



San Francisco Public Utilities Commission

Adoption of:

Amendment to FY 2025-26 Operating Budget

Augment the Water Revenue Bond Authorization associated with FY 2025-26 Capital Budget

Update to 10-Year Capital Improvement Plan, FY 2025-26 to FY 2034-35
10-Year Financial Plan, FY 2025-26 to FY 2034-35

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Commission Budget Actions today

- For adoption today:
 - **Item 9:** Amendment to FY 2025-26 Operating Budget
 - **Item 10:** Augment the Water Revenue Bond Authorization associated with FY 2025-26 Capital Budget
 - **Item 11:** Update to 10-Year Capital Improvement Plan, FY 2025-26 to FY 2034-35
 - **Item 12:** 10-Year Financial Plan, FY 2025-26 to FY 2034-35



Item 12: Adoption of 10- Year Financial Plan

FY 2025-26 to FY 2034-35



10-Year Financial Plan Background

- Updated annually on a rolling basis, as required by SF Charter
- Plans are complex Excel-based financial models
 - Forecast revenues, expenses, and rates
 - Confirm compliance with all financial policies
 - Inputs from Capital Finance, Budget, Power Risk Management, and Water Resources Planning
- Accompanying written report details assumptions and key takeaways

Key Policies That Guide Financial Planning

- Financial policies set guidelines for rate-setting and budgeting decisions
- Approved by Commission and reviewed periodically
- Adopting and following strong financial policies supports SFPUC's bond credit ratings

Fund Balance Reserve Policy

- Sets minimum reserves as a percent of operating expenses
- Provides cushion of reserves for emergencies

Debt Service Coverage Policy

- Ensures sufficient revenues to pay debt service
- Meets bond indenture requirements

Affordability Policy

- Sets target bill as a percent of typical and low-income household income
- If not meeting, requires justification and plan to address
- Water/wastewater only

Major Updates in this Year's Plan

- Challenges facing utility industry
 - Climate change, uncertain economy, regulatory complexity, and aging infrastructure
 - Bond rating agencies have expressed concern
- Plan includes changes to demonstrate commitment to financial sustainability
 - Major long-term capital investments to meet challenges
 - More conservative assumptions: Lower sales volumes, higher debt costs, and higher expense growth
 - Result is: Higher rate increases and stronger financial metrics

Expense Assumptions

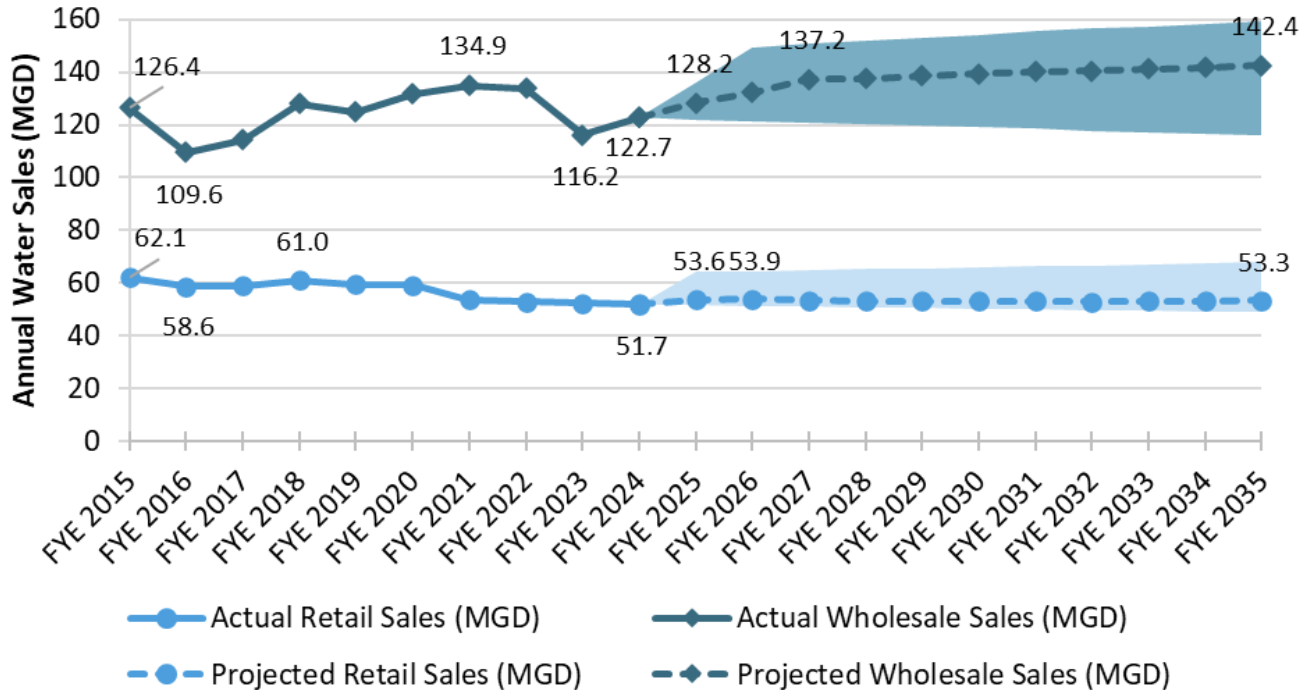
Operating Expenses

- Base of FY 2025-26 proposed budget
- Assume savings based on historic percent of budget spent
- Inflationary growth afterward
 - 4.4% on fringe benefits
 - 3% elsewhere
- Power supply costs modelled based on customer demands, market prices

Capital Financing

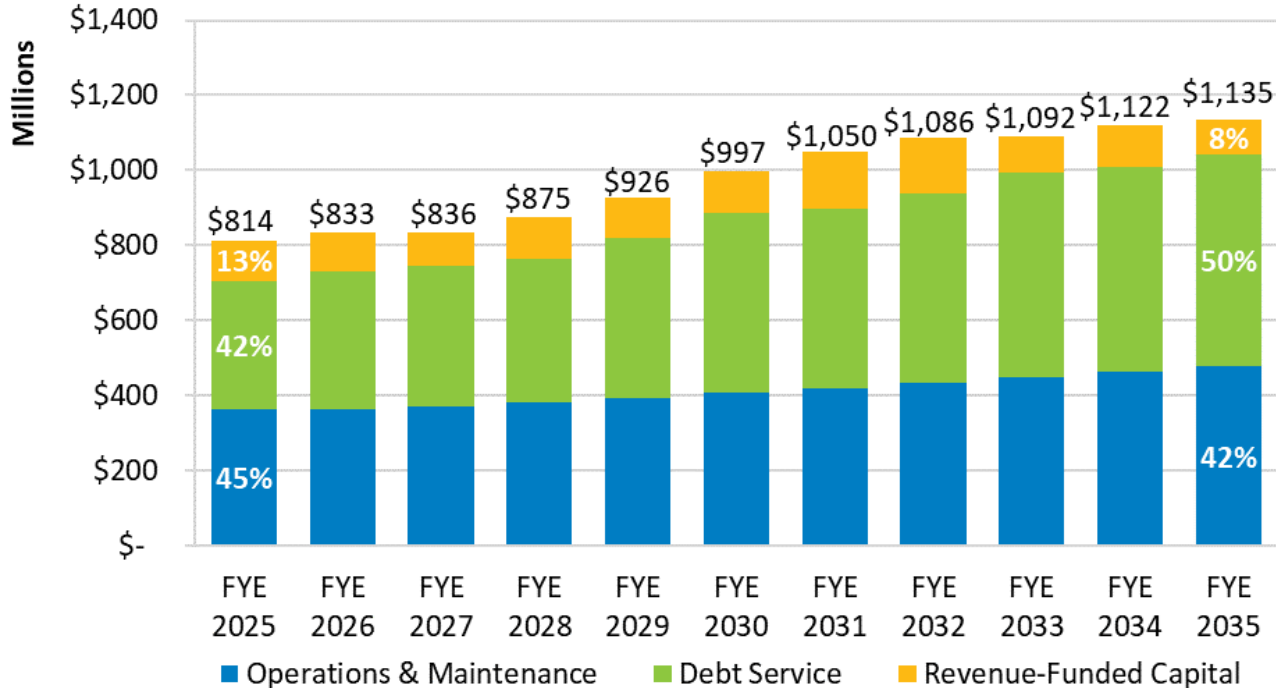
- Interim financing with commercial paper
- Revenue bonds refund commercial paper
 - 6% interest rate
 - 30-year amortization
 - Level debt service
- Federal and state low-cost loans (WIFIA and SRF) incorporated only if executed

Water & Wastewater Sales Recovery by FY 2026-27



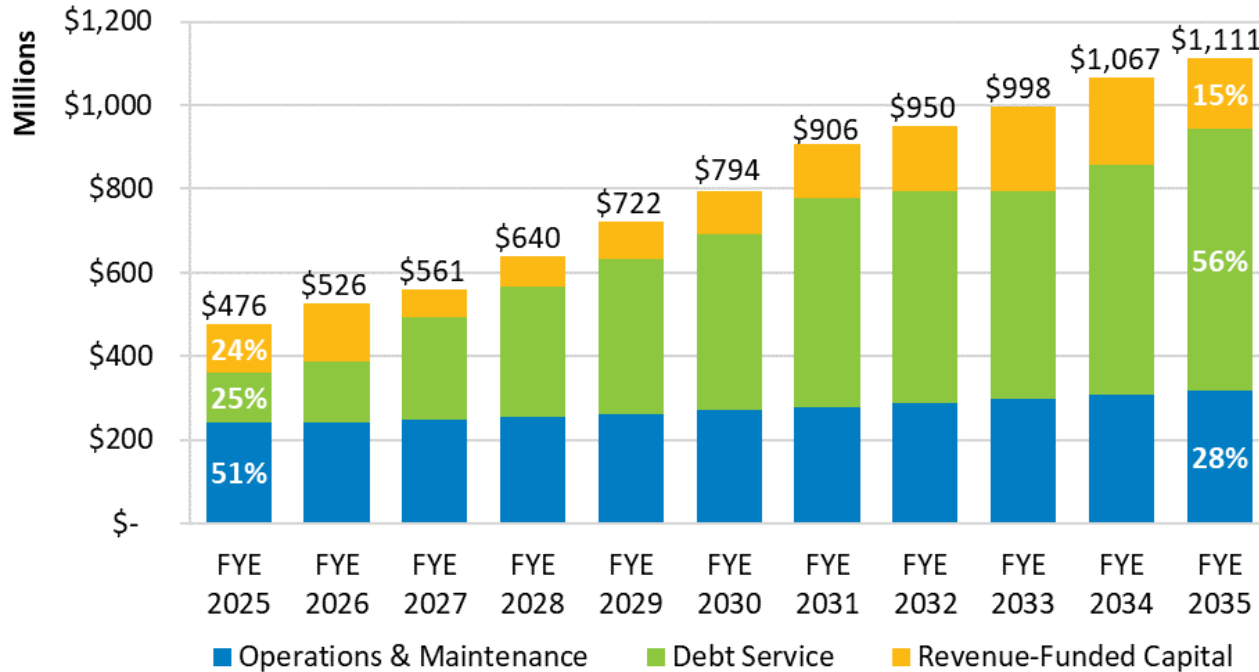
- More conservative forecast this year vs. last year’s plan
 - Pandemic recovery at “new normal”
 - Drought recovery continues 1-2 years
- Long-term trends from planning documents, with adjustment down
 - Price elasticity
 - Conservation
 - Job & population growth
- Wastewater volumes are based on retail water

Water Expense Summary



- Average annual growth: 3.4%
- Capital is the driver
- Costs of regional water system split between retail and wholesale customers

Wastewater Expenses More than Double



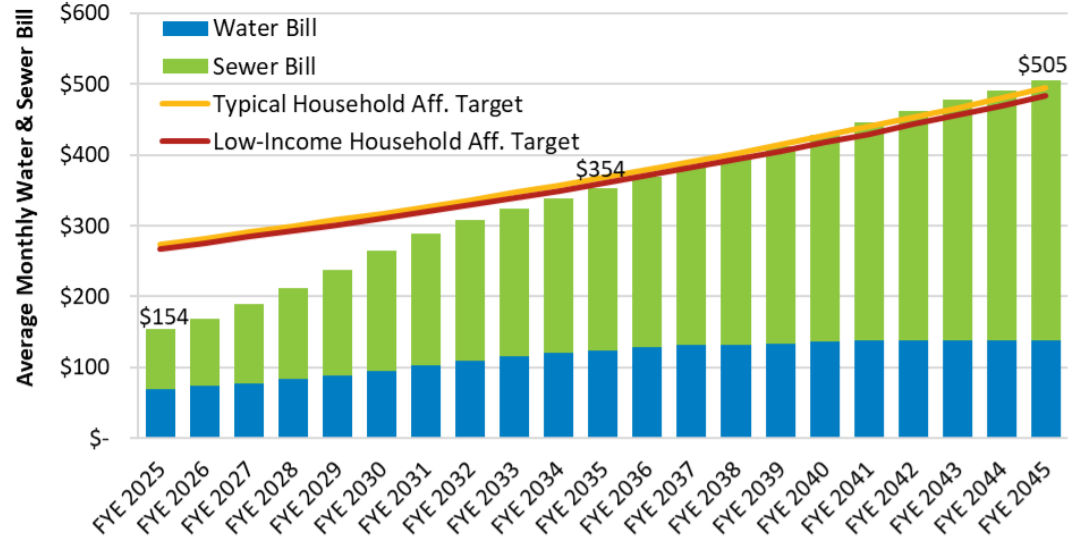
- Average annual growth: 8.9%
- Capital is the driver
 - Huge increase in capital costs translates into higher debt service costs
- All costs borne by San Francisco retail ratepayers

Projected Water & Wastewater Rate Increases

Historic

Fiscal Year	Water Rate Increase	Wastewater Rate Increase	Combined Bill Increase
FYE 2020*	8.3%	7.0%	7.6%
FYE 2021*	7.8%	8.0%	7.9%
FYE 2022*	7.9%	8.0%	8.0%
FYE 2023*	0.0%	0.0%	0.0%
FYE 2024*	5.0%	9.0%	10.5%
FYE 2025*	5.0%	9.0%	8.0%
FYE 2026*	5.0%	9.0%	9.7%
FYE 2027	7.0%	15.0%	11.5%
FYE 2028	7.0%	15.0%	12.5%
FYE 2029	8.0%	14.0%	11.8%
FYE 2030	8.0%	12.5%	11.7%
FYE 2031	7.0%	10.5%	9.1%
FYE 2032	6.5%	6.5%	6.4%
FYE 2033	6.5%	5.0%	5.5%
FYE 2034	3.5%	5.0%	4.4%
FYE 2035	3.0%	5.0%	4.2%
10-Year Avg.	6.0%	10.5%	8.6%

Projected

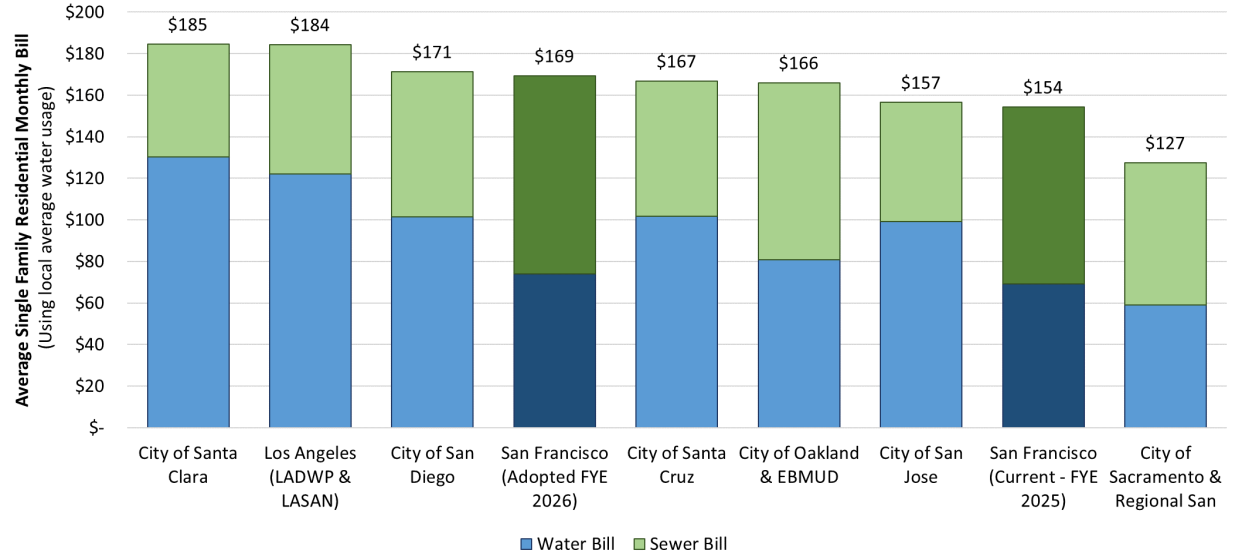


- Forecasted to exceed affordability targets outside of 10-year window
- Early warning of affordability issues 10+ years out allows time to adjust in capital planning

* Approved rates, all others forecast/planning only

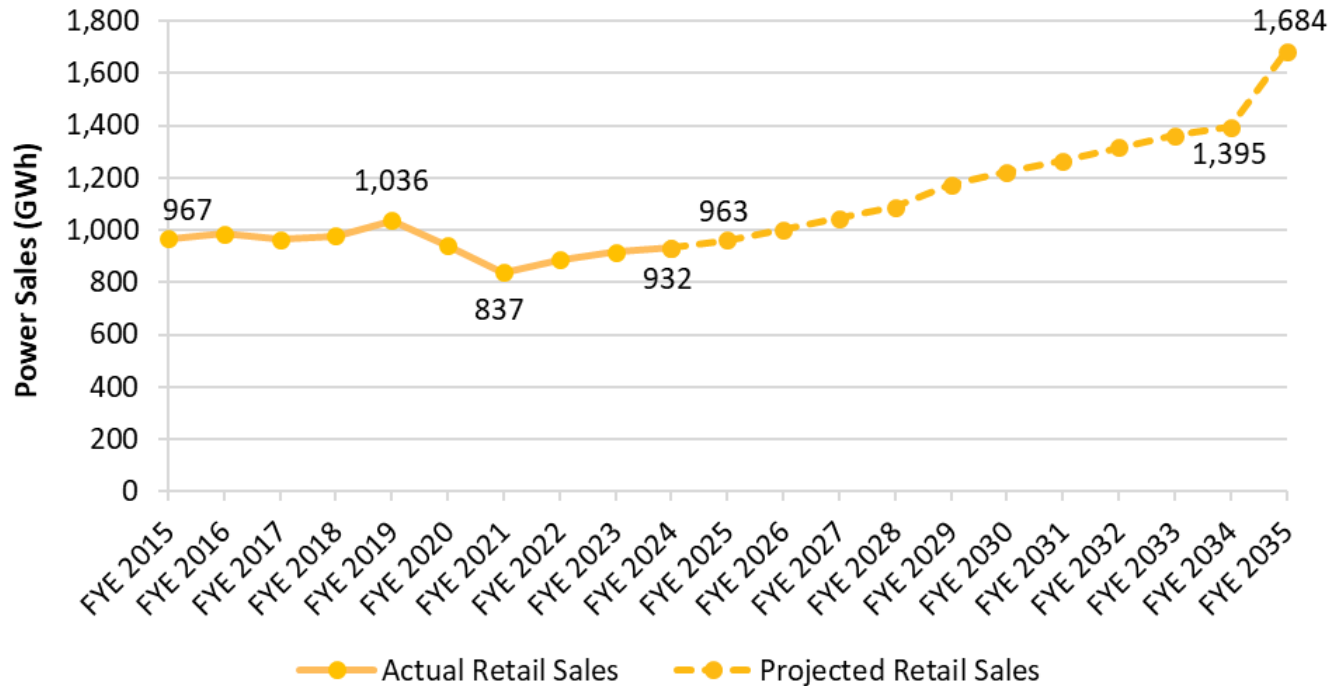
Projected Water & Wastewater Rate Increases

- Goal of higher rate increases in this plan:
 - Better financial metrics
 - More buffer to mitigate risks
 - Maintain bond credit ratings
- Maintaining high bond ratings = lower interest rates = lower long-term costs
 - Increasing rates now aims to save money in the long run



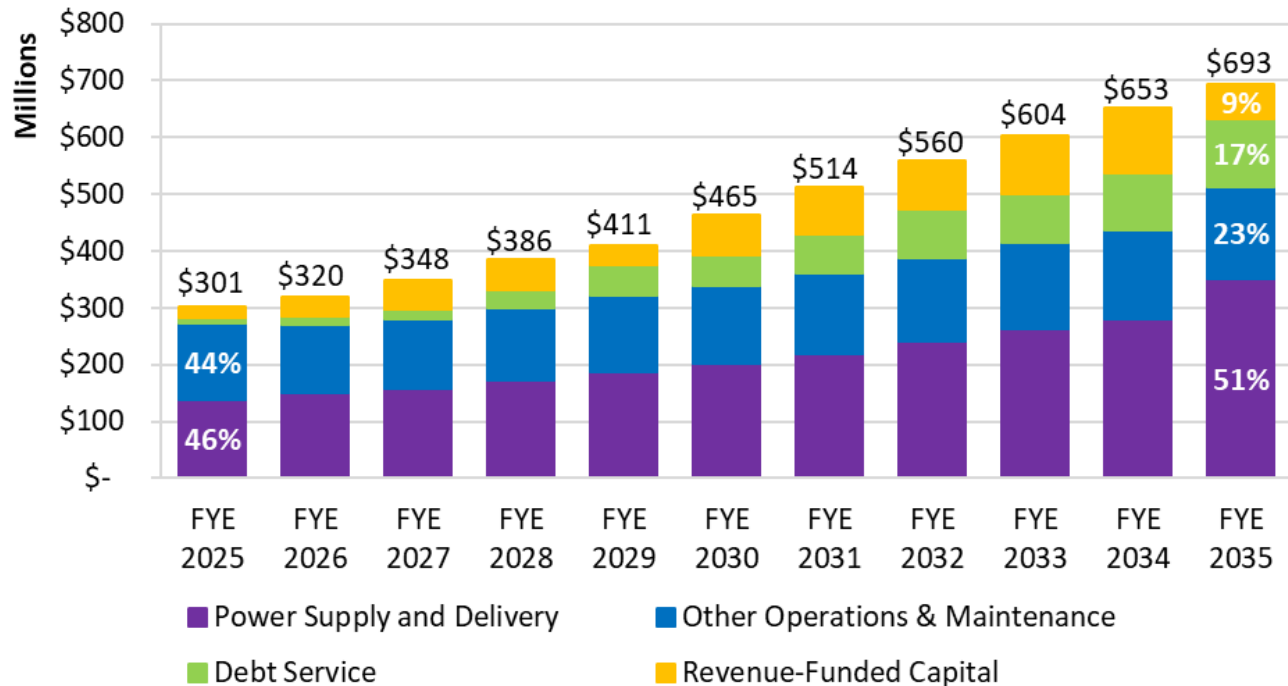
- Rate survey context: our near-term bill projections are line with peer agencies
- Few peers publish long-term rate forecasts

Hetch Hetchy Growing Customer Base



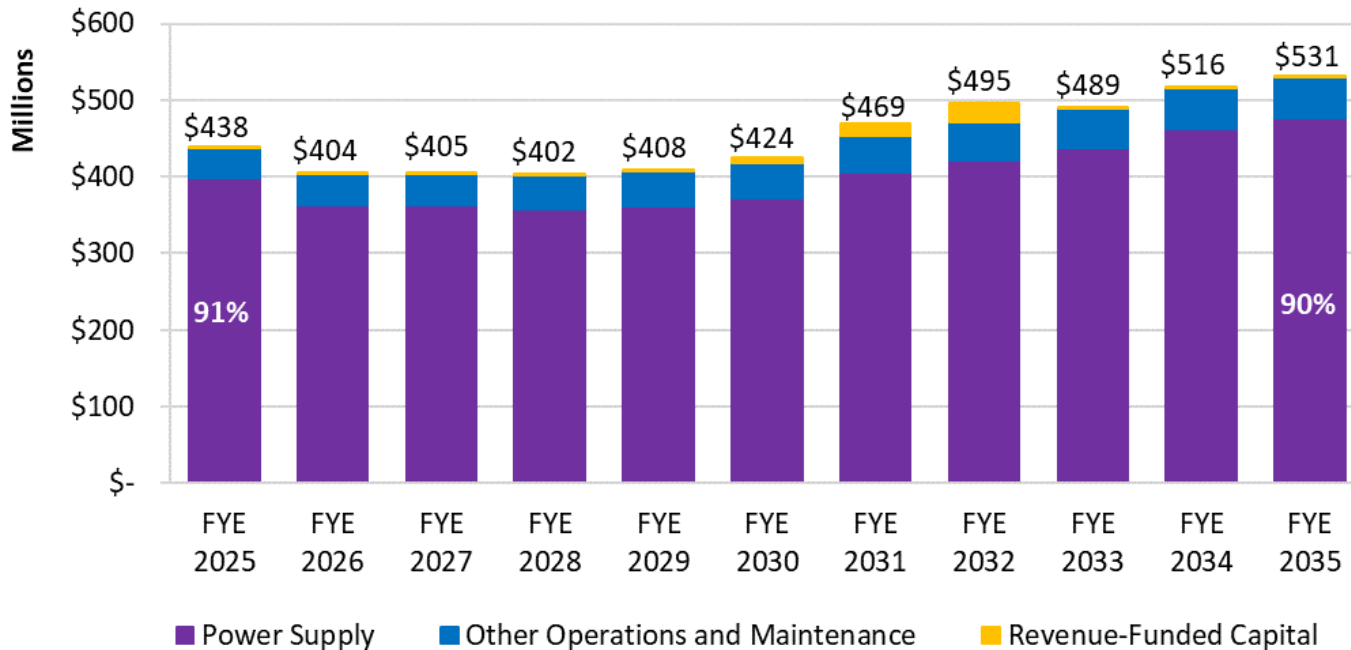
- More conservative forecast this year vs. last year's plan
 - Pandemic recovery at "new normal"
 - Delays in new projects coming online
- 5.8% annual growth reflects new customers in redevelopment and infill areas

Hetch Hetchy Power Expenses



- Average annual growth: 8.7%
- Largest growth: Purchased power supply and delivery
- Some expense growth related to capital and supply costs for new customers
 - Partially offset by additional revenues

CleanPowerSF Expenses Steady



- Average annual growth: 1.9%
- Driven by power supply costs, and subject to resulting risks

Power Rate Increases

Historic

Projected

Fiscal Year	Hetch Hetchy Power	CleanPowerSF Generation
FYE 2024*	14.0%	15.0%
FYE 2025*	12.0%	8.5%
FYE 2026	10.0%	3.0%
FYE 2027	9.5%	0.0%
FYE 2028	9.5%	0.0%
FYE 2029	8.0%	0.0%
FYE 3030	5.0%	1.5%
FYE 2031	5.0%	1.5%
FYE 2032	4.5%	0.0%
FYE 2033	4.0%	0.0%
FYE 2034	4.0%	0.0%
FYE 2035	5.0%	0.0%
10-Year Avg.	6.4%	0.6%

- Hetch Hetchy increases
 - Short-term to meet higher supply and delivery costs, target stronger financial metrics
 - Long-term driven by capital
- CleanPowerSF’s trajectory flat
 - Subject to change based on power markets
- FYE 2026 rates to Commission April 2025
 - Expected to be lower than PG&E
- *Hetch Hetchy Power rates shown are for retail, non-municipal customers. General Use rates for certain municipal depts. increase by \$0.03/kWh annually until they reach equivalent retail rate*
- *CleanPowerSF rate increase is only the generation portion of the bill; a 3% increase in the generation portion represents an approximate 1% increase on the overall bill*

* Approved rates, all others forecast/planning only



Proposed Plans Meet & Exceed Financial Policy Minimums, though Long-Term Affordability Pressure

Metric	Policy Requirements	Water	Wastewater	Hetch Hetchy Power	CleanPowerSF
Fund Balance as a % of Operating Expenses	Minimum 25% and if >68% note plan	33% - 54%	42 - 49%	35% - 59%	n/a
Days Cash on Hand (CleanPowerSF)	Minimum 150 and target 180	n/a	n/a	n/a	186 - 324
Current Debt Service Coverage	Minimum 1.10x	1.21x - 1.34x	1.25x – 1.71x	1.90x - 3.00x	n/a
Indenture Debt Service Coverage	Minimum 1.35x	1.55x – 1.71x	1.49x – 2.48x	3.57x - 12.89x	n/a
Revenue-Funded % of Capital Plan	Minimum 15-30%	37.2%	22.8%	33.2%	100%
Typical Household Affordability (Water & Sewer)	Max. 3.0% of 40th percentile household income or justify	1.7% - 3.1% under target until FYE 2040		n/a	n/a
Low-Income Household Affordability (Water & Sewer)	Max. 7.0% of 20th percentile household income or justify	4.0% - 7.3% under target until FYE 2037		n/a	n/a

Questions?



Backup: Water Financial Plan

	FYE 2025	FYE 2026	FYE 2027	FYE 2028	FYE 2029	FYE 2030	FYE 2031	FYE 2032	FYE 2033	FYE 2034	FYE 2035
Beginning Fund Balance (\$M)	\$ 203.8	\$ 154.2	\$ 119.3	\$ 123.0	\$ 128.3	\$ 135.3	\$ 138.8	\$ 138.4	\$ 144.6	\$ 182.4	\$ 215.1
Sources (\$M)											
Retail Water Sales	341.2	360.7	383.4	409.3	441.5	476.3	509.5	542.6	578.7	600.1	619.3
Wholesale Water Sales	357.9	376.9	397.6	412.7	430.6	463.2	478.1	487.7	489.3	491.5	493.5
Other Miscellaneous Income	65.7	60.9	58.8	58.8	61.1	61.3	61.7	61.9	62.0	62.6	63.1
Total Sources	\$ 764.7	\$ 798.5	\$ 839.8	\$ 880.8	\$ 933.2	\$ 1,000.8	\$ 1,049.2	\$ 1,092.1	\$ 1,129.9	\$ 1,154.2	\$ 1,175.9
Uses (\$M)											
Operations & Maintenance	315.8	308.3	316.8	326.9	337.4	348.3	359.6	371.0	382.8	395.0	407.6
Hetchy Transfer	49.2	54.1	54.1	55.6	57.4	59.2	61.1	63.0	65.1	67.3	69.7
Debt Service	340.4	366.9	373.3	382.6	424.8	478.5	475.7	503.4	545.1	545.2	564.3
Revenue-Funded Projects	108.9	104.1	91.8	110.4	106.5	111.3	153.3	148.5	99.0	114.0	93.5
Total Uses	\$ 814.3	\$ 833.5	\$ 836.0	\$ 875.5	\$ 926.2	\$ 997.4	\$ 1,049.6	\$ 1,086.0	\$ 1,092.1	\$ 1,121.6	\$ 1,135.0
Net Revenues (\$M)	\$ (49.6)	\$ (35.0)	\$ 3.8	\$ 5.3	\$ 7.0	\$ 3.5	\$ (0.4)	\$ 6.2	\$ 37.9	\$ 32.6	\$ 40.8
Ending Fund Balance (\$M)	\$ 154.2	\$ 119.3	\$ 123.0	\$ 128.3	\$ 135.3	\$ 138.8	\$ 138.4	\$ 144.6	\$ 182.4	\$ 215.1	\$ 255.9
Rate Increase - Retail	5.0%	5.0%	7.0%	7.0%	8.0%	8.0%	7.0%	6.5%	6.5%	3.5%	3.0%
Rate Increase - Wholesale	8.8%	1.9%	1.7%	3.2%	3.8%	7.0%	2.7%	1.6%	0.0%	0.0%	0.0%
Fund Balance as % of Op. Expenses	42.3%	32.9%	33.2%	33.6%	34.3%	34.1%	32.9%	33.3%	40.7%	46.5%	53.6%
Debt Service Coverage (Current)	1.19	1.21	1.28	1.32	1.28	1.25	1.34	1.32	1.26	1.28	1.25
Debt Service Coverage (Indenture)	1.67	1.55	1.62	1.68	1.62	1.55	1.64	1.62	1.61	1.68	1.71
Revenue-Funded % of Capital	37.2%										
Single-Family Monthly Water/Sewer Bill	\$ 154	\$ 169	\$ 189	\$ 212	\$ 237	\$ 265	\$ 289	\$ 308	\$ 325	\$ 339	\$ 354
Avg. Monthly Bill as % of 40th Percentile	1.7%	1.8%	1.9%	2.0%	2.1%	2.3%	2.4%	2.5%	2.6%	2.6%	2.7%
Avg. Monthly Bill as % of 20th Percentile	4.1%	4.3%	4.6%	4.9%	5.2%	5.5%	5.7%	6.0%	6.3%	6.4%	6.5%
Disc. Monthly Bill as % of 20th Percentile	2.4%	2.6%	2.7%	2.9%	3.1%	3.3%	3.4%	3.6%	3.8%	3.8%	3.9%



Backup: Wastewater Financial Plan

	FYE 2025	FYE 2026	FYE 2027	FYE 2028	FYE 2029	FYE 2030	FYE 2031	FYE 2032	FYE 2033	FYE 2034	FYE 2035
Beginning Fund Balance (\$M)	\$ 176.9	\$ 147.4	\$ 109.1	\$ 107.9	\$ 107.8	\$ 112.4	\$ 134.1	\$ 128.1	\$ 135.7	\$ 143.7	\$ 134.3
Sources (\$M)											
Sewer Charges	416.2	460.7	533.0	613.0	699.4	787.4	870.7	927.8	975.8	1,026.7	1,079.9
Other Miscellaneous Income	26.6	23.8	23.8	24.0	24.8	25.5	26.8	27.5	28.3	29.2	29.9
Federal Bond Interest Subsidy	3.2	3.1	3.0	2.8	2.7	2.5	2.3	2.2	2.0	1.8	1.6
Total Sources	\$ 446.0	\$ 487.7	\$ 559.8	\$ 639.8	\$ 726.8	\$ 815.5	\$ 899.8	\$ 957.5	\$ 1,006.0	\$ 1,057.6	\$ 1,111.3
Uses (\$M)											
Operations & Maintenance	242.7	240.5	247.6	255.2	263.2	271.5	279.9	288.6	297.6	306.9	316.5
Debt Service	117.8	146.0	245.1	309.6	368.8	420.6	497.0	506.0	497.6	549.5	626.1
Revenue-Funded Capital Projects	115.1	139.4	68.4	75.1	90.2	101.8	128.9	155.2	202.9	210.5	168.6
Total Uses	\$ 475.5	\$ 525.9	\$ 561.1	\$ 639.9	\$ 722.2	\$ 793.9	\$ 905.8	\$ 949.8	\$ 998.1	\$ 1,067.0	\$ 1,111.3
Net Revenues (\$M)	\$ (29.5)	\$ (38.3)	\$ (1.3)	\$ (0.1)	\$ 4.6	\$ 21.6	\$ (6.0)	\$ 7.7	\$ 8.0	\$ (9.4)	\$ 0.1
Ending Fund Balance (\$M)	\$ 147.4	\$ 109.1	\$ 107.9	\$ 107.8	\$ 112.4	\$ 134.1	\$ 128.1	\$ 135.7	\$ 143.7	\$ 134.3	\$ 134.4
Retail Rate Increase	9.0%	9.0%	15.0%	15.0%	14.0%	12.5%	10.5%	6.5%	5.0%	5.0%	5.0%
Fund Balance as % of Op. Expenses	61%	45%	44%	42%	43%	49%	46%	47%	48%	44%	42%
Debt Service Coverage (Current)	1.77	1.71	1.28	1.25	1.26	1.30	1.25	1.33	1.43	1.37	1.27
Debt Service Coverage (Indenture)	3.05	2.48	1.73	1.60	1.57	1.62	1.51	1.60	1.72	1.61	1.49
Revenue-Funded % of Capital	22.8%										
Single-Family Monthly Water/Sewer Bill	\$ 154	\$ 169	\$ 189	\$ 212	\$ 237	\$ 265	\$ 289	\$ 308	\$ 325	\$ 339	\$ 354
Avg. Monthly Bill as % of 40th Percentile	1.7%	1.8%	1.9%	2.0%	2.1%	2.3%	2.4%	2.5%	2.6%	2.6%	2.7%
Avg. Monthly Bill as % of 20th Percentile	4.1%	4.3%	4.6%	4.9%	5.2%	5.5%	5.7%	6.0%	6.3%	6.4%	6.5%
Disc. Monthly Bill as % of 20th Percentile	2.4%	2.6%	2.7%	2.9%	3.1%	3.3%	3.4%	3.6%	3.8%	3.8%	3.9%



Backup: Hetch Hetchy Financial Plan

(\$M)	FYE 2025	FYE 2026	FYE 2027	FYE 2028	FYE 2029	FYE 2030	FYE 2031	FYE 2032	FYE 2033	FYE 2034	FYE 2035
Beginning Fund Balance	\$ 221.7	\$ 161.1	\$ 137.2	\$ 122.6	\$ 112.5	\$ 132.2	\$ 140.2	\$ 149.1	\$ 155.5	\$ 159.8	\$ 151.9
Sources											
Retail Power Sales	202.2	234.1	272.1	313.9	369.2	409.3	457.8	500.0	539.6	574.4	707.5
Wholesale Power Sales	24.4	28.1	27.7	26.5	23.8	24.4	24.2	24.2	25.3	25.5	24.5
Gas & Steam Sales	23.7	22.8	26.3	28.2	29.6	30.8	31.7	32.7	33.6	34.6	35.7
Water Sales	2.5	2.7	2.9	3.1	3.2	3.4	3.6	3.7	3.8	4.0	4.1
Hetchy Transfer	49.2	54.1	54.1	55.6	57.4	59.2	61.1	63.0	65.1	67.3	69.7
Other Miscellaneous Income	18.9	20.4	13.0	22.7	15.8	39.8	48.3	72.7	17.3	31.3	20.9
Total Sources	\$ 320.9	\$ 362.3	\$ 396.0	\$ 449.9	\$ 499.1	\$ 566.9	\$ 626.6	\$ 696.3	\$ 684.8	\$ 737.1	\$ 862.3
Uses											
Power Supply & Delivery Charges	138.3	149.6	156.7	171.8	188.0	200.8	220.1	240.5	263.1	279.8	351.2
Other Operations & Maintenance	210.6	179.7	182.0	186.9	195.0	201.4	208.0	214.9	222.0	229.4	237.1
Debt Service	10.5	13.6	17.7	32.5	54.0	53.9	67.4	86.7	86.7	100.4	119.7
Revenue-Funded Capital Projects	22.1	43.3	54.2	68.7	42.7	102.7	122.3	147.8	108.7	135.5	72.6
Total Uses	\$ 381.5	\$ 386.2	\$ 410.6	\$ 460.0	\$ 479.5	\$ 558.8	\$ 617.8	\$ 689.9	\$ 680.5	\$ 745.1	\$ 780.6
Net Revenues	\$ (60.6)	\$ (23.9)	\$ (14.6)	\$ (10.1)	\$ 19.6	\$ 8.1	\$ 8.8	\$ 6.4	\$ 4.3	\$ (8.0)	\$ 81.7
Ending Fund Balance	\$ 161.1	\$ 137.2	\$ 122.6	\$ 112.5	\$ 132.2	\$ 140.2	\$ 149.1	\$ 155.5	\$ 159.8	\$ 151.9	\$ 233.5
Retail Rate Change	12.0%	10.0%	9.5%	9.5%	8.0%	5.0%	5.0%	4.5%	4.0%	4.0%	5.0%
Fund Balance as % of Power Op. Expenses	59%	51%	44%	38%	41%	41%	41%	40%	39%	35%	46%
Debt Service Coverage (Current)	(0.96)	1.90	3.00	2.36	2.01	2.48	2.37	2.05	2.22	2.06	2.20
Debt Service Coverage (Indenture)	15.89	12.89	10.45	5.91	4.48	5.10	4.59	3.85	4.07	3.57	4.15
Revenue-Funded % of Capital	33.2%										
Single Family Res. Monthly Bill	\$ 111	\$ 122	\$ 133	\$ 146	\$ 158	\$ 165	\$ 174	\$ 181	\$ 189	\$ 196	\$ 206
Avg. Monthly Bill as % of 40th Percentile	1.3%	1.4%	1.4%	1.5%	1.6%	1.6%	1.7%	1.7%	1.7%	1.7%	1.8%
Avg. Monthly Bill as % of 20th Percentile	3.1%	3.3%	3.5%	3.7%	3.9%	4.0%	4.0%	4.1%	4.1%	4.2%	4.3%
Disc. Monthly Bill as % of 20th Percentile	1.8%	2.0%	2.1%	2.2%	2.3%	2.4%	2.4%	2.5%	2.5%	2.5%	2.6%



Backup: CleanPowerSF Financial Plan

(\$M)	FYE 2025	FYE 2026	FYE 2027	FYE 2028	FYE 2029	FYE 2030	FYE 2031	FYE 2032	FYE 2033	FYE 2034	FYE 2035
Beginning Fund Balance	\$ 90.1	\$ 87.3	\$ 127.5	\$ 164.3	\$ 204.0	\$ 241.8	\$ 276.1	\$ 279.9	\$ 265.4	\$ 264.1	\$ 245.8
Sources											
Power Sales	411.3	428.1	432.0	436.3	439.8	452.6	465.8	474.0	480.9	491.4	501.4
Wholesale Sales	19.2	11.9	5.3	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other Miscellaneous Income	4.6	4.0	4.2	5.0	5.7	6.1	6.6	6.7	6.3	6.4	6.1
Total Sources	\$ 435.1	\$ 444.0	\$ 441.5	\$ 441.3	\$ 445.5	\$ 458.7	\$ 472.5	\$ 480.7	\$ 487.3	\$ 497.8	\$ 507.5
Uses											
Power Supply & Delivery Charges	399.3	362.2	362.2	357.6	362.1	371.9	405.5	422.5	437.8	463.3	476.5
Other Operations & Maintenance	38.1	41.0	42.2	43.5	44.8	46.2	47.7	49.2	50.7	52.3	53.9
Revenue-Funded Capital Projects	0.6	0.5	0.4	0.5	0.7	6.2	15.5	23.6	0.1	0.5	0.5
Total Uses	\$ 437.9	\$ 403.8	\$ 404.8	\$ 401.6	\$ 407.7	\$ 424.4	\$ 468.7	\$ 495.2	\$ 488.6	\$ 516.1	\$ 530.9
Net Revenues	\$ (2.8)	\$ 40.3	\$ 36.7	\$ 39.7	\$ 37.8	\$ 34.3	\$ 3.8	\$ (14.5)	\$ (1.3)	\$ (18.3)	\$ (23.4)
Ending Fund Balance	\$ 147.4	\$ 187.6	\$ 224.3	\$ 264.0	\$ 301.8	\$ 336.1	\$ 339.9	\$ 325.5	\$ 324.2	\$ 305.9	\$ 282.5
Retail Generation Rate Change	8.5%	3.0%	0.0%	0.0%	0.0%	1.5%	1.5%	0.0%	0.0%	0.0%	0.0%
Days Cash On Hand (Excludes Contingency)	132	186	224	266	299	324	303	279	268	240	215
Fund Balance as % of Operating Expenses (Excludes Contingency)	36%	51%	61%	73%	82%	89%	83%	76%	73%	66%	59%
Single Family Res. Monthly Bill	\$ 107	\$ 103	\$ 110	\$ 113	\$ 115	\$ 118	\$ 122	\$ 125	\$ 128	\$ 131	\$ 134
Avg. Monthly Bill as % of 40th Percentile	1.2%	1.1%	1.1%	1.1%	1.1%	1.1%	1.1%	1.1%	1.1%	1.1%	1.1%
Avg. Monthly Bill as % of 20th Percentile	2.8%	2.6%	2.7%	2.7%	2.7%	2.7%	2.7%	2.6%	2.6%	2.6%	2.6%