



San Francisco Water Power Sewer

Services of the San Francisco Public Utilities Commission

Date: March 10, 2026

To: Commissioner Joshua Arce, President
Commissioner Steve Leveroni, Vice President
Commissioner Avni Jamdar
Commissioner Kate Stacy
Commissioner Meghan Thurlow

Through: Dennis J. Herrera, General Manager

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

Subject: **SFPUC FY 2025-26 Second Quarter Budgetary Report
through December 2025**

The FY 2025-26 second quarter budgetary reports are attached for the three Enterprises and CleanPowerSF, with high-level changes to revenues and expenses summarized in the following table:

FY 2025-26 Operations

Enterprise	Beginning Available Fund Balance	Fund Balance Budgeted to be (Used)	Projected Sources	Projected Uses (excluding Capital)	Net Operating Results Surplus / (Shortfall)	Mid-year Adjustments to Fund Balance	Projected Year End Available Fund Balance
Water	218.5	(33.0)	(33.4)	34.7	1.3	(3.0)	183.8
Wastewater	181.3	(34.6)	(6.9)	5.3	(1.6)	-	145.1
Power	246.6	(33.4)	(8.1)	64.6	56.5	-	269.7
CleanPowerSF	216.5	-	(32.2)	70.2	38.0	-	254.6

Daniel Lurie
Mayor

Joshua Arce
President

Stephen E. Leveroni
Vice President

Avni Jamdar
Commissioner

Kate H. Stacy
Commissioner

Meghan Thurlow
Commissioner

Dennis J. Herrera
General Manager

Summary:

- Overall, a slightly negative Q2 operating result is projected for Water and Wastewater due to lower sales volumes. Power and CleanPowerSF are projected to post positive operating results, driven by rate reductions in CleanPowerSF as well as lower volumes and reduced power purchase costs.
- *Water:* Retail and wholesale revenues remain below budget due to lower volumes. Other revenue sources, including water installation charges and the federal subsidy from Build America Bonds, are also below budget. These shortfalls are largely offset by modest personnel savings and significant debt service

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.



savings. Debt service savings are primarily attributable to a 2025 Water revenue bond refunding, which helps mitigate the loss of the Build America Bonds subsidy.

- *Wastewater*: Similar to Water, revenues remain slightly below budget due to lower volumes. On the uses side, personnel costs are projected to come in slightly below budget, debt service savings result from paying off 2021 notes, and a general reserve is projected to go unspent.
- *Power*: Retail revenues remain slightly below budget due to lower demand, partially offset by higher wholesale revenues from energy and resource adequacy sales. On the uses side, increased savings are projected in power purchase costs due to increased generation, along with \$17.8 million in energy, transmission, and distribution savings. In addition, a large carryforward balance and the contingency budget are projected to go unspent.
- *CleanPowerSF*: Retail sales revenues are significantly lower than Q1 due to mid-year rate decrease effective March 1, 2026. Wholesale sales remain higher than budget due to resource adequacy sales. On the uses side, lower power contingency needs, reduced energy and short-term renewable costs, and a general reserve budgeted to go unspent to build reserves contribute to overall savings.
- All enterprises are exceeding financial policy minimums and coverage ratios at year end.

If you have questions, please contact me at NHom@swater.org.

cc:

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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

FY 2025-26 2nd Quarter – Budgetary Basis (\$millions)

Categories	FY 2024-25 Actuals	Original Budget	Revised Budget	Projection	Variance
Sources	–	–	–	–	–
Retail Water Sales	346.9	362.5	362.6	361.5	(1.1)
Wholesale Water Sales	362.2	377.0	377.0	355.3	(21.7)
Interest Income	12.0	1.9	1.9	2.0	0.2
Rental Income	7.8	10.0	10.0	10.3	0.3
Miscellaneous Income	17.3	21.1	21.1	18.9	(2.2)
Departmental Transfer Adjustment	(49.3)	(54.1)	(54.1)	(54.1)	-
Federal Bond Interest Subsidy	22.8	19.9	19.9	11.0	(8.9)
Appropriated/Budgeted Use of Fund Balance	-	33.0	65.6	65.6	-
Total Sources	719.7	771.2	803.9	770.5	(33.4)
Operating Uses	–	–	–	–	–
Personnel	118.1	126.9	126.9	123.5	3.4
Non-Personnel Services	22.5	20.8	26.7	26.7	–
Materials and Supplies	21.9	20.3	21.8	21.8	–
Equipment	3.5	3.7	9.6	9.6	–
Overhead (SFPUC Bureaus)	62.4	68.4	78.4	77.3	1.1
Services of Other Departments	32.1	35.7	36.0	36.0	–
Debt Service	300.4	367.0	367.0	337.5	29.5
General Reserve	–	0.8	0.8	–	0.8
Total Operating Uses	560.9	643.6	667.2	632.5	34.7
Net Operating Results	158.8	–	–	138.0	1.3
Other Impacts to Operating Budget	FY 2024-25 Actuals	Current Year Transfer from Operating	Total Available Funds	Projection	Variance
Capital Projects	65.1	95.4	263.9	263.9	–
Facilities Maintenance/Programmatic	30.2	32.2	68.5	68.5	–
Legal Settlements	2.7	–	–	3.0	(3.0)
Total Adjustments to Operating Fund Balance	98.1	127.6	332.4	335.4	(3.0)
Available Fund Balance - Fiscal Year-End	218.5	–	–	–	183.8
Available Fund Balance, % of Uses (L) 25-68%	75.2%	–	–	–	50.6%
Debt Service Coverage	–	–	–	–	–
Indenture Basis (N) >= 1.35	2.17	1.78	–	–	1.83
Current Basis (O) >= 1.10	1.57	1.28	–	–	1.25

Water Enterprise Key Budgetary Variances

- A. Projected retail water sales of 53.2 MGD represent a 1.2% decrease from FY 24-25 actuals of 53.9 MGD and a 1.3% decrease from budget of 54.0 MGD.
- B. Projected wholesale water sales of 124.7 MGD represent a 2.6% decrease from FY 24-25 actuals of 128.0 MGD and a 5.6% decrease from budgeted volumes of 132.1 MGD.
- C. Interest income is projected to exceed budget due to higher interest rates.
- D. Rental income is projected to be above budget due to higher lease renewals than expected, partially offset by transfer to Wastewater to fund discount programs.
- E. Miscellaneous income is projected to be below budget, mainly due to lower water service installation revenues.
- F. Federal bond interest subsidy is mainly below budget due to refunding of 2010B and 2010E Build America Bonds and includes the federal subsidy on 525 Golden Gate COPs.
- G. Savings in personnel reflect vacant positions.
- H. Savings reflect lower spending in bureau allocation based on bureau personnel spending and vacancies.
- I. Due to the delay of payment for the Westside Recycled Water SRF loan, lower payment for Mt Tunnel Improvement Project and savings from the 2025 Water Revenue Refunding Bonds Series ABCF.
- J. \$0.8 million is in general reserve.
- K. Expected legal settlements total \$3.0 million.
- L. Available Fund Balance 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%.
- M. Additional expenses that are included in debt service calculations are not shown in this operating fund report.
- N. Indenture Basis 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.
- O. Current Basis 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

FY 2025-26 2nd Quarter – Budgetary Basis (\$millions)

Categories	FY 2024-25 Actuals	Original Budget	Revised Budget	Projection	Variance
Sources	–	–	–	–	–
Sewer Service Charges	430.0	480.2	480.3	472.7	(7.6)
Interest Income	14.2	2.7	2.7	2.7	-
Miscellaneous Income	11.9	4.3	4.3	4.2	(0.1)
Federal Bond Interest Subsidy	3.9	3.1	3.1	3.9	0.8
Appropriated/Budgeted Use of Fund Balance	24.7	34.6	55.0	55.0	-
Total Sources	484.6	524.9	545.4	538.5	(6.9)
Operating Uses	–	–	–	–	–
Personnel	87.3	94.2	94.2	92.7	1.5
Non-Personnel Services	29.5	30.0	32.6	32.6	-
Materials and Supplies	15.4	15.7	16.7	16.7	-
Equipment	3.4	2.2	3.7	3.7	-
Overhead (SFPUC Bureaus)	45.3	49.9	57.2	56.4	0.8
Services of Other Departments	40.3	40.7	43.9	43.9	-
Debt Service	111.4	144.0	144.0	141.8	2.2
General Reserve	-	0.9	0.9	-	0.9
Total Operating Uses	332.5	377.6	393.3	388.0	5.3
Net Operating Results	152.0	150.5			(1.6)
Other Impacts to Operating Budget	FY 2024-25 Actuals	Current Year Transfer from Operating	Total Available Funds	Projection	Variance
Capital Projects	99.3	134.1	329.8	329.8	–
Facilities Maintenance/Programmatic	9.7	13.3	18.0	18.0	–
Total Adjustments to Operating Fund Balance	109.0	147.3	347.8	347.8	–
Available Fund Balance - Fiscal Year-End	181.3	–	–	–	145.1
Available Fund Balance, % of Uses (L) 25-68%	78.5%	–	–	–	54.9%
Debt Service Coverage	–	–	–	–	–
Indenture Basis (N) >= 1.35	3.64	3.03	–	–	2.73
Current Basis (O) >= 1.10	2.09	2.01	–	–	1.82

Wastewater Enterprise Key Budgetary Variances

- A. Projected retail wastewater volumes of 44.3 MGD represent a 0.4% decrease from FY 24-25 actuals of 44.5 MGD and a 1.2% decrease from budget of 44.9 MGD.
- B. Miscellaneous income is projected to be slightly below budget, primarily due to lower miscellaneous fee collections.
- C. Federal bond interest subsidy is slightly above budget due to federal interest subsidy on 525 Golden Gate COPs.
- D. Salary savings reflect vacant positions.
- E. Debt service variance is mainly due to the defeasance of the 2021 Series A Notes and 2021 Series B Notes.
- F. \$0.9 million is in general reserve.
- G. Available Fund Balance 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%.
- H. Additional expenses that are included in debt service calculations are not shown in this operating fund report.
- I. Indenture Basis calculated as ratio between (a) Total Sources plus Beginning Available Fund Balance plus Capacity Charges, less Operating Uses less Facilities Maintenance/Programmatic, excluding all revenues and expenses related to the 525 Golden Gate COPs, and (b) Debt Service. The Indenture requires this ratio to be a minimum of 1.25 times, and SFPUC's Debt Service Coverage Policy requires this ratio to be a minimum of 1.35 times.
- J. Current Basis 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 Enterprise

FY 2025-26 2nd Quarter – Budgetary Basis (\$millions)

Categories	FY 2024-25 Actuals	Original Budget	Revised Budget	Projection	Variance
Sources	–	–	–	–	–
Electric Sales - Retail	210.3	234.9	236.1	226.7	(9.4)
Electric Sales - Wholesale	24.5	28.1	28.1	28.8	0.7
Water Sales - Transfer from Water Department	49.2	54.1	54.1	54.1	–
Natural Gas & Steam - City Work Orders	17.7	22.8	22.9	22.3	(0.5)
Interest Income	13.0	2.9	2.9	3.2	0.3
Federal Interest Subsidy - Power Bonds	0.2	0.1	0.1	0.1	–
Miscellaneous Income	6.6	6.2	6.2	7.1	0.8
Appropriated/Budgeted Use of Fund Balance	–	33.4	119.4	119.4	–
Total Sources	321.4	382.6	469.8	461.7	(8.1)
Operating Uses	–	–	–	–	–
Personnel	58.4	64.0	64.0	62.8	1.2
Non-Personnel Services	37.3	47.3	83.8	83.8	–
Power Purchases, Transmission, Distribution	77.9	126.8	150.3	94.4	56.0
Natural Gas & Steam	17.7	22.8	28.4	22.3	6.1
Materials and Supplies	4.4	4.8	5.2	5.2	–
Equipment	2.2	3.0	10.0	10.0	–
Overhead (SFPUC Bureaus)	27.0	29.6	34.0	33.5	0.5
Services of Other Departments	7.0	9.6	10.5	10.5	–
Debt Service	10.0	13.6	13.6	13.6	–
General Reserve	0.6	0.8	0.8	–	0.8
Total Operating Uses	242.4	322.4	400.7	336.1	64.6
Net Operating Results	78.9	125.5			56.5
Other Impacts to Operating Budget	FY 2024–25 Actuals	Current Year Transfer from Operating	Total Available Funds	Projection	Variance
Capital Projects	16.7	24.1	33.0	33.0	–
Facilities Maintenance/Programmatic	18.0	36.1	80.8	80.8	–
Total Adjustments to Operating Fund Balance	34.7	60.2	113.8	113.8	–
Available Fund Balance - Fiscal Year-End	246.6	–	–	–	269.7
Available Fund Balance, % of Uses (L) 25-68%	99.0%	–	–	–	106.1%
Debt Service Coverage	–	–	–	–	–
Indenture Basis (N) >= 1.35	23.78	19.84	–	–	18.09
Current Basis (O) >= 1.10	6.69	3.08	–	–	8.08

Hetch Hetchy Water & Power Enterprise Key Budgetary Variances

- A. Retail sales are lower than budget due to lower projected sales volumes.
- B. Wholesale sales are higher than budget mainly due to additional energy and resource adequacy sales.
- C. Gas and steam sales are below budget due to lower usage, and the revenue reduction is offset by equivalent cost savings.
- D. Interest income is projected to exceed budget due to higher interest rates.
- E. Miscellaneous income is projected to be slightly above budget, primarily due to higher water sales.
- F. Salary savings reflect vacant positions.
- G. Savings are due to higher than budgeted generation combined with lower projected power costs. This includes \$14.8 million in energy savings, \$0.7 million in transmission savings, and \$2.3 million in distribution savings. Remaining savings result from budgeted contingency and carryforward budget projected to be unspent.
- H. Savings reflect lower bureau allocation spending due to bureau personnel savings and vacancies.
- I. General reserve was intentionally budgeted and planned to go unspent.
- J. Available Fund Balance 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. Additional expenses that are included in debt service calculations are not shown in this operating fund report.
- L. Indenture Basis calculated as ratio between (a) Total Sources plus Beginning Available Fund Balance plus Capacity Charges, less Operating Uses less Facilities Maintenance/Programmatic, excluding all revenues and expenses related to the 525 Golden Gate COPs, and (b) Debt Service. The Indenture requires this ratio to be a minimum of 1.25 times, and SFPUC's Debt Service Coverage Policy requires this ratio to be a minimum of 1.35 times.
- M. Current Basis 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 D – CleanPowerSF

FY 2025-26 2nd Quarter – Budgetary Basis (\$millions)

Categories	FY 2024-25 Actuals	Original Budget	Revised Budget	Projection	Variance
Sources	–	–	–	–	–
Electric Sales - Green Product	344.0	363.8	363.8	316.0	(47.7)
Electric Sales - SuperGreen Product	60.9	64.3	64.3	68.4	4.1
Wholesale Sales	22.8	11.9	11.9	23.1	11.3
Subtotal - Electric Revenues	427.7	440.0	440.0	407.6	(32.4)
Interest Income	0.4	3.3	3.3	3.5	0.2
Miscellaneous Income	0.1	–	–	–	–
Appropriated/Budgeted Use of Fund Balance	–	94.5	94.5	–	
Total Sources	428.1	443.3	537.8	505.6	(32.2)
Operating Uses	–	–	–	–	–
Personnel	8.4	10.1	10.0	9.5	0.5
Overhead (SFPUC Bureaus)	6.8	7.9	9.0	8.9	0.1
Non Personnel Services	9.8	11.2	13.4	13.4	–
Materials & Supplies	0.0	0.1	0.1	0.1	–
Services of Other Departments	2.1	1.9	2.1	2.1	–
General Reserve	–	40.3	40.3	–	40.3
Total Operating Uses	27.1	71.5	74.8	33.9	40.9
Adopted Power Purchases & Related Charges	340.0	362.2	362.2	333.0	29.3
Net Operating Results	61.1			804.7	38.0
Other Impacts to Operating Budget	FY 2024–25 Actuals	Current Year Transfer from Operating	Total Available Funds	Projection	Variance
Capital Projects	2.0	9.0	15.5	15.5	–
Facilities Maintenance/Programmatic	0.9	0.5	4.0	4.0	–
Total Adjustments to Operating Fund Balance	2.9	9.6	19.5	19.5	–
Available Fund Balance - Fiscal Year-End	216.5	–	–	–	254.6
Available Fund Balance, % of Uses (L) 25-68%	58.7%	–	–	–	66.6%

CleanPowerSF Key Budgetary Variances

- A. Revenues are projected to be lower than budget mainly due to a retail rate decrease effective March 1, 2026.
- B. Salary savings reflect vacant positions.
- C. General reserve was intentionally budgeted and planned to go unspent to build reserves.
- D. Power Purchase savings are primarily due to lower costs for energy and energy attributes. Purchase of power is funded in the CleanPowerSF Trust Fund, a continuing fund. Amounts from prior fiscal years automatically roll forward and are reflected as part of beginning fund balance.
- E. Available fund balance at fiscal year end is calculated within this report by taking beginning fund balance, less any fund balance budgeted to be used as a source, and adding the projected variances as well as project closeouts. As the CleanPowerSF Trust Fund is a continuing fund, amounts budgeted therein will automatically roll forward to the following year and will not be closed out to fund balance. As such, variances related to revenues, purchase of power, and general reserves will not close out to fund balance at the end of the year without manual intervention. However, as those funds are not considered restricted and CleanPowerSF may choose to close them out to fund balance, we are presenting them here as part of fund balance.
- F. Available Fund Balance calculated as Ending Available Fund Balance as a percent of Operating Uses plus Facilities Maintenance/Programmatic Uses. Per SFPUC's Fund Balance Reserve Policy adopted in April 2022, CleanPowerSF is required to build its fund balance reserve to a minimum of 41% (150 days) and a target of 49% (180 days) of operating expenditures within three fiscal years (June 30, 2025) of Fiscal Year Ending 2022.