



Date: December 10, 2024

To: Commissioner Kate Stacy, President
 Commissioner Joshua Arce, Vice President
 Commissioner Avni Jamdar
 Commissioner Steve Leveroni

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

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

Subject: **SFPUC FY 2024-25 First Quarter Budgetary Report through September 2024**

The FY 2024-25 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 2024-25 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	204.0	(24.0)	(14.7)	7.4	(7.3)	4.0	176.7
Wastewater	177.2	(24.7)	(12.4)	6.4	(6.0)	(2.2)	144.3
Power	217.6	(28.7)	(7.2)	63.8	56.6	-	245.5
CleanPowerSF	150.2	-	(28.7)	60.4	31.8	-	181.9

Summary:

- Positive year end operating results projected for Power, CleanPowerSF, and shortfalls for Water and Wastewater.
- **Water:** Retail revenues are projected to be below budget, primarily due to lower volumes than budgeted. This shortfall is partially offset by lower labor costs due to vacant positions, savings from interdepartmental service costs, and savings from debt service costs.
- **Wastewater:** Similar to Water, revenues are projected to be below budget due to lower volumes. Additionally, multiple stormwater only parcels currently have no service agreements and remain

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.

London N. Breed
 Mayor

Kate H. Stacy
 President

Joshua Arce
 Vice President

Avni Jamdar
 Commissioner

Steve Leveroni
 Commissioner

Dennis J. Herrera
 General Manager



uncollected. This is offset by a one-time payment from UCSF and the Warriors for their share of costs for the Mariposa Pump Station, lower labor costs due to vacant positions and debt service savings.

- *Power*: Wholesale revenues are projected to exceed the budget due to higher sales from resource adequacy. This is offset by slightly lower retail revenues. On the uses side, large savings are projected for power purchases mainly due to carried-forward budget and contingency that is not projected to be spent, and higher generation, avoiding additional power purchases in the first quarter.
- *CleanPowerSF*: Retail sales are lower than the budget due to final rates being set lower than budget, and lower demand. This is offset by slightly higher wholesale sales. On the uses side, lower power prices and demand result in a surplus in the power purchase budget, and there is a general reserve which was budgeted to go unspent to build reserves.
- All enterprises are projected to exceed financial policy minimums and coverage ratios at year end.

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

cc:

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Barbara Hale, AGM, Power Enterprise, SFPUC
Joel Prather, Acting AGM, Wastewater Enterprise, SFPUC
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Laura Busch, Deputy Chief Financial Officer, SFPUC
Benjamin McCloskey, 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 2024-25 1st Quarter - Budgetary Basis, Funds 25940, 25950, 25990, 25960, 26570, 26600, 26510 & 26603
(\$ Millions)

	FY 2023-24 Actuals	FY 2024-25			
		Original Budget	Revised Budget (includes carryforwards)	Projection (current year spending)	Variance (Projection vs Revised Budget)
Sources					
Retail Water Sales	322.1	344.0	345.0	332.6	(12.4) A
Wholesale Water Sales	313.0	359.9	359.9	358.1	(1.8) B
Interest Income	11.1	3.2	3.2	3.2	-
Rental Income	9.0	12.7	12.7	12.7	-
Miscellaneous Income	16.0	20.3	20.3	17.4	(2.9) C
Departmental Transfer Adjustment	(46.3)	(49.2)	(49.2)	(49.2)	-
Federal Bond Interest Subsidy	22.8	20.4	20.4	22.8	2.4 D
Appropriated/Budgeted Use of Fund Balance	-	24.0	62.1	62.1	-
Total Sources	647.7	735.2	774.3	759.6	(14.7)
Operating Uses					
Personnel	112.3	121.5	121.5	120.4	1.0 E
Non-Personnel Services	36.7	21.2	26.7	26.7	-
Materials and Supplies	21.8	20.3	22.5	22.5	-
Equipment	2.5	4.1	9.6	9.6	-
Overhead (SFPUC Bureaus)	59.9	65.0	77.9	77.9	-
Services of Other Departments	26.4	32.0	35.0	31.4	3.6 F
Debt Service	327.4	333.6	333.6	331.4	2.2 G
General Reserve	5.9	0.6	0.6	-	0.6 H
Total Operating Uses	592.9	598.2	627.5	620.0	7.4
Net Operating Results	54.8			139.5	(7.3)
Other Impacts to Operating Budget					
	FY 2023-24 Actuals	Current Year Transfers from Operating	Total Available Funds	Projection (current & future years spending)	Project Closeouts
Capital Projects	67.1	103.6	242.7	242.7	-
Facilities Maintenance/Programmatic	31.9	33.5	75.4	70.7	4.8 I
Legal Settlements	-	-	-	0.7	(0.7) J
Total Adjustments to Operating Fund Balance	\$ 99.0	\$ 137.1	\$ 318.1	\$ 314.1	\$ 4.0
Available Fund Balance as of Fiscal Year-End	\$ 204.0				\$ 176.7
Available Fund Balance, % of Operating Uses (K) 25-68%	68.6%				49.2%
Debt Service Coverage (Year-End Budgetary Basis) (L)					
Indenture Basis (includes Available Fund Balance) (M) ≥ 1.35	1.81	1.87			1.74
Current Basis (N) ≥ 1.10	1.10	1.32			1.20

Appendix A

WATER ENTERPRISE OPERATING FUNDS

FY 2024-25 1st Quarter - Budgetary Basis, Funds 25940, 25950, 25990, 25960, 26570, 26600, 26510 & 26603
(\$ Millions)

Revenue Variances

- A. Projected retail water sales of 53.1 MGD represent a 2.1% increase from FY 23-24 actuals of 51.9 MGD and a 3.5% decrease from budget of 55 MGD. Forecast also includes \$2.9M in revenue from delayed bills from prior fiscal year and \$3.3M in transfers out to wastewater from lease revenues to pay for low-income customer discount programs.
- B. Projected wholesale water sales of 126.1 MGD represent a 2.6% increase from FY 23-24 actuals of 122.6 MGD and a 1.7% decrease from budgeted volumes of 128.2 MGD. Partially offset by \$3.9M in minimum purchase charges from FY 23-24.
- C. Miscellaneous income is projected to be below budget, primarily due to reduced water service installation revenue.
- D. Includes federal subsidy on 525 Golden Gate COPs.

Expenditure Variances

- E. Savings due to vacant positions.
- F. Savings reflect lower spending from other City departments.
- G. Delay of interest payment for the Mt Tunnel SRF loan.
- H. \$0.6M in general reserve.
- I. \$4.0M in savings from Landscape Conservation Program and \$0.8 in planned savings from community benefits project.
- J. 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. Additional expenses that are included in debt service calculations are not shown in this operating fund report.
- 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 B

WASTEWATER ENTERPRISE OPERATING FUNDS

FY 2024-25 1st Quarter - Budgetary Basis, Funds 20160, 20170, 20180, 20530 & 20550
(\$ Millions)

	FY 2023-24 Actuals	FY 2024-25				
		Original Budget	Revised Budget (includes carryforwards)	Projection (current year spending)	Variance (Projection vs Revised Budget)	
Sources						
Sewer Service Charges	385.4	435.3	435.8	415.6	(20.1)	A
Interest Income	11.6	3.9	3.9	3.9	-	
Miscellaneous Income	3.5	4.2	4.2	11.4	7.1	B
Federal Bond Interest Subsidy	3.9	3.2	3.2	3.9	0.6	C
Appropriated/Budgeted Use of Fund Balance	26.4	24.7	48.4	48.4	-	
Total Sources	430.7	471.4	495.6	483.2	(12.4)	
Operating Uses						
Personnel	80.6	89.5	89.5	88.3	1.2	D
Non-Personnel Services	25.2	30.1	34.0	34.0	-	
Materials and Supplies	14.2	15.9	17.7	17.7	-	
Equipment	4.3	1.7	5.0	5.0	-	
Overhead (SFPUC Bureaus)	35.8	47.2	54.8	54.8	-	
Services of Other Departments	35.9	38.9	42.1	42.1	-	
Debt Service	95.1	122.6	122.6	117.9	4.7	E
General Reserve	27.8	0.6	0.6	-	0.6	F
Total Operating Uses	291.3	346.5	366.2	359.8	6.4	
Net Operating Results	139.4			123.4	\$ (6.0)	
Other Impacts to Operating Budget	FY 2023-24 Actuals	Current Year Transfers from Operating	Total Available Funds	Projection (current & future years spending)	Project Closeouts	
Capital Projects	82.5	112.4	295.0	295.0	-	
Facilities Maintenance/Programmatic	8.5	12.5	17.0	17.0	-	
Legal Settlements	-	-	-	2.2	(2.2)	G
Total Adjustments to Operating Fund Balance	\$ 91.1	\$ 124.9	\$ 312.0	\$ 314.2	\$ (2.2)	
Available Fund Balance as of Fiscal Year-End	\$ 177.2				\$ 144.3	
Available Fund Balance, % of Operating Uses (H) 25-68%	86.5%				55.7%	
Debt Service Coverage (Year-End Budgetary Basis) (I)						
Indenture Basis (includes Available Fund Balance) (J) ≥ 1.35	3.87	3.19			3.04	
Current Basis (K) ≥ 1.10	2.06	1.99			1.91	

Appendix B

WASTEWATER ENTERPRISE OPERATING FUNDS

**FY 2024-25 1st Quarter - Budgetary Basis, Funds 20160, 20170, 20180, 20530 & 20550
(\$ Millions)**

Revenue Variances

- A.** In FY 2024-25, billed residential sales are down 3% and non-residential sales are down 13% from budget. Forecast includes \$3.2M in delayed billings from prior fiscal year and \$3.3M in revenue transfers from water lease revenues to pay for low-income discount programs. This is offset by some stormwater-only parcels not yet billed pending confirmation of responsible account holders, accounting for approximately \$5M variance between budget and projection.
- B.** Miscellaneous income is forecasted to be higher than budget due to one-time revenue payments from UCSF and the Warriors as part of their contribution to the construction of the Mariposa Pump Station.
- C.** Includes federal subsidy on 525 Golden Gate COPs.

Expenditure Variances

- D.** Salary savings reflect vacant positions.
- E.** Debt service variance mainly due to the issuance of the 2024 Series B refunding of 2018 Series B and 2023 Series B and defeasance of the 2021 Series A Notes and 2021 Series B Notes.
- F.** \$0.6M in general reserve.
- G.** Expected legal settlements.

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.** Additional expenses that are included in debt service calculations are not shown in this operating fund report.
- J.** 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.
- 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), 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 2024-25 1st Quarter - Budgetary Basis - 24970, 24980, 24990, 25000 & 25354
(\$ Millions)

	FY 2024-25				
	FY 2023-24 Actuals	Original Budget	Revised Budget (includes carryforwards)	Projection (current year spending)	Variance (Projection vs Revised Budget)
Sources					
Electric Sales - Retail	188.3	210.7	217.3	207.1	(10.2) A
Electric Sales - Wholesale	42.3	18.9	16.7	25.3	8.6 B
Water Sales - Transfer from Water Department	46.3	49.2	49.2	49.2	-
Natural Gas & Steam - City Work Orders	16.3	28.5	28.5	23.3	(5.2) C
Interest Income	10.3	4.4	4.4	4.6	0.2 D
Federal Interest Subsidy - Power Bonds	0.1	0.1	0.1	0.1	-
Miscellaneous Income	5.2	5.3	5.3	4.6	(0.6) E
Appropriated/Budgeted Use of Fund Balance	35.4	28.7	117.0	117.0	-
Total Sources	344.3	345.7	438.4	431.3	(7.2)
Operating Uses					
Personnel	54.5	59.5	59.5	59.5	-
Non-Personnel Services	35.0	48.9	81.9	81.9	-
Power Purchases, Transmission Distribution & Related Charges	79.1	114.6	150.2	94.7	55.5 F
Natural Gas & Steam	16.3	23.7	31.0	23.3	7.7 G
Materials and Supplies	3.9	3.8	4.1	4.1	-
Equipment	1.8	2.5	9.2	9.2	-
Overhead (SFPUC Bureaus)	23.1	28.3	33.2	33.2	-
Services of Other Departments	7.5	9.8	10.0	10.0	-
Debt Service	3.8	10.5	10.5	10.5	-
General Reserve	6.9	0.6	0.6	-	0.6 H
Total Operating Uses	231.9	302.2	390.2	326.4	63.8
Net Operating Results	112.4			104.8	56.6
Other Impacts to Operating Budget					
	FY 2023-24 Actuals	Current Year Transfers from Operating	Total Available Funds	Projection (current & future years spending)	Project Closeouts
Facilities Maintenance/Programmatic	13.1	23.3	28.2	28.2	-
Capital projects	15.7	20.2	82.4	82.4	-
Total Adjustments to Operating Fund Balance	28.7	43.5	110.6	110.6	-
Available Fund Balance as of Fiscal Year-End	217.6				245.5
Available Fund Balance, % of Operating Uses (I) 25-68%	90.2%				89.2%
Debt Service Coverage (Year-End Budgetary Basis) (J)					
Indenture Basis (includes Available Fund Balance) (K) ≥ 1.35	64.97	21.56			19.27
Current Basis (L) ≥ 1.10	14.40	1.97			8.81

Revenue Variances

- A. Retail sales are lower based on year to date volumes.
- B. Wholesale sales are higher than budget mainly due to higher resource adequacy sales offset by reduced sales from lower prices.
- C. Gas and steam sales below budget due to lower usage. Revenue reduction is offset by equivalent cost savings.
- D. Interest income slightly above budget.
- E. Miscellaneous income is slightly below budget.

Expenditure Variances

- F. Savings are due to higher generation, avoiding \$6M in power purchases, \$4M in savings from Transmission costs, and \$2M in savings for Resource Adequacy. This is offset by \$1M increase in distribution costs. The remaining savings are a result of budgeted contingency and carryforward budget projected to be unspent.
- G. Gas and steam sales below budget due to lower usage. Revenue reduction is offset by equivalent cost savings.
- H. \$0.6M in general reserve.

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. Additional expenses that are included in debt service calculations are not shown in this operating fund report.
- 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 2024-25 1st Quarter - Budgetary Basis - 24750, 24751, 24760, 24761, 24765 & 24870
(\$ Millions)

	FY 2023-24 Actuals	FY 2024-25			
		Original Budget	Revised Budget (includes carryforwards)	Projection (current year spending)	Variance (Projection vs Revised Budget)
Operating Sources					
Electric Sales - Green Product	326.3	411.7	411.7	358.9	(52.8)
Electric Sales - SuperGreen Product	29.4	37.1	37.1	51.6	14.5
Wholesale Sales	5.0	11.1	11.1	20.3	9.2
Subtotal - Electric Revenues	360.7	459.9	459.9	430.8	(29.1) A
Interest Income	0.3	3.1	3.1	3.6	0.4 B
Miscellaneous Income	0.0	-	-	-	-
Appropriated/Budgeted Use of Fund Balance		-	43.9	43.9	-
Total Sources	361.0	463.1	507.0	478.3	(28.7)
Operating Uses					
Personnel	6.4	8.7	8.7	8.7	-
Overhead	5.7	7.5	8.6	8.6	-
Non Personnel Services	8.7	10.9	12.7	12.7	-
Materials & Supplies	0.0	0.1	0.2	0.2	-
Power Purchases, Transmission Distribution & Related Charges	283.9	385.0	424.7	404.8	19.9 C
Services of Other Departments	4.0	1.9	2.5	2.5	-
Debt Service	-	-	-	-	-
General Reserve	32.7	40.5	40.5	-	40.5 D
Total Operating Uses	341.4	454.7	497.8	437.4	60.4
Net Operating Results	19.6			40.9	31.8
Other Impacts to Operating Budget					
Programmatic	0.5	7.8	8.6	8.6	-
Capital Projects	1.5	0.6	4.4	4.4	-
Total Adjustments to Operating Fund Balance	2.0	8.4	13.0	13.0	-
Available Fund Balance as of Fiscal Year-End	150.2				181.9 E
Available Fund Balance, % of Operating Uses (F) %	43.9%				40.8%

Revenue Variances

A. Retail revenues are driven lower by final rates being slightly lower than budgeted rates (8.5% actual rate increase vs. 12% in budget), offset by higher

B. Interest income variance due to interest earnings on APX collateral not included in budget.

Expenditure Variances

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

D. General Reserve was intentionally budgeted and planned to go unspent to build reserves.

Other Notes

E. 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.

F. 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.

NON - PRINTING SECTION