



San Francisco
Water Power Sewer

Services of the San Francisco Public Utilities Commission

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Date: February 25, 2020

To: Commissioner Ann Moller Caen, President
Commissioner Francesca Vietor, Vice President
Commissioner Anson Moran
Commissioner Sophie Maxwell
Commissioner Tim Paulson

Through: Harlan L. Kelly Jr., General Manager *HK*

From: Eric Sandler CFO and AGM Business Services *ES*

Subject: SFPUC Second Quarter Budgetary Report through December 31, 2019

The FY 2019-20 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 2019-20 Operations

	Beginning Available Fund Balance	Fund Balance Budgeted to be (Used)	Revenue Surplus / (Shortfall)	Expenditure Savings / (Shortfall)	Net Revenues Surplus / (Shortfall)	General Reserve	Projected Year End Available Fund Balance
Water	\$ 232.3	\$ (17.2)	\$ 8.4	\$ 17.0	\$ 25.4	\$ -	\$ 240.5
Wastewater	\$ 208.0	\$ (3.5)	\$ 0.0	\$ 6.9	\$ 6.9	\$ -	\$ 211.3
Power	\$ 62.1	\$ (7.7)	\$ (15.8)	\$ 7.5	\$ (8.3)	\$ -	\$ 46.0
CleanPowerSF	\$ 35.7	\$ -	\$ 24.6	\$ 51.2	\$ 75.8	\$ 49.7	\$ 61.9

London N. Breed
Mayor

Ann Moller Caen
President

Francesca Vietor
Vice President

Anson Moran
Commissioner

Sophie Maxwell
Commissioner

Tim Paulson
Commissioner

Harlan L. Kelly, Jr.
General Manager

Summary:

- Positive operating results are projected for Water, Wastewater and CleanpowerSF for the quarter.
- Water revenues are higher than budget primarily due to higher water sales while Wastewater revenues are projected to come in at budget.
- Power revenues are \$15.8M (6.9%) below budget primarily from energy usage below forecast; delay in transfer customer loads coming online; lower district transmission cost recovery.

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.



- CleanPowerSF Final enrollment has been completed; personnel savings are projected.
- The three Enterprise's and CleanPowerSF are projected to meet the Commission policy targets for available fund balance at year-end.

If you have questions, please contact me at (415) 934-5707.

CC: Michael Carlin, Deputy General Manager, SFPUC
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Barbara Hale, AGM, Power Enterprise, SFPUC
Kathryn How, AGM, Infrastructure, SFPUC
Greg Norby, AGM, Wastewater Enterprise, SFPUC
Steve Ritchie, AGM, Water Enterprise, SFPUC
Kelly Kirkpatrick, 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 2019-20 2nd Quarter - Budgetary Basis, 5W AAA
(\$ Millions)

	FY 2019-20					
	FY 2018-19 Actuals	Original Budget	Revised Budget (includes carryforwards)	Projection (includes carryforwards)	Variance (Projection - Revised Budget)	
Sources						
Retail Water Sales	270.1	299.1	299.1	300.1	1.0	A
Wholesale Water Sales	255.8	264.9	264.9	268.6	3.6	B
Interest Income	4.6	2.2	2.2	2.2	-	
Rental Income	12.7	13.0	13.0	13.0	-	
Miscellaneous Income	21.2	19.0	19.0	22.8	3.7	C
Departmental Transfer Adjustment	(33.6)	(34.5)	(34.5)	(34.5)	-	
Federal Bond Interest Subsidy	23.9	23.8	23.8	23.8	-	
Appropriated/Budgeted Use of Fund Balance	2.4	17.2	56.1	56.1	-	
Total Sources	557.1	604.7	643.6	652.1	8.4	
Operating Uses						
Personnel	94.0	102.8	100.8	98.9	1.9	D
Non-Personnel Services	17.7	18.3	25.3	25.3	-	
Materials and Supplies	13.9	15.1	16.4	16.4	-	
Equipment	3.5	4.1	8.9	8.9	-	
Light, Heat, and Power	9.5	10.2	10.2	10.2	-	
Overhead (SFPUC Bureaus)	38.7	49.3	54.4	54.4	-	
Services of Other Departments	13.6	13.5	14.4	14.4	-	
Total Operating Uses	190.9	213.4	230.4	228.6	1.9	
Debt Service	283.7	306.3	306.3	291.1	15.1	E
Capital Projects	51.8	51.8	198.8	198.8	-	
Facilities Maintenance/Programmatic	30.6	33.2	55.1	55.1	-	
Total Uses - Operating, Debt Service, Capital & Other	\$ 557.1	\$ 604.7	\$ 790.6	\$ 773.6	\$ 17.0	
Net Operating Results	51.9				\$ 25.4	
Available Fund Balance as of Fiscal Year-End	\$ 232.3				240.5	
Available Fund Balance, % of Operating Uses (F) 25-68%	104.8%				84.8%	
Debt Service Coverage (Year-End Budgetary Basis)						
Indenture Basis (includes Available Fund Balance) (G) ≥ 1.35	2.04	1.89			2.02	
Current Basis (H) ≥ 1.10	1.19	1.19			1.28	

Appendix A

WATER ENTERPRISE OPERATING FUNDS
FY 2019-20 2nd Quarter - Budgetary Basis, 5W AAA
(\$ Millions)

Revenue Variances

- A. Retail water sales projected to be 60.4 MGD, a 0.4% increase from budget of 60.0 MGD and a 1.3% increase from prior year actuals of 59.5 MGD.
- B. Wholesale water sales are up against budget due to a one-time minimum purchase penalty. MGD are projected to be 129.6, a 0.5% decrease from budget of 129.9 MGD and a 3.4% increase from prior year actuals of 125.0 MGD.
- C. Miscellaneous income projected to increase from budget, mainly due to \$2.8M increase in water service installation charges.

Expenditure Variances

- D. Salary savings due to vacant positions.
- E. Debt Service savings due to 2019 Series ABC Water Revenue Refunding Bonds.

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 B

WASTEWATER ENTERPRISE OPERATING FUNDS
 FY 2019-20 2nd Quarter - Budgetary Basis, 5C AAA
 (\$ Millions)

	FY 2018-19 Actuals	FY 2019-20			Variance (Projection - Revised Budget)
		Original Budget	Revised Budget (includes carryforwards)	Projection (includes carryforwards)	
Sources					
Sewer Service Charges	322.0	350.5	350.5	350.5	-
Interest Income	4.2	2.0	2.0	2.0	-
Miscellaneous Income	4.1	3.7	3.7	3.7	-
Federal Bond Interest Subsidy	4.0	4.0	4.0	4.0	-
Appropriated/Budgeted Use of Fund Balance	-	3.5	18.0	18.0	-
Total Sources	334.2	363.7	378.2	378.2	-
Operating Uses					
Personnel	66.1	75.8	75.5	73.0	2.5 A
Non-Personnel Services	20.2	18.5	22.2	22.2	-
City Grant Programs	0.0	0.3	0.3	0.3	-
Materials and Supplies	9.7	11.2	12.7	12.7	-
Equipment	0.8	1.8	3.8	3.8	-
Light, Heat, and Power	10.9	11.7	11.7	11.7	-
Overhead (SFPUC Bureaus)	25.7	29.9	33.7	33.7	-
Services of Other Departments	23.7	23.6	24.3	24.3	-
Total Operating Uses	157.2	172.7	184.1	181.6	2.5
Debt Service	63.2	70.7	70.7	66.3	4.4 B
Capital Projects	57.0	113.0	202.4	202.4	-
Facilities Maintenance/Programmatic	6.5	7.3	10.4	10.4	-
Total Uses - Operating, Debt Service, Capital & Other	\$ 283.8	\$ 363.7	\$ 467.6	\$ 460.7	\$ 6.9
Net Operating Results	107.4			101.8	\$ 7.0
Available Fund Balance as of Fiscal Year-End	\$ 208.0				211.3
Available Fund Balance, % of Operating Uses (D) 25-68%	127.0%				110.1%
Debt Service Coverage (Year-End Budgetary Basis)					
Indenture Basis (includes Available Fund Balance) (E) ≥ 1.35	4.20	5.84			6.25
Current Basis (F) ≥ 1.10	2.49	2.86			3.00

Appendix B

**WASTEWATER ENTERPRISE OPERATING FUNDS
FY 2019-20 2nd Quarter - Budgetary Basis, 5C AAA
(\$ Millions)**

Revenue Variances

Expenditure Variances

- A. Salary savings resulting from vacant positions.
- B. Savings due to lower than projected debt service from the postponement of the issuance of the 2019 Wastewater Revenue Notes.

Other Notes

- C. 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%.
- D. 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.
- E. 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 2019-20 2nd Quarter - Budgetary Basis, 5T AAA
(\$ Millions)

	FY 2019-20				Variance (Projection - Revised Budget)	
	FY 2018-19 Actuals	Original Budget	Revised Budget (includes carryforwards)	Projection (includes carryforwards)		
Sources						
Electric Sales - City Work Orders - General Fund Depts.	24.6	27.8	27.8	27.0	(0.8)	A
Electric Sales - City Work Orders - Enterprise Depts.	73.2	78.5	78.5	80.3	1.8	B
Electric Sales - Wholesale (Districts, CAISO, CleanPowerSF, WSPP, Riverbank)	16.5	21.6	21.6	17.2	(4.5)	C
Electric Sales - Non-City Depts. (SFUSD, Community College)	18.8	20.4	20.4	19.9	(0.5)	D
Electric Sales - Retail	8.7	14.3	14.3	8.9	(5.4)	E
Electric Sales - Treasure Island	3.2	3.6	3.6	2.3	(1.3)	F
Subtotal - Electric Revenues	144.8	166.2	166.2	155.6	(10.7)	
Water Sales - Transfer from Water Department	33.6	34.6	34.6	34.6	-	
Water Sales - Groveland, Lawrence Livermore Labs	0.3	2.9	2.9	0.2	(2.8)	G
Subtotal - Water Revenues	33.9	37.5	37.5	34.8	(2.8)	
Natural Gas & Steam - City Work Orders	12.1	10.9	13.0	10.7	(2.4)	H
Interest Income	4.7	0.6	0.6	0.6	-	
Federal Interest Subsidy - Power Bonds	0.6	0.5	0.5	0.5	-	
Miscellaneous Income	7.3	4.6	4.6	4.6	-	
Appropriated/Budgeted Use of Fund Balance	28.2	7.7	20.7	20.7	-	
Total Sources	235.8	228.1	243.2	227.4	(15.8)	
Operating Uses						
Personnel	41.9	48.3	46.2	45.2	1.0	I
Non-Personnel Services	33.9	27.3	35.1	35.1	-	
Power Purchases and Transmission Distribution & Related Cha	53.8	50.8	51.7	59.4	(7.6)	J
Materials and Supplies	3.1	3.2	3.3	3.3	-	
Equipment	1.5	1.3	2.8	2.8	-	
Overhead (SFPUC Bureaus)	17.1	16.6	18.2	18.2	-	
Services of Other Departments	7.8	8.3	9.8	9.8	-	
Natural Gas & Steam	12.1	10.9	13.0	10.7	2.4	K
Total Operating Uses	171.1	166.6	180.3	184.5	(4.2)	
Debt Service	4.8	6.0	6.0	4.7	1.3	L
Capital Projects	187.8	38.5	180.1	173.6	6.5	M
Facilities Maintenance/Programmatic	30.6	13.0	14.5	14.5	-	
Contingency/Purchase of Power	-	4.0	4.0	-	4.0	N
Total Uses - Operating, Debt Service, Capital & Other	\$ 394.3	228.1	\$ 384.9	\$ 377.3	\$ 7.5	
Net Operating Results	\$ 29.2			\$ 3.0	\$ (8.3)	
Available Fund Balance as of Fiscal Year-End	\$ 62.1				46.0	
Available Fund Balance, % of Operating Uses (M) 25-68%	38.5%				28.9%	
Debt Service Coverage... Year-End Budgetary Basis						
Indenture Basis (includes Available Fund Balance) (N) ≥ 1.35	27.64	40.90			32.18	
Current Basis (O) ≥ 1.10	15.49	8.45			11.01	

Revenue Variances

- A. Sales lower than budget due to streetlight volume decreases from LED conversion.
- B. Enterprise workorder revenues higher than budget due to higher rate increases.
- C. Sales below budget mainly driven by \$4.2M lower irrigation district transmission cost recovery and \$3M lower market sales, partly offset by \$2.8M energy sales to MID during Warnerville substation shutdown.
- D. Lower sales mainly due to lower than expected customer loads
- E. Lower sales mainly driven by delays in transfer customer accounts, and delayed load from redevelopment customers.
- F. Treasure Island utility sales decreased from budget due to lower gas and electric usage by TIDA customers.
- G. Water sales below budget from Lawrence Livermore National Labs no longer purchasing water.
- H. Gas and steam sales slightly below budget due to lower usage than originally projected.

Expenditure Variances

- I. Salary savings due to vacant positions.
- J. Mainly driven by greater energy purchases due to system shutdown and higher than expected purchase price. CAISO charges and distribution costs lower than budget partly due to less load than planned.
- K. Savings due to lower usage of gas and steam.
- L. Debt service savings due to delayed power bond sale.
- M. Due to project closeout.
- N. Contingency reserve for dry year/power price volatility for purchase of power unspent.

Other Notes

O. Calculated as Ending Available Fund Balance (including additions to General Reserve) as a percent of Power Operating Uses plus Power Facilities Maintenance/Programmatic Uses. SFPUC's Fund Balance Reserve Policy requires this to be within a range of 25-68%.

P. Calculated as the 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, Treasure Island, Gas & Steam, and Transbay Cable revenues), and (b) Senior Lien Debt Service in the amount of \$2.6M. 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) Operating Sources plus Fund Balance as a Source, less Operating Uses less Facilities Maintenance/Programmatic (excluding all revenues and expenses related to the 525 Golden Gate COPs, Treasure Island, Gas & Steam, and Transbay Cable revenues), and (b) Senior Lien Debt Service in the amount of \$2.6M. SFPUC's Debt Service Coverage Policy requires this ratio to be a minimum of 1.10 times.

Appendix D
CleanPowerSF
FY 2019-20 2nd Quarter - Budgetary Basis, 5Q
(\$ Millions)

	FY 2019-20				
	FY 2018-19 Actuals	Original Budget	Revised Budget (includes carryforwards)	Projection (includes carryforwards)	Variance (Projection -Revised Budget)
Operating Sources					
Electric Sales - Green Product	159.6	207.3	207.3	225.3	18.0 A
Electric Sales - SuperGreen Product	7.5	4.7	4.7	11.3	6.6 B
Wholesale Sales	2.9	-	-	-	-
Subtotal - Electric Revenues	170.0	212.1	212.1	236.6	24.6
Interest Income	0.5	0.8	0.8	0.8	-
Appropriated/Budgeted Use of Fund Balance		-	40.4	40.4	-
Total Sources	170.5	212.9	253.3	277.9	24.6
Operating Uses					
Personnel	1.9	6.6	6.6	3.1	3.5 C
Overhead	2.0	2.1	2.2	2.2	-
Non Personnel Services	7.7	12.5	14.0	14.0	-
Materials & Supplies	0.1	0.2	0.2	0.2	-
Power Purchases	122.6	164.6	177.2	177.2	-
Services of Other Departments	2.6	3.1	3.1	3.1	-
Total Operating Uses	137.0	189.2	203.3	199.9	3.5
Debt Service	2.0	-	-	2.0	(2.0) D
Programmatic	0.1	0.3	0.3	0.3	-
General Reserve	-	23.5	49.7	-	49.7 E
Total Uses - Operating, Debt Service, Capital & Other	\$ 139.1	\$ 212.9	\$ 253.3	\$ 202.2	\$ 51.2
Net FY 2019-20 Operating Results					\$ 26.1
Available Fund Balance as of Fiscal Year-End					\$ 61.9

Revenue Variances

- A.** Electric sales are greater than budget due to higher sales volume and rates than budgeted.
B. Electric sales are greater than budget due to higher sales volume and rates than budgeted.

Expenditure Variances

- C.** Salary savings due to vacant positions.

Other Notes

- D.** Repayment of Loan to HHPower was not included in the budget due to initial uncertainty around CleanPowerSF
E. General Reserve was intentionally budgeted and planned to go unspent to build reserves.