



**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  
**Newsha Ajami**  
President  
**Sophie Maxwell**  
Vice President  
**Tim Paulson**  
Commissioner  
**Tony Rivera**  
Commissioner  
**Kate Stacy**  
Commissioner  
**Dennis J. Herrera**  
General Manager

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



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@sfgwater.org](mailto:NHom@sfgwater.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 2021-22 Actuals	FY 2022-23			
		Original Budget	Revised Budget (includes carryforwards)	Projection (includes carryforwards)	Variance (Projection vs Revised Budget)
<b>Sources</b>					
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	-
<b>Total Sources</b>	<b>657.8</b>	<b>663.7</b>	<b>746.0</b>	<b>782.1</b>	<b>36.0</b>
<b>Operating Uses</b>					
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	-
<b>Total Operating Uses</b>	<b>489.8</b>	<b>583.8</b>	<b>620.0</b>	<b>617.8</b>	<b>2.3</b>
<b>Net Operating Results</b>	<b>167.9</b>			<b>164.3</b>	<b>38.3</b>
<b>Other Impacts to Operating Budget</b>					
	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	-
<b>Total Adjustments to Operating Fund Balance</b>	<b>\$ 82.1</b>	<b>\$ 79.8</b>	<b>\$ 285.5</b>	<b>\$ 285.5</b>	<b>\$ -</b>
<b>Available Fund Balance as of Fiscal Year-End</b>	<b>\$ 244.7</b>				<b>\$ 215.0</b>
<b>Available Fund Balance, % of Operating Uses (F) 25-68%</b>	<b>102.8%</b>				<b>59.4%</b>
<b>Debt Service Coverage (Year-End Budgetary Basis)</b>					
Indenture Basis (includes Available Fund Balance) (G) ≥ 1.35	<b>1.82</b>	<b>1.69</b>			<b>1.60</b>
Current Basis (H) ≥ 1.10	<b>1.19</b>	<b>1.17</b>			<b>1.30</b>

## 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 2021-22 Actuals	FY 2022-23			
		Original Budget	Revised Budget (includes carryforwards)	Projection (current year spending)	Variance (Projection vs Revised Budget)
<b>Sources</b>					
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	-
<b>Total Sources</b>	<b>405.5</b>	<b>406.1</b>	<b>435.2</b>	<b>444.5</b>	<b>9.3</b>
<b>Operating Uses</b>					
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
<b>Total Operating Uses</b>	<b>271.8</b>	<b>314.9</b>	<b>337.4</b>	<b>324.5</b>	<b>12.9</b>
<b>Net Operating Results</b>	<b>133.6</b>			<b>120.0</b>	<b>\$ 22.2</b>
<b>Other Impacts to Operating Budget</b>					
	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	-	-	-	-
<b>Total Adjustments to Operating Fund Balance</b>	<b>\$ 89.4</b>	<b>\$ 91.2</b>	<b>\$ 266.7</b>	<b>\$ 266.7</b>	<b>\$ -</b>
<b>Available Fund Balance as of Fiscal Year-End</b>	<b>\$ 158.4</b>				<b>\$ 155.5</b>
<b>Available Fund Balance, % of Operating Uses (E) 25-68%</b>	<b>82.3%</b>				<b>66.4%</b>
<b>Debt Service Coverage (Year-End Budgetary Basis)</b>					
Indenture Basis (includes Available Fund Balance) (F) ≥ 1.35	<b>3.77</b>	<b>3.01</b>			<b>3.15</b>
Current Basis (G) ≥ 1.10	<b>2.19</b>	<b>1.83</b>			<b>2.09</b>

## 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)
<b>Sources</b>					
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	-
<b>Total Sources</b>	<b>306.5</b>	<b>266.0</b>	<b>306.9</b>	<b>306.7</b>	<b>(0.2)</b>
<b>Operating Uses</b>					
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
<b>Total Operating Uses</b>	<b>188.4</b>	<b>249.5</b>	<b>284.2</b>	<b>285.2</b>	<b>(1.0)</b>
<b>Net Operating Results</b>	<b>118.1</b>			<b>21.5</b>	<b>(1.3)</b>
<b>Other Impacts to Operating Budget</b>					
	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	-
<b>Total Adjustments to Operating Fund Balance</b>	<b>62.3</b>	<b>16.5</b>	<b>104.8</b>	<b>104.8</b>	<b>-</b>
<b>Available Fund Balance as of Fiscal Year-End</b>	<b>136.7</b>				<b>135.5</b>
<b>Available Fund Balance, % of Operating Uses 25-68%</b>	<b>69.0%</b>				<b>56.2%</b>
<b>Debt Service Coverage... Year-End Budgetary Basis</b>					
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)**

	<b>FY 2022-23</b>				
	<b>FY 2021-22 Actuals</b>	<b>Original Budget</b>	<b>Revised Budget (includes carryforwards &amp; supplemental)</b>	<b>Projection (includes carryforwards)</b>	<b>Variance (Projection vs Revised Budget)</b>
<b>Operating Sources</b>					
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
<b>Subtotal - Electric Revenues</b>	<b>251.2</b>	<b>315.2</b>	<b>315.2</b>	<b>316.7</b>	<b>1.4 A</b>
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	-
<b>Total Sources</b>	<b>265.0</b>	<b>315.7</b>	<b>319.7</b>	<b>322.0</b>	<b>2.3</b>
<b>Operating Uses</b>					
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
<b>Total Operating Uses</b>	<b>262.4</b>	<b>314.0</b>	<b>316.7</b>	<b>297.8</b>	<b>18.9</b>
<b>Net Operating Results</b>	<b>2.6</b>			<b>24.1</b>	<b>21.1</b>
<b>Other Impacts to Operating Budget</b>					
	<b>FY 2021-22 Actuals</b>	<b>Current Year Transfers from Operating</b>	<b>Total Available Funds</b>	<b>Projection (current &amp; future years operations)</b>	<b>Project Closeouts</b>
Programmatic	0.4	0.2	1.4	1.4	-
Capital Projects	0.4	1.6	5.4	5.4	-
<b>Total Adjustments to Operating Fund Balance</b>	<b>0.7</b>	<b>1.7</b>	<b>6.8</b>	<b>6.8</b>	<b>-</b>
<b>Available Fund Balance as of Fiscal Year-End</b>	<b>51.3</b>				<b>72.4 F</b>
<b>Available Fund Balance, % of Operating Uses (G) %</b>	<b>19.5%</b>				<b>24.2%</b>

**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).