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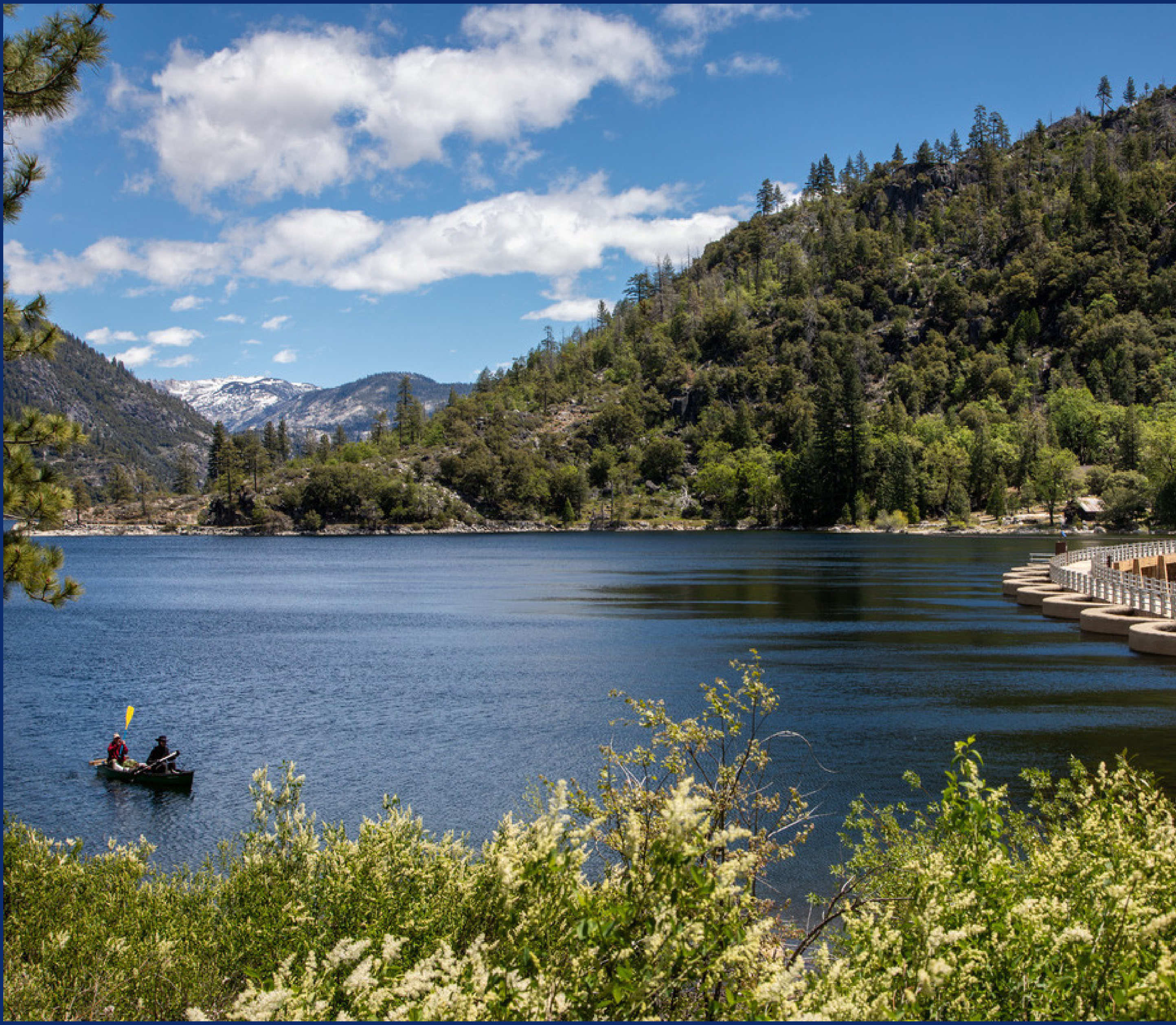

Water Enterprise

Financial Statements June 30, 2025 and 2024
(With Independent Auditor's Reports Thereon)

SAN FRANCISCO WATER ENTERPRISE

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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, 2025 and 2024, 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, 2025 and 2024, 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, 2025 and 2024, 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

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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 5, 2025 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 5, 2025

This section presents management's analysis of the San Francisco Water Enterprise's (the Enterprise) financial condition and activities as of and for the fiscal years ended June 30, 2025 and 2024. 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 182 million gallons of water per day in the year ended June 30, 2025. 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 June 30, 2025

- Total assets exceeded total liabilities by $687,077.
- Net position increased by $49,632 or 6.8% during the fiscal year.
- Capital assets, net of accumulated depreciation and amortization increased by $212,832 or 3.7% to $5,991,299.
- Current and other assets increased by $1,003 or 0.1%.
- Operating revenues increased by $1,747 or 0.3% to $678,637.
- Operating expenses decreased by $35,191 or 6.6% to $495,463.

Financial Highlights for Fiscal Year 2024

- Total assets exceeded total liabilities by $624,496.
- Net position increased by $41,033 or 5.9% 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 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 $70,401 or 15.3% to $530,654.

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(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, 2025, 2024, and 2023

	2025	Restated* 2024	2023	2025-2024 Change	2024-2023 Change
Total assets:					
Current and other assets	$ 866,693	865,690	691,077	1,003	174,613
Capital assets, net of accumulated depreciation and amortization	5,991,299	5,778,467	5,652,952	212,832	125,515
Total assets	6,857,992	6,644,157	6,344,029	213,835	300,128
Deferred outflows of resources:					
Unamortized loss on refunding of debt	82,711	89,186	124,635	(6,475)	(35,449)
Pensions	98,819	93,526	70,101	5,293	23,425
Other postemployment benefits	27,309	29,974	28,616	(2,665)	1,358
Total deferred outflows of resources	208,839	212,686	223,352	(3,847)	(10,666)
Liabilities:					
Current liabilities:					
Revenue bonds	139,250	138,140	135,095	1,110	3,045
Certificates of participation	3,545	3,402	3,267	143	135
Commercial paper	20,000	190,000	—	(170,000)	190,000
Arbitrage rebate payable	536	—	—	536	—
Other liabilities	190,100	157,052	148,547	33,048	8,505
Subtotal current liabilities	353,431	488,594	286,909	(135,163)	201,685
Long-term liabilities:					
Revenue bonds	5,049,478	4,826,497	4,575,751	222,981	250,746
Certificates of participation	82,285	85,830	89,232	(3,545)	(3,402)
Commercial paper	—	—	371,459	—	(371,459)
State revolving fund loans	300,035	259,970	163,627	40,065	96,343
Arbitrage rebate payable	1,285	869	—	416	869
Other liabilities	384,401	357,901	291,193	26,500	66,708
Subtotal long-term liabilities	5,817,484	5,531,067	5,491,262	286,417	39,805
Total liabilities:					
Revenue bonds	5,188,728	4,964,637	4,710,846	224,091	253,791
Certificates of participation	85,830	89,232	92,499	(3,402)	(3,267)
Commercial paper	20,000	190,000	371,459	(170,000)	(181,459)
State revolving fund loans	300,035	259,970	163,627	40,065	96,343
Arbitrage rebate payable	1,821	869	—	952	869
Other liabilities	574,501	514,953	439,740	59,548	75,213
Total liabilities	6,170,915	6,019,661	5,778,171	151,254	241,490
Deferred inflows of resources:					
Unamortized gain on refunding of debt	49,499	31,854	—	17,645	31,854
Pensions	7,050	13,305	28,504	(6,255)	(15,199)
Leases	33,235	36,583	41,558	(3,348)	(4,975)
Other postemployment benefits	23,394	22,334	27,075	1,060	(4,741)
Total deferred inflows of resources	113,178	104,076	97,137	9,102	6,939
Net position:					
Net investment in capital assets	450,019	350,430	460,213	99,589	(109,783)
Restricted for debt service	5,353	44,724	14,625	(39,371)	30,099
Restricted for capital projects	145,442	200,632	56,822	(55,190)	143,810
Unrestricted	181,924	137,320	160,413	44,604	(23,093)
Total net position	$ 782,738	733,106	692,073	49,632	41,033

* Restated due to the implementation of GASB 101 - *Compensated Absences*.

Net Position, Fiscal Year 2025

For the period ended June 30, 2025, the Enterprise's assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by $782,738. Total net position increased from prior year by $49,632 or 6.8% (see Table 1). Increases of $209,988 in assets and deferred outflows of resources, and increases of $160,356 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 2025, current and other assets increased by $1,003 or 0.1%. The increases included $105,164 in unrestricted and restricted cash and investments mainly due to the issuances of 2025 Series DEF water revenue refunding bonds and commercial paper, and $37,827 in interfund receivables mainly from Hetch Hetchy Power for the Mountain Tunnel Improvement project. Other increases of $3,598 were mainly due to prepaids, advances and other receivables for software licensing, consulting, permits and subscription fees. These increases were offset by decreases of $105,774 from reimbursements received from the State Water Resources Control Board (SWRCB) State Revolving Funds (SRF) Loan relating to the Mountain Tunnel Improvement and SF Westside Recycled Water projects, $26,121 in Wholesale Balancing Account receivable (see Note 10 for details), $8,733 in charges for services receivable due to more receipts than billings, and $4,958 mainly in leases receivable, restricted and unrestricted interest and other receivables, and inventory.

Capital assets, net of accumulated depreciation and amortization, increased by $212,832 or 3.7% mainly from the Sunol Valley Water Treatment Plant Ozonation and New San Francisco Water Division Headquarters projects. The largest portion of the Enterprise's net position of $450,019 or 57.5% represents net investment in capital assets (see the Capital Assets section of the MDA for more information), which increased by $99,589 or 28.4% from the prior year's $350,430. The change was explained by an increase of $212,832 in capital assets, offset by a $113,243 increase in liabilities mainly from the issuances of 2025 Series ABC, 2025 Series DEF bonds and additional commercial paper.

Deferred outflows of resources decreased by $3,847 due to a $6,475 decrease in unamortized loss on refunding of debt mainly from defeasance of refunding loss by the 2025 Series ABC revenue bonds and amortization and $2,665 decrease in other postemployment benefits (OPEB) based on actuarial estimates, offset by an increase of $5,293 from pensions based on actuarial estimates.

Total liabilities increased by $151,254. Increases included $224,091 in revenue bonds, of which increases of $1,511,695 in bond principal and $129,352 in premium were from issuances of 2025 Series ABC and 2025 Series DEF bonds, and $10 in bond discount from amortization. These increases were offset by decreases of $1,206,240 in bond principal and $41,467 in premium from refunding, $138,140 in bond principal from repayment, $30,621 in bond premium from amortization, and $498 in bond discount from issuances. Additional increases include $40,065 in SRF Loans payable due to additional loans relating to the Mountain Tunnel Improvement and SF Westside Recycled Water projects, $29,276 in restricted and unrestricted payables due to higher year end expense accruals for capital projects and operating activities as compared to prior year, $14,335 in pensions based on actuarial estimates, $12,983 in Wholesale Balancing Account (see Note 10 for details), $3,858 in accrued payroll mainly from cost of living adjustments for payroll and compensated absences mainly from the implementation of GASB Statement No. 101, *Compensated Absences,* and $3,674 in OPEB based on actuarial estimates. Other increases of $5,513 were mainly due to unearned revenues from customer deposits from more accounts. These increases were offset by decreases of $170,000 in commercial paper of which $312,400 was from

(Continued)

refunding by the 2025 Series DEF revenue refunding bonds offset by $142,400 from additional issuances. Other decreases included $7,824 in damage claims based on the City Attorney and Controller's Offices analysis, $3,402 in certificates of participation principal from repayment, and other decreases of $1,315 mainly from pollution remediation for the Lake Merced Pacific Rod and Gun Club (see Note 14(d) for more detail). Water Enterprise's damage claim liability as of June 30, 2025 was estimated by using probable exposure information provided by the City Attorney's Office and includes an estimate of incurred but not reported losses

Deferred inflows of resources increased by $9,102 due to increases of $17,645 in unamortized gain on refunding of debt mainly from the issuance of the 2025 Series ABC revenue refunding bonds and $1,060 in OPEB based on actuarial estimates, offset by decreases of $6,255 in pensions based on actuarial estimates and $3,348 in leases due to fewer leases.

*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 $733,106. Total net position increased from prior year by $41,033 or 5.9% (see Table 1). Increases of $289,462 in assets and deferred outflows of resources, and increases of $248,429 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 10 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 $241,490 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, $18,597 in accrued payroll, vacation and sick leave from the implementation of GASB Statement No. 101, $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, $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.

* The fiscal year 2024 net position narrative is updated to reflect the restatement in compensated absences.

(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
June 30, 2025, 2024, and 2023

	2025	Restated** 2024	2023	2025-2024 Change	2024-2023 Change
Revenues:					
Charges for services	$ 665,552	662,729	671,216	2,823	(8,487)
Rents and concessions	7,354	8,556	13,282	(1,202)	(4,726)
Other operating revenues	5,731	5,605	6,593	126	(988)
Interest and investment income	29,093	25,097	11,156	3,996	13,941
Other non-operating revenues	28,879	42,071	40,679	(13,192)	1,392
Total revenues	736,609	744,058	742,926	(7,449)	1,132
Expenses:					
Operating expenses	495,463	530,654	460,253	(35,191)	70,401
Interest expenses*	201,152	208,230	204,942	(7,078)	3,288
Non-operating expenses	1,898	1,760	1,775	138	(15)
Total expenses	698,513	740,644	666,970	(42,131)	73,674
Change in net position before capital contributions and transfers	38,096	3,414	75,956	34,682	(72,542)
Capital contributions	17,436	53,599	2,717	(36,163)	50,882
Transfers from the City and County of San Francisco	41,215	505	5	40,710	500
Transfers to the City and County of San Francisco	(47,115)	(1,241)	(20,032)	(45,874)	18,791
Capital contributions and net transfers	11,536	52,863	(17,310)	(41,327)	70,173
Change in net position	49,632	56,277	58,646	(6,645)	(2,369)
Net position at beginning of year					
Beginning of year, as previously reported	733,106	692,073	633,427	41,033	58,646
Cumulative effect of accounting change	—	(15,244)	—	15,244	(15,244)
Net position at beginning of year as restated	733,106	676,829	633,427	56,277	43,402
Net position at end of year	$ 782,738	733,106	692,073	49,632	41,033

* Net of amortization of premium, refunding gain/loss, and issuance cost.
** Restated due to the implementation of GASB 101 - *Compensated Absences.*

Results of Operations, Fiscal Year 2025

The Enterprise's total revenues of $736,609 for the year represented a decrease of $7,449 or 1.0% from prior year (see Table 2). Decreases included $13,192 in other non-operating revenues and $1,202 in rents and concessions, offset by increases of $3,996 in interest and investment income, $2,823 in charges for services, and $126 in other operating revenues.

Charges for services were $665,552, an increase of $2,823 or 0.4%, mainly due to a 5% planned rate increase for retail customers and 8.8% rate increase for wholesale customers beginning July 1, 2024 offset by a decrease in the WRR balancing account. Rents and concessions were $7,354, a decrease of $1,202 or 14.0%, mainly due to allocations for low-income customer assistance programs. Other operating revenues were $5,731, an increase of $126 or 2.2% mainly due to an increase in capacity fees permits issued. Interest and investment income were $29,093, an increase of $3,996 or 15.9%, mainly due to increased interest from higher cash balances. Other non-operating revenues were $28,879, a decrease of $13,192 or 31.4%, due to grants received in prior year for the COVID-19 pandemic related water utility arrearages relief and the SCU Lightning Complex fire.

The Enterprise's total expenses were $698,513, a decrease of $42,131 or 5.7%. Operating expenses were $495,463, a decrease of $35,191 or 6.6%, resulting from decreases of $60,017 in general administrative and other expenses mainly due to due to a decrease in estimated judgment and claims expenses and higher capital project capitalizations in the current year, $2,566 in contractual services and materials and supplies mainly for construction expenses. These decreases were offset by increases of $14,693 in personnel services mainly due to pension expenses based on actuarial estimates, $7,971 in services provided by other departments mainly due to increased electricity charges and water assessment fees paid to Hetch Hetchy Water, and $4,728 in depreciation from additional assets placed into service. Interest expenses decreased by $7,078 compared to prior year, mainly due the refunding of bonds through the issuance of the 2025 Series ABC and 2025 Series DEF water revenue refunding bonds. Non-operating expenses increased by $138 mainly due to higher rebates provided to customers.

Capital contributions of $17,436 were received from developers for assets related to the Mission Rock Phase 1A project. Transfer in of $41,215 included $41,211 from the City for the Earthquake Safety and Emergency Response program and $4 from the General Fund for the Mayor's Office's minimum compensation ordinance. Transfer out of $47,115 included $47,084 to Hetch Hetchy Water for the Mountain Tunnel Improvement project and $31 to the Office of the City Administrator for the Enterprise's contribution to the Surety Bond Program.

*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 $662,729, a decrease of $2,823 or 0.4%, 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 $5,605, a decrease of $988 or 15.0%, mainly due to lower water installation charges. 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 $740,644, an increase of $73,674 or 11.0%. Operating expenses were $530,654, an increase of $70,401 or 15.3%, 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, $25,368 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 $3,288 compared to prior year, mainly 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

(Dollars in thousands, unless otherwise stated)

Improvement projects, and $32 to the Office of the City Administrator for the Enterprise's contribution to the Surety Bond Program.

* The fiscal year 2024 results of operations narrative is updated to reflect the restatement in compensated absences.

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, 2025, 2024, and 2023

	2025	2024	2023	2025-2024 Change	2024-2023 Change
Facilities, improvements, machinery, and equipment	$ 5,017,968	5,052,639	5,005,667	(34,671)	46,972
Intangible assets	3,050	2,657	2,331	393	326
Land and rights-of-way	113,322	113,322	113,322	—	—
Construction work in progress	853,267	606,804	526,994	246,463	79,810
Right-to-use lease and subscription assets	3,692	3,045	4,638	647	(1,593)
Total	$ 5,991,299	5,778,467	5,652,952	212,832	125,515

Capital Assets, Fiscal Year 2025

The Enterprise has net capital assets of $5,991,299 invested in a broad range of utility capital assets as of June 30, 2025 (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 $212,832 from the prior year. Facilities, improvements, machinery, and equipment decreased by $34,671 mainly due to depreciation. Intangible assets increased by $393 mainly due to Maximo improvements and Customer Care & Billing application additions. Land and rights-of-way were unchanged. Construction work in progress increased by $246,463 mainly from the Sunol Valley Water Treatment Plant Ozonation and New CDD Headquarters projects. Right-to-use lease and subscription assets increased by $647 due to more leases and subscription assets.

As of June 30, 2025 and 2024, the Enterprise had capital commitments of $447,672 and $225,678, respectively.

(Dollars in thousands, unless otherwise stated)

Major additions to construction work in progress during the year ended June 30, 2025 include the following:

Sunol Valley Water Treatment Plant Ozonation	$	40,786
New San Francisco Water Division Headquarters		40,244
San Joaquin Pipeline Valve and Safe Entry Improvements		26,705
Mountain Tunnel Improvements		20,580
Skyline Ridge Trail		17,978
Water Main Replacement - WD-2708 Geary Blvd from 32nd Avenue to Stanyan Street		11,498
Lead Component Service Program		9,098
New services for water installation		9,092
San Andreas Reservoir Road Improvements		7,152
Renewed Water Service Facilities		6,791
Water Main Replacement - WD-2848 Gold Mine Drive from Topaz Way to Diamond Heights		6,646
Water Main Replacement - WD-2801 Hampshire and York Streets from Mariposa to Cesar		6,183
Millbrae Campus Improvements		5,454
Water Main Replacement - WD-2765 Jersey Street from Douglass to Church Street		5,414
O'Shaughnessy Dam Outlet Works Phase 1		5,136
Other project additions individually below $5,000		121,781
Total	$	340,538

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, 2025 include the following:

Mission Rock Auxiliary Water Supply System	$	15,467
San Andreas Reservoir Road Improvement - Soldier Pile Retaining Wall with Tiebacks		10,203
Renewed Water Service Lines		9,098
New Water Service Facilities		9,092
Water Main Replacement - WD-2848 Gold Mine Drive from Topaz Way to Diamond Heights		8,637
Water Main Replacement - WD-2874 Joost Avenue from Ridgewood Avenue to Congo Street		8,169
Renewed Water Service Facilities		6,791
Bay Division Pipeline No. 4 Slip Lining Pipe at Lafayette Street		5,098
Other items individually below $5,000		50,055
Total	$	122,610

See Note 4 for additional information about Capital Assets.

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, 2025. 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, 2025, 35 local projects were completed. For regional projects, 48 projects were completed, the Alameda Creek Recapture is in planning phase, Regional Groundwater Storage is under construction, the Bioregional 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)

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 were 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.

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

(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, 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.

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.

(Dollars in thousands, unless otherwise stated)

Debt Administration

As of June 30, 2025, the Enterprise had $5,594,593 total debt outstanding, an increase of $90,754 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, 2025, 2024, and 2023

		2025	2024	2023	2025-2024 Change	2024-2023 Change
Revenue bonds	$	5,188,728	4,964,637	4,710,846	224,091	253,791
Commercial paper		20,000	190,000	371,459	(170,000)	(181,459)
Certificates of participation		85,830	89,232	92,499	(3,402)	(3,267)
State revolving fund loans		300,035	259,970	163,627	40,065	96,343
Total	$	5,594,593	5,503,839	5,338,431	90,754	165,408

The increase of $224,091 in revenue bonds was due to increases of $1,511,695 in bond principal and $129,352 in bond premium from the issuances of the 2025 Series ABC and 2025 Series DEF water revenue refunding bonds and $10 in bond discount from amortization. These increases were offset by decreases of $1,206,240 in bond principal from refunding, $138,140 in bond principal from repayment, $41,467 in bond premium from bond refunding, $30,621 in bond premium from amortization, and $498 in bond discount from bond issuances. Commercial paper decreased by $170,000, explained by a $312,400 decrease from refunding by the 2025 Series DEF revenue refunding bonds offset by a $142,400 increase from additional issuances. The Enterprise had $20,000 in taxable commercial paper as of June 30, 2025, and $190,000 in tax-exempt commercial paper as of June 30, 2024. The decrease of $3,402 in certificates of participation was from repayment. The $40,065 increase in SRF loans was from additional loans for the Mountain Tunnel Improvement and SF Westside Recycled Water projects.

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, 2025, and "Aa2" and "AA-" from Moody's and S&P on June 30, 2024, 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 2025 and 2024, 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, 2025, the Board of Supervisors has authorized the issuance of $6,157,510 in revenue bonds under Proposition E, with $5,305,913 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, 2025, $1,499,230 of the $1,628,000

Proposition A authorized bonds were issued. The Enterprise is also authorized to issue up to $750,000 in commercial paper.

Cost of Debt Capital – The Enterprise's outstanding long-term debt has coupon interest rates ranging from 0.8% to 7.0% as of June 30, 2025, and 0.7% to 7.0% as of June 30, 2024. The Enterprise's short-term debt has interest rates ranging from 2.6% to 4.4% during fiscal year 2025, and 2.2% to 5.2% during fiscal year 2024.

Rates and Charges

Rate Setting Process

Retail Customers

Proposition E, as approved by the voters in November 2002, amended the City Charter by adding Article VIIIB, entitled "Public Utilities," which established the Commission's authority to issue new revenue bonds and set retail water rates. For 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 water and wastewater rate study was completed in May 2023. The Commission subsequently adopted three years of retail water rate increases from July 1, 2023 through June 30, 2026.

Other miscellaneous fees 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. Rather than the "utility basis," which sets rates using the cost of capital investments over the life of each asset, the WSA uses a "cash basis," which sets rates using annual debt service costs for assets financed with debt or at the time of budget appropriation and spending for revenue-funded capital projects. The WSA requires the rate be calculated and set annually and includes a reconciliation between prior year revenues and expenses.

(Dollars in thousands, unless otherwise stated)

Refer to Note 10 of the notes to financial statements for further discussion on the balancing account of the wholesale customers.

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]	2.3

[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, 2025 and 2024
(In thousands)

	2025	Restated* 2024
Assets		
Current assets:		
Cash and investments with City Treasury	$ 436,413	380,201
Cash and investments outside City Treasury	76	193
Receivables:		
Charges for services, current portion (net of allowance for doubtful accounts of $10,878 as of June 30, 2025 and $10,777 as of June 30, 2024)	70,751	79,483
Wholesale balancing account receivable	—	26,121
Note receivable - Balboa Reservoir, current portion	3,116	—
Due from other City departments, current portion	209	102
Due from other governments	1,038	366
Interest	3,466	3,861
Interest - Leases	945	935
Restricted due from other governments	23,806	129,580
Leases receivable, current portion	2,752	3,246
Restricted interest and other receivable (net of allowance for doubtful accounts of $145 as of June 30, 2025 and $131 as of June 30, 2024)	2,654	3,789
Total current receivables	108,737	247,483
Prepaid charges, advances, and other receivables, current portion	7,413	4,958
Inventory	7,567	7,825
Restricted cash and investments outside City Treasury, current portion	28,467	40,065
Total current assets	588,673	680,725
Non-current assets:		
Restricted cash and investments with City Treasury	137,436	71,015
Restricted cash and investments outside City Treasury, less current portion	57,431	63,185
Leases receivable, less current portion	33,141	35,817
Charges for services, less current portion (net of allowance for doubtful accounts of $414 as of June 30, 2025 and $664 as of June 30, 2024)	199	200
Due from other City departments, less current portion	37,720	—
Note receivable - Balboa Reservoir, less current portion	8,737	11,512
Capital assets, not being depreciated and amortized	967,268	720,805
Capital assets, net of accumulated depreciation and amortization	5,024,031	5,057,662
Prepaid charges, advances, and other receivables, less current portion	3,356	3,236
Total non-current assets	6,269,319	5,963,432
Total assets	6,857,992	6,644,157
Deferred outflows of resources		
Unamortized loss on refunding of debt	82,711	89,186
Pensions	98,819	93,526
Other postemployment benefits	27,309	29,974
Total deferred outflows of resources	$ 208,839	212,686

(Continued)

SAN FRANCISCO WATER ENTERPRISE
Statements of Net Position
June 30, 2025 and 2024
(In thousands)

	2025	Restated* 2024
Liabilities		
Current liabilities:		
Accounts payable	$ 21,230	25,353
Accrued payroll	15,784	13,444
Accrued compensated absences, current portion	17,393	16,300
Accrued workers' compensation, current portion	2,365	2,188
Damage claims liability, current portion	4,525	5,716
Unearned revenues, refunds, and other	16,666	15,050
Arbitrage rebate payable, current portion	536	—
Bond, loan, lease, and subscription interest payable, current portion	37,030	37,924
Lease liability, current portion	966	1,028
Subscription liability, current portion	846	153
Revenue bonds, current portion	139,250	138,140
Certificates of participation, current portion	3,545	3,402
Commercial paper	20,000	190,000
Current liabilities payable from restricted assets	73,295	39,896
Total current liabilities	353,431	488,594
Long-term liabilities:		
Arbitrage rebate payable less current portion	1,285	869
Net other postemployment benefits liability	161,975	158,301
Net pension liability	166,978	152,643
Lease liability, less current portion	1,811	1,793
Subscription liability, less current portion	159	155
Accrued compensated absences, less current portion	14,670	14,245
Accrued workers' compensation, less current portion	9,936	8,814
Damage claims liability, less current portion	10,424	17,057
Bond, loan, lease, and subscription interest payable, less current portion	5,465	3,622
Revenue bonds, less current portion	5,049,478	4,826,497
Certificates of participation, less current portion	82,285	85,830
State revolving fund loans	300,035	259,970
Wholesale balancing account	12,983	—
Pollution remediation obligation	—	1,271
Total long-term liabilities	5,817,484	5,531,067
Total liabilities	6,170,915	6,019,661
Deferred inflows of resources		
Unamortized gain on refunding of debt	49,499	31,854
Pensions	7,050	13,305
Leases	33,235	36,583
Other postemployment benefits	23,394	22,334
Total deferred inflows of resources	113,178	104,076
Net position		
Net investment in capital assets	450,019	350,430
Restricted for debt service	5,353	44,724
Restricted for capital projects	145,442	200,632
Unrestricted	181,924	137,320
Total net position	$ 782,738	733,106

* Restatement due to implementation of GASB 101 - *Compensated Absences.*

See accompanying notes to financial statements.

SAN FRANCISCO WATER ENTERPRISE

Statements of Revenues, Expenses, and Changes in Net Position
Years ended June 30, 2025 and 2024
(In thousands)

		2025	Restated** 2024
Operating revenues:			
Charges for services	$	665,552	662,729
Rents and concessions		7,354	8,556
Capacity fees		1,055	863
Other revenues		4,676	4,742
Total operating revenues		678,637	676,890
Operating expenses:			
Personnel services		175,770	161,077
Contractual services		17,587	20,128
Materials and supplies		23,170	23,195
Depreciation and amortization		159,900	155,172
Services provided by other departments		85,609	77,638
General and administrative and other		33,427	93,444
Total operating expenses		495,463	530,654
Operating income		183,174	146,236
Non-operating revenues (expenses):			
Federal and state grants		2,233	12,414
Interest and investment income		29,093	25,097
Interest expenses*		(201,152)	(208,230)
Net gain from sale of assets		1,701	2,060
Other non-operating revenues		24,945	27,597
Other non-operating expenses		(1,898)	(1,760)
Net non-operating expenses		(145,078)	(142,822)
Change in net position before capital contributions and transfers		38,096	3,414
Capital contributions		17,436	53,599
Transfers from the City and County of San Francisco		41,215	505
Transfers to the City and County of San Francisco		(47,115)	(1,241)
Capital contributions and net transfers		11,536	52,863
Change in net position		49,632	56,277
Net position at beginning of year			
Net position at beginning of year		733,106	692,073
Cumulative effect of accounting change		—	(15,244)
Beginning of year as restated		733,106	676,829
Net position at end of year	$	782,738	733,106

* Net of amortization of premium, refunding gain/loss, and issuance cost.

** Restatement due to implementation of GASB 101 - *Compensated Absences*.

See accompanying notes to financial statements.

SAN FRANCISCO WATER ENTERPRISE

Statements of Cash Flows

Years ended June 30, 2025 and 2024

(In thousands)

		2025	2024
Cash flows from operating activities:			
Cash received from customers, including cash deposits	$	721,479	636,706
Cash received from tenants for rent		3,240	5,429
Cash received from miscellaneous revenues		3,694	4,776
Cash paid to employees for services		(156,968)	(151,655)
Cash paid to suppliers for goods and services		(164,876)	(194,188)
Cash paid for judgments and claims		(9,167)	(18,216)
Cash received from settlements		1,078	—
Cash paid for rebates and program incentives		(1,898)	(1,760)
Net cash provided by operating activities		396,582	281,092
Cash flows from non-capital financing activities:			
Cash received for grants		1,595	13,400
Cash refunded for grants		(1,386)	—
Interfund loan receivable		(37,822)	—
Transfers from the City and County of San Francisco		41,215	505
Transfers to the City and County of San Francisco		(47,115)	(1,241)
Net cash (used in) provided by non-capital financing activities		(43,513)	12,664
Cash flows from capital and related financing activities:			
Proceeds from sale of capital assets		1,701	1,569
Proceeds from bond issuance, net of premium		95,520	474,538
Proceeds from commercial paper borrowings		142,400	191,150
Proceeds from State revolving fund loan		145,839	4,044
Principal paid on commercial paper		—	(372,609)
Principal paid on long-term debt		(141,542)	(138,342)
Interest paid on long-term debt		(207,283)	(214,279)
Interest paid on commercial paper		(8,374)	(1,511)
Issuance cost paid on long-term debt		(5,035)	(4,545)
Cash receipts from leases		4,624	3,745
Lease interest payments		(90)	(81)
Subscription interest payments		(37)	(6)
Acquisition and construction of capital assets		(325,639)	(229,702)
Federal interest income subsidy from Build America Bonds		22,246	22,909
Net cash (used in) capital and related financing activities		(275,670)	(263,120)
Cash flows from investing activities:			
Interest income received		21,739	16,310
Proceeds from sale of investments outside City Treasury		1,626,714	1,015,279
Purchase of investments outside City Treasury		(1,560,899)	(1,081,634)
Net cash provided by (used in) investing activities		87,554	(50,045)
Increase (decrease) in cash and cash equivalents		164,953	(19,409)
Cash and cash equivalents:			
Beginning of year		495,492	514,901
End of year		660,445	495,492
Reconciliation of cash and cash equivalents to the statement of net position:			
Cash and investments with City Treasury:			
Unrestricted		436,413	380,201
Restricted		137,436	71,015
Add: Unrealized loss on investments with City Treasury		622	7,188
Cash and investments outside City Treasury:			
Unrestricted		76	193
Restricted		85,898	103,250
Less: Unrealized loss (gain) 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	$	660,445	495,492

(Continued)

SAN FRANCISCO WATER ENTERPRISE
Statements of Cash Flows
Years ended June 30, 2025 and 2024
(In thousands)

	2025	Restated* 2024
Reconciliation of operating income to net cash provided by operating activities:		
Operating income	$ 183,174	146,236
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation and amortization	159,900	155,172
Lease revenue amortization	(3,987)	(3,322)
Miscellaneous revenue	3,694	4,776
Provision for uncollectible accounts	(135)	2,263
Write-off of capital assets and other non-cash items	4,394	58
Settlements	1,078	—
Rebates and program incentives	(1,898)	(1,760)
Changes in operating assets and liabilities:		
Receivables:		
Charges for services	8,881	(17,701)
Prepaid charges, advances, and other	(2,970)	560
Due from other City departments	(5)	13
Inventory	258	366
Accounts payable	(4,123)	2,682
Accrued payroll	2,340	1,637
Net other postemployment benefits obligation**	7,399	3,601
Net pension obligations**	2,787	(1,324)
Accrued compensated absences	1,518	1,716
Accrued workers' compensation	1,299	1,267
Due to other City departments	—	(2,440)
Wholesale balancing account	39,104	(16,069)
Pollution remediation obligation	(1,271)	—
Damage claims liability	(7,824)	3,148
Unearned revenues, refunds, and other liabilities	2,969	213
Total adjustments	213,408	134,856
Net cash provided by operating activities	$ 396,582	281,092
Noncash transactions:		
Accrued capital asset costs	$ 73,295	39,896
Unrealized loss on investments with City Treasury	622	7,188
Unrealized loss (gain) on investments outside City Treasury	—	(540)
Capital contribution	17,436	53,599
Sale of land with promissory note	11,853	11,512
Bond principal refunded	1,206,240	619,115
Commercial paper refunded	313,384	373,103
Bond and commercial paper proceeds paid to refunding escrow	1,546,013	963,977
Interfund receivable from Hetchy Power	37,720	—

* Restatement due to implementation of GASB 101 - *Compensated Absences.*

** Net pension obligations and 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 2025, the Enterprise sold approximately 66,444 million gallons, i.e., about 182 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, 2025 and 2024, 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. When both restricted and unrestricted resources are available for use, it is the Enterprise's policy to use restricted resources first, then unrestricted resources as they are needed.

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 $10 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 Compensated Absences

City employees may accumulate earned, but unused leave benefits up to a specified maximum, as outlined in their applicable leave policies. In accordance with GASB Statement No. 101, *Compensated Absences*, the Enterprise recognizes liabilities for leaves that are attributable to services already rendered, will be paid upon separation or usage, and are more likely than not to be used or paid. Compensated absences that meet these criteria consist of vacation, sick, compensatory time, and other holidays and leaves. The Enterprise records the compensated absences liability, including employer payroll taxes and the employer's share of social security and Medicare taxes, as both current and noncurrent liabilities in the Statement of Net Position. The Enterprise applies the current pay rates of active employees to leave balances in effect at fiscal year-end.

(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. As of June 30, 2025, the Enterprise estimated its liability for pending and threatened lawsuits based on the Office of the City Attorney's assessment of probable claims and historical trends for incurred but not reported losses. The recorded liability represents management's best estimate of the Enterprise's potential exposure based on currently available information.

During Fiscal Year 2025, the Enterprise changed its methodology for estimating claims liability. The Enterprise's claims liability had historically been actuarially determined. The revised measurement methodology aligns more closely with the Office of City Attorney's judgment of the Enterprise's potential exposure based on currently available information. This prospective change in accounting estimate is intended to enhance the understandability, relevance, and timeliness of the financial information.

Affected financial statement items include: current and noncurrent estimated claims payables; functional expenses in the statement of activities under governmental activities; and general and administrative expenses in the proprietary funds' statement of revenues, expenses, and changes in fund net position (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 rebate liability as of June 30, 2025 and 2024 were $1,821 and $869, 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) Deferred Inflow of Resources and Deferred Outflow of Resources

Deferred inflows of resources represent an acquisition of net assets that applies to future periods. Deferred outflows of resources represent a consumption of net assets that applies to future periods.

(o) Income Taxes

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

(p) 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, 2025 and 2024 were $38,703 and $44,465, respectively.

(q) 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.

(r) Accounting and Financial Reporting for Pollution Remediation Obligations

According to GASB Statement No. 49, *Accounting and Financial Reporting for Pollution Remediation Obligations*, as amended, 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)).

(s) Other Postemployment Benefits (OPEB)

For purposes of measuring the net OPEB liability (asset) and deferred outflows/inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the Retiree Health Care Trust Fund (RHCTF) and additions to/deductions from the plan's fiduciary net position have been determined on the same basis as they are reported by the plans. For this purpose, benefit payments are recognized when due and payable in accordance with the benefit terms. Plan member contributions are recognized in the period in which the contributions are due. Investments are reported at fair value.

(Dollars in thousands, unless otherwise stated)

(t) Pensions

For purposes of measuring the net pension liability (asset) and deferred outflows/inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the San Francisco Employees' Retirement System (SFERS) plan and additions to/deductions from the plan's fiduciary net position have been determined on the same basis as they are reported by the plans. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Plan member contributions are recognized in the period in which the contributions are due. Investments are reported at fair value.

(u) New Accounting Standards Adopted in Fiscal Year 2025

1) In June 2022, the GASB issued Statement No. 101, *Compensated Absences*. This statement requires that liabilities for compensated absences be recognized if the leave is attributable to services already rendered and the leave is more likely than not to be used for time off or otherwise paid in cash or settled through noncash means and establishes definitions, guidance, and disclosure requirements related to compensated absences. The new standard is effective for periods beginning after December 15, 2023. Application of this statement is effective for the Enterprise's year ending June 30, 2025. In accordance with GASB Statement No. 100, *Accounting Changes and Error Corrections*, the Enterprise reported the implementation of GASB Statement No. 101 as a change in accounting principle. The cumulative effect of applying the new recognition and measurement guidance as of July 1, 2023 was recorded as a restatement of beginning balances for the following accounts. The impact is presented in the following table.

	7/1/2023 As Previously Reported	Changes in Accounting Principle	7/1/2023 As Restated
Net Position	$ 692,073	$ (15,244)	$ 676,829

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 adopted the provisions of Statement No. 102 in fiscal year 2025 which did not have a significant effect on its financial statements.

(v) GASB Statements Implemented 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.

(w) Future Implementation of New Accounting Standards

1) 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.

2) 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. Certain other operating revenues, specifically charges to City municipal departments have been reclassified to charges for services for fiscal year 2024. In addition, the cash paid for rebates and program incentives in the direct cash flows statement has been reclassified under operating activities, lease receipts were reclassified from operating activities to capital and related financing activities in the direct cash flow, and lease and subscription payments were reclassified to acquisition and construction of capital assets under cash flows from capital and related financing activities for fiscal year 2024. 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, 2025 and 2024 were $85,898 and $103,250, 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.

Custodial Credit Risk – Deposits

Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, the Enterprise will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The California Government Code and the City's investment policy do not contain legal or policy requirements that would limit the exposure to custodial credit risk for deposits.

The California Government Code requires California banks and savings and loan associations to secure the Enterprise's deposits not covered by Federal Deposit Insurance Corporation (FDIC) insurance by pledging government and/or local agency securities as collateral. The fair value of such pledged securities must equal at least 110% and be of the type authorized in California Government Code, Section 53651 (a) through (i). The collateral must be held at the pledging bank's trust department or another bank, acting as the pledging bank's agent, in the Enterprise's name. At June 30, 2025, all banks with funds deposited by the Treasurer secured deposits with sufficient collateral or FDIC insurance

Interest Rate Risk

Credit risk is the risk that an issuer of an investment will not fulfill its obligation to pay the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. The ratings for each of the investment types are provided by the tables below.

Credit Risk

Credit risk is the risk that an issuer of an investment will not fulfill its obligation to pay the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. The ratings for each of the investment types are provided by the tables below.

Custodial Credit Risk – Investments

Custodial credit risk for investments is the risk that, in the event of the failure of the counterparty to a transaction, the Enterprise will not be able to recover the value of its investment or collateral securities that are in the possession of another party.

(Dollars in thousands, unless otherwise stated)

The California Government Code and the City's investment policy do not contain legal or policy requirements that would limit the exposure to custodial credit risk for investments; however, it is the practice of the City Treasurer that all investments are insured, registered or held by the Treasurer's custodial agent in the Enterprise's name. The Enterprise also has investments with trustees related to the issuance of bonds that are uninsured, unregistered and held by the counterparty's trust departments but not in the Enterprise's name. These amounts are included in the investments outside City Treasury and are provided by the tables below.

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, 2025 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, 2024 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.

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, 2025 and 2024:

Cash and Investments outside City Treasury

Investments	Credit Ratings (S&P/Moody's)	June 30, 2025 Maturities	June 30, 2025 Fair Value	Investments exempt from fair value	Fair Value Measurements Using: Quoted prices in active markets for identical assets (Level 1)
U.S. Treasury Money Market Funds	AAAm/Aaa-mf	< 90 days	$ 71,597	71,597	–
Money Market Funds	A-1/P-1	< 90 days	52	52	–
Cash and Cash Equivalents	N/A		14,249	14,249	–
Total Restricted Cash and Investments outside City Treasury			$ 85,898	85,898	–
Cash and Cash Equivalents	N/A		$ 76	76	–
Total Unrestricted Cash and Investments outside City Treasury			$ 76	76	–

(Dollars in thousands, unless otherwise stated)

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)
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	–

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, 2025 and 2024 included an unrealized gain due to changes in fair value on commercial paper of $0 and $540, 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, 2025 and 2024, 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 $48 and $165 as of June 30, 2025 and 2024, respectively.

The Enterprise's cash, cash equivalents, and investments are shown on the accompanying statements of net position as follows:

	2025	2024
Current assets:		
Cash and investments with City Treasury	$ 436,413	380,201
Cash and investments outside City Treasury	76	193
Restricted cash and investments outside City Treasury	28,467	40,065
Non-current assets:		
Restricted cash and investments with City Treasury	137,436	71,015
Restricted cash and investments outside City Treasury	57,431	63,185
Total cash, cash equivalents, and investments	$ 659,823	554,659

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
2025	20.8%	18.9%	17.5%	42.8%
2024	22.2%	19.5%	16.3%	42.0%

(Dollars in thousands, unless otherwise stated)

As of June 30, 2025, except for investments issued or explicitly guaranteed by the U.S. government and investments in mutual funds, external investment pools, and other pooled investments, the Enterprise did not have any investments in any one issuer that exceeded 5 percent of total investments. 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

(4) Capital Assets

Capital assets as of June 30, 2025 and 2024 consist of the following:

	2024	Increases	Decreases	2025
Capital assets not being depreciated and amortized:				
Land and rights-of-way	$ 113,322	–	–	113,322
Intangible assets	679	–	–	679
Construction work in progress	606,804	340,538	(94,075) *	853,267
Total capital assets not being depreciated and amortized	720,805	340,538	(94,075)	967,268
Capital assets being depreciated and amortized:				
Facilities and improvements	6,946,453	111,341	–	7,057,794
Intangible assets	27,714	1,056	–	28,770
Machinery and equipment	345,806	10,213	(1,343)	354,676
Right-to-use land lease assets	–	545	–	545
Right-to-use building lease assets	7,011	969	(618)	7,362
Right-to-use intangible subscription assets	860	2,145	(106)	2,899
Total capital assets being depreciated and amortized	7,327,844	126,269	(2,067)	7,452,046
Less accumulated depreciation and amortization for:				
Facilities and improvements	(1,969,971)	(144,593)	–	(2,114,564)
Intangible assets	(25,736)	(663)	–	(26,399)
Machinery and equipment	(269,649)	(11,632)	1,343	(279,938)
Right-to-use land lease assets	(30)	(318)	–	(348)
Right-to-use building lease assets	(4,247)	(1,243)	618	(4,872)
Right-to-use intangible subscription assets	(549)	(1,451)	106	(1,894)
Total accumulated depreciation and amortization	(2,270,182)	(159,900)	2,067	(2,428,015)
Total capital assets being depreciated and amortized, net	5,057,662	(33,631)	–	5,024,031
Total capital assets, net	$ 5,778,467	306,907	(94,075)	5,991,299

* Decrease in construction work in progress includes $4,394 in capital project write-offs, mainly related to University Mound East Pipeline project. The remaining difference of $36,588 is mainly due to direct additions to facilities and improvements, intangible assets and machinery and equipment.

(Dollars in thousands, unless otherwise stated)

		2023	Increases	Decreases	2024
Capital assets not being depreciated and amortized:					
Land	$	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 land lease assets		605	–	(605)	–
Right-to-use building lease assets		7,603	–	(592)	7,011
Right-to-use intangible 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 land lease assets		(580)	(55)	605	(30)
Right-to-use building lease assets		(3,685)	(1,154)	592	(4,247)
Right-to-use intangible 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.

(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, 2025 and 2024:

	2025	2024
Cash and investments with City Treasury:		
Water revenue bond construction fund	$ 137,436	71,015
Cash and investments outside City Treasury:		
2009C Certificates of participation - 525 Golden Gate	6	965
2009D Certificates of participation - 525 Golden Gate	8,574	7,345
2010B Water revenue bond fund	6	22,813
2010E Water revenue bond fund	6	16,495
2010G Water revenue bond fund	17,844	18,994
2015A Water revenue refunding bond fund	—	7
2016A Water revenue refunding bond fund	177	13
2016B Water revenue refunding bond fund	1	1
2016C Water revenue bond fund	8	4
2017A Water revenue bond fund	—	1
2017B Water revenue bond fund	—	6
2017D Water revenue refunding bond fund	10	6
2017E Water revenue refunding bond fund	2	1
2017G Water revenue refunding bond fund	5	—
2019A Water revenue refunding bond fund	11	7
2019B Water revenue refunding bond fund	1	1
2019C Water revenue refunding bond fund	1	1
2020A Water revenue bond fund	7	4
2020B Water revenue bond fund	3	2
2020C Water revenue bond fund	3	2
2020D Water revenue bond fund	—	1
2020E Water revenue refunding bond fund	4	3
2020F Water revenue refunding bond fund	17	17
2020G Water revenue refunding bond fund	—	1
2020H Water revenue refunding bond fund	1	1
2023A Water revenue bond fund	1,948	19,235
2023B Water revenue bond fund	353	3,551
2023C Water revenue refunding bond fund	121	99
2023D Water revenue refunding bond fund	14	19
2025A Water revenue refunding bond fund	117	—
2025B Water revenue refunding bond fund	6	—
2025C Water revenue refunding bond fund	7	—
2025D Water revenue refunding bond fund	28,830	—
2025E Water revenue refunding bond fund	13,271	—
2025F Water revenue refunding bond fund	239	—
Commercial Paper - Tax Exempt	28	17
Commercial Paper - Taxable	29	28
Habitat reserve endowment fund	14,246	13,610
Total cash and investments outside City Treasury	85,896	103,250
Interest and other receivables:		
Water bond construction fund including interest, prepaids, and other receivables	2,654	3,789
Due from other government for State Revolving Fund	23,806	129,580
Total restricted assets	$ 249,792	307,634

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. In December 2024, the Board of Supervisors approved an expansion of the Water Enterprise Interim Funding Program by $250,000 to a total Water Enterprise Interim Funding Program size of $750,000. The program is made up of two components: (1) four series totaling $550,000 (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) two series totaling $200,000 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, 2025 and 2024, amounts outstanding under Proposition E were $20,000 and $190,000, respectively. Commercial paper interest rates ranged from 2.6% to 4.4%.

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, 2025, the Enterprise has $20,000 in outstanding commercial paper. As of June 30, 2024, the Enterprise had $190,000 in outstanding commercial paper which were repaid by the 2025 Series DE Water revenue refunding bonds issued in June 2025.

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 four separate bank letters of credit and two revolving notes, 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, 2025, 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 February 15, 2030. The agreement for the Series A-1/A-1-T credit facility stipulates a quarterly commitment fee of 0.32%, 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 15, 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 15, 2027. The agreement for the Series A-3/A-3-T credit facility stipulates a quarterly commitment fee of 0.38%, on the maintenance of ratings of at least “AA-” by S&P and “Aa3” by Moody’s. Series A-4/A-4-T has a $150 million Letter of Credit from PNC Bank, National Association, which expires on February 17, 2028. The agreement for the Series A-4/A-4-T credit facility stipulates a quarterly commitment fee of 0.30% 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 the following series. Series R-1/R-1-T has a $100 million revolving credit agreement with U.S. Bank National Association which expires on July 16, 2027. The R-1/R-1-T revolving credit agreement stipulates an unutilized quarterly commitment fee of 0.23%, on the maintenance of ratings of at least “AA-” by S&P and “Aa3” by Moody’s. Series R-2/R-2-T has a $100 million revolving credit agreement with Wells Fargo Bank, National Association, which expires of March 3, 2028. The R-2/R-2-T revolving credit agreement stipulates an unutilized quarterly commitment fee of 0.25% 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, 2025.

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

The Enterprise had $730,000 and $310,000 in unused authorization as of June 30, 2025 and 2024, 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, 2025, 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, 2025 and 2024 are as follows:

	Interest rate	Maturity (Calendar Year)	Restated* 2024	Additions	Reductions	2025	Due within one year
Revenue Bonds:							
2010B revenue bonds (Build America)	4.00% – 6.00%	2040	$ 323,145	—	(323,145)	—	—
2010E revenue bonds (Build America)	4.90 – 6.00	2040	318,290	—	(318,290)	—	—
2010G revenue bonds (Build America)	6.95	2050	351,470	—	—	351,470	—
2015A revenue refunding bonds	2.00 – 5.00	2036	274,135	—	(274,135)	—	—
2016A revenue refunding bonds	4.00 – 5.00	2039	573,500	—	(113,475)	460,025	26,050
2016B revenue refunding bonds	1.50 – 5.00	2030	45,805	—	(13,720)	32,085	7,715
2016C revenue bonds	0.87 – 4.19	2046	219,170	—	(6,275)	212,895	6,455
2017A revenue bonds	5.00	2047	22,230	—	(22,230)	—	—
2017B revenue bonds	5.00	2047	27,110	—	(27,110)	—	—
2017C revenue bonds	5.00	2047	12,970	—	(12,970)	—	—
2017D revenue refunding bonds	2.00 – 5.00	2035	257,295	—	(73,920)	183,375	20,515
2017E revenue refunding bonds	4.00 – 5.00	2031	47,330	—	(835)	46,495	7,425
2017F revenue refunding bonds	5.00	2031	7,270	—	(770)	6,500	875
2017G revenue refunding bonds	2.03 – 2.91	2024	5,225	—	(5,225)	—	—
2019A revenue refunding bonds	1.81 – 3.47	2043	393,080	—	(79,500)	313,580	2,050
2019B revenue refunding bonds	3.15 – 3.52	2041	16,245	—	(75)	16,170	75
2019C revenue refunding bonds	3.15 – 3.52	2041	17,695	—	(80)	17,615	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	183,635	—	(34,915)	148,720	595
2020F revenue refunding bonds	0.26 – 3.15	2047	134,025	—	(16,360)	117,665	1,210
2020G revenue refunding bonds	0.26 – 3.10	2043	64,660	—	(10,835)	53,825	7,525
2020H revenue refunding bonds	0.26 – 3.15	2047	64,130	—	(10,515)	53,615	565
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	—
2025A revenue refunding bonds	4.00-5.00	2047	—	467,960	—	467,960	33,260
2025B revenue refunding bonds	5.00	2047	—	37,400	—	37,400	3,005
2025C revenue refunding bonds	5.00	2047	—	18,075	—	18,075	1,435
2025D revenue refunding bonds	5.00	2055	—	304,505	—	304,505	—
2025E revenue refunding bonds	5.25	2055	—	133,480	—	133,480	—
2025F revenue refunding bonds	4.00-5.00	2040	—	550,275	—	550,275	20,415
Less issuance discount			(107)	(498)	10	(595)	—
Add issuance premiums			330,679	129,352	(72,088)	387,943	—
Total revenue bonds payable			4,964,637	1,640,549	(1,416,458)	5,188,728	139,250
2009D COPs (Build America)	6.36 – 6.49	2041	89,232	—	(3,402)	85,830	3,545
State Revolving Funds Loan	1.00 – 1.10	2057	259,970	40,314	(249)	300,035	—
Accrued interest payable			41,546	216,605	(215,656)	42,495	37,030
Net other postemployment benefits liability			158,301	3,674	—	161,975	—
Lease liability			2,821	—	(44)	2,777	966
Subscription liability			308	697	—	1,005	846
Net pension liability			152,643	14,335	—	166,978	—
Arbitrage rebate payable			869	952	—	1,821	536
Accrued compensated absences			30,545	1,518	—	32,063	17,393
Accrued workers' compensation			11,002	5,083	(3,784)	12,301	2,365
Damage claims liability			22,773	4,502	(12,326)	14,949	4,525
Wholesale balancing account			—	12,983	—	12,983	—
Pollution remediation obligation			1,271	—	(1,271)	—	—
Total			$ 5,735,918	1,941,212	(1,653,190)	6,023,940	206,456

* Restatement due to implementation of GASB 101 - *Compensated Absences.*
** Compensated absences activities are shown as net.

(Dollars in thousands, unless otherwise stated)

	Interest rate	Maturity (Calendar Year)	2023	Additions	Reductions	Restated** 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 compensated absences			13,585	16,960	—	30,545	16,300
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	1,471,972	(1,422,467)	5,735,918	204,851

* Commercial paper recorded as short-term liability in FY24.
** Restatement due to implementation of GASB 101 - *Compensated Absences.*
** Compensated absences activities are shown as net.

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%. A portion of the proceeds from the 2025 Series F bonds were used to defease 2010 Series B Bonds in the par amount of $309,420. As of June 30, 2025 and 2024, the principal amount outstanding was $0 and $323,145, 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%. A portion of the proceeds from the 2025 Series F bonds were used to defease 2010 Series E Bonds in the par amount of $304,680. As of June 30, 2025 and 2024, the principal amount of 2010 Series E bonds outstanding was $0 and $318,290, 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, 2025 and 2024, 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. On April 15, 2025, a portion of the proceeds from the 2025 Series A bonds together with other monies were used to current refund the 2015 Series A Bonds in the par amount of $244,650 with maturities starting on November 1, 2025, to November 1, 2036. As of June 30, 2025 and 2024, the principal amount of 2015 Series A bonds outstanding was $0 and $274,135, 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.

A portion of the proceeds from the 2025 Series A bonds together with other monies were used to pay at closing a portion of the 2016 Series A bonds which had been tendered for purchase on April 17, 2025. The proceeds of the 2025 Series A bonds were sufficient to pay accrued interest and tender price of maturities of the 2016 Series A bonds starting on November 1, 2024 to November 1, 2035.

As of June 30, 2025 and 2024, the principal amount of 2016 Series AB bonds outstanding was $492,110 and $619,305, 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, 2025 and 2024, the principal amount of 2016 Series C bonds outstanding was $212,895 and $219,170, 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. On April 17, 2025, a portion of the proceeds from the 2025 Series A bonds together with other monies were used to current refund the 2017 Series A Bonds in the par amount of $19,660. As of June 30, 2025 and 2024, the principal amount of 2017 Series A bonds outstanding was $0 and $22,230, 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. On April 17, 2025, a portion of the proceeds from the 2025 Series B bonds together with other monies were used to current refund the 2017 Series B Bonds in the par amount of $23,975. As of June 30, 2025 and 2024, the principal amount of 2017 Series B bonds outstanding was $0 and $27,110, 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. On April 17, 2025, a portion of the proceeds from the 2025 Series C bonds together with other monies were used to current refund the 2017 Series C Bonds in the par amount of $11,470. As of June 30, 2025 and 2024, the principal amount of 2017 Series C bonds outstanding was $0 and $12,970, 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.

A portion of the proceeds from the 2025 Series A bonds were used to pay at closing a portion of the 2017 Series D bonds which had been tendered for purchase on April 17, 2025. The proceeds of the 2025 Series A bonds together with other monies were sufficient to pay accrued interest and tender price of maturities of a portion of the 2017 Series D bonds starting on November 1, 2030 to November 1, 2035. As of June 30, 2025 and 2024, the principal amount of 2017 Series DEFG bonds outstanding was $236,370 and $317,120, 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.

A portion of the proceeds from the 2025 Series A bonds were used to pay at closing a portion of the 2019 Series A bonds which had been tendered for purchase on April 17, 2025. The proceeds of the 2025 Series A bonds together with other monies were sufficient to pay accrued interest and tender price of maturities of a portion of the 2019 Series A bonds starting on November 1, 2025 to November 1, 2043. As of June 30, 2025 and 2024, the principal amount of 2019 Series ABC bonds outstanding was $347,365 and $427,020, 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, 2025 and 2024, 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, 2025 and 2024, 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, 2025 and 2024, 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, 2025 and 2024, 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. A portion of the proceeds from the 2025 Series A bonds were used to pay at closing a portion of the 2020 Series E bonds which had been tendered for purchase on April 17, 2025. The proceeds of the 2025 Series A bonds together with other monies were sufficient to pay accrued interest and tender price of maturities of a portion of the 2020 Series E bonds starting on November 1, 2025 to November 1, 2047.

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. A portion of the proceeds from the 2025 Series B bonds were used to pay at closing a portion of the 2020 Series F bonds which had been tendered for purchase on April 17, 2025. The proceeds of the 2025 Series B bonds together with other monies were sufficient to pay accrued interest and tender price of maturities of a portion of the 2020 Series F bonds starting on November 1, 2025 to November 1, 2047.

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. A portion of the proceeds from the 2025 Series B bonds were used to pay at closing a portion of the 2020 Series G bonds which had been tendered for purchase on April 17, 2025. The proceeds of the 2025 Series B bonds together with other monies were sufficient to pay accrued interest and tender price of maturities of a portion of the 2020 Series G bonds starting on November 1, 2025 to November 1, 2032.

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. A portion of the proceeds from the 2025 Series C bonds were used to pay at closing a portion of the 2020 Series H bonds which had been tendered for purchase on April 17, 2025. The proceeds of the 2025 Series C bonds together with other monies were sufficient to pay accrued interest and tender price of maturities of a portion of the 2020 Series H bonds starting on November 1, 2025 to November 1, 2047.

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, 2025 and 2024, the principal amount of 2020 Series EFGH bonds outstanding was $373,825 and $446,450, 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, 2025 and 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, 2025 and 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, 2025 and 2024, the principal amount of 2023 Series CD bonds outstanding was $514,855.

(n) Water Revenue Refunding Bonds 2025 Series ABC

In April 2025, the Enterprise issued tax-exempt revenue bonds, 2025 Series ABC refunding bonds in the aggregate amount of $523,435. The 2025 Series A (WSIP, Green) bonds were issued for the purpose of current refunding 2015 Series A revenue bonds maturing on or after November 1, 2029, 2017 Series A (WSIP, Green) bonds maturing on or after November 1, 2025, and for the purpose of paying the purchase price of a portion of the 2016 Series A revenue bonds maturing on November 1, 2029, a portion of the 2017 Series D revenue bonds maturing on or after November 1, 2030, a portion of the 2019 Series A revenue bonds maturing on or after November 1, 2025, and a portion of the 2020 Series E bonds maturing on or after November 1, 2025.

The 2025 Series B (Regional and Local) bonds were issued for the purpose of current refunding 2017 Series B (Regional and Local Water) bonds maturing on or after November 1, 2025 and for the purpose of paying the purchase price of a portion of the 2020 Series F bonds maturing on or after November 1, 2025, and a portion of the 2020 Series G bonds maturing on or after November 1, 2025.

The 2025 Series C (Hetch Hetchy Water) bonds were issued for the purpose of current refunding 2017 Series C (Hetch Hetchy Water) bonds maturing on or after November 1, 2025 and for the purpose of paying the purchase price of a portion of the 2020 Series H bonds maturing on or after November 1, 2025.

The bonds carried "Aa2" and "AA-" ratings from Moody's and S&P, respectively. The 2025 Series ABC bonds include serial bonds with interest rates of 4.0% to 5.0% and have a final maturity in November 1, 2047. The Series ABC bonds have a true interest cost of 3.3%. The refunding resulted in a $19,815 accounting gain. As of June 30, 2025, the principal amount of 2025 Series ABC bonds outstanding was $523,435.

(o) Water Revenue Refunding Bonds 2025 Series DEF

In June 2025, the Enterprise issued tax-exempt revenue bonds and refunding bonds, 2025 Series DEF in the aggregate amount of $988,260. The purpose of the 2025 Series DE Bonds was to refund approximately $313,384 aggregate principal amount of commercial paper notes and to provide approximately $92,362 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 2025 Series DE bonds include serial and term bonds with coupons of 5.0% to 5.3% and final maturities in 2055.

The purpose of the 2025 Series F bonds was to refund 2010 Series B and 2010 Series E Water Revenue Bonds originally issued as Build America Bonds through an extraordinary redemption provision at a prepayment price maturing on or after November 1, 2025. The bonds carried "Aa2" and "AA-" ratings from Moody's and S&P, respectively. The 2025 Series F bonds included serial bonds with coupons of 5.0% and a final maturity of November 1, 2040. The Series F bonds have a true interest cost of 3.5%. As of June 30, 2025, the principal amount of 2025 Series DEF bonds outstanding was $988,260.

(p) 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, 2025. The federal interest subsidy amounts represent 35.0%, excluding sequestration, of the interest for the 2010 Series G revenue bond.

(Dollars in thousands, unless otherwise stated)

		Principal	Interest before subsidy	Federal interest subsidy*	Interest net of subsidy
Fiscal years ending June 30:					
2026	$	139,250	217,241	(8,062)	209,179
2027		148,245	215,299	(8,062)	207,237
2028		152,775	208,298	(8,062)	200,236
2029		166,885	200,688	(8,062)	192,626
2030		175,080	192,497	(8,062)	184,435
2031-2035		983,215	830,967	(38,198)	792,769
2036-2040		1,152,855	578,523	(30,857)	547,666
2041-2045		701,490	364,183	(21,502)	342,681
2046-2050		557,000	231,760	(9,778)	221,982
2051-2055		510,010	91,668	(299)	91,369
2056-2058		114,575	2,909	—	2,909
		4,801,380	3,134,033	(140,944)	2,993,089
Less: Current portion		(139,250)			
Less: Unamortized bond discount		(595)			
Add: Unamortized bond premiums		387,943			
Long-term portion as of June 30, 2025	$	5,049,478			

* The SFPUC received an IRS notice dated April 8, 2025 that the federal interest subsidies on the 2010 Series G bonds are reduced by 5.7%, or a total reduction of $8,519, due to sequestration over the remaining life of the bonds assuming the sequestration rate will remain the same after fiscal year 2025.

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).

(q) *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, 2025 and 2024 was $164,252 and $154,178, respectively.

(Dollars in thousands, unless otherwise stated)

California Clean Water State Revolving Fund Loan		Principal	Interest	Total
Fiscal years ending June 30:				
2026	$	–	–	–
2027		–	–	–
2028		4,722	1,643	6,365
2029		4,769	1,595	6,364
2030		4,817	1,548	6,365
2031-2035		24,816	7,005	31,821
2036-2040		26,082	5,740	31,822
2041-2045		27,413	4,409	31,822
2046-2050		28,811	3,011	31,822
2051-2055		30,281	1,542	31,823
2056-2057		12,541	188	12,729
		164,252	26,681	190,933
Less: Current portion		–		
Long-term portion as of June 30, 2025	$	164,252		

(r) *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, 2025 and 2024 was $135,783 and $105,792, respectively.

Drinking Water State Revolving Fund Loan		Principal	Interest	Total
Fiscal years ending June 30:				
2026	$	–	–	–
2027		–	–	–
2028		–	–	–
2029		3,845	1,494	5,339
2030		3,887	1,451	5,338
2031-2035		20,087	6,606	26,693
2036-2040		21,216	5,476	26,692
2041-2045		22,409	4,284	26,693
2046-2050		23,669	3,024	26,693
2051-2055		25,000	1,693	26,693
2056-2058		15,670	345	16,015
		135,783	24,373	160,156
Less: Current portion		–		
Long-term portion as of June 30, 2025	$	135,783		

(s) 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, 2025, 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, 2025.

(t) 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, 2025, the Board of Supervisors authorized the issuance of $6,157,510 in revenue bonds with $5,305,913 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, $20,000 and $190,000 in commercial paper were outstanding pursuant to this authorization as of June 30, 2025 and 2024, respectively.

(u) 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. 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, 2025 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:					
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		4,180	4,450	(1,469)	2,981
2031-2035		23,737	17,863	(5,897)	11,966
2036-2040		29,271	9,297	(3,068)	6,229
2041-2042		13,537	887	(293)	594
Total		85,830	52,800	(17,427)	35,373
Less: Current portion		(3,545)			
Long-term portion as of June 30, 2025	$	82,285			

* The SFPUC received an IRS notice dated April 8, 2025 that the federal interest subsidy on the 2009 Series D bonds is reduced by 5.7%, or a total reduction of $1,053, due to sequestration over the remaining life of the bonds assuming the sequestration rate will remain the same after fiscal year 2025.

(v) 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, 2025 and 2024, there were no such events describe herein.

(w) Leases

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.

Future annual lease payments for fiscal years 2025 and 2024 are as follows:

Year ending June 30:		Principal amount	Interest amount	Total
2026	$	966	55	1,021
2027		365	38	403
2028		249	31	280
2029		216	25	241
2030		158	20	178
2031-2035		426	68	494
2036-2040		397	20	417
		2,777	257	3,034
Less: current portion		(966)		
Long-term portion as of June 30, 2025	$	1,811		

(Dollars in thousands, unless otherwise stated)

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		

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 $90 and $79 during the year ended June 30, 2025 and 2024, respectively.

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

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.

(y) Future SBITAs Payments

Future annual subscription payments as of June 30, 2025 and 2024 are as follows:

Year ending June 30:		Principal amount	Interest amount	Total
2026	$	846	22	868
2027		159	5	164
		1,005	27	1,032
Less: current portion		(846)		
Long-term portion as of June 30, 2025	$	159		

(Dollars in thousands, unless otherwise stated)

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		

(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 2025 and 2024, applicable net revenues and funds available for debt service are as follows:

		2025	2024
Bonds issued with revenue pledge	$	4,801,380	4,634,065
Principal and interest remaining due at the end of the year		8,286,502	7,714,756
Clean Water State Revolving Fund (CWSRF) loans with revenue pledge		300,035	259,970
Principal and interest paid net of capitalized interest and BAB subsidy during the year		298,169	306,369
Net revenues for the year ended June 30		467,755	337,985
Funds available for debt service*		646,772	555,585

* Includes other available funds budgetary balances that are non-GAAP

(9) Leases

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, 2025 and 2024 were $187 and $1,742, respectively.

Principal and interest requirements to maturity for the lease receivable on June 30, 2025 and 2024 are as follows:

(Dollars in thousands, unless otherwise stated)

Year ended June 30	Principal	Interest	Total
2026	$ 2,752	748	3,500
2027	2,409	695	3,104
2028	2,423	645	3,068
2029	2,215	595	2,810
2030	2,164	566	2,730
2031-2035	10,936	2,128	13,064
2036-2040	6,264	1,123	7,387
2041-2045	141	943	1,084
2046-2050	-	1,090	1,090
2051-2055	-	1,263	1,263
2056-2060	411	1,054	1,465
2061-2065	973	725	1,698
2066-2070	1,384	584	1,968
2071-2075	1,893	389	2,282
2076+	1,928	122	2,050
	$ 35,893	12,670	48,563

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

(10) Wholesale Balancing Account

Water Supply Agreement

Pursuant to the terms of the Water Supply Agreement (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; this annual cost is referred to as the Wholesale Revenue Requirement (WRR). 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 WRR calculation is subject to a trailing compliance audit and final review by the Wholesale Customers. During fiscal years ending in 2025 (estimated) and 2024 (audited), the WRR, net of adjustments, charged to such wholesale customers was $333,210 and $321,433, respectively.

As part of the final re-calculation of the WRR required by Article VII, Section 7.02 of the WSA, 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 the Balancing Account balance shall be taken into consideration in the determination of subsequent wholesale water rates. The Enterprise is estimated to owe the Wholesale Customers $12,983 as of June 30, 2025. The Wholesale Customers owed the Enterprise $26,121 as of June 30, 2024. 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.

(11) 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.

(Dollars in thousands, unless otherwise stated)

GASB Statements No. 68 and 73 requires 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:

San Francisco Employees' Retirement System - Cost Sharing

Fiscal Year 2025	
Valuation Date (VD)	July 1, 2023 updated to June 30, 2024
Measurement Date (MD)	June 30, 2024
Measurement Period (MP)	July 1, 2023 to June 30, 2024
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

SFERS Plan - The City is an employer of the plan with a proportionate share of 94.70% as of June 30, 2024 (measurement date), and 94.85% as of June 30, 2023 (measurement date), 0.15% 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 2024 and 2023. 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 4.35% as of June 30, 2024, and 4.34% as of June 30, 2023 (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 2024. 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 1.91% as of June 30, 2024, and 1.95% as of June 30, 2023 (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. 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 11.0% as a percentage of gross covered salary in fiscal year 2025, and 7.5% to 11.5% in fiscal year 2024. 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, 2023 actuarial report, the required employer contribution rates for fiscal year 2025 range from 14.91% to 16.91%. Based on the July 1, 2022 actuarial report, the required employer contribution rates for fiscal year 2024 range from 15.24% to 18.24%.

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

(Dollars in thousands, unless otherwise stated)

Retirement System in fiscal year ended June 30, 2025 and 2024 (measurement period) were $636,991 and $638,003, respectively. The Enterprise's allocation of employer contributions for fiscal years 2024 and 2023 (measurement period) was $27,653 and $27,925, 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 $3,142 replacement benefits in the year ended June 30, 2025.

Pension Liabilities/(Asset), Pension Expenses, and Deferred Outflows and Inflows of Resources Related to Pensions

Fiscal Year 2025

As of June 30, 2025, 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 $3,913,361. 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, 2024 (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, 2023 rolled forward to June 30, 2024 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, 2025 (reporting year) was $164,352. The Enterprise's allocation of total pension liability for the RBP as of June 30, 2025 was $2,626.

For the year ended June 30, 2025, the City's recognized pension expense was $734,418 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 $31,147. Pension expense increased from the prior year, largely due to the amortization of deferrals.

As of June 30, 2025, the Enterprise reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

Fiscal Year 2025 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	$	28,362	–	–	–
Differences between expected and actual experience		25,908	–	227	457
Changes in assumptions		12,962	3,953	28	446
Net difference between projected and actual earnings on pension plan investments		30,366	–	–	–
Change in employer's proportion		554	1,629	412	565
Total	$	98,152	5,582	667	1,468

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:

(Dollars in thousands, unless otherwise stated)

Fiscal Years		SFERS Plan	Replacement Benefits Plan
2026	$	(6,821)	(519)
2027		57,849	(350)
2028		10,693	43
2029		2,487	25
Total	$	64,208	(801)

On June 30, 2025, the Enterprise reported $28,362 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, 2026.

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.

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/(benefits) as follows:

(Dollars in thousands, unless otherwise stated)

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)

Actuarial Assumptions

Fiscal Year 2025

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, 2024 (measurement year) is provided below, including any assumptions that differ from those used in the July 1, 2023 actuarial valuation. Refer to the July 1, 2023 actuarial valuation report for a complete description of all other assumptions, which can be found on the Retirement System's website http://mysfers.org.

Key Actuarial Assumptions	SFERS Plan
Valuation Date	July 1, 2023 updated to June 30, 2024
Measurement Date	June 30, 2024
Actuarial Cost Method	Entry-Age Normal Cost
Expected Rate of Return	7.20% net of investment expenses
Municipal Bond Yield	3.93% as of June 30, 2024
	3.65% as of June 30, 2023
	Bond Buyer 20-Bond GO Index, June 29, 2023 and June 27, 2024
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, 2024
	7.20% as of June 30, 2023
Administrative Expenses	0.60% of payroll as of June 30, 2024
	0.60% of payroll as of June 30, 2023

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, 2024	2.00%	1.90%	2.50%	3.60%
June 30, 2023	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, 2024. The municipal bond yield increased from 3.65% to 3.93%.

(Dollars in thousands, unless otherwise stated)

Key Actuarial Assumptions	Replacement Benefits Plan
Valuation Date	July 1, 2023 updated to June 30, 2024
Measurement Date	June 30, 2024
Actuarial Cost Method	Entry-Age Normal Cost
Municipal Bond Yield	3.93% as of June 30, 2024
	Bond Buyer 20-Bond GO Index, June 29, 2023 and June 27, 2024
Inflation	2.50%
Projected Salary Increases	3.25% plus merit component based employee classification and years of service
Discount Rate	3.93% as of June 30, 2024
Administrative Expenses	0.60% of payroll as of June 30, 2024

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, 2024	2.00%	1.90%	2.50%	3.60%
June 30, 2023	2.00%	1.90%	2.50%	3.60%

Changes of Assumptions Replacement Benefits Plan – Both discount rate for the measurement period ended June 30, 2024 and the municipal bond yield increased from 3.65% to 3.93%.

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, 2024 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 assumptions as of July 1, 2023.

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%.

Key Actuarial Assumptions	Replacement Benefits Plan
Valuation Date	June 30, 2022 updated to June 30, 2023
Measurement Date	June 30, 2023
Actuarial Cost Method	Entry-Age Normal Cost
Municipal Bond Yield	3.65% as of June 30, 2023
	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	3.65% as of June 30, 2023
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, 2023	2.00%	1.90%	2.50%	3.60%
June 30, 2022	2.00%	1.90%	2.50%	3.60%

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.

Discount Rate

Fiscal Year 2025

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, 2024 (measurement date) and 7.20% June 30, 2023 (measurement date).

The discount rate used to measure the Total Pension Liability as of June 30, 2024 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, 2023 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.

A 0.50% Supplement COLA is expected to be payable as of July 1, 2024 for most non-Prop C members due to the favorable investment returns for fiscal year ended 2024. The table below shows the net assumed Supplemental COLA for members with a 2.00% Basic COLA for sample year.

(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
2026+	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 future benefit payments for current members through 2106. 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 3.93% to the extent they are not available. The single equivalent rate used to determine the Total Pension Liability as of June 30, 2024 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 best-estimate of expected future nominal rates of return for each major asset class over 10 and 30-year horizons. These estimates were combined to produce the long-term expected rate of return by weighting the expected future nominal rates of return by the target asset allocation percentage. The target allocation and best estimates of geometric long-term expected real rates of return (expected returns, net of pension plan investment expense and inflation) for each major asset class are summarized in the following table.

Asset Class	Target Allocation from January 2021 - June 2024	Target Allocation effective as of July 2024	Long-Term Expected Real Rate of Return
Global Equity	37.0 %	32.0 %	4.2 %
Private Equity	23.0	20.0	7.2
Private Credit	10.0	10.0	5.9
Real Assets	10.0	10.0	5.5
Absolute Return	10.0	10.0	4.4
Treasuries	8.0	8.0	1.8
Liquid Credit	5.0	12.0	3.9
Cash	0.0	1.0	1.2
Leverage	-3.0	-3.0	1.6
Total	100.0	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 3.93% as of June 30, 2024. 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 29, 2023 and June 27, 2024. These are the rates used to determine the total pension liability as of June 30, 2024.

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 $275 was used for the 2024 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, 2025, City's membership in the RBP had a total of 284 active members and 154 retirees and beneficiaries currently receiving benefits. The Enterprise has 6 active members and 4 retirees and beneficiaries currently receiving benefits.

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).

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 fair 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.

(Dollars in thousands, unless otherwise stated)

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. 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.

(Dollars in thousands, unless otherwise stated)

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.

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 2025

Employer	1% Decrease Share of NPL @ 6.20%	Share of NPL @ 7.20%	1% Increase Share of (NPA) @ 8.20%
Water	$ 378,334	164,352	(11,966)

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)

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 2025

Employer	1% Decrease @ 2.93%	Measurement Date @ 3.93%	1% Increase @ 4.93%
Water	$ 3,100	2,626	2,251

Fiscal Year 2024

Employer	1% Decrease @ 2.65%	Measurement Date @ 3.65%	1% Increase @ 4.65%
Water	$ 3,060	2,583	2,207

(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 2025	
Valuation Date (VD)	June 30, 2024
Measurement Date (MD)	June 30, 2024
Measurement Period (MP)	July 1, 2023 to June 30, 2024

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

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, 2024 and June 30, 2023. 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, 2025 and 2024 measurement dates was 4.13% and 4.03%, 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, 2025 and 2024, funding was based on "pay-as-you-go" plus a contribution of $52,126 and $48,779 to the Retiree Healthcare Trust Fund, respectively. The "pay-as-you-go" portion paid by the City was $248,806 for a total contribution of $300,932 for the fiscal year ended June 30, 2025, and $229,922 for a total contribution of $278,701 for the fiscal year ended June 30, 2024. The Enterprise's proportionate share of the City's contributions for fiscal year 2025 was $12,429, and for fiscal year 2024 was $11,241, 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 2025

As of June 30, 2025, the City reported net OPEB liability related to the Plan of $3,921,799. The Enterprise's proportionate share of the City's net OPEB liability as of June 30, 2025 was $161,975.

(Dollars in thousands, unless otherwise stated)

For the year ended June 30, 2025, the City's recognized OPEB expense was $259,579. 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 $19,829.

As of June 30, 2025, 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	$ 12,429	$ -
Differences between expected and actual experience	4,884	15,175
Changes in assumptions	6,893	-
Net difference between projected and actual earnings on plan investments	-	1,814
Change in proportion	3,103	6,405
Total	$ 27,309	$ 23,394

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:	
2026	$ (1,529)
2027	(1,956)
2028	(3,296)
2029	(925)
2030	(404)
Thereafter	(404)
Total	$ (8,514)

As June 30, 2025, the Enterprise reported $12,429 as deferred outflows of resources related to contributions subsequent to the measurement date, which will be recognized as an adjustment to net OPEB liability in the reporting year ending June 30, 2026

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.

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:

(Dollars in thousands, unless otherwise stated)

	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)

(Dollars in thousands, unless otherwise stated)

Actuarial Assumptions

Fiscal Year 2025

A summary of the actuarial assumptions and methods used to calculate the Total OPEB Liability as of June 30, 2024 (measurement date) is provided below:

Key Actuarial Assumptions

Valuation Date	June 30, 2024
Measurement Date	June 30, 2024
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 6.87% trending down to ultimate rate of 3.94% in 2075 Medicare trend starts at 6.87% trending down to ultimate rate of 3.93% 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 ending June 30, 2019.

Non-Annuitants

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

Healthy Retirees

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

Disabled Retirees

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

Beneficiaries

	Published Table	Adjustment Factor Male	Adjustment Factor 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 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)

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 2025

Employer	-1.00%	Healthcare Cost Trend Rate	1.00%
Water	$ 136,510	$ 161,975	$ 193,545

Fiscal Year 2024

Employer	-1.00%	Healthcare Cost Trend Rate	1.00%
Water	$ 134,621	$ 158,301	$ 187,684

Discount Rate

Fiscal Year 2025

The discount rate used to measure the Total OPEB Liability as of June 30, 2024 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%	5.5%
U.S. Small Cap	2.0%	6.4%
Developed Market Equity (non-U.S.)	13.0%	5.9%
Emerging Market Equity	10.0%	5.9%
Credit		
Bank Loans	3.0%	3.7%
High Yield Bonds	3.0%	3.9%
Rate Securities		
Investment Grade Corporate Bonds	7.0%	1.9%
Short-term Treasury Inflation-Protected Securities (TIPS)	5.0%	0.9%
Private Markets		
Private Equity	10.0%	6.9%
Private Debt	5.0%	6.2%
Core Private Real Estate	5.0%	5.2%
Infrastructure (Core Private)	2.0%	6.0%
Risk Mitigating Strategies		
Global Macro	10.0%	1.6%
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%
$ 190,937	$ 161,975	$ 138,204

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

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 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 $62,356 or 44.1% and $59,952 or 48.1% were allocated to the Enterprise for the years ended June 30, 2025 and 2024, 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 $49,240 and $46,266 for the years ended June 30, 2025 and 2024, 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 $13,477 and $10,256 for the years ended June 30, 2025 and 2024, 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 $3,669 and $1,736 for the years ended June 30, 2025 and 2024, 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 2025 and 2024, the Enterprise delivered water for fire hydrant purposes totaling $6 and $5, 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 $22,696 and $20,925 for the years ended June 30, 2025 and 2024, respectively, have been included in services provided by other departments in the accompanying financial statements.

During the fiscal year ended June 30, 2025, the Enterprise transferred $47,084 to Hetch Hetchy Water for the Mountain Tunnel Improvement project and $31 to the Office of the City Administrator for the Enterprise's contribution to the Surety Bond Program. 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.

As of June 30, 2025, the Enterprise had interfund receivables of $37,929 from Hetchy Power for the Mountain Tunnel Improvement project and DPW relating to custom work projects. As of June 30, 2024, the Enterprise had interfund receivables of $102 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, 2025, the Enterprise's allocable shares of expenses and prepayment were $42 and $3,132, respectively; and as of June 30, 2024, the Enterprise's allocable shares of expenses and prepayment were $46 and $3,174, 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

(Dollars in thousands, unless otherwise stated)

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. 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	Contractual Risk Transfer
(j) Errors and Omissions	Contractual Risk Transfer
(k) Builders' Risk	Contractual Risk Transfer

(a) General Liability

The Enterprise's liability as of June 30, 2025, was estimated based on professional judgment regarding probable claims exposure provided by the City Attorney's Office and includes an estimate of incurred but not reported losses. The recorded liability represents management's best estimate of the City's potential exposure based on currently available information.

The changes for the general liability (damage claims) for the years ended June 30, 2025, 2024 and 2023 are as follows:

Fiscal years		Beginning of year	Claims	Claims paid and changes changes in estimates	End of year
2025	$	22,773	4,502	(12,326)	14,949
2024		19,625	18,823	(15,675)	22,773
2023		36,069	1,898	(18,342)	19,625

(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, 2025, 2024 and 2023 are as follows:

Fiscal years		Beginning of year	Claims and changes in estimates	Claims paid	End of year
2025	$	11,002	5,083	(3,784)	12,301
2024		9,735	4,336	(3,069)	11,002
2023		8,973	3,984	(3,222)	9,735

(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.

(14) Commitments and Litigation

(a) Commitments

As of June 30, 2025 and 2024, the Enterprise has outstanding commitments with third parties of $473,767 and $248,510, 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, 2025 and 2024, the pollution remediation liability was $0 and $1,271, respectively is related to the Pacific Rod & Gun Club site construction projects for the full value of construction.

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, 2025, and the related notes to the financial statements, and have issued our report thereon dated November 5, 2025.

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

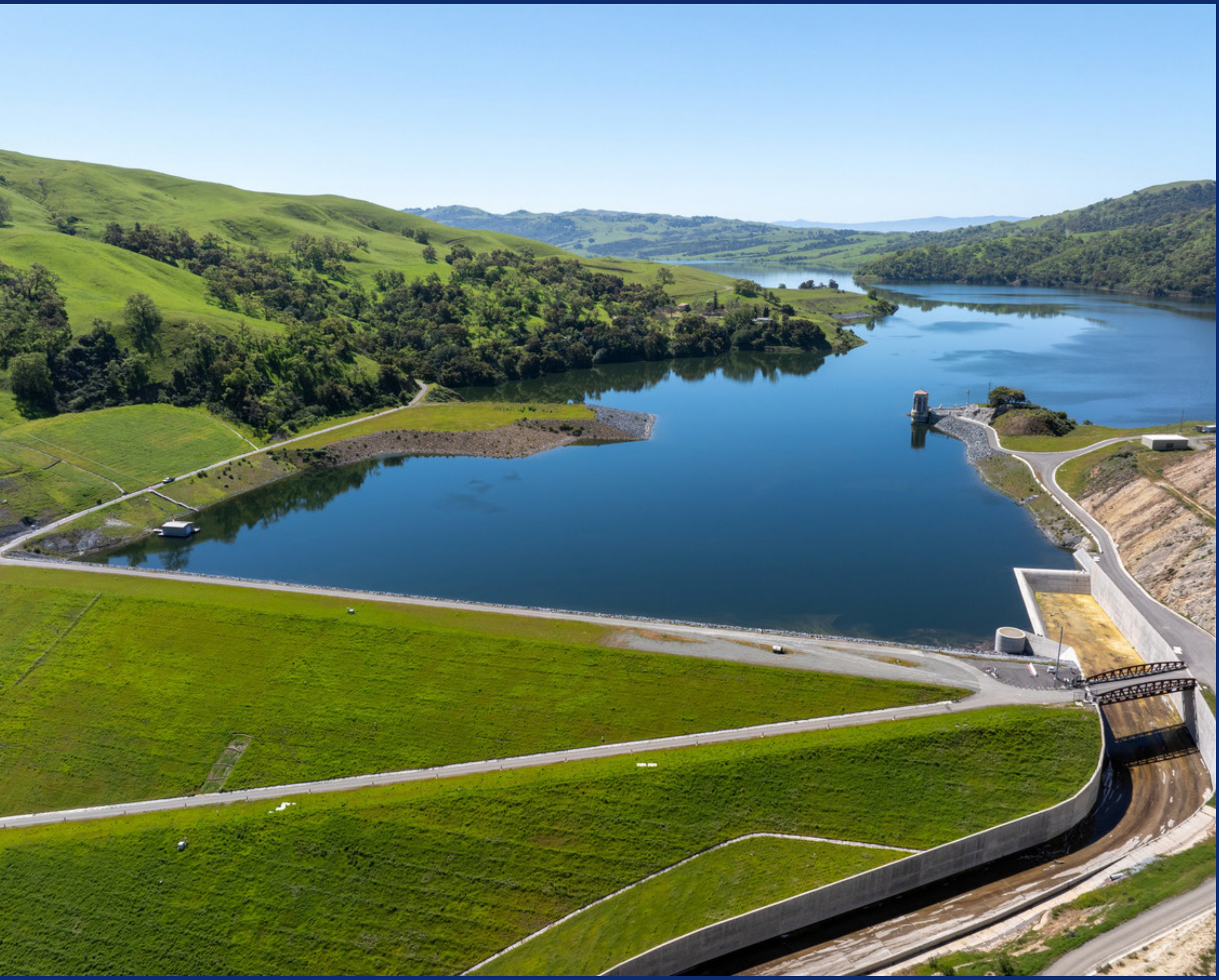
The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in 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 5, 2025

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

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Cover photo: Lake Eleanor Dam and Reservoir

Back cover photo: Calaveras Dam and Reservoir

Photos by: Robin Scheswohl, Sabrina Wong

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