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

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

Date: **May 24, 2022**

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

Through: Dennis J. Herrera, General Manager Dennis J. Herrera

From: **Charles Perl, Deputy Chief Financial Officer** Charles Perl

Subject: **SFPUC FY 2021-22 Third Quarter Budgetary Report through March 31, 2022**

The FY 2021-22 third quarter budgetary reports are attached for the three Enterprises and CleanPowerSF, with high-level changes to revenues and expenses summarized in the following table:

FY 2021-22 Operations

	Beginning Available Fund Balance	Fund Balance Budgeted to be (Used)	Projected Sources	Projected Uses (excluding Capital & General Reserve)	Net Operating Results Surplus / (Shortfall)	General Reserve & Project Closeout	Projected Year End Available Fund Balance
Water	**254.2**	22.0	(36.2)	9.6	**(26.6)**	-	**205.6**
Wastewater	**185.7**	18.2	(35.7)	8.6	**(27.3)**	-	**140.2**
Power	**80.6**	7.1	11.5	7.4	**18.9**	-	**92.4**
CleanPowerSF	**73.4**	2.9	(1.2)	(2.8)	**(4.0)**	-	**66.6**

Summary:

- Positive operating results projected for Power and operating shortfalls projected for Water, Wastewater and CleanPowerSF.
- ***Water and Wastewater:*** revenues are down from budget due to impact of water conservation efforts and delayed economic recovery. Retail sales are worse than at quarter 2, but Wholesale sales are higher than projected at quarter 2 as the different customer segments respond differently to economic recovery and conservation calls. As a result, Water's overall revenue shortfall has improved and Wastewater's has worsened since last quarter.

In both enterprises, revenue shortfalls include COVID-19 emergency customer assistance programs, partially offset by grants from the state COVID-19 utility debt forgiveness program.

Additionally, fund balance is projected to be reduced by $8.6M in the Wastewater enterprise due to legal settlements relating to floodwater claims from the 2014 storms. Such settlements can be paid directly from unappropriated fund balance per Appropriation Ordinance No. 165-20 (section 10.10).

- ***CleanPowerSF:*** The budget was revised upwards by $35M during quarter 2 to include approved rate increases, and the increased cost of power purchases driven by higher energy market costs. CleanPowerSF's revenue projections also include grants from the state COVID-19 utility debt forgiveness program.

  However, at quarter 3, CleanPowerSF's revenue projection has worsened due to additional rate changes to remain competitive with PG&E.

  In addition, expenditure projections have increased as a result of 1) Resource Adequacy (RA) capacity sales revenues ($4.5M) that had previously been assumed to offset the power purchase supply budget, but in practice are not available for use; and 2) time lags in California Independent System Operator (CAISO) invoicing and renewable power purchase agreement (PPA) invoicing that require additional payment capacity this fiscal year ($4M). These changes are partially offset by reclassification of collateral payments made to CleanPowerSF's CAISO scheduling coordinator, APX, that had been classified as power purchase expenses earlier in the fiscal year.

  CleanPowerSF will seek additional budget authority of approximately $7M in order to have ability to expend these additional amounts this year.[1] This $7M estimate is currently reflected in the variance column but will be included in the revised budget column at quarter 4, assuming the budget amendment moves forward.

- ***Power:*** Retail revenues have further increased due to higher volumes and rates. Due to PG&E rate changes, the enterprise rate increased approximately 7% in January and an additional 10% in March. Most of the revenue increase is attributed to SFO.

  Wholesale revenues are also projected to exceed the budget due to higher power prices, as well as higher water sales to Lawrence Livermore National Labs. The surplus in wholesale revenues has occurred despite 7% lower generation due to drier weather.

  Higher revenues are partially offset by increased transmission and distribution costs. This largely driven by collateral calls

---

[1] CleanPowerSF has a Category 8 (Per Section 10.100-372 of the Administrative Code) self-appropriating fund and is not required to go through the full supplemental process for budget amendments.

relating to catchup billings for prior year accruals, and also an increase in distribution costs to PG&E because of new WDT3 rates effective in January.

- Across all enterprises, expenditures are projected to come in below budget due to vacant positions and projected year end savings in non-personnel expenses, and overhead.
- All enterprises are projected to meet financial policy minimums and coverage ratios at year end.

SFPUC's finance team is closely monitoring water and wastewater sales for FY 2021-22 to determine impacts of continued economic weakness and conservation on the current year and will provide continue to provide updates to the Commission.

If you have questions, please contact me at Cperl@sfwater.org.

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

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

Appendix A

WATER ENTERPRISE OPERATING FUNDS
FY 2021-22 3rd Quarter - Budgetary Basis, Funds 25940, 25950, 25960, 26570, 26600
($ Millions)

	FY 2020-21 Actuals	FY 2021-22 Original Budget	FY 2021-22 Revised Budget (includes carryforwards)	FY 2021-22 Projection (includes carryforwards)	FY 2021-22 Variance (Projection - Revised Budget)	
Sources						
Retail Water Sales	285.9	327.4	327.5	312.5	(15.0)	A
Wholesale Water Sales	275.2	270.6	270.6	252.6	(18.1)	B
Interest Income	2.4	4.5	4.5	1.6	(2.9)	C
Rental Income	12.7	12.9	12.9	12.3	(0.6)	D
Miscellaneous Income	20.4	20.9	21.5	21.8	0.4	E
Departmental Transfer Adjustment	(44.2)	(45.8)	(45.8)	(45.8)	-	
Federal Bond Interest Subsidy	21.8	21.6	21.6	21.6	-	
Appropriated/Budgeted Use of Fund Balance	95.1	22.0	72.8	72.8	-	
Total Sources	**669.3**	**634.0**	**685.5**	**649.3**	**(36.2)**	
Operating Uses						
Personnel	98.7	110.0	110.0	104.8	5.3	F
Non-Personnel Services	17.2	24.6	35.5	33.5	2.0	G
Materials and Supplies	12.4	16.0	20.3	20.3	-	
Equipment	3.2	3.1	9.6	9.6	-	
Light, Heat, and Power	9.8	10.4	10.6	10.6	-	
Overhead (SFPUC Bureaus)	48.4	59.8	69.0	67.5	1.5	H
Services of Other Departments	14.4	14.7	16.4	16.4	-	
Debt Service	299.3	307.7	307.7	306.9	0.8	I
Total Operating Uses	**503.3**	**546.4**	**579.2**	**569.6**	**9.6**	
Net Operating Results	**166.0**			**79.7**	**(26.6)**	

Adjustments to Operating Fund Balance	FY 2020-21 Actuals	Current Year Transfers from Operating	Total Available Funds	Projection (current & future years spending)	Project Closeouts
Capital Projects	45.2	55.7	237.9	237.9	-
Facilities Maintenance/Programmatic	22.9	32.0	50.0	50.0	-
Total Adjustments to Operating Fund Balance	**$ 68.1**	**$ 87.7**	**$ 287.9**	**$ 287.9**	**$ -**
Available Fund Balance as of Fiscal Year-End	**$ 254.2**				**$ 205.6**
Available Fund Balance, % of Operating Uses (J) 25-68%	**112.0%**				**65.8%**
Debt Service Coverage (Year-End Budgetary Basis)					
Indenture Basis (includes Available Fund Balance) **(K)** ≥ 1.35	**1.99**	**1.95**			**1.76**
Current Basis **(L)** ≥ 1.10	**1.22**	**1.20**			**1.12**

Appendix A

WATER ENTERPRISE OPERATING FUNDS
FY 2021-22 3rd Quarter - Budgetary Basis, Funds 25940, 25950, 25960, 26570, 26600
($ Millions)

Revenue Variances

A. Retail water sales forecasted to be 52.2 MGD, a 7.1% decrease from budgeted volumes of 56.2 MGD, and a 2.6% decrease from prior year actuals of 53.6 MGD. Includes 5% drought surcharge effective April 2022. Adjustments include COVID-19 emergency discounts, as well as $7.3M in grants from state COVID-19 utility debt forgiveness program.

B. Wholesale water sales forecasted to be 124.5 MGD, a 6.4% decrease from budgeted volumes of 133.0 MGD, and a 7.7% decrease from prior year actuals of 134.9 MGD. Revenues also include $2.1M in unbudgeted payments from customers not meeting minimum purchase requirements.

C. Interest income projected to fall below budget due to lower-than-budgeted interest rates on City's pooled funds portfolio.

D. Rental income projected to fall slightly below budget due to revenue adjustments made to Crystal Springs Golf Course.

E. Miscellaneous income projected to be slightly above budget, primarily due to $1.1M in revenue for Recreation and Park Department's purchase of Francisco Reservoir.

Expenditure Variances

F. Savings due to vacant positions**.**
G. Savings reflect lower spending asscociated with customer rebate and incentive programs.
H. Savings reflect lower spending associated with bureau allocation.
I. Savings reflects $810k in excess reserve funds applied to debt service payments.

Other Notes

J. Calculated as Ending Available Fund Balance (including additions to General Reserve) as a percent of Operating Uses plus Facilities Maintenance/Programmatic Uses. SFPUC's Fund Balance Reserve Policy requires this to be within a range of 25-68%.

K. Calculated as ratio between (a) Total Sources plus Beginning Available Fund Balance plus Capacity Charges, less Operating Uses less Facilities Maintenance/Programmatic, excluding all revenues and expenses related to the 525 Golden Gate COPs, and (b) Debt Service. The Indenture requires this ratio to be a minimum of 1.25 times, and SFPUC's Debt Service Coverage Policy requires this ratio to to be a minimum of 1.35 times.

L. Calculated as ratio between (a) Total Sources plus any appropriated fund balance, plus Capacity Charges, less Operating Uses less Facilities Maintenance/Programmatic, excluding all revenues and expenses related to the 525 Golden Gate COPs, and (b) Debt Service. SFPUC's Debt Service Coverage Policy requires this ratio to be a minimum of 1.10 times.

Appendix B

WASTEWATER ENTERPRISE OPERATING FUNDS
FY 2021-22 3rd Quarter - Budgetary Basis, Funds 20160, 20550, 20170, 20210
($ Millions)

	FY 2020-21 Actuals	FY 2021-22 Original Budget	FY 2021-22 Revised Budget (includes carryforwards)	FY 2021-22 Projection (current year spending)	FY 2021-22 Variance (Projection - Revised Budget)		
Sources							
Sewer Service Charges	326.2	388.1	388.2	353.8	(34.4)	**A**	
Interest Income	6.0	5.8	5.8	1.7	(4.1)	**B**	
Miscellaneous Income	5.0	3.6	3.6	6.4	2.7	**C**	
Federal Bond Interest Subsidy	3.5	3.5	3.5	3.5	-		
Appropriated/Budgeted Use of Fund Balance	28.6	9.6	40.9	40.9	-	**D**	
Total Sources	**369.4**	**410.7**	**442.0**	**406.2**	**(35.7)**		
Operating Uses							
Personnel	70.8	82.1	82.1	75.4	6.8	**E**	8.2%
Non-Personnel Services	18.1	26.3	28.9	28.2	0.7	**F**	
City Grant Programs	0.1	0.3	0.6	0.6	-		
Materials and Supplies	8.7	12.0	14.6	14.6	-		
Equipment	0.9	3.2	6.6	6.6	-		
Light, Heat, and Power	10.1	12.3	12.8	12.8	-		
Overhead (SFPUC Bureaus)	29.5	36.4	43.6	42.5	1.1	**G**	
Services of Other Departments	27.0	25.4	27.1	27.1	-		
Debt Service	86.5	95.2	95.2	95.2	-		
Total Operating Uses	**251.7**	**293.1**	**311.5**	**303.0**	**8.6**		
Net Operating Results	**117.7**			**103.2**	**$ (27.3)**		

Adjustments to Operating Fund Balance	FY 2020-21 Actuals	Current Year Transfers from Operating	Total Available Funds	Projection (current & future years spending)	Project Closeouts	
Capital Projects	34.3	110.3	119.7	119.7	-	
Facilities Maintenance/Programmatic	6.5	8.6	12.9	12.9	-	
Legal Settlements	-	-	8.6	8.6	-	**H**
General Reserve	-	-	-	-	-	
Total Adjustments to Operating Fund Balance	**$ 40.9**	**$ 118.8**	**$ 141.1**	**$ 141.1**	**$ -**	
Available Fund Balance as of Fiscal Year-End	**$ 185.7**				**$ 140.2**	
Available Fund Balance, % of Operating Uses (I) 25-68%	**108.1%**				**63.6%**	
Debt Service Coverage (Year-End Budgetary Basis)						
Indenture Basis (includes Available Fund Balance) (J) ≥ 1.35	**4.39**	**4.17**			**3.63**	
Current Basis (K) ≥ 1.10	**2.13**	**2.28**			**2.05**	

Appendix B

WASTEWATER ENTERPRISE OPERATING FUNDS
FY 2021-22 3rd Quarter - Budgetary Basis, Funds 20160, 20550, 20170, 20210
($ Millions)

Revenue Variances

A. Wastewater retail billable volumes forecasted to be 42.6 MGD, a 4.4% decrease from budget of 44.5 MGD and a 1.0% decrease from prior year actuals of 43.0 MGD. Assumes 5% drought surcharge effective April 2022, and adjustments for COVID-19 emergency discounts.

B. Interest income projected to fall below budget due to lower-than-budgeted interest rates on City's pooled funds portfolio.

C. Miscellaneous income forecasted to increase from budget, primarily due to increased revenue from various permitting fees and non-utility services to other City departments.

D. Additional fund balance of $8.6M was appropriated to cover claims relating to the December 2014 rainstorms per Appropriation Ordinance No. 165-20 (section 10.10).

Expenditure Variances

E. Salary savings reflect vacant positions.

F. Savings reflect lower spending on biosolids hauling and digester cleaning.

G.Savings reflect salary savings associated with bureau allocation.

H. $8.6M was appropriated to cover claims relating to the December 2014 rainstorms per Appropriation Ordinance No. 165-20 (section 10.10).

Other Notes

I. Calculated as Ending Available Fund Balance (including additions to General Reserve) as a percent of Operating Uses plus Facilities Maintenance/Programmatic Uses. SFPUC's Fund Balance Reserve Policy requires this to be within a range of 25-68%.

J. Calculated as ratio between (a) Total Sources plus Beginning Available Fund Balance plus Capacity Charges, less Operating Uses less Facilities Maintenance/Programmatic (excluding all revenues and expenses related to the 525 Golden Gate COPs), and (b) Debt Service. The Indenture requires this ratio to be a minimum of 1.25 times, and SFPUC's Debt Service Coverage Policy requires this ratio to be a minimum of 1.35 times.

K. Calculated as ratio between (a) Total Sources plus any appropriated fund balance plus Capacity Charges, less Operating Uses less Facilities Maintenance/Programmatic (excluding all revenues and expenses related to the 525 Golden Gate COPs), and (b) Debt Service. SFPUC's Debt Service Coverage Policy requires this ratio to be a minimum of 1.10 times.

Appendix C

HETCH HETCHY WATER & POWER OPERATING FUNDS
FY 2021-22 3rd Quarter - Budgetary Basis - 24970, 24980, 24990 & 25030
($ Millions)

	FY 2020-21 Actuals	FY 2021-22 Original Budget	FY 2021-22 Revised Budget (includes carryforwards)	FY 2021-22 Projection (current year spending)	FY 2021-22 Variance (Projection - Revised Budget)	
Sources						
Electric Sales - Retail	109.1	134.7	134.7	146.7	12.0	A
Electric Sales - Wholesale	15.1	17.5	17.5	20.2	2.7	B
Water Sales - Transfer from Water Department	44.2	45.8	45.8	45.8	-	
Natural Gas & Steam - City Work Orders	13.0	12.9	18.6	15.6	(2.9)	C
Interest Income	1.5	4.8	4.8	1.1	(3.7)	D
Federal Interest Subsidy - Power Bonds	0.5	0.5	0.5	0.4	-	
Miscellaneous Income	9.8	5.6	5.9	9.4	3.6	E
Appropriated/Budgeted Use of Fund Balance	29.3	7.1	45.4	45.4	-	
Total Sources	**222.5**	**228.9**	**273.1**	**284.6**	**11.5**	
Operating Uses						
Personnel	46.6	51.4	51.4	50.2	1.1	F
Non-Personnel Services	60.3	39.4	52.6	52.5	0.2	
Power Purchases, Transmission Distribution & Related Charges	42.8	69.4	72.5	70.2	2.3	G
Natural Gas & Steam	13.0	12.9	18.6	15.6	2.9	H
Materials and Supplies	3.5	3.5	3.7	3.7	-	
Equipment	3.9	1.2	4.6	4.6	-	
Overhead (SFPUC Bureaus)	17.8	21.8	25.4	24.9	0.5	I
Services of Other Departments	4.3	9.2	12.2	11.8	0.4	J
Debt Service	3.7	3.9	3.9	3.9	-	
Total Operating Uses	**195.9**	**212.7**	**244.8**	**237.4**	**7.4**	
Net Operating Results	**26.6**			**47.2**	**18.9**	

Adjustments to Operating Fund Balance	FY 2020-21 Actuals	Current Year Transfers from Operating	Total Available Funds	Projection (current & future years spending)	Project Closeouts
Facilities Maintenance/Programmatic	12.7	14.5	20.8	20.8	-
Capital projects	27.0	1.7	96.6	96.6	-
General Reserve	-	-	-	-	-
Total Adjustments to Operating Fund Balance	**39.7**	**16.1**	**117.4**	**117.4**	**-**
Available Fund Balance as of Fiscal Year-End	**80.6**				**92.4**
Available Fund Balance, % of Operating Uses (K) 25-68%	**39.3%**				**45.4%**
Debt Service Coverage… Year-End Budgetary Basis					
Indenture Basis (includes Available Fund Balance) (L) ≥ 1.35	**9.89**	**30.57**			**25.87**
Current Basis (M) ≥ 1.10	**6.28**	**1.91**			**12.16**

Revenue Variances

A. Retail sales above budget due to higher than expected increases to Enterprise rates based on average PG&E increases of 7% in January and 10% in March. Includes $1.2M in grants from state COVID-19 utility debt forgiveness program.

B. Wholesale sales above budget, mainly due to higher than budgeted power prices. Includes $1.5M unbudgeted capacity sales to CleanPowerSF.

C. Savings due to lower usage in natural gas & steam.

D. Interest income projected to fall below budget due to lower-than-budgeted interest rates on City's pooled funds portfolio.

E. Miscellaneous revenues projected to increase from budget due to water sales to Lawrence Livermore National Labs resuming after being on hold for several years and removed from the budget.

Expenditure Variances

F. Savings due to vacant positions**.**

G. Increase to purchased power due to reduced generation compounded by higher than anticipated rate increases from PG&E, and $4.8M transmission collateral call from APX due to increase in weekly billing amounts. These costs are offset by $4M power contingency and prior year unspent funds carried forward from FY 2020-21.

H. Savings due to lower usage in natural gas & steam.

I. Savings reflect lower spending associated with bureau allocation.

J. Savings reflect lower spending from other City departments.

Other Notes

K. Calculated as Ending Available Fund Balance (including additions to General Reserve) as a percent of Power Operating Uses plus Power Facilities Maintenance/Programmatic Uses. SFPUC's Fund Balance Reserve Policy requires this to be within a range of 25-68%.

L. Calculated as the ratio between (a) Total Sources plus Beginning Available Fund Balance, less Operating Uses less Facilities Maintenance/Programmatic (excluding all revenues and expenses related to the 525 Golden Gate COPs, Treasure Island and Gas & Steam, and Transbay Cable revenues), and (b) Senior Lien Debt Service in the amount of $2.6M. The Indenture requires this ratio to be a minimum of 1.25 times, and SFPUC's Debt Service Coverage Policy requires this ratio to be a minimum of 1.35 times.

M. Calculated as ratio between (a) Operating Sources plus Fund Balance as a Source, less Operating Uses less Facilities Maintenance/Programmatic (excluding all revenues and expenses related to the 525 Golden Gate COPs, Treasure Island, Gas & Steam, and Transbay Cable revenues), and (b) Senior Lien Debt Service in the amount of $2.6M. SFPUC's Debt Service Coverage Policy requires this ratio to be a minimum of 1.10 times.

Appendix D

CleanPowerSF
FY 2021-22 3rd Quarter - Budgetary Basis - 24750, 24761, 24765 & 24870
($ Millions)

	FY 2020-21 Actuals	FY 2021-22 Original Budget	FY 2021-22 Revised Budget (includes carryforwards & supplemental)	FY 2021-22 Projection (includes carryforwards)	FY 2021-22 Variance (Projection -Revised Budget)	
Operating Sources						
Electric Sales - Green Product	199.8	213.3	248.4	239.9	(8.6)	
Electric Sales - SuperGreen Product	10.9	10.9	10.9	14.6	3.7	
Wholesale Sales	-	-	-	4.5	4.5	
Subtotal - Electric Revenues	**210.7**	**224.1**	**259.3**	**258.9**	**(0.4)**	**A**
Interest Income	0.6	0.9	0.9	0.2	(0.8)	**B**
Appropriated/Budgeted Use of Fund Balance	10.5	2.9	6.4	6.4	-	
Total Sources	**221.8**	**227.9**	**266.7**	**265.5**	**(1.2)**	
Operating Uses						
Personnel	3.7	8.0	8.0	4.5	3.5	**C**
Overhead	2.3	2.7	3.1	3.1	-	
Non Personnel Services	9.9	12.1	13.3	12.8	0.5	**D**
Materials & Supplies	0.0	0.2	0.2	0.1	0.1	**E**
Power Purchases, Transmission Distribution & Related Charges	189.5	197.9	234.3	241.2	(7.0)	**F**
Services of Other Departments	3.7	3.7	3.7	3.7	-	
Debt Service	1.8	-		-	-	
Total Operating Uses	**210.9**	**224.5**	**262.6**	**265.4**	**(2.8)**	
Net Operating Results	**10.9**			**0.1**	**(4.0)**	

Adjustments to Operating Fund Balance	FY 2020-21 Actuals	Current Year Transfers from Operating	Total Available Funds	Projection (current & future years spending)	Project Closeouts	
Programmatic	0.1	1.0	1.6	1.6	-	
Capital Projects	-	2.4	4.2	4.2	-	
General Reserve	-	-		-	-	
Total Adjustments to Operating Fund Balance	**0.1**	**3.4**	**5.8**	**5.8**	**-**	
Available Fund Balance as of Fiscal Year-End	**73.4**				**66.6**	**G**
Available Fund Balance, % of Operating Uses (H) %	**35.1%**				**24.9%**	

Revenue Variances

A.Revenue budget reflects a $35.2M supplemental appropriation to cover higher than anticipated costs to purchase energy due to volatile and expensive power market. On March 2022 projected revenues were reduced resulting from PG&E's final adopted rates. The lower revenue is offset by $4.5M in wholesale sales. The projection also includes $2.4M in grants from state COVID-19 utility debt forgiveness program.

B. Interest income projected to fall below budget due to lower-than-budgeted interest rates on City's pooled funds portfolio.

Expenditure Variances

C. Salary savings due to vacant positions.
D. Savings reflect budgeted contractual services performed internally.
E. Savings reflect a reduction in materials and supplies due to the current remote workforce.
F. A $7M deficit is anticipated due to the exclusion of $4.5M in wholesale RA capacity revenues that were previously assumed to offset against the power supply budget, and time lags in California Independent System Operator (CAISO) invoicing and renewable power purchase agreement (PPA) invoicing that require additional payment capacity this fiscal year ($4M). These changes are partially offset by the reclassification of collateral payments made to CleanPowerSF’s CAISO scheduling coordinator, APX, that had been classified as power purchase expenses earlier in the fiscal year.

Other Notes

G. Available fund balance at fiscal year end is calculated within this report by taking beginning fund balance, less any fund balance budgeted to be used
H. Calculated as Ending Available Fund Balance as a percent of Operating Uses plus Facilities Maintenance/Programmatic Uses. SFPUC's Fund Balance Reserve Policy requires this to be atleast 50% within three years of policy adoption (April of 2022).