



**Date:** May 26, 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 Third Quarter Budgetary Report  
through March 2026**

The FY 2025-26 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 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)	(22.4)	34.3	11.8	(5.4)	191.9
Wastewater	181.3	(34.6)	4.2	2.4	6.6	(2.0)	151.3
Power	246.6	(33.4)	(2.1)	67.4	65.3	-	278.5
CleanPowerSF	216.5	-	(34.7)	80.3	45.6	-	262.1

**Summary:**

- Positive Q3 operating results projected for all enterprises and CleanPowerSF, a steady improvement from Q2.
- *Water:* 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 slightly below budget. These shortfalls are partially offset by higher interest income due to higher interest rates and slightly higher retail sales. Overall, revenue gaps are largely offset by modest personnel savings and significant debt service savings. The debt service savings are primarily attributable to the 2025

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Commissioner

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General Manager



Water revenue bond refunding, which helps mitigate the loss of the Build America Bonds subsidy.

- *Wastewater*: Similar to Water, sources are above budget due to higher interest income, offset by lower usage volumes. On the expense side, personnel costs are projected to come in below budget and debt service is projected to exceed budget due to the first interest payment on the WIFIA loan for the Biosolids Digester Facilities Project, following earlier-than-expected fund drawdowns.
- *Power*: Overall revenues improved from Q2 but remain slightly below budget due to lower demand in retail sales, partially offset by higher wholesale revenues from resource adequacy sales and higher interest income. On the uses side, increased savings are projected in power purchase costs due to increased generation, along with power purchase savings. A large carryforward balance and the contingency budget are also projected to remain unspent, contributing to overall savings.
- *CleanPowerSF*: Retail sales revenues remain significantly lower than budget 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@sfgwater.org](mailto:NHom@sfgwater.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 3<sup>rd</sup> Quarter – Budgetary Basis (\$millions)

Categories	FY 2024-25 Actuals	Original Budget	Revised Budget	Projection	Variance
<b>Sources</b>	–	–	–	–	–
Retail Water Sales	346.9	362.5	362.6	364.2	(1.6)
Wholesale Water Sales	362.2	377.0	377.0	354.2	(22.8)
Interest Income	12.0	1.9	1.9	10.5	8.7
Rental Income	7.8	10.0	10.0	11.1	1.1
Miscellaneous Income	17.3	21.1	21.1	19.0	(2.1)
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	-
<b>Total Sources</b>	<b>719.7</b>	<b>771.2</b>	<b>803.9</b>	<b>781.5</b>	<b>(22.4)</b>
<b>Operating Uses</b>	–	–	–	–	–
Personnel	118.1	126.9	126.9	122.2	2.7
Non-Personnel Services	22.5	20.8	26.7	26.7	–
Materials and Supplies	21.9	20.3	21.8	23.8	–
Equipment	3.5	3.7	9.6	9.8	–
Overhead (SFPUC Bureaus)	62.4	68.4	78.4	77.1	1.3
Services of Other Departments	32.1	35.7	36.0	35.8	–
Debt Service	300.4	367.0	367.0	337.5	29.5
General Reserve	–	0.8	0.8	–	0.8
<b>Total Operating Uses</b>	<b>560.9</b>	<b>643.6</b>	<b>667.2</b>	<b>632.9</b>	<b>34.3</b>
<b>Net Operating Results</b>	<b>158.8</b>	–	–	<b>148.5</b>	<b>11.8</b>
<b>Other Impacts to Operating Budget</b>	<b>FY 2024-25 Actuals</b>	<b>Current Year Transfer from Operating</b>	<b>Total Available Funds</b>	<b>Projection</b>	<b>Variance</b>
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	–	–	5.4	(5.4)
<b>Total Adjustments to Operating Fund Balance</b>	<b>98.1</b>	<b>127.6</b>	<b>332.4</b>	<b>337.9</b>	<b>(5.4)</b>
<b>Available Fund Balance - Fiscal Year-End</b>	<b>218.5</b>	–	–	–	<b>191.9</b>
Available Fund Balance, % of Uses (L) 25-68%	75.2%	–	–	–	52.7%
<b>Debt Service Coverage</b>	–	–	–	–	–
Indenture Basis (N) >= 1.35	2.17	1.78	–	–	1.86
Current Basis (O) >= 1.10	1.57	1.28	–	–	1.28

## Water Enterprise Key Budgetary Variances

- A. Projected retail water sales of 54.2 MGD represents a 0.6% increase from FY 24-25 actuals of 53.8 MGD and a 0.4% increase from budget of 54.0 MGD.
- B. Projected wholesale water sales of 124.3 MGD represents a 2.9% decrease from FY 24-25 actuals of 128.0 MGD and a 5.9% decrease from budgeted volumes of 132.1 MGD.
- C. Interest income projected to exceed budget due to higher interest rates.
- D. Rental income 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 projected to be below budget, mainly due to less revenue from billing charges.
- F. Mainly due to the refunding of 2010B and 2010E Build America Bonds. Also includes federal subsidy on 525 Golden Gate COPs.
- G. Savings due to 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. \$0.8M in general reserve.
- K. Expected legal settlements.
- L. 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. 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. 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 3<sup>rd</sup> Quarter – Budgetary Basis (\$millions)

Categories	FY 2024-25 Actuals	Original Budget	Revised Budget	Projection	Variance
<b>Sources</b>	–	–	–	–	–
Sewer Service Charges	430.0	480.2	480.3	475.2	(5.1)
Interest Income	14.2	2.7	2.7	11.2	8.5
Miscellaneous Income	11.9	4.3	4.3	4.3	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	-
<b>Total Sources</b>	<b>484.6</b>	<b>524.9</b>	<b>545.4</b>	<b>549.6</b>	<b>4.2</b>
<b>Operating Uses</b>	–	–	–	–	–
Personnel	87.3	94.2	94.2	91.5	2.7
Non-Personnel Services	29.5	30.0	32.6	31.5	-
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	56.2	1.0
Services of Other Departments	40.3	40.7	43.9	45.0	-
Debt Service	111.4	144.0	144.0	146.2	(2.2)
General Reserve	-	0.9	0.9	-	0.9
<b>Total Operating Uses</b>	<b>332.5</b>	<b>377.6</b>	<b>393.3</b>	<b>390.9</b>	<b>2.4</b>
<b>Net Operating Results</b>	<b>152.0</b>	–	–	<b>158.7</b>	<b>6.6</b>
<b>Other Impacts to Operating Budget</b>	<b>FY 2024-25 Actuals</b>	<b>Current Year Transfer from Operating</b>	<b>Total Available Funds</b>	<b>Projection</b>	<b>Variance</b>
Capital Projects	99.3	134.1	329.8	329.8	–
Facilities Maintenance/Programmatic	9.7	13.3	18.0	18.0	–
Legal Settlements	-	-	-	2.0	(2.0)
<b>Total Adjustments to Operating Fund Balance</b>	<b>109.0</b>	<b>147.3</b>	<b>347.8</b>	<b>349.8</b>	<b>(2.0)</b>
<b>Available Fund Balance - Fiscal Year-End</b>	<b>181.3</b>	–	–	–	<b>151.3</b>
Available Fund Balance, % of Uses (L) 25-68%	78.5%	–	–	–	57.6%
<b>Debt Service Coverage</b>	–	–	–	–	–
Indenture Basis (N) >= 1.35	3.64	3.03	–	–	2.72
Current Basis (O) >= 1.10	2.09	2.01	–	–	1.83

## Wastewater Enterprise Key Budgetary Variances

- A. Projected retail wastewater volumes of 44.8 MGD represents a 0.7% increase from FY 24-25 actuals of 44.5 MGD and a 0.2% decrease from budget of 44.9 MGD.
- B. Interest income projected to exceed budget due to higher interest rates.
- C. Miscellaneous income is projected to be slightly above budget.
- D. Slightly above budget due to federal interest subsidy on 525 Golden Gate COPs.
- E. Salary savings reflect vacant positions.
- F. Savings reflect lower spending in bureau allocation due to bureau personnel savings and vacant positions.
- G. Debt service variance mainly due to the first interest payment on the WIFIA loan for the Biosolids Digester Facilities Project after funds were drawn earlier than expected. This is offset by the 2021 Series A and B Notes were paid off.
- H. \$0.9M in general reserve.
- I. Expected legal settlements.
- 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. Additional expenses that are included in debt service calculations are not shown in this operating fund report.
- L. Calculated as ratio between (a) Total Sources plus Beginning Available Fund Balance plus Capacity Charges, less Operating Uses less Facilities Maintenance/Programmatic (excluding all revenues and expenses related to the 525 Golden Gate COPs), and (b) Debt Service. The Indenture requires this ratio to be a minimum of 1.25 times, and SFPUC's Debt Service Coverage Policy requires this ratio to be a minimum of 1.35 times.
- M. Calculated as ratio between (a) Total Sources plus any appropriated fund balance plus Capacity Charges, less Operating Uses less Facilities Maintenance/Programmatic (excluding all revenues and expenses related to the 525 Golden Gate COPs), and (b) Debt Service. SFPUC's Debt Service Coverage Policy requires this ratio to be a minimum of 1.10 times.

## Appendix C – Hetch Hetchy Water & Power Enterprise

FY 2025-26 3<sup>rd</sup> Quarter – Budgetary Basis (\$millions)

Categories	FY 2024-25 Actuals	Original Budget	Revised Budget	Projection	Variance
<b>Sources</b>	–	–	–	–	–
Electric Sales - Retail	210.3	234.9	236.1	225.4	(10.7)
Electric Sales - Wholesale	24.5	28.1	28.1	30.5	2.4
Water Sales - Transfer from Water Department	49.2	54.1	54.1	54.1	–
Natural Gas & Steam - City Work Orders	17.7	22.8	22.8	20.4	(2.3)
Interest Income	13.0	2.9	2.9	10.8	7.9
Federal Interest Subsidy - Power Bonds	0.2	0.1	0.1	0.1	–
Miscellaneous Income	6.6	6.2	6.2	6.9	0.6
Appropriated/Budgeted Use of Fund Balance	–	33.4	119.4	119.4	–
<b>Total Sources</b>	<b>321.4</b>	<b>382.6</b>	<b>469.7</b>	<b>467.6</b>	<b>(2.1)</b>
<b>Operating Uses</b>	–	–	–	–	–
Personnel	58.4	64.0	64.0	62.4	1.6
Non-Personnel Services	37.3	47.3	52.8	52.8	–
Power Purchases, Transmission, Distribution	77.9	126.8	150.3	93.8	56.5
Natural Gas & Steam	17.7	22.8	28.3	20.4	7.9
Materials and Supplies	4.4	4.8	5.1	5.1	–
Equipment	2.2	3.0	10.1	10.1	–
Overhead (SFPUC Bureaus)	27.0	29.6	34.0	33.4	0.6
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
<b>Total Operating Uses</b>	<b>242.4</b>	<b>322.4</b>	<b>369.6</b>	<b>302.2</b>	<b>67.4</b>
<b>Net Operating Results</b>	<b>78.9</b>	–	–	<b>165.4</b>	<b>65.3</b>
<b>Other Impacts to Operating Budget</b>	<b>FY 2024–25 Actuals</b>	<b>Current Year Transfer from Operating</b>	<b>Total Available Funds</b>	<b>Projection</b>	<b>Variance</b>
Facilities Maintenance/Programmatic	16.7	24.1	33.0	33.0	–
Capital Projects	18.0	36.1	80.8	80.8	–
<b>Total Adjustments to Operating Fund Balance</b>	<b>34.7</b>	<b>60.2</b>	<b>113.8</b>	<b>113.8</b>	<b>–</b>
<b>Available Fund Balance - Fiscal Year-End</b>	<b>246.6</b>	–	–	–	<b>278.5</b>
Available Fund Balance, % of Uses (L) 25-68%	99.0%	–	–	–	121.1%
<b>Debt Service Coverage</b>	–	–	–	–	–
Indenture Basis (N) >= 1.35	23.78	19.84	–	–	21.23
Current Basis (O) >= 1.10	6.69	3.08	–	–	11.22

## 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 below budget due to lower usage. Revenue reduction is offset by equivalent cost savings.
- D. Interest income projected to exceed budget due to higher interest rates.
- E. Miscellaneous income 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 \$14.8M savings in energy, \$0.7M savings in transmission costs, and \$2.3M savings in distribution costs. The remaining savings are a result of budgeted contingency and carryforward budget projected to be unspent.
- H. Gas and steam sales below budget due to lower usage. Revenue reduction is offset by equivalent cost savings.
- I. Savings reflect lower spending associated in bureau allocation due bureau personnel spending and vacant positions.
- J. General Reserve was intentionally budgeted and planned to go unspent.
- K. Calculated as Ending Available Fund Balance (including additions to General Reserve) as a percent of Operating Uses plus Facilities
- L. Additional expenses that are included in debt service calculations are not shown in this operating fund report.
- M. Calculated as 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, Natural Gas and Steam and Treasure Island), 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.
- N. 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, Natural Gas and Steam and Treasure Island), 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 3<sup>rd</sup> Quarter – Budgetary Basis (\$millions)

Categories	FY 2024-25 Actuals	Original Budget	Revised Budget	Projection	Variance
<b>Sources</b>	–	–	–	–	–
Electric Sales - Green Product	344.0	363.8	363.8	310.8	(52.9)
Electric Sales - SuperGreen Product	60.9	64.3	64.3	67.7	3.3
Wholesale Sales	22.8	11.9	11.9	22.3	10.5
<b>Subtotal - Electric Revenues</b>	<b>427.7</b>	<b>440.0</b>	<b>440.0</b>	<b>400.9</b>	<b>(39.1)</b>
Interest Income	0.4	3.3	3.3	7.7	4.4
Miscellaneous Income	0.1	–	–	–	–
Appropriated/Budgeted Use of Fund Balance	–	94.5	94.5	–	–
<b>Total Sources</b>	<b>428.1</b>	<b>443.3</b>	<b>537.8</b>	<b>503.0</b>	<b>(34.7)</b>
<b>Operating Uses</b>	–	–	–	–	–
Personnel	8.4	10.1	10.0	9.5	0.5
Overhead (SFPUC Bureaus)	6.8	7.9	9.0	8.8	0.2
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
<b>Total Operating Uses</b>	<b>27.1</b>	<b>71.5</b>	<b>74.8</b>	<b>33.9</b>	<b>40.9</b>
Adopted Power Purchases & Related Charges	340.0	362.2	362.2	322.8	39.4
<b>Net Operating Results</b>	<b>61.1</b>			<b>792.0</b>	<b>45.6</b>
<b>Other Impacts to Operating Budget</b>	<b>FY 2024–25 Actuals</b>	<b>Current Year Transfer from Operating</b>	<b>Total Available Funds</b>	<b>Projection</b>	<b>Variance</b>
Programmatic	2.0	9.0	15.5	15.5	–
Capital Projects	0.9	0.5	4.0	4.0	–
<b>Total Adjustments to Operating Fund Balance</b>	<b>2.9</b>	<b>9.6</b>	<b>19.5</b>	<b>19.5</b>	<b>–</b>
<b>Available Fund Balance - Fiscal Year-End</b>	<b>216.5</b>	–	–	–	<b>262.1</b>
Available Fund Balance, % of Uses (L) 25-68%	58.7%	–	–	–	70.4%

## CleanPowerSF Key Budgetary Variances

- A. Revenues are projected to be lower than budget mainly due to retail rate decrease effective March 1, 2026.
- B. Interest income above budget due to higher interest rates than budgeted.
- C. Salary savings reflect vacant positions.
- D. Savings reflect lower spending in bureau allocation, based on bureau personnel spending and vacancies.
- E. General Reserve was intentionally budgeted and planned to go unspent to build reserves.
- F. Savings are primarily due to lower costs for energy and energy attributes. Purchase of Power is funded in the CleanPowerSF
- 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 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.
- H. 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.