

Budgetary Status Reports Fiscal Year 2022-2023

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Date: December 13, 2022

To: Commissioner Newsha Ajami, President
Commissioner Sophie Maxwell, Vice President
Commissioner Tim Paulson
Commissioner Tony Rivera
Commissioner Kate Stacy

Through: Dennis J. Herrera, General Manager *D.J.H.*

From: Nancy L. Hom, CFO/AGM Business Services *N.L.H.*

Subject: **SFPUC FY 2022-23 First Quarter Budgetary Report through September 30, 2022**

The FY 2022-23 first quarter budgetary reports are attached for the three Enterprises and CleanPowerSF, with high-level changes to revenues and expenses summarized in the following table:

FY 2022-23 Operations

	Beginning Available Fund Balance	Fund Balance Budgeted to be (Used)	Projected Sources	Projected Uses (excluding Capital)	Net Operating Results Surplus / (Shortfall)	Mid-year Adjustments to Fund Balance	Projected Year End Available Fund Balance
Water	244.7	(67.9)	36.0	2.3	38.3	-	215.0
Wastewater	158.4	(25.1)	9.3	12.9	22.2	-	155.5
Power	136.7	-	(0.2)	(1.1)	(1.3)	-	135.5
CleanPowerSF	51.3	-	2.3	18.9	21.1	-	72.4

Summary:

- Positive operating results projected for Water, Wastewater and CleanPowerSF, and operating shortfalls projected for Power.
- *Water and Wastewater:* In both enterprises, revenues are projected to significantly exceed budget due to higher than expected retail sales, conservative budget assumptions, and higher than expected interest rates. Additionally, wholesale sales are higher than projected compared to the budget and lower than expected conservation efforts. Savings are also projected from lower labor costs due to vacant positions.
- *CleanPowerSF:* revenues are projected to slightly exceed the budget due to wholesale sales and higher than expected interest rates. In addition, labor savings are anticipated due to vacant

London N. Breed
Mayor

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President

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General Manager

OUR MISSION: To provide our customers with high-quality, efficient and reliable water, power and sewer services in a manner that values environmental and community interests and sustains the resources entrusted to our care.



positions. These are offset by significantly increased cost of power purchases which are driven by higher market for energy costs.

- *Power:*
 - Retail sales are \$15.4M below budget, not because of underperformance, but because the revenue budget was not adjusted downwards to match assumptions in the final Power Rate Study. The Rate Study was adopted in late May 2022, which did not allow time for the budget to be adjusted before adoption.
 - Wholesale revenues are projected to exceed the budget due to higher power prices resulting in sales above budget. Conversely, revenues are offset by significantly higher power purchase costs related to lower power generation, higher power prices and transmission costs, which are in turn offset by the power purchase contingency budget, as well as unspent funds carried forward from the prior year.
- All enterprises are projected to meet financial policy minimums and coverage ratios at year end.

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

CC:

Masood Ordikhani, AGM, External Affairs, SFPUC
Barbara Hale, AGM, Power Enterprise, SFPUC
Stephen Robinson, AGM, Infrastructure, SFPUC
Greg Norby, AGM, Wastewater Enterprise, SFPUC
Steve Ritchie, AGM, Water Enterprise, SFPUC
Wendy Macy, Chief People Officer, SFPUC
Anna Duning, Budget Director, Mayor's Office
Ben Rosenfield, Controller

Attachments:

Appendix A Water Enterprise

Appendix B Wastewater Enterprise

Appendix C Hetch Hetchy Water & Power, including the Power Enterprise

Appendix D CleanPowerSF

Appendix A

WATER ENTERPRISE OPERATING FUNDS

FY 2022-23 1st Quarter - Budgetary Basis, Funds 25940, 25950, 25960, 25990, 26570 & 26600
(\$ Millions)

	FY 2022-23				
	FY 2021-22 Actuals	Original Budget	Revised Budget (includes carryforwards)	Projection (includes carryforwards)	Variance (Projection vs Revised Budget)
Sources					
Retail Water Sales	308.3	323.9	324.4	332.9	8.5 A
Wholesale Water Sales	261.4	266.3	266.3	291.9	25.6 B
Interest Income	1.8	1.1	1.1	2.6	1.5 C
Rental Income	14.2	13.1	13.1	13.1	-
Miscellaneous Income	23.6	19.6	19.6	20.1	0.4 D
Departmental Transfer Adjustment	(45.8)	(49.6)	(49.6)	(49.6)	-
Federal Bond Interest Subsidy	21.6	21.3	21.3	21.3	-
Appropriated/Budgeted Use of Fund Balance	72.8	67.9	149.9	149.9	-
Total Sources	657.8	663.7	746.0	782.1	36.0
Operating Uses					
Personnel	100.7	114.5	114.5	112.3	2.3 E
Non-Personnel Services	14.3	24.3	38.3	38.3	-
Materials and Supplies	15.5	17.8	22.6	22.6	-
Equipment	3.4	2.4	8.6	8.6	-
Light, Heat, and Power	11.4	11.2	11.2	11.2	-
Overhead (SFPUC Bureaus)	52.6	63.1	72.4	72.4	-
Services of Other Departments	12.6	15.4	17.4	17.4	-
Debt Service	279.3	335.1	335.1	335.1	-
Total Operating Uses	489.8	583.8	620.0	617.8	2.3
Net Operating Results	167.9			164.3	38.3
Other Impacts to Operating Budget					
	FY 2021-22 Actuals	Transfers from Operating	Total Available Funds	Projection (current & future years spending)	Project Closeouts
Capital Projects	54.6	46.0	206.0	206.0	-
Facilities Maintenance/Programmatic	27.6	33.9	79.6	79.6	-
Total Adjustments to Operating Fund Balance	\$ 82.1	\$ 79.8	\$ 285.5	\$ 285.5	\$ -
Available Fund Balance as of Fiscal Year-End	\$ 244.7				\$ 215.0
Available Fund Balance, % of Operating Uses (F) 25-68%	102.8%				59.4%
Debt Service Coverage (Year-End Budgetary Basis)					
Indenture Basis (includes Available Fund Balance) (G) ≥ 1.35	1.82	1.69			1.60
Current Basis (H) ≥ 1.10	1.19	1.17			1.30

Appendix A

WATER ENTERPRISE OPERATING FUNDS

FY 2022-23 1st Quarter - Budgetary Basis, Funds 25940, 25950, 25960, 25990, 26570 & 26600
(\$ Millions)

Revenue Variances

- A. Retail water sales forecasted to be 55.5 MGD, a 2.8% increase from budgeted volumes of 56.3 MGD, and a 5.9% increase from prior year actuals of 52.4 MGD.
- B. Wholesale water forecasted to be 126.9 MGD, an 11.6% increase from budgeted volumes of 113.7 MGD, and a 1.2% decrease from prior year actuals of 127.4 MGD.
- C. Interest rate of 1.2% is higher compared to budget of 0.5%.
- D. Miscellaneous income slightly increased from budget due to increased collection of miscellaneous billing charges.

Expenditure Variances

- E. Savings due to vacant positions.

Other Notes

- F. Calculated as Ending Available Fund Balance (including additions to General Reserve) as a percent of Operating Uses plus Facilities Maintenance/Programmatic Uses. SFPUC's Fund Balance Reserve Policy requires this to be within a range of 25-68%.
- G. Calculated as ratio between (a) Total Sources plus Beginning Available Fund Balance plus Capacity Charges, less Operating Uses less Facilities Maintenance/Programmatic, excluding all revenues and expenses related to the 525 Golden Gate COPs, and (b) Debt Service. The Indenture requires this ratio to be a minimum of 1.25 times, and SFPUC's Debt Service Coverage Policy requires this ratio to be a minimum of 1.35 times. FY22 calculations presented are from the Q4 Budgetary Status Report and will be revised when FY22 financial statements are published.
- H. Calculated as ratio between (a) Total Sources plus any appropriated fund balance, plus Capacity Charges, less Operating Uses less Facilities Maintenance/Programmatic, excluding all revenues and expenses related to the 525 Golden Gate COPs, and (b) Debt Service. SFPUC's Debt Service Coverage Policy requires this ratio to be a minimum of 1.10 times. FY22 calculations presented are from the Q4 Budgetary Status Report and will be revised when FY22 financial statements are published.

Appendix B

WASTEWATER ENTERPRISE OPERATING FUNDS
FY 2022-23 1st Quarter - Budgetary Basis, Funds 20160, 20170, 20550
(\$ Millions)

		FY 2022-23			
	FY 2021-22 Actuals	Original Budget	Revised Budget (includes carryforwards)	Projection (current year spending)	Variance (Projection vs Revised Budget)
Sources					
Sewer Service Charges	355.9	370.8	370.8	377.9	7.1 A
Interest Income	1.6	1.6	1.6	3.8	2.2 B
Miscellaneous Income	3.5	5.2	6.7	6.7	-
Federal Bond Interest Subsidy	3.5	3.5	3.5	3.5	-
Appropriated/Budgeted Use of Fund Balance	40.9	25.1	52.7	52.7	-
Total Sources	405.5	406.1	435.2	444.5	9.3
Operating Uses					
Personnel	72.0	87.2	87.2	84.0	3.2 C
Non-Personnel Services	28.7	26.6	33.6	33.6	-
City Grant Programs	0.2	0.3	0.5	0.5	-
Materials and Supplies	11.5	12.2	14.1	14.1	-
Equipment	1.7	2.2	7.1	7.1	-
Light, Heat, and Power	11.9	12.7	12.7	12.7	-
Overhead (SFPUC Bureaus)	32.2	37.6	43.1	43.1	-
Services of Other Departments	26.2	23.0	25.8	25.8	-
Debt Service	87.4	113.2	113.2	103.6	9.7 D
Total Operating Uses	271.8	314.9	337.4	324.5	12.9
Net Operating Results	133.6			120.0	\$ 22.2
Other Impacts to Operating Budget					
	FY 2021-22 Actuals	Current Year Transfers from Operating	Total Available Funds	Projection (current & future years spending)	Project Closeouts
Capital Projects	72.7	82.6	253.5	253.5	-
Facilities Maintenance/Programmatic	8.1	8.6	13.2	13.2	-
Legal Settlements	8.6	-	-	-	-
Total Adjustments to Operating Fund Balance	\$ 89.4	\$ 91.2	\$ 266.7	\$ 266.7	\$ -
Available Fund Balance as of Fiscal Year-End	\$ 158.4				\$ 155.5
Available Fund Balance, % of Operating Uses (E) 25-68%	82.3%				66.4%
Debt Service Coverage (Year-End Budgetary Basis)					
Indenture Basis (includes Available Fund Balance) (F) ≥ 1.35	3.77	3.01			3.15
Current Basis (G) ≥ 1.10	2.19	1.83			2.09

Appendix B

WASTEWATER ENTERPRISE OPERATING FUNDS FY 2022-23 1st Quarter - Budgetary Basis, Funds 20160, 20170, 20550 (\$ Millions)

Revenue Variances

- A.** Wastewater retail billable volumes forecasted to be 44.5 MGD, a 1.1% increase from budget of 44.0 MGD and a 3.5% increase from prior year actuals of 43.0 MGD. This includes a 5% drought surcharge.
- B.** Interest rate of 1.2% is higher compared to budget of 0.5%.

Expenditure Variances

- C.** Salary savings reflect vacant positions.
- D.** Debt service savings mainly due to the postponed issuance of the 2023 Wastewater Revenue Notes due to market conditions and issuance of the 2022B Wastewater Refunding Bonds.

Other Notes

- E.** Calculated as Ending Available Fund Balance (including additions to General Reserve) as a percent of Operating Uses plus Facilities Maintenance/Programmatic Uses. SFPUC's Fund Balance Reserve Policy requires this to be within a range of 25-68%.
- F.** Calculated as ratio between (a) Total Sources plus Beginning Available Fund Balance plus Capacity Charges, less Operating Uses less Facilities Maintenance/Programmatic (excluding all revenues and expenses related to the 525 Golden Gate COPs), and (b) Debt Service. The Indenture requires this ratio to be a minimum of 1.25 times, and SFPUC's Debt Service Coverage Policy requires this ratio to be a minimum of 1.35 times. FY22 calculations presented are from the Q4 Budgetary Status Report and will be revised when FY22 financial statements are published.
- G.** Calculated as ratio between (a) Total Sources plus any appropriated fund balance plus Capacity Charges, less Operating Uses less Facilities Maintenance/Programmatic (excluding all revenues and expenses related to the 525 Golden Gate COPs), and (b) Debt Service. SFPUC's Debt Service Coverage Policy requires this ratio to be a minimum of 1.10 times. FY22 calculations presented are from the Q4 Budgetary Status Report and will be revised when FY22 financial statements are published.

Appendix C

HETCH HETCHY WATER & POWER OPERATING FUNDS
FY 2022-23 1st Quarter - Budgetary Basis - 24970, 24980, 24990
(\$ Millions)

	FY 2022-23				
	FY 2021-22 Actuals	Original Budget	Revised Budget (includes carryforwards)	Projection (current year spending)	Variance (Projection vs Revised Budget)
Sources					
Electric Sales - Retail	153.1	171.4	171.4	155.9	(15.4) A
Electric Sales - Wholesale	30.2	18.3	18.3	31.7	13.4 B
Water Sales - Transfer from Water Department	45.8	49.6	49.6	49.6	-
Natural Gas & Steam - City Work Orders	17.4	15.9	16.3	16.7	0.4 C
Interest Income	1.5	1.0	1.0	2.5	1.5 D
Federal Interest Subsidy - Power Bonds	0.1	0.4	0.4	0.4	0.0
Miscellaneous Income	8.2	9.3	9.3	9.3	(0.0)
Appropriated/Budgeted Use of Fund Balance	50.2	-	40.5	40.5	-
Total Sources	306.5	266.0	306.9	306.7	(0.2)
Operating Uses					
Personnel	47.6	54.4	54.4	54.3	0.1 E
Non-Personnel Services	29.5	40.3	63.4	63.4	-
Power Purchases, Transmission Distribution & Related Charges	59.0	76.7	80.1	98.8	(18.8) F
Natural Gas & Steam	17.4	15.9	16.3	16.7	(0.4) G
Materials and Supplies	3.2	3.5	3.9	3.9	-
Equipment	1.2	3.2	7.1	7.1	-
Overhead (SFPUC Bureaus)	19.7	24.1	27.5	27.5	-
Services of Other Departments	7.0	9.4	9.5	9.5	-
Debt Service	3.9	4.0	4.0	4.0	-
General Reserve	-	18.0	18.0	-	18.0 H
Total Operating Uses	188.4	249.5	284.2	285.2	(1.0)
Net Operating Results	118.1			21.5	(1.3)
Other Impacts to Operating Budget					
	FY 2021-22 Actuals	Current Year Transfers from Operating	Total Available Funds	Projection (current & future years spending)	Project Closeouts
Facilities Maintenance/Programmatic	13.7	14.2	20.5	20.5	-
Capital projects	48.6	2.3	84.3	84.3	-
Total Adjustments to Operating Fund Balance	62.3	16.5	104.8	104.8	-
Available Fund Balance as of Fiscal Year-End	136.7				135.5
Available Fund Balance, % of Operating Uses 25-68%	69.0%				56.2%
Debt Service Coverage... Year-End Budgetary Basis					
Indenture Basis (includes Available Fund Balance) (I) ≥ 1.35	32.90	55.54			39.25
Current Basis (J) ≥ 1.10	19.19	2.26			1.77

Revenue Variances

- A.** Retail sales are \$15.5M below budget, not because of underperformance, but because the budget was not adjusted downwards to match assumptions in the final Power Rate Study. The Rate Study was adopted in late May 2022, which did not allow time for the budget to be adjusted.
- B.** Wholesale sales are higher than budget mainly due to higher power prices.
- C.** Due to slightly higher usage in natural gas & steam.
- D.** Interest rate of 1.2% is higher compared to budget of 0.5%..

Expenditure Variances

- E.** Savings due to vacant positions.
- F.** Deficit is due to lower generation and higher power prices, leading to \$20M in additional power purchases. Transmission costs are also \$6M higher due to higher rates approved than budget assumptions. Costs partially offset by \$4M appropriated reserve for power purchase and \$3M carryforward.
- G.** Due to slightly higher usage in natural gas & steam.
- H.** General Reserve was intentionally budgeted and planned to go unspent to build reserves..

Other Notes

- I.** FY22 calculations presented are from the Q4 Budgetary Status Report and will be revised when FY22 financial statements are published.
- J.** FY22 calculations presented are from the Q4 Budgetary Status Report and will be revised when FY22 financial statements are published.

Appendix D
CleanPowerSF
FY 2022-23 1st Quarter - Budgetary Basis - 24750, 24761, 24765 & 24870
(\$ Millions)

	FY 2022-23				
	FY 2021-22 Actuals	Original Budget	Revised Budget (includes carryforwards & supplemental)	Projection (includes carryforwards)	Variance (Projection vs Revised Budget)
Operating Sources					
Electric Sales - Green Product	234.3	299.5	299.5	298.6	(0.9)
Electric Sales - SuperGreen Product	12.3	15.7	15.7	15.8	0.1
Wholesale Sales	4.6	-	-	2.2	2.2
Subtotal - Electric Revenues	251.2	315.2	315.2	316.7	1.4 A
Interest Income	0.4	0.6	0.6	1.4	0.8 B
Appropriated/Budgeted Use of Fund Balance	13.4	-	3.9	3.9	-
Total Sources	265.0	315.7	319.7	322.0	2.3
Operating Uses					
Personnel	4.1	7.8	7.8	7.1	0.7 C
Overhead	2.5	5.4	5.8	5.8	-
Non Personnel Services	11.2	11.9	14.0	14.0	-
Materials & Supplies	0.0	0.2	0.4	0.4	-
Power Purchases, Transmission Distribution & Related Charges	241.3	251.1	251.1	266.5	(15.4) D
Services of Other Departments	3.3	4.1	4.1	4.1	-
Debt Service	-	-	-	-	-
General Reserve	-	33.5	33.5	-	33.5 E
Total Operating Uses	262.4	314.0	316.7	297.8	18.9
Net Operating Results	2.6			24.1	21.1
Other Impacts to Operating Budget					
	FY 2021-22 Actuals	Current Year Transfers from Operating	Total Available Funds	Projection (current & future years)	Project Closeouts
Programmatic	0.4	0.2	1.4	1.4	-
Capital Projects	0.4	1.6	5.4	5.4	-
Total Adjustments to Operating Fund Balance	0.7	1.7	6.8	6.8	-
Available Fund Balance as of Fiscal Year-End	51.3				72.4 F
Available Fund Balance, % of Operating Uses (G) %	19.5%				24.2%

Revenue Variances

- A. Revenues slightly higher than budget due to resource adequacy wholesale sales
B. Interest rate of 1.2% is higher compared to budget of 0.5%.

Expenditure Variances

- C. Salary savings due to vacant positions.
D. Higher than expected costs in the energy market are driving projections over budget.
E. General Reserve was intentionally budgeted and planned to go unspent to build reserves.

Other Notes

F. Available fund balance at fiscal year end is calculated within this report by taking beginning fund balance, less any fund balance budgeted to be used as a source, and adding the projected variances as well as project closeouts. As the CleanPowerSF Trust Fund is a continuing fund, amounts budgeted therein will automatically roll forward to the following year and will not be closed out to fund balance. As such, variances related to revenues, purchase of power, and general reserves will not close out to fund balance at the end of the year without manual intervention. However, as those funds are not considered restricted and CleanPowerSF may choose to close them out to fund balance, we are presenting them here as part of fund balance.

G. Calculated as Ending Available Fund Balance as a percent of Operating Uses plus Facilities Maintenance/Programmatic Uses. SFPUC's Fund Balance Reserve Policy requires this to be atleast 50% within three years of policy adoption (April of 2022).



Date: February 28, 2023

To: Commissioner Newsha K. Ajami, President
Commissioner Sophie Maxwell, Vice President
Commissioner Tim Paulson
Commissioner Anthony Rivera
Commissioner Kate H. Stacy

Through: Dennis J. Herrera, General Manager DJH

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

Subject: **SFPUC FY 2022-23 Second Quarter Budgetary Report through December 31, 2022**

The FY 2022-23 second quarter budgetary reports are attached for the three Enterprises and CleanPowerSF, with high-level changes to revenues and expenses summarized in the following table:

FY 2022-23 Operations

	Beginning Available Fund Balance	Fund Balance Budgeted to be (Used)	Projected Sources	Projected Uses (excluding Capital)	Net Operating Results Surplus / (Shortfall)	Mid-year Adjustments to Fund Balance	Projected Year End Available Fund Balance
Water	244.7	(67.9)	25.4	9.6	34.9	-	211.7
Wastewater	158.4	(25.1)	6.2	16.2	22.4	-	155.7
Power	136.7	-	38.9	1.0	39.9	-	176.7
CleanPowerSF	51.3	-	7.1	1.7	8.9	-	60.2

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General Manager

Summary:

- Positive operating results projected for Water, Wastewater, Power, and CleanPowerSF.
- *Water and Wastewater:* In both enterprises, revenues are projected to exceed budget due to higher than expected retail and wholesale sales due to lower than expected conservation efforts. Savings are also projected from lower labor costs due to vacant positions and savings in debt service payments.

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- *CleanPowerSF*: Revenues are projected to exceed the budget due to higher sales than budgeted. In addition, labor savings are anticipated due to vacant positions. These are offset by significantly increased cost of power purchases which are driven by higher market for energy costs, CAISO load charges and a contingency to offset market volatility. This is a conservative assumption, and the team will be working on refining the year end projection during the third quarter.
- *Power*:
 - Retail sales are \$15M below budget, not because of underperformance, but because the revenue budget was not adjusted downwards to match assumptions in the final Power Rate Study. The Rate Study was adopted in late May 2022, which did not allow time for the budget to be adjusted before adoption.
 - Wholesale revenues are projected to significantly exceed the budget due to higher power prices combined with higher generation due to the winter storms, resulting in sales above budget.
 - On the expenses side, these higher wholesale revenues are partially offset by significantly higher transmission and distribution costs and gas and steam costs, which are projected to exceed the budget.
- All enterprises are projected to meet financial policy minimums and coverage ratios at year end.

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

cc:

Barbara Hale, AGM, Power Enterprise, SFPUC
 Greg Norby, AGM, Wastewater Enterprise, SFPUC
 Masood Ordikhani, AGM, External Affairs, SFPUC
 Steve Ritchie, AGM, Water Enterprise, SFPUC
 Stephen Robinson, AGM, Infrastructure, SFPUC
 Wendy Macy, Chief People Officer, SFPUC
 Charles Perl, Deputy Chief Financial Officer, SFPUC
 Laura Busch, Budget Director, SFPUC
 Anna Duning, Budget Director, Mayor's Office
 Ben Rosenfield, Controller

Attachments:

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

Appendix A

WATER ENTERPRISE OPERATING FUNDS FY 2022-23 2nd Quarter - Budgetary Basis, Funds 25940, 25950, 25960, 25990, 26570 & 26600 (\$ Millions)

	FY 2022-23				
	FY 2021-22 Actuals	Original Budget	Revised Budget (includes carryforwards)	Projection (includes carryforwards)	Variance (Projection vs Revised Budget)
Sources					
Retail Water Sales	308.3	323.9	324.4	327.1	2.7 A
Wholesale Water Sales	261.4	266.3	266.3	285.2	18.9 B
Interest Income	1.8	1.1	1.1	2.6	1.5 C
Rental Income	14.2	13.1	13.1	13.1	-
Miscellaneous Income	23.6	19.6	19.6	21.9	2.3 D
Departmental Transfer Adjustment	(45.8)	(49.6)	(49.6)	(49.6)	-
Federal Bond Interest Subsidy	21.6	21.3	21.3	21.3	-
Appropriated/Budgeted Use of Fund Balance	72.8	67.9	149.9	149.9	-
Total Sources	657.8	663.7	746.0	771.4	25.4
Operating Uses					
Personnel	100.7	114.5	114.5	111.6	2.9 E
Non-Personnel Services	14.3	24.3	37.8	37.8	-
Materials and Supplies	15.5	17.8	23.0	23.0	-
Equipment	3.4	2.4	8.6	8.6	-
Light, Heat, and Power	11.4	11.2	11.2	11.2	-
Overhead (SFPUC Bureaus)	52.6	63.1	72.4	72.4	-
Services of Other Departments	12.6	15.4	17.4	17.4	-
Debt Service	279.3	335.1	335.1	328.5	6.6 F
Total Operating Uses	489.8	583.8	619.9	610.4	9.6
Net Operating Results	167.9			161.0	34.9
Other Impacts to Operating Budget	FY 2021-22 Actuals	Transfers from Operating	Total Available Funds	Projection (current & future years spending)	Project Closeouts
Capital Projects	54.6	46.0	206.0	206.0	-
Facilities Maintenance/Programmatic	27.6	33.9	79.6	79.6	-
Total Adjustments to Operating Fund Balance	\$ 82.1	\$ 79.8	\$ 285.5	\$ 285.5	\$ -
Available Fund Balance as of Fiscal Year-End	\$ 244.7				\$ 211.7
Available Fund Balance, % of Operating Uses (G) 25-68%	102.8%				58.6%
Debt Service Coverage (Year-End Budgetary Basis)					
Indenture Basis (includes Available Fund Balance) (H) ≥ 1.35	1.47	1.69			1.60
Current Basis (I) ≥ 1.10	1.10	1.17			1.29

Appendix A

WATER ENTERPRISE OPERATING FUNDS FY 2022-23 2nd Quarter - Budgetary Basis, Funds 25940, 25950, 25960, 25990, 26570 & 26600 (\$ Millions)

Revenue Variances

- A. Retail water sales forecasted to be 54.2 MGD, a 0.2% increase from budgeted volumes of 54.0 MGD, and a 3.3% increase from prior year actuals of 52.4 MGD.
- B. Wholesale water sales forecasted to be 123.0 MGD, an 8.2% increase from budgeted volumes of 113.7 MGD, and a 4.2% decrease from prior year actuals of 128.4 MGD.
- C. Interest rate of 1.2% is higher compared to budget of 0.5%.
- D. Miscellaneous income slightly increased from budget due to increased collection of miscellaneous billing charges and gain on sale of land.

Expenditure Variances

- E. Savings due to vacant positions.
- F. Debt Service variance due to revised repayment commencement of the Westside Recycled Water Project SRF Loan to align with updated construction schedule.

Other Notes

- G. Calculated as Ending Available Fund Balance (including additions to General Reserve) as a percent of Operating Uses plus Facilities Maintenance/Programmatic Uses. SFPUC's Fund Balance Reserve Policy requires this to be within a range of 25-68%.
- H. Calculated as ratio between (a) Total Sources plus Beginning Available Fund Balance plus Capacity Charges, less Operating Uses less Facilities Maintenance/Programmatic, excluding all revenues and expenses related to the 525 Golden Gate COPs, and (b) Debt Service. The Indenture requires this ratio to be a minimum of 1.25 times, and SFPUC's Debt Service Coverage Policy requires this ratio to be a minimum of 1.35 times.
- I. Calculated as ratio between (a) Total Sources plus any appropriated fund balance, plus Capacity Charges, less Operating Uses less Facilities Maintenance/Programmatic, excluding all revenues and expenses related to the 525 Golden Gate COPs, and (b) Debt Service. SFPUC's Debt Service Coverage Policy requires this ratio to be a minimum of 1.10 times.

Appendix B

WASTEWATER ENTERPRISE OPERATING FUNDS
FY 2022-23 2nd Quarter - Budgetary Basis, Funds 20160, 20170, 20550
(\$ Millions)

		FY 2022-23				
	FY 2021-22 Actuals	Original Budget	Revised Budget (includes carryforwards)	Projection (current year spending)	Variance (Projection vs Revised Budget)	
Sources						
Sewer Service Charges	355.9	370.8	370.8	374.6	3.8	A
Interest Income	1.6	1.6	1.6	3.8	2.2	B
Miscellaneous Income	3.5	5.2	7.7	7.9	0.2	C
Federal Bond Interest Subsidy	3.5	3.5	3.5	3.5	-	
Appropriated/Budgeted Use of Fund Balance	40.9	25.1	52.7	52.7	-	
Total Sources	405.5	406.1	436.2	442.5	6.2	
Operating Uses						
Personnel	72.0	87.2	87.2	82.0	5.1	D
Non-Personnel Services	28.7	26.6	33.6	33.6	-	
City Grant Programs	0.2	0.3	0.5	0.5	-	
Materials and Supplies	11.5	12.2	14.1	14.1	-	
Equipment	1.7	2.2	7.1	7.1	-	
Light, Heat, and Power	11.9	12.7	12.7	12.7	-	
Overhead (SFPUC Bureaus)	32.2	37.6	43.1	43.1	-	
Services of Other Departments	26.2	23.0	25.8	25.8	-	
Debt Service	87.4	113.2	113.2	102.2	11.0	E
Total Operating Uses	271.8	314.9	337.4	321.2	16.2	
Net Operating Results	133.6			121.2	\$ 22.4	
Other Impacts to Operating Budget	FY 2021-22 Actuals	Current Year Transfers from Operating	Total Available Funds	Projection (current & future years spending)	Project Closeouts	
Capital Projects	72.7	82.6	253.5	253.5	-	
Facilities Maintenance/Programmatic	8.1	8.6	13.2	13.2	-	
Legal Settlements	8.6	-	-	-	-	
Total Adjustments to Operating Fund Balance	\$ 89.4	\$ 91.2	\$ 266.7	\$ 266.7	\$ -	
Available Fund Balance as of Fiscal Year-End	\$ 158.4				\$ 155.7	
Available Fund Balance, % of Operating Uses (F) 25-68%	82.3%				67.1%	
Debt Service Coverage (Year-End Budgetary Basis)						
Indenture Basis (includes Available Fund Balance) (G) ≥ 1.35	3.59	3.02			3.18	
Current Basis (H) ≥ 1.10	1.80	1.84			2.11	

Appendix B

WASTEWATER ENTERPRISE OPERATING FUNDS FY 2022-23 2nd Quarter - Budgetary Basis, Funds 20160, 20170, 20550 (\$ Millions)

Revenue Variances

- A.** Wastewater retail billable volumes forecasted to be 44.0 MGD, showing no change from budget of 44.0 MGD and a 2.3% increase from prior year actuals of 43.0 MGD. This includes a 5% drought surcharge.
- B.** Interest rate of 1.2% is higher compared to budget of 0.5%.
- C.** Miscellaneous income forecasted to slightly increase from budget, primarily due to sale of fixed assets.

Expenditure Variances

- D.** Salary savings reflect vacant positions.
- E.** Debt service savings mainly due to the postponed issuance of the 2023 Wastewater Revenue Notes due to market conditions and issuance of the 2022B Wastewater Refunding Bonds. In addition, delayed repayment of Oceanside SRF loan due to project scheduling.

Other Notes

- F.** Calculated as Ending Available Fund Balance (including additions to General Reserve) as a percent of Operating Uses plus Facilities Maintenance/Programmatic Uses. SFPUC's Fund Balance Reserve Policy requires this to be within a range of 25-68%.
- G.** Calculated as ratio between (a) Total Sources plus Beginning Available Fund Balance plus Capacity Charges, less Operating Uses less Facilities Maintenance/Programmatic (excluding all revenues and expenses related to the 525 Golden Gate COPs), and (b) Debt Service. The Indenture requires this ratio to be a minimum of 1.25 times, and SFPUC's Debt Service Coverage Policy requires this ratio to be a minimum of 1.35 times.
- H.** Calculated as ratio between (a) Total Sources plus any appropriated fund balance plus Capacity Charges, less Operating Uses less Facilities Maintenance/Programmatic (excluding all revenues and expenses related to the 525 Golden Gate COPs), and (b) Debt Service. SFPUC's Debt Service Coverage Policy requires this ratio to be a minimum of 1.10 times.

Appendix C

HETCH HETCHY WATER & POWER OPERATING FUNDS
FY 2022-23 2nd Quarter - Budgetary Basis - 24970, 24980, 24990
(\$ Millions)

	FY 2022-23				
	FY 2021-22 Actuals	Original Budget	Revised Budget (includes carryforwards)	Projection (current year spending)	Variance (Projection vs Revised Budget)
Sources					
Electric Sales - Retail	153.1	171.4	171.4	156.4	(15.0) A
Electric Sales - Wholesale	30.2	18.3	18.3	65.0	46.7 B
Water Sales - Transfer from Water Department	45.8	49.6	49.6	49.6	-
Natural Gas & Steam - City Work Orders	17.4	15.9	16.3	21.4	5.1 C
Interest Income	1.5	1.0	1.0	2.5	1.5 D
Federal Interest Subsidy - Power Bonds	0.1	0.4	0.4	0.4	0.0
Miscellaneous Income	8.2	9.3	9.3	10.0	0.6
Appropriated/Budgeted Use of Fund Balance	50.2	-	40.5	40.5	-
Total Sources	306.5	266.0	306.9	345.8	38.9
Operating Uses					
Personnel	47.6	54.4	54.4	54.4	-
Non-Personnel Services	29.5	40.3	63.4	63.4	-
Power Purchases, Transmission Distribution & Related Charges	59.0	76.7	80.1	92.0	(11.9) E
Natural Gas & Steam	17.4	15.9	16.3	21.4	(5.1) F
Materials and Supplies	3.2	3.5	3.9	3.9	-
Equipment	1.2	3.2	7.1	7.1	-
Overhead (SFPUC Bureaus)	19.7	24.1	27.5	27.5	-
Services of Other Departments	7.0	9.4	9.5	9.5	-
Debt Service	3.9	4.0	4.0	4.0	-
General Reserve	-	18.0	18.0	-	18.0 G
Total Operating Uses	188.4	249.5	284.2	283.2	1.0
Net Operating Results	118.1			62.7	39.9
Other Impacts to Operating Budget					
	FY 2021-22 Actuals	Current Year Transfers from Operating	Total Available Funds	Projection (current & future years spending)	Project Closeouts
Facilities Maintenance/Programmatic	13.7	14.2	20.5	20.5	-
Capital projects	48.6	2.3	84.3	84.3	-
Total Adjustments to Operating Fund Balance	62.3	16.5	104.8	104.8	-
Available Fund Balance as of Fiscal Year-End	136.7				176.7
Available Fund Balance, % of Operating Uses (H) 25-68%	69.0%				73.7%
Debt Service Coverage... Year-End Budgetary Basis					
Indenture Basis (includes Available Fund Balance) (I) ≥ 1.35	38.45	55.54			55.30
Current Basis (J) ≥ 1.10	20.71	2.26			17.82

Revenue Variances

- A.** Retail sales are \$15.5M below budget, not because of underperformance, but because the budget was not adjusted downwards to match assumptions in the final Power Rate Study. The Rate Study was adopted in late May 2022, which did not allow time for the budget to be adjusted.
- B.** Wholesale sales are higher than budget mainly due to higher power prices combined with higher generation due to the winter storms.
- C.** Due to higher usage and prices in natural gas & steam.
- D.** Interest rate of 1.2% is higher compared to budget of 0.5%..

Expenditure Variances

- E.** Deficit is due to transmission and distribution costs being higher than budgeted assumptions. Transmission is \$5M higher, distribution is \$9M higher and other CAISO costs also \$5M higher than budget. Costs are partially offset by \$4M appropriated reserve for power purchase and \$3M in carryforwards.
- F.** Due to slightly higher usage and prices in natural gas & steam.
- G.** General Reserve was intentionally budgeted and planned to go unspent to build reserves.

Other Notes

- H.** Calculated as Ending Available Fund Balance (including additions to General Reserve) as a percent of Operating Uses plus Facilities Maintenance/Programmatic Uses. SFPUC's Fund Balance Reserve Policy requires this to be within a range of 25-68%.
- I.** Calculated as ratio between (a) Total Sources plus Beginning Available Fund Balance, less Operating Uses, less Facilities Maintenance/Programmatic (excluding all revenues and expenses related to the 525 Golden Gate COPs, Natural Gas and Steam and Treasure Island), and (b) Debt Service. The Indenture requires this ratio to be a minimum of 1.25 times, and SFPUC's Debt Service Coverage Policy requires this ratio to be a minimum of 1.35 times.
- J.** Calculated as ratio between (a) Total Sources plus any appropriated fund balance, plus Capacity Charges, less Operating Uses less Facilities Maintenance/Programmatic, (excluding all revenues and expenses related to the 525 Golden Gate COPs, Natural Gas and Steam and Treasure Island), and (b) Debt Service. SFPUC's Debt Service Coverage Policy requires this ratio to be a minimum of 1.10 times.

Appendix D
CleanPowerSF
FY 2022-23 2nd Quarter - Budgetary Basis - 24750, 24761, 24765 & 24870
(\$ Millions)

FY 2022-23					
	FY 2021-22 Actuals	Original Budget	Revised Budget (includes carryforwards & supplemental)	Projection (includes carryforwards)	Variance (Projection vs Revised Budget)
Operating Sources					
Electric Sales - Green Product	234.3	299.5	299.5	294.9	(4.6)
Electric Sales - SuperGreen Product	12.3	15.7	15.7	23.0	7.3
Wholesale Sales	4.6	-	-	3.5	3.5
Subtotal - Electric Revenues	251.2	315.2	315.2	321.4	6.3 A
Interest Income	0.4	0.6	0.6	1.4	0.8 B
Appropriated/Budgeted Use of Fund Balance	13.4	-	3.9	3.9	-
Total Sources	265.0	315.7	319.7	326.7	7.1
Operating Uses					
Personnel	4.1	7.8	7.8	6.4	1.4 C
Overhead	2.5	5.4	5.8	5.8	-
Non Personnel Services	11.2	11.9	14.0	14.0	-
Materials & Supplies	0.0	0.2	0.4	0.4	-
Power Purchases, Transmission Distribution & Relat	241.3	251.1	251.1	284.3	(33.2) D
Services of Other Departments	3.3	4.1	4.1	4.1	-
Debt Service	-	-	-	-	-
General Reserve	-	33.5	33.5	-	33.5 E
Total Operating Uses	262.4	314.0	316.7	315.0	1.7
Net Operating Results	2.6			11.8	8.9
Other Impacts to Operating Budget					
	FY 2021-22 Actuals	Current Year Transfers from Operating	Total Available Funds	Projection (current & future years)	Project Closeouts
Programmatic	0.4	0.2	1.4	1.4	-
Capital Projects	0.4	1.6	5.4	5.4	-
Total Adjustments to Operating Fund Balance	0.7	1.7	6.8	6.8	-
Available Fund Balance as of Fiscal Year-End	51.3				60.2 F
Available Fund Balance, % of Operating Uses (G)	19.5%				19.0%

Revenue Variances

- A. Revenues slightly higher than budget due to resource adequacy wholesale sales and refreshed SuperGreen sales assumptions.
B. Interest rate of 1.2% is higher compared to budget of 0.5%.

Expenditure Variances

- C. Salary savings due to vacant positions.
D. Higher than expected costs in the energy market are driving projections over budget. Projection includes contingency for market price volatility.
E. General Reserve was intentionally budgeted and planned to go unspent to build reserves.

Other Notes


- F. Available fund balance at fiscal year end is calculated within this report by taking beginning fund balance, less any fund balance budgeted to be used as a source, and adding the projected variances as well as project closeouts. As the CleanPowerSF Trust Fund is a continuing fund, amounts budgeted therein will automatically roll forward to the following year and will not be closed out to fund balance. As such, variances related to revenues, purchase of power, and general reserves will not close out to fund balance at the end of the year without manual intervention. However as those funds are not considered restricted and CleanPowerSF may choose to close them out to fund balance, we are presenting them here as part of fund balance.
G. Calculated as Ending Available Fund Balance as a percent of Operating Uses plus Facilities Maintenance/Programmatic Uses. SFPUC's Fund Balance Reserve Policy requires this to be at least 50% within three years of policy adoption (April of 2022).



Date: June 13, 2023

To: Commissioner Newsha K. Ajami, President
Commissioner Sophie Maxwell, Vice President
Commissioner Tim Paulson
Commissioner Tony Rivera
Commissioner Kate H. Stacy

Through: *Steven R. Ritchie* for
Dennis J. Herrera, General Manager

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

Subject: **SFPUC FY 2022-23 Third Quarter Budgetary Report through March 2023**

The FY 2022-23 third quarter budgetary reports are attached for the three Enterprises and CleanPowerSF, with high-level changes to revenues and expenses summarized in the following table:

FY 2022-23 Operations

	Beginning Available Fund Balance	Fund Balance Budgeted to be (Used)	Projected Sources	Projected Uses (excluding Capital)	Net Operating Results Surplus / (Shortfall)	Mid-year Adjustments to Fund Balance	Projected Year End Available Fund Balance
Water	244.7	(67.9)	12.6	15.2	27.8	-	204.5
Wastewater	158.4	(25.1)	(0.2)	20.0	19.7	-	153.1
Power	136.7	-	48.4	1.2	49.6	-	186.3
CleanPowerSF	51.3	-	10.2	4.0	14.3	-	65.5

London N. Breed
Mayor

Newsha K. Ajami
President

Sophie Maxwell
Vice President

Tim Paulson
Commissioner

Anthony Rivera
Commissioner

Kate H. Stacy
Commissioner

Dennis J. Herrera
General Manager

Summary:

- Positive year end operating results projected for Water, Wastewater, Power, and CleanPowerSF as of Q3.
- **Water:** Revenues are projected to exceed budget due to higher than expected wholesale sales, because of lower than expected conservation efforts. Retail projections are below budget and lower compared to Q2 due to the removal of the drought surcharge effective May 2023.

OUR MISSION: To provide our customers with high-quality, efficient and reliable water, power and sewer services in a manner that values environmental and community interests and sustains the resources entrusted to our care.



- *Wastewater*: Revenues are projected to be very slightly below budget. This projection has worsened since the last quarterly report due to the removal of the drought surcharge effective May 2023.
- In both *Water and Wastewater*: Expenditure savings are projected from lower labor costs due to vacant positions, bureau overhead savings and savings in debt service payments.
- *Power*: Retail sales are projected to be below budget, however, this does not reflect unanticipated poor performance. The retail revenue budget includes an additional \$15.5M that was not adjusted downwards in the budget to match assumptions in the final Power Rate Study. The Rate Study was adopted in late May 2022, which did not allow time for the FY 2022-23 budget to be adjusted before adoption.

Wholesale revenues are projected to significantly exceed the budget due to higher power prices combined with higher generation due to the winter storms.

On the expense side, there is an anticipated shortfall in “pass through” gas and steam costs to other city departments which will be covered via workorder recoveries.

Note that a \$17M budget adjustment was made during Q3 to support higher costs related to the transmission and distribution of power. This is reflected in the revised budget column. Costs related to power purchases are now expected to net a small surplus along with savings from bureau overhead costs.

- *CleanPowerSF*: Revenues are projected to exceed the budget due to higher sales than anticipated. In addition, labor savings are anticipated due to vacant positions. These are offset a projected shortfall in the power purchase budget driven by a higher market prices.

Note that a \$23.2M increase to the CleanPowerSF power purchase budget was made during Q3 to cover the higher than anticipated power purchase costs (reflected in the revised budget column). Another transfer is anticipated during Q4 to cover the anticipated shortfall for the remainder of the fiscal year.

- All enterprises are projected to meet financial policy minimums and coverage ratios at year end.

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

cc:

Ronald Flynn, Deputy GM, SFPUC
 Barbara Hale, AGM, Power Enterprise, SFPUC
 Joel Prather, Acting AGM, Wastewater Enterprise, SFPUC
 Steve Ritchie, AGM, Water Enterprise, SFPUC
 Stephen Robinson, AGM, Infrastructure, SFPUC

Wendy Macy, Chief People Officer, SFPUC
Masood Ordikhani, AGM, External Affairs, SFPUC
Laura Busch, Acting Deputy Chief Financial Officer, SFPUC
Anna Duning, Budget Director, Mayor's Office
Ben Rosenfield, Controller

Attachments:

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

Appendix A

WATER ENTERPRISE OPERATING FUNDS

FY 2022-23 3rd Quarter - Budgetary Basis, Funds 25940, 25950, 25960, 25990, 26570 & 26600
(\$ Millions)

	FY 2022-23				
	FY 2021-22 Actuals	Original Budget	Revised Budget (includes carryforwards)	Projection (includes carryforwards)	Variance (Projection vs Revised Budget)
Sources					
Retail Water Sales	308.3	323.9	324.4	321.3	(3.1) A
Wholesale Water Sales	261.4	266.3	266.3	280.7	14.5 B
Interest Income	1.8	1.1	1.1	2.3	1.2 C
Rental Income	14.2	13.1	13.1	13.5	0.4 D
Miscellaneous Income	23.6	19.6	19.6	19.2	(0.4) E
Departmental Transfer Adjustment	(45.8)	(49.6)	(49.6)	(49.6)	-
Federal Bond Interest Subsidy	21.6	21.3	21.3	21.3	-
Appropriated/Budgeted Use of Fund Balance	72.8	67.9	149.9	149.9	-
Total Sources	657.8	663.7	746.0	758.6	12.6
Operating Uses					
Personnel	100.7	114.5	114.5	109.6	5.0 F
Non-Personnel Services	14.3	24.3	36.7	35.2	1.5 G
Materials and Supplies	15.5	17.8	23.9	24.3	(0.4) H
Equipment	3.4	2.4	8.6	8.6	-
Overhead (SFPUC Bureaus)	52.6	63.1	72.4	69.9	2.5 I
Services of Other Departments	24.0	26.6	28.7	28.7	-
Debt Service	279.3	335.1	335.1	328.5	6.6 J
Total Operating Uses	489.8	583.8	619.9	604.8	15.2
Net Operating Results	167.9			153.8	27.8
Other Impacts to Operating Budget					
Capital Projects	54.6	46.0	206.0	206.0	-
Facilities Maintenance/Programmatic	27.6	33.9	79.6	79.6	-
Total Adjustments to Operating Fund Balance	\$ 82.1	\$ 79.8	\$ 285.5	\$ 285.5	\$ -
Available Fund Balance as of Fiscal Year-End	\$ 244.7				\$ 204.5
Available Fund Balance, % of Operating Uses (K) 25-68%	102.8%				57.5%
Debt Service Coverage (Year-End Budgetary Basis)					
Indenture Basis (includes Available Fund Balance) (L) ≥ 1.35	1.47	1.69			1.58
Current Basis (M) ≥ 1.10	1.10	1.17			1.27

Appendix A

WATER ENTERPRISE OPERATING FUNDS

FY 2022-23 3rd Quarter - Budgetary Basis, Funds 25940, 25950, 25960, 25990, 26570 & 26600
(\$ Millions)

Revenue Variances

- A. Retail water sales forecasted to be 53.3 MGD, a 1.4% decrease from budgeted volumes of 54.0 MGD, and a 1.6% increase from prior year actuals of 52.4 MGD. Projections do not include the 5% drought surcharge for the remainder of the year, it was rescinded effective May 2023. Includes adjustment to account for \$1.12M low income discounts for water that were incorrectly allocated to wastewater.
- B. Wholesale water sales forecasted to be 121.1 MGD, a 6.5% increase from budgeted volumes of 113.7 MGD, and a 5.7% decrease from prior year actuals of 128.4 MGD.
- C. Interest rate of 1.2% is higher compared to budget of 0.5%.
- D. Rental income slightly increased from budget due to greater rental revenue than projected through the first nine months of the fiscal year.
- E. Miscellaneous income slightly decreased from budget due to decrease in collection of water service installation charges.

Expenditure Variances

- F. Savings due to vacant positions.
- G. Savings reflect lower spending associated with customer rebate and incentive programs.
- H. Materials & supplies is projected to exceed budget due to Inflationary costs for chemicals.
- I. Savings reflect lower spending associated with bureau allocation.
- J. Debt Service variance due to revised repayment commencement of the Westside Recycled Water Project SRF Loan to align with updated construction schedule.

Other Notes

- K. Calculated as Ending Available Fund Balance (including additions to General Reserve) as a percent of Operating Uses plus Facilities Maintenance/Programmatic Uses. SFPUC's Fund Balance Reserve Policy requires this to be within a range of 25-68%.
- L. Calculated as ratio between (a) Total Sources plus Beginning Available Fund Balance plus Capacity Charges, less Operating Uses less Facilities Maintenance/Programmatic, excluding all revenues and expenses related to the 525 Golden Gate COPs, and (b) Debt Service. The Indenture requires this ratio to be a minimum of 1.25 times, and SFPUC's Debt Service Coverage Policy requires this ratio to be a minimum of 1.35 times.
- M. Calculated as ratio between (a) Total Sources plus any appropriated fund balance, plus Capacity Charges, less Operating Uses less Facilities Maintenance/Programmatic, excluding all revenues and expenses related to the 525 Golden Gate COPs, and (b) Debt Service. SFPUC's Debt Service Coverage Policy requires this ratio to be a minimum of 1.10 times.

Appendix B

WASTEWATER ENTERPRISE OPERATING FUNDS
FY 2022-23 3rd Quarter - Budgetary Basis, Funds 20160, 20170, 20550
(\$ Millions)

		FY 2022-23			
	FY 2021-22 Actuals	Original Budget	Revised Budget (includes carryforwards)	Projection (current year spending)	Variance (Projection vs Revised Budget)
Sources					
Sewer Service Charges	355.9	370.8	370.8	369.1	(1.6) A
Interest Income	1.6	1.6	1.6	2.6	1.0 B
Miscellaneous Income	3.5	5.2	7.7	8.1	0.4 C
Federal Bond Interest Subsidy	3.5	3.5	3.5	3.5	-
Appropriated/Budgeted Use of Fund Balance	40.9	25.1	52.2	52.2	-
Total Sources	405.5	406.1	435.7	435.5	(0.2)
Operating Uses					
Personnel	72.0	87.2	87.2	79.7	7.5 D
Non-Personnel Services	28.7	26.6	33.5	33.5	-
City Grant Programs	0.2	0.3	0.5	0.5	-
Materials and Supplies	11.5	12.2	14.1	14.1	-
Equipment	1.7	2.2	7.1	7.1	-
Overhead (SFPUC Bureaus)	32.2	37.6	43.1	41.6	1.5 E
Services of Other Departments	38.0	35.7	38.6	38.6	-
Debt Service	87.4	113.2	113.2	102.2	11.0 F
Total Operating Uses	271.8	314.9	337.4	317.4	20.0
Net Operating Results	133.6			118.1	\$ 19.7
Other Impacts to Operating Budget					
	FY 2021-22 Actuals	Current Year Transfers from Operating	Total Available Funds	Projection (current & future years spending)	Project Closeouts
Capital Projects	72.7	82.6	253.5	253.5	-
Facilities Maintenance/Programmatic	8.1	8.6	13.2	13.2	-
Legal Settlements	8.6	-	-	-	-
Total Adjustments to Operating Fund Balance	\$ 89.4	\$ 91.2	\$ 266.7	\$ 266.7	\$ -
Available Fund Balance as of Fiscal Year-End	\$ 158.4				\$ 153.1
Available Fund Balance, % of Operating Uses (G) 25-68%	82.3%				67.0%
Debt Service Coverage (Year-End Budgetary Basis)					
Indenture Basis (includes Available Fund Balance) (H) ≥ 1.35	3.59	3.02			3.16
Current Basis (I) ≥ 1.10	1.80	1.84			2.08

Appendix B

WASTEWATER ENTERPRISE OPERATING FUNDS FY 2022-23 3rd Quarter - Budgetary Basis, Funds 20160, 20170, 20550 (\$ Millions)

Revenue Variances

- A.** Wastewater retail billable volumes forecasted to be 43.9 MGD, showing a 0.3% decrease from budget of 44.0 MGD and a 2.1% increase from prior year actuals of 43.0 MGD. Projections do not include the 5% drought surcharge for the remainder of the year, since it was rescinded effective May 2023. Includes adjustment to account for \$1.12M low income discounts for water that were incorrectly allocated to wastewater.
- B.** Interest rate of 1.2% is higher compared to budget of 0.5%.
- C.** Miscellaneous income forecasted to slightly increase from budget, primarily due to sale of fixed assets.

Expenditure Variances

- D.** Salary savings reflect vacant positions.
- E.** Savings reflect lower spending associated with bureau allocation.
- F.** Debt service savings mainly due to the postponed issuance of the 2023 Wastewater Revenue Notes due to market conditions and issuance of the 2022B Wastewater Refunding Bonds. In addition, delayed repayment of Oceanside SRF loan due to project scheduling.

Other Notes

- G.** Calculated as Ending Available Fund Balance (including additions to General Reserve) as a percent of Operating Uses plus Facilities Maintenance/Programmatic Uses. SFPUC's Fund Balance Reserve Policy requires this to be within a range of 25-68%.
- H.** Calculated as ratio between (a) Total Sources plus Beginning Available Fund Balance plus Capacity Charges, less Operating Uses less Facilities Maintenance/Programmatic (excluding all revenues and expenses related to the 525 Golden Gate COPs), and (b) Debt Service. The Indenture requires this ratio to be a minimum of 1.25 times, and SFPUC's Debt Service Coverage Policy requires this ratio to be a minimum of 1.35 times.
- I.** Calculated as ratio between (a) Total Sources plus any appropriated fund balance plus Capacity Charges, less Operating Uses less Facilities Maintenance/Programmatic (excluding all revenues and expenses related to the 525 Golden Gate COPs), and (b) Debt Service. SFPUC's Debt Service Coverage Policy requires this ratio to be a minimum of 1.10 times.

Appendix C

HETCH HETCHY WATER & POWER OPERATING FUNDS
FY 2022-23 3rd Quarter - Budgetary Basis - 24970, 24980, 24990
(\$ Millions)

		FY 2022-23			
	FY 2021-22 Actuals	Original Budget	Revised Budget (includes carryforwards)	Projection (current year spending)	Variance (Projection vs Revised Budget)
Sources					
Electric Sales - Retail	153.1	171.4	171.4	160.1	(11.3) A
Electric Sales - Wholesale	30.2	18.3	18.3	66.3	47.9 B
Water Sales - Transfer from Water Department	45.8	49.6	49.6	49.6	-
Natural Gas & Steam - City Work Orders	17.4	15.9	16.3	25.8	9.5 C
Interest Income	1.5	1.0	1.0	2.5	1.5 D
Federal Interest Subsidy - Power Bonds	0.1	0.4	0.4	0.4	-
Miscellaneous Income	8.2	9.3	9.3	10.1	0.8 E
Appropriated/Budgeted Use of Fund Balance	50.2	-	40.5	40.5	-
Total Sources	306.5	266.0	306.9	355.3	48.4
Operating Uses					
Personnel	47.6	54.4	54.1	54.1	-
Non-Personnel Services	29.5	40.3	63.4	63.4	-
Power Purchases, Transmission Distribution & Related Charges	59.0	76.7	92.0	88.4	3.5 F
Natural Gas & Steam	17.4	15.9	21.4	25.8	(4.4) G
Materials and Supplies	3.2	3.5	4.2	4.2	-
Equipment	1.2	3.2	7.1	7.1	-
Overhead (SFPUC Bureaus)	19.7	24.1	27.5	26.5	1.0 H
Services of Other Departments	7.0	9.4	9.5	9.5	-
Debt Service	3.9	4.0	4.0	4.0	-
General Reserve	-	18.0	1.0	-	1.0 I
Total Operating Uses	188.4	249.5	284.2	283.0	1.2
Net Operating Results	118.1			72.3	49.6
Other Impacts to Operating Budget	FY 2021-22 Actuals	Current Year Transfers from Operating	Total Available Funds	Projection (current & future years spending)	Project Closeouts
Facilities Maintenance/Programmatic	13.7	14.2	20.5	20.5	-
Capital projects	48.6	2.3	84.3	84.3	-
Total Adjustments to Operating Fund Balance	62.3	16.5	104.8	104.8	-
Available Fund Balance as of Fiscal Year-End	136.7				186.3
Available Fund Balance, % of Operating Uses (J) 25-68%	69.0%				77.8%
Debt Service Coverage... Year-End Budgetary Basis					
Indenture Basis (includes Available Fund Balance) (K) ≥ 1.35	38.45	55.54			59.07
Current Basis (L) ≥ 1.10	20.71	2.26			21.58

Revenue Variances

- A.** Retail sales are slightly above budget, but is offset by \$15.5M in budget that was not adjusted downwards to match assumptions in the final
- B.** Wholesale sales are higher than budget mainly due to higher power prices combined with higher generation due to the winter storms.
- C.** Due to higher prices in natural gas & steam.
- D.** Pooled funds year-to-date interest rate of 1.7% is higher than budget set assuming 0.5%.
- E.** Miscellaneous income projected to exceed budget primarily due to water sales and installation for service line extension.

Expenditure Variances

- F.** Transmission and distribution costs are higher than budgeted assumptions. Transmission is \$5M higher and distribution is \$9M higher. Costs are partially offset by \$4M appropriated reserve for power purchase, \$3M in carryforwards and CAISO costs are projected to be lower than Q2. A \$17M transfer from General Reserve was used to support higher power costs in Q3.
- G.** Due to higher prices in natural gas & steam.
- H.** Savings reflect lower spending associated with bureau allocation.
- I.** \$17M in General Reserve was used to support higher power costs as well as higher transmission and distribution costs.

Other Notes

- J.** Calculated as Ending Available Fund Balance (including additions to General Reserve) as a percent of Operating Uses plus Facilities Maintenance/Programmatic Uses. SFPUC's Fund Balance Reserve Policy requires this to be within a range of 25-68%.
- K.** Calculated as ratio between (a) Total Sources plus Beginning Available Fund Balance, less Operating Uses, less Facilities Maintenance/Programmatic (excluding all revenues and expenses related to the 525 Golden Gate COPs, Natural Gas and Steam and Treasure Island), and (b) Debt Service. The Indenture requires this ratio to be a minimum of 1.25 times, and SFPUC's Debt Service Coverage Policy requires this ratio to be a minimum of 1.35 times.
- L.** Calculated as ratio between (a) Total Sources plus any appropriated fund balance, plus Capacity Charges, less Operating Uses less Facilities Maintenance/Programmatic, (excluding all revenues and expenses related to the 525 Golden Gate COPs, Natural Gas and Steam and Treasure Island), and (b) Debt Service. SFPUC's Debt Service Coverage Policy requires this ratio to be a minimum of 1.10 times.

Appendix D
CleanPowerSF
FY 2022-23 3rd Quarter - Budgetary Basis - 24750, 24761, 24765 & 24870
(\$ Millions)

	FY 2022-23				
	FY 2021-22 Actuals	Original Budget	Revised Budget (includes carryforwards & supplemental)	Projection (includes carryforwards)	Variance (Projection vs Revised Budget)
Operating Sources					
Electric Sales - Green Product	234.3	299.5	299.5	295.5	(4.0)
Electric Sales - SuperGreen Product	12.3	15.7	15.7	26.2	10.5
Wholesale Sales	4.6	-	-	3.6	3.6
Subtotal - Electric Revenues	251.2	315.2	315.2	325.3	10.1 A
Interest Income	0.4	0.6	0.6	0.7	0.1 B
Miscellaneous Income	-	-	4.6	4.6	- C
Appropriated/Budgeted Use of Fund Balance	13.4	-	8.5	8.5	-
Total Sources	265.0	315.7	324.2	334.5	10.2
Operating Uses					
Personnel	4.1	7.8	7.8	5.8	2.0 D
Overhead	2.5	5.4	5.8	5.8	-
Non Personnel Services	11.2	11.9	14.0	14.0	-
Materials & Supplies	0.0	0.2	0.4	0.4	-
Power Purchases, Transmission Distribution & Related	241.3	251.1	274.3	282.6	(8.3) E
Services of Other Departments	3.3	4.1	4.1	4.1	-
Debt Service	-	-	-	-	-
General Reserve	-	33.5	10.3	-	10.3 F
Total Operating Uses	262.4	314.0	316.7	312.7	4.0
Net Operating Results	2.6			21.8	14.3
Other Impacts to Operating Budget	FY 2021-22 Actuals	Current Year Transfers from Operating	Total Available Funds	Projection (current & future years)	Project Closeouts
Programmatic	0.4	0.2	6.0	6.0	- G
Capital Projects	0.4	1.6	5.4	5.4	-
Total Adjustments to Operating Fund Balance	0.7	1.7	11.4	11.4	-
Available Fund Balance as of Fiscal Year-End	51.3				65.5 H
Available Fund Balance, % of Operating Uses (I) %	19.5%				20.6%

Revenue Variances

- A. Revenues slightly higher than budget due to higher winter load, resource adequacy wholesale sales, and refreshed SuperGreen sales assumptions.
- B. Interest rate is higher than budget.
- C. Includes \$4.6M in funds from the State via PG&E to implement the Energy Efficiency Community Food Service Program.

Expenditure Variances

- D. Salary savings due to vacant positions.
- E. The Power Purchase variance is driven by costs including a contingency for market price volatility and cashflow, and new customer enrollment load growth. A \$23.2M transfer was made from General Reserve to cover higher than anticipated power costs to purchase energy due to a volatile and expensive power market. Another transfer is anticipated during Q4 to cover the anticipated shortfall for the remainder of the fiscal year.
- F. General Reserve was intentionally budgeted and planned to go unspent to build reserves. However, a \$23.2M transfer was made to Power Purchases to cover higher than anticipated costs to purchase energy due to volatile and expensive power market.
- G. Includes \$4.6M in funds from the State via PG&E to implement the Energy Efficiency Community Food Service Program.

Other Notes

- H. Available fund balance at fiscal year end is calculated within this report by taking beginning fund balance, less any fund balance budgeted to be used as a source, and adding the projected variances as well as project closeouts. As the CleanPowerSF Trust Fund is a continuing fund, amounts budgeted therein will automatically roll forward to the following year and will not be closed out to fund balance. As such, variances related to revenues, purchase of power, and general reserves will not close out to fund balance at the end of the year without manual intervention. However as those funds are not considered restricted and CleanPowerSF may choose to close them out to fund balance, we are presenting them here as part of fund balance.
- I. Calculated as Ending Available Fund Balance as a percent of Operating Uses plus Facilities Maintenance/Programmatic Uses. SFPUC's Fund Balance Reserve Policy requires this to be at least 50% within three years of policy adoption (April of 2022).



Date: September 12, 2023

To: Commissioner Newsha K. Ajami, President
Commissioner Sophie Maxwell, Vice President
Commissioner Tim Paulson
Commissioner Anthony Rivera
Commissioner Kate H. Stacy

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

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

Subject: **SFPUC FY 2022-23 Fourth Quarter Budgetary Report through June 2023**

The FY 2022-23 fourth quarter budgetary reports are attached for the three Enterprises and CleanPowerSF, with high-level changes to revenues and expenses summarized in the following table:

FY 2022-23 Operations

\$ Millions	Beginning Available Fund Balance	Fund Balance Budgeted to be (Used)	Projected Sources	Projected Uses (excluding Capital)	Net Operating Results Surplus / (Shortfall)	Mid-year Adjustments to Fund Balance	Projected Year End Available Fund Balance
Water	\$244.7	\$(67.9)	\$(2.3)	\$14.8	\$12.4	-	\$189.2
Wastewater	158.4	(25.1)	(6.8)	19.4	12.5	-	145.9
Power	136.7	-	36.4	6.1	42.5	-	179.2
CleanPowerSF	51.3	-	5.9	26.8	32.7	-	84.0

London N. Breed
Mayor

Newsha K. Ajami
President

Sophie Maxwell
Vice President

Tim Paulson
Commissioner

Anthony Rivera
Commissioner

Kate H. Stacy
Commissioner

Dennis J. Herrera
General Manager

Summary:

- Positive year end operating results projected for Water, Wastewater, Power, and CleanPowerSF.
- *Water & Wastewater:* Overall year end revenues are down from budget. Retail and Wholesale volumes are lower than expected compared to Quarter 3 due to lower demand recovery from the drought and lower usage due to a longer wet season. The drought surcharge was also removed effective May 2023. For the Water Enterprise, this is offset by additional revenue from the \$11.4M sale

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.



of Balboa Reservoir and \$1.4M sale of Francisco Reservoir. Both enterprises also have slightly higher interest income than budgeted for the year.

- In both *Water and Wastewater*: Expenditure savings are projected from lower labor costs due to vacant positions, lower bureau overhead, and savings in debt service payments.
- *Power*: Overall year end results are higher than budget.
 - Retail sales are projected to be below budget; however, this does not reflect unanticipated poor performance. The retail revenue budget includes an additional \$15.5M that was not adjusted downwards in the budget to match assumptions in the final Power Rate Study. The Rate Study was adopted in late May 2022, which did not allow time for the FY 2022-23 budget to be adjusted before adoption.
 - Wholesale revenues are projected to significantly exceed the budget due to higher power prices combined with higher generation due to the winter storms. But due to negative pricing for excess energy sales in Quarter 3, generation is lower compared to the previous quarter.
 - On the expense side, the shortfall in “pass through” gas and steam costs to other city departments remains the same. These additional costs will be covered via workorder recoveries.
 - Note that a \$17M budget adjustment was made during Quarter 3 to support higher costs related to the transmission and distribution of power. This is reflected in the revised budget column. Compared to Quarter 3, costs related to power purchases are now expected to net a surplus along with savings from bureau overhead costs.
- *CleanPowerSF*: The revenue budget was revised upward by \$8.3M in Q4 to account for higher than anticipated energy prices and the volatility in the power market. Yearend revenues are still projected to exceed the revised budget due to higher sales than anticipated.

In addition, power prices and CAISO costs have lowered since Quarter 3 resulting in a projected surplus in the power purchase budget. Note that there was \$31.5M in increases made to the CleanPowerSF power purchase budget during the fiscal year to cover the higher than anticipated power purchase costs (reflected in the revised budget column).
- All enterprises are projected to meet or exceed financial policy minimums and coverage ratios at year end.

The Quarter 4 report is a projection with final year end results published in the Annual Comprehensive Financial Report. If you have questions, please contact me at NHom@sfgwater.org.

CC:

Ronald Flynn, Deputy GM, SFPUC
Barbara Hale, AGM, Power Enterprise, SFPUC
Joel Prather, Acting AGM, Wastewater Enterprise, SFPUC
Steve Ritchie, AGM, Water Enterprise, SFPUC
Stephen Robinson, AGM, Infrastructure, SFPUC
Wendy Macy, Chief People Officer, SFPUC
Masood Ordikhani, AGM, External Affairs, SFPUC
Laura Busch, Acting Deputy Chief Financial Officer, SFPUC
Anna Duning, Budget Director, Mayor's Office
Ben Rosenfield, Controller

Attachments:

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

Appendix A

WATER ENTERPRISE OPERATING FUNDS FY 2022-23 4th Quarter - Budgetary Basis, Funds 25940, 25950, 25960, 25990, 26570 & 26600 (\$ Millions)

	FY 2022-23					
	FY 2021-22 Actuals	Original Budget	Revised Budget (includes carryforwards)	Projection (includes carryforwards)	Variance (Projection vs Revised Budget)	
Sources						
Retail Water Sales	\$ 308.3	\$ 323.9	\$ 324.4	\$ 310.2	\$ (14.2)	A
Wholesale Water Sales	261.4	266.3	266.3	267.6	1.3	B
Interest Income	1.8	1.1	1.1	4.5	3.4	C
Rental Income	14.2	13.1	13.1	13.2	0.1	D
Miscellaneous Income	23.6	19.6	19.6	26.7	7.1	E
Departmental Transfer Adjustment	(45.8)	(49.6)	(49.6)	(49.6)	-	
Federal Bond Interest Subsidy	21.6	21.3	21.3	21.3	-	
Appropriated/Budgeted Use of Fund Balance	72.8	67.9	149.9	149.9	-	
Total Sources	\$ 657.8	\$ 663.7	\$ 746.0	\$ 743.7	\$ (2.3)	
Operating Uses						
Personnel	\$ 100.7	\$ 114.5	\$ 113.6	\$ 109.5	\$ 4.1	F
Non-Personnel Services	14.3	24.3	37.0	35.5	1.5	G
Materials and Supplies	15.5	17.8	24.5	24.5	-	
Equipment	3.4	2.4	8.6	8.6	-	
Overhead (SFPUC Bureaus)	52.6	63.1	72.4	69.9	2.5	H
Services of Other Departments	24.0	26.6	29.2	29.2	-	
Debt Service	279.3	335.1	335.1	328.5	6.6	I
Total Operating Uses	\$ 489.8	\$ 583.8	\$ 620.4	\$ 605.6	\$ 14.8	
Net Operating Results	\$ 167.9			\$ 138.1	\$ 12.4	
Other Impacts to Operating Budget						
	FY 2021-22 Actuals	Current Year Transfers from Operating	Total Available Funds	Projection (current & future years spending)	Project Closeouts	
Capital Projects	\$ 54.6	\$ 46.0	\$ 206.0	\$ 206.0	-	
Facilities Maintenance/Programmatic	27.6	33.9	79.6	79.6	-	
Total Adjustments to Operating Fund Balance	\$ 82.1	\$ 79.8	\$ 285.5	\$ 285.5	-	
Available Fund Balance as of Fiscal Year-End	\$ 244.7				\$ 189.2	
Available Fund Balance, % of Operating Uses (J) 25-68%	102.8%				53.0%	
Debt Service Coverage (Year-End Budgetary Basis)						
Indenture Basis (includes Available Fund Balance) (K) ≥ 1.35	1.47	1.69			1.53	
Current Basis (L) ≥ 1.10	1.10	1.17			1.22	

Appendix A

WATER ENTERPRISE OPERATING FUNDS

**FY 2022-23 4th Quarter - Budgetary Basis, Funds 25940, 25950, 25960, 25990, 26570 & 26600
(\$ Millions)**

Revenue Variances

- A.** Year end retail water sales were 52.2 MGD, a 3.3% decrease from budgeted volumes of 54.0 MGD, and a 0.4% decrease from prior year actuals of 52.4 MGD.
- B.** Wholesale water sales forecasted to be 118.5 MGD, a 4.2% increase from budgeted volumes of 113.7 MGD, and a 7.7% decrease from prior year actuals of 128.4 MGD.
- C.** Interest rate of 1.2% is higher compared to budget of 0.5%.
- D.** Year end rental revenues came in slightly greater than budget.
- E.** Miscellaneous income higher than budget due to sales of assets and land: \$11.4M related to Balboa Reservoir and \$1.4M for Francisco Reservoir. These increased revenues were offset by lower than budgeted collection of water service installation charges.

Expenditure Variances

- F.** Savings due to vacant positions.
- G.** Savings reflect lower spending associated with customer rebate and incentive programs.
- H.** Savings reflect lower spending associated with bureau allocation.
- I.** Debt Service variance due to revised repayment commencement of the Westside Recycled Water Project SRF Loan to align with updated construction schedule.

Other Notes

- J.** Calculated as Ending Available Fund Balance (including additions to General Reserve) as a percent of Operating Uses plus Facilities Maintenance/Programmatic Uses. SFPUC's Fund Balance Reserve Policy requires this to be within a range of 25-68%.
- K.** Calculated as ratio between (a) Total Sources plus Beginning Available Fund Balance plus Capacity Charges, less Operating Uses less Facilities Maintenance/Programmatic, excluding all revenues and expenses related to the 525 Golden Gate COPs, and (b) Debt Service. The Indenture requires this ratio to be a minimum of 1.25 times, and SFPUC's Debt Service Coverage Policy requires this ratio to be a minimum of 1.35 times.
- L.** Calculated as ratio between (a) Total Sources plus any appropriated fund balance, plus Capacity Charges, less Operating Uses less Facilities Maintenance/Programmatic, excluding all revenues and expenses related to the 525 Golden Gate COPs, and (b) Debt Service. SFPUC's Debt Service Coverage Policy requires this ratio to be a minimum of 1.10 times.

Appendix B

WASTEWATER ENTERPRISE OPERATING FUNDS
FY 2022-23 4th Quarter - Budgetary Basis, Funds 20160, 20170, 20550
(\$ Millions)

	FY 2021-22 Actuals	FY 2022-23			
		Original Budget	Revised Budget (includes carryforwards)	Projection (current year spending)	Variance (Projection vs Revised Budget)
Sources					
Sewer Service Charges	\$ 355.9	\$ 370.8	\$ 370.8	\$ 360.5	\$ (10.3) A
Interest Income	1.6	1.6	1.6	4.9	3.3 B
Miscellaneous Income	3.5	5.2	7.7	7.9	0.1 C
Federal Bond Interest Subsidy	3.5	3.5	3.5	3.5	-
Appropriated/Budgeted Use of Fund Balance	40.9	25.1	52.2	52.2	-
Total Sources	\$ 405.5	\$ 406.1	\$ 435.7	\$ 428.9	\$ (6.8)
Operating Uses					
Personnel	\$ 72.0	\$ 87.2	\$ 84.9	\$ 78.1	\$ 6.8 D
Non-Personnel Services	28.7	26.6	31.8	31.8	-
City Grant Programs	0.2	0.3	0.5	0.5	-
Materials and Supplies	11.5	12.2	15.3	15.3	-
Equipment	1.7	2.2	7.1	7.1	-
Overhead (SFPUC Bureaus)	32.2	37.6	43.1	41.6	1.5 E
Services of Other Departments	38.0	35.7	41.8	41.8	-
Debt Service	87.4	113.2	113.2	102.2	11.0 F
Total Operating Uses	\$ 271.8	\$ 314.9	\$ 337.8	\$ 318.4	\$ 19.4
Net Operating Results	\$ 133.6			\$ 110.5	\$ 12.5
Other Impacts to Operating Budget	FY 2021-22 Actuals	Current Year Transfers from Operating	Total Available Funds	Projection (current & future years spending)	Project Closeouts
Capital Projects	\$ 72.7	\$ 82.6	\$ 253.5	\$ 253.5	-
Facilities Maintenance/Programmatic	8.1	8.6	13.2	13.2	-
Legal Settlements	8.6	-	-	-	-
Total Adjustments to Operating Fund Balance	\$ 89.4	\$ 91.2	\$ 266.7	\$ 266.7	\$ -
Available Fund Balance as of Fiscal Year-End	\$ 158.4				\$ 145.9
Available Fund Balance, % of Operating Uses (G) 25-68%	82.3%				63.6%
Debt Service Coverage (Year-End Budgetary Basis)					
Indenture Basis (includes Available Fund Balance) (H) ≥ 1.35	3.59	3.02			3.09
Current Basis (I) ≥ 1.10	1.80	1.84			2.01

Appendix B

WASTEWATER ENTERPRISE OPERATING FUNDS FY 2022-23 4th Quarter - Budgetary Basis, Funds 20160, 20170, 20550 (\$ Millions)

Revenue Variances

- A.** Year end Wastewater retail billable volumes were 43.1 MGD, a 2.0% decrease from budget of 44.0 MGD and a 0.2% increase from prior year actuals of 43.0 MGD.
- B.** Interest rate of 1.2% is higher compared to budget of 0.5%.
- C.** End of year miscellaneous income is slightly greater than budget, primarily due to sale of fixed assets.

Expenditure Variances

- D.** Salary savings reflect vacant positions.
- E.** Savings reflect lower spending associated with bureau allocation.
- F.** Debt service savings mainly due to the postponed issuance of the 2023 Wastewater Revenue Notes due to market conditions and issuance of the 2022B Wastewater Refunding Bonds. In addition, delayed repayment of Oceanside SRF loan due to project scheduling.

Other Notes

- G.** Calculated as Ending Available Fund Balance (including additions to General Reserve) as a percent of Operating Uses plus Facilities Maintenance/Programmatic Uses. SFPUC's Fund Balance Reserve Policy requires this to be within a range of 25-68%.
- H.** Calculated as ratio between (a) Total Sources plus Beginning Available Fund Balance plus Capacity Charges, less Operating Uses less Facilities Maintenance/Programmatic (excluding all revenues and expenses related to the 525 Golden Gate COPs), and (b) Debt Service. The Indenture requires this ratio to be a minimum of 1.25 times, and SFPUC's Debt Service Coverage Policy requires this ratio to be a minimum of 1.35 times.
- I.** Calculated as ratio between (a) Total Sources plus any appropriated fund balance plus Capacity Charges, less Operating Uses less Facilities Maintenance/Programmatic (excluding all revenues and expenses related to the 525 Golden Gate COPs), and (b) Debt Service. SFPUC's Debt Service Coverage Policy requires this ratio to be a minimum of 1.10 times.

Appendix C

HETCH HETCHY WATER & POWER OPERATING FUNDS FY 2022-23 4th Quarter - Budgetary Basis - 24970, 24980, 24990 (\$ Millions)

	FY 2022-23					
	FY 2021-22 Actuals	Original Budget	Revised Budget (includes carryforwards)	Projection (current year spending)	Variance (Projection vs Revised Budget)	
Sources						
Electric Sales - Retail	\$ 153.1	\$ 171.4	\$ 171.4	\$ 161.1	\$ (10.2)	A
Electric Sales - Wholesale	30.2	18.3	18.3	54.3	36.0	B
Water Sales - Transfer from Water Department	45.8	49.6	49.6	49.6	-	
Natural Gas & Steam - City Work Orders	17.4	15.9	19.1	25.8	6.7	C
Interest Income	1.5	1.0	1.0	3.5	2.5	D
Federal Interest Subsidy - Power Bonds	0.1	0.4	0.4	0.4	-	
Miscellaneous Income	8.2	9.3	9.3	10.8	1.5	E
Appropriated/Budgeted Use of Fund Balance	50.2	-	40.5	40.5	-	
Total Sources	\$ 306.5	\$ 266.0	\$ 309.7	\$ 346.1	\$ 36.4	
Operating Uses						
Personnel	\$ 47.6	\$ 54.4	\$ 54.1	\$ 54.1	-	
Non-Personnel Services	29.5	40.3	63.1	63.1	-	
Power Purchases, Transmission Distribution & Related Charges	59.0	76.7	92.0	86.3	5.7	F
Natural Gas & Steam	17.4	15.9	24.2	25.8	(1.6)	G
Materials and Supplies	3.2	3.5	4.2	4.2	-	
Equipment	1.2	3.2	7.1	7.1	-	
Overhead (SFPUC Bureaus)	19.7	24.1	27.5	26.5	1.0	H
Services of Other Departments	7.0	9.4	9.5	9.5	-	
Debt Service	3.9	4.0	4.0	4.0	-	
General Reserve	-	18.0	1.0	-	1.0	I
Total Operating Uses	\$ 188.4	\$ 249.5	\$ 286.6	\$ 280.5	\$ 6.1	
Net Operating Results	\$ 118.1			\$ 65.6	\$ 42.5	
Other Impacts to Operating Budget						
	FY 2021-22 Actuals	Current Year Transfers from Operating	Total Available Funds	Projection (current & future years spending)	Project Closeouts	
Facilities Maintenance/Programmatic	\$ 13.7	\$ 14.2	\$ 20.5	\$ 20.5	-	
Capital projects	48.6	2.3	84.3	84.3	-	
Total Adjustments to Operating Fund Balance	\$ 62.3	\$ 16.5	\$ 104.8	\$ 104.8	-	
Available Fund Balance as of Fiscal Year-End	\$ 136.7				\$ 179.2	
Available Fund Balance, % of Operating Uses (J) 25-68%	69.0%				75.5%	
Debt Service Coverage... Year-End Budgetary Basis						
Indenture Basis (includes Available Fund Balance) (K) ≥ 1.35	38.45	55.54			56.46	
Current Basis (L) ≥ 1.10	20.71	2.26			18.97	

Revenue Variances

- A. Retail sales are slightly above budget, but is offset by \$15.5M in budget that was not adjusted downwards to match assumptions in the final Power Rate Study. The Rate Study was adopted in late May 2022, which did not allow time for the budget to be adjusted.
- B. Wholesale sales are higher than budget mainly due to higher power prices.
- C. Due to higher prices in natural gas & steam.
- D. Pooled funds year-to-date interest rate of 2.1% is higher than budget set assuming 0.5%.
- E. Miscellaneous income projected to exceed budget primarily due to water sales and settlements.

Expenditure Variances

- F. Transmission and distribution costs are higher than original budgeted assumptions. Transmission is \$5M higher and distribution is \$9M higher. Costs are partially offset by \$4M appropriated reserve for power purchase, \$3M in carryforwards and lower projected CAISO costs compared to Q3. A \$17M transfer from General Reserve was also used to support higher power costs during the year.
- G. Due to higher prices in natural gas & steam.
- H. Savings reflect lower spending associated with bureau allocation.
- I. \$17M in General Reserve was used to support higher power costs, including higher transmission and distribution.

Other Notes

- J. Calculated as Ending Available Fund Balance (including additions to General Reserve) as a percent of Operating Uses plus Facilities Maintenance/Programmatic Uses. SFPUC's Fund Balance Reserve Policy requires this to be within a range of 25-68%.
- K. Calculated as ratio between (a) Total Sources plus Beginning Available Fund Balance, less Operating Uses, less Facilities Maintenance/Programmatic (excluding all revenues and expenses related to the 525 Golden Gate COPs, Natural Gas and Steam and Treasure Island), and (b) Debt Service. The Indenture requires this ratio to be a minimum of 1.25 times, and SFPUC's Debt Service Coverage Policy requires this ratio to be a minimum of 1.35 times.
- L. Calculated as ratio between (a) Total Sources plus any appropriated fund balance, plus Capacity Charges, less Operating Uses less Facilities Maintenance/Programmatic, (excluding all revenues and expenses related to the 525 Golden Gate COPs, Natural Gas and Steam and Treasure Island), and (b) Debt Service. SFPUC's Debt Service Coverage Policy requires this ratio to be a minimum of 1.10 times.

Appendix D
CleanPowerSF
FY 2022-23 4th Quarter - Budgetary Basis - 24750, 24761, 24762, 24765 & 24870
(\$ Millions)

	FY 2022-23				
	FY 2021-22 Actuals	Original Budget	Revised Budget (includes carryforwards & supplemental)	Projection (includes carryforwards)	Variance (Projection vs Revised Budget)
Operating Sources					
Electric Sales - Green Product	\$ 234.3	\$ 299.5	\$ 294.7	\$ 299.5	\$ 4.8
Electric Sales - SuperGreen Product	12.3	15.7	25.2	25.6	0.4
Wholesale Sales	4.6	-	3.6	3.6	-
Subtotal - Electric Revenues	\$ 251.2	\$ 315.2	\$ 323.5	\$ 328.7	\$ 5.2 A
Interest Income	\$ 0.4	\$ 0.6	\$ 0.6	\$ 1.3	\$ 0.7 B
Miscellaneous Income	-	-	4.6	4.6	- C
Appropriated/Budgeted Use of Fund Balance	13.4	-	16.8	16.8	-
Total Sources	\$ 265.0	\$ 315.7	\$ 340.8	\$ 346.7	\$ 5.9
Operating Uses					
Personnel	\$ 4.1	\$ 7.8	\$ 7.8	\$ 5.2	\$ 2.6 D
Overhead	2.5	5.4	5.8	5.8	-
Non Personnel Services	11.2	11.9	14.0	14.0	-
Materials & Supplies	0.0	0.2	0.4	0.4	-
Power Purchases, Transmission Distribution & Related	241.3	251.1	282.6	268.7	13.9 E
Services of Other Departments	3.3	4.1	4.1	4.1	-
Debt Service	-	-	-	-	-
General Reserve	-	33.5	10.3	-	10.3 F
Total Operating Uses	\$ 262.4	\$ 314.0	\$ 325.0	\$ 298.2	\$ 26.8
Net Operating Results	\$ 2.6			\$ 48.6	\$ 32.7
Other Impacts to Operating Budget	FY 2021-22 Actuals	Current Year Transfers from Operating	Total Available Funds	Projection (current & future years spending)	Project Closeouts
Programmatic	\$ 0.4	\$ 0.2	\$ 6.0	\$ 6.0	- G
Capital Projects	0.4	1.6	5.4	5.4	-
Total Adjustments to Operating Fund Balance	\$ 0.7	\$ 1.7	\$ 11.4	\$ 11.4	-
Available Fund Balance as of Fiscal Year-End	\$ 51.3				\$ 84.0 H
Available Fund Balance, % of Operating Uses (I) %	19.5%				27.6%

Revenue Variances

A. Revenues slightly higher than budget due to higher load. The revenue budget also reflects a \$8.3M supplemental appropriation to cover higher than anticipated costs to purchase energy due to volatile and expensive power market.

B. Interest rate is higher than budget.

C. Includes \$4.6M in funds from the State via PG&E to implement the Energy Efficiency Community Food Service Program.

Expenditure Variances

D. Salary savings due to vacant positions.

E. \$31.5M was appropriated in FY2023 to cover higher than anticipated power costs to purchase energy due to a volatile and expensive power market. However, market costs fell in the last quarter and resulted in savings against the conservative budget.

F. General Reserve was intentionally budgeted and planned to go unspent to build reserves. However, a \$23.2M transfer was made to Power Purchases to cover higher than anticipated costs to purchase energy due to volatile and expensive power market.

G. Includes \$4.6M in funds from the State via PG&E to implement the Energy Efficiency Community Food Service Program.

Other Notes

H. Available fund balance at fiscal year end is calculated within this report by taking beginning fund balance, less any fund balance budgeted to be used as a source, and adding the projected variances as well as project closeouts. As the CleanPowerSF Trust Fund is a continuing fund, amounts budgeted therein will automatically roll forward to the following year and will not be closed out to fund balance. As such, variances related to revenues, purchase of power, and general reserves will not close out to fund balance at the end of the year without manual intervention. However as those funds are not considered restricted and CleanPowerSF may choose to close them out to fund balance, we are presenting them here as part of fund balance.

I. Calculated as Ending Available Fund Balance as a percent of Operating Uses plus Facilities Maintenance/Programmatic Uses. SFPUC's Fund Balance Reserve Policy requires this to be at least 50% within three years of policy adoption (April of 2022).