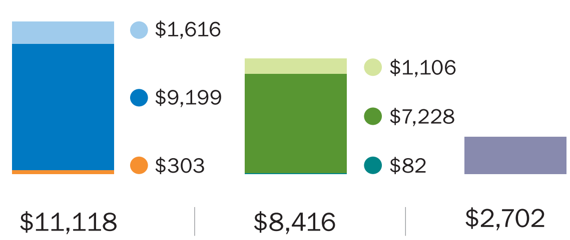
2022



2021



2020



^Total asset reclassification from current and other assets to right-to-use lease (fiscal years 2021-2023) and subscription assets (fiscal years 2022-2023).

Five-Year Comparative Revenues and Expenses

(DOLLARS IN MILLIONS)

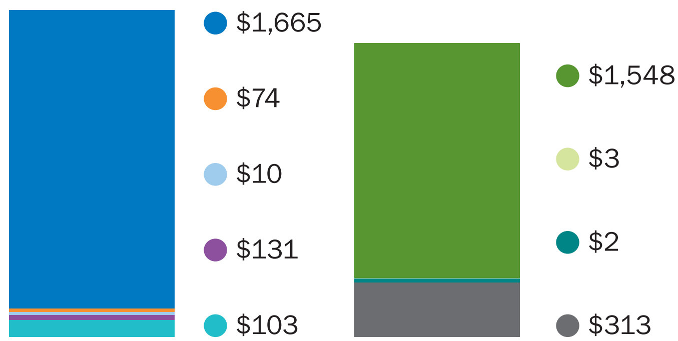
Revenues, Transfers in and Capital Contributions

- Charges for services
- Interest and investment (loss) income
- Rents & concessions
- Transfers in and capital contribution
- Others

Expenses & Transfers out

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

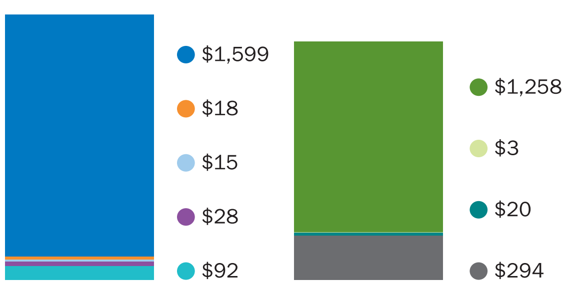
2024



$1,983
Total Revenues, Transfer In & Capital Contribution

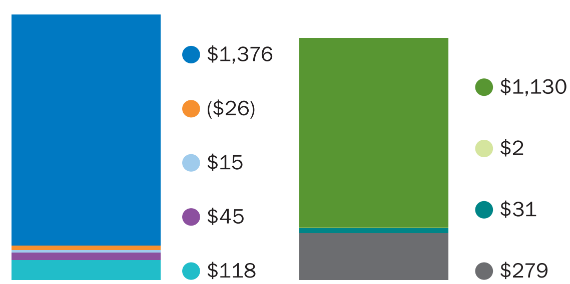
$1,866
Total Expenses & Transfers Out

2023



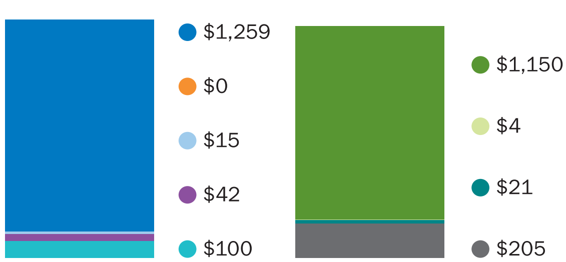
$1,752 | $1,575

2022



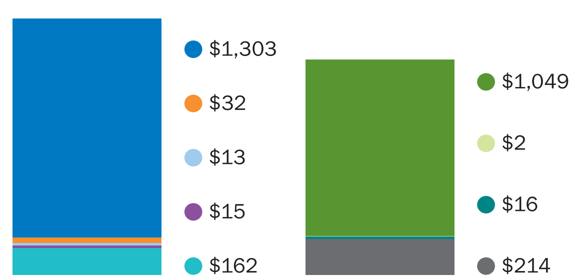
$1,528 | $1,442

2021



$1,416 | $1,380

2020



$1,525 | $1,281

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.

Cover photos: Moccasin Powerhouse Generator Rehabilitation, Millbrae Lab: samples from shoreline testing, Southeast Wastewater Treatment Plant, Hetch Hetchy Reservoir, The Paulsell Solar Energy Center, Stationary Engineer at Oceanside Wastewater Treatment Plant

Back cover photo: Hetchy Hetchy Reservoir - Yosemite National Park

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SFPUC Financial Services
525 Golden Gate Avenue, 4th Floor
San Francisco, CA 94102-3220
sfpuc.gov

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