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

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Date: September 8, 2026

To: Commissioner Joshua Arce, President
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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 Fourth Quarter Budgetary Report through June 2026**

The FY 2025-26 fourth 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)	(16.1)	37.6	**21.4**	(3.0)	**203.9**
Wastewater	**181.3**	(34.6)	7.0	3.6	**10.6**	(0.2)	**157.1**
Power	**246.6**	(33.4)	(0.2)	67.0	**66.8**	-	**280.0**
CleanPowerSF	**216.5**	-	(34.3)	105.6	**71.3**	-	**287.8**

<u>**Summary:**</u>

- Positive Q4 operating results are projected for all enterprises and CleanPowerSF. Overall trends continue from Q3.
- *Water:* Wholesale revenues remain below budget due to lower volumes. This is partially offset by higher interest income and slightly higher retail sales. Overall, revenue gaps are largely offset by personnel savings and non-personnel savings including significant debt service savings. The debt service savings are primarily attributable to the 2025 Water revenue bond refunding, which helps mitigate the loss of the Build America Bonds subsidy.

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

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.

- *Wastewater**:*** Overall sources are above budget due to higher interest income. This is partially offset by large refunds for municipal and non-residential customers, and corrections to stormwater billings in Q4. On the expense side, personnel and non-personnel operating savings are expected, partially offset by higher than budget debt service due to the first interest payment on the WIFIA loan for the Biosolids Digester Facilities Project, following earlier-than-expected fund drawdowns.
- *Power:* Retail revenues are below budget from lower demand, 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 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, continued lower 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@sfwater.org.

cc:

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Greg Wagner, 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

FY 2025-26 4th 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	366.6	4.0
Wholesale Water Sales	362.2	377.0	377.0	356.6	(20.4)
Interest Income	12.0	1.9	1.9	13.3	11.4
Rental Income	7.8	10.0	10.0	7.8	(2.3)
Miscellaneous Income	17.3	21.1	21.1	21.1	-
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	-
Total Sources	**719.7**	**771.2**	**803.9**	**787.8**	**(16.1)**
Operating Uses	–	–	–	–	–
Personnel	118.1	126.9	124.9	121.7	3.2
Non-Personnel Services	22.5	20.8	28.3	27.6	0.7
Materials and Supplies	21.9	20.3	23.7	23.7	–
Equipment	3.5	3.7	9.9	9.9	–
Overhead (SFPUC Bureaus)	62.4	68.4	78.4	76.3	2.2
Services of Other Departments	32.1	35.7	34.2	33.0	1.2
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**	**667.1**	**629.6**	**37.6**
Net Operating Results	**158.8**	–	–	**158.2**	**21.4**
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**	**–**	**–**	**–**	**20.39**
Available Fund Balance, % of Uses (L) 25-68%	75.2%	–	–	–	56.6%
Debt Service Coverage	–	–	–	–	–
Indenture Basis (N) >= 1.35	2.17	1.78	–	–	1.92
Current Basis (O) >= 1.10	1.57	1.28	–	–	1.35

Water Enterprise Key Budgetary Variances

A. Retail water sales of 54.2 MGD represents a 0.8% increase from FY 24-25 actuals of 53.8 MGD and a 0.5% increase from budget of 54.0 MGD.
B. Wholesale water sales of 125.4 MGD represents a 2.0% decrease from FY 24-25 actuals of 128.0 MGD and a 5.1% 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 below budget due to transfer to Wastewater to fund discount programs, offset by higher lease renewals.
E. Mainly due to the refunding of 2010B and 2010E Build America Bonds. Also includes federal subsidy on 525 Golden Gate COPs.
F. Savings due to vacant positions.
G. Savings reflect lower spending associated with customer rebate and incentive programs.
H. Savings reflect lower spending in bureau allocation based on bureau personnel spending and vacancies.
I. Savings reflect savings from other City Departments.
J. 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.
K. $0.8M in general reserve.
L. Expected legal settlements.
M. 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%.
N. Additional expenses that are included in debt service calculations are not shown in this operating fund report.
O. 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.
P. 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 4th 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	473.3	(7.0)
Interest Income	14.2	2.7	2.7	13.9	11.2
Miscellaneous Income	11.9	4.3	4.3	6.3	2.0
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**	**552.4**	**7.0**
Operating Uses	–	–	–	–	–
Personnel	87.3	94.2	94.2	91.5	2.6
Non-Personnel Services	29.5	30.0	30.4	30.4	-
Materials and Supplies	15.4	15.7	16.5	16.1	0.4
Equipment	3.4	2.2	3.7	3.7	-
Overhead (SFPUC Bureaus)	45.3	49.9	57.2	56.0	1.2
Services of Other Departments	40.3	40.7	46.4	45.7	0.7
Debt Service	111.4	144.0	144.0	146.2	(2.2)
General Reserve	-	0.9	0.9	-	0.9
Total Operating Uses	**332.5**	**377.6**	**393.4**	**389.8**	**3.3**
Net Operating Results	**152.0**	–	–	**162.6**	**10.6**
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	–
Legal Settlements	-	-	-	0.2	(0.2)
Total Adjustments to Operating Fund Balance	**109.0**	**147.3**	**347.8**	**348.1**	**(0.2)**
Available Fund Balance - Fiscal Year-End	**181.3**	**–**	**–**	**–**	**157.1**
Available Fund Balance, % of Uses (L) 25-68%	78.5%	–	–	–	60.1%
Debt Service Coverage	–	–	–	–	–
Indenture Basis (N) >= 1.35	3.64	3.03	–	–	2.76
Current Basis (O) >= 1.10	2.09	2.01	–	–	1.88

Wastewater Enterprise Key Budgetary Variances

A. Retail wastewater volumes of 44.88 MGD represents a 0.9% increase from FY 24-25 actuals of 44.49 MGD and 0.04% increase from budget of 44.87 MGD. The variance in revenue is driven by large refunds for municipal and non-residential customers in Q4 and cancellations for properties incorrectly billed for their stormwater component in Q3. Additionally, there have been an increase in delinquencies for stormwater-only customers. Interest income projected to exceed budget due to higher interest rates.
B. Interest income projected to exceed budget due to higher interest rates. Slightly above budget due to federal interest subsidy on 525 Golden Gate COPs.
C. Miscellaneous income is above budget primarily due to the transfer of 1535 Davidson Avenue from Wastewater to Hetch Hetchy Power, resulting in $1.7 million in proceeds to Wastewater. Savings reflect lower spending in bureau allocation due to bureau personnel savings and vacant positions.
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 materials & supplies.
G. Savings reflect lower spending in bureau allocation due to bureau personnel savings and vacant positions.
H. Savings reflect lower spending in other city department.
I. 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 that were paid off.
J. $0.9M 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 C – Hetch Hetchy Water & Power Enterprise

FY 2025-26 4th 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	223.3	(12.8)
Electric Sales - Wholesale	24.5	28.1	28.1	31.8	3.7
Water Sales - Transfer from Water Department	49.2	54.1	54.1	54.1	–
Natural Gas & Steam - City Work Orders	17.7	22.8	22.1	19.9	(2.2)
Interest Income	13.0	2.9	2.9	13.5	10.7
Federal Interest Subsidy - Power Bonds	0.2	0.1	0.1	0.1	–
Miscellaneous Income	6.6	6.2	6.2	6.8	0.5
Appropriated/Budgeted Use of Fund Balance	–	33.4	119.4	119.4	–
Total Sources	**321.4**	**382.6**	**469.0**	**468.8**	**(0.2)**
Operating Uses	–	–	–	–	–
Personnel	58.4	64.0	64.0	62.3	1.7
Non-Personnel Services	37.3	47.3	53.2	50.2	3.0
Power Purchases, Transmission, Distribution	77.9	126.8	149.8	97.7	52.1
Natural Gas & Steam	17.7	22.8	27.7	19.9	7.8
Materials and Supplies	4.4	4.8	5.8	5.8	–
Equipment	2.2	3.0	10.1	10.1	–
Overhead (SFPUC Bureaus)	27.0	29.6	34.0	33.3	0.7
Services of Other Departments	7.0	9.6	9.8	8.9	0.9
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**	**368.9**	**301.8**	**67.0**
Net Operating Results	**78.9**	–	–	**167.0**	**66.8**
Other Impacts to Operating Budget	**FY 2024–25 Actuals**	**Current Year Transfer from Operating**	**Total Available Funds**	**Projection**	**Variance**
Facilities Maintenance/Programmatic	16.7	24.1	33.0	33.0	–
Capital Projects	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**	**–**	**–**	**–**	**280.0**
Available Fund Balance, % of Uses (L) 25-68%	99.0%	–	–	–	121.9%
Debt Service Coverage	–	–	–	–	–
Indenture Basis (N) >= 1.35	23.78	20.64	–	–	21.35
Current Basis (O) >= 1.10	6.69	3.87	–	–	11.34

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 reflect lower spending associated with professional services.
H. 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.
I. Gas and steam sales below budget due to lower usage. Revenue reduction is offset by equivalent cost savings.
J. Savings reflect lower spending associated in bureau allocation due bureau personnel spending and vacant positions.
K. Savings reflect lower spending from other City departments.
L. General Reserve was intentionally budgeted and planned to go unspent.
M. Calculated as Ending Available Fund Balance (including additions to General Reserve) as a percent of Operating Uses plus Facilities
N. Additional expenses that are included in debt service calculations are not shown in this operating fund report.
O. 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.
P. 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 4th 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	309.3	(54.5)
Electric Sales - SuperGreen Product	60.9	64.3	64.3	66.8	2.4
Wholesale Sales	22.8	11.9	11.9	220	10.2
Subtotal - Electric Revenues	**427.7**	**440.0**	**440.0**	**398.1**	**(41.9)**
Interest Income	0.4	3.3	3.3	9.9	6.6
Miscellaneous Income	0.1	–	–	1.0	1.0
Appropriated/Budgeted Use of Fund Balance	–	–	94.5	94.5	–
Total Sources	**428.1**	**443.3**	**537.8**	**503.5**	**(34.3)**
Operating Uses	–	–	–	–	–
Personnel	8.4	10.1	10.0	9.2	0.7
Overhead (SFPUC Bureaus)	6.8	7.9	9.0	8.7	0.3
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	1.9	0.2
General Reserve	–	40.3	40.3	–	40.3
Total Operating Uses	**27.1**	**71.5**	**74.8**	**33.3**	**41.5**
Adopted Power Purchases & Related Charges	340.0	362.2	362.2	298.2	64.1
Net Operating Results	**61.1**			**768.4**	**71.3**
Other Impacts to Operating Budget	**FY 2024–25 Actuals**	**Current Year Transfer from Operating**	**Total Available Funds**	**Projection**	**Variance**
Programmatic	2.0	9.0	15.5	15.5	–
Capital Projects	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**	**–**	**–**	**–**	**287.8**
Available Fund Balance, % of Uses (L) 25-68%	58.7%	–	–	–	83.0%

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. Miscellaneous income increased due to settlement income.
D. Salary savings reflect vacant positions.
E. Savings reflect lower spending in bureau allocation, based on bureau personnel spending and vacancies.
F. General Reserve was intentionally budgeted and planned to go unspent to build reserves.
G. Savings reflect lower spending from other City departments.
H. H. Savings are primarily due to lower costs for energy and energy attributes. Purchase of Power is funded in the CleanPowerSF Trust Fund which is a continuing fund. Amounts from prior fiscal years automatically roll forward and are reflected as part of the beginning fund balance. The variance shown above represents the change relative to the original budget.
I. 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.
J. 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.