

Budgetary Status Reports Fiscal Year 2023-2024

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Date: December 12, 2023

To: Commissioner Tim Paulson, President
 Commissioner Anthony Rivera, Vice President
 Commissioner Newsha K. Ajami
 Commissioner Sophie Maxwell
 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 2023-24 First Quarter Budgetary Report through September 2023**

The FY 2023-24 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 2023-24 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	211.4	-	(26.5)	11.9	(14.6)	-	196.8
Wastewater	155.7	-	(22.7)	29.6	6.9	-	162.5
Power	179.3	(35.4)	12.4	26.2	38.7	-	182.5
CleanPowerSF	90.1	-	29.8	23.1	52.9	-	143.0

London N. Breed
 Mayor

Tim Paulson
 President

Anthony Rivera
 Vice President

Newsha K. Ajami
 Commissioner

Sophie Maxwell
 Commissioner

Kate H. Stacy
 Commissioner

Dennis J. Herrera
 General Manager

Summary:

- Positive year end operating results projected for Wastewater, Power, CleanPowerSF and a negative year end result for Water.
- *Water:* Retail revenues are projected to be below budget. The FY 2023-24 budget was adopted assuming the 5% drought surcharge would still be in effect, but it was removed in May of 2023. The surcharge accounted for approximately \$14.1 million in revenue. Additionally, wholesale volumes are lower than what was assumed in the budget, resulting in a shortfall. The reduction in revenues is partially offset by lower labor costs due to vacant positions and savings from debt refunding.



- *Wastewater*: Similar to Water, revenues are projected to be below budget. The FY 2023-24 budget was adopted assuming the 5% drought surcharge would be in effect. The surcharge accounted for approximately \$18.8 million. Additionally, multiple stormwater-only parcels currently have no existing service agreements and remain uncollected. This is offset by higher than expected interest rates, lower labor costs due to vacant positions, and savings from general reserve.
- *Power*: Wholesale revenues are projected to exceed the budget due to higher sales from resource adequacy combined with higher generation. In addition, large savings are projected for power purchases due to higher generation in 2023, avoiding additional power purchases in the first quarter. Projections include the 100-day planned shutdown of Mountain Tunnel.
- *CleanPowerSF*: Revenues are projected to exceed budget due to increased sales, customer enrollment, and savings from general reserve. This is partially offset by increases to power purchases due to renewable energy and resource adequacy costs.
- All enterprises are projected to meet financial policy minimums and coverage ratios at fiscal yearend.

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

cc:

Ronald P. 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 2023-24 1st Quarter - Budgetary Basis, Funds 25940, 25950, 25960, 25990 ,26570,26600 & 26603
 (\$ Millions)

	FY 2023-24				
	FY 2022-23 Actuals	Original Budget	Revised Budget (includes carryforwards)	Projection (current year spending)	Variance (Projection vs Revised Budget)
Sources					
Retail Water Sales	310.3	346.7	347.1	326.8	(20.3) A
Wholesale Water Sales	253.5	318.2	318.2	313.2	(5.0) B
Interest Income	6.8	1.1	1.1	3.5	2.4 C
Rental Income	13.7	13.6	13.6	13.6	(0.0)
Miscellaneous Income	26.8	17.0	17.0	13.4	(3.6) D
Departmental Transfer Adjustment	-	(46.3)	(46.3)	(46.3)	-
Federal Bond Interest Subsidy	21.3	20.8	20.8	20.8	-
Appropriated/Budgeted Use of Fund Balance	-	-	79.5	79.5	-
Total Sources	632.3	671.2	751.0	724.6	(26.5)
Operating Uses					
Personnel	105.7	114.9	114.9	114.2	0.7 E
Non-Personnel Services	20.9	21.2	35.0	35.0	-
Materials and Supplies	20.4	19.1	23.1	23.1	-
Equipment	3.2	2.6	8.1	8.1	-
Overhead (SFPUC Bureaus)	55.1	66.1	77.2	77.2	-
Services of Other Departments	25.6	27.6	29.5	29.5	-
Debt Service	306.6	333.7	333.7	328.4	5.2 F
General Reserve	-	5.9	5.9	-	5.9 G
Total Operating Uses	537.4	591.2	627.3	615.5	11.9
Net Operating Results	94.9			109.1	(14.6)
Other Impacts to Operating Budget					
	FY 2022-23 Actuals	Current Year Transfers from Operating	Total Available Funds	Projection (current & future years spending)	Project Closeouts
Capital Projects	57.8	45.6	191.2	191.2	-
Facilities Maintenance/Programmatic	31.7	34.4	77.8	77.8	-
Total Adjustments to Operating Fund Balance	\$ 89.4	\$ 79.9	\$ 269.0	\$ 269.0	\$ -
Available Fund Balance as of Fiscal Year-End	\$ 211.4				\$ 196.8
Available Fund Balance, % of Operating Uses (H) 25-68%	80.5%				53.9%
Debt Service Coverage (Year-End Budgetary Basis)					
Indenture Basis (includes Available Fund Balance) (I) ≥ 1.35	1.53	1.79			1.54
Current Basis (J) ≥ 1.10	1.22	1.16			1.11

Appendix A

WATER ENTERPRISE OPERATING FUNDS FY 2023-24 1st Quarter - Budgetary Basis, Funds 25940, 25950, 25960, 25990, 26570, 26600 & 26603 (\$ Millions)

Revenue Variances

- A. The FY 2023-24 budget was adopted assuming the 5% drought surcharge would remain in effect. The surcharge accounted for approximately \$14.1 million in revenues. Q1 retail sales projections are 54.0 MGD, a 2.7% decrease from budgeted volumes of 55.2 MGD.
- B. The FY 2023-24 wholesale budget was adopted assuming higher volumetric rate of \$5.30. The adopted rate was subsequently set at \$5.21, or 1.7% lower. This was driven by higher water sale projections due to the end of drought restrictions. Q1 projected wholesale sales are 122.1 MGD compared to budgeted assumption of 121.9 MGD.
- C. Interest rate of 1.5% is higher compared to budget of 0.5%.
- D. Miscellaneous income lower than budget due to lower than budgeted collection of water service installation charges.

Expenditure Variances

- E. Savings due to vacant positions.
- F. Debt Service variance due to the issuance of 2023CD refunding bonds.
- G. \$5.9M in general reserve due to higher sources than uses.

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 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.
- 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, 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 2023-24 1st Quarter - Budgetary Basis, Funds 20160, 20170 & 20550
 (\$ Millions)

	FY 2022-23 Actuals	FY 2023-24			Variance (Projection vs Revised Budget)	
		Original Budget	Revised Budget (includes carryforwards)	Projection (current year spending)		
Sources						
Sewer Service Charges	360.8	415.4	415.8	389.7	(26.1)	A
Interest Income	7.6	1.7	1.7	5.0	3.3	B
Miscellaneous Income	7.9	3.8	3.8	3.8	0.0	
Federal Bond Interest Subsidy	3.5	3.4	3.4	3.4	-	
Appropriated/Budgeted Use of Fund Balance		-	26.4	26.4	-	
Total Sources	379.8	424.2	451.0	428.3	(22.7)	
Operating Uses						
Personnel	76.1	87.6	87.6	85.2	2.4	C
Non-Personnel Services	25.5	28.0	33.3	33.3	-	
Materials and Supplies	14.1	13.2	14.4	14.4	-	
Equipment	1.4	2.0	7.7	7.7	-	
Overhead (SFPUC Bureaus)	32.9	39.0	45.8	45.8	-	
Services of Other Departments	38.4	38.8	41.0	41.0	-	
Debt Service	98.6	98.0	98.0	98.6	(0.6)	D
General Reserve		27.8	27.8	-	27.8	E
Total Operating Uses	287.1	334.5	355.6	326.0	29.6	
Net Operating Results	92.7			102.2	\$ 6.9	
Other Impacts to Operating Budget						
	FY 2022-23 Actuals	Current Year Transfers from Operating	Total Available Funds	Projection (current & future years spending)	Project Closeouts	
Capital Projects	71.6	81.3	263.2	263.2	-	
Facilities Maintenance/Programmatic	7.2	8.4	13.6	13.6	-	
Total Adjustments to Operating Fund Balance	\$ 78.8	\$ 89.7	\$ 276.8	\$ 276.8	\$ -	
Available Fund Balance as of Fiscal Year-End	\$ 155.7				\$ 162.5	
Available Fund Balance, % of Operating Uses (F) 25-68%	79.6%				67.4%	
Debt Service Coverage (Year-End Budgetary Basis)						
Indenture Basis (includes Available Fund Balance) (G) ≥ 1.35	3.09	3.65			3.43	
Current Basis (H) ≥ 1.10	2.01	2.04			2.07	

Appendix B

WASTEWATER ENTERPRISE OPERATING FUNDS FY 2023-24 1st Quarter - Budgetary Basis, Funds 20160, 20170 & 20550 (\$ Millions)

Revenue Variances

- A. The FY 2023-24 budget was adopted assuming the 5% drought surcharge would remain in effect. The surcharge accounted for approximately \$18.8 million in revenues. Q1 volume projections are 44.1 MGD, a decrease from budgeted volumes of 44.2 MGD.
- B. Interest rate of 1.5% is higher compared to budget of 0.5%.

Expenditure Variances

- C. Salary savings reflect vacant positions.
- D. Debt service variance mainly due the issuance of the 2023C refunding of 2018C, offset partially by refunding savings from the issuance of the 2023B refunding bonds.
- E. \$27.8M in general reserve due to higher sources than uses.

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 2023-24 1st Quarter - Budgetary Basis - 24970, 24980, 24990
 (\$ Millions)

	FY 2023-24				
	FY 2022-23 Actuals	Original Budget	Revised Budget (includes carryforwards)	Projection (current year spending)	Variance (Projection vs Revised Budget)
Sources					
Electric Sales - Retail	159.6	169.1	175.8	175.2	(0.5) A
Electric Sales - Wholesale	48.8	31.7	31.7	43.2	11.4 B
Water Sales - Transfer from Water Department	49.6	46.3	46.3	46.3	-
Natural Gas & Steam - City Work Orders	24.6	24.7	24.7	23.8	(0.9) C
Interest Income	5.6	1.1	1.1	3.3	2.2 D
Federal Interest Subsidy - Power Bonds	0.2	0.4	0.4	0.4	-
Miscellaneous Income	4.8	4.0	4.0	4.2	0.2 E
Appropriated/Budgeted Use of Fund Balance	40.5	35.4	82.2	82.2	-
Total Sources	333.7	312.7	366.1	378.5	12.4
Operating Uses					
Personnel	50.6	54.5	54.5	54.3	0.1 F
Non-Personnel Services	36.1	43.8	71.4	71.4	-
Power Purchases, Transmission Distribution & Related Charges	77.9	127.0	137.1	111.9	25.2 G
Natural Gas & Steam	24.6	24.7	24.7	23.8	0.9 H
Materials and Supplies	3.8	3.5	3.8	3.8	-
Equipment	1.2	2.6	8.5	8.5	-
Overhead (SFPUC Bureaus)	21.2	25.0	29.0	29.0	-
Services of Other Departments	8.8	8.6	9.1	9.1	-
Debt Service	3.5	3.8	3.8	3.8	-
General Reserve	-	-	-	-	-
Total Operating Uses	227.8	293.4	341.9	315.6	26.2
Net Operating Results	105.9			62.9	38.7
Other Impacts to Operating Budget					
	FY 2022-23 Actuals	Current Year Transfers from Operating	Total Available Funds	Projection (current & future years spending)	Project Closeouts
Facilities Maintenance/Programmatic	15.2	14.3	19.2	19.2	-
Capital projects	13.5	5.0	76.0	76.0	-
Total Adjustments to Operating Fund Balance	28.7	19.3	95.2	95.2	-
Available Fund Balance as of Fiscal Year-End	179.3				182.5
Available Fund Balance, % of Operating Uses (I) 25-68%	74.9%				69.0%
Debt Service Coverage... Year-End Budgetary Basis					
Indenture Basis (includes Available Fund Balance) (J) ≥ 1.35	56.46	59.39			56.12
Current Basis (K) ≥ 1.10	18.97	3.34			18.27

Revenue Variances

- A. Retail sales are slightly below budget.
- B. Wholesale sales are higher than budget mainly due to higher attribute and resource adequacy sales, and slightly higher sales to the power market due to higher generation.
- C. Gas and steam sales slightly below budget due to lower usage.
- D. Pooled funds year-to-date interest rate higher than assumed for budget.
- E. Miscellaneous income projected to exceed budget primarily due to settlements and DAS admin fees.

Expenditure Variances

- F. Salary savings due to vacant positions.
- G. Savings are mainly due to a favorable 2023 water year, avoiding additional power purchases in the first quarter.
- H. Gas and steam sales slightly below budget due to lower usage.

Other Notes

- I. 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%.
- J. 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.
- K. 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 2023-24 1st Quarter - Budgetary Basis - 24750, 24761, 24762, 24765 & 24870
(\$ Millions)

	FY 2023-24				
	FY 2022-23 Actuals	Original Budget	Revised Budget (includes carryforwards)	Projection (current year spending)	
Operating Sources					
Electric Sales - Green Product	299.7	338.4	338.4	352.7	14.3
Electric Sales - SuperGreen Product	25.6	28.9	28.9	31.8	2.8
Wholesale Sales	3.6	1.6	1.6	13.1	11.5
Subtotal - Electric Revenues	329.0	368.9	368.9	397.5	28.6 A
Interest Income	1.7	0.6	0.6	1.8	1.2 B
Miscellaneous Income	0.0	-	-	-	-
Appropriated/Budgeted Use of Fund Balance	16.8	-	26.4	26.4	-
Total Sources	347.4	369.6	396.0	425.8	29.8
Operating Uses					
Personnel	5.0	8.1	8.1	7.6	0.5 C
Overhead	5.1	6.1	6.7	6.7	-
Non Personnel Services	10.7	12.0	13.4	13.4	-
Materials & Supplies	0.0	0.2	0.2	0.2	-
Power Purchases, Transmission Distribution & Related Charges	264.3	305.3	323.6	333.7	(10.1) D
Services of Other Departments	3.5	4.2	4.6	4.6	-
Debt Service	-	-	-	-	-
General Reserve	-	32.7	32.7	-	32.7 E
Total Operating Uses	288.7	368.6	389.4	366.3	23.1
Net Operating Results	58.7			59.5	52.9
Other Impacts to Operating Budget					
	FY 2022-23 Actuals	Current Year Transfers from Operating	Total Available Funds	Projection (current & future years spending)	Project Closeouts
Programmatic	0.8	0.2	5.8	5.8	-
Capital Projects	1.5	0.8	5.3	5.3	-
Total Adjustments to Operating Fund Balance	2.3	0.9	11.1	11.1	-
Available Fund Balance as of Fiscal Year-End	90.1				143.0 F
Available Fund Balance, % of Operating Uses (G) %	31.1%				38.4%

Revenue Variances

- A. Revenues higher than budget due to 8% load growth from customer enrollments, higher SuperGreen load, and wholesale revenues.
- B. Interest rate is higher than assumed for budget.

Expenditure Variances

- C. Salary savings due to vacant positions.
- D. Power Purchases variance driven by increasing renewable and resource adequacy market costs.
- 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. Per SFPUC's Fund Balance Reserve Policy adopted in April 2022, CleanPowerSF is required to build its fund balance reserve to at least 50% within three fiscal years (June 30, 2025) of Fiscal Year Ending 2022.



Date: March 26, 2024

To: Commissioner Tim Paulson, President
 Commissioner Anthony Rivera, Vice President
 Commissioner Newsha K. Ajami
 Commissioner Sophie Maxwell
 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 2023-24 Second Quarter Budgetary Report through December 2023**

The FY 2023-24 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 2023-24 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	211.4	-	(18.0)	12.8	(5.2)	(9.7)	196.5
Wastewater	155.7	-	(20.4)	30.4	10.0	-	165.7
Power	179.3	(35.4)	10.3	53.1	63.3	-	207.2
CleanPowerSF	90.1	-	9.9	36.1	46.0	-	136.1

London N. Breed
Mayor

Tim Paulson
President

Anthony Rivera
Vice President

Newsha K. Ajami
Commissioner

Sophie Maxwell
Commissioner

Kate H. Stacy
Commissioner

Dennis J. Herrera
General Manager

Summary:

- Positive year end operating results projected for Wastewater, Power, CleanPowerSF and a shortfall for Water.
- *Water:* Retail revenues are projected to be below budget. The FY2023-24 budget was adopted assuming the 5% drought surcharge would remain in effect. It was removed May of 2023. The surcharge accounted for approximately \$14.1 million in revenue. This is offset by \$6 million in state grant funding for arrearages and discount programs from the pandemic, a slight surplus from wholesale sales, lower labor costs due to vacant



positions, savings from debt refunding and a general reserve which was budgeted to go unspent.

Additionally, fund balance is projected to be reduced by \$9.7M due to legal settlements. Such settlements can be paid from fund balance per Appropriation Ordinance No. 165-20 (section 10.10).

- *Wastewater*: Similar to Water, revenues are projected to be below budget. The FY 2023-24 budget was adopted assuming the 5% drought surcharge would remain in effect. The surcharge accounted for approximately \$18.8 million. Additionally, multiple stormwater-only parcels currently have no existing service agreements and remain uncollected. This is offset by \$9 million in state grant funding for arrearages and discount programs from the pandemic, lower labor costs due to vacant positions and a general reserve that was budgeted to go unspent.
- *Power*: Overall projected yearend results are higher than budget.
 - Wholesale revenues are projected to exceed the budget due to higher sales from resource adequacy combined with higher generation.
 - On the expense side, large savings are projected for power purchases due to higher generation, avoiding \$15M in additional power purchases. Also, \$12M in savings from distribution costs resulting from PG&E's error in calculations discovered by Power staff, \$4M in savings from transmission and related CAISO costs, and \$3M in savings from resource adequacy. The remaining savings are a result of budgeted contingency projected to be unspent.
 - Projections include the 100-day planned shutdown of Mountain Tunnel.
- *CleanPowerSF*: Revenues are projected to exceed budget due to higher wholesale sales, offset by slightly lower retail sales due to final rates being set lower vs. the budget. In addition, power prices have lowered since quarter one resulting in a slight surplus in the power purchase budget, along with general reserve which was budgeted to go unspent.
- 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, AGM, Wastewater Enterprise, SFPUC
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Laura Busch, Deputy Chief Financial Officer, SFPUC
Anna Duning, Budget Director, Mayor's Office
Greg Wagner, Controller

Attachments:

Appendix A Water Enterprise

Appendix B Wastewater Enterprise

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

Appendix D CleanPowerSF

Appendix A

WATER ENTERPRISE OPERATING FUNDS
FY 2023-24 2nd Quarter - Budgetary Basis, Funds 25940, 25950, 25960, 25990, 26570, 26600 & 26603
 (\$ Millions)

	FY 2023-24				Variance (Projection vs Revised Budget)	
	FY 2022-23 Actuals	Original Budget	Revised Budget (includes carryforwards)	Projection (current year spending)		
Sources						
Retail Water Sales	310.3	346.7	347.1	325.9	(21.2)	A
Wholesale Water Sales	253.5	318.2	318.2	319.3	1.2	B
Interest Income	6.8	1.1	1.1	3.7	2.6	C
Rental Income	13.7	13.6	13.6	13.6	-	
Miscellaneous Income	26.8	17.0	17.0	14.5	(2.5)	D
Departmental Transfer Adjustment	-	(46.3)	(46.3)	(46.3)	-	
Federal Bond Interest Subsidy	21.3	20.8	20.8	22.8	1.9	E
Appropriated/Budgeted Use of Fund Balance	-	-	79.5	79.5	-	
Total Sources	632.3	671.2	751.0	733.1	(18.0)	
Operating Uses						
Personnel	105.7	114.9	114.6	114.0	0.6	F
Non-Personnel Services	20.9	21.2	34.9	34.9	-	
Materials and Supplies	20.4	19.1	23.1	23.1	-	
Equipment	3.2	2.6	8.4	8.4	-	
Overhead (SFPUC Bureaus)	55.1	66.1	77.2	77.2	-	
Services of Other Departments	25.6	27.6	29.5	29.5	-	
Debt Service	306.6	333.7	333.7	327.4	6.2	G
General Reserve	-	5.9	5.9	-	5.9	H
Total Operating Uses	537.4	591.2	627.3	614.6	12.8	
Net Operating Results	94.9			118.5	(5.2)	
Other Impacts to Operating Budget						
	FY 2022-23 Actuals	Current Year Transfers from Operating	Total Available Funds	Projection (current & future years spending)	Project Closeouts	
Capital Projects	57.8	45.6	191.2	191.2	-	
Facilities Maintenance/Programmatic	31.7	34.4	77.8	77.8	-	
Legal Settlements	-	-	-	9.7	(9.7)	I
Total Adjustments to Operating Fund Balance	\$ 89.4	\$ 79.9	\$ 269.0	\$ 278.7	\$ (9.7)	
Available Fund Balance as of Fiscal Year-End	\$ 211.4				\$ 196.5	
Available Fund Balance, % of Operating Uses (J) 25-68%	80.5%				53.8%	
Debt Service Coverage (Year-End Budgetary Basis)						
Indenture Basis (includes Available Fund Balance) (K) ≥ 1.35	1.53	1.79			1.57	
Current Basis (L) ≥ 1.10	1.22	1.16			1.11	

Appendix A

WATER ENTERPRISE OPERATING FUNDS

FY 2023-24 2nd Quarter - Budgetary Basis, Funds 25940, 25950, 25960, 25990, 26570, 26600 & 26603
(\$ Millions)

Revenue Variances

- A. The FY 2023-24 budget was adopted assuming the 5% drought surcharge would remain in effect. The surcharge accounted for approximately \$14.1 million in revenues. Retail sales projected at 52.6 MGD, a 4.7% decrease from budgeted volumes of 55.2 MGD. Includes \$6 million in state grant funding for arrearages and discount programs during pandemic.
- B. The FY 2023-24 wholesale budget was adopted assuming higher volumetric rate of \$5.30. The adopted rate was subsequently set at \$5.21, or 1.7% lower, due to higher water sale projections due to the end of drought restrictions. This decrease is offset by projected wholesale sales of 124.6 MGD, 2.2% higher than budgeted assumption of 121.9 MGD.
- C. Assumed interest rate of 1.5% is higher than budget of 0.5%.
- D. Miscellaneous income lower than budget due to lower water service installation charges and reduced fees during collections moratorium.
- E. Includes federal subsidy on 525 Golden Gate COPs.

Expenditure Variances

- F. Savings due to vacant positions.
- G. Debt Service variance due to the issuance of 2023CD refunding bonds and delay of interest payment for the Mt Tunnel SRF loan.
- H. \$5.9M in general reserve due to higher sources than uses.
- I. \$9.7M in expected in legal settlements.

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 2023-24 2nd Quarter - Budgetary Basis, Funds 20160, 20170 & 20550
 (\$ Millions)

	FY 2023-24				
	FY 2022-23 Actuals	Original Budget	Revised Budget (includes carryforwards)	Projection (current year spending)	Variance (Projection vs Revised Budget)
Sources					
Sewer Service Charges	360.8	415.4	415.8	391.3	(24.4) A
Interest Income	7.6	1.7	1.7	5.3	3.7 B
Miscellaneous Income	7.9	3.8	3.8	3.7	(0.1) C
Federal Bond Interest Subsidy	3.5	3.4	3.4	3.9	0.5 D
Appropriated/Budgeted Use of Fund Balance		-	26.4	26.4	-
Total Sources	379.8	424.2	451.0	430.6	(20.4)
Operating Uses					
Personnel	76.1	87.6	87.6	84.4	3.2 E
Non-Personnel Services	25.5	28.0	33.2	33.2	-
Materials and Supplies	14.1	13.2	14.4	14.4	-
Equipment	1.4	2.0	7.7	7.7	-
Overhead (SFPUC Bureaus)	32.9	39.0	45.8	45.8	-
Services of Other Departments	38.4	38.8	41.1	41.1	-
Debt Service	98.6	98.0	98.0	98.6	(0.6) F
General Reserve		27.8	27.8	-	27.8 G
Total Operating Uses	287.1	334.5	355.6	325.2	30.4
Net Operating Results	92.7			105.4	\$ 10.0
Other Impacts to Operating Budget					
	FY 2022-23 Actuals	Current Year Transfers from Operating	Total Available Funds	Projection (current & future years spending)	Project Closeouts
Capital Projects	71.6	81.3	263.2	263.2	-
Facilities Maintenance/Programmatic	7.2	8.4	13.6	13.6	-
Total Adjustments to Operating Fund Balance	\$ 78.8	\$ 89.7	\$ 276.8	\$ 276.8	\$ -
Available Fund Balance as of Fiscal Year-End	\$ 155.7				\$ 165.7
Available Fund Balance, % of Operating Uses (H) 25-68%	79.6%				69.0%
Debt Service Coverage (Year-End Budgetary Basis)					
Indenture Basis (includes Available Fund Balance) (I) ≥ 1.35	3.09	3.50			3.47
Current Basis (J) ≥ 1.10	2.01	1.89			2.11

Appendix B

WASTEWATER ENTERPRISE OPERATING FUNDS FY 2023-24 2nd Quarter - Budgetary Basis, Funds 20160, 20170 & 20550 (\$ Millions)

Revenue Variances

- A. The FY 2023-24 budget was adopted assuming the 5% drought surcharge would remain in effect. The surcharge accounted for approximately \$18.8 million in revenues. In addition, some stormwater-only parcels have not yet been billed pending confirmation of responsible account holders. Billable volumes projected at 43.4 MGD, a 1.8% decrease from budgeted volumes of 44.2 MGD. Includes \$9 million in state grant funding for arrearages and discount programs during the pandemic.
- B. Assumed interest rate of 1.5% is higher than budget of 0.5%.
- C. Miscellaneous income lower than budget due to lower permit fees and reduced fees during collections moratorium.
- D. Includes federal subsidy on 525 Golden Gate COPs, which was not budgeted.

Expenditure Variances

- E. Salary savings reflect vacant positions.
- F. Debt service variance mainly due the issuance of the 2023C refunding of 2018C, offset partially by refunding savings from the issuance of the 2023B refunding bonds.
- G. \$27.8M in general reserve due to higher sources than uses.

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 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.
- 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), 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 2023-24 2nd Quarter - Budgetary Basis - 24970, 24980, 24990
 (\$ Millions)

	FY 2023-24				
	FY 2022-23 Actuals	Original Budget	Revised Budget (includes carryforwards)	Projection (current year spending)	Variance (Projection vs Revised Budget)
Sources					
Electric Sales - Retail	159.6	169.1	175.8	176.1	0.3 A
Electric Sales - Wholesale	48.8	31.7	31.7	41.5	9.8 B
Water Sales - Transfer from Water Department	49.6	46.3	46.3	46.3	-
Natural Gas & Steam - City Work Orders	24.6	24.7	24.7	20.9	(3.8) C
Interest Income	5.6	1.1	1.1	3.9	2.8 D
Federal Interest Subsidy - Power Bonds	0.2	0.4	0.4	0.4	-
Miscellaneous Income	4.8	4.0	4.0	5.2	1.2 E
Appropriated/Budgeted Use of Fund Balance	40.5	35.4	82.2	82.2	-
Total Sources	333.7	312.7	366.1	376.4	10.3
Operating Uses					
Personnel	50.6	54.5	54.5	54.2	0.3 F
Non-Personnel Services	36.1	43.8	71.4	71.4	-
Power Purchases, Transmission Distribution & Related Charges	77.9	127.0	135.1	86.2	49.0 G
Natural Gas & Steam	24.6	24.7	24.7	20.9	3.8 H
Materials and Supplies	3.8	3.5	3.8	3.8	-
Equipment	1.2	2.6	8.5	8.5	-
Overhead (SFPUC Bureaus)	21.2	25.0	29.0	29.0	-
Services of Other Departments	8.8	8.6	9.1	9.1	-
Debt Service	3.5	3.8	3.8	3.8	-
General Reserve	-	-	-	-	-
Total Operating Uses	227.8	293.4	339.9	286.9	53.1
Net Operating Results	105.9			89.5	63.3
Other Impacts to Operating Budget					
	FY 2022-23 Actuals	Current Year Transfers from Operating	Total Available Funds	Projection (current & future years spending)	Project Closeouts
Legal Settlements	-	-	1.9	1.9	-
Facilities Maintenance/Programmatic	15.2	14.3	19.2	19.2	-
Capital projects	13.5	5.0	76.0	76.0	-
Total Adjustments to Operating Fund Balance	28.7	19.3	97.1	97.1	-
Available Fund Balance as of Fiscal Year-End	179.3				207.2
Available Fund Balance, % of Operating Uses (I) 25-68%	74.9%				85.7%
Debt Service Coverage... Year-End Budgetary Basis					
Indenture Basis (includes Available Fund Balance) (J) ≥ 1.35	56.46	59.39			66.62
Current Basis (K) ≥ 1.10	18.97	3.34			28.77

Revenue Variances

- A. Retail sales are slightly above budget.
- B. Wholesale sales are higher than budget mainly due to higher attribute and resource adequacy sales, and slightly higher sales to the power market due to higher generation.
- C. Gas and steam sales below budget due to lower usage. Revenue reduction is offset by equivalent cost savings.
- D. Interest income forecasted to increase from budget due to higher interest rate than assumed.
- E. Miscellaneous income projected to exceed budget primarily due to Distributed Antenna System admin fees not budgeted.

Expenditure Variances

- F. Salary savings due to vacant positions.
- G. Savings are due to a favorable 2023 water year, avoiding \$15M in additional power purchases, \$12M in savings from Distribution costs resulting from PG&E's error in calculations discovered by Power staff, \$4M in savings from Transmission and related CAISO costs, and \$3M in savings for Resource Adequacy. The remaining savings are a result of budgeted contingency projected to be unspent.
- H. Gas and steam sales below budget due to lower usage. Revenue reduction is offset by equivalent cost savings.

Other Notes

- I. 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%.
- J. 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.
- K. 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 2023-24 2nd Quarter - Budgetary Basis - 24750, 24761, 24762, 24765 & 24870
(\$ Millions)

	FY 2023-24				
	FY 2022-23 Actuals	Original Budget	Revised Budget (includes carryforwards)	Projection (current year spending)	Variance (Projection vs Revised Budget)
Operating Sources					
Electric Sales - Green Product	299.7	338.4	338.4	330.5	(7.9)
Electric Sales - SuperGreen Product	25.6	28.9	28.9	35.0	6.0
Wholesale Sales	3.6	1.6	1.6	11.6	10.1
Subtotal - Electric Revenues	329.0	368.9	368.9	377.1	8.2 A
Interest Income	1.7	0.6	0.6	2.4	1.7 B
Miscellaneous Income	0.0	-	-	-	-
Appropriated/Budgeted Use of Fund Balance	16.8	-	26.4	26.4	-
Total Sources	347.4	369.6	396.0	405.9	9.9
Operating Uses					
Personnel	5.0	8.1	8.1	7.2	0.9 C
Overhead	5.1	6.1	6.7	6.7	-
Non Personnel Services	10.7	12.0	12.9	12.9	-
Materials & Supplies	0.0	0.2	0.2	0.2	-
Power Purchases, Transmission Distribution & Related Charge	264.3	305.3	323.6	321.2	2.5 D
Services of Other Departments	3.5	4.2	5.1	5.1	-
Debt Service	-	-	-	-	-
General Reserve	-	32.7	32.7	-	32.7 E
Total Operating Uses	288.7	368.6	389.4	353.3	36.1
Net Operating Results	58.7			52.6	46.0
Other Impacts to Operating Budget					
	FY 2022-23 Actuals	Current Year Transfers from Operating	Total Available Funds	Projection (current & future years spending)	Project Closeouts
Programmatic	0.8	0.2	5.8	5.8	-
Capital Projects	1.5	0.8	5.3	5.3	-
Total Adjustments to Operating Fund Balance	2.3	0.9	11.1	11.1	-
Available Fund Balance as of Fiscal Year-End	90.1				136.1 F
Available Fund Balance, % of Operating Uses (G) %	31.1%				37.9%

Revenue Variances

A. Retail revenues are driven lower by final rates being slightly lower than budgeted rates, offset by higher wholesale revenues.

B. Interest income forecasted to increase from budget due to higher interest rate than assumed, as well as interest earnings from APX collateral.

Expenditure Variances

C. Salary savings due to vacant positions.

D. Power Purchases variance driven by lower wholesale energy costs partially offset by increasing renewable and resource adequacy market costs.

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. Per SFPUC's Fund Balance Reserve Policy adopted in April 2022, CleanPowerSF is required to build its fund balance reserve to a minimum of 41% (150 days) and a target of 49% (180 days) of operating expenditures within three fiscal years (June 30, 2025) of Fiscal Year Ending 2022.



San Francisco Water Power Sewer

Services of the San Francisco Public Utilities Commission

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Date: June 25, 2024

To: Commissioner Tim Paulson, President
Commissioner Anthony Rivera, Vice President
Commissioner Newsha K. Ajami
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 2023-24 Third Quarter Budgetary Report through March 2024**

The FY 2023-24 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 2023-24 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	211.4	-	(16.7)	13.2	(3.6)	(9.8)	198.0
Wastewater	155.7	-	(20.9)	36.2	15.2	-	170.9
Power	179.3	(35.4)	12.8	50.7	63.6	6.9	214.4
CleanPowerSF	90.1	-	0.1	41.8	41.9	-	132.0

Summary:

- Positive year end operating results projected for Wastewater, Power, CleanPowerSF and a shortfall for Water.
- *Water & Wastewater:* Overall year end revenues are down from Quarter 2 due to lower usage from a longer wet season.
- *Water:* Retail revenues are projected to be below budget. The FY2023-24 budget was adopted assuming the 5% drought surcharge would remain in effect. It was removed May of 2023. The surcharge accounted for approximately \$14.1 million in revenue. This is offset by \$8.1 million in state grant funding for

London N. Breed
Mayor

Tim Paulson
President

Anthony Rivera
Vice President

Newsha K. Ajami
Commissioner

Kate H. 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.



arrearages and discount programs from the pandemic, a slight surplus from wholesale sales, lower labor costs due to vacant positions, savings from debt refunding and a general reserve which was budgeted to go unspent.

Additionally, fund balance is projected to be reduced by \$9.8M due to legal settlements. Such settlements can be paid from fund balance per Appropriation Ordinance No. 165-20 (section 10.10).

- *Wastewater*: Similar to Water, revenues are projected to be below budget. The FY 2023-24 budget was adopted assuming the 5% drought surcharge would remain in effect. The surcharge accounted for approximately \$18.8 million. Additionally, multiple stormwater-only parcels currently have no existing service agreements and remain uncollected. This is offset by \$11.6 million in state grant funding for arrearages and discount programs from the pandemic, lower labor costs due to vacant positions and a general reserve that was budgeted to go unspent.
- *Power*: Overall projected yearend results are higher than budget, similar to quarter two.
 - Wholesale revenues are projected to exceed the budget due to higher sales from resource adequacy combined with higher generation.
 - On the expense side, large savings are projected for power purchases due to higher generation, avoiding \$18M in additional power purchases. Also, \$12M in savings from distribution costs resulting from PG&E's error in calculations discovered by Power staff, \$3M in savings from transmission and related CAISO costs, and \$4M in savings from resource adequacy. This is partially offset by a one-time opportunistic \$4M payment for Cost of Ownership fee to PG&E to save on future operating costs. The remaining savings are a result of budgeted contingency projected to be unspent.
- *CleanPowerSF*: Revenues are projected to meet budget due higher interest income and slightly higher wholesale sales, offset by lower retail sales due to final rates being set lower vs. the budget. In addition, power prices have lowered since quarter two resulting in a surplus in the power purchase budget, along with general reserve which was budgeted to go unspent.
- All enterprises are projected to meet financial policy minimums and coverage ratios at year end.

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

cc:

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Barbara Hale, AGM, Power Enterprise, SFPUC
Joel Prather, 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, Deputy Chief Financial Officer, SFPUC
Anna Duning, Budget Director, Mayor's Office
Greg Wagner, Controller

Attachments:

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

Appendix A

WATER ENTERPRISE OPERATING FUNDS
FY 2023-24 3rd Quarter - Budgetary Basis, Funds 25940, 25950, 25960, 25990, 26570, 26600 & 26603
 (\$ Millions)

	FY 2023-24				
	FY 2022-23 Actuals	Original Budget	Revised Budget (includes carryforwards)	Projection (current year spending)	Variance (Projection vs Revised Budget)
Sources					
Retail Water Sales	310.3	346.7	347.1	322.6	(24.5) A
Wholesale Water Sales	253.5	318.2	318.2	320.8	2.6 B
Interest Income	6.8	1.1	1.1	6.8	5.7 C
Rental Income	13.7	13.6	13.6	13.6	-
Miscellaneous Income	26.8	17.0	17.5	15.0	(2.4) D
Departmental Transfer Adjustment	-	(46.3)	(46.3)	(46.3)	-
Federal Bond Interest Subsidy	21.3	20.8	20.8	22.8	1.9 E
Appropriated/Budgeted Use of Fund Balance	-	-	79.5	79.5	-
Total Sources	632.3	671.2	751.5	734.8	(16.7)
Operating Uses					
Personnel	105.7	114.9	114.6	113.6	1.0 F
Non-Personnel Services	20.9	21.2	34.9	34.9	-
Materials and Supplies	20.4	19.1	23.1	23.1	-
Equipment	3.2	2.6	8.4	8.4	-
Overhead (SFPUC Bureaus)	55.1	66.1	77.2	77.2	-
Services of Other Departments	25.6	27.6	29.5	29.5	-
Debt Service	306.6	333.7	333.7	327.4	6.2 G
General Reserve	-	5.9	5.9	-	5.9 H
Total Operating Uses	537.4	591.2	627.3	614.2	13.2
Net Operating Results	94.9			120.6	(3.6)
Other Impacts to Operating Budget					
	FY 2022-23 Actuals	Transfers from Operating	Total Available Funds	Projection (current & future years spending)	Project Closeouts
Capital Projects	57.8	45.6	191.2	191.2	-
Facilities Maintenance/Programmatic	31.7	34.4	78.3	78.3	-
Legal Settlements	-	-	-	9.8	(9.8) J
Total Adjustments to Operating Fund Balance	\$ 89.4	\$ 79.9	\$ 269.5	\$ 279.3	\$ (9.8)
Available Fund Balance as of Fiscal Year-End	\$ 211.4			\$ 198.0	
Available Fund Balance, % of Operating Uses (K) 25-68%	80.5%			54.3%	
Debt Service Coverage (Year-End Budgetary Basis)					
Indenture Basis (includes Available Fund Balance) (L) ≥ 1.35	1.53	1.79			1.57
Current Basis (M) ≥ 1.10	1.22	1.16			1.11

Appendix A

WATER ENTERPRISE OPERATING FUNDS FY 2023-24 3rd Quarter - Budgetary Basis, Funds 25940, 25950, 25960, 25990, 26570, 26600 & 26603 (\$ Millions)

Revenue Variances

- A. The FY 2023-24 budget was adopted assuming the 5% drought surcharge would remain in effect. The surcharge accounted for approximately \$14.1 million in revenues. Retail sales projected at 51.7 MGD, a 6.3% decrease from budgeted volumes of 55.2 MGD. Includes \$8.1 million in state grant funding for arrearages and discount programs during pandemic.
- B. The FY 2023-24 wholesale budget was adopted assuming higher volumetric rate of \$5.30. The adopted rate was subsequently set at \$5.21, or 1.7% lower, due to higher water sale projections due to the end of drought restrictions. This decrease is offset by projected wholesale sales of 122.8 MGD, 0.7% higher than budgeted
- C. Assumed interest rate of 1.5% is higher than budget of 0.5%.
- D. Miscellaneous income is just above budget.
- E. Includes federal subsidy on 525 Golden Gate COPs.

Expenditure Variances

- F. Savings due to vacant positions.
- G. Debt Service variance due to the issuance of 2023CD refunding bonds and delay of interest payment for the Mt Tunnel SRF loan.
- H. \$5.9M in general reserve due to higher sources than uses.
- I. \$0.5M has been added from the General Fund to support research on sea level rise and groundwater impacts in the Hunters Point Shipyard.
- J. \$9.8M in expected legal settlements.

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 2023-24 3rd Quarter - Budgetary Basis, Funds 20160, 20170 & 20550
 (\$ Millions)

	FY 2022-23 Actuals	FY 2023-24				
		Original Budget	Revised Budget (includes carryforwards)	Projection (current year spending)	Variance (Projection vs Revised Budget)	
Sources						
Sewer Service Charges	360.8	415.4	415.8	388.1	(27.7)	A
Interest Income	7.6	1.7	1.7	8.1	6.5	B
Miscellaneous Income	7.9	3.8	3.8	3.7	(0.2)	C
Federal Bond Interest Subsidy	3.5	3.4	3.4	3.9	0.5	D
Appropriated/Budgeted Use of Fund Balance		-	26.4	26.4	-	
Total Sources	379.8	424.2	451.0	430.1	(20.9)	
Operating Uses						
Personnel	76.1	87.6	87.6	82.1	5.4	E
Non-Personnel Services	25.5	28.0	31.2	31.2	-	
Materials and Supplies	14.1	13.2	16.3	16.3	-	
Equipment	1.4	2.0	7.7	7.7	-	
Overhead (SFPUC Bureaus)	32.9	39.0	45.8	45.8	-	
Services of Other Departments	38.4	38.8	41.1	41.1	-	
Debt Service	98.6	98.0	98.0	95.1	2.9	F
General Reserve		27.8	27.8	-	27.8	G
Total Operating Uses	287.1	334.5	355.6	319.4	36.2	
Net Operating Results	92.7			110.6	\$ 15.2	
Other Impacts to Operating Budget						
	FY 2022-23 Actuals	Current Year Transfers from Operating	Total Available Funds	Projection (current & future years spending)	Project Closeouts	
Capital Projects	71.6	81.3	263.2	263.2	-	
Facilities Maintenance/Programmatic	7.2	8.4	13.6	13.6	-	
Total Adjustments to Operating Fund Balance	\$ 78.8	\$ 89.7	\$ 276.8	\$ 276.8	\$ -	
Available Fund Balance as of Fiscal Year-End	\$ 155.7				\$ 170.9	
Available Fund Balance, % of Operating Uses (H) 25-68%	79.6%				71.8%	
Debt Service Coverage (Year-End Budgetary Basis)						
Indenture Basis (includes Available Fund Balance) (I) ≥ 1.35	3.09	3.50			3.62	
Current Basis (J) ≥ 1.10	2.01	1.89			2.21	

Appendix B

WASTEWATER ENTERPRISE OPERATING FUNDS FY 2023-24 3rd Quarter - Budgetary Basis, Funds 20160, 20170 & 20550 (\$ Millions)

Revenue Variances

- A. The FY 2023-24 budget was adopted assuming the 5% drought surcharge would remain in effect. The surcharge accounted for approximately \$18.8 million in revenues. In addition, some stormwater-only parcels have not yet been billed pending confirmation of responsible account holders. Billable volumes projected at 42.4 MGD, a 4.0% decrease from budgeted volumes of 44.2 MGD. Includes \$11.6 million in state grant funding for arrearages and discount programs during the pandemic.
- B. Assumed interest rate of 1.5% is higher than budget of 0.5%.
- C. Miscellaneous income lower than budget due to lower permit fees and reduced fees during collections moratorium.
- D. Includes federal subsidy on 525 Golden Gate COPs, which was not budgeted.

Expenditure Variances

- E. Salary savings reflect vacant positions.
- F. Debt service variance mainly due the issuance of the 2023C refunding of 2018C, offset by refunding savings from the issuance of the 2023B refunding bonds and defeasance of the 2021A and 2021B Revenue Notes.
- G. \$27.8M in general reserve due to higher sources than uses.

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 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.
- 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), 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 2023-24 3rd Quarter - Budgetary Basis - 24970, 24980, 24990
 (\$ Millions)

	FY 2023-24				
	FY 2022-23 Actuals	Original Budget	Revised Budget (includes carryforwards)	Projection (current year spending)	Variance (Projection vs Revised Budget)
Sources					
Electric Sales - Retail	159.6	169.1	175.8	172.7	(3.1) A
Electric Sales - Wholesale	48.8	31.7	31.7	46.3	14.6 B
Water Sales - Transfer from Water Department	49.6	46.3	46.3	46.3	-
Natural Gas & Steam - City Work Orders	24.6	24.7	24.7	18.8	(5.9) C
Interest Income	5.6	1.1	1.1	7.3	6.2 D
Federal Interest Subsidy - Power Bonds	0.2	0.4	0.4	0.4	-
Miscellaneous Income	4.8	4.0	4.0	5.0	1.0 E
Appropriated/Budgeted Use of Fund Balance	40.5	35.4	82.2	82.2	-
Total Sources	333.7	312.7	366.1	379.0	12.8
Operating Uses					
Personnel	50.6	54.5	54.5	54.5	-
Non-Personnel Services	36.1	43.8	71.0	71.0	-
Power Purchases, Transmission Distribution & Related Charges	77.9	127.0	134.8	89.9	44.8 F
Natural Gas & Steam	24.6	24.7	24.7	18.8	5.9 G
Materials and Supplies	3.8	3.5	4.2	4.2	-
Equipment	1.2	2.6	8.5	8.5	-
Overhead (SFPUC Bureaus)	21.2	25.0	29.0	29.0	-
Services of Other Departments	8.8	8.6	9.5	9.5	-
Debt Service	3.5	3.8	3.8	3.8	-
General Reserve	-	-	-	-	-
Total Operating Uses	227.8	293.4	340.0	289.3	50.7
Net Operating Results	105.9			89.7	63.6
Other Impacts to Operating Budget					
	FY 2022-23 Actuals	Current Year Transfers from Operating	Total Available Funds	Projection (current & future years spending)	Project Closeouts
Legal Settlements	-	-	1.9	1.9	-
Facilities Maintenance/Programmatic	15.2	14.3	19.2	19.2	-
Capital projects	13.5	5.0	76.0	69.1	6.9 H
Total Adjustments to Operating Fund Balance	28.7	19.3	97.1	90.2	6.9
Available Fund Balance as of Fiscal Year-End	179.3				214.4
Available Fund Balance, % of Operating Uses (I) 25-68%	74.9%				88.0%
Debt Service Coverage... Year-End Budgetary Basis					
Indenture Basis (includes Available Fund Balance) (J) ≥ 1.35	56.46	59.39			66.70
Current Basis (K) ≥ 1.10	18.97	3.34			28.85

Revenue Variances

- A. Retail sales are slightly below budget.
- B. Wholesale sales are higher than budget mainly due to higher attribute and resource adequacy sales.
- C. Gas and steam sales below budget due to lower usage. Revenue reduction is offset by equivalent cost savings.
- D. Interest income forecasted to increase from budget due to higher interest rate than assumed.
- E. Miscellaneous income projected to exceed budget primarily due to Distributed Antenna System admin fees not budgeted.

Expenditure Variances

- F. Savings are due to a favorable water year, avoiding \$18M in additional power purchases, \$12M in savings from Distribution costs resulting from PG&E's error in calculations discovered by Power staff, \$3M in savings from Transmission and related CAISO costs, and \$4M in savings for Resource Adequacy. This is partially offset by a one-time opportunistic \$4M payment for Cost of Ownership fee to PG&E. The remaining savings are a result of budgeted contingency projected to be unspent.
- G. Gas and steam sales below budget due to lower usage. Revenue reduction is offset by equivalent cost savings.
- H. Project savings due to closeout of Rim Fire Project.

Other Notes

- I. 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%.
- J. 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.
- K. 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 2023-24 3rd Quarter - Budgetary Basis - 24750, 24761, 24762, 24765 & 24870
(\$ Millions)

	FY 2023-24				
	FY 2022-23 Actuals	Original Budget	Revised Budget (includes carryforwards)	Projection (current year spending)	Variance (Projection vs Revised Budget)
Operating Sources					
Electric Sales - Green Product	299.7	338.4	338.4	308.3	(30.1)
Electric Sales - SuperGreen Product	25.6	28.9	28.9	54.4	25.5
Wholesale Sales	3.6	1.6	1.6	4.6	3.0
Subtotal - Electric Revenues	329.0	368.9	368.9	367.3	(1.6) A
Interest Income	1.7	0.6	0.6	2.3	1.7 B
Miscellaneous Income	0.0	-	-	-	-
Appropriated/Budgeted Use of Fund Balance	16.8	-	26.4	26.4	-
Total Sources	347.4	369.6	396.0	396.0	0.1
Operating Uses					
Personnel	5.0	8.1	8.1	6.8	1.3 C
Overhead	5.1	6.1	6.7	6.7	-
Non Personnel Services	10.7	12.0	12.9	12.9	-
Materials & Supplies	0.0	0.2	0.2	0.2	-
Power Purchases, Transmission Distribution & Related Char	264.3	305.3	323.6	315.8	7.8 D
Services of Other Departments	3.5	4.2	5.1	5.1	-
Debt Service	-	-	-	-	-
General Reserve	-	32.7	32.7	-	32.7 E
Total Operating Uses	288.7	368.6	389.4	347.6	41.8
Net Operating Results	58.7			48.4	41.9
Other Impacts to Operating Budget					
	FY 2022-23 Actuals	Current Year Transfers from	Total Available Funds	Projection (current & future years spending)	Project Closeouts
Programmatic	0.8	0.2	5.8	5.8	-
Capital Projects	1.5	0.8	5.3	5.3	-
Total Adjustments to Operating Fund Balance	2.3	0.9	11.1	11.1	-
Available Fund Balance as of Fiscal Year-End	90.1				132.0 F
Available Fund Balance, % of Operating Uses (G) %	31.1%				37.3%

Revenue Variances

A. Retail revenues are driven lower by final rates being slightly lower than budgeted rates, offset by higher wholesale revenues.

B. Interest income forecasted to increase from budget due to higher interest rate than assumed, as well as interest earnings from APX collateral.

Expenditure Variances

C. Salary savings due to vacant positions.

D. Power Purchases variance driven by lower wholesale energy costs partially offset by increasing renewable and resource adequacy market costs.

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. Per SFPUC's Fund Balance Reserve Policy adopted in April 2022, CleanPowerSF is required to build its fund balance reserve to a minimum of 41% (150 days) and a target of 49% (180 days) of operating expenditures within three fiscal years (June 30, 2025) of Fiscal Year Ending 2022.



Date: September 24, 2024

To: Commissioner Tim Paulson, President
 Commissioner Anthony Rivera, Vice President
 Commissioner Newsha K. Ajami
 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 2023-24 Fourth Quarter Budgetary Report through June 2024**

The FY 2023-24 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 2023-24 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	211.4	-	(24.4)	20.8	(3.6)	(8.4)	199.4
Wastewater	155.7	-	(21.3)	42.2	20.9	-	176.6
Power	179.3	(35.4)	15.1	57.3	72.4	6.9	223.2
CleanPowerSF	90.1	-	(6.6)	59.3	52.8	-	142.9

Summary:

- Positive year end operating results projected for Wastewater, Power, CleanPowerSF and a negative for Water.
- *Water & Wastewater sources:*
 - Overall year end revenues are down due to
 - Lower volumes due to a longer wet season;
 - Removal of the drought surcharge. The FY2023-24 budget was adopted assuming the 5% drought surcharge would remain in effect. It was removed May of 2023. The surcharge accounted for

London N. Breed
Mayor

Tim Paulson
President

Anthony Rivera
Vice President

Newsha K. Ajami
Commissioner

Kate H. Stacy
Commissioner

Dennis J. Herrera
General Manager



- approximately \$14.1 million in revenue for Water and \$18.8 million for Wastewater; and
- Delayed billing for certain customers. There was a delay in the procurement of meter replacement parts, resulting in a number of accounts not being billed dating back to Fall 2023. SFPUC is in the process of recovering the un-transmitted data from the affected meters. However, due to the lead time needed to replace meter parts and calculate the back bills owed, there is approximately \$6.6 million in delayed revenues for Water and approximately \$6.6 million for Wastewater. These revenues will be accrued for FY 2023-24, as billing will resume, and revenues will be collected in FY 2024-25.
 - This is offset by state grant funding for arrearages and discount programs from the pandemic: \$8.2 million for Water and \$11.6 million for Wastewater.
 - *Water uses*: fund balance was reduced by \$9.8M due to legal settlements. Such settlements can be paid from fund balance per Appropriation Ordinance No. 165-20 (section 10.10). This is offset by savings in labor costs due to vacant positions, debt service, programmatic closeouts and savings in the Bureau overhead costs as well as general reserve that was budgeted to go unspent.
 - *Wastewater uses*: savings in labor costs due to vacant positions, debt service, Bureau overhead savings and a general reserve that was budgeted to go unspent.
 - *Power*: Overall year-end results are significantly positive vs budget.
 - Wholesale revenues are projected to exceed the budget due to higher sales from resource adequacy combined with higher generation. This is offset by slightly lower retail revenues and lower gas and steam sales.
 - On the uses side, large savings are projected for power purchases due to higher generation, avoiding \$18M in additional power purchases. Also, \$12M in savings from distribution costs resulting from PG&E's error in calculations discovered by Power staff, \$3M in savings from transmission and related CAISO costs, and \$4M in savings from resource adequacy. This is partially offset by a one-time opportunistic \$4M payment for Cost of Ownership fee to PG&E to save on future operating costs. In addition, lower gas and steam purchases due to reduced demand. The remaining savings are a result of budgeted contingency projected to be unspent, as well as closeout of Rim Fire related project funding.

- *CleanPowerSF*: Overall yearend results are positive vs budget. Retail sales are lower than the budget due to final rates being set lower than budget and lower demand since quarter three. This is offset by slightly higher wholesale sales. On the uses side lower power prices resulted in a large surplus in the power purchase budget, and there is a general reserve which was budgeted to go unspent.
- All enterprises are projected to exceed financial policy minimums and coverage ratios at year end. Finance is currently in the process of reviewing and updating SFPUC's key financial policies, as these policies were last adopted by the Commission in March 2017. Updated policies are expected to be presented to the Commission for adoption during FY 2024-25.

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

cc:

Ronald P. Flynn, Deputy General Manager, SFPUC
Barbara Hale, AGM, Power Enterprise, SFPUC
Joel Prather, 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, Deputy Chief Financial Officer, SFPUC
Sophia Kittler, Budget Director, Mayor's Office
Greg Wagner, Controller

Attachments:

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

Appendix A

WATER ENTERPRISE OPERATING FUNDS
FY 2023-24 4th Quarter - Budgetary Basis, Funds 25940, 25950, 25960, 25990, 26570, 26600 & 26603
 (\$ Millions)

	FY 2023-24				
	FY 2022-23 Actuals	Original Budget	Revised Budget (includes carryforwards)	Projection (current year spending)	Variance (Projection vs Revised Budget)
Sources					
Retail Water Sales	310.3	346.7	347.1	322.1	(25.0) A
Wholesale Water Sales	253.5	318.2	318.2	313.0	(5.2) B
Interest Income	6.8	1.1	1.1	11.1	10.0 C
Rental Income	13.7	13.6	13.6	9.0	(4.6) D
Miscellaneous Income	26.8	17.0	17.5	16.0	(1.4) E
Departmental Transfer Adjustment	-	(46.3)	(46.3)	(46.3)	-
Federal Bond Interest Subsidy	21.3	20.8	20.8	22.8	1.9 F
Appropriated/Budgeted Use of Fund Balance	-	-	79.5	79.5	-
Total Sources	632.3	671.2	751.5	727.2	(24.4)
Operating Uses					
Personnel	105.7	114.9	114.6	112.3	2.3 G
Non-Personnel Services	20.9	21.2	33.0	32.5	0.5 H
Materials and Supplies	20.4	19.1	23.1	23.1	-
Equipment	3.2	2.6	8.4	8.1	0.3
Overhead (SFPUC Bureaus)	55.1	66.1	77.2	73.2	4.0 I
Services of Other Departments	25.6	27.6	31.4	29.9	1.5 J
Debt Service	306.6	333.7	333.7	327.4	6.2 K
General Reserve	-	5.9	5.9	-	5.9 L
Total Operating Uses	537.4	591.2	627.3	606.5	20.8
Net Operating Results	94.9			120.7	(3.6)
Other Impacts to Operating Budget					
	FY 2022-23 Actuals	Transfers from Operating	Total Available Funds	Projection (current & future years spending)	Project Closeouts
Capital Projects	57.8	45.6	191.2	191.2	-
Facilities Maintenance/Programmatic	31.7	34.4	78.3	76.9	1.4 M
Legal Settlements	-	-	-	9.8	(9.8) N
Total Adjustments to Operating Fund Balance	\$ 89.4	\$ 79.9	\$ 269.5	\$ 277.9	\$ (8.4)
Available Fund Balance as of Fiscal Year-End	\$ 211.4				\$ 199.4
Available Fund Balance, % of Operating Uses (O) 25-68%	80.5%				56.0%
Debt Service Coverage (Year-End Budgetary Basis)					
Indenture Basis (includes Available Fund Balance) (P) ≥ 1.35	1.53	1.79			1.58
Current Basis (Q) ≥ 1.10	1.22	1.16			1.12

Appendix A

WATER ENTERPRISE OPERATING FUNDS FY 2023-24 4th Quarter - Budgetary Basis, Funds 25940, 25950, 25960, 25990, 26570, 26600 & 26603 (\$ Millions)

Revenue Variances

- A. The FY 2023-24 budget was adopted assuming the 5% drought surcharge would remain in effect. The surcharge accounted for approximately \$14.1 million in revenues. Additionally, there was a delay in the procurement of meter replacement parts, resulting in a number of accounts not being billed dating back to Fall 2023. SFPUC is in the process of recovering the untransmitted data from the affected meters. However, due to the lead time needed to replace meter parts, calculate the back bills owed, there is approx. \$6.6 million in delayed revenues. These revenues will be accrued for FY 2023-24, as billing will resume and revenues will be collected in FY 2024-25. These two reductions in revenues compared to budget are partially offset by an \$8.2 million in state grant funding for arrearages and discount programs during pandemic.
- B. The FY 2023-24 wholesale budget was adopted assuming higher volumetric rate of \$5.30. The adopted rate was subsequently set at \$5.21, or 1.7% lower, due to higher water sale projections due to the end of drought restrictions. Year end water sales of 123.0 MGD were 0.9% greater than the budgeted assumption of 121.9 MGD. The increased revenues from higher water sales were offset by the resumption of In-Lieu Water Credits totaling \$11.6M.
- C. Assumed interest rate of 3.4% is higher than budget of 0.5%.
- D. Rental revenues came in just above budget; however, \$4.8 million was transferred out to the revenue budget and used to offset the costs of the customer assistance program.
- E. Miscellaneous income is just below budget.
- F. Includes federal subsidy on 525 Golden Gate COPs.

Expenditure Variances

- G. Savings due to vacant positions.
- H. Savings reflect lower spending associated with customer rebate and incentive programs.
- I. Savings reflect lower spending associated with bureau allocation.
- J. Savings reflect lower spending from other City departments.
- K. Debt Service variance due to the issuance of 2023CD refunding bonds and delay of interest payment for the Mt Tunnel SRF loan.
- L. \$5.9M in general reserve due to higher sources than uses.
- M. \$1.4M in savings from programmatic projects identified to be closed out.
- N. \$9.8M in expected legal settlements.

Other Notes

- O. 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%.
- P. 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.
- Q. 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 2023-24 4th Quarter - Budgetary Basis, Funds 20160, 20170 & 20550
 (\$ Millions)

	FY 2022-23 Actuals	FY 2023-24			
		Original Budget	Revised Budget (includes carryforwards)	Projection (current year spending)	Variance (Projection vs Revised Budget)
Sources					
Sewer Service Charges	360.8	415.4	415.8	385.4	(30.4) A
Interest Income	7.6	1.7	1.7	10.6	8.9 B
Miscellaneous Income	7.9	3.8	3.8	3.5	(0.4) C
Federal Bond Interest Subsidy	3.5	3.4	3.4	3.9	0.5 D
Appropriated/Budgeted Use of Fund Balance		-	26.4	26.4	-
Total Sources	379.8	424.2	451.0	429.7	(21.3)
Operating Uses					
Personnel	76.1	87.6	87.6	80.6	6.9 E
Non-Personnel Services	25.5	28.0	31.1	30.1	1.0 F
Materials and Supplies	14.1	13.2	16.3	15.8	0.5 G
Equipment	1.4	2.0	7.7	7.7	-
Overhead (SFPUC Bureaus)	32.9	39.0	45.8	43.7	2.1 H
Services of Other Departments	38.4	38.8	41.1	40.1	1.0 I
Debt Service	98.6	98.0	98.0	95.1	2.9 J
General Reserve		27.8	27.8	-	27.8 K
Total Operating Uses	287.1	334.5	355.4	313.2	42.2
Net Operating Results	92.7			116.5	\$ 20.9
Other Impacts to Operating Budget					
	FY 2022-23 Actuals	Current Year Transfers from Operating	Total Available Funds	Projection (current & future years spending)	Project Closeouts
Capital Projects	71.6	81.3	263.2	263.2	-
Facilities Maintenance/Programmatic	7.2	8.4	13.6	13.6	-
Total Adjustments to Operating Fund Balance	\$ 78.8	\$ 89.7	\$ 276.8	\$ 276.8	\$ -
Available Fund Balance as of Fiscal Year-End	\$ 155.7				\$ 176.6
Available Fund Balance, % of Operating Uses (L) 25-68%	79.6%				76.2%
Debt Service Coverage (Year-End Budgetary Basis)					
Indenture Basis (includes Available Fund Balance) (M) ≥ 1.35	3.09	3.50			3.55
Current Basis (N) ≥ 1.10	2.01	1.89			2.14

Appendix B

WASTEWATER ENTERPRISE OPERATING FUNDS FY 2023-24 4th Quarter - Budgetary Basis, Funds 20160, 20170 & 20550 (\$ Millions)

Revenue Variances

- A.** The FY 2023-24 budget was adopted assuming the 5% drought surcharge would remain in effect. The surcharge accounted for approximately \$18.8 million in revenues. In addition, some stormwater-only parcels have not yet been billed pending confirmation of responsible account holders. Lastly, there was a delay in the procurement of meter replacement parts, resulting in a number of accounts not being billed dating back to Fall 2023. SFPUC is in the process of recovering the untransmitted data from the affected meters. However, due to the lead time needed to replace meter parts, calculate the back bills owed, there is approx. \$6.6 million in delayed revenues. These revenues will be accrued for FY 2023-24, as billing will resume and revenues will be collected in FY 2024-25. These reductions in revenues are partially offset by \$11.6 million in state grant funding for arrearages and discount programs during the pandemic.
- B.** Assumed interest rate of 3.4% is higher than budget of 0.5%.
- C.** Miscellaneous income lower than budget due to lower permit fees and reduced fees during collections moratorium.
- D.** Includes federal subsidy on 525 Golden Gate COPs, which was not budgeted.

Expenditure Variances

- E.** Salary savings reflect vacant positions.
- F.** Savings reflect lower spending on as-needed maintenance and improvements at wastewater buildings and facilities.
- G.** Savings reflect lower spending on materials & supplies.□
- H.** Savings reflect lower spending associated with bureau allocation.
- I.** Savings reflect lower spending from other City departments.
- J.** Debt service variance mainly due the issuance of the 2023C refunding of 2018C, offset by refunding savings from the issuance of the 2023B refunding bonds and defeasance of the 2021A and 2021B Revenue Notes.
- K.** \$27.8M in general reserve due to higher sources than uses.

Other Notes

- L.** Calculated as Ending Available Fund Balance (including additions to General Reserve) as a percent of Operating Uses plus Facilities Maintenance/Programmatic Uses. SFPUC's Fund Balance Reserve Policy requires this to be within a range of 25-68%.
- M.** 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.
- N.** Calculated as ratio between (a) Total Sources plus any appropriated fund balance plus Capacity Charges, less Operating Uses less Facilities Maintenance/Programmatic (excluding all revenues and expenses related to the 525 Golden Gate COPs), 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 2023-24 4th Quarter - Budgetary Basis - 24970, 24980, 24990
 (\$ Millions)

	FY 2023-24				
	FY 2022-23 Actuals	Original Budget	Revised Budget (includes carryforwards)	Projection (current year spending)	Variance (Projection vs Revised Budget)
Sources					
Electric Sales - Retail	159.6	169.1	175.0	170.9	(4.1) A
Electric Sales - Wholesale	48.8	31.7	31.7	48.6	16.9 B
Water Sales - Transfer from Water Department	49.6	46.3	46.3	46.3	-
Natural Gas & Steam - City Work Orders	24.6	24.7	24.7	17.4	(7.3) C
Interest Income	5.6	1.1	1.1	9.5	8.4 D
Federal Interest Subsidy - Power Bonds	0.2	0.4	0.4	0.4	-
Miscellaneous Income	4.8	4.0	4.0	5.2	1.2 E
Appropriated/Budgeted Use of Fund Balance	40.5	35.4	82.2	82.2	-
Total Sources	333.7	312.7	365.3	380.4	15.1
Operating Uses					
Personnel	50.6	54.5	54.5	54.5	-
Non-Personnel Services	36.1	43.8	70.5	70.5	-
Power Purchases, Transmission Distribution & Related Charges	77.9	127.0	135.1	86.1	49.0 F
Natural Gas & Steam	24.6	24.7	24.6	17.4	7.3 G
Materials and Supplies	3.8	3.5	4.2	4.2	-
Equipment	1.2	2.6	8.5	8.5	-
Overhead (SFPUC Bureaus)	21.2	25.0	29.0	28.0	1.0 H
Services of Other Departments	8.8	8.6	9.5	9.5	-
Debt Service	3.5	3.8	3.8	3.8	-
General Reserve	-	-	-	-	-
Total Operating Uses	227.8	293.4	339.9	282.6	57.3
Net Operating Results	105.9			97.8	72.4
Other Impacts to Operating Budget					
	FY 2022-23 Actuals	Current Year Transfers from Operating	Total Available Funds	Projection (current & future years spending)	Project Closeouts
Legal Settlements	-	-	1.9	1.9	-
Facilities Maintenance/Programmatic	15.2	14.3	19.2	19.2	-
Capital projects	13.5	5.0	76.0	69.1	6.9 I
Total Adjustments to Operating Fund Balance	28.7	19.3	97.1	90.2	6.9
Available Fund Balance as of Fiscal Year-End	179.3				223.2
Available Fund Balance, % of Operating Uses (J) 25-68%	74.9%				93.7%
Debt Service Coverage... Year-End Budgetary Basis					
Indenture Basis (includes Available Fund Balance) (K) ≥ 1.35	56.46	59.39			69.87
Current Basis (L) ≥ 1.10	18.97	3.34			32.02

Revenue Variances

- A. Retail sales are slightly below budget.
- B. Wholesale sales are higher than budget mainly due to higher attribute and resource adequacy sales.
- C. Gas and steam sales below budget due to lower usage. Revenue reduction is offset by equivalent cost savings.
- D. Interest income forecasted to increase from budget due to higher interest rate than assumed.
- E. Miscellaneous income projected to exceed budget primarily due to Distributed Antenna System admin fees not budgeted.

Expenditure Variances

- F. Savings are due to a favorable water year, avoiding \$18M in additional power purchases, \$12M in savings from Distribution costs resulting from PG&E's error in calculations discovered by Power staff, \$3M in savings from Transmission and related CAISO costs, and \$4M in savings for Resource Adequacy. This is partially offset by a one-time opportunistic \$4M payment for Cost of Ownership fee to PG&E. The remaining savings are a result of budgeted contingency projected to be unspent.
- G. Gas and steam sales below budget due to lower usage. Revenue reduction is offset by equivalent cost savings.
- H. Savings reflect lower spending associated with bureau allocation.
- I. Project savings due to closeout of Rim Fire Project.

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 2023-24 4th Quarter - Budgetary Basis - 24750, 24761, 24762, 24765 & 24870
(\$ Millions)

	FY 2023-24				
	FY 2022-23 Actuals	Original Budget	Revised Budget (includes carryforwards)	Projection (current year spending)	Variance (Projection vs Revised Budget)
Operating Sources					
Electric Sales - Green Product	299.7	338.4	338.4	304.0	(34.5)
Electric Sales - SuperGreen Product	25.6	28.9	28.9	51.7	22.8
Wholesale Sales	3.6	1.6	1.6	5.0	3.4
Subtotal - Electric Revenues	329.0	368.9	368.9	360.7	(8.3) A
Interest Income	1.7	0.6	0.6	2.3	1.7 B
Miscellaneous Income	0.0	-	-	-	-
Appropriated/Budgeted Use of Fund Balance	16.8	-	26.4	26.4	-
Total Sources	347.4	369.6	396.0	389.4	(6.6)
Operating Uses					
Personnel	5.0	8.1	8.1	6.4	1.7 C
Overhead	5.1	6.1	6.7	6.7	-
Non Personnel Services	10.7	12.0	12.9	10.9	2.0 D
Materials & Supplies	0.0	0.2	0.2	0.2	-
Power Purchases, Transmission Distribution & Related Char	264.3	305.3	323.6	300.7	22.9 E
Services of Other Departments	3.5	4.2	5.1	5.1	-
Debt Service	-	-	-	-	-
General Reserve	-	32.7	32.7	-	32.7 F
Total Operating Uses	288.7	368.6	389.4	330.0	59.3
Net Operating Results	58.7			59.4	52.8
Other Impacts to Operating Budget					
	FY 2022-23 Actuals	Current Year Transfers from	Total Available Funds	Projection (current & future years spending)	Project Closeouts
Programmatic	0.8	0.2	5.8	5.8	-
Capital Projects	1.5	0.8	5.3	5.3	-
Total Adjustments to Operating Fund Balance	2.3	0.9	11.1	11.1	-
Available Fund Balance as of Fiscal Year-End	90.1				142.9 G
Available Fund Balance, % of Operating Uses (H) %	31.1%				42.5%

Revenue Variances

- A. Retail revenues are driven lower by final rates being slightly lower than budgeted rates, offset by higher wholesale revenues.
B. Interest income forecasted to increase from budget due to higher interest rate than assumed, as well as interest earnings from APX collateral.

Expenditure Variances

- C. Salary savings due to vacant positions.
D. Savings reflect CPUC's postponement of the Integrated Resource Plan compliance filing to 2025, resulting in a surplus for professional services. The surplus also include savings from CleanPowerSF relocating to 525 Golden Gate.
E. Power Purchases variance driven by lower wholesale energy costs partially offset by increasing renewable and resource adequacy market costs.
F. General Reserve was intentionally budgeted and planned to go unspent to build reserves.

Other Notes

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

H. Calculated as Ending Available Fund Balance as a percent of Operating Uses plus Facilities Maintenance/Programmatic Uses. Per SFPUC's Fund Balance Reserve Policy adopted in April 2022, CleanPowerSF is required to build its fund balance reserve to a minimum of 41% (150 days) and a target of 49% (180 days) of operating expenditures within three fiscal years (June 30, 2025) of Fiscal Year Ending 2022.