



San Francisco
Water Power Sewer
Services of the San Francisco Public Utilities Commission

ADOPTED BUDGET

FY 2024-25 & FY 2025-26



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Message from the General Manager



Dear Customers, Commissioners, and Interested Parties,

It is my privilege to present the San Francisco Public Utilities Commission's approved budget for Fiscal Years 2024-25 & 2025-26.

The SFPUC delivers high-quality water, power, and sewer services that are essential for the functioning and well-being of our City and region.

This two-year budget is guided by our core mission and informed by three overarching priorities: affordability, responsible management, and investing where it matters.

Starting with affordability, we made budget choices with a keen eye towards how they affect our customers. Consistent with our 2023 Affordability Policy, we secured alternative revenue sources to help manage rates, including nearly \$14 million in state and federal debt relief for customers who fell behind on their water and sewer bills during the pandemic. Ratepayers also received another \$6 million in low-income assistance, reducing the cost of their water and wastewater bills during the pandemic.

With this most recent debt reduction, the SFPUC has secured and received more than \$40 million in pandemic-related utility bill relief for ratepayers through state and federally supported programs. This amount also includes a second round of CleanPowerSF and Hetch Hetchy Power bill credits and low-income discounts totaling \$1.265 million, which the SFPUC assigned to customers in early 2023.

On July 31, 2024, the SFPUC successfully sold more than \$1.1 billion of wastewater revenue bonds while attracting market orders totaling approximately \$2 billion. The oversubscription allowed the SFPUC to offer bonds to investors at a lower interest rate, thereby reducing our borrowing cost and supporting our commitment to ratepayer affordability.

The SFPUC's largest bond sale also included our most substantial release of green bonds, totaling \$971 million certified by the Climate Bonds Initiative. Money raised from green bonds helps pay for projects focused on renewable energy, pollution reduction, and sustainable infrastructure. One such project is the SFPUC's Biosolids Digesters Facilities Project at our Southeast Treatment Plant, where we are reducing odors, preparing for earthquakes and sea level rise, and ensuring facilities operate efficiently.

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Responsible management is a business practice that the SFPUC has incorporated into our long-term planning for more than three decades, making it integral to our budget and operations. By creating and committing to an environmental justice policy 15 years ago, followed by a comprehensive community benefits policy, we have worked to build trust and establish partnerships in communities disproportionately affected by pollution and climate change, while improving the quality of life for residents in SFPUC service areas.

Our vision has been realized through multiple capital investments, including billions of dollars in large-scale, long-term infrastructure projects. This includes both the Water System Improvement Program and the Sewer System Improvement Program, which together created an estimated 47,000 jobs in the Bay Area over the previous ten-year period. We've implemented green infrastructure that reduces and diverts stormwater to prevent floods, built a state-of-the-art community center constructed by and for San Francisco's Bayview residents, and sustained an enduring commitment to employ thousands of individuals in the communities we call home.

City residents performed more than 40 percent of the hours worked on SFPUC construction projects between 2018 and 2023 and 77 percent of all apprentice hours on the Sewer System Improvement Program, receiving training, trade skill development, and a path to the middle class. Future construction projects are projected to create another 50,000 jobs over the next 10 years. SFPUC multi-billion-dollar infrastructure projects support our core mission and power the local economy.

Investing where it matters most, the SFPUC is prioritizing infrastructure projects that will have the greatest impact on our community's growth and sustainability. The most prominent project in our Ten-Year Capital Plan is the SFPUC's \$1.5 billion commitment to reduce nutrients and protect water quality in San Francisco Bay. We've also earmarked \$789 million for climate resiliency projects like the Ocean Beach Climate Change Adaptation Project, protecting critical wastewater infrastructure, and expanding public beach access.

Launching CleanPowerSF eight years ago, a century after work on Hetch Hetchy Reservoir began, propelled the SFPUC into new territory, helping to position the agency as a utility of the future. Now the SFPUC provides about 75 percent of the electricity used in San Francisco through our CleanPowerSF and Hetch Hetchy Power programs. Our power is clean, reliable, and affordable. The SFPUC saved customers \$120 million in 2023 on electricity bills compared to what they would have otherwise paid to PG&E.

As we move forward with our effort to purchase the local electric grid from PG&E, we are also building a high voltage transmission and distribution system in the southeast portion of the City to serve existing and future customers with large power needs, expanding our public power system.

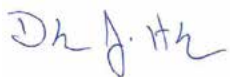
While infrastructure forms the backbone of our operations, it is the dedication and expertise of our people that truly drive the SFPUC's success. Every day, real people working in our customer service bureau answer billing questions and help folks in more than four languages. This last year, CleanPowerSF held three successful customer webinars attracting nearly 450 customers to learn about their electricity bill and the growing movement for public power.

The SFPUC aims to become the utility employer of choice by investing in retention, recruitment, and creating a diverse, equitable, and inclusive workforce. Our new Chief Diversity, Equity, and Inclusion Officer, Dr. Chris Bijoux, served on our Budget Steering Committee. With his team, they created a budget analysis tool to foster racial equity and ensure a thoughtful and reflective process. We're proud to present a budget that aligns with our racial equity plan, emphasizing our commitment to people and human relationships by focusing on serving, engaging, partnering with, and employing vulnerable communities.

As a provider of essential services, the SFPUC plays a key role in driving San Francisco and the Bay Area's growth, accelerating the economy, and creating a safer, cleaner, and more prosperous community. We have done so for more than 100 years by prioritizing people and the environment.

This strong, comprehensive, and forward-thinking budget reflects our continued commitment to our core mission and will act as a multiplier for investment, creating more jobs, higher wages, and a strengthened economic base for everyone. I am thankful to the Commissioners and staff for their unwavering dedication to serving our City and securing a better future for everyone.

Dennis Herrera



General Manager,
San Francisco Public Utilities Commission

Acknowledgments

SFPUC would like to thank the following individuals who had input into the FY 2024-25 & FY 2025-26 Budget:

SFPUC Budget Team:

- **Laura Busch**, Deputy Chief Financial Officer & Budget Director
- **Frank McPartland**, Capital Budget Manager
- **Eric Wong**, Operating Budget Manager
- **Trey Hunter**, Capital Planning and Budgeting Program Manager
- **Su Tun**, Budget Analyst
- **Alazne Daniels**, Budget Analyst
- **Hedy Tunggal**, IS Business Analyst Principal

SFPUC Financial Strategy Team:

- **Nancy Hom**, Chief Financial Officer and AGM Business Services
- **Erin Corvinova**, Director of Financial Planning
- **Matthew Freiberg**, Rates Administrator
- **Kristin Avenis**, Rates/Revenue Analyst
- **Clarissa Wan**, SF Fellow, Financial Planning
- **John Chan**, Rates Analyst
- **Nikolai Sklaroff**, Director of Capital Finance
- **Edward Kwong**, Principal Capital Finance Analyst
- **Dan Fuchs**, Capital Finance Analyst
- **Erik Kwak**, Capital Finance Analyst

SFPUC Executive Team:

- **Dennis J. Herrera**, General Manager
- **Ron Flynn**, Deputy General Manager
- **Barbara Hale**, Assistant General Manager, Power
- **Stephen Robinson**, Assistant General Manager, Infrastructure
- **Wendy Macy**, Chief People Officer
- **Joel Prather**, Assistant General Manager, Wastewater
- **Masood Ordikhani**, Assistant General Manager, External Affairs
- **Steve Ritchie**, Assistant General Manager, Water

SFPUC Commissioners:

- **Tim Paulson**
- **Anthony Rivera**
- **Newsha K. Ajami**
- **Kate H. Stacey**
- **Sophie Maxwell (Retired)**

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SFPUC Staff:

- **Tricia Yang**, Director of Strategy, Innovation and Change
- **Luke Fuller**, **Strategy**, Innovation and Change Manager
- **Elaine Leeming**, Wastewater Business Services Manager
- **Bessie Tam**, Director, Wastewater Capital Programs
- **John Cretan**, Former Budget & Finance Manager
- **Matthew Braun**, Principal Administrative Analyst
- **Vi Lam**, Consultant
- **Emma Maack**, Finance Analyst
- **Ellen Levin**, Deputy Manager, Water
- **Katie Miller**, Director, Water Capital Programs
- **Margaret Hannaford**, Division Manager, Hetch Hetchy Water
- **Cheryl Sperry**, Administrative Service Manager
- **Matt Dobbs**, Water Quality Business Services Manager
- **Angela Cheung**, Division Manager, Water Supply & Treatment
- **Don Lampe**, CDD Maintenance Manager
- **Susan Tensfeldt**, CDD Business Services Manager
- **Tim Ramirez**, Division Manager, Natural Resources & Land Management
- **Nyssa Rodriguez**, Principal Analyst, HHWP
- **Susan Hou**, Deputy Bureau Manager, Project Management Branch
- **Annie Li**, Water Enterprise Manager
- **Tania Fokin**, Principal Administrative Analyst, Hetch Hetchy Water
- **Sheryl Bregman**, General Counsel
- **Katherine Thursby Ortega**, Deputy City Attorney
- **Catherine Spaulding**, Deputy Manager, Power
- **Michael Clark**, Power Finance & Administration Manager
- **Mike Hyams**, Director of CleanPowerSF
- **Chelsea Boilard**, Strategy, Planning and Innovation
- **Jeremy Spitz**, Local and Regional Policy and Government Affairs Manager
- **Connie Chau**, Sustainability, Strategy, and Budget Manager
- **John Cote**, Director of Communications
- **Mojgan Yousefkhani**, Programs Control Manager
- **Donna Courington**, Consultant
- **Rosiana Angel**, Director of Budget and Finance, Infrastructure
- **Alejandro Martinez**, Certification, Systems, and Reporting Manager, Infrastructure
- **Kenson Wong**, Talent Acquisition Manager
- **Rita Kong**, Supervisor, Enterprise Fund Accounting
- **Man Kit Pang**, Supervisor, Enterprise Fund Accounting

Mayor's Budget Office:

- **Anna Duning**, Mayor's Budget Director
- **Daniel Cawley**, Fiscal and Policy Analyst

Controller's Office:

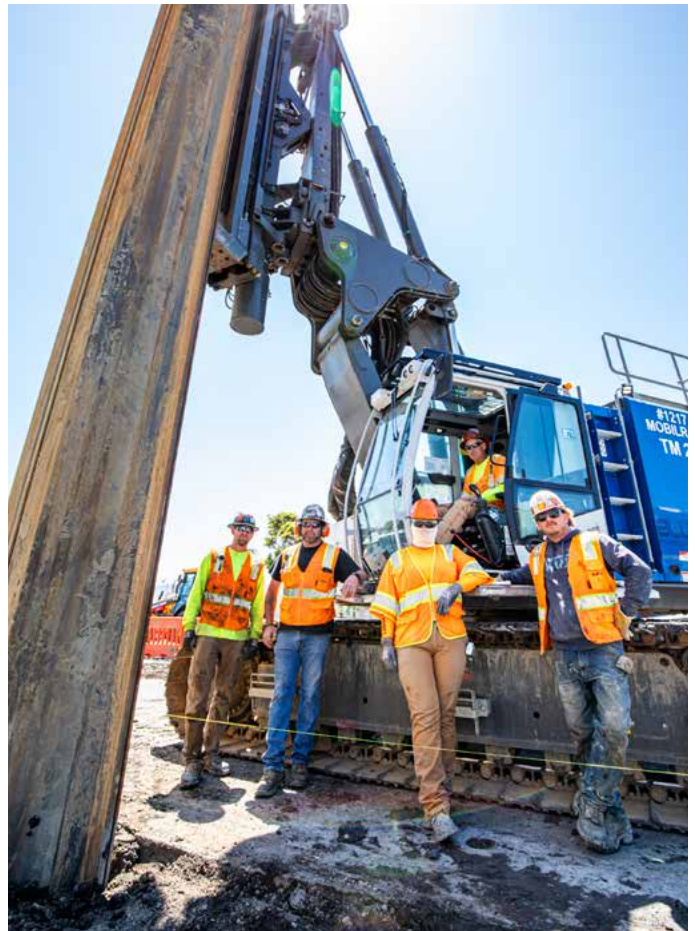
- **Ben Rosenfield**, Former Controller
- **Todd Rydstrom**, Former Deputy Controller
- **Michelle Allersma**, Director of Budget & Analysis
- **Devin Macaulay**, Citywide Budget Manager
- **Ken Hinton**, Budget and Revenue Analyst

Board of Supervisors:

- **Supervisor Connie Chan**, Chair, Budget and Appropriations Committee
- **Severin Campbell**, Director, Budget and Legislative Analyst's Office

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- **Mike Ortiz**, Graphic Designer





GOVERNMENT FINANCE OFFICERS ASSOCIATION

*Distinguished
Budget Presentation
Award*

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**San Francisco Public Utilities Commission
California**

For the Biennium Beginning

July 01, 2022

Christopher P. Morill

Executive Director





Executive Summary

The SFPUC’s FY 2024-25 and FY 2025-26 budget ensures that the agency will continue to provide high-quality delivery of essential water, wastewater, and power services. This budget represents an agency-wide collaborative effort over the course of more than a year and was developed at a time when the need for investment in our utility systems has never been so great. We have seen a historic drought followed by record-breaking storms. Climate change is already affecting our systems, region and ratepayers as weather becomes more extreme. Regulatory challenges have become more complex. Aging infrastructure must be replaced. Meanwhile, we are cognizant of the affordability challenges that our ratepayers are facing, and are committed to ensuring rate fairness and affordability for our customers.

Budget Summary

	FY 2023-24 Adopted Budget	FY 2024-25 Adopted Budget	Change From FY 2023-24	FY 2025-26 Adopted Budget	Change From FY 2024-25
Total Budget	1,787,522,675	2,023,064,914	235,542,239	2,157,471,235	134,406,321
Total FTE	2,745.21	2,836.28	91.07	2,876.63	40.35

This budget represents the SFPUC’s largest ever operating budget and capital plan: a \$2 billion annual operating budget, \$1.6 billion annual capital budget and an \$11.8 billion ten-year Capital Plan. These investments are essential for ensuring safe and reliable service delivery, meeting regulatory obligations, and repair and replacement of critical aging infrastructure, investing smartly in climate resiliency, broadening our commitment to a healthy San Francisco Bay, and expanding clean-energy options.

Summary of Budgetary Trends

The total SFPUC operating budget is \$2.023 billion in FY 2024-25, a \$236 million increase from FY 2023-24 or 13 percent. In FY 2025-26, the total operating budget is \$2.157 billion, an increase of \$134 million or 7 percent.

Overall, operating expenditures are trending up over the two-year period mainly driven by increases in Debt Service and Purchase of Power for the CleanPowerSF program.

On the operating revenue side, approximately 90 percent of SFPUC’s revenues are derived from utility sales and increases are driven by a combination of sales volumes and rate changes.

The SFPUC’s capital budget (prepared separately from the operating budget) for is roughly \$1.6 Billion in each of FY 2024-25 and FY 2025-26. The Ten-Year Capital Plan is \$11.8 Billion. The main drivers of increases in the capital budget and plan are the nutrient removal project in Wastewater, as well as replacement of critical aging infrastructure and clean energy investments.

CHART 3.1 >
SFPUC Budget
by Enterprise,
FY 2024-25 Budget.

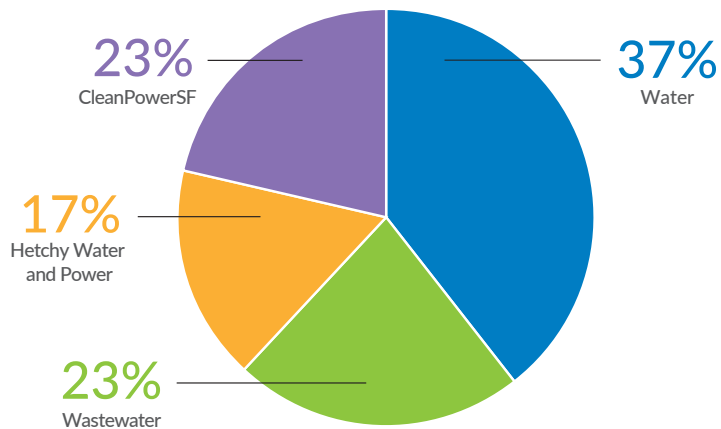


CHART 3.2 >
SFPUC Budget
by Enterprise,
FY 2025-26 Budget.

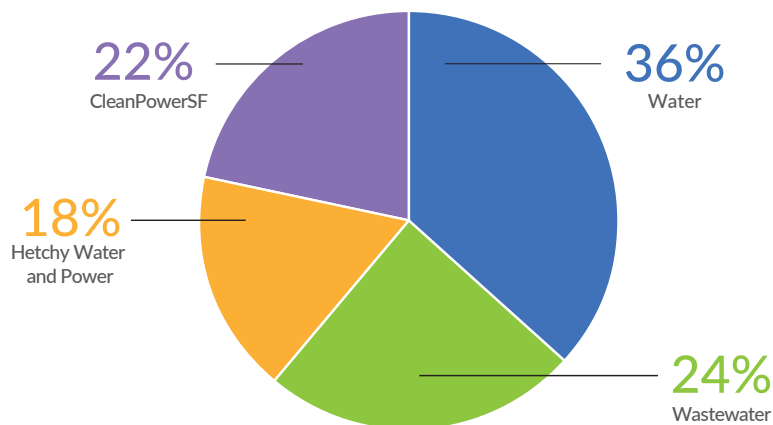


CHART 3.3 >
SFPUC all Sources.

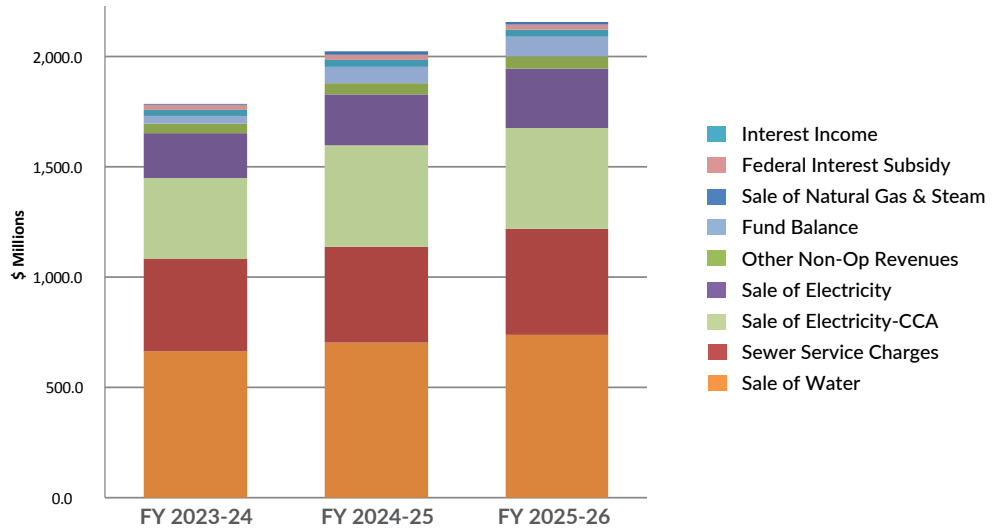
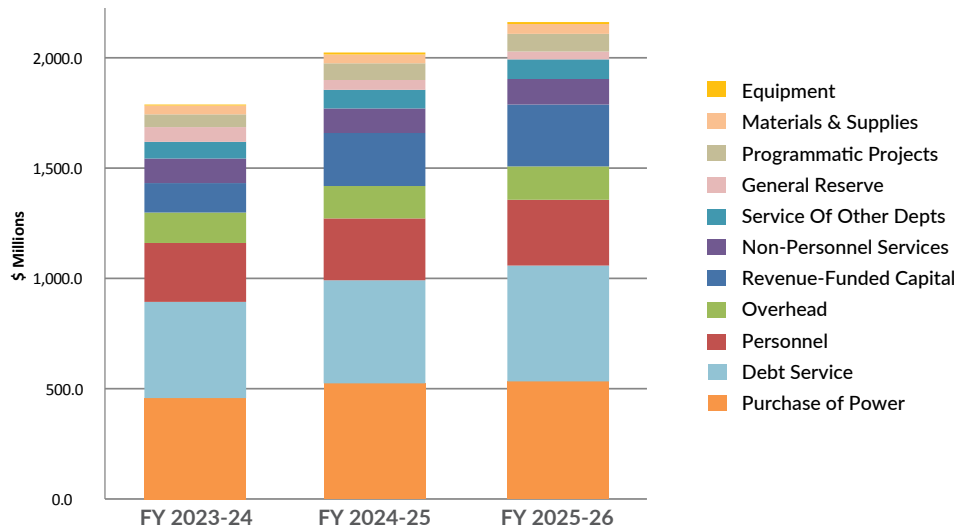


CHART 3.4 >
SFPUC all Uses.



Major Budgetary Initiatives and Service Level Changes

The SFPUC's biennial budget was developed based on the following overarching priorities, which have informed the new investments the SFPUC is making through this budget:

Affordability

The SFPUC is committed to ensuring rate fairness and affordability for our customers, and this has been a core focus in developing the biennial budget and Ten-Year Capital Plan. We adopted a new Affordability Policy in November 2023, which made rate affordability targets stricter than ever before to keep rates as low as possible while maintaining necessary investments. The policy focuses on equity and low-income customers. In the new policy, the typical household is defined as the 40th percentile income, rather than the 50th percentile (median) household income, to ensure the typical household being monitored better reflects San Francisco's high cost of living and the lower incomes of San Francisco's Black, Indigenous, and People of Color communities. A low-income household is defined by the 20th percentile household income, in line with affordability standards currently used by the Environmental Protection Agency. The addition of the low-income customer affordability metric aims to center customers who are most heavily burdened by San Francisco's high cost of living and widening income inequality. For low-income households, bills are calculated both at retail rates and at retail rates after accounting for applicable discount or assistance programs. Water and sewer bills will target less than 3 percent of the typical customer's income, less than 7 percent of the low-income customer's income using standard rates, and less than 5 percent of low-income customer's income after accounting for enrollment in applicable bill discount programs. The budget and capital plans proposed comply with the SFPUC's affordability policy.

To meet the Affordability Policy, the SFPUC undertook a significant effort to constrain the budget, including prioritizing and constraining its Capital Plan, leading to \$2.7 billion in savings vs the initial internal proposal. This was done as part of a major initiative within the agency to improve the way it does capital planning, leading to more efficient budgeting that aligns with the department's capital delivery capacity. The department will continue to seek out ways to reduce ratepayer costs of capital investments, including applying for low-cost loans and grants to bring down debt service costs.

For the SFPUC power rates, costs remain well below the alternative provider, PG&E. Public power represents great value. Even with Hetchy Power rate increases over the next two years, they are still expected to be 30 percent cheaper than PG&E. It is hard to predict what PG&E rates will do, they may increase even more. CleanPowerSF rates are also projected to be at or below PG&E rates for residential customers.

Responsible Management

The SFPUC's budget is grounded in responsibility and transparency, with a focus on core service delivery. The agency will prioritize financial sustainability, meet regulatory requirements, ensure service reliability, advance environmental stewardship, and maintain critical infrastructure. It is addressing regulatory requirements by transparently planning for projects like nutrient reduction in the San Francisco Bay. This \$1.5 billion project has been included in the Capital Plan for the first time and is a key driver of cost increases. It will continue to responsibly manage the city's utility infrastructure through increased investments in water and sewer main repair and replacement, cybersecurity, and laboratory investments. Investing in the workforce is also a key part of responsible management, and this budget converts 85 temporary staff performing core operating functions to permanent positions, to encourage retention. We are also bolstering the Racial Equity and Audit teams to ensure a continued focus on equity, accountability, and transparency. Internal controls and transparency.



Investing Where it Matters

One of the most visible and meaningful ways the SFPUC will contribute to the recovery of the economy and restoring the vibrancy of San Francisco will be through our large capital program, which will invest over \$3 billion in the next two years and \$11.8 billion over the next ten years. These investments will support tens of thousands of local jobs (many of them union jobs) and businesses while improving the City's essential utility infrastructure and resilience to climate change. The SFPUC's largest investment in the ten-year plan is in nutrient removal from the Southeast Treatment Plant outflow. The purpose of the project is to reduce the amount of nitrogen discharged into San Francisco Bay. Nitrogen discharges into the bay are a regional issue, and they are among several factors believed to have contributed to algal blooms in 2022 and 2023. This project is necessary to comply with anticipated future nitrogen-related regulations. Other investments include the replacement of aging infrastructure that is well beyond its useful life, such as the 100-year-old Moccasin Penstock replacement that carries water down the mountains from Hetch Hetchy Reservoir, enabling the SFPUC to generate clean hydroelectric power. The capital plan will support the City in fighting climate change, as well as becoming more resilient to it. For example, it includes projects to adapt to climate change and erosion at Ocean Beach and expand the clean, publicly-owned Hetch Hetchy Power system to provide electric vehicle and ferry charging at the Port of San Francisco and San Francisco International Airport. Through the budget, the SFPUC is also continuing to work on the acquisition of PG&E's San Francisco electricity distribution network, which will enable the SFPUC to directly provide electricity that is more cost-effective, cleaner, and more reliable to all San Francisco residents.





Introduction to the SFPUC



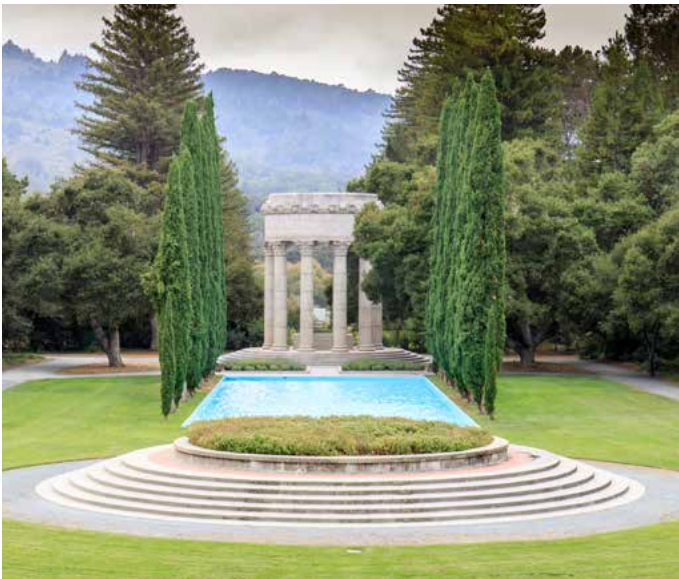
Overview and Structure

The San Francisco Public Utilities Commission (SFPUC) provides retail drinking water and wastewater services to the City of San Francisco (the City), wholesale water to three Bay Area counties, and green hydroelectric and solar power to the City including our municipal departments.

The SFPUC supplies water to 2.7 million people in San Francisco and the San Francisco Bay Area. One-third of the water is supplied directly to retail customers primarily in San Francisco, and two-thirds is supplied to wholesale customers through a long-term Water Supply Agreement (WSA). Wastewater services are provided within the City and County of San Francisco (as well as to three neighboring districts, including the San Mateo Sanitation District, Bayshore Sanitary District, and the City of Brisbane). Hetch Hetchy Power primarily supplies power to San Francisco City departments and their tenants, as well as to the Turlock and Modesto Irrigation Districts. CleanPowerSF supplies electricity to participating residents and businesses of the City.

The SFPUC is an Enterprise Department of the City and County of San Francisco.

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Mission:

The mission of the SFPUC is to provide our customers with high quality, efficient and reliable water, power, and wastewater services in a manner that values environmental and community interests, and sustains the resources entrusted to our care. The SFPUC is an innovative utility leader, recognized for excellent results in service, safety, stewardship, and inclusiveness.

Structure:

The SFPUC is comprised of three Enterprises, Infrastructure, CleanPowerSF, and the Bureaus. The three Enterprises are the Water Enterprise, Wastewater Enterprise, and Hetch Hetchy Water and Power Enterprise. Infrastructure manages the planning, design and construction of the capital programs. CleanPowerSF, the electrical power community choice aggregation program, initiated in 2015, is a self-contained program that is managed by the Assistant General Manager for Hetch Hetchy Power. The Bureaus comprised of the Office of the General Manager, Business Services, and External Affairs provide critical support services to the Agency.

■ The Water Enterprise

The Water Enterprise collects, transmits, treats, and distributes pure drinking water to approximately 2.7 million people, including retail customers in the City and wholesale customers located in San Mateo, Santa Clara, and Alameda Counties. Approximately two-thirds of the water delivered by the Enterprise is to wholesale customers. Retail customers include residential, commercial, industrial, and governmental uses. The Enterprise recovers costs of service through user fees assessed based on water consumption which is collected by smart water meters. Wholesale customers include other cities and water districts, one private utility and one nonprofit university. Services to these customers are provided pursuant to the 25-year Water Supply Agreement (WSA) commencing July 1, 2009, establishing the basis for cost recovery and rates for wholesale water service.



■ The Wastewater Enterprise

The Wastewater Enterprise was formally created after San Francisco voters approved a 1976 ballot proposition authorizing the City to issue \$240.0 million in bonds for acquiring, constructing, improving, and financing improvements to the City's municipal sewage treatment and disposal system. The Enterprise collects, transports, treats, and discharges sanitary and stormwater flows known as combined sewage, generated within the City for the protection of public health and the bay and ocean environment. The Enterprise provides services on a contractual basis to municipal customers located outside the City limits, including the North San Mateo County Sanitation District, Bayshore Sanitary District, and the City of Brisbane. The Enterprise recovers cost of service in three ways: through user fees which are based on measured volume of water used by residential customers, and through volume and strength charges of sanitary flow for commercial and industrial customers measured by meters and type of discharge. In addition, the stormwater charge was implemented in FY 2023-24 and is calculated based on property size and the area of paved or impermeable surfaces that are unable to absorb excess rain.

■ Hetch Hetchy Water and Power Enterprise

Hetch Hetchy Water and Power is San Francisco's clean energy backbone and the source of our municipal power. Services include the collection and distribution of approximately 85.0 percent of the City's water supply and the associated electricity generation and transmission. Approximately 65.0 percent of the electricity generated by the Enterprise is used by the City's municipal customers including the San Francisco International Airport, San Francisco Municipal Transportation Agency, Recreation and Parks, the Port of San Francisco, San Francisco General Hospital, City Hall, streetlights and traffic signals, the Moscone Convention Center, and the SFPUC Water and Wastewater Enterprises. Most of the balance of electricity is sold to other municipal utility districts and the Western System Power Pool (WSPP). The Enterprise includes a system of water and power infrastructure including reservoirs, hydroelectric power plants, aqueducts, pipelines, and transmission lines conveying water over 170 miles and power more than 160 miles from the Sierra Nevada Mountains to customers in the City and portions of the surrounding San Francisco Bay Area.



■ CleanPowerSF

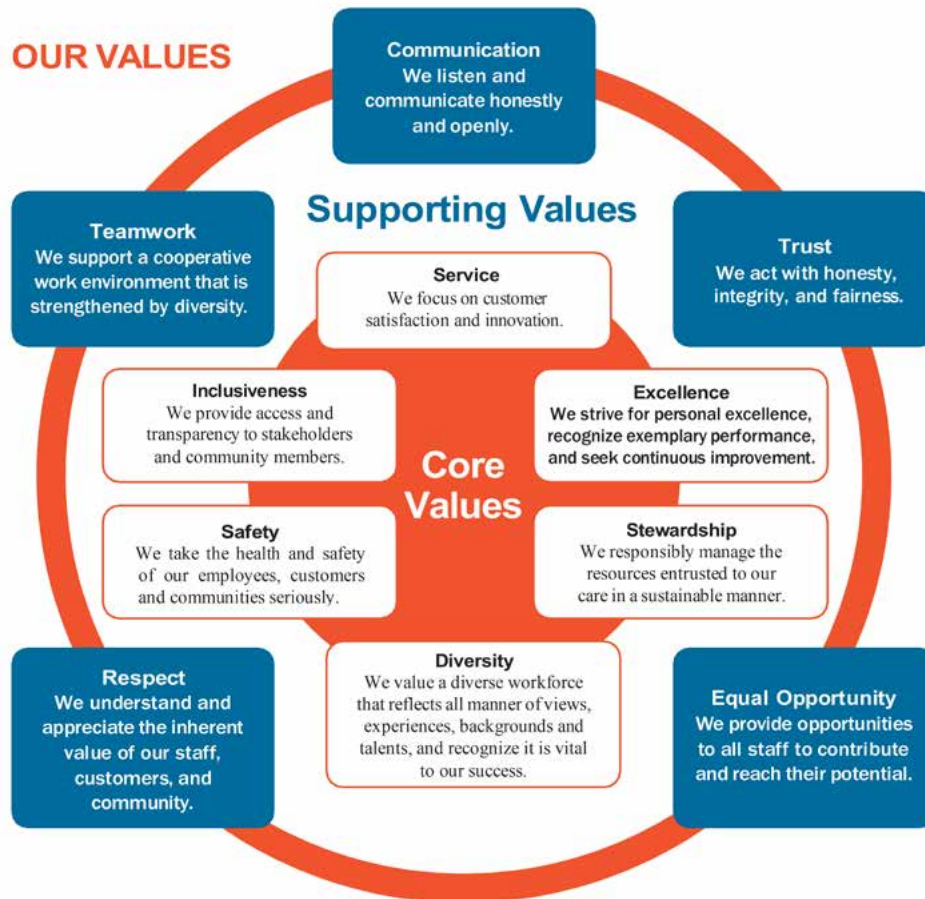
CleanPowerSF is a Community Choice Aggregation program offered by the SFPUC to San Francisco residents and businesses, with direct administrative oversight by the Commission. Community Choice Aggregation allows cities and counties to partner with their investor-owned utility (PG&E in San Francisco) to deliver cleaner energy to residents and businesses. Under this program, PG&E continues to maintain the power grid, respond to outages and send customers their monthly bills. CleanPowerSF buys electricity from sources such as wind, solar and geothermal generators; that electricity is delivered to residents and businesses through PG&E's existing infrastructure. CleanPowerSF offers two products: Green and SuperGreen. Green initially contains a target of 43.0 percent renewable energy that meets California's strict Renewable Portfolio Standards (RPS). SuperGreen contains 100.0 percent RPS-eligible electricity.

■ Bureaus

The SFPUC Bureaus provide support services to all three Enterprises, and include the Office of the General Manager, Business Services, and External Affairs. The Office of the General Manager includes four sections: Emergency Planning & Security, The General Manager's Office, Human Resource Services, and Real Estate Services. Business Services includes Administration, Strategy, Innovation and Change, Customer Services, Financial Services, Information Technology Services, Loans & Grants, and the Audit Bureau. External Affairs includes Communications, Community Benefits, Policy and Government Affairs, and Strategy, Planning, and Innovation. The Bureaus' budgets are funded through an allocation model that allocates costs of services to the three Enterprises and CleanPowerSF.

Strategic Goals and Strategies

The SFPUC has adopted a strategic plan to identify key priorities for the organization and serve as a roadmap to ensure that the SFPUC meets the challenges ahead and continues to deliver reliable water, power, and sewer services while maintaining the mission, vision and values of the agency. The SFPUC's Strategic Plan serves as a roadmap to ensure the agency is equipped to meet the challenges ahead and continue to deliver reliable water, power and sewer services. The Goals and Action Plan Objectives included in the plan aim to ensure that priorities are met while the organization strives to implement capital programs, diversify the water and energy portfolio and ensure triple bottom line sustainability (economy, environment, and society).



The Strategic Plan was developed through a comprehensive review process led by the SFPUC Executive Team and a Strategic Planning Committee comprised of senior staff from throughout the agency, not just operations, but also from finance and business services functions. There are six Goals and thirty Action Plan Objectives included. Each goal is led by one or more Goal Champion from SFPUC's Executive Team. While these goals and action plan objectives do not encompass all of the SFPUC's work, they represent organizational priorities. The objectives listed under each goal are strategies designed as action plans to support the achievement of the overall goal. There is a Lead Strategist for each of the six goal areas, who will carry the vision of their respective goal area and report biannually to

the Goal Champions on progress of achieving the performance measures consistent with the target and baseline. At the end of the fiscal year, each Goal Champion is required to report performance measured against the target and baseline which are also reported to the Controller and Mayor's Offices. More information about performance goals and reporting are described in the respective enterprise chapters of this book. Yearly results are also published in the Annual Comprehensive Financial Report (ACFR). Additionally, more details of the 2020 SFPUC Strategic plan are available on our website.

The strategic plan goals are as follows:

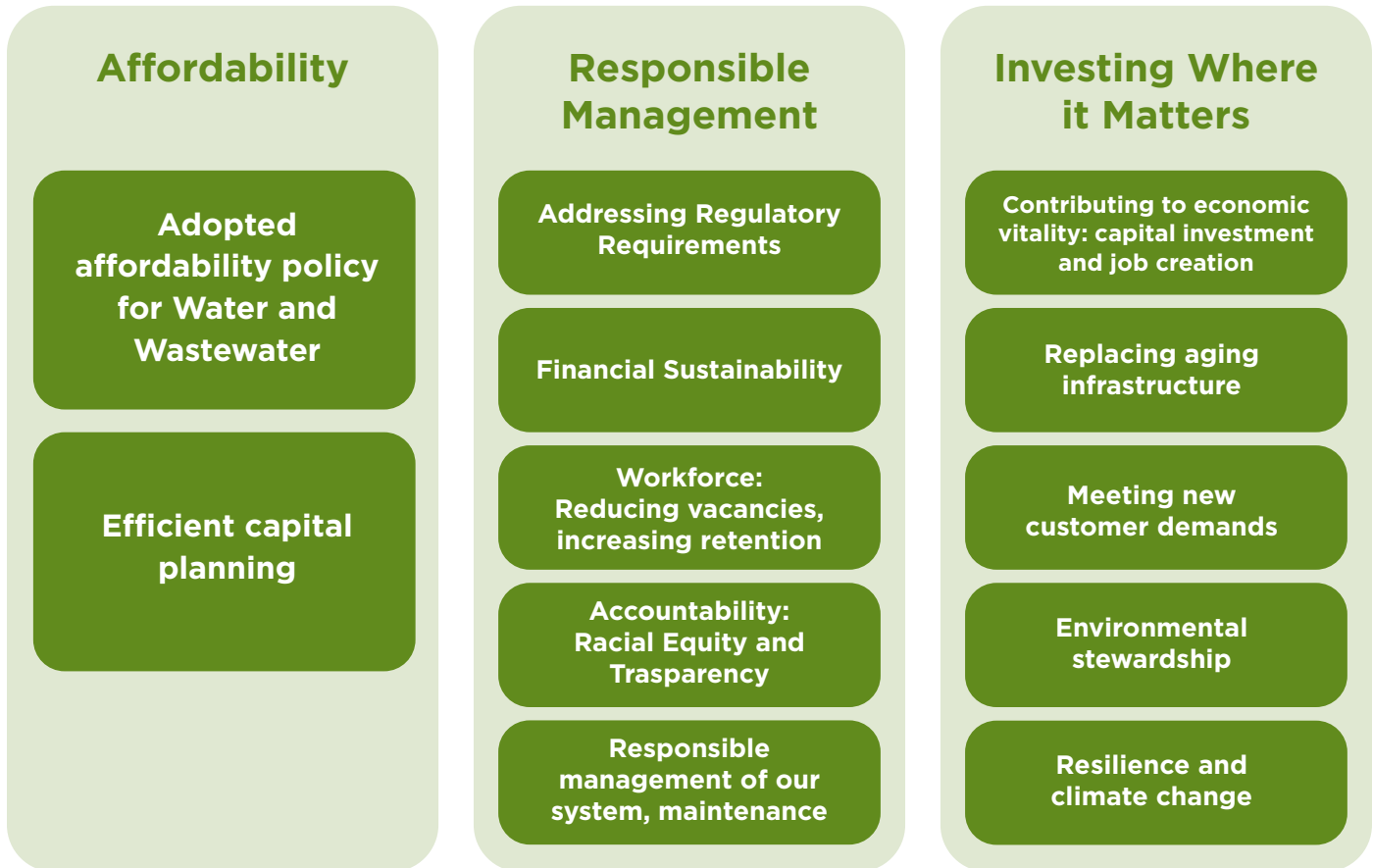
Strategic Plan Goals and Goals Descriptions

Strategic Goals	Goal Descriptions	Action Plan Objective
<p>Reliable Service and Assets</p>	<p>We provide reliable service and value to our customers by optimizing the operations, maintenance, and replacement of all assets in the most cost-effective manner.</p>	<ol style="list-style-type: none"> 1. Establish quantifiable operational and capital Level of Service (L.O.S.) goals by enterprise. 2. Formalize our asset management approach across SFPUC. 3. Establish a uniform investment prioritization process linked to asset management priorities across SFPUC. 4. Ensure SFPUC can mitigate, respond to, and recover from threats and disasters.
<p>Organizational Excellence</p>	<p>We are a high performing organization focused on efficiency, effectiveness and accountability across the organization.</p>	<ol style="list-style-type: none"> 1. Foster continuous improvement across the agency. 2. Develop a consistent efficiency management framework across SFPUC. 3. Enhance the effectiveness and efficiency of standardized policies, procedures, and work processes across SFPUC. 4. Improve our operational efficiency through technology. 5. Improve the SFPUC’s safety management system and culture. 6. Provide responsive and efficient service to internal and external stakeholders.
<p>Effective Workforce</p>	<p>We attract, retain, and develop an effective workforce, reflective and supportive of our communities, that consistently delivers high quality services to stakeholders.</p>	<ol style="list-style-type: none"> 1. Develop, coordinate, and communicate a comprehensive, competency-based approach to workforce planning and management across the agency. 2. Ensure job description/classification clarity and alignment across the agency. 3. Position the SFPUC as an employer of choice by making career paths and opportunities visible to our employees, our applicants, and community. 4. Select and develop talent to support our vision for a high performance organization. 5. Develop a common performance management and recognition framework for assessing performance in our organization. 6. Establish data governance and knowledge management processes and technology solutions that are aligned with official policies and best practices to ensure effective workforce planning and utilization.

Strategic Goals	Goal Descriptions	Action Plan Objective
<p>Financial Sustainability</p>	<p>We assure financial integrity and sustainability, meeting today's operating and capital investment needs while managing risk and long-term affordability for the future.</p>	<ol style="list-style-type: none"> 1. Develop a long-range financial plan to identify current and future funding needs. 2. Ensure rates are fair, equitable, affordable, and meet policy goals. 3. Formalize enterprise risk management across SFPUC. 3. Ensure integrity, accountability, and transparency in financial management.
<p>Stakeholder and Community Interest</p>	<p>We foster trust and engagement with our customers, employees, and the communities we serve through open and timely communication and education.</p>	<ol style="list-style-type: none"> 1. Improve awareness and understanding by stakeholders of mission, vision, and values to support agency services, programs, and priorities. 2. Enhance customer and user satisfaction. 3. Build and leverage long-term community partnerships, inclusive of multiple interests. 4. Build national/ industry relationships to strengthen and share local and regional innovations. 5. Improve internal communications by encouraging collaboration and strengthening our common identity.
<p>Environmental Stewardship</p>	<p>We sustainably manage the resources entrusted to our care to ensure environmental and community health.</p>	<ol style="list-style-type: none"> 1. Sustainably manage our natural resources and physical systems to protect the people, water, land, and ecosystems that we affect. 2. Develop, coordinate, and communicate a comprehensive and consistent approach to mitigate and adapt to climate change. 3. Be resource efficient in all business operations. 4. Investigate the feasibility of implementing an environmental management system.

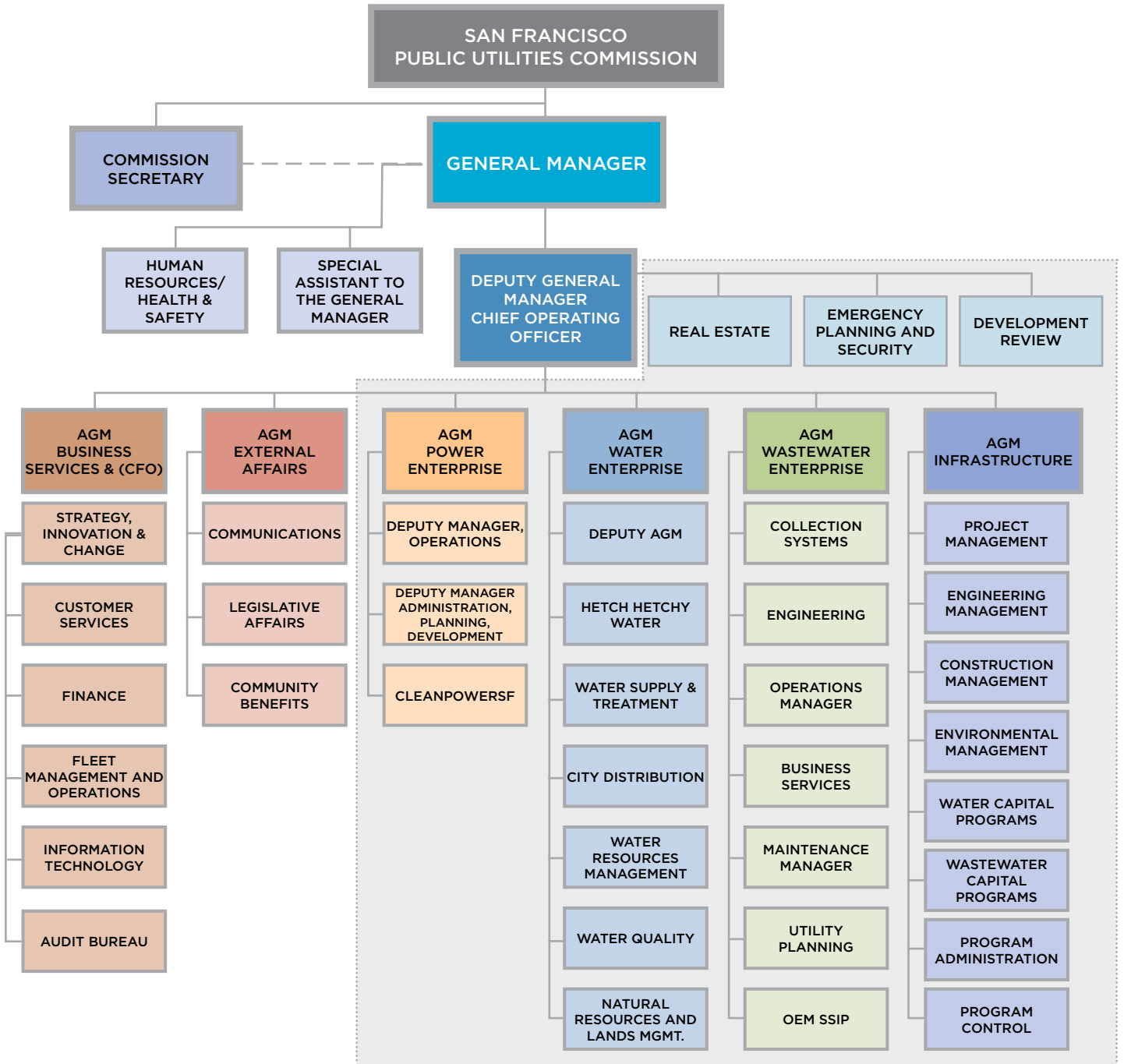
Tying the Budget to Strategic Planning Goals

This budget was built in alignment with SFPUC's Strategic Planning Goals. At the outset of the budget planning process, the Executive Team convened over multiple working meeting to determine the specific priorities for this budget that would allow us to make progress towards the overarching long-term goals. The three priority areas identified for this budget are as follows, with sub-themes under each.



The overarching strategic plan goals, in addition to the specific goals set for this budget allowed us to prioritize the investments made through this budget. These priorities also helped us in communicating our budget to stakeholders and elected officials when getting our budget adopted.

SFPUC Organizational Chart



Revenue Sources and Trends

The majority of revenues across the SFPUC’s four distinct business lines, are driven by utility sales, a function of the volume of utility units each business line sells, and the rates charged per utility unit sold. Across the entire agency’s \$2.02 billion of budgeted revenues in FY 2024-25, approximately 90.3 percent are derived from volumetric utility sales. Below are tables that show the total revenues for the SFPUC across all three Enterprises and the CleanPowerSF program.

Sales volumes are influenced by many external factors including the drought, recession, emergencies, and long-term trends such as population growth and price elasticity. In general, sales volumes are expected to returned to a “new normal” following the COVID-19 pandemic while per account usage is expected to continue to rebound from the impact of the drought (in Water and Wastewater) by FY 2025-26 (a three-year recovery from the drought ending in FY 2022-23). In Hetch Hetchy Power, significant growth is forecasted due to new customer acquisition and electrification. In addition to these large trends, volumetric utility sales projections include modest adjustments to account for population and account growth, ongoing conservation, and reductions in consumption due to growing utility costs.

SFPUC’s Main Revenues

CHART 4.1 >
SFPUC Sources
FY 2024-25.

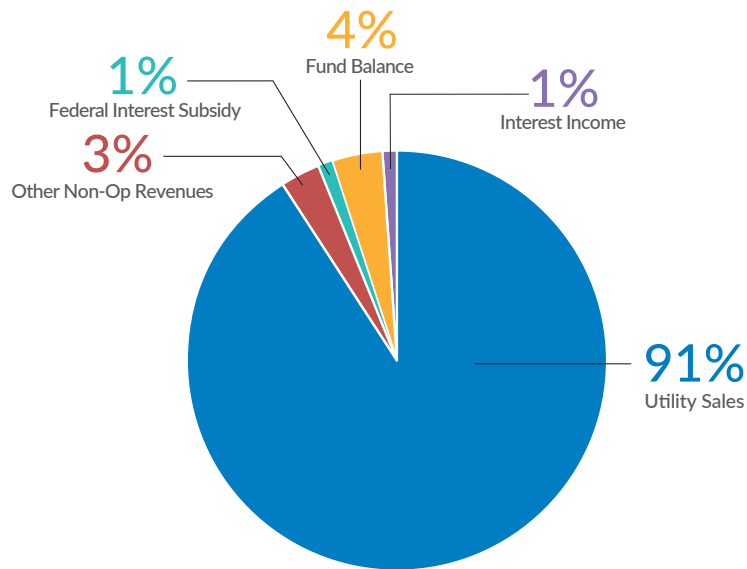
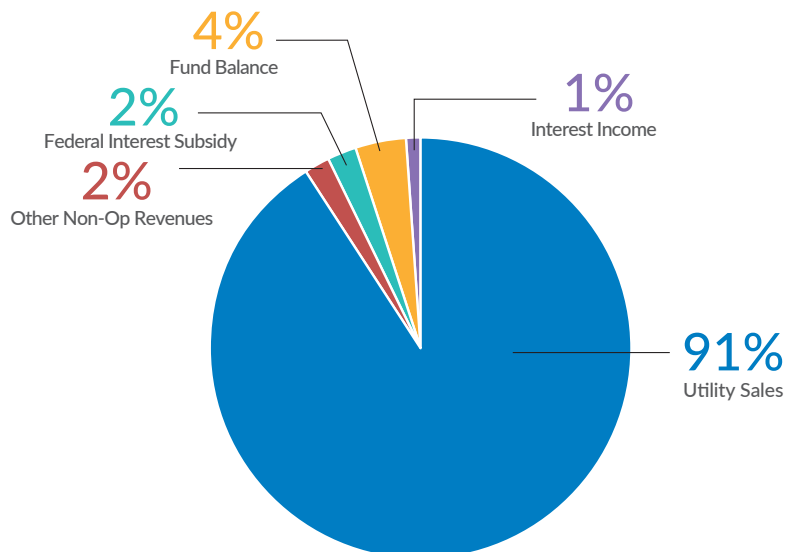


CHART 4.2 >
SFPUC Sources
FY 2025-26.



Water

In FY 2024-25, Water Enterprise budgeted revenues are \$738.5 million, a 9.5 percent increase from FY 2023-24, and budgeted revenues are \$784.5 million in FY 2025-26, a 6.2 percent increase over FY 2024-25. This growth is due to volumetric sales changes and rate increases, as well as an increase in use of fund balance in accordance with reserve policies.

In the Water Enterprise, the majority of revenues can be broken up between wholesale sales and retail sales. Wholesale revenues are derived from the Enterprise's 27 wholesale water customers and make up 45.9-46.9 percent of the Enterprise's revenues in FY 2023-24. Retail water sales comprise 48.4 percent of Enterprise revenues. The remaining portion of Water's revenues are comprised largely of federal interest subsidies, City property rentals, water service installation and connection charges, and interest income.

2023 Water Rate Study

Per City Charter, the SFPUC conducts a retail cost of service study for each enterprise at least every five years. The most recent cost of service study for Water was completed in Spring 2023, with new rates adopted in May 2023. This study is the basis for three years of retail water and wastewater rates that have been adopted by the Commission for FY 2023-24 through FY 2025-26. For each of the three fiscal years, water rates increased by 5 percent.

Wholesale water rates are set on an annual basis following the process established by contract under the long-term Water Supply Agreement (WSA). The rates are driven by the estimated wholesale share of Water Enterprise and Hetch Hetchy Water operating and capital expenditures and forecasts of wholesale sales volumes. A true-up after each fiscal year provides a mechanism to adjust future rates for under- or over-collection in prior years. Wholesale water rates are adopted annually, and rates for FY 2024-25 were approved by the Commission in spring 2024.

The Water Enterprise's financial forecast indicates the need for a continued 5.0 percent retail rate increase for the first four years of the plan, gradually tapering off in the outer years to levels more in line with inflationary rates. Wholesale rate changes are more volatile than retail rates across the ten-year plan, with annual rate adjustments ranging from 0.0 percent to 8.2 percent.

Adopted (*) and Projected Water Enterprise Rate Change

	FYE 2025	FYE 2026	FYE 2027	FYE 2028	FYE 2029	FYE 2030	FYE 2031	FYE 2032	FYE 2033	FYE 2034	Avg. Annual
Retail Rate Change	5.0%*	5.0%*	5.0%	5.0%	4.0%	4.0%	4.0%	3.0%	3.0%	3.0%	4.1%
Wholesale Rate Change	7.7%*	4.5%	2.6%	8.2%	3.1%	2.1%	0.3%	0.0%	3.5%	3.4%	3.5%

Wastewater

In FY 2024-25 Wastewater Enterprise budgeted revenues totaled \$474.8 million, an increase of 10.9 percent from FY 2023-24. In FY 2025-26 budgeted revenues total \$528.1 million, an increase of 11.2 percent from the FY 2024-25 budget. This growth is due to projected increases in volumetric sales, planned rate increases as well as an increase in use of fund balance in accordance with reserve policies.

In the Wastewater Enterprise, utility sales are the primary source of revenues, comprising 91.1 percent of revenues in FY 2024-25. Wastewater retail sales are a derivative of water consumption. The remaining portion of Wastewater’s budgeted revenues are comprised of wholesale utility sales, capacity charges, interest earnings and federal interest bond subsidies.

As a part of the 2023 study, the sewer rates were split into wastewater and stormwater components. Historically, the Wastewater Enterprise has recovered the costs associated with both the sanitary sewer service and the costs for the collection and treatment of stormwater runoff from properties through wastewater rates. By updating the rate structure, the SFPUC has enhanced equity in its rate structure by billing customers for the total flows that they contribute to SFPUC’s combined sewer system.

Projected retail wastewater rates after FY 2025-26 are based on the SFPUC’s ten-year projection of revenue requirements to continue to provide operations, maintenance, needed capital investment, and meet the SFPUC’s ongoing financial obligations.

2023 Wastewater Rate Study

Per City Charter, the SFPUC conducts a retail cost of service study for each enterprise at least every five years. The most recent cost of service study for Wastewater was completed in Spring 2023, with new rates adopted in May 2023. This study is the basis for three years of retail water and wastewater rates that have been adopted by the Commission for FY 2023-24 through FY 2025-26. For each of the three fiscal years sewer rates increased by 9 percent. Rate increases become effective on July 1, the beginning of each fiscal year.

Adopted (*) and Projected Wastewater Enterprise Rate Change

	FYE 2025	FYE 2026	FYE 2027	FYE 2028	FYE 2029	FYE 2030	FYE 2031	FYE 2032	FYE 2033	FYE 2034	Avg. Annual
Retail Rate Change	9.0%*	9.0%*	12.0%	12.0%	11.0%	10.0%	10.0%	10.0%	7.0%	7.0%	9.7%

Hetch Hetchy

In FY 2024-25 Hetch Hetchy Water and Power revenues total \$345.6 million, an increase of 9.7 percent from FY 2023-24. In FY 2025-26 Hetch Hetchy Water and Power revenues total \$381.7 million, an increase of 10.4 percent from the FY 2024-25 budget. These changes are the result of load growth from new projects coming online as well as rate changes per the results of the 2022 Power Rates Study, aligning rate schedules to cost of service by customer classes.

In the Hetch Hetchy Power Enterprise, the primary source of revenues are utility sales, which comprise 89 percent of overall Enterprise budgeted revenues. A significant portion, 80 percent of total Enterprise revenues are from electric utility sales to retail power customers, where the vast majority of customers are City departments and other governmental agencies where the Hetch Hetchy Power Enterprise is the electric service provider. Electric utility sales to wholesale power customers comprise about 8 percent of total Enterprise revenues. Water sales (to the Water Enterprise) make up about 15 percent of total Enterprise revenues. The remaining Enterprise revenues are primarily from gas and steam pass through sales, other non-operating revenues, and interest earnings.

CleanPowerSF

In FY 2024-25 CleanPowerSF program revenues total \$464.1 million, a 25.6 percent increase from FY 2023-24. The primary driver is an increase of rates, which are informed by the 2022 Power Rates Study to recover costs of surge in near-term power supply market and to increase CleanPowerSF's reserves from the Commission adopted reserves policy in April 2022. In FY 2024-25 revenues total \$463.3 million, a 0.2 percent decrease from the FY 2023-24 budget. This is mainly due to the market forward pricing curve showing more stabilization to the long-term power supply market. The program has entered a more mature steady state with all phases of significant enrollment having been completed in prior fiscal years. Total customers grew from under 380,000 served in 2020 to approximately 384,000 in 2024.

In the CleanPowerSF program, electric sales comprise 99.1 percent of overall program budgeted revenues for FY 2022-23. These sources are a derivative of volumetric power load sales. The remaining portion of program budgeted revenues in FY 2024-25 are from interest earnings.

2022 Power Rates Study

Per the City Charter for the SFPUC to conduct a cost of service study at least every five years, the 2022 Power Rates Study began in November 2020 and was completed in May 2022, informing Hetch Hetchy Power and CleanPowerSF rates for FY 2024-25. The goal of this rates study is to align rate schedules to cost of service by customer classes. This has led to decoupling rates from PG&E comparable tariffs for CleanPowerSF customers as well as Hetch Hetchy Power retail and a subset of municipal customers.

The rate study included a consolidation of the existing Retail and Enterprise municipal rate schedules into the same retail rates beginning FY 2023-24 for the same customer class. General Use Municipal (GUSE) rates are increasing from their subsidized levels toward cost of service at an effective rate increase of \$0.03/kWh annually. When GUSE rates for a given rate schedule reach cost of service, they switch over to retail rates. A couple of the rate schedules are projected to reach cost of service by FY 2026-27; however, due to increased costs for Hetch Hetchy Power, the majority of customer classes are currently projected to reach cost of service between FY 2029-30 and FY 2032-33. The exact timing of this changeover is subject to change based on changes to the rate plan and the results of the next power cost of service and rate study.

The rates study has also modernized Hetch Hetchy rates by moving away from a flat energy rate increase, as has been followed in prior fiscal years, and standardizing the rates structure for the remaining municipal departments. While on a path to aligning rate schedules to cost of service, the rates study has considered the agency's Ratepayer Assurance Policy on affordability for customers, designing rates in an incremental and smoothed manner over the budget years. As such, rates and bill impact on Hetch Hetchy customers vary – some with increases, some with decreases – based on rates schedules as well as usage and demand profiles.

Adopted (*) and Projected Power Enterprise Rate Change

	FYE 2025	FYE 2026	FYE 2027	FYE 2028	FYE 2029	FYE 2030	FYE 2031	FYE 2032	FYE 2033	FYE 2034	Avg. Annual
Retail Rate Change	12.0%*	10.0%	9.0%	9.0%	5.0%	4.0%	4.0%	3.0%	3.0%	3.0%	6.3%
General Use Municipal Rate Change	18.9%*	15.9%	13.7%	12.1%	10.8%	9.7%	8.9%	8.1%	7.5%	7.0%	11.2%

Hetch Hetchy Power’s financial forecast results in an average annual retail rate increase of 6.3 percent annually over the Plan.

CleanPowerSF’s financial forecast requires a large rate increase in the first year of the plan to cover increased power supply costs and ensure compliance with the revised Fund Balance Reserve Policy. After this initial increase, rates are flat from FY 2026-27 onward in the ten-year planning period with a 6.5 percent increase in FY 2025-26 to meet the target of 180 days cash on hand.

It is important to note that CleanPowerSF generation rates only reflect a portion of the bill, as CleanPowerSF customers also pay delivery charges and fees to PG&E.

Adopted (*) and Projected CleanPowerSF Generation Rate Changes

	FYE 2025	FYE 2026	FYE 2027	FYE 2028	FYE 2029	FYE 2030	FYE 2031	FYE 2032	FYE 2033	FYE 2034	Avg. Annual
Generation Rate Change	8.5%*	6.5%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	1.2%

Long Term Revenue Trends

While the nature of the SFPUC's revenue sources are inherently variable, and fluctuate based on many different factors, including weather, or significant changes in behavior, these sources have trended higher in prior years. This is mainly driven by rates increasing to offset the growing cost of operations and maintenance, debt service, and cash capital. The department has historically been moving to recover a greater share of revenues from more fixed charges - contributing to greater longer term revenue predictability and stability in the long term.

Budgeted Fund Balance

Fund Balance is used on a one-time, planned basis to balance budgeted sources and uses in line with the SFPUC's Fund Balance Policy. In FY 2024-25 the net use of Fund Balance is \$75.6 million. In FY 2025-26, the net use of fund balance is \$89.2 million. These changes are in line with fund balance policy, described in section 6 of this book.

Use of Fund Balance varies across each enterprise. In Water, Wastewater and Hetch Hetchy, fund balance is used as a balancing source as planned expenditures exceed projected revenues. These uses of fund balance are to offset customer rate increases and they align with the uses specified in the SFPUC Fund Balance Policy.

CleanPowerSF, however, will make contributions to fund balance as revenues exceed planned expenditures. This contribution is intended to shore up reserve levels in accordance with the SFPUC Fund Balance Policy.

Change in Fund Balance

FY 2023-24 year-end fund balance is \$748.9 million. Taking into account budgeted use of fund balance of \$75.6 million, as well as \$42.2 million in contributions to fund balance as revenues exceed planned expenditures, FY 2024-25 ending fund balance is projected to be \$715.5 million. FY 2025-26 ending fund balance is projected to be \$664.8 million after taking into account budgeted use of fund balance of \$89.2 million and \$38.6 million in contributions to fund balance.

What is Fund Balance?

The City and County of San Francisco and the SFPUC are legally required to balance their budgets each year. The San Francisco City Charter requires that proposed budgets be balanced such that the proposed expenditures of each fund do not exceed the projected revenues and available Fund Balance of that Enterprise. When actual spending is determined at the end of fiscal year, the net of actual expenditures and revenues is applied to fund balance. The reverse is true as well, if actual expenditures are greater than revenues, the difference is funded by use of fund balance. Per the SFPUC's Fund Balance Policy, the SFPUC maintains a Fund Balance Reserve. For each enterprise, the SFPUC adopts budgets and establish rates to maintain undesignated fund balances that provide sufficient capacity to bridge shortfalls in cash flow and cover unanticipated expenditures, while also considering ratepayer impact and fairness.

Expenditure Trends

Overview

Each budget cycle, the SFPUC engages its Enterprises and Bureaus to determine a spending plan for the next two fiscal years adhering to certain budget themes and priorities. Each Enterprise and Bureau establishes its operating needs within various constraints including revenue forecasts and non-discretionary expenditures. The total SFPUC operating budget is \$2.02 billion in FY 2024-25, a \$235.5 million increase from FY 2023-24 (13.2 percent). In FY 2025-26, the total operating budget is \$2.16 billion, an increase of \$134.4 million (6.6 percent). The capital budget is prepared and approved separately. Overall, operating expenditures are trending up over the two-year period mainly driven by increases in Debt Service, Purchase of Power for the Hetch Hetchy and CleanPowerSF program, and General Reserve.

CHART 4.3 >
SFPUC FTEs
FY 2024-25.

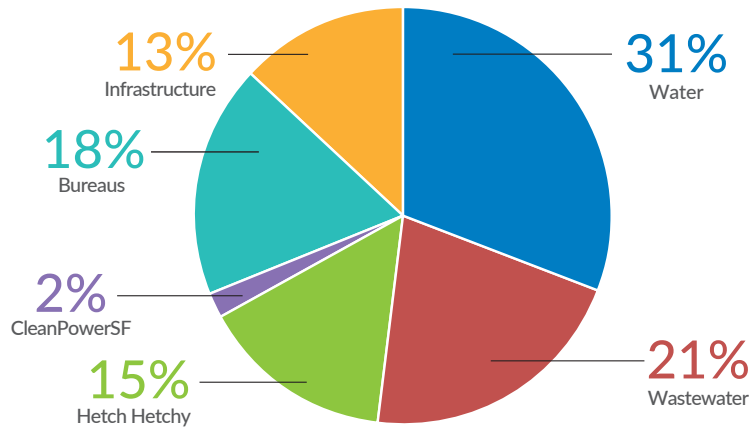
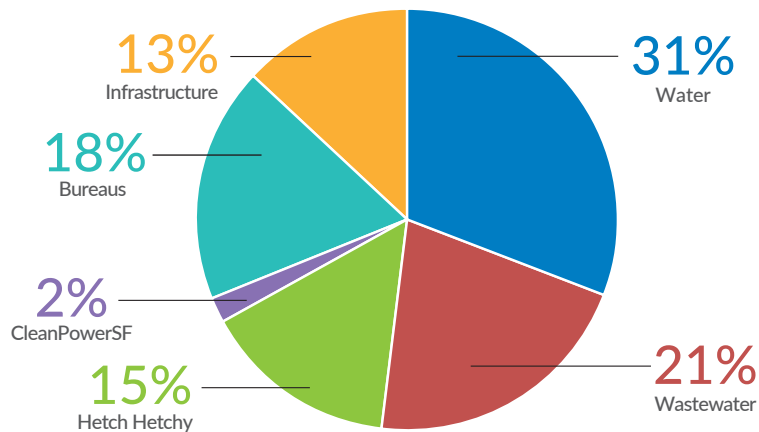


CHART 4.4 >
SFPUC FTEs
FY 2025-26.



Debt Service

The largest expenditure item for the SFPUC is Debt Service that funds the SFPUC's Capital Improvement Program, which has \$466.7 million in FY 2024-25 & \$524.5 million in FY 2025-26 in debt funded expenditures. For example, the Water Enterprise's \$4.8 billion multi-year Water System Improvement Program (WSIP) to enhance the Enterprise's ability to provide high-quality reliable drinking water to local and regional customers, is 99 percent complete. Similarly, the Wastewater Enterprise embarked on the Sewer System Improvement Program (SSIP) in 2012, leading to an increase in budgeted debt service. SSIP was originally contemplated as three-phase implementation approach over a 20-year period to manage rate impacts, will now have the projects originally identified for the second and third phases initiated based on priority, schedule, and affordability, as part of the rolling ten-year capital plan. Both improvement programs are mainly funded through debt financing.

Personnel

The Personnel expenditure line item includes both salary and mandatory fringe benefit costs, with cost increases largely driven by salary increases negotiated between labor Unions and the City, and retirement benefits.

As part of the FY 2024-25 & FY 2025-26 budget development, the SFPUC conducted an extensive examination of all temporary positions currently utilized in its workforce, making a significant effort to convert existing temporary positions into permanent budgetary status. This was done to encourage staff retention, recruitment and create resiliency in the workforce. From this process, the SFPUC was able to convert 85 positions to full-time budgetary status: 12 in the Water Enterprise, 4 in the Wastewater Enterprise, 9 in Hetch Hetchy Power, 11 in Hetch Hetchy Water, 8 in CleanPowerSF and 41 in the SFPUC Bureaus.

Furthermore, a thorough examination of all attrition or budgeted salary savings was conducted this year at the SFPUC. Attrition rates have been inconsistent throughout the agency and seemed to have limited relationship to actual salary savings. Attrition was reviewed at the lowest level department and compared to projected forecast for future years as well as with historical trends. All departments were adjusted to right-size attrition based on projected data. The net impact of these attrition changes raises the SFPUC's overall attrition rate from 10.8 percent to 12.0 percent, which more closely reflects SFPUC's natural rate of salary savings. This exercise has been incorporated into the development of SFPUC's future budgeting procedures.

Finally, the SFPUC added 74 full-time positions through the budget to ensure appropriate operational support in key areas of the organization, including Human Resource Services which will be critical in reducing vacancies; Hetch Hetchy Power and CleanPowerSF to support the City's Housing for All Initiative; and the Water and Wastewater Enterprises to meet regulatory requirements and to maintain levels of service.

Non-Personnel Services

The largest operational increases to the agency's budget over the two-year period are in Non-Personnel Services, which includes professional services, software licensing fees, purchase of power, taxes, payments to other governments, and judgements & claims. The drivers for the increase are mainly purchase of power, software licensing fees and payments to other governments related to watershed protections and environmental stewardship with the National Park Service.

Revenue-Funded Capital

Funding capital priorities is the most significant portion of the SFPUC's operating budget. The capital plan is 78 percent debt-funded and 22 percent revenue-funded. The increase to Revenue-Funded Capital is due to projected increases in volumetric sales and rates, as well as an increase in use of fund balance in accordance with reserve policies.

Services of Other Departments

The Services of Other Departments expenditure line items represent services provided to SFPUC by other City departments, including from one SFPUC enterprise to another. These budgets are a mix of discretionary and non-discretionary services. Some services are provided to the City as a whole and the budget is allocated to departments based on various cost drivers. The Services of Other Departments two-year budget increase from FY 2023-24 are mainly driven by the cost of power provided by Hetch Hetchy Power to the Water and Wastewater enterprises, and a significant rise in insurance premiums paid under the city-wide risk management services, offset by a decrease to sewer maintenance services provided by the Department of Public Works.

Materials & Supplies

The Materials & Supplies expenditure line item will rise over the next two-year period mainly due to increases for water and sewage treatment supplies, as the cost of chemicals continues to increase due to supply chain demands and the costs of raw materials.

Overhead

The Overhead budget represents the recovery of the cost of support services provided by the SFPUC Bureaus. Bureau costs are allocated to each Enterprise based on an overhead allocation model. Changes to the overhead budget mainly represent adjustments made to the Bureaus' budget throughout the budget process.

Programmatic Projects

Programmatic Projects are mainly comprised of annual programs including facilities maintenance and power retail customer programs that are funded by operating revenues; and disadvantaged community programs funded by public purpose sources from the state of California. These projects are not considered part of regular recurring operations. The budget is increasing in FY 2024-25 & FY 2025-26 primarily due to the inclusion of community programs and new retail customer programs in Hetch Hetchy Power and CleanPowerSF.

Capital Outlay

The Capital Outlay budget represents cost of new equipment that the agency expects to purchase over the next two years. The FY 2024-25 & FY 2025-26 budget mainly include costs to modernize SFPUC's aging fleet of vehicles and to meet California's emission standards.

General Reserve

The General Reserve is used to balance budgeted sources and uses, when budgeted revenues exceed budgeted expenditures. Use of General Reserve must be approved by the Mayor and Board of Supervisors. The net change is mainly due to a decrease of projected revenue over expenditures over the budget period.

FY 2024-25 Sources and Uses of Funds by Division

\$	FY 2024-25 Adopted Budget				
	Water	Wastewater	Hetch Hetchy Water & Power	CleanPowerSF	Total
SOURCE OF FUNDS					
Sale of Water	654,595,718	-	52,087,361	-	706,683,079
Sewer Service Charges	-	432,692,021	-	-	432,692,021
Sale of Electricity	-	-	228,990,098	-	228,990,098
Sale of Electricity-CCA	-	-	-	459,939,532	459,939,532
Sale of Natural Gas & Steam	-	-	28,451,927	-	28,451,927
Fund Balance	24,010,813	24,674,744	26,920,972	-	75,606,529
Other Non-Op Revenues	36,325,152	10,294,139	4,681,871	1,048,612	52,349,774
Federal Interest Subsidy	20,369,523	3,234,710	102,564	-	23,706,797
Interest Income	3,181,449	3,941,087	4,388,932	3,133,689	14,645,157
Total Sources of Funds	738,482,655	474,836,701	345,623,725	464,121,833	2,023,064,914

USE OF FUNDS					
Personnel	123,111,962	90,338,899	59,694,629	8,659,259	281,804,749
Non-Personnel Services	22,634,274	31,644,115	48,539,027	10,936,438	113,753,854
Purchase of Power	-	-	138,305,952	385,000,573	523,306,525
Materials & Supplies	20,435,944	16,649,590	3,818,467	137,000	41,041,001
Equipment	4,117,281	1,738,765	2,514,615	-	8,370,661
Overhead	64,974,279	47,172,449	28,323,634	7,544,534	148,014,896
Debt Service	333,629,235	122,615,091	10,498,877	-	466,743,203
General Reserve	567,839	554,646	628,190	40,475,562	42,226,237
Service of Other Departments	31,960,752	39,235,571	9,805,462	1,899,025	82,900,810
Revenue-Funded Capital	103,560,784	112,415,407	20,222,482	582,260	236,780,933
Programmatic Projects	33,490,305	12,472,168	23,272,390	8,887,182	78,122,045
Total Uses of Funds	738,482,655	474,836,701	345,623,725	464,121,833	2,023,064,914

* Please note that Bureaus costs are allocated to enterprises through the overhead model and are not shown here to avoid double counting.

FY 2025-26 Sources and Uses of Funds by Division

\$	FY 2025-26 Adopted Budget				
	Water	Wastewater	Hetch Hetchy Water & Power	CleanPowerSF	Total
SOURCE OF FUNDS					
Sale of Water	686,426,295	-	55,305,144	-	741,731,439
Sewer Service Charges	-	477,369,879	-	-	477,369,879
Sale of Electricity	-	-	269,784,793	-	269,784,793
Sale of Electricity-CCA	-	-	-	458,896,858	458,896,858
Sale of Natural Gas & Steam	-	-	34,312,306	-	34,312,306
Fund Balance	39,136,509	34,497,983	15,605,706	-	89,240,198
Other Non-Op Revenues	37,229,455	10,393,147	3,705,858	1,087,458	52,415,918
Federal Interest Subsidy	19,875,899	3,105,412	78,924	-	23,060,235
Interest Income	1,790,084	2,717,307	2,861,835	3,290,383	10,659,609
Total Sources of Funds	784,458,242	528,083,728	381,654,566	463,274,699	2,157,471,235
USE OF FUNDS					
Personnel	128,035,313	94,711,030	63,087,704	9,279,562	295,113,609
Overhead	67,313,577	49,043,991	29,455,402	7,845,963	153,658,933
Purchase of Power	-	-	148,739,386	386,247,595	534,986,981
Non-Personnel Services	22,196,709	31,807,403	47,422,687	11,216,612	112,643,411
Materials & Supplies	20,417,650	16,443,644	4,435,243	137,200	41,433,737
Equipment	3,653,619	2,151,584	2,999,313	-	8,804,516
Debt Service	366,950,327	144,013,267	13,577,209	-	524,540,803
General Reserve	775,897	900,000	800,000	36,095,959	38,571,856
Service of Other Departments	34,087,105	41,843,367	10,314,457	1,926,481	88,171,410
Revenue-Funded Capital	108,030,176	133,891,216	37,238,151	516,430	279,675,973
Programmatic Projects	32,997,869	13,278,226	23,585,014	10,008,897	79,870,006
Total Uses of Funds	784,458,242	528,083,728	381,654,566	463,274,699	2,157,471,235

Difference from Proposed to Adopted Budget

As described in section 5, The SFPUC's budget is first proposed to the Mayor's office before going through the Mayor and Board of Supervisors phases of the budget process. During this time, numerous changes are made to the budget. The net change from the proposed budget is \$30.7 million for FY 2024-25 and \$46.8 million for FY 2025-26, or approximately 2% more in each year. This is mainly driven by increases in general reserve contributions in the CleanPowerSF as well as labor cost increases, and changes to workorders with other city departments that occurred during the Mayor's phase.



Financial Planning and Policies

Overview

This section presents SFPUC's financial structure, relevant financial policies, and long-range planning approach. It also includes a detailed description of the budget process including the budget's preparation and adoption.

The SFPUC's financial structure and operating budget is organized by each of its enterprises plus support bureaus. Each of the SFPUC enterprises are operated and managed as independent financial entities and separate enterprise funds are maintained. The bureaus are funded through a model that allocates costs to each of the enterprises.

To ensure that the SFPUC balances its immediate needs with long term considerations and rate affordability, the agency develops budgets alongside multi-year financial plans. The SFPUC operates on a two-year budget, which is guided by two main long-term planning documents. The first is the Ten-Year Financial Plan which consolidates revenue and expenditure projections and is updated annually alongside the budget development process. The second is the SFPUC Strategic Plan which sets overall strategic direction, key priorities and serves as a roadmap for the agency to ensure it meets the challenges ahead

Continued on next page...

and continues to deliver reliable water, power and sewer services. In addition, the SFPUC's long term capital needs are assessed through long term capital planning, with a Ten-Year Capital Plan, updated annually alongside the SFPUC's capital budget.

The budget development process begins in July and concludes the following July with the Mayor of San Francisco's signature and adoption of the City-wide budget. Other financial policies described in this section include the fund balance reserve policy, rate setting policy and the debt policy. Full text of relevant financial policies can be found in the appendix of this document.

Fund Structure

The City and County of San Francisco is a Charter City under the California Constitution, and as a result, the Charter is the guiding document for financial authority and policies for City departments.

The San Francisco Public Utilities Commission is the department of the City responsible for the maintenance, operation and development of three utility enterprises: The Water Enterprise, the Wastewater Enterprise and the Hetch Hetchy Enterprise (which collectively represents the Power and Hetch Hetchy Water funds). Each of the SFPUC Enterprises are operated and managed as a separate financial entity and separate enterprise funds are maintained.

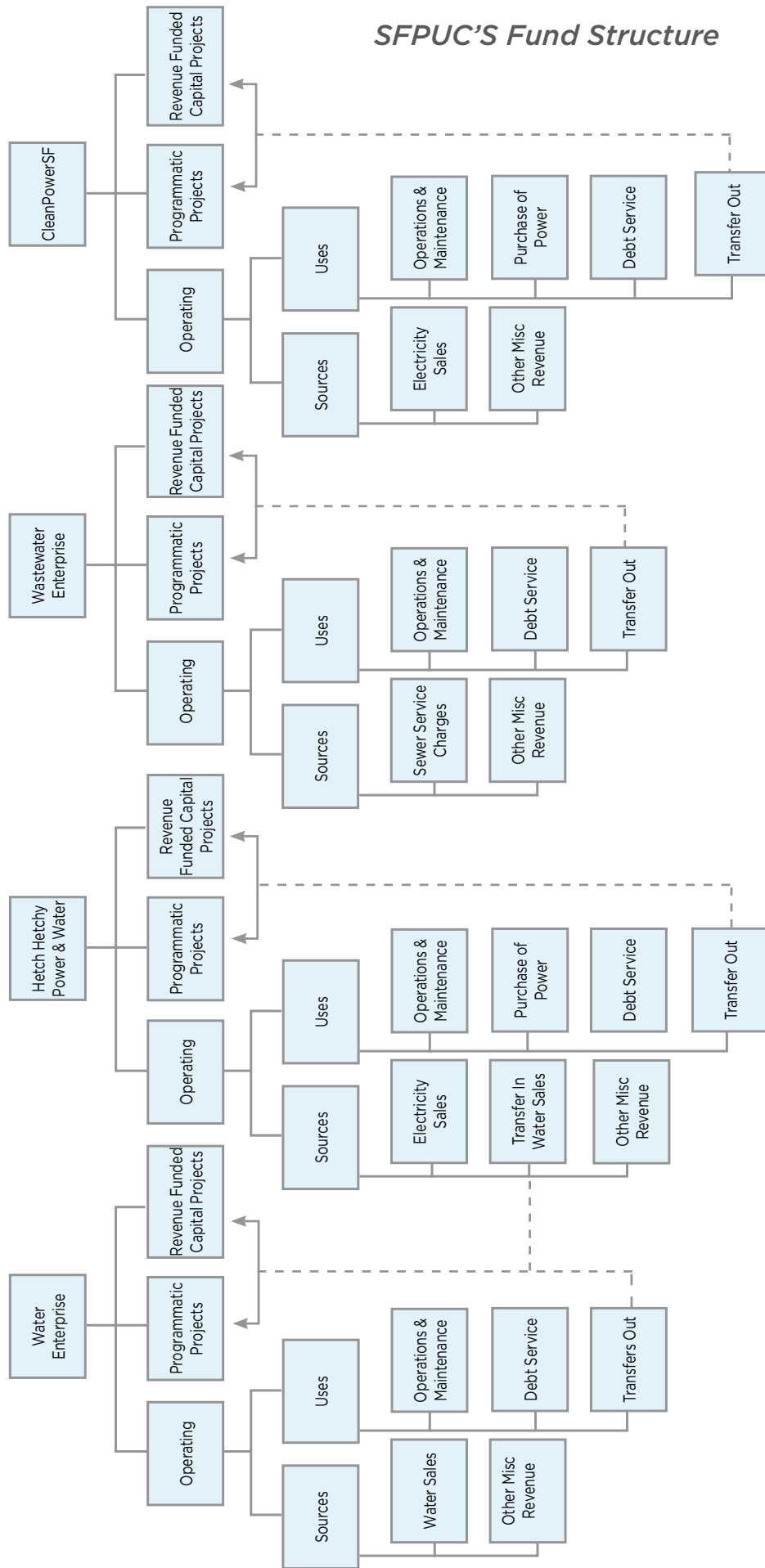
At its most basic level, a budget is divided into revenues (sources) and expenses (uses). The fund structure organizes both revenues and expenditures into a system of layers, each offering a different level and type of detail. These layers can be queried in a number of different ways, depending on what type of information is sought.

A **fund** is a high-level classification unit that is organized according to its purpose.

An **account** is a unique six-digit code that identifies the general nature of a source or use, at its lowest level of detail. A value between 400000 and 499999 denotes a source, while a value between 500000 and 599999 denotes a use.

Accounts can be summarized at different levels. For the reports contained in this book, accounts are summarized at Level 5, into a 4-digit code. For example, accounts 501010 - Permanent Salaries and 501070 - Holiday Pay roll up to an Account Level 5 of 5010 - Salaries.

SFPUC'S Fund Structure



Funds Subject to Appropriation

The SFPUC is comprised of three Enterprises, three support Bureaus (including the Office of the General Manager), CleanPowerSF, and Infrastructure.

The Enterprises are Water, Wastewater, and Hetch Hetchy Enterprise, which collectively represents Hetch Hetchy Power and Hetch Hetchy Water. The Enterprises and CleanPowerSF support the management, operations, facilities maintenance, and capital needs of each utility.

The Business Services and External Affairs bureaus provide support and oversight services to the Enterprises. The Office of the General Manager, Business Services and External Affairs budgets are funded by the three Enterprises through an allocation model. Infrastructure provides the planning, design and construction services for Enterprise capital facilities; thus, the budget is funded through capital project appropriation.

CleanPowerSF is a financially independent program funded through customer energy rates.

Department and Fund Relationship

The SFPUC uses a cost-allocation model to determine the amount of funds to recover from the three Enterprises and CleanPowerSF for the cost of services provided by the Office of the General Manager, Business Services and External Affairs. Costs are allocated from both the operating and capital funds depending on whether the services provided are to support Enterprise operations/maintenance or for capital programs or projects. As in past years, the Business Services Division has the larger budget of the bureaus and so represents the largest amount of funds from the cost-allocation model.

The sources of funds for Infrastructure are from capital project budgets, either directly for Infrastructure expenses to capital projects, or indirectly through an overhead rate that is applied to capital projects.

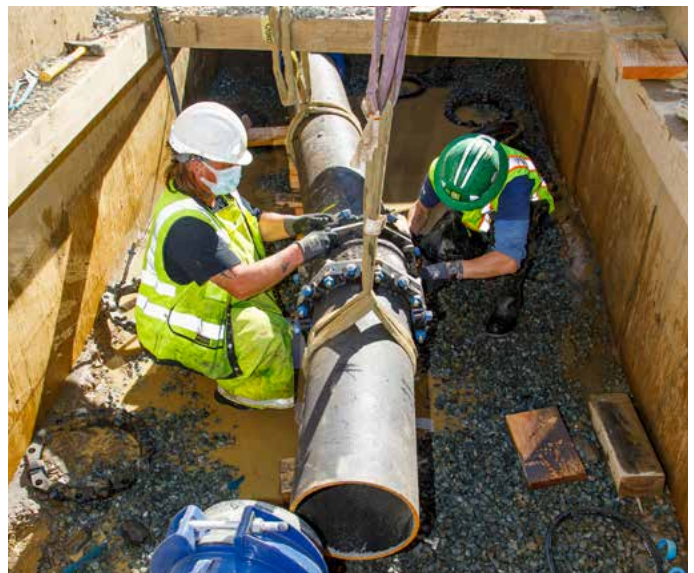
Budgeting Basis

Historically the City of San Francisco adopted annual budgets for all government funds on a budget basis relying on a current financial resources measurement and a modified accrual basis of accounting. Since the passage of Proposition A (2009), the SFPUC and other enterprises within the City have transitioned to a two-year fixed, biennial budget. The modified accrual method is a basis of accounting used with a current financial resources measurement focus. It modifies the accrual basis of accounting in two significant ways: first, revenues are not recognized until they are measurable and available; and second, expenditures are recognized in the period in which the SFPUC normally liquidates the related liability rather than when the liability is first incurred, if earlier. Under the modified accrual basis of accounting method, Actuals in the Tables located throughout this document include spending authorized by a carryforward appropriation; these are funds carried forward from the prior fiscal year to be expended in the subsequent fiscal year. Examples typically include capital project funds and certain debt service funds that adopt project-length budgets. The City's budget is a detailed operating plan that identifies estimated costs in relation to estimated revenues. The budget includes (1) the programs, projects, services, and activities to be provided during the fiscal year; (2) the estimated sources (inflows) available for appropriation; and (3) the estimated uses or charges to appropriations. The budget represents a process through which policy decisions are deliberated, implemented, and controlled. The City Charter prohibits expending funds for which there is no legal appropriation.

Accounting Basis

The accounts of the SFPUC Enterprises are organized on the basis of a proprietary fund type, specifically an enterprise fund. The activities of SFPUC's three Enterprises are each accounted for with a separate set of self-balancing accounts that comprise the Enterprises' assets, liabilities, deferred inflows of resources, net position, revenues, and expenses. Enterprise funds account for activities that (i) are financed with debt secured solely by a pledge of the net revenues from fees and charges of the activity; or (ii) that are required by laws or regulations that the activity's costs of providing services, including capital costs (such as depreciation or debt service), be recovered with fees and charges, rather than with taxes or similar revenues; or (iii) that the pricing policies of the activity establish fees and charges designed to recover its costs, including capital costs (such as depreciation or debt service).

The financial activities of each Enterprise and the year-end audited financial statements are accounted for using an economic resources measurement, with a full accrual basis of accounting. Under this method, all assets and liabilities associated with its operations are included on the Statement of Net Position; revenues are recorded when earned, and expenses recorded when liabilities are incurred. The SFPUC Enterprises apply all applicable Governmental Accounting Standards Board (GASB) pronouncements.



Calendar and Budget Process

SFPUC's biennial budget cycle begins in July and ends in July, the following year. The two-year fixed budget is prepared, reviewed, enacted by the Commission and Board of Supervisors (BOS), signed by the Mayor, and then implemented by the department. SFPUC's two-year budget is comprised of two, single-year spending plans. The Board of Supervisors approves both years together and may amend the second year through supplemental budget adjustments if increases or decreases in revenues or expenditures are significant. Normally, the SFPUC would amend the budget mid-cycle only if revenue or expenditure changes are greater than five percent.¹

In FY 2010-11, the City adopted two-year budgets for the SFPUC and three other pilot departments (the Airport, the Port, and the Municipal Transportation Agency), in accordance with Proposition A passed in 2009. FY 2024-25 & FY 2025-26 represent SFPUC's eighth biennial budget. The budget process is described below.

Stakeholders

- The Public is invited to all public meetings, notified in advance to ensure stakeholder awareness of any budget items. This includes SFPUC's Citizen Advisory Committee.
- The SFPUC Commission holds publicly-noticed Budget meetings, during business hours for public comment on the proposed budget.
- The Committee on Information Technology (COIT) evaluates all departmental technology plans and makes recommendations for approval and funding of the departmental technologies budget requests.
- The Capital Planning Committee (CPC) reviews SFPUC proposed Ten-Year Capital Plan and two-year capital project budget specifics along with associated funding requirements and provides recommendations to the Board of Supervisors' on City-wide priorities for capital and the level of investment needed to meet the priorities identified.
- The Mayor prepares and submits a balanced SFPUC budget to the Board of Supervisors for review and approval on a biennial basis.

- The Board of Supervisors is the City's legislative body and is responsible for budget review and may amend then approve the Mayor's proposed budget. As a function of this review, the Board's Budget and Legislative Analyst examines SFPUC's proposed budget as well as spending and financial projections.
- The Controller is the City's Chief Accounting and Auditing Officer and ensures the accuracy of the final budget.

Calendar and Process

Beginning in July and concluding the following July, the biennial two-year budget cycle can be divided into four major stages.

- 1. Commission Budget Policy Review:** budget policy review and implementation.
- 2. Budget Preparation:** budget development and submission to the Commission.
- 3. Approval:** budget review and enactment by the SFPUC, Mayor and Board of Supervisors.
- 4. Implementation:** department execution and budget adjustments.

Preparation

The SFPUC's budgetary process precedes the citywide budgeting process as managed by the Mayor's Office.

Two categories of budgets are prepared:

Enterprise and Bureau Operating Budgets:

Enterprise departments generate budgets to support operations based on the projected non-discretionary revenue primarily from charges for services. Operations include debt service, personnel, non-personnel services, materials and supplies, equipment, and services of other departments.

Capital Budgets: Comprised of an annual capital budget for each of the three enterprise departments and CleanPowerSF and also includes an annually updated Ten-Year Capital Plan. Capital projects must result in the addition of new capital assets and/or improvements to existing assets which extend the asset's service life by at least five years. Capital projects may include associated costs of acquisition or construction of new assets and/or expenditures for activities that enhance the function, improve the performance and/or extend the service life of existing assets.

¹"Significant increases or decreases in revenues or expenditures shall be defined as greater than five percent difference between the projected and adopted budget for operating or capital expenditures or revenues for the second year of the department's biennial budget." (Resolution 464-11)

Beginning on July 31, 2023, SFPUC Enterprises prepare both their operating and capital budget requests which are then submitted to SFPUC's Budget Team. From October to December, the Assistant General Managers (AGM), the Deputy General Manager, and the General Manager review these requests. In December, the General Manager's proposed budget, which includes all the Enterprises, CleanPowerSF, the Bureaus and Infrastructure, is consolidated and submitted to the SFPUC Commission for deliberation. Also in January, the Commission holds public hearings to review and ultimately approve the operating and capital budget requests, Ten-Year Capital Plan, and Ten-Year Financial Plan. By mid-February, the SFPUC approved budget requests are submitted to the Controller's Office. The Controller consolidates, verifies, and refines all the information the SFPUC has submitted. The Controller submits the SFPUC proposed budget requests to the Mayor's Office of Public Policy and Finance for review by mid-March.

The Mayor's Office meets with community groups to provide budget updates and to hear concerns and requests for funding to improve public services. The Controller ensures that the Mayor's final budget request is balanced, accurate, and based on reasonable assumptions.

Approval

On May 1, the Mayor's proposed budget, which includes the SFPUC's budget is submitted to the Board of Supervisors. The Budget and Finance Committee of the Board of Supervisors holds public hearings during the months of May and June to review the Mayor's proposed budget and to solicit public input. The Board of Supervisors' Budget Analyst then develops recommendations on the budget proposal which are shared and discussed with departments. Based on these discussions, the Board's Budget Analyst forwards budget recommendations to the Budget and Finance Committee for public review. If the Board of Supervisors' budget review lapses into the new fiscal year beginning July 1st, a continuing resolution adopting an Interim Budget--the Mayor's proposed budget with some limitations--is passed by the Board and serves as the operating budget until the budget is adopted. The Mayor typically signs the budget ordinance into law no later than July.

Original Budget Amendments: City Charter requires that the Board of Supervisors vote on the budget amendments twice between July 15 and August 1. The first reading occurs the first Tuesday after July 15, and amendments may be proposed. These amendments are added to the budget if they are passed by a simple majority. Amendments may be proposed by any member of the Board of Supervisors and can reflect further public input and/or Board policy priorities. The Board votes on the amended budget during the second reading and if the budget is passed, it is sent to the Mayor for final signature. If other amendments are proposed during the second reading, there is a further reading a week later. The Board of Supervisors must pass a final budget before the August 1st deadline.

The Mayor has ten days to approve the final budget, referred to as the Annual Appropriation Ordinance (AAO). The Mayor may sign the budget as approved by the Board, making it effective immediately. The Mayor may also veto any portion of the budget, whereupon it returns to the Board of Supervisors. The Board has ten days to override any or all the Mayor's vetoes with a two-thirds majority vote. In this case, upon the Board vote, the budget is immediately enacted, thus completing the budget process for the fiscal year. Should the Mayor opt not to sign the budget within the ten-day period, the budget is automatically enacted but without the Mayor's signature of approval. Once the AAO is passed, it supersedes the Interim Budget.

Implementation

The budget is implemented and executed by SFPUC staff as adopted by the Mayor and the Board of Supervisors, at the start of the fiscal year.

Supplemental Budget Adjustments: Budget adjustments during the fiscal year can be made through surplus transfers, if available. A surplus transfer moves funds from one budget line item to another (such as from materials & supplies to non-personnel services) to reflect realignment of priorities, duties or reorganization or to meet budget estimates related to actual operating realities. Adjustments to the budget can also be made through a supplemental appropriation requests, when a department has budget authority for the remainder of the fiscal year or when additional appropriation is needed for operating or capital project funding, grants appropriation

legislation, or when a third-party awards funding to a department. Budget adjustments for the second year of the biennial budget can be made through a supplemental appropriation, when increases or decreases in revenues or expenditures between the adopted and projected budget are significant. These adjustment requests require Board of Supervisors approval before going to the Mayor for final signature. The Commission approves any budget adjustments in advance of it being presented to the Board of Supervisors. The public is informed and has the opportunity to engage in the budget amendment process through the agenda and public meetings scheduled with the SFPUC Commission and the Board of Supervisors.

Year 2 of the fixed two-year budget re-opening

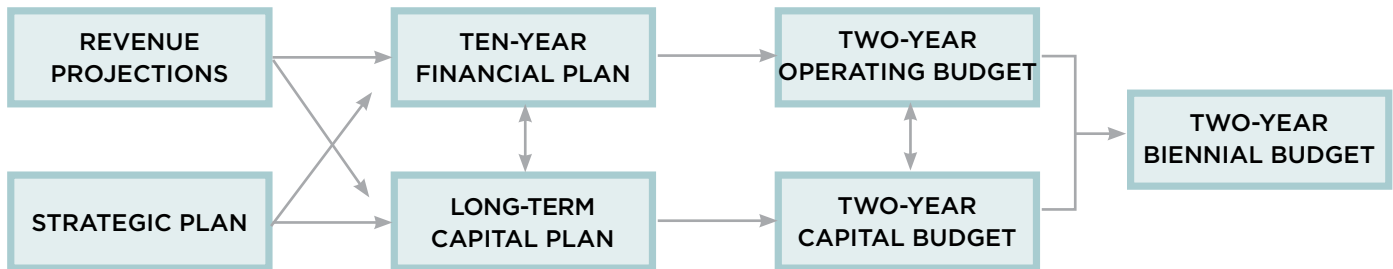
From January to March of the first year of the budget, if necessary, the SFPUC submits budget adjustments to the Controller's Office for changes greater than five percent between the projected and adopted budgets. From March to April, the Controller's Office submits a report to the Mayor and Board of Supervisors, stating whether they project significant changes in SFPUC revenues or expenditures. Budget adjustments greater than five percent triggers the reopening of the second-year budget. From May to June, the Budget and Finance Committee reviews and takes action on operating and capital supplemental budget adjustments. From July to August, the supplemental budget adjustments receive approval by the Board of Supervisors and Mayor's Office.

Budget Calendar

	Normal Budget Cycle
July 2023	<ul style="list-style-type: none"> • SFPUC FY 2024-25 & FY 2025-26 budget process launch • Commission budget policy discussion
September 2023	<ul style="list-style-type: none"> • Staff review and analysis: <ul style="list-style-type: none"> ◦ Operating and capital budget proposals ◦ Ten-Year Capital Plan ◦ Ten-Year Financial Plan
October 2023 - November 2023	<ul style="list-style-type: none"> • General Manager and Deputy General Manager review of budget proposals and plans
December 2023	<ul style="list-style-type: none"> • Budget approved by General Manager
January 2024	<ul style="list-style-type: none"> • Commission budget workshops • Departmental technology plans submitted to COIT • Biennial Capital budget requests submitted Capital Planning Committee • Ten-Year Capital Plan submitted to Capital Planning Commission
February 2024	<ul style="list-style-type: none"> • Commission adopts Operating Budget, Ten-Year Capital Plan, and Ten-Year Financial Plan • Operating and Capital budget requests submittal to Controller and Mayor
March 2024 - April 2024	<ul style="list-style-type: none"> • Mayor's Office and Controller's Office review of budget • CPC reviews Ten-Year Capital Plan and staff recommendations
May 2024	<ul style="list-style-type: none"> • Operating and capital budget requests submitted to Board of Supervisors by Mayor
June 2024	<ul style="list-style-type: none"> • Board review of operating and capital budget
July 2024	<ul style="list-style-type: none"> • Mayor signs budget
August 2024	<ul style="list-style-type: none"> • Final budget adoption by Board of Supervisors and Mayor

Long Term Financial Planning and Effect on Budget Development

To ensure that the SFPUC balances its immediate needs with long term considerations and rate affordability, the agency has adopted a process that develops annual budgets alongside multi-year financial plans. This process assumed its current form with the passage of Proposition A on November 3, 2009, which replaced annual budgeting with two-year budgeting, and required additional long-term financial planning. This section describes the processes that guide SFPUC’s multi-year financial and strategic plans and how those effect the budget process.



Diagram/chart showing the links between each of the long-range planning documents and budget-copy from previous book.

Multi-Year Financial Planning Process

The SFPUC operates on a two-year budget, which is guided by two fundamental long-term planning documents. The first is the Ten-Year Financial Plan which consolidates revenue and expenditure projections and is updated annually alongside the budget development process. The second is the SFPUC strategic plan which is developed by the Executive Team to set overall strategic direction, identify key priorities and serve as a roadmap for the SFPUC to ensure we meet the challenges ahead and continue to deliver reliable water, power and sewer services. In addition, the SFPUC’s long term capital needs are assessed through long term capital planning, with a Ten-Year Capital Plan, updated annually alongside the SFPUC’s capital budget.

Two-Year Budget

Starting in FY 2010-11, SFPUC has implemented fixed two-year (biennial) budgets. FY 2024-25 & FY 2025-26 represent SFPUC’s eighth biennial budget. Normally, the SFPUC would amend the budget mid-cycle only if revenue or expenditure changes are greater than five percent. The budget process is guided by operating revenue and expenditure projections for the budget period which are developed through the Ten-Year Financial Plan and Ten-Year Capital Plan. These plans also allow the budget to be developed to take account of longer-term financial issues such as fund balance, rate

affordability, meeting financial policy targets and debt service capacity. In addition, budget priorities are guided by the SFPUC’s Strategic Plan.

Ten-Year Financial Plan

The SFPUC’s Ten-Year Financial Plan as required by City and County of San Francisco Charter Section 8B.123, includes a ten-year financial summary (FY 2024-25 through FY 2033-34), describing projected sources and uses, resulting fund balances and associated financial reserve ratios. The Ten-Year Financial Plan is updated annually and adopted by the Commission. This is a planning document intended to inform the development of the Ten-Year Capital Plan, water and power utility rates and the biennial budget. The revenue and cost estimates should be viewed as indications of expected trends, given certain expenditure, receipt, and financing assumptions. These assumptions are based on current Board of Supervisors’ and Commission policies, goals, and objectives representing management’s best estimates.

The biennial budget is developed alongside Ten-Year Financial Plan and allows the SFPUC to have insights into the long term financial sustainability of the agency and longer term issues that affect current planning and priorities. In addition, the Ten-Year Financial Plan allows budgeting to be done with a view to long term rate impacts on customers.

Ten-Year Capital Plan

The Ten-Year Capital Plan is developed every year by the SFPUC and approved by the Commission. The Ten-Year Capital Plan informs and guides managers, policy makers, elected officials and the public by providing the proposed long-term capital program, projects and investment. The Ten-Year Capital Plan also guides the development of the Ten-Year Financial Plan and associated rate implications of the planned capital spending. The Ten-Year Capital Plan guides the biennial capital budget development. As the budget process progresses through the Spring and final adoption in the Summer, the updated Capital Improvement Programs (CIPs) are revised forming the biennial capital budget.

Strategic Plan

The SFPUC's Strategic Plan serves as a roadmap to ensure the agency is equipped to meet the challenges ahead and continue to deliver reliable water, power and sewer services.

The Goals and Objectives included in the plan aim to ensure that objectives are met while the organization strives to implement capital programs, diversify the water and energy portfolio and ensure triple bottom line sustainability.

The strategic plan goals are detailed in section 4, Introduction to the PUC.

Budget Management

Throughout each fiscal year, SFPUC develops four budgetary projections at the end of each quarter which provide an insight into how the agency is spending against budget. These Quarterly Budget Variance Reports are presented to the Commission and published on the SFPUC website. These reports, (in addition to year-end financial statements) allow the agency to monitor performance against the budget and make adjustments to actual spending if necessary. These reports also inform budget development by giving managers a view on actual spending in prior years.

Each enterprise has its own strategic goals and objectives that are tied to the SFPUC's overall strategic plan. These are described in more detail in the enterprise sections of this book.

Other Financial Policies

Financial policies governing the budget include long range financial planning and reporting policies and budget development policies that have been described in the previous section.

In addition, other key financial policies that affect the budget include, fund balance policy and ratepayer assurance policy are summarized here. The full text of all relevant financial policies can be found in the Appendix of this book. The adopted budget conforms with all of the SFPUC's financial policies.

Definition of a Balanced Budget

The City and County of San Francisco and the SFPUC are legally required to balance their budgets each year. The San Francisco City Charter requires that proposed budgets be balanced such that the proposed expenditures of each fund do not exceed the projected revenues and available Fund Balance of that Enterprise. When actual spending is determined at the end of fiscal year, the net of actual expenditures and revenues is applied to fund balance. The reverse is true as well, if actual expenditures are greater than revenues, the difference is funded by use of fund balance.

Mission Driven Budgeting

Per City Charter, each departmental budget shall describe each proposed activity of that department and the cost of that activity. In addition, each department shall provide the Mayor and the Board of Supervisors with the following details regarding its budget:

- a) The overall mission and goals of the department;
- b) The specific programs and activities conducted by the department to accomplish its mission and goals;
- c) The customer(s) or client(s) served by the department;
- d) The service outcome desired by the customer(s) or client(s) of the department's programs and activities;
- e) Strategic plans that guide each program or activity;
- f) Productivity goals that measure progress toward strategic plans;
- g) The total cost of carrying out each program or activity; and
- h) The extent to which the department achieved, exceeded or failed to meet its missions, goals, productivity objectives, service objectives, strategic plans and spending constraints identified in subsections (1) through (6) during the prior year.

Departmental budget estimates shall be prepared in such form as the Controller, after consulting with the Mayor, directs in writing.

Debt Coverage Policy

Debt issuance is a significant funding source for the SFPUC's capital programs. Pursuant to SFPUC bond covenants entered into with bondholders, enterprise revenues pledged for the repayment of debt service must meet certain financial ratios. To ensure that the SFPUC maintains access to low-cost capital and retains financial flexibility for contingencies, it is important to adopt and implement financial policies that impose higher standards than the minimum indenture requirements. Therefore, for each enterprise, the SFPUC has a policy to adopt budgets, rates and financial plans that generate revenues to meet even more stringent coverage ratios.

To monitor compliance with this policy, SFPUC presents this information as part of the budget process and the ten-year financial plan. SFPUC is forecast to meet these policy minimums in the FY 2024-25 & FY 2025-26 budget and throughout the ten-year financial plan period.

The bond covenant and SFPUC policy ratios are shown in the following table:

SFPUC Policy Ratios

Ratio	Bond covenants	SFPUC policy	What is it?
Indenture coverage	1.25x	1.35x	Ratio of net revenue (Annual Revenues - Operating Expenses + Unappropriated Fund Balance) to debt service
Current coverage	1.00x	1.10x	Ratio of annual revenue (Annual Revenues - Operating Expenses) to debt service

Fund Balance Reserve Policy

The SFPUC faces a number of risks to revenue stability, including multi-year rate packages, drought, weather variability, and highly volumetric rates. In addition, the COVID-19 pandemic and ensuring economic disruption has created more uncertainty for the future. To manage these risks and reduce susceptibility to emergency rate increases, the SFPUC ensures adequate ratepayer protection in the form of a Fund Balance Reserve policy.

For each enterprise, the SFPUC adopts budgets and establishes rates to maintain undesignated fund balances that provide sufficient capacity to bridge shortfalls in cash flow and cover unanticipated expenditures, while also considering ratepayer impact and fairness in compliance with the San Francisco Charter. Specifically, for the time period covered in the SFPUC's Charter-mandated Financial Plan, operating and capital budgets and rates will be proposed for adoption such that the Fund Balance Reserve totals a minimum of 90 days or 25 percent of Operations & Maintenance Expenses (including programmatic projects, and excluding debt service and revenue-funded capital) throughout the forecast period. Amounts in excess of the minimum will be

Affordability Policy - new for FY 2024-25

The SFPUC is committed to ensuring rate fairness and affordability for our customers, and this has been a core focus in developing the biennial budget and Ten-Year Capital Plan. We adopted a new Affordability Policy in November 2023, which made rate affordability targets stricter than ever before to keep rates as low as possible while maintaining necessary investments. The policy focuses on equity and low-income customers. In the new policy, the typical household is defined as the 40th percentile income, rather than the 50th percentile (median) household income, to ensure the typical household being monitored better reflects San Francisco's high cost of living and the lower incomes of San Francisco's Black, Indigenous, and People of Color communities. A low-income household is defined by the 20th percentile household income, in line with affordability standards currently used by the Environmental Protection Agency. The addition of the low-income customer affordability metric aims to center customers who are most heavily

burdened by San Francisco's high cost of living and widening income inequality. For low-income households, bills are calculated both at retail rates and at retail rates after accounting for applicable discount or assistance programs. Water and sewer bills will target less than 3 percent of the typical customer's income, less than 7 percent of the low-income customer's income using standard rates, and less than 5 percent of low-income customer's income after accounting for enrollment in applicable bill discount programs. The budget and capital plans proposed comply with the SFPUC's affordability policy.

Rate Setting Policies and Process

The SFPUC recovers the cost to do business and serve its customers through the rates it charges on utilities purchased by customers. Rates typically change on an annual basis at the start of the fiscal year and any changes to rates require an action by the SFPUC Commission. The rationale which support the rates charged include long term operating and capital assumptions, projected volumetric sales by business line, and are verified by independent cost of service studies. Rates have been adopted on a multi-year basis for retail water, and wastewater customers; while rates for all other business lines are currently adopted or change on a biennial or annual basis.

In November 2002, voters passed Proposition E, establishing Article 8B of the Charter, which, among other things, outlined procedural and substantive requirements for setting rates and charges. Procedural requirements specified by Charter Section 8B.125, include the Commission's authority to set rates, fees and other charges for utility services under its jurisdiction, subject to rejection - within 30 days of submission - by resolution of the Board of Supervisors.

The Charter change also established the requirement for an independent cost of service study for each utility at least every five years. Charter section 8B.125 also includes the substantive requirement to set retail rates and charges, based on cost of service, to provide sufficient resources for the operation, maintenance and continued financial health, including appropriate reserves, of each enterprise.

Finally, section 8B.125 established the Rate Fairness Board (RFB) as the oversight body for SFPUC rates and charges. The Rate Fairness Board may hold public hearings on rate proposals and provide recommendations to the Commission regarding those rate proposals.

SFPUC Ratepayer Assurance Policy

In addition to the aforementioned substantive and procedural requirements to adopt rates, rates must also comport with the Ratepayer Assurance Policy revised and adopted by the Commission in 2017. This policy sets out principles to guide the development of rates and charges. The policy references the tradeoffs that are made amongst these principles that are inherent to the rate-setting process.

The Ratepayer Assurance Policy, adopted September 12, 2017, sets out principles to guide the development of rates and charges. The Ratepayer Assurance Policy principles are:

- **Revenue Sufficiency.** The Commission will aim to establish rates sufficient to cover the full cost of all SFPUC activities.
- **Environmental Sustainability.** The Commission will aim to establish rates in a manner that values environmental sustainability and preserves the natural resources entrusted to the SFPUC's care.
- **Affordability.** The Commission will consider SFPUC service affordability for all its customers. Prudent operating and capital planning ties annual spending to system demand and intergenerational equity, enabling financial engineering and reducing costly emergency expenditures.
- **Predictability.** The Commission will aim to establish rates designed to minimize bill fluctuations, enabling ratepayers to plan ahead for their personal finances.
- **Simplicity.** The Commission will aim to establish rates that are easy for ratepayers to understand.

In addition to the rate making principles listed above, the SFPUC has a goal that the average combined water and sewer bill does not exceed 2.5 percent of the median household income in San Francisco. This affordability index is consistent with the Federal Environmental Protection Agency guideline for utility cost affordability.

Throughout the most recent rate-setting process, SFPUC staff worked closely with the Rate Fairness Board during the development of rates to follow rate making principles and meet Charter and Commission objectives. SFPUC staff also participated in an extensive public outreach program, reaching out to over 400 organizations to describe SFPUC services, explain why rate increases are needed and the impact of the rate increases on monthly bills. Over 50 community presentations were delivered to organizations representing a wide spectrum of community, environmental, business, labor and other interests. Outreach was also made through the SFPUC's website, which includes tools for customers to estimate bill impacts based on their current usage. In compliance with California's Proposition 218 which requires proposed rates be publicized through specific mailings, the proposed rates were mailed more than 45 days prior to the April 10, 2018 hearing to approximately 238,000 ratepayers and property owners; in response, the SFPUC received approximately 194 formal protest letters. Through the rate adoption, the Commission affirmed that the SFPUC met all requirements of the City Charter and Proposition 218.

Cost of Service Studies

As required by the City Charter (Sections 8B.125), the SFPUC must complete a cost of service study by an independent consultant at least once every five years.

Debt Policy

The SFPUC has established Debt Management Policies and Procedures for debt financings associated with the Water, Wastewater and Power Enterprises. The purpose of these Policies is to provide SFPUC officials and staff a comprehensive guide to SFPUC's issuance and use of debt to fund capital projects or to refund/refinance/restructure outstanding debt. The Policies primarily address debt instruments/securities issued by the SFPUC in public and/or private bond markets. This is consistent with examples of debt policies of other comparable municipalities, Government Finance Officers Association (GFOA) best practices and rating agency guidelines.

The aim of the established policies and procedures is to assist the SFPUC in furthering the following goals and objectives related to debt financing activities:

SFPUC Debt Policy Goals

The aim of the established policies and procedures is to assist the SFPUC in furthering the following goals and objectives related to debt financing activities:

- Maintain cost-effective access to capital markets through prudent debt management policies and practices;
- Ensure that the SFPUC's debt is consistent with the SFPUC's long-term financial planning goals and objectives and capital improvement program or budget, as applicable;
- Finance significant capital acquisitions or improvements in a timely and cost-effective manner;
- Ensure that judicious debt service commitments are made through effective planning and cash management;
- Maintain the highest practical credit ratings to ensure efficient access to capital markets at the lowest prevailing interest rates;
- Support strong internal controls through support of bond oversight committees;
- Structure long-term financings to minimize transaction specific risk and total debt portfolio risk to the SFPUC;
- Maintain user friendly and publicly accessible electronic portal for the timely dissemination of material information concerning the financial condition of the SFPUC; and
- Promote financial sustainability by adhering to sound debt management practices that are consistent with the SFPUC's mission and guiding principles.

A copy of the full Debt Management Policies and Procedures is included at the Appendix of this document.





Capital Budget

Introduction

In addition to the SFPUC’s operating budget (the main focus of this book), the FY 2024-25 & FY 2025-26 Two-Year Capital Budget and Ten-Year Capital Improvement Plan was prepared. A separate book describing the capital budget and Ten-Year Capital Improvement Plan was published on the SFPUC’s website in February 2024.

The capital budget for FY 2024-25 & FY 2025-26 is roughly \$1.6 Billion (B) in each year.

The Ten-Year Capital Improvement Plan totals \$11.8 B. The plan prioritizes projects that ensure the continued reliable and compliant operation of the SFPUC’s Water, Wastewater, Hetch Hetchy Water and Power (including CleanPowerSF) systems, while acknowledging the need for responsible financial stewardship for our ratepayers.

Highlights of the Ten-Year Capital Improvement Plan

- The plan outlines the SFPUC's FY 2024-25 & FY 2025-26 Two-Year Capital Budget for the Water, Hetch Hetchy Power, and Wastewater enterprises.
- The plan was developed with an emphasis on addressing quality of life issues like economic vitality, supporting good paying jobs, addressing the impacts of climate change, and benefits for local communities and the larger region impacted by the Capital Improvement Plan.
- The plan is \$3 billion larger over the ten year horizon versus the most recent iteration. The increases were accounted for by balancing affordability among the growing caseload of projects related to climate change impacts and projects driven by regulatory mandates inducing previously unaccounted for cost pressures.
- The Wastewater Enterprise has the largest share of the plan at 51 percent, followed by Water at 25 percent, Hetch Hetchy Water at 13 percent and Hetch Hetchy Power (including CleanPowerSF) at 11 percent.
- Key projects funded in this capital plan include the completion of the Biosolids Digester Facilities Project, the Southeast Plant Nutrient Reduction project, the Millbrae Yard Campus Improvements, the new City Distribution Division Headquarters, Moccasin Penstock Rehabilitation, stormwater and flood resistance projects, treatment plant improvements, Public Power expansion, repair projects, carbon reduction projects, and replacement of sewer and water mains throughout the system.

Why does a publicly owned utility need to make capital investments?

Capital investments extend the useful life of SFPUC infrastructure and ensure the continued reliable and compliant operation of enterprise systems. These systems are essential for delivering some of the cleanest drinking water in the United States, protecting public health and the environment with the only combined stormwater and sewer system in coastal California, providing affordable clean energy for municipal needs through a public power system, and providing clean energy to over 350,000 retail customers within the City and County of San Francisco.

Capital Plan Assessment and Funding Strategy

The SFPUC Ten-Year Capital Improvement Plan articulates the agency’s capital needs, aligned with the Commission’s strategic goals, and the required investments to meet those demands. Funding capital priorities is the most significant portion of the SFPUC’s operating budget. The capital plan is 78 percent debt funded and 22 percent revenue funded. Debt service to support capital expenditures as well as revenue-funded capital expenditures make up over one third of the total operating budget, a share that is projected to continue to grow to half over the ten-year period.

The table below shows the capital plan by enterprise.

FY 2024-25 to FY 2033-34 SFPUC Capital Plan

million	FY 24-25	FY 25-26	FY 26-27	FY 27-28	FY 28-29	FY 29-30	FY 30-31	FY 31-32	FY 32-33	FY 33-34	Total
USES											
Water	456.0	477.2	514.2	368.7	280.0	243.2	232.8	147.7	128.0	107.0	2,954.8
Wastewater	892.5	822.9	908.9	532.3	325.1	339.3	399.0	524.5	670.3	624.9	6,039.7
Hetchy-Water	152.8	180.8	165.8	184.3	112.2	172.6	213.4	191.4	81.5	78.9	1,533.7
Hetchy-Local Power	52.0	85.4	125.0	154.1	127.1	148.5	163.1	165.5	110.0	104.1	1,234.8
CleanPowerSF	0.6	0.5	0.4	0.5	0.7	6.2	15.5	23.5	0.07	0.5	48.5
Total Uses	1,553.9	1,566.8	1,714.3	1,239.9	845.1	909.8	1,023.8	1,052.6	989.9	915.4	11,811.5
SOURCES											
Revenue Funded	245.3	288.6	268.8	258.1	230.6	261.2	267.2	280.3	277.1	285.6	2,662.8
Debt Funded	1,308.6	1,278.2	1,445.5	981.8	614.5	645.6	756.6	772.3	712.8	629.8	9,148.7
Total Sources	1,553.9	1,566.8	1,714.3	1,239.9	845.1	909.8	1,023.8	1,052.6	989.9	915.4	11,811.5

Capital Expenditures Impact on Operating Budgets

As the SFPUC's largest cost driver, the capital investment reflected in the Ten-Year Capital Improvement Plan is the primary determinant of rate growth for our customers.

Debt service to support capital expenditures as well as revenue-funded (i.e. cash funded) capital expenditures make up around 34 percent of the total operating budget.

The SFPUC's single biggest operating cost driver is debt service, which supports around two thirds percent of capital expenditures. Debt Service comprises \$466.7 million or 23.1 percent of the total operating budget in FY 2024-25. In addition, revenue-funded capital accounts for \$236.8 million or 11.7 percent of the FY 2024-25 operating budget. In FY 2025-26 the total debt service increases to 524.5 million which is 24.3 percent of the total budget, and revenue-funded capital increases to \$279.7 million which is 13.0 percent of the total budget.

In the longer term, the ten-year Capital and Financial Plans assume significant debt financing of capital needs over the next ten-year period. The plans assume a financing strategy that utilizes short-term financing via the existing Commercial Paper (CP) program to calibrate financing needs with project spending. Long-term (30-year) 6 percent fixed rate debt issuance is assumed to periodically refund the CP program. The CP program facilitates short-term financing typically at lower interest rates than longer term debt, which minimizes costs.

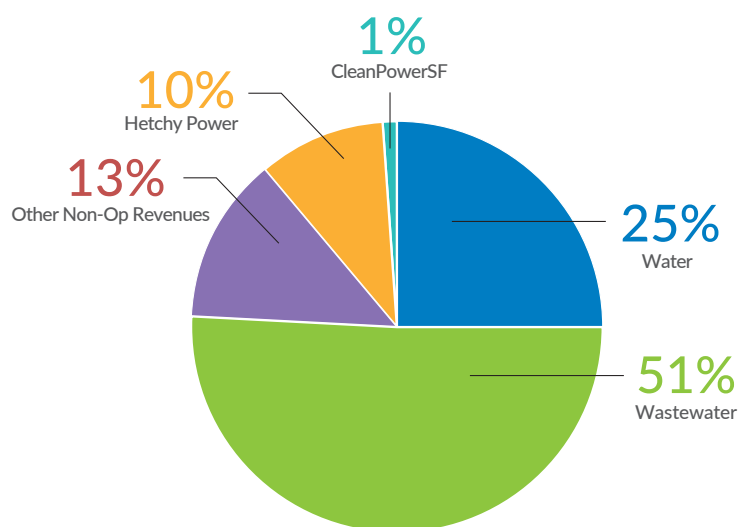
In addition, programmatic projects are considered part of the SFPUC's capital program but are part of the operating budget. Programmatic projects are mainly comprised of annual programs including facilities maintenance; the programs are funded through operating revenues but are not considered part of regular recurring operations. Projects include planned maintenance of various watershed structures and facilities maintenance at the SFPUC's 525 Golden Gate headquarters.

The capital programs are intended to support a defined Level of Service for each utility enterprise based on the SFPUC Strategic Plan. This level of capital investment has changed the SFPUC from an

operating-based utility, that was primarily focused on service delivery, to a utility that is focused on reliable service delivery, while at the same time ensuring that the environmental, community and resource management components of the mission are at the forefront. For example, an essential outcome of the capital investment is the implementation of local hire, job training and job creation programs to benefit the community that pays for the capital program. Due to the nature of utility operations, which rely on personnel, chemicals and electricity, these multi-billion-dollar investments are not expected to reduce the annual operating budgets, rather to make the system reliable and resilient in the face of earthquakes, sea-level rise, droughts and other severe weather.

The SFPUC has made a significant effort to develop a capital budget and ten-year plan that is both **deliverable** and **affordable** for our ratepayers given the external cost pressures on the Agency such as federal regulatory requirements, climate change, and the demands of maintaining a sound system. Over the past year, staff from across the agency have worked diligently and collaboratively to develop capital plan proposals that are both realistically achievable and financially sustainable.

*FY 2024-25 to
FY 2033-34 Capital Plan* >



What is the Ten-Year Capital Improvement Plan?

The SFPUC is entrusted with the critical responsibility of providing vital water, wastewater, and power services to San Francisco, as well as providing essential water services to millions of residents across the Bay Area. To fulfill this mission effectively, the SFPUC requires a comprehensive and forward-looking plan for investing in and maintaining its extensive infrastructure. This blueprint for the future takes the form of the Ten-Year Capital Improvement Plan, a dynamic document mandated by the City Charter and crucial for ensuring reliable and resilient services for generations to come.

The Ten-Year Capital Improvement Plan is not merely a static list of projects; it is a data-driven roadmap that anticipates future infrastructure needs. Built on robust risk analysis of current assets, projected customer growth, evolving regulations, and emerging technologies, the plan provides a long-range forecast of capital investments required across the SFPUC's three enterprises: Water, Wastewater, and Power. The Capital Improvement Plan is updated biennially, not simply as a compliance requirement, but as a proactive approach to adapting to changing circumstances and ensuring financial sustainability.

The development of the Capital Improvement Plan goes beyond broad generalizations. It is structured around high-level project categories and program needs, each addressing critical areas like system resilience, drought resilience, climate change adaptation, renewable energy integration, technology adoption, or wastewater treatment modernization. Each category then delves deeper into individual projects, presenting detailed project data sheets. These sheets outline the project's scope, timeline, estimated cost, and can include potential funding sources. This granularity facilitates targeted action, allowing the SFPUC to prioritize projects based on their urgency, impact, and alignment with Agency strategic goals.

The plan includes the integration of a two-year capital budget, outlining the specific projects prioritized for funding within the next two fiscal years. This budget was established considering ratepayer revenue, debt issuance, and long-term affordability of generational investments.

Complementing the two-year budget and Ten-Year Capital Improvement Plan was the Capital Plan Report published in February 2024. The report serves as a transparent account of the Capital Improvement Plan, demystifying the rationale behind project selections, funding strategies, and anticipated community benefits. It includes detailed financial projections, risk assessments, and performance metrics, allowing for ratepayers and other stakeholders to track progress and hold the SFPUC accountable for delivering projects on time and within budget.

What is a Capital Expenditure?

SFPUC's Capital Budget is comprised of a biennial capital budget for each of the three enterprise departments and an annually updated Ten-Year Capital Plan. Capital projects must result in the addition of new capital assets and/or improvements to existing assets which extend the asset's service life by at least five years. Capital projects may include associated costs of acquisition or construction of new assets and/or expenditures for activities that enhance the function, improve the performance and/or extend the service life of existing assets.

Ten-Year Capital Plan Process

Charter Section 8B.123 requires that the Commission hold public hearings on an annual basis to review, update, and adopt a Long-Term Capital Improvement Program (the Ten-Year Capital Plan) and a Long-Range Financial Plan (Ten-Year Financial Plan). The Capital Plan is to contain a list of projects to be executed during the 10-year planning horizon, including cost estimates and schedules. The Financial Plan is to contain estimates of operations and maintenance expenses, repair and replacement costs, debt costs and projected rate increases. Together, the two plans provide visibility into the capital investment required to meet service levels and the rate impacts of these investments. In addition, they serve as a basis and supporting documentation for the Commission's capital budget and the issuance of revenue bonds and other indebtedness to support the SFPUC capital program.

Also, as required by the City & County of San Francisco Charter, the San Francisco Public Utilities Commission (SFPUC) prepares a biennial operating and capital budget. The FY 2024-25 and FY 2025-26 Capital Budget is developed along with and is consistent with the Ten-Year Capital Plan.

The development of the plans occurred from June through December 2023 and was directed by the Budget Steering Committee comprised of the SFPUC executive team. To enhance the planning process and deliverability of the capital plan, the SFPUC has implemented the Capital Planning Improvement Initiative, whose goals include unifying planning, budgeting, and development across enterprises, better aligning budgets with delivery capacity and increasing project completion rates.

Over the past 10 years, the combined water and wastewater bill has increased by over 68 percent, and the financial plans project an increase of 117 percent over the next 10 years for San Francisco ratepayers. When enterprises across the agency submitted their initial proposed capital plans for internal consideration, the capital plans totaled over \$14.5B. The \$2.7B reduction undertaken by SFPUC staff during the budget development process reflects the commitment of the Agency to prioritize projects based on risk metrics and regulatory requirements, rightsizing budgets based on delivery capacity, and ensuring efficient use of existing project funds.

Overview of the Current and Proposed Capital Improvement Plan and Ten-Year Capital summary Tables

The following provides a high-level outline as to how the SFPUC's Ten-Year Capital Improvement Plan continues to evolve.

FY 2024-33 Capital Plan (Last Year)

Last year's Capital Plan had total expenditures (uses) of \$8.8B and total sources of \$8.8B leading to a balanced capital plan. The following table summarizes the entire capital plan.

FY 2023-24 to FY 2032-33 Capital Plan

million	FY 23-24	FY 24-25	FY 25-26	FY 26-27	FY 27-28	FY 28-29	FY 29-30	FY 30-31	FY 31-32	FY 32-33	Total
USES											
Water	290.0	437.3	443.7	337.4	245.4	118.2	85.3	83.7	80.4	142.6	2,263.9
Wastewater	985.5	894.5	818.4	521.1	353.6	280.5	232.6	214.7	253.2	325.2	4,879.4
Hetchy Water	85.9	155.6	152.6	141.6	94.6	99.6	100.0	57.5	47.4	42.3	976.9
Hetchy Power	21.5	77.7	92.7	89.1	81.5	55.0	48.8	46.1	43.1	40.0	595.5
CleanPowerSF	1.6	2.9	3.0	3.0	3.1	3.3	8.9	18.1	26.3	2.8	73.0
Total Uses	1,384.5	1,568.1	1,510.3	1,092.2	778.2	556.5	475.6	420.2	450.3	552.9	8,788.7
SOURCES											
Revenue Funded	154.3	217.7	230.5	222.1	216.3	234.6	241.2	237.5	256.4	225.1	2,235.6
Debt Funded	1,230.2	1,350.4	1,279.8	870.1	561.9	322.0	234.4	182.7	193.9	327.7	6,553.1
Total Sources	1,384.5	1,568.1	1,510.3	1,092.2	778.2	556.5	475.6	420.2	450.3	552.9	8,788.7

FY 2025-34 Capital Plan (This Year)

This year's balanced Capital Plan has total expenditures (uses) of \$11.8B and total sources of \$11.8B. The following table summarizes the entire capital plan, followed by a table for each enterprise.

FY 2024-25 to FY 2033-34 Capital Plan

million	FY 24-25	FY 25-26	FY 26-27	FY 27-28	FY 28-29	FY 29-30	FY 30-31	FY 31-32	FY 32-33	FY 33-34	Total
USES											
Water	456.0	477.2	514.2	368.7	280.0	243.2	232.8	147.7	128.0	107.0	2,954.8
Wastewater	892.5	822.9	908.9	532.3	325.1	339.3	399.0	524.5	670.3	624.9	6,039.7
Hetchy Water	152.8	180.8	165.8	184.3	112.2	172.6	213.4	191.4	81.5	78.9	1,533.7
Hetchy Power	52.0	85.4	125.0	154.1	127.1	148.5	163.1	165.5	110.0	104.1	1,234.8
CleanPowerSF	0.6	0.5	0.4	0.5	0.7	6.2	15.5	23.5	0.07	0.5	48.5
Total Uses	1,553.9	1,566.8	1,714.3	1,239.9	845.1	909.8	1,023.8	1,052.6	989.9	915.4	11,811.5
SOURCES											
Revenue Funded	245.3	288.6	268.8	258.1	230.6	261.2	267.2	280.3	277.1	285.6	2,662.8
Debt Funded	1,308.6	1,278.2	1,445.5	981.8	614.5	648.6	756.6	772.3	712.8	629.8	9,148.7
Total Sources	1,553.9	1,566.8	1,714.3	1,239.9	845.1	909.8	1,023.8	1,052.6	989.9	915.4	11,811.5

Water FY 2024-25 to FY 2033-34 Capital Plan

million	FY 24-25	FY 25-26	FY 26-27	FY 27-28	FY 28-29	FY 29-30	FY 30-31	FY 31-32	FY 32-33	FY 33-34	Total
SOURCES	456.0	477.2	514.2	368.7	280.0	243.2	232.8	147.7	128.0	107.0	2,954.8
USES											
Water - Regional	218.7	139.8	262.5	277.9	209.0	178.4	163.7	76.6	60.0	39.8	1,626.4
Water - Local	237.3	337.4	251.7	90.8	71.0	64.8	69.1	71.1	68.0	67.2	1,128.4
Water Enterprise Total	456.0	477.2	514.2	368.7	280.0	243.2	232.8	147.7	128.0	107.0	2,954.8

Hetch Hetchy Water FY 2024-25 to FY 2033-34 Capital Plan

million	FY 24-25	FY 25-26	FY 26-27	FY 27-28	FY 28-29	FY 29-30	FY 30-31	FY 31-32	FY 32-33	FY 33-34	Total
SOURCES	152.8	180.8	165.8	184.3	112.2	172.6	213.4	191.4	81.5	79.0	1,533.7
USES											
Hetchy Water-Water	56.1	57.1	47.4	42.5	6.6	5.2	5.2	5.2	5.6	6.4	237.3
Hetchy Water-Power	25.7	61.1	62.6	59.6	29.0	9.4	4.1	6.9	19.3	13.1	290.8
Hetchy Water-Joint	71.0	62.6	55.8	82.2	76.6	158.0	204.1	179.3	56.6	59.9	1,005.6
Hetchy Water Total	152.8	180.8	165.8	184.3	112.2	172.6	213.4	191.4	81.5	79.0	1,533.7

Wastewater FY 2024-25 to FY 2033-34 Capital Plan

million	FY 24-25	FY 25-26	FY 26-27	FY 27-28	FY 28-29	FY 29-30	FY 30-31	FY 31-32	FY 32-33	FY 33-34	Total
SOURCES	892.5	822.9	908.9	532.3	325.1	339.3	399.0	524.5	670.3	624.9	6,039.7
USES											
SSIP	638.4	594.4	689.9	350.8	156.7	158.2	212.4	325.0	464.8	411.7	4,002.3
Non-SSIP	254.1	228.5	219.0	181.5	168.4	181.1	186.6	199.5	205.5	213.2	2,037.4
Wastewater Enterprise Total	892.5	822.9	908.9	532.3	325.1	339.3	399.0	524.5	670.3	624.9	6,039.7

Hetchy Power FY 2024-25 to FY 2033-34 Capital Plan

million	FY 24-25	FY 25-26	FY 26-27	FY 27-28	FY 28-29	FY 29-30	FY 30-31	FY 31-32	FY 32-33	FY 33-34	Total
SOURCES	52.0	85.4	125.0	154.1	127.1	148.5	163.1	165.5	110.0	104.1	1,234.8
USES											
Hetchy Power	52.0	85.4	125.0	154.1	127.1	148.5	163.1	165.5	110.0	104.1	1,234.8
Hetch Hetchy Power Total	52.0	85.4	125.0	154.1	127.1	148.5	163.1	165.5	110.0	104.1	1,234.8

CleanPowerSF FY 2024-25 to FY 2033-34 Capital Plan

million	FY 24-25	FY 25-26	FY 26-27	FY 27-28	FY 28-29	FY 29-30	FY 30-31	FY 31-32	FY 32-33	FY 33-34	Total
SOURCES	0.6	0.5	0.4	0.5	0.7	6.2	15.5	23.5	0.07	0.5	48.5
USES											
CleanPowerSF	0.6	0.5	0.4	0.5	0.7	6.2	15.5	23.5	0.07	0.5	48.5
CleanPowerSF Total	0.6	0.5	0.4	0.5	0.7	6.2	15.5	23.5	0.07	0.5	48.5

Ten-Year Capital Plan Comparison

The FY 2024-25 Capital Plan update represents a 34 percent increase in total size from last year’s proposed expenditures, reflecting a \$3B increase from \$8.8B last year to \$11.8B this year. This significant increase is due to the cost pressures the SFPUC is facing, especially related to regulatory requirements, the climate crisis, and repair and replacement of aging infrastructure. Even though the capital plan has grown by 34 percent, this represents a significant reduction and de-prioritization of other important projects from the initial capital proposal that was discussed internally, which totaled \$14.5B. The \$2.7B reduction and de-prioritization of many needed capital projects reflects the challenging data driven decisions that the SFPUC made to deliver an affordable capital plan with a focus on deliverability and long-term affordable rates.

The following table shows the capital plan comparison by enterprise:

Capital Plan Comparison

\$ millions	FY 2023-24 Uses	FY 2024-25 & FY 2025-26: Uses	Difference
Water	2,263.9	2,954.8	690.9
Wastewater	4,879.3	6,039.7	1,160.4
Hetchy-Water	976.9	1,533.7	556.8
Hetchy-Power	595.5	1,234.8	639.3
CleanPowerSF	73.0	48.5	-24.53
Total	8,788.7	11,811.5	3,022.8

Wastewater

The largest driver of increases versus last year is the Wastewater Enterprise. Wastewater has the largest share of the capital plan. The roughly \$1.2B increase is primarily driven by costs increases in existing projects and the inclusion of the regulatory-driven Southeast Plant Mainstream Nutrient Reduction project (the Nutrient Reduction Project). Over \$1B of the increase is due to the addition of the Nutrient Reduction Project, which is intended to reduce the amount of nitrogen that would be discharged from the Southeast Wastewater Treatment Plant to San Francisco Bay. SFPUC recognizes that reducing nutrient loading into San Francisco Bay is one of the most pressing issues facing our region and is critical to the health of the Bay. This significant investment is one that SFPUC does not make lightly, and in addition to being driven by anticipated regulations, is in line with our core values in providing reliable wastewater treatment for San Francisco residents and in keeping pollutants out of our bay and ocean. The inclusion of the Southeast Outfall project will also contribute to a substantial increase in Wastewater's capital plan. Outside of this Ten-Year Capital Improvement Plan there are likely to be significant costs associated with this project. Other cost increases in this Capital Improvement Plan are due to increases in existing projects are from the Biosolids Digester Project and the Folsom Area Stormwater Improvements Project. Despite extensive contractor engagement and various bid approaches on the Biosolids Digester Project, there was still reduced competition for the bids due to the limited qualified contractors that were able to obtain bonds for the size and complexity of the work packages. The bid climate, coupled with material costs increases, resulted in higher than anticipated bid costs in the Biosolids Digester project. The cost increases for the Folsom Area Stormwater Improvements Project reflect the higher design costs and anticipated construction durations due to the added complexity of the tunnel and large sewer boxes work in congested city streets. This year's plan aims to be more transparent than ever noting that there are many unknowns, though the SFPUC is doing what it can to forecast now for major future cost pressures associated with these projects. These figures are liable to change as projects are further refined and moved from planning to action stages.

Water

In the Water Enterprise, the approximately \$691M increase includes \$187M in the Millbrae Yard Campus Improvements project. This project is vital to ensuring that adequate testing of water is taking place, ensuring the continued highest quality of water be available for regional and local ratepayers. The updated facilities will also provide improved worker safety and productivity and be more resilient with respect to natural disasters by replacing the seismically unsafe Burlingame facility lessening the likelihood of interrupted water service. Other significant increases in the Ten-Year Capital Improvement Plan include over \$150M of additional funding for water main maintenance and replacement, and new high priority projects responsible for replacing aging infrastructure that are entering the Ten-Year Capital Improvement Plan. Replacing aging and failing water mains prevents leaks and bursts, reducing water loss and minimizing service disruptions. This translates to more consistent and reliable water supply for ratepayers.

Hetch Hetchy Water and Power

Hetch Hetchy Water and Power is making strategic investments to ensure uninterrupted water and power for decades to come. While the combined Hetch Hetchy Water and Power plan involves a \$1.2B increase, the long-term benefits for SFPUC ratepayers and the Bay Area are significant. One of the largest drivers of the increase is the \$285M upgrade to the Moccasin Penstocks, safeguarding reliable water flow by extending its life by 75-100 years. This proactive measure avoids costly disruptions and secures stable water access for future generations. Similarly, the \$94M improvement to the San Francisco International Airport (SFO) Substation ensures continued power supply to meet the growing demands of the airport. Furthermore, Hetch Hetchy Water and Power is paving the way for a carbon-free future with projects like the \$120M Hetch Hetchy Power Intervening Facilities and the \$217M Carbon Free Steam, and others like the Port of Oakland Substation and the San Francisco Municipal Transportation Agency (SFMTA) Electrification projects. These investments align with SFPUC's vision and benefit the Bay Area by lessening the impacts of climate change.

CleanPowerSF

CleanPowerSF's capital plan decreased by \$24.5M. Many of these projects were converted from capital projects to programmatic projects in the operating budget.

Capital Budget Sources

SFPUC's capital program is mostly supported by debt finance. In fact, as a result of this, the SFPUC's single biggest operating cost driver is funding of its capital program. The capital plan is 78 percent debt funded and 22 percent revenue funded. Debt service to support capital expenditures as well as revenue-funded capital expenditures make up over one third of the total operating budget. Of the Debt funding, in the majority is revenue bonds, with the remainder met by local and regional revenue bonds. Revenue funding includes general sales revenues as well as specific sources in Power such as Cap and Trade and Distributed Antenna revenues.

Debt repayment is a major component of SFPUC's budget, with debt service comprising around 24 percent of total operating costs. In FY 2024-25 debt service costs are \$466.7 million, rising to \$524.5 million in FY 2025-26. The Ten-Year Capital and Financial Plans assume significant debt financing of capital needs. The plans assume a financing strategy that utilizes short-term financing via the existing Interim Financing Program which includes Commercial Paper (CP) to calibrate financing needs with project spending. Long-term (30-year) revenue bonds with an assumed average interest cost of six percent is assumed to periodically refinance the CP program. The interim financing program facilitates the release of contracts through the availability of short-term financing, and funds capital costs on an interim basis until bonds are in place. The interim financing program eliminates the need to fully issue bonds in advance of construction, thereby reducing interest costs. While short-term financing typically carries a lower interest cost than longer term debt, recent Federal Reserve interest rate hikes have reduced some of this historical advantage.

Purpose of the different debt obligations

The Water and Wastewater Enterprise's outstanding revenue bonds, notes and State Revolving Fund loans provided financing for various capital construction projects and to refund previously issued revenue bonds. The Power Enterprise's outstanding revenue bonds and tax credit bonds provided financing for various capital construction and facility energy efficiency projects. The outstanding 2009 Certificates of Participation (COPs) Series C and D financed the construction of the headquarters building of the SFPUC at 525 Golden Gate Ave in San Francisco; each of the three enterprises is responsible for a portion of the annual payments based on their ownership percentages less contributed equity (Water-71.4%, Wastewater-18.9% and Power-9.7%.)

The following table details the budgeted principal and interest payments for each year, in aggregate and by enterprise before federal subsidies.

Budgeted Principal and Interest Payments

\$ millions	FY 2024-25 Adopted Budget	FY 2025-26 Adopted Budget
Water		
Interest	195.5	212.3
Principal	138.1	154.6
Subtotal	333.6	366.9
Wastewater		
Interest	80.3	98.3
Principal	42.3	45.7
Subtotal	122.6	144.0
Hetch Hetchy Water & Power		
Interest	6.9	9.8
Principal	3.6	3.8
Subtotal	10.5	13.6
SFPUC Aggregate		
Interest	282.7	320.4
Principal	184.0	204.1
Total	466.7	524.5

The following table details the budgeted Certificates of Participation (COPs) payments which are paid from the 525 Golden Gate programmatic projects in each respective enterprise.

\$ millions	FY 2024-25 Adopted Budget	FY 2025-26 Adopted Budget
Water	9.1	9.0
Wastewater	2.4	2.4
Hetch Hetchy Water & Power	1.2	1.2
Total COPs Payments	12.7	12.6

The following table details (\$ in thousands) the future principal and interest payments for debt issues, excluding commercial paper, through maturity for each of the major funds and in total.

Debt Cost Through Maturity (per FY 2023 ACFR)

\$ thousands	Water	Wastewater	Power	SFPUC Total
Interest	2,324,089	1,662,493	123,979	4,110,561
Principal	4,715,491	3,210,639	175,577	8,101,707
Total Principal and Interest	4,715,491	3,210,639	175,577	8,101,707

Total outstanding debt as of June 30, 2022 is as follows:

\$ thousands	Water	Wastewater	Power
Revenue Bonds	\$4.6B	\$2.4B	\$282M
SRF & WIFIA Loans (Executed/Drawn)	\$429/\$145M	\$2B/\$1.3BM	-
Tax Credit Bonds	-	-	\$3M
Commercial Paper (Authorized/Drawn)	\$500M/\$190M	\$750M/\$341.4M	\$250M/\$90.7

Policies Governing SFPUC’s Debt

SFPUC’s debt management mission is to serve, within the financial objectives and parameters established by the Commission, the capital financing needs of the respective enterprises in a cost effective, low risk and flexible manner, through the implementation of sound financial decision making and the use of appropriate financing tools.

The SFPUC manages its debt program as guided by the following policies adopted by the Commission (available on the Commission’s website:

<https://www.sfpuc.gov/about-us/reports/debt-management-and-disclosure-reports>).

- San Francisco Public Utilities Commission Debt Management Policy and Procedures – November 2019
- Debt Service Coverage Policy - March 2017
- Fund Balance Reserve Policy – February 2017
- Capital Financing Policy - March 2017
- City and County of San Francisco Debt Policy – February 2020

SFPUC's Credit Ratings:

SFPUC's Credit ratings are shown in the following table

Credit Ratings (Credit Outlook)^

	Moody's Investors Service	S&P Global Ratings	Fitch Ratings
	Long Term	Short Term	Long Term
Water Enterprise	A2 (Stable)	AA- (Stable)	*
Wastewater Enterprise	A2 (Stable)	AA (Negative)	*
Power Enterprise	*	AA (Stable)	AA- (Stable)
CleanPowerSF*	A2 (Stable)	*	*

[^]Updated ratings available from Moody's Investors Service (www.moody's.com), S&P Global Ratings (www.spglobal.com) and Fitch Ratings (www.fitchratings.com).

[†]CleanPowerSF received an A2 issuer rating from Moody's Investors Service in December 2020, however the CleanPowerSF Program currently does not have any debt outstanding

Current legal debt limit and authorizations (as of June 30, 2024) are as follows:

Water:

Pursuant to the Charter Section 8B.124, the Enterprise can incur indebtedness upon two-thirds vote of the Board of Supervisors, as approved by voters in Proposition E in November 2002.

As of June 30, 2024, the Board of Supervisors has authorized the issuance of \$6.2 billion in revenue bonds under Proposition E, with \$4.3 billion issued against this authorization. The Enterprise can also incur indebtedness of up to \$1.6 billion for improvements to the water system pursuant to Proposition A that was approved by the voters in November 2002. As of June 30, 2024, \$1.5 billion of the \$1.6 billion Proposition A authorized debt was issued. The Enterprise is also authorized to issue up to \$500 million in commercial paper with \$190 million in tax-exempt commercial paper outstanding as of June 30, 2024.

Wastewater:

Pursuant to the Charter Section 8B.124, the Enterprise can incur indebtedness upon two-thirds vote of the Board of Supervisors. As of June 30, 2024, the Enterprise had \$8 billion in combined debt issuance authorization from the Board of Supervisors under Proposition E, with \$4.5 billion issued against this authorization. The Enterprise has a \$750 million authorized commercial paper program, with \$341.4 million in tax-exempt commercial paper outstanding as of June 30, 2024.

Power Enterprise:

Pursuant to Charter Section 9.107(6), the Power Enterprise can incur indebtedness upon three-fourths vote of the Board of Supervisors, for the purpose of the reconstruction or replacement of existing water facilities and electric power facilities, or combinations thereof, under the jurisdiction of the Public Utilities Commission. Pursuant to Charter Section 9.107(8), the Power Enterprise can issue revenue bonds, without voter approval, upon an affirmative vote of the Board of Supervisors, for the purpose of the acquisition, construction, installation, equipping, improvement, or rehabilitation of equipment or facilities for renewable energy and energy conservation. Pursuant to Proposition A, approved by the San Francisco voters on June 5, 2018, City Charter Section 8B.124 is amended to authorize the Power Enterprise to enter into indebtedness,

including revenue bonds, notes, commercial paper or other forms of indebtedness, when authorized by ordinance approved by a two-thirds vote of the Board of Supervisors to reconstruct, replace, expand, repair, improve or construct new power facilities under the jurisdiction of SFPUC or for any other purpose of the Power Enterprise, and in compliance with City Charter Section 8B.124. Proposition A expressly prohibits the SFPUC from issuing bonds to finance the construction of power plants that generate electricity using fossil fuels or nuclear energy. As of June 30, 2024, \$287.4 million of Hetchy Power revenue bonds were issued against existing authorization of \$1.0 billion. The Enterprise is also authorized to issue up to \$250 million in commercial paper with \$90.7 million in tax-exempt commercial paper outstanding as of June 30, 2024.

Debt Service Coverage Policy

In addition to debt limits based on Board of Supervisors authorization levels, SFPUC manages its debt in accordance to Commission adopted policy limits on debt service coverage. Pursuant to SFPUC bond covenants entered with bondholders in an Indenture of Trust (as supplemented) by for each enterprise, enterprise revenues pledged for the repayment of debt service must meet the following financial ratios.

- **Indenture Coverage:** Net Revenues must equal a minimum of 1.25 x annual debt service
- **Current Coverage:** Annual Revenues must equal a minimum of 1.00 x annual debt service

To ensure that the SFPUC maintains access to low-cost capital and retains financial flexibility for contingencies, it is important to adopt and implement financial policies that impose higher standards than the minimum indenture requirements. Therefore, for each enterprise, the SFPUC adopt budgets, rates and financial plans that by policy generate revenues such that:

- Indenture Coverage shall be at least 1.35x
- Current Coverage shall be at least 1.10x

To monitor compliance with this policy, SFPUC presents this information as part of the budget process and the ten-year financial plan. SFPUC is forecast to meet these policy minimums in the FY 2024-25 & FY 2025-26 budget and throughout the ten-year financial plan period.

Debt to be issued during the budget period

In the FY 2024-25 & FY 2025-26 period, the SFPUC anticipates issuing the following debt:

Description	Approximate Transaction Size ¹	Estimated Closing ¹
Water Revenue Bonds	Up to \$1.2B	Two or more issuances July 2024-June 2026
Wastewater- Revenue Bonds	Up to \$1.9B	Two or more issuances July 2024-June 2026
Power – Power Debt Transaction	Up to \$276M	July 2025-June 2026
Wastewater, Water and Power - Approve renewal, replacement or new bank credit facilities for interim funding programs	\$100M Water \$150M Wastewater \$250M Power \$250M Water* \$500M Wastewater* \$200M Power*	May 2025 April 2026 March 2026 Jan 2025-June 2026 Jan 2025-June 2026 Jan 2025-June 2026



Operating Budget Tables

This section includes tables summarizing major types of revenues and expenditures in aggregate as well as by major fund and division. These tables include summaries of revenues and of expenditures for the prior year budget and actuals FY 2023-24, and both the two proposed budget years FY 2024-25 and FY 2025-26. In addition, tables showing changes in staffing levels (Full Time Equivalents/FTEs) are shown. Lastly, this section includes tables describing projected changes in fund balances in aggregate and for each major fund. This section contains no narrative, and is intended to be a simple reference point in the book for the main budgetary numbers. Explanation and discussion of the line items and numbers in these tables can be found in section 4 (Introduction to the SFPUC), and in the respective enterprise and bureaus sections (8, 9, 10, 11 and 12).

SFPUC High Level Budget Summary

	FY 2023-24 Adopted Budget	FY 2024-25 Adopted Budget	Change From FY 2023-24	FY 2025-26 Adopted Budget	Change From FY 2024-25
Total Budget	1,787,522,675	2,023,064,914	235,542,239	2,157,471,235	134,406,321
Total FTE	2,745.21	2,836.28	91.07	2,876.63	40.35

Sources and Uses of Funds

\$	FY 2023-24 Unaudited Actuals	FY 2023-24 Adopted Budget	FY 2024-25 Adopted Budget	Change From FY 2023-24	FY 2025-26 Adopted Budget	Change From FY 2024-25
SOURCES OF FUNDS						
Sale of Water	633,356,064	667,510,449	706,683,079	39,172,630	741,731,439	35,048,360
Sewer Service Charges	385,387,894	415,360,511	432,692,021	17,331,510	477,369,879	44,677,858
Sale of Electricity	219,719,318	200,816,109	228,990,098	28,173,989	269,784,793	40,794,695
Sale of Electricity-CCA	360,698,323	368,939,174	459,939,532	91,000,358	458,896,858	(1,042,674)
Sale of Natural Gas & Steam	17,367,819	24,683,812	28,451,927	3,768,115	34,312,306	5,860,379
Fund Balance	214,465,416	35,185,179	75,606,529	40,421,350	89,240,198	13,633,669
Other Non-Op Revenues	40,672,797	45,934,053	52,349,774	6,415,721	52,415,918	66,144
Federal Interest Subsidy	27,033,581	24,586,388	23,706,797	(879,591)	23,060,235	(646,562)
Interest Income	32,631,852	4,507,000	14,645,157	10,138,157	10,659,609	(3,985,548)
Total Sources of Funds	1,931,333,066	1,787,522,675	2,023,064,914	235,542,239	2,157,471,235	134,406,321

USES OF FUNDS						
Personnel	256,542,345	269,601,527	281,804,749	12,203,222	295,113,609	13,308,860
Overhead	123,939,352	136,255,232	148,014,896	11,759,664	153,658,933	5,644,037
Purchase of Power	378,565,957	457,041,140	523,306,525	66,265,385	534,986,981	11,680,456
Non-Personnel Services	110,416,389	108,714,674	113,753,854	5,039,180	112,643,411	(1,110,443)
Materials & Supplies	40,130,284	36,997,141	41,041,001	4,043,860	41,433,737	392,736
Equipment	8,640,169	7,284,130	8,370,661	1,086,531	8,804,516	433,855
Service of Other Departments	73,743,004	79,749,407	82,900,810	3,151,403	88,171,410	5,270,600
Debt Service	426,384,952	435,545,028	466,743,203	31,198,175	524,540,803	57,797,600
General Reserve	73,370,675	66,434,681	42,226,237	(24,208,444)	38,571,856	(3,654,381)
Programmatic Projects	72,318,594	57,207,941	78,122,045	20,914,104	79,870,006	1,747,961
Revenue-Funded Capital	175,980,234	132,691,774	236,780,933	104,089,159	279,675,973	42,895,040
Total Uses of Funds	1,740,031,955	1,787,522,675	2,023,064,914	235,542,239	2,157,471,235	134,406,321

Sources and Uses of Funds by Major Fund (continued on next page...)

\$	FY 2023-24 Unaudited Actuals	FY 2023-24 Adopted Budget	FY 2024-25 Adopted Budget	Change From FY 2023-24	FY 2025-26 Adopted Budget	Change From FY 2024-25
WATER						
SOURCES OF FUNDS						
Sale of Water	633,350,200	664,893,101	703,836,361	38,943,260	738,634,796	34,798,435
Less Water Costs to Hetchy	(46,266,000)	(46,266,000)	(49,240,643)	(2,974,643)	(52,208,501)	(2,967,858)
Federal Interest Subsidy	22,776,251	20,840,818	20,369,523	(471,295)	19,875,899	(493,624)
Other Non-Op Revenues	28,179,701	33,882,513	36,325,152	2,442,639	37,229,455	904,303
Interest Income	10,270,899	1,133,000	3,181,449	2,048,449	1,790,084	(1,391,365)
Fund Balance	79,507,411	-	24,010,813	24,010,813	39,136,509	15,125,696
Total Sources of Funds	727,818,462	674,483,432	738,482,655	63,999,223	784,458,242	45,975,587

USES OF FUNDS						
Personnel	114,257,785	116,708,902	123,111,962	6,403,060	128,035,313	4,923,351
Non-Personnel Services	37,863,533	22,626,737	22,634,274	7,537	22,196,709	(437,565)
Materials & Supplies	21,912,306	19,246,676	20,435,944	1,189,268	20,417,650	(18,294)
Equipment	2,522,267	2,647,308	4,117,281	1,469,973	3,653,619	(463,662)
Overhead	59,595,544	66,107,444	64,974,279	(1,133,165)	67,313,577	2,339,298
Debt Service	327,445,126	333,692,104	333,629,235	(62,869)	366,950,327	33,321,092
Service of Other Departments	26,359,945	27,589,640	31,960,752	4,371,112	34,087,105	2,126,353
Revenue-Funded Capital	5,918,777	5,918,777	567,839	(5,350,938)	775,897	208,058
Programmatic Projects	31,928,132	34,366,186	33,490,305	(875,881)	32,997,869	(492,436)
Revenue-Funded Capital	66,950,878	45,579,658	103,560,784	57,981,126	108,030,176	4,469,392
Total Uses of Funds	694,754,292	674,483,432	738,482,655	63,999,223	784,458,242	45,975,587

WASTEWATER						
SOURCES OF FUNDS						
Sewer Service Charges	385,387,894	415,360,511	432,692,021	17,331,510	477,369,879	44,677,858
Federal Interest Subsidy	3,867,927	3,356,167	3,234,710	(121,457)	3,105,412	(129,298)
Other Non-Op Revenues	4,537,514	7,955,606	10,294,139	2,338,533	10,393,147	99,008
Interest Income	10,566,212	1,654,000	3,941,087	2,287,087	2,717,307	(1,223,780)
Fund Balance	26,380,369	-	24,674,744	24,674,744	34,497,983	9,823,239
Total Sources of Funds	430,739,916	428,326,284	474,836,701	46,510,417	528,083,728	53,247,027

USES OF FUNDS						
Personnel	80,903,217	88,876,603	90,338,899	1,462,296	94,711,030	4,372,131
Non-Personnel Services	26,034,043	29,392,339	31,644,115	2,251,776	31,807,403	163,288
Materials & Supplies	14,231,168	13,975,515	16,649,590	2,674,075	16,443,644	(205,946)
Equipment	4,334,361	2,038,175	1,738,765	(299,410)	2,151,584	412,819
Overhead	35,672,687	39,042,421	47,172,449	8,130,028	49,043,991	1,871,542
Debt Service	95,126,325	98,039,423	122,615,091	24,575,668	144,013,267	21,398,176
Service of Other Departments	35,922,228	39,432,064	39,235,571	(196,493)	41,843,367	2,607,796
Revenue-Funded Capital	27,805,077	27,805,077	554,646	(27,250,431)	900,000	345,354
Programmatic Projects	8,544,482	8,386,551	12,472,168	4,085,617	13,278,226	806,058
Revenue-Funded Capital	82,505,474	81,338,116	112,415,407	31,077,291	133,891,216	21,475,809
Total Uses of Funds	411,079,063	428,326,284	474,836,701	46,510,417	528,083,728	53,247,027

Sources and Uses of Funds by Major Fund (continued)

\$	FY 2023-24 Unaudited Actuals	FY 2023-24 Adopted Budget	FY 2024-25 Adopted Budget	Change From FY 2023-24	FY 2025-26 Adopted Budget	Change From FY 2024-25
HETCH HETCHY WATER AND POWER						
SOURCES OF FUNDS						
Sale of Water	46,271,864	48,883,348	52,087,361	3,204,013	55,305,144	3,217,783
Sale of Electricity	219,719,318	200,816,109	228,990,098	28,173,989	269,784,793	40,794,695
Sale of Natural Gas & Steam	17,367,819	24,683,812	28,451,927	3,768,115	34,312,306	5,860,379
Other Non-Op Revenues	7,955,583	4,095,934	4,681,871	585,937	3,705,858	(976,013)
Interest Income	9,470,816	1,105,000	4,388,932	3,283,932	2,861,835	(1,527,097)
Federal Interest Subsidy	389,403	389,403	102,564	(286,839)	78,924	(23,640)
Fund Balance	82,168,030	35,185,179	26,920,972	(8,264,207)	15,605,706	(11,315,266)
Total Sources of Funds	383,342,834	315,158,785	345,623,725	30,464,940	381,654,566	36,030,841
USES OF FUNDS						
Personnel	54,967,712	55,916,421	59,694,629	3,778,208	63,087,704	3,393,075
Non-Personnel Services	37,845,231	44,731,570	48,539,027	3,807,457	47,422,687	(1,116,340)
Purchase of Power	95,419,271	151,711,224	138,305,952	(13,405,272)	148,739,386	10,433,434
Materials & Supplies	3,969,755	3,545,592	3,818,467	272,875	4,435,243	616,776
Equipment	1,783,540	2,598,647	2,514,615	(84,032)	2,999,313	484,698
Overhead	22,994,124	24,963,753	28,323,634	3,359,881	29,455,402	1,131,768
Debt Service	3,813,501	3,813,501	10,498,877	6,685,376	13,577,209	3,078,332
Service of Other Departments	7,454,015	8,557,873	9,805,462	1,247,589	10,314,457	508,995
General Reserve	6,935,994	-	628,190	628,190	800,000	171,810
Programmatic Projects	31,350,655	14,305,204	23,272,390	8,967,186	23,585,014	312,624
Revenue-Funded Capital	25,050,417	5,015,000	20,222,482	15,207,482	37,238,151	17,015,669
Total Uses of Funds	291,584,215	315,158,785	345,623,725	30,464,940	381,654,566	36,030,841

Sources and Uses of Funds by Major Fund (continued)

\$	FY 2023-24 Unaudited Actuals	FY 2023-24 Adopted Budget	FY 2024-25 Adopted Budget	Change From FY 2023-24	FY 2025-26 Adopted Budget	Change From FY 2024-25
CLEANPOWERSF						
SOURCES OF FUNDS						
Sale of Electricity-CCA	360,698,323	368,939,174	459,939,532	91,000,358	458,896,858	(1,042,674)
Interest Income	2,323,925	615,000	3,133,689	2,518,689	3,290,383	156,694
Other Non-Op Revenues			1,048,612	1,048,612	1,087,458	38,846
Fund Balance	26,409,606	-	-	-	-	-
Total Sources of Funds	389,431,854	369,554,174	464,121,833	94,567,659	463,274,699	(847,134)

USES OF FUNDS						
Personnel	6,413,631	8,099,601	8,659,259	559,658	9,279,562	620,303
Non-Personnel Services	8,673,582	11,964,028	10,936,438	(1,027,590)	11,216,612	280,174
Purchase of Power	283,146,686	305,329,916	385,000,573	79,670,657	386,247,595	1,247,022
Materials & Supplies	17,055	229,358	137,000	(92,358)	137,200	200
Overhead	5,676,996	6,141,614	7,544,534	1,402,920	7,845,963	301,429
Service of Other Departments	4,006,816	4,169,830	1,899,025	(2,270,805)	1,926,481	27,456
General Reserve	32,710,827	32,710,827	40,475,562	7,764,735	36,095,959	(4,379,603)
Programmatic Projects	495,325	150,000	8,887,182	8,737,182	10,008,897	1,121,715
Revenue-Funded Capital	1,473,466	759,000	582,260	(176,740)	516,430	(65,830)
Total Uses of Funds	342,614,384	369,554,174	464,121,833	94,567,659	463,274,699	(847,134)

Sources and Uses of Funds by Major Fund (continued)

\$	FY 2023-24 Unaudited Actuals	FY 2023-24 Adopted Budget	FY 2024-25 Adopted Budget	Change From FY 2023-24	FY 2025-26 Adopted Budget	Change From FY 2024-25
BUREAUS, INCLUDING INFRASTRUCTURE						
USES OF FUNDS						
Personnel	106,899,541	173,501,666	187,132,628	13,630,962	196,396,041	9,263,413
Overhead (COWCAP)	6,980,503	6,980,503	6,388,144	(592,359)	6,388,144	-
Non-Personnel	17,133,611	24,584,246	26,048,450	1,464,204	25,783,350	(265,100)
Materials & Supplies	2,060,597	2,878,423	3,123,048	244,625	3,108,913	(14,135)
Equipment	1,463,748	1,007,477	1,413,395	405,918	1,353,426	(59,969)
Service of Other Departments	28,480,934	30,360,075	32,943,292	2,583,217	33,313,763	370,471
Internal SFPUC Overhead Recovery	(162,152,836)	(238,337,602)	(256,110,914)	(17,773,312)	(265,383,157)	(9,272,243)
Total Uses of Funds	866,098	974,788	938,043	(36,745)	960,480	22,437

SOURCES OF FUNDS						
Non SFPUC Recoveries	722,772	974,788	938,043	(36,745)	960,480	22,437
Total Sources of Funds	722,772	974,788	938,043	(36,745)	960,480	22,437



SFPUC Uses of Funds by Division and Section (continued on next page...)

\$	FY 2023-24 Adopted Budget	FY 2024-25 Adopted Budget	Change From FY 2023-24	FY 2025-26 Adopted Budget	Change From FY 2024-25
WATER - USES OF FUNDS					
Administration	94,234,465	93,002,325	(1,232,140)	96,527,578	3,525,253
City Distribution	47,559,075	53,142,359	5,583,284	55,117,690	1,975,331
Water Quality	22,978,045	25,243,757	2,265,712	25,928,744	684,987
Water Supply & Treatment	65,208,041	70,138,845	4,930,804	71,956,576	1,817,731
Natural Resources	14,961,094	15,884,605	923,511	16,169,419	284,814
Water Resources	9,985,987	9,822,601	(163,386)	10,003,966	181,365
Debt Service	333,692,104	333,629,235	(62,869)	366,950,327	33,321,092
General Reserve	5,918,777	567,839	(5,350,938)	775,897	208,058
Programmatic Projects	34,366,186	33,490,305	(875,881)	32,997,869	(492,436)
Revenue-Funded Capital	45,579,658	103,560,784	57,981,126	108,030,176	4,469,392
Total Water	674,483,432	738,482,655	63,999,223	784,458,242	45,975,587

WASTEWATER - USES OF FUNDS					
Administration, Planning & Regulation	66,034,530	76,912,741	10,878,211	80,153,128	3,240,387
Maintenance	42,778,108	45,714,739	2,936,631	47,238,699	1,523,960
Bayside Operations	54,989,357	57,427,306	2,437,949	60,177,166	2,749,860
Environmental Engineering	8,385,487	8,161,567	(223,920)	8,526,398	364,831
Collection System	34,392,712	32,693,507	(1,699,205)	33,752,205	1,058,698
Laboratory	6,176,923	5,749,529	(427,394)	6,153,423	403,894
Debt Service	98,039,423	122,615,091	24,575,668	144,013,267	21,398,176
General Reserve	27,805,077	674,646	(27,130,431)	900,000	225,354
Programmatic Projects	8,386,551	12,472,168	4,085,617	13,278,226	806,058
Revenue-Funded Capital	81,338,116	112,415,407	31,077,291	133,891,216	21,475,809
Total Wastewater	428,326,284	474,836,701	46,510,417	528,083,728	53,247,027



SFPUC Uses of Funds by Division and Section (continued)

\$	FY 2023-24 Adopted Budget	FY 2024-25 Adopted Budget	Change From FY 2023-24	FY 2025-26 Adopted Budget	Change From FY 2024-25
HETCH HETCHY WATER AND POWER - USES OF FUNDS					
Light, Heat and Power	204,817,453	195,636,915	(9,433,886)	206,155,894	10,518,979
Water Operations	87,207,627	95,364,871	8,157,244	100,298,298	4,933,427
Debt Service	3,813,501	10,498,877	6,685,376	13,577,209	3,078,332
General Reserve	-	628,190	628,190	800,000	171,810
Programmatic Projects	14,305,204	23,272,390	8,967,186	23,585,014	312,624
Revenue-Funded Capital	5,015,000	20,222,482	15,207,482	37,238,151	17,015,669
Total Hetch Hetchy Water and Power	315,158,785	345,623,725	30,464,940	381,654,566	36,030,841
CLEANPOWERSF - USES OF FUNDS					
CleanPowerSF	335,934,347	414,176,829	78,242,482	416,653,413	2,476,584
General Reserve	32,710,827	40,475,562	7,764,735	36,095,959	(4,379,603)
Programmatic Projects	150,000	8,887,182	8,737,182	10,008,897	1,121,715
Revenue-Funded Capital	759,000	582,260	(176,740)	516,430	(65,830)
Total CleanPowerSF	369,554,174	464,121,833	94,567,659	463,274,699	(847,134)
Total Bureaus	974,788	938,043	(36,745)	960,480	22,437
Total SFPUC	1,788,497,463	2,024,002,957	235,505,494	2,158,431,715	134,428,758

FY 2024-25 Sources and Uses of Funds by Division

\$	FY 2024-25 Adopted Budget				
	Water	Wastewater	Hetch Hetchy Water & Power	CleanPowerSF	Total
SOURCE OF FUNDS					
Sale of Water	654,595,718	-	52,087,361	-	706,683,079
Sewer Service Charges	-	432,692,021	-	-	432,692,021
Sale of Electricity	-	-	228,990,098	-	228,990,098
Sale of Electricity-CCA	-	-	-	459,939,532	459,939,532
Sale of Natural Gas & Steam	-	-	28,451,927	-	28,451,927
Fund Balance	24,010,813	24,674,744	26,920,972	-	75,606,529
Other Non-Op Revenues	36,325,152	10,294,139	4,681,871	1,048,612	52,349,774
Federal Interest Subsidy	20,369,523	3,234,710	102,564	-	23,706,797
Interest Income	3,181,449	3,941,087	4,388,932	3,133,689	14,645,157
Total Sources of Funds	738,482,655	474,836,701	345,623,725	464,121,833	2,023,064,914
USE OF FUNDS					
Personnel	123,111,962	90,338,899	59,694,629	8,659,259	281,804,749
Non-Personnel Services	22,634,274	31,644,115	48,539,027	10,936,438	113,753,854
Purchase of Power	-	-	138,305,952	385,000,573	523,306,525
Materials & Supplies	20,435,944	16,649,590	3,818,467	137,000	41,041,001
Equipment	4,117,281	1,738,765	2,514,615	-	8,370,661
Overhead	64,974,279	47,172,449	28,323,634	7,544,534	148,014,896
Debt Service	333,629,235	122,615,091	10,498,877	-	466,743,203
General Reserve	567,839	554,646	628,190	40,475,562	42,226,237
Service of Other Departments	31,960,752	39,235,571	9,805,462	1,899,025	82,900,810
Revenue-Funded Capital	103,560,784	112,415,407	20,222,482	582,260	236,780,933
Programmatic Projects	33,490,305	12,472,168	23,272,390	8,887,182	78,122,045
Total Uses of Funds	738,482,655	474,836,701	345,623,725	464,121,833	2,023,064,914

FY 2025-26 Sources and Uses of Funds by Division

\$	FY 2025-26 Adopted Budget				
	Water	Wastewater	Hetch Hetchy Water & Power	CleanPowerSF	Total
SOURCE OF FUNDS					
Sale of Water	686,426,295	-	55,305,144	-	741,731,439
Sewer Service Charges	-	477,369,879	-	-	477,369,879
Sale of Electricity	-	-	269,784,793	-	269,784,793
Sale of Electricity-CCA	-	-	-	458,896,858	458,896,858
Sale of Natural Gas & Steam	-	-	34,312,306	-	34,312,306
Fund Balance	39,136,509	34,497,983	15,605,706	-	89,240,198
Other Non-Op Revenues	37,229,455	10,393,147	3,705,858	1,087,458	52,415,918
Federal Interest Subsidy	19,875,899	3,105,412	78,924	-	23,060,235
Interest Income	1,790,084	2,717,307	2,861,835	3,290,383	10,659,609
Total Sources of Funds	784,458,242	528,083,728	381,654,566	463,274,699	2,157,471,235
USE OF FUNDS					
Personnel	128,035,313	94,711,030	63,087,704	9,279,562	295,113,609
Overhead	67,313,577	49,043,991	29,455,402	7,845,963	153,658,933
Purchase of Power	-	-	148,739,386	386,247,595	534,986,981
Non-Personnel Services	22,196,709	31,807,403	47,422,687	11,216,612	112,643,411
Materials & Supplies	20,417,650	16,443,644	4,435,243	137,200	41,433,737
Equipment	3,653,619	2,151,584	2,999,313	-	8,804,516
Debt Service	366,950,327	144,013,267	13,577,209	-	524,540,803
General Reserve	775,897	900,000	800,000	36,095,959	38,571,856
Service of Other Departments	34,087,105	41,843,367	10,314,457	1,926,481	88,171,410
Revenue-Funded Capital	108,030,176	133,891,216	37,238,151	516,430	279,675,973
Programmatic Projects	32,997,869	13,278,226	23,585,014	10,008,897	79,870,006
Total Uses of Funds	784,458,242	528,083,728	381,654,566	463,274,699	2,157,471,235

FY 2024-25 Beginning and Ending Available Fund Balance

\$ Millions	FY 2024-25				
	All Funds	Water	Wastewater	Hetch Hetchy Water & Power	CleanPowerSF
Beginning Available Fund Balance, July 1, 2024	748.9	204.0	177.2	217.6	150.2
Total Sources of Funds	2,023.1	738.5	474.8	345.6	464.1
Total Uses of Funds	2,023.1	738.5	474.8	345.6	464.1
Budgeted Use of Reserves	(75.6)	(24.0)	(24.7)	(26.9)	-
Budgeted Contribution to Reserves	42.2	0.6	0.6	0.6	40.5
Ending Available Fund Balance, June 30, 2025	715.5	180.6	153.0	191.3	190.7

FY 2025-26 Beginning and Ending Available Fund Balance

\$ Millions	FY 2025-26				
	All Funds	Water	Wastewater	Hetch Hetchy Water & Power	CleanPowerSF
Beginning Available Fund Balance, July 1, 2025	715.5	180.6	153.0	191.3	190.7
Total Sources of Funds	2,157.5	784.5	528.1	381.7	463.3
Total Uses of Funds	2,157.5	784.5	528.1	381.7	463.3
Budgeted Use of Reserves	(89.2)	(39.1)	(34.5)	(15.6)	-
Budgeted Contribution to Reserves	38.6	0.8	0.9	0.8	36.1
Ending Available Fund Balance, June 30, 2026	664.8	142.2	119.4	176.5	226.7

Authorized and Funded Full-Time Equivalents (FTEs)

Position Type	FY 2023-24 Adopted Budget	FY 2024-25 Adopted Budget	Change From FY 2023-24	FY 2025-26 Adopted Budget	Change From FY 2024-25
Permanent Positions	1,651.17	1,695.59	44.42	1,716.82	21.23
Temporary Positions	72.34	54.53	(17.81)	54.03	(0.50)
Subtotal Operating-Funded	1,723.51	1,750.12	26.61	1,770.85	20.73
Project-Funded	406.24	422.99	16.75	431.90	8.91
Infrastructure Positions	375.00	382.50	7.50	384.10	1.60
Unfunded Positions (Attrition)	240.46	280.67	40.21	289.78	9.11
Total SFPUC	2,745.21	2,836.28	91.07	2,876.63	40.35



Water Enterprise

Mission

The SFPUC serves as the retail water supplier for the City and County of San Francisco and is responsible for water deliveries to residents and businesses within the City limits, as well as to a number of retail customers outside of the City limits. The SFPUC sells water to 27 Wholesale Customer entities in San Mateo, Alameda and Santa Clara Counties. The Water Enterprise operates the Hetch Hetchy Regional Water System, a wholesale and retail drinking water supply system that serves 2.7 million customers in Alameda, Santa Clara, San Mateo and San Francisco counties. The upcountry portion of the system begins with Hetch Hetchy Reservoir in Yosemite National Park. Impounded by O’Shaughnessy Dam, Hetch Hetchy Reservoir water passes through hydroelectric powerhouses before entering the San Joaquin Pipelines, the Tesla Ultraviolet Treatment Facility, and the Coast Range Tunnel on its journey to the Bay Area.

Continued on next page...

Water High Level Budget Summary

	FY 2023-24 Adopted Budget	FY 2024-25 Adopted Budget	Change From FY 2023-24	FY 2025-26 Adopted Budget	Change From FY 2024-25
Total Budget	674,483,432	738,482,655	63,999,223	784,458,242	45,975,587
Total FTE	859.49	871.56	12.07	876.18	4.62

The Bay Area portion of the System includes water collection, treatment, and transmission facilities from the Alameda East Portal to the wholesale service area and terminal reservoirs in San Francisco. Water storage facilities include watersheds, dams, and reservoirs including: Calaveras, San Antonio, Crystal Springs, Pilarcitos, and San Andreas. The water treatment facilities are Tesla Ultraviolet Treatment Facility, disinfecting the Hetch Hetchy supply; Sunol Valley Water Treatment Plant, treating the water from the Calaveras and San Antonio supply as well as the stored Hetch Hetchy supply; and Harry Tracy Water Treatment Plant, treating the water from the Crystal Springs and San Andreas supply. The water transmission system in the Bay Area and Peninsula includes the Bay Division, San Andreas, Sunset Supply, and Crystal Springs pipelines. The Bay Area transmission system also includes Irvington Tunnel 1 and Tunnel 2, the Bay Tunnel, and the Crystal Springs Bypass Tunnel.

The water distribution system in the City encompasses more than 1,250 miles of distribution pipelines, as well as 12 in-City reservoirs and eight water tanks with a total storage capacity of approximately 413 million gallons. Since June 2011, the Water Enterprise has operated the City's Emergency Firefighting Water System (EFWS, formerly known as the Auxiliary Water Supply System), an independent, high-pressure water supply system for fire suppression.

SFPUC's Water enterprise is the third largest municipal utility in California. Approximately one-third of our delivered water goes to retail customers in San Francisco, while wholesale deliveries to 27 suburban agencies in Alameda, Santa Clara, and San Mateo counties comprise the other two-thirds.

Wholesale sales are made under the Water Supply Agreement (WSA) and related individual contractual agreements. Collectively, except for the Cordilleras Mutual Water Company, the Wholesale Customers are represented by BAWSCA, which is a public agency, separate and apart from the 27 Wholesale Customers.

The majority of the drinking water supplied by our system originates as snowmelt within the 459-square mile Hetch Hetchy Watershed on the upper Tuolumne River within Yosemite National Park. This high-quality water is transported 167 miles across California solely by gravity. The Hetch Hetchy water supply is augmented with precipitation collected in the reservoirs of Alameda Creek Watershed in Alameda County, and the Peninsula Watershed in San Mateo County. The Regional Groundwater Storage and Recovery Project, currently under construction will provide additional dry year water supply to the System for drought management.

The San Francisco Public Utilities Commission operates the facilities of its Water Enterprise to optimize the reliability and quality of its water deliveries. The SFPUC is making significant Water Enterprise infrastructure capital investments, designed to maximize the Water Enterprise's ability to deliver water sufficient to meet the needs of its customers following the occurrence of a major seismic event or during an extended period of drought.

Services and Divisions

The Water Enterprise of the San Francisco Public Utilities Commission is responsible for the distribution and sale of high-quality water to customers in San Francisco and the surrounding Bay Area. The Enterprise operates and maintains the Hetch Hetchy Regional Water System, a wholesale and retail drinking water supply system that serves 2.7 million customers in Alameda, Santa Clara, San Mateo and San Francisco counties.

The Water Enterprise is comprised of the following six divisions:

Water Administration

The Administrative Division provides direction and administrative support to the Water Enterprise.

The budget funds Enterprise-wide expenses including debt service, travel/training, memberships, and administrative services from other City departments.

City Distribution Division

The City Distribution Division (CDD) distributes high quality treated water to San Francisco customers. On average, approximately 68-70 million gallons per day are delivered to nearly 875,000 people in San Francisco. CDD maintains and operates four separate water systems within the City: the potable system which consists of 11 reservoirs, 11 pumping stations, 1,272 miles of mains, 44,190 valves/appurtenances and 8,500 fire hydrants; The Auxiliary Water Supply System which consists of three reservoirs, two pumping station, 183 miles of main, 232 cisterns and 1,685 high pressure fire hydrants; The groundwater system which consists of four wells/pumping stations and four miles of mains; and the recycled water system which consists of two reservoirs, two pumping stations and eight miles of mains.

Water Quality Division

The Water Quality Division's (WQD) mission is to ensure that the SFPUC complies with all current and future drinking water quality regulations and customer expectations through sample collection, field and laboratory analyses, process engineering, applied research, inspections, quality control/assurance programs, customer inquiry/complaint response, regulatory liaison and reporting, and on-site support to source/treatment/distribution operations. WQD also helps ensure compliance with wastewater regulations and customer expectations through laboratory analyses, applied research, customer inquiry response, regulatory reporting, and on-site support to treatment operations.

Water Supply and Treatment Division

The Water Supply & Treatment (WST) Division is one of the three largest operating divisions in the Water Enterprise and a key part of the third largest municipal utility in California, serving 2.7 million residential, commercial, and industrial customers in the Bay Area. WST is responsible for managing the storage, transmission, and treatment of potable water to San Franciscans and 27 water agencies in three Bay Area counties – San Mateo, Santa Clara and Alameda. WST manages a complex water supply system stretching from the Tesla Treatment Facility in San Joaquin County to the San Francisco Bay Area, featuring a series of reservoirs, tunnels, pipelines, and treatment systems. Two unique stand-out features of the system include the purest drinking water in the world and most of the delivery system is gravity fed, requiring almost no fossil fuel consumption to move water from the mountains to the tap.

Natural Resources Division

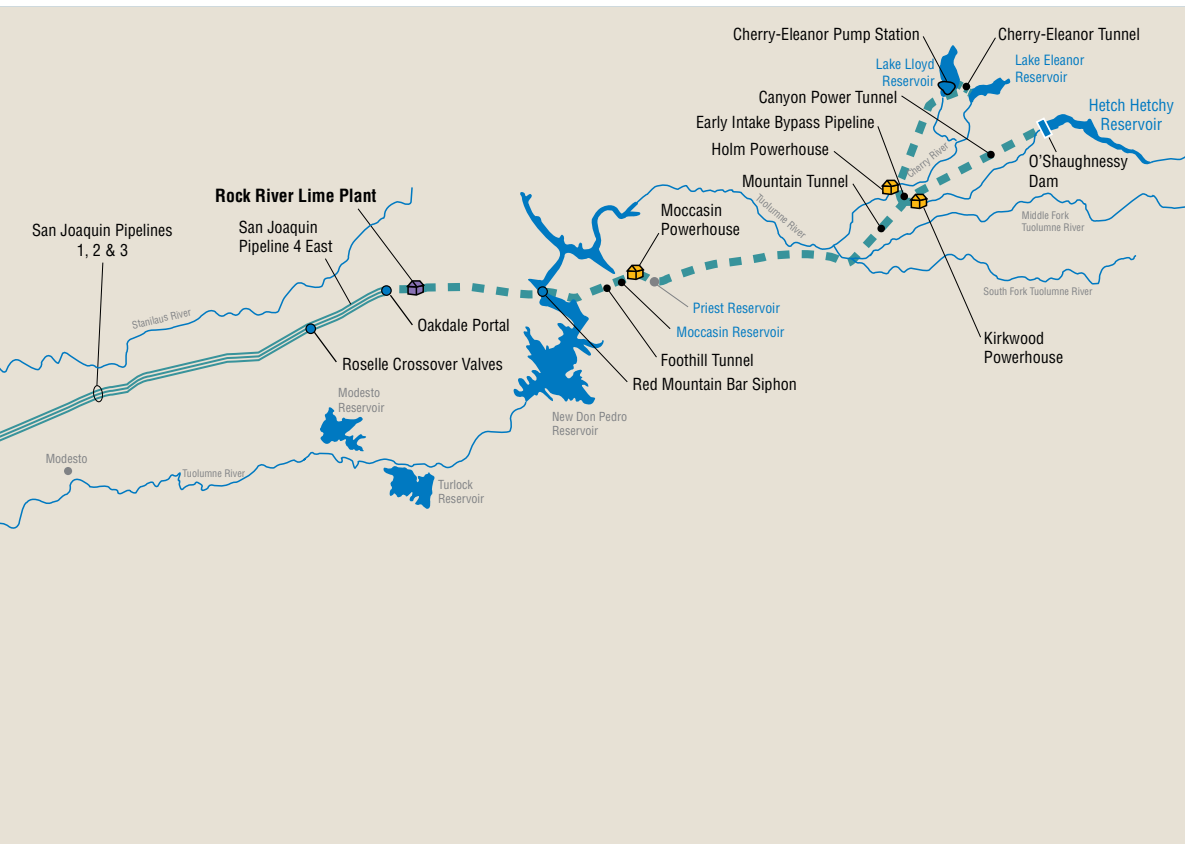
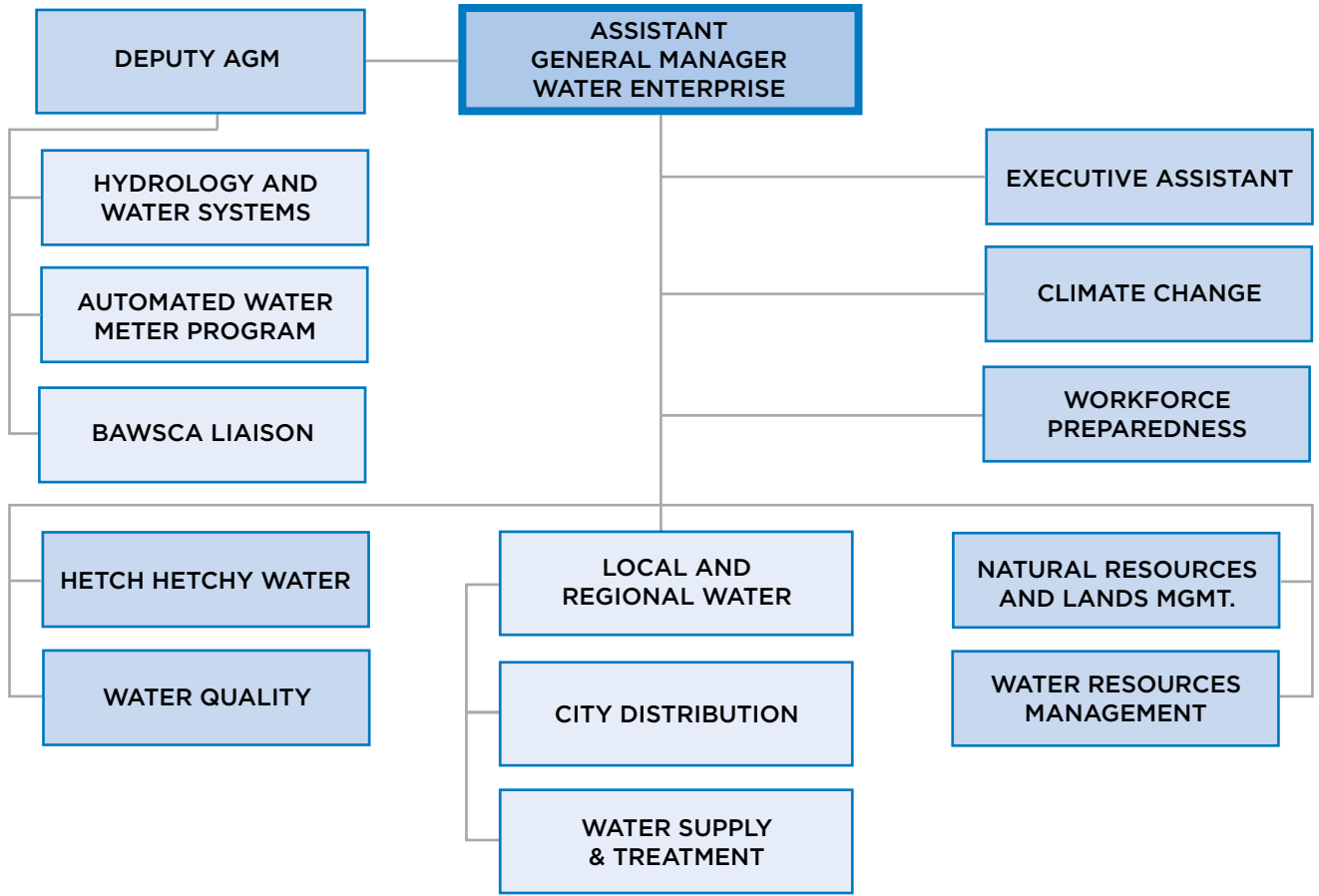
The Natural Resources Division is responsible for federal and state environmental compliance for the operation and maintenance of the Hetch Hetchy Regional Water System, which includes approximately 61,000 acres of watershed lands and 150-miles of right-of-way (ROW) lands in the Bay Area. The Natural Resources Division is also responsible for environmental stewardship and biological monitoring of the significant ecological resources in the Tuolumne River, Alameda Creek, San Mateo Creek, and Pilarcitos Creek watersheds that affect or are affected by the Hetch Hetchy Regional Water System. Management of the Bay Area watershed and ROW lands includes annual wildfire risk reduction activities (e.g., removal of dead and dying trees), and operations and maintenance of roads, bridges, gates, fences, culverts, and approximately 2,000 acres of environmental mitigation sites.

Water Resources Division

The Water Resources Division conducts water supply planning studies and implements projects to develop additional water supplies from groundwater, recycled water, onsite water recycling, desalination, groundwater, and purified water, and implements a comprehensive conservation program to improve customer water efficiency and reduce demand for potable supplies. These services are developed on a local and regional level. The Water Resources Division coordinates with bureaus and divisions within the SFPUC, other City departments, Bay Area Water Supply and Conservation Agency (BAWSA), and SFPUC member agencies, and the public in the development and implementation of these water supply planning studies and projects.



Water Enterprise Organization Chart



Goals and Objectives

As noted in the Introduction to the SFPUC section, the SFPUC previously adopted a strategic plan to identify key priorities for the organization and serve as a roadmap to ensure that the SFPUC meets the challenges ahead and continues to deliver reliable water, power, and sewer services. The strategic plan goals include:

The strategic plan goals include:

- Reliable Service and Assets
- Organizational Excellence
- Stakeholder and Community Interests
- Environmental Stewardship
- Effective Workforce
- Financial Sustainability

Under Reliable Service and Assets, the strategic plan directs each enterprise to create and regularly update specific Levels of Service (LOS) goals to guide its divisions. These include actions or standards that must be met and/or managed to satisfy each enterprise's mission and tie back into the above strategic goals. Water's original LOS were developed as part of the Regional Water System Improvement Program, a large capital infrastructure improvement program, and has since been updated in 2023 to include operations and maintenance, the local water system, and workforce and community support. Below are the Water Enterprises eight goals emphasizing reliable and clean water, safe and reliable infrastructure, safe and reliable delivery, environmental stewardship, and operational excellence and sustainability. Each goal is further divided into objectives.

Drinking Water Quality	Maintain high water quality
Regional Seismic Reliability	Maintain ability to meet current seismic standards
Regional Delivery Reliability	Maintain ability to meet current seismic standards
In-City Seismic Reliability	Reduce vulnerability to earthquakes
In-City Delivery Reliability	Reliably deliver water to all in-City retail customers
Water Supply	Meet customer water needs in non-drought and drought periods
Environmental Stewardship	Maintain high environmental performance standards
Sustainability	Enhance sustainability in all system activities (environmental, economic, and social)

Furthermore, each year progress on performance measures developed under SFPUC’s strategic goals are reported to the Controller’s and Mayor’s Offices. Each performance measure is derived from an Action Plan Objective detailed in the Introduction to the SFPUC section. Reported performance for FY 2023-24 for the Water Enterprise and agency-wide goals are as follows

Strategic Plan Goals and Goals Descriptions

Goal Area	Performance Measure	Target	FY 2023-24 Actuals	FY 2024-25 Target	FY 2025-26 Target
Reliable Service and Assets	Number of unplanned water system outage events lasting for more than 4 hours in duration and affecting more than 0.1% of service connections.	FY 2024-25 Target		0.1	0.1
Reliable Service and Assets	System renewal and replacement rates for In-City water distribution mains	FY 2025-26 Target	4.5	15	15
Effective Workforce	Number of Promotions	300	281	350	400
Effective Workforce	Time to Hire	275 average days to hire	96	90	80
Financial Sustainability	Average residential Water bill as a percent of median income in San Francisco	0.58%	0.54%	0.56%	.57%
Financial Sustainability	Operating cost coverage (total operational revenues/total operating costs) for Water	1.91	1.90	2.07	2.14
Stakeholder and Community Interest	Number of adults and children who have participated in transformative engagement through SFPUC sponsored education programs	3,250	5,020	3500	3500
Stakeholder and Community Interest	Percent of eligible households enrolled in Community Assistance Program (CAP).	Greater than or equal to 17.53%	20.60%	20%	20%
Environmental Stewardship	Average water used by San Francisco residential customers (Gallons Per Capita Day - gpcd)	Less than or equal to 50 gpcd	41.8	45	45
Environmental Stewardship	Percent of water supplied by alternative sources to system as a whole	Greater than or equal to 3.4%	2.9%	3.4%	3.4%

Water Sources and Uses of Funds

	FY 2023-24 Unaudited Actuals	FY 2023-24 Adopted Budget	FY 2024-25 Adopted Budget	Change From FY 2023-24	FY 2025-26 Adopted Budget	Change From FY 2024-25
SOURCES OF FUNDS						
Sale of Water	633,350,200	664,893,101	703,836,361	38,943,260	738,634,796	34,798,435
Less Water Costs to Hetchy	(46,266,000)	(46,266,000)	(49,240,643)	(2,974,643)	(52,208,501)	(2,967,858)
Federal Interest Subsidy	22,776,251	20,840,818	20,369,523	(471,295)	19,875,899	(493,624)
Other Non-Op Revenues	28,179,701	33,882,513	36,325,152	2,442,639	37,229,455	904,303
Interest Income	10,270,899	1,133,000	3,181,449	2,048,449	1,790,084	(1,391,365)
Fund Balance	79,507,411	-	24,010,813	24,010,813	39,136,509	15,125,696
Total Uses of Funds	727,818,462	674,483,432	738,482,655	63,999,223	784,458,242	45,975,587

USES OF FUNDS						
Personnel	114,257,785	116,708,902	123,111,962	6,403,060	128,035,313	4,923,351
Non-Personnel Services	37,863,533	22,626,737	22,634,274	7,537	22,196,709	(437,565)
Materials & Supplies	21,912,306	19,246,676	20,435,944	1,189,268	20,417,650	(18,294)
Equipment	2,522,267	2,647,308	4,117,281	1,469,973	3,653,619	(463,662)
Overhead	59,595,544	66,107,444	64,974,279	(1,133,165)	67,313,577	2,339,298
Debt Service	327,445,126	333,692,104	333,629,235	(62,869)	366,950,327	33,321,092
Service of Other Departs	26,359,945	27,589,640	31,960,752	4,371,112	34,087,105	2,126,353
General Reserve	5,918,777	5,918,777	567,839	(5,350,938)	775,897	208,058
Programmatic Projects	31,928,132	34,366,186	33,490,305	(875,881)	32,997,869	(492,436)
Revenue-Funded Capital	66,950,878	45,579,658	103,560,784	57,981,126	108,030,176	4,469,392
Total Uses of Funds	694,754,292	674,483,432	738,482,655	63,999,223	784,458,242	45,975,587

Water Uses of Funds by Section

	FY 2023-24 Adopted Budget	FY 2024-25 Adopted Budget	Change From FY 2023-24	FY 2025-26 Adopted Budget	Change From FY 2024-25
USES OF FUNDS					
Administration	94,234,465	93,002,325	(1,232,140)	96,527,578	3,525,253
City Distribution	47,559,075	53,142,359	5,583,284	55,117,690	1,975,331
Water Quality	22,978,045	25,243,757	2,265,712	25,928,744	684,987
Water Supply & Treatment	65,208,041	70,138,845	4,930,804	71,956,576	1,817,731
Natural Resources	14,961,094	15,884,605	923,511	16,169,419	284,814
Debt Service	9,985,987	9,822,601	(163,386)	10,003,966	181,365
General Reserve	333,692,104	333,629,235	(62,869)	366,950,327	33,321,092
Water Resources	5,918,777	567,839	(5,350,938)	775,897	208,058
Programmatic Projects	34,366,186	33,490,305	(875,881)	32,997,869	(492,436)
Revenue-Funded Capital	45,579,658	103,560,784	57,981,126	108,030,176	4,469,392
Total Water	674,483,432	738,482,655	63,999,223	784,458,242	45,975,587

CHART 8.1 >
Water FY 2024-25
Uses.

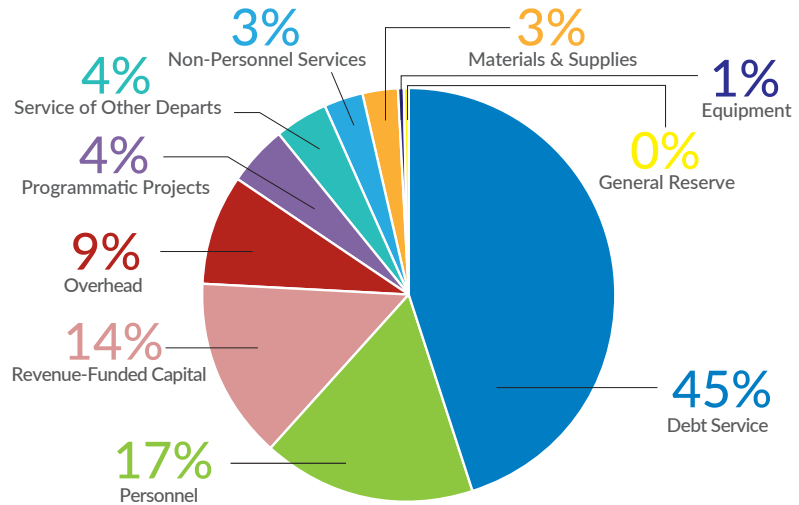
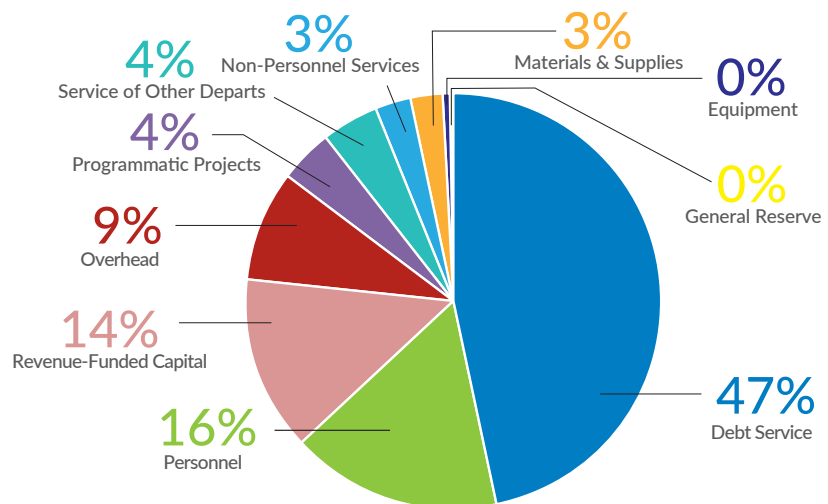


CHART 8.2 >
Water FY 2025-26
Uses.



Water Revenues

In FY 2024-25 Water Enterprise budgeted revenues are \$738.5 million, a \$64.0 million (9.5 percent) increase from FY 2023-24, and budgeted revenues are \$784.5 million in FY 2025-26, a \$46.0 million (6.2 percent) increase over FY 2024-25. This growth is due to volumetric sales changes and rate increases, as well as an increase in use of fund balance in accordance with reserve policies. The charts below show the Water Enterprise’s total revenue budgets broken out amongst major revenue categories in FY 2024-25 & FY 2025-26.

As an enterprise department, the Water enterprise receives no tax revenues and relies on utility rates as its primary source of revenue. Additionally, the Water enterprises also generate a modest amount of income from miscellaneous revenue sources such as interest income earned on reserves, rental revenues, and non-rate penalties and fees.

CHART 8.3 >
Water
FY 2024-25
Sources.

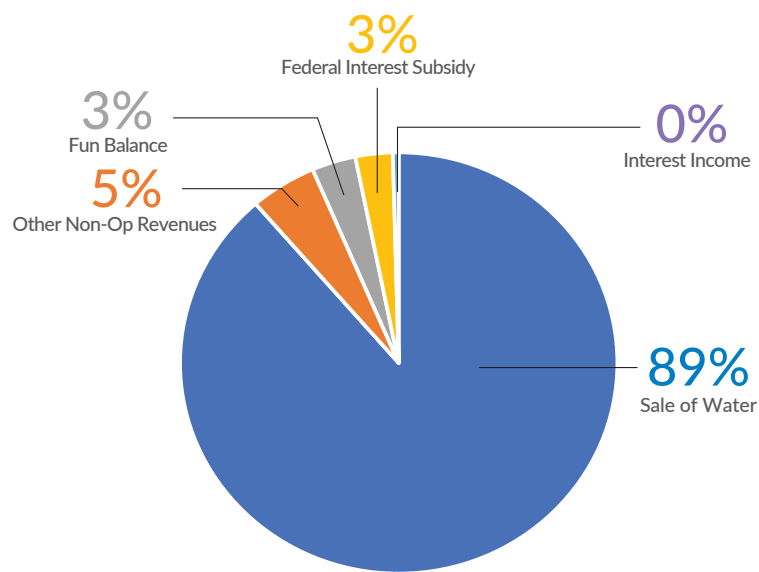
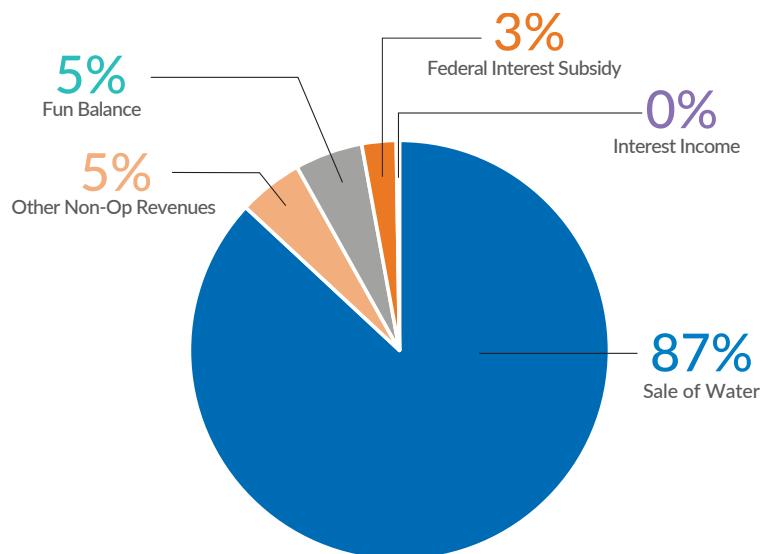


CHART 8.4 >
Water
FY 2025-26
Sources.



Water Cost of Service Study

Per City Charter, the SFPUC conducts a retail cost of service study for each enterprise at least every five years. The most recent cost of service study for Water was completed in Spring 2023, with new rates adopted in May 2023. This study is the basis for three years of retail water and wastewater rates that have been adopted by the Commission for FY 2023-24 through FY 2025-26. For each of the three fiscal years, water rates increased by 5 percent.

Wholesale water rates are set on an annual basis following the process established by contract under the long-term Water Supply Agreement (WSA). The rates are driven by the estimated wholesale share of Water Enterprise and Hetch Hetchy Water operating and capital expenditures and forecasts of wholesale sales volumes. A true-up after each fiscal year provides a mechanism to adjust future rates for under- or over-collection in prior years. A 9.7 percent increase in the wholesale water rates was adopted for FY 2023-24. Wholesale water rates are adopted annually, and rates for FY 2024-25 were approved by the Commission in spring 2024.

The Water Enterprise's financial forecast indicates the need for a continued 5 percent retail rate increase for the first four years of the plan, gradually tapering off in the outer years to levels more in line with inflationary rates. Wholesale rate changes are more volatile than retail rates across the Ten-Year plan, with annual rate adjustments ranging from 0.0 percent to 8.2 percent.

How Forecasts Were Developed

The SFPUC's financial planning forecast is informed by the latest available financial and operational data and guided by City and Commission policies, goals, and objectives. To address the more complex financial planning needs facing the enterprises, this year's plan is the first to use completely new financial models developed over the last year by the SFPUC's Financial Planning team. The new models incorporate a much greater level of detail and allow the agency more flexibly to evaluate different scenarios regarding budgets, capital planning, and customer usage behavior and their impacts on the financial health of the enterprises.

Using the new financial model, staff incorporated historic actual revenues and expenditures, the proposed operating budget, the proposed capital plan, capital project spending schedules, updated debt service schedules for new debt issued in the latest fiscal year, customer growth and sales forecasts, and assumptions regarding capital financing costs. Staff then calculated the updated cash flow for each enterprise and the sufficiency of the revenue generated under the prior rate forecast. Upon completion of the preliminary analysis, the assumptions used were reviewed with key staff in each enterprise and proposed changes to the financial plan were presented to executive leadership. In the event that the enterprises were failing to meet any financial goals and obligations, staff worked with executive management and staff throughout the agency to identify opportunities to reduce costs, make adjustments to the capital financing plan, and update the projection of rate adjustments until all financial targets are met.

Volumetric Sales Methodology

For Water, the SFPUC's ten-year financial model uses a bottom-up approach to calculating volumetric sales, building on historic changes in account growth and water usage behavior. First, account growth assumptions are calculated for each customer class to project the total number of accounts. Second, historic usage by customer class at the account level is adjusted by multiple factors, such as price elasticity, drought and pandemic recovery, and prolonged conservation efforts. The adjusted per-account volumes are multiplied by the calculated total number of accounts for each customer class and annualized to get the total projected water sales and billed wastewater discharge volumes.

The sections below discuss these factors included in the volumetric forecasts:

Account Growth Assumptions

In water, only minimal growth in usage is assumed due to population and job growth. For Water the Ten-Year Plan incorporates the assumed population and job growth assumptions from the SFPUC's 2020 Urban Water Management Plan and BAWSCA's 2022 Regional Water Demand & Conservation Study, which average around 0.6 percent annually for retail residential, 0.5 percent annually for retail commercial, and 0.4 percent annually for wholesale water during the ten-year period.

Drought Assumptions

In November 2021, the Commission declared a water shortage emergency. As governed by the San Francisco Water Shortage Contingency Plan, retail customers were requested to voluntarily conserve water by 5 percent compared to FYE 2020 actuals, while wholesale customers were requested to conserve water by 16 percent. Usage dropped across the service area in response to these voluntary calls.

In April 2023, the Commission rescinded the Water Shortage Emergency Declaration, lifting the voluntary water reduction requests and removing the subsequent drought surcharge. Despite the lifted drought declaration, the plan assumes a gradual rebound in retail water deliveries over the next three to four years. For wholesale customers, we assume that a portion of the drought-related conservation lingers permanently, as customers have higher per-capita usage than in San Francisco and therefore more ability to make permanent changes to save water. Per-account water and wastewater usage are projected to recover from the drought restrictions at 1.72 percent per year for retail customers for FYE 2024 through FYE 2026; wholesale usage is anticipated to recover from the drought at 3.09 percent per year for FYE 2024 through FYE 2027.

Pandemic Recovery's "New Normal" Assumptions

Utility usage dropped precipitously during the COVID-19 pandemic. Closed offices and businesses in San Francisco, a commuter-oriented city, meant a lower demand for water, power, and sewer services. Increased residential usage with the shift to working from home only slightly offset these trends, especially in the wholesale service area. When compared to pre-pandemic averages (March 2018-June 2019), retail water usage during the COVID-19 shelter-in-place orders (March 2020-June 2021) for commercial customers was down 35 percent, municipal customers' usage decreased by 26 percent, and residential customers had 3 percent higher water usage. Usage by wholesale water customers during this timeframe varied depending on the residential vs. commercial composition of each utility but was overall 7 percent higher than during the pre-pandemic period.

However, usage has gradually increased since June 2021, when the City completely lifted the COVID-19 shelter-in-place order. The region has inched towards a "new normal," reflecting permanent changes such as greater hybrid and remote work, reduced retail business, shifts in the population distribution, and generally adjusting the way people use utility services away from historic patterns.

At this point, we assume that the majority of usage reflects this "new normal," and do not incorporate additional increases in usage to return to pre-pandemic levels of utility usage. One exception is in water and wastewater retail commercial sales, where we expect the slow pace of recovery means that usage will rise a final 5 percent during FY 2024-25 before levelling off.

Water Sales

In the Water Enterprise, the majority of revenues are comprised of utility sales, making up 95.3 percent of total revenues in FY 2024-25 (\$703.8 million) and 94.2 percent of total revenues in FY 2025-26 (\$738.6 million). The water utility sales revenues can be broken up between retail sales and wholesale sales. Retail water sales revenues, a derivative of volumetric water sales to retail customers, make up 48.4 percent of overall Enterprise budgeted revenues in FY 2024-25 & FY 2025-26.

Wholesale sales revenues are derived from the Water Enterprise's 27 wholesale water customers. These wholesale revenues make up 46.9 percent of the overall Enterprise budgeted revenues in FY 2024-25 and 45.9 percent in FY 2025-26. A portion of these revenues are guaranteed revenues provided by four wholesale water customers that have contractual minimum purchase requirements, where, regardless of the actual amount of water used by these customers, there is a guaranteed minimum financial obligation that they must meet annually. This provides a minimum guaranteed revenue stream amongst wholesale customer water sales, despite fluctuation in volumetric consumption.

The main drivers of Water Enterprise revenue budget increases are from utility sales revenue growth driven by rate increases, and an increase in the budgeted use of fund balance as a revenue source.

Federal Interest Subsidy

The Enterprise is budgeted to receive \$20.4 million in federal interest rate subsidy in FY 2024-25, or 2.8 percent of Enterprise revenues in the same year. The Enterprise's FY 2025-26 budget for federal interest rate subsidy is \$19.9 million, or 2.5 percent of total revenues in the same year. The revenues are a federally provided interest rate subsidy provided to cover a portion of the interest rates paid on Water Enterprise Build America Bonds (BABs). The revenues budgeted are based upon the debt service to be paid on BABs and the expected rate of interest rate subsidy received.

Other Non-Operating Revenues

Included in the Water Enterprise's total FY 2024-25 revenues are \$36.3 million in other non-operating revenues, or 4.9 percent of budget. And in FY 2025-26 total non-operating revenues are \$37.2 million or 4.7 percent of total Water Enterprise budgeted revenues. Included in other non-operating revenues are property rentals and water service installation charges. The other non-operating revenue budgets were developed using historical actual performance multiplied by an inflationary growth assumption.

Interest Earnings

Interest earnings are budgeted at \$3.2 million, or 0.4 percent of total revenues for FY 2024-25 and \$1.8 million, or 0.2 percent of total revenues FY 2025-26. Interest income is calculated by multiplying an interest rate by the available fund balance in each Enterprise. Interest rates are estimate based on the U.S Treasury yield curve.

Budgeted Fund Balance

Fund Balance is used to balance sources and uses, in line with SFPUC's Fund Balance Reserve Policy to mitigate rate increases. In FY 2024-25 use of Fund Balance as a source total \$24.0 million or 3.3 percent of total sources. In FY 2025-26, use of fund balance increases to \$39.1 million or 5.0 percent of sources. This use of Fund Balance driven by funding needs for Revenue-Funded Capital. These uses, combined with the fact that Fund Balance is well above the minimum target of 25 percent of operations & maintenance expenses, are aligned with the Fund Balance Policy.

Expenditures

Summary

The Water Enterprise’s annual operating budget includes debt service on revenue bonds used to finance capital improvements, operation and maintenance costs, and repair and replacement costs funded from current revenues. Operation and maintenance expenses include personnel costs, material & supplies, power & energy, and the services provided by other city departments including the SFPUC Bureaus. The annual operating budget for the Water Enterprise is \$738.5 million in FY 2024-25 and \$784.5 million in FY 2025-26. The budget has increased by \$64.0 million (9.5 percent) in FY 2024-25 and \$46.0 million (6.2 percent) in FY 2025-26. The net increase from FY 2023-24 through FY 2025-26 is mainly due to revenue-funded capital projects, debt service and personnel costs offset by decreases in programmatic projects and general reserve.

CHART 8.5 >
Water Enterprise
Total Uses of Funds
by Division.

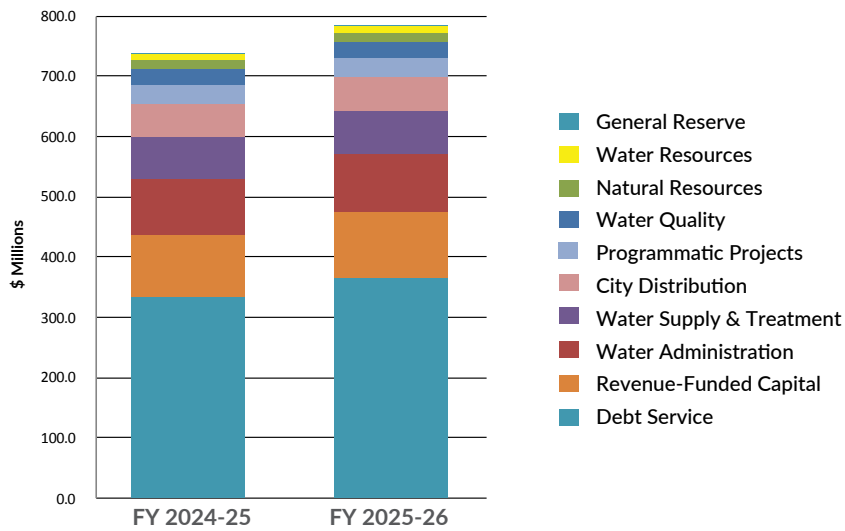
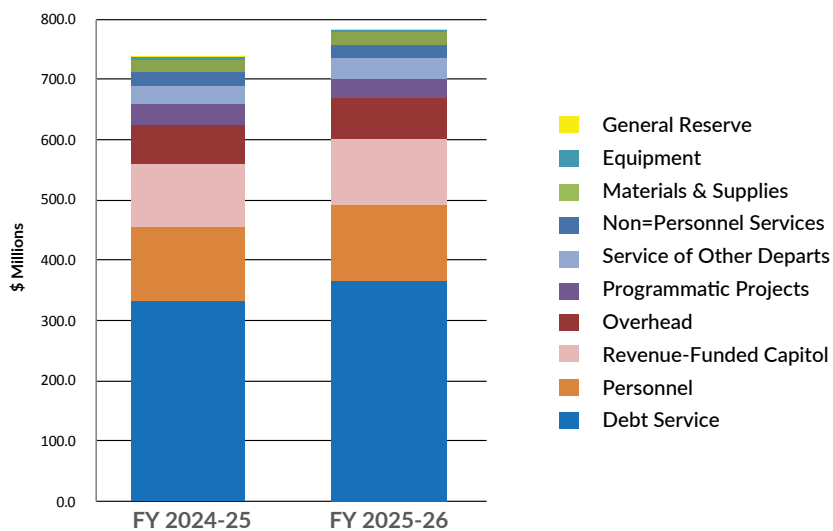


CHART 8.6 >
Water Enterprise
Total Uses.



Debt Service

Debt Service is based on the principal and interest scheduled payments on revenue bonds to finance the Water System Improvement Program (WSIP) and other Water Enterprise capital programs.

Debt Service is budgeted to be flat from FY 2023-24 to FY 2024-25. The FY 2025-26 Debt Service budget is \$367.0 million and reflects an increase of approximately \$33.3 million (10.0 percent). The increase is primarily due to interest payments on the Series 2023A and Series 2023B Water Revenue Bonds and planned repayment of the Westside Recycled Water Project State Revolving Fund loan.

Actual annual debt service has increased approximately 3.11 percent per year on average from FY 2018-19 to FY 2023-24 and is currently projected to increase by an average of 7.8 percent per year from FY 2024-25 through FY 2028-29 per the Ten Year financial plan, primarily due to issuance of additional revenue bonds to fund capital improvement projects. These increases may be offset by debt service decreases from future refunding opportunities and lower than projected new debt service subject to favorable market conditions.

Personnel

The Personnel budget includes salaries and mandatory fringe benefits for full-time and temporary staff. The budget has increased by \$6.4 million (5.5 percent) to \$123.1 million in FY 2024-25 and increased by \$4.9 million (4.0 percent) to \$128.0 million in FY 2025-26. Adjustments to attrition savings (or budgeted salary savings) were made to reflect projected salary savings and long-term vacant positions were eliminated. These reductions were offset by the conversion of temporary to permanent positions (described in the next section), the addition of new operating and project funded staff for regulatory requirements, laboratory support, implementation of alternative water supply programs, and facilities management in the watersheds, as well as cost of living adjustments required under various labor agreements, retirement, and health benefit costs.

Authorized and Funded Full-Time Equivalents

The Water Enterprise's total Authorized and Funded Full-Time Equivalents (FTEs) in FY 2024-25 is 781.47, an increase of 12.99, and FY 2025-26 is 783.47, an increase of 2.00. The overall increase represents the addition of new operating and project funded staff for regulatory requirements, laboratory support, implementation of alternative water supply programs, and facilities management in the watersheds, offset by adjustment to attrition savings (or budgeted salary savings) and the enterprise's effort to eliminate long-term vacant positions.

Overhead

The Overhead budget funds the Water Enterprise's share of support services provided by the SFPUC Bureaus, including the General Manager, Business Services, and External Affairs. The FY 2024-25 Overhead budget is \$65.0 million, a reduction of \$1.1 million (-1.7 percent) and the FY 2025-26 Overhead budget is \$67.3 million, an increase of \$2.3 million (3.6 percent). The overhead rate is based on SFPUC's 2024 Indirect Cost Study, and the net increase reflects adjustments to the SFPUC Bureaus FY 2024-25 & FY 2025-26 budget.

Services of Other Departments

The Services of Other Departments budget include interdepartmental services provided by other City departments to aid in the operation of the Water Enterprise. These services include City-wide ITS, City Attorney services, utility services, facilities maintenance, and fleet maintenance among others. The FY 2024-25 budget is \$32.0 million, an increase of \$4.4 million (15.8 percent) and the FY 2025-26 budget is \$34.1 million, an increase of \$2.1 million (6.7 percent). The increase is mainly driven by the cost for power utilities provided by Hetch Hetchy Power.

Revenue-Funded Capital

Revenue-Funded Capital expenditures may include minor construction projects, major maintenance, rehabilitation projects, planning studies, and preliminary engineering analysis for major capital improvements. The FY 2024-25 Revenue-Funded Capital budget, which funds the revenue or cash portion of the capital program, is \$103.6 million, an increase of \$58.0 million (127.2 percent), and the Revenue-Funded Capital FY 2025-26 budget is \$108.0 million, an increase of \$4.5 million (4.3 percent).

Programmatic Projects

Programmatic Projects are annually appropriated projects that are revenue funded in support of routine maintenance at Water Enterprise facilities and customer programs. These projects include monitoring, mitigation, watershed protection, community benefits, and the Water Enterprise's share of the lease payment and operation of the SFPUC headquarters at 525 Golden Gate Avenue. The FY 2024-25 Programmatic Projects budget is \$33.5 million, a reduction of \$0.9 million (-2.5 percent) and the FY 2025-26 budget is \$33.0 million, a reduction of \$0.5 million (-1.5 percent). The overall decrease reflects one-time funding for projects in the previous year, no longer funded in FY 2024-25 & FY 2025-26.

Non-Personnel Services

The Non-Personnel Services budget for the Enterprise includes maintenance for equipment and facilities, travel & training, memberships, utilities, professional services, and rent among others. The FY 2024-25 Non-Personnel Services budget is \$22.6 million, and the FY 2025-26 budget is \$22.2 million, a decrease of \$0.4 million (-1.9 percent). The net decrease reflects a minimal reallocation of resources.

Material and Supplies

This budget funds Materials & Supplies for equipment maintenance, water treatment chemicals, office and safety supplies, fuel, and software licenses. The FY 2024-25 & FY 2025-26 Materials and Supplies budgets are \$20.4 million, an increase of \$1.2 million (6.2 percent) from FY 2023-24. The net increase reflects the projected costs of chemicals for the treatment of water due to supply chain demands and the costs of raw materials.

Equipment

This budget funds equipment required to support the Enterprise's operations. The FY 2024-25 Equipment budget is \$4.1 million, an increase of \$1.5 million (55.5 percent) and the FY 2025-26 budget is \$3.7 million, a reduction of \$0.5 million (-11.3 percent). The increase in FY 2024-25 represents the Enterprises effort to modernize its fleet of maintenance vehicles as well as the replacement of outdated laboratory equipment. FY 2025-26 represents one-time equipment funding from the previous fiscal year.

General Reserve

In years where projected revenues are expected to outpace budgeted expenditures, the budget is balanced with a general reserve that is meant to project the amount the entity will contribute to Fund Balance by the end of the fiscal year. However, for the FY2024-25 & FY2025-26 budget, labor negotiations between Unions and the City were ongoing at the time of budget preparation and a small reserve was set aside for contingency. The General Reserve budget is \$0.6 million, a reduction of \$5.4 million (-90.4 percent). The FY 2025-26 General Reserve budget is \$0.8 million, an increase of \$0.2 million (36.6 percent).

Water Authorized and Funded Full-Time Equivalent (FTEs)

Position Type	FY 2023-24 Adopted Budget	FY 2024-25 Adopted Budget	Change From FY 2023-24	FY 2025-26 Adopted Budget	Change From FY 2024-25
Permanent Positions	558.86	569.47	10.61	569.79	0.32
Temporary Positions	13.83	10.47	(3.36)	10.68	0.21
Subtotal Operating-Funded	572.69	579.94	7.25	580.47	0.53
Project-Funded	195.79	201.53	5.74	203.00	1.47
Unfunded Positions (Attrition)	91.01	90.09	(0.92)	92.71	2.62
Total Water	859.49	871.56	12.07	876.18	4.62

New Initiatives

Chemical Costs – This initiative supports the additional costs (\$1.5 million) projected to procure water treatment chemicals. Chemicals needed include but are not limited to sodium hypochlorite, aluminum sulfate, aqua ammonia, liquid oxygen, polymers, sodium bisulfite, ferric chloride, calcium thiosulfate, carbon dioxide, and sodium hydroxide. The overall cost increase for all chemicals used in water treatment has increased by over 50% since FY 2021-22 with sodium hypochlorite having the highest increase at 146%.

Equipment Replacement and Modernization –

The Water Enterprise operates across an expansive region encompassing nearly the width of California including varying levels of topography and terrain. This initiative supports the replacement and modernization of the Enterprise’s aging vehicle fleet as well as other equipment. Given the vast scope of services supported by the Water Enterprise, this initiative will support level of service goals including watershed upkeep, facilities and equipment maintenance and any regulatory requirements for sample testing. In addition, this initiative will support the Enterprise’s efforts in meeting the California Air Resource Board (CARB) requirements for small off-road engines and gas-powered tools.

Temporary to Permanent Position Conversions –

As part of the FY 2024-25 & FY 2025-26 budget development, the SFPUC conducted an extensive examination of all temporary positions currently used in its workforce and made a significant effort to convert existing temporary positions to permanent budgetary status. This was done to encourage retention, recruitment, and workforce resiliency. Six positions were converted in Water Quality Division to support ongoing California State Water Resource Control Board regulatory requirements and administrative needs of SFPUC’s five laboratories. And six positions were converted in the Water Resources Division to support the Alternative Water Supply Program which include both the water recycling and ground water programs.

Natural Resources and Land Management –

This initiative supports the management of facilities under the Natural Resources and Land Management Division. Two positions will be added for the Alameda Creek Watershed Center and the Sunol Native Plant Nursery and Agriculture Park. The Sunol Native Plant Nursery and Agriculture Park was constructed to provide native plants to the Alameda Creek Watershed Center and properties throughout the Hetch Hetchy Regional Water System to avoid the risks of plant pathogens associated with purchased plants. The Alameda Creek Watershed Center also provides education and outreach programs to local schools and visitors. In addition, one position will support the maintenance of the Watershed Cottages throughout the San Francisco Peninsula and Alameda, and one position will address new environmental and regulatory monitoring requirements covered under federal and state discharge permits.

Water Enterprise Capital Budget

In addition to the operating budget, the Water enterprise also prepares a Capital budget and Ten-Year Capital Plan.

Overview

The Water Enterprise is responsible for the distribution of high-quality water to customers in San Francisco and three Bay Area counties. The Water Distribution System consists of several Regional Water Systems: Hetch Hetchy System; Regional Water System (East Bay), Regional Water System (Peninsula/West Bay) and the Local Water distribution which includes an In-City Distribution System.

Hetch Hetchy System: Water is diverted from the Tuolumne River into Hetch Hetchy Reservoir. Water then flows into a series of tunnels from the Sierra Nevada to the San Joaquin Pipelines. The pipelines cross the San Joaquin Valley to the Coast Range Tunnel where this unfiltered supply is disinfected. The disinfected water then connects to the Alameda system at the Alameda East Portal.

Regional Water System (East Bay): This includes two reservoirs, San Antonio Reservoir and Calaveras Reservoir, which collect water from the upper Alameda and San Antonio Creek watersheds in Alameda County which is then treated at the Sunol Valley Water Treatment Plant and then transported through conveyance facilities connecting the Hetch Hetchy System and Alameda water sources to the Peninsula System. These conveyance facilities include pipelines known as the Alameda Siphons that connect the Coast Range Tunnel to the Irvington Tunnel.

Regional Water System (Peninsula/West Bay): This includes conveyance facilities connecting the Bay Division Pipelines to the In-City Distribution System and to other SFPUC customers on the Peninsula. Three reservoirs, Crystal Springs, San Andreas, and Pilarcitos collect runoff from the San Mateo Creek and Pilarcitos watersheds. Water from Crystal Springs and San Andreas Reservoirs is treated at the Harry Tracy Water Treatment Plant before delivery to the northern Peninsula and San Francisco customers. Water from Pilarcitos Reservoir is delivered without treatment to the Coastside County Water District.

In-City Distribution System: The City and County of San Francisco's (City) retail water supply is delivered to the City in several major pipelines that convey water from the Peninsula System. Two pipelines provide water to the eastside of the In-City Distribution System and three pipelines serve the west side of the In-City Distribution System. The "In-City Distribution System" delivers water to homes and businesses in the City.

Capital Plan Summary

In FY 2024-25 & FY 2025-26, the Water Enterprise's capital budget is \$933.2M, of which \$718.9M or 77 percent is funded by debt and \$214.3M or 23 percent is revenue funded. Debt funding includes local and regional bonds. Much of the revenue funding is from local and regional water sales revenues.

The adopted capital project costs for the Water Enterprise total approximately \$2.9B over the next ten years. Identified capital needs will be financed with a combination of water revenue bonds and Water Enterprise revenues. Project timelines may be adjusted to match available funding.

Most of the spending is in the first five years of the plan averaging approximately \$420M per year. The average spending in the last five years, FY 2029-2034 drops to an approximately \$170M per year.

Water Capital Plan

\$million	FY 24-25	FY 25-26	FY 26-27	FY 27-28	FY 28-29	FY 29-30	FY 31-32	FY 32-33	FY 33-34	FY 34-35	Total
REGIONAL											
Water Treatment Program	132.4	13.2	17.6	17.0	19.1	12.9	37.1	7.0	6.5	5.2	268.0
Water Transmission Program	28.4	58.9	138.3	61.1	23.6	24.7	25.2	24.8	29.6	11.8	426.4
Water Supply & Storage Program	19.7	5.5	7.6	7.4	5.4	5.1	48.2	23.9	2.1	1.1	126.0
Buildings And Grounds Program	14.9	34.9	65.9	131.0	97.7	56.1	32.9	2.0	1.3	1.0	437.7
Communication & Monitoring Program	4.4	5.4	4.0	2.8	2.2	0.7	0.7	0.7	0.7	0.7	22.5
Program Level	3.8	4.8	3.5	2.5	2.5	2.5	2.0	2.0	2.0	2.0	27.6
Watersheds and Land Management	4.0	2.1	1.8	3.4	2.6	1.2	1.7	0.4	0.4	0.4	18.1
Long Term Monitoring & Permit Program	4.9	7.6	5.8	3.6	2.5	2.6	2.3	2.4	4.3	4.4	40.4
Water Supply and Storage	5.5	5.4	17.0	46.2	49.5	48.3	13.4	13.4	13.1	13.1	224.9
Water Treatment	0.7	2.0	1.0	3.0	3.8	24.3	-	-	-	-	34.8
Total Water-Regional	218.7	139.8	262.5	277.9	209.0	178.4	163.7	76.6	60.0	39.8	1,626.4
LOCAL											
Local Water Conveyance/ Distribution System	123.8	136.9	115.1	72.2	56.9	57.8	60.8	61.1	62.5	64.8	811.9
Systems Monitoring and Control	7.7	7.6	2.3	1.0	1.0	0.4	0.4	0.3	0.3	-	20.9
Local Tanks/ Reservoir Improvements	7.1	8.8	2.3	0.6	0.8	1.7	3.1	4.7	0.1	0.1	29.3
Automated Meter reading System	4.8	4.9	3.1	3.0	2.1	2.0	1.9	2.0	2.0	-	25.8
Buildings & Grounds Improvements - Local	78.7	151.0	118.2	7.1	5.9	0.2	0.2	0.2	0.2	-	361.7
Pump Station Improvements	2.4	6.6	1.6	0.3	0.3	0.3	0.3	0.3	0.4	-	12.5
Program Level	3.0	4.0	3.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0	24.0
Water Supply Projects	9.9	17.5	6.1	4.6	2.1	0.5	0.5	0.5	0.5	0.4	42.4
Total Local	237.3	337.4	251.7	90.8	71.0	64.8	69.1	71.1	68.0	67.2	1,328.4
Total Uses	456.0	477.2	514.2	368.7	280.0	243.2	232.8	147.7	128.0	107.0	2,954.8
SOURCES											
Debt Funded	351.1	367.8	395.1	266.1	175.2	139.0	156.5	76.7	52.4	38.2	2,018.2
Revenue Funded	104.9	109.4	119.1	102.6	104.7	104.2	76.3	71.0	75.6	68.8	936.6
Total Sources	456.0	477.2	514.2	368.7	280.0	243.2	232.8	147.7	128.0	107.0	2,954.8

Key Projects

Regional Water Facilities & Infrastructure (\$1.6B)

Water Treatment Program: \$268M

This program provides funding for the renewal and replacement programs at the Sunol Valley (SVWTP) and Harry Tracy Water Treatment Plants along with the East Bay and West Bay Fields Repair and Replacement projects. Major projects include SVWTP Ozone project to install ozone treatment facilities as a long-term solution to control taste and odor events encountered in the raw water supply from both the San Antonio and Calaveras Reservoir sources and other short-term and long-term improvements at SVWTP to improve regional delivery reliability by addressing various conditions and deficiencies of the SVWTP.

Water Transmission Program: \$426.4M

This program provides upgrades to the Transmission System including pipeline inspection and repairs, pipeline and valve replacements, metering upgrades, corrosion protection, and pump station and vault upgrades. As part of the pipeline improvement program, funding is included to monitor, strengthen, and replace older pipeline to achieve higher level performance and reliability. Funding included for the Crystal Springs Pipeline 2 & 3 Rehabilitation will relocate and replace approximately 1.5 miles of 60-inch diameter pipe into Crystal Springs Road, reline sections of the pipe with cement mortar lining, and upgrade appurtenances to meet current standards. New projects include the Bay Division Pipeline 3 & 4 Crossing Upgrade at Milpitas and the Alameda Creek Recapture Phase 2.

Water Supply and Storage Program: \$126M

This program includes upgrades to reservoir dams and structures to meet State Division of Safety of Dams requirements including geotechnical work, installation of monitoring systems, and major improvements to dam spillways and structures as needed. Funding is included for upgrades to Pilarcitos and repairs and improvements to the Upper Alameda Creek Diversion Dam (ACDD).

Regional Buildings and Grounds: \$437.7M

This program provides funding for major improvements to the Sunol and Millbrae Yards. Sunol Yard improvements have largely been completed. Millbrae Campus Improvements include a new laboratory and office building to update the lab facilities and consolidate staff from the Burlingame facility, plus new maintenance shops, and equipment storage. The upgrades address occupational safety, reliability, and functional regulatory compliance.

Regional Communications and Monitoring Program: \$22.5M

This project will provide much needed redundant emergency communications capability and increased bandwidth for secure data transfer. The SFPUC has been working to implement the Water Radio Replacement Project (WRRP) to improve the SFPUC's radio communications and thereby improve the water and power system reliability and Water SCADA system improvements providing mission-critical automation, monitoring and control of the SFPUC's Regional Water System.

Program Level: \$27.6M

The Program Management project provides funding for planning and management support tasks that are programmatic in nature and support the Water Enterprise Capital Improvement Program. The Program Management project includes support funding for SFPUC staff performing strategic capital planning; program budget planning and management; project controls; quarterly report preparation; preparation of loan and grant applications and administration of such loans and grants; public outreach and communications; document control and management; workforce development; and other programmatic support tasks.

Watershed and Right of Way: \$58.5M

Watersheds and Land Management: \$18.1M

This program supports projects that improve and/or protect the water quality and/or ecological resources impacted by the siting and operation of SFPUC facilities. Projects include the repair, replacement, maintenance, or construction of roads, fences, or trails, the acquisition of easements and/or fee title of properties, and other ecosystem restoration or public access, recreation, and education projects. Funding is included for the new Alameda Creek Watershed Center Phase 2 project for improvements not included in the Phase 1 project.

Long Term Monitoring & Permit Program: \$40.4M

The purpose of this program is to meet the long-term monitoring and permit requirements associated with capital projects and the operation and maintenance of the SFPUC water supply system and watershed/right-of-way lands within the Bay Area. Projects with long-term monitoring required by environmental permits include Water System Improvement Program (WSIP) related environmental mitigation and permit requirements (i.e., Bioregional Habitat Mitigation Program) and non-WSIP capital projects.

Regional Alternative

Water Supplies: \$260.0M

Water Supply and Storage: \$225.0M

This program includes planning for local water diversification to explore alternative methods for expanding local water sources. Projects include the Daly City recycled Water Expansion Project that will provide an average annual supply of 1.06 million gallons per day (MGD) of recycled water to irrigation customers in Colma and Daly City, and the Los Vaqueros Reservoir Expansion that will enlarge the existing Los Vaqueros reservoir located in Contra Costa County from 160,000 acre-feet to 275,000 acre-feet.

Water Treatment: \$35.0M

This project will improve the performance of the Regional Groundwater Wells and treatment systems in the South Westside Basin for reliable use during dry years. In normal and wet years, the SFPUC will supply treated surface water to Daly City, San Bruno, and Cal Water to be used in place of their typical groundwater supply, thereby increasing the volume of groundwater in storage that can be pumped as supplemental water in dry years.

Local Water Facilities and Infrastructure: \$1.3B

Local Water Conveyance/Distribution System: \$811.9M

This program includes funding to install, replace and renew distribution system pipelines and service connections for the 1,230 miles of drinking water mains in San Francisco to meet customer level of service goals for uninterrupted service. Improvements include replacement, rehabilitation, re-lining, and cathodic protection of all pipe categories to extend or renew pipeline useful life, as well as funding for joint City departments in-City/transit improvement projects. The program also includes funding for new Potable Emergency Firefighting Water System pipelines which are jointly funded with Earthquake Safety and Emergency Response (ESER) general obligation bonds.

The Renew Services Program provides funding to renew assets between the water main and the customer's service connection. This program includes the Lead Component Services Program to replace any lead components for the customer's water service line and the Water Loss Reduction Program to implement of cost-effective and comprehensive strategies to reduce water loss.

Systems Monitoring and Control: \$20.9M

Projects include an upgrade to the Customer Service Center System that will modernize current existing technology to optimize business processes aligning with current and future Customer Service needs and increased operational effectiveness. Continued improvements to facilities for controlling and monitoring San Francisco's water distribution system include enhancements to the Supervisory Control and Data Acquisition (SCADA) system for remote monitoring of pressure, flow, and valve position status at key locations throughout the distribution system.

Local Reservoir and Tanks Improvements: \$29.3M

This program provides long-term funding for renewal and rehabilitation of water storage reservoirs and tanks within the San Francisco Distribution System. Projects included improvements to the Sunset South Basin, Lombard Reservoir Geotechnical Improvements, and repairs to reservoirs and replacement of coatings for roofs and tanks at multiple locations to extend the useful service life of the facilities and provide for the installation of solar energy panels.

Automated Meter Reading System: \$25.8M

This program provides funding for the ongoing Automated Water Meter Program (AWMP) including meter renewal, replacement, automation, and replacement planning for the entire AWMP System by the end of its 20-year useful life (ending in 2031).

Buildings and Grounds Improvements: \$361.7M

This program provides funding for capital improvements at City Distribution Division facilities and structures. The bulk of the funding is included for a new CDD Headquarters at 2000 Marin to address life safety standards for seismic events, building code requirements and facilities that are past useful life. The 2017 Condition Assessment of the existing CDD yard found all buildings aged, water-damaged, and deficient in meeting seismic, ADA, electrical and other building code standards. Other projects include small yard improvements to address health and safety issues and security, continuing renewal, and replacement of aging assets at existing buildings and grounds including vehicle and pedestrian gates, fencing at reservoirs, and exterior lighting improvements at reservoirs and pump stations.

Pump Station Improvements: \$12.5M

The SFPUC's 12 major water pump stations and seven hydropneumatics tanks that boost pressure within the San Francisco distribution system need ongoing renewal and rehabilitation. This program provides long term funding for renewal and rehabilitation of the water pump stations and hydro-pneumatic tanks that boost water pressure within the distribution system including improvements at the Harding Park Recycled Water Pump Station and the Bay Bridge West Pump Station.

Program Level: \$24.0M

The Program Management project provides funding for planning and management support tasks that are programmatic in nature and support the Water Enterprise Capital Improvement Program. The Program Management project includes support funding for SFPUC staff performing strategic capital planning; program budget planning and management; project controls; quarterly report preparation; preparation of loan and grant applications and administration of such loans and grants; public outreach and communications; document control and management; workforce development; and other programmatic support tasks.

Local Water Resources: \$42.4M Water Supply Projects

This project provides planning support for a long-term investment in water reuse projects. Includes the SF Local Groundwater Treatment program that funds feasibility and operations studies, outreach, technical advisory committee, support task orders, and other soft costs including staff time and City Attorney's fees and the 525 Golden Gate Building Reuse Project to upgrade the Onsite Non-Potable Water System to comply with the new SF Health Code requirements of Article 12C. Secondary objectives of the project are to optimize operability and promote public outreach and education on potable reuse with a permanent on-site demonstration facility for the PureWaterSF program.



Wastewater Enterprise

Mission

The Mission of the Wastewater Enterprise (WWE) is to operate and maintain the City’s water pollution control plants, pumping stations and collection system in full compliance with our discharge permits to protect public health and the environment.

Wastewater Enterprise is committed to the principles of quality service and environmental stewardship, as outlined in the WWE mission statement:

Continued on next page...

Wastewater High Level Budget Summary

	FY 2023-24 Adopted Budget	FY 2024-25 Adopted Budget	Change From FY 2023-24	FY 2025-26 Adopted Budget	Change From FY 2024-25
Total Budget	428,326,284	474,836,701	46,510,417	528,083,728	53,247,027
Total FTE	588.44	591.36	2.92	596.28	4.92

- Ensure reliability and optimize the life-cycle of physical assets.
- Comply with all applicable laws, regulations, permits, and policies relating to wastewater and stormwater.
- Protect, recover, conserve and reuse resources.
- Advance business practices through optimization, coordination, communication, and accountability.
- Forecast, communicate, and manage funding for enterprise operational and capital needs.
- Recruit, develop and retain a motivated, diverse, and highly qualified and supported workforce to ensure effective services.
- Ensure the safety and security of personnel and facilities, and maintain emergency response capabilities.
- Promote strong customer service.
- Foster constructive relationships with neighborhoods contribute to the community and promote local employment, training, and business opportunities.

San Francisco is the only major coastal city in California that operates a city-wide combined sewer system that collects and treats both sewage and stormwater.

The sanitary wastewater and stormwater services extend across eight distinct urban watersheds, with two all-weather wastewater treatment plants and one wet-weather treatment plant.

Of an estimated total combined wastewater flow of 40 billion gallons per year throughout the entire system, aggregating all watersheds, approximately 34 billion gallons per year receive full secondary treatment, 4.5 billion gallons per year receive primary or decant treatment and are discharged to deep-water outfalls, and 1.5 billion gallons per year receive the equivalent to wet weather primary treatment and are discharged through nearshore outfalls. There are nearly 1,000 miles of main sewers and 28 pump stations in the San Francisco sewer system.

Services and Divisions

The Wastewater Enterprise is comprised of six Divisions: Wastewater Administration (including Planning and Regulatory); Maintenance; Operations; Environmental Engineering; Collection Systems and Wastewater Laboratory

Administration, Planning and Regulatory

The Administration, Planning and Regulatory Division consists of three distinct groups responsible for providing direction and support to the Wastewater Enterprise operating divisions.

The Regulatory Compliance group is responsible for providing analysis, information, and support regarding compliance with Clean Water Act permits for wastewater and stormwater.

The Urban Watershed Planning group is responsible for developing, implementing, and managing stormwater policy, protocols, and projects. In addition, the group performs project review and enforcement in the City's separate storm and sanitary areas to ensure that developments have adequate stormwater control measures necessary for compliance with regulatory permit requirements.

The Administration/Business Services group is responsible for finance and budget, workforce engagement and training, asset management and capital planning, internal communications, hiring and personnel administration.

Maintenance Division

The Maintenance Division is responsible for repairs and improvements to the Wastewater Enterprise's treatment process equipment and facilities ensuring wastewater meets permit standards safely, efficiently, and effectively. Additionally, conveyance and pumping require maintaining a network of pump stations designed to move combined sewage and runoff flows to treatment plants, transport/storage boxes, and outfalls. The entire system consists of more than 10,000 individual assets, including pumps, motors, valves, bar screens, digesters, fans, centrifuges, tanks, pipes, and instruments. Treatment and conveyance maintenance activities focus on preventative maintenance, repairs, and overhaul work.

Operations Division

The Operations Division is responsible for the 24/7 operation of the Wastewater Enterprise's treatment facilities, pump stations and discharge facilities. The Operations Division's primary mission is to protect public health and the environment by treating an average dry weather daily flow of 55 million gallons per day. The Operations Division treats all combined sewage, 465 million gallons per day during peak wet weather, at the treatment facilities and associated discharge sites, while meeting all regulatory standards and discharge requirements. Wastewater treatment is performed at the Southeast Water Pollution Control Plant and the Oceanside Water Pollution Control Plant, while the North Point Wet Weather Facility is used during wet weather. Additionally, the SFPUC is a contract operator of the Treasure Island Wastewater Treatment Plant.

Environmental Engineering Division

The Environmental Engineering Division is responsible for providing engineering services to the Wastewater Enterprise in four core service areas: wastewater process support; maintenance and mechanical engineering; design, planning and coordination of large capital projects; and master planning. These services allow the Wastewater Enterprise to maintain and improve the efficiency and reliability of wastewater collection and treatment to ensure the public's safety and welfare, environmental protection, and regulatory compliance.

Environmental Engineering support services include process design, design review, design/construction coordination, research and pilot testing, process performance optimization and troubleshooting, and regulatory support services.

Maintenance support services include vibration monitoring, equipment failure troubleshooting, and developing, procurement specifications, and service contracts.

Design support services include design and contract preparation for small to medium-size projects, updating as-built records, document management and archiving, asset management support, and other drafting, documentation, and technical services.

Planning and Compliance support services include the development and implementation of the Sewer System Improvement Program (SSIP), and compliance with special studies, reports and analyses as required by National Pollutant Discharge Elimination System (NPDES) permits.

Collection Systems Division

The Collection Systems Division is responsible for collecting and transporting an average daily flow of 55 million gallons per day, and up to 465 million gallons per day during peak wet weather of wastewater to treatment plants that support one million residents, businesses, and visitors. Sewage reaches the treatment plants through a conveyance system that starts with side sewers that connect public or private property to local public sewers in the streets.

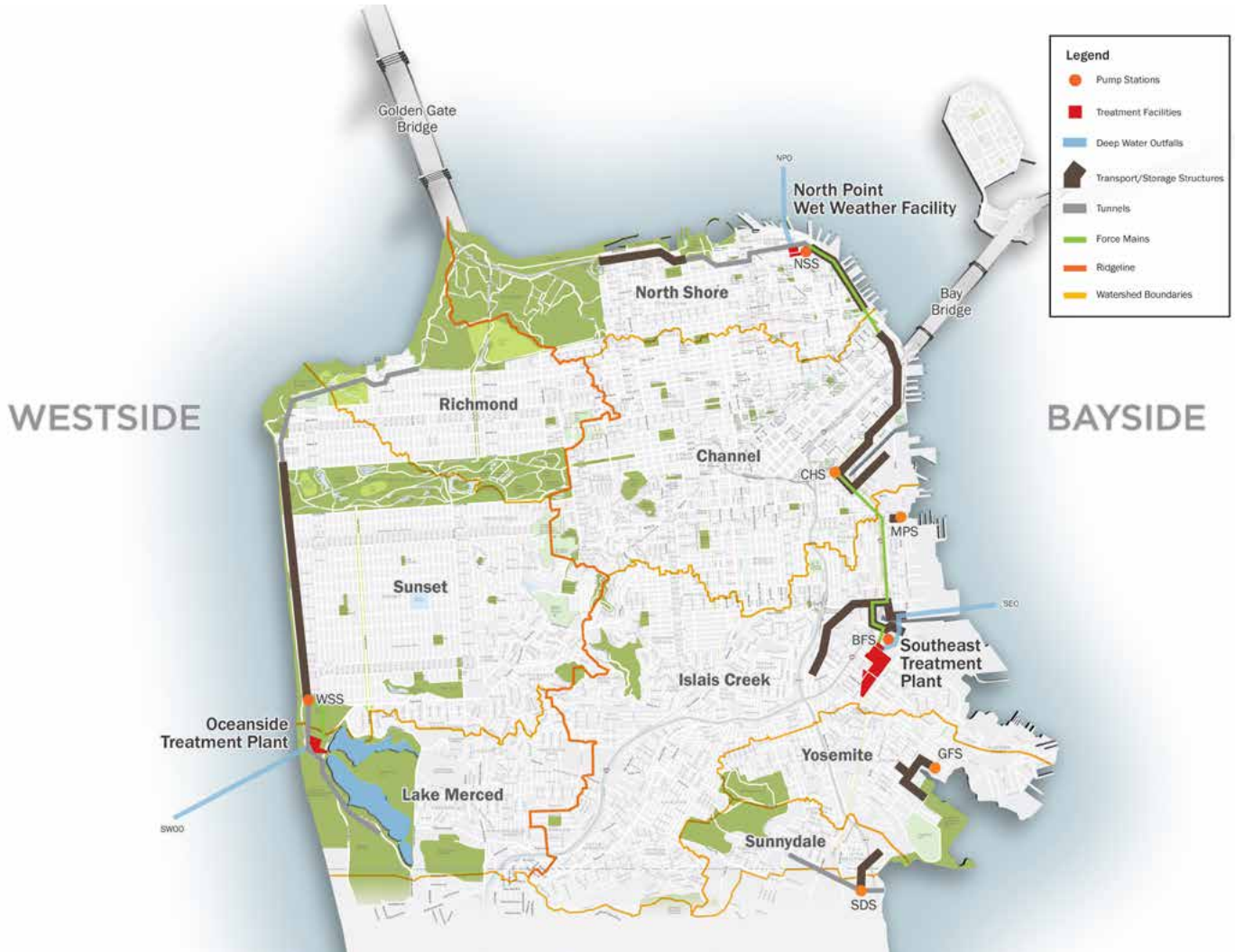
Proper operation and regular maintenance of the sewer system is a result of the Collection Systems' preventive maintenance program. Preventive maintenance occurs year-round and includes cleaning and condition assessment. The program keeps all sewers on a regular maintenance cycle to ensure that lines are in good working order and free of debris, thus minimizing their potential to clog and malfunction. In addition to the pipelines, the sewer collection system contains 19,500 catch basins and 25,000 manholes. Activities within this program include cleaning, inspection, and repair of sewers; responding to public service requests; control of odors in the sewers system; and hydraulic analysis and modeling. To support regulatory compliance in the wastewater system, both pretreatment and pollution prevention programs (P2) are implemented to focus on contaminant reduction activities for residential, commercial, and industrial dischargers. The major P2 programs include: street sweeping, control discharge of fats, oils and grease into the sewers, mercury reduction, pesticides/integrated pest management, and the stormwater P2 program to control construction runoff which carries pollutants to surface waters.

Laboratory Division

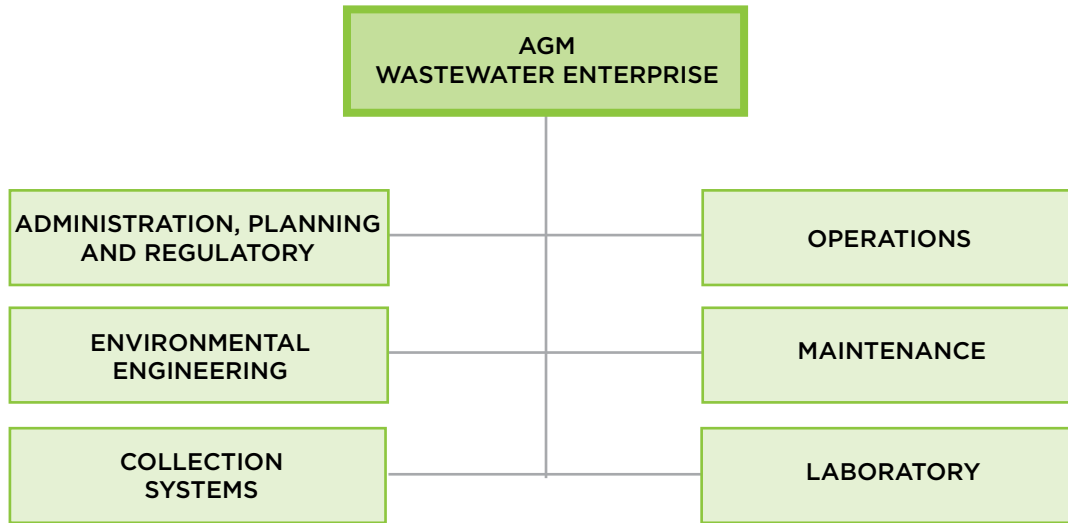
The Laboratory Division, through its network of state-certified facilities located at the Southeast, Oceanside, and Treasure Island Treatment Plants plays a crucial role in safeguarding environmental and public health. These laboratories are dedicated to providing analytical services and data of known and documented quality. Equipped with technology capable of detecting contaminants at extremely low concentrations (down to the part per trillion level), the Division specializes in analyzing EPA Priority Pollutants such as heavy metals, pesticides, polychlorinated biphenyls, polyaromatic hydrocarbons, volatile organic compounds, semi-volatile organic compounds, essential for regulatory compliance and environmental stewardship.

Beyond providing standard analytical testing which provides critical data to Wastewater's stakeholders, including the Operations Division for optimizing wastewater treatment processes, regulatory data for compliance with NPDES permits, Collection Systems for identifying and mitigating pollution sources, and Environmental Engineering for research and special studies, the Division also provides technical consulting on the interpretation of analytical data, generation of regulatory compliance report, data for NPDES permits, and interfacing with various regulatory agencies.

Map of combined sewer system



Wastewater Enterprise Organization Chart



Goals and Objectives

As noted in the Financial Planning and Policies section, the SFPUC previously adopted a strategic plan to identify key priorities for the organization and serve as a roadmap to ensure that the SFPUC meets the challenges ahead and continues to deliver reliable water, power, and sewer services. Given the current climate, the SFPUC is moving forward with revising its current plan to meet the needs of today and align with new priorities.

The strategic plan goals include:

- Reliable Service and Assets
- Organizational Excellence
- Stakeholder and Community Interests
- Environmental Stewardship
- Effective Workforce
- Financial Sustainability

Under Reliable Service and Assets, the strategic plan directs each enterprise to create and regularly update specific Levels of Service (LOS) goals to guide its divisions. These include actions or standards that must be met and/or managed to satisfy each enterprise’s mission and tie back into the above strategic goals. The Wastewater Enterprise has developed their goals based on the “10 Attributes of Effective Utility Management,” a nationally recognized framework for utilities to assess their performance from the Effective Utility Management (EUM) Framework. The EUM is a framework for identifying and addressing water and wastewater utility needs and helping utilities continuously evaluate performance and develop strategies and practices for improvement. It was developed by utility industry leaders and is supported by the EPA and several major utility industry associations. Below are the Wastewater Enterprises ten goals emphasizing service quality, safe and reliable infrastructure, community, environmental stewardship, and operational excellence and sustainability. Each goal is further divided into objectives.

Wastewater Enterprise's Levels of Service Goals

Product and Service Quality	<ul style="list-style-type: none">• Maintain high water quality
Employee and Leadership Development	<ul style="list-style-type: none">• Maintain ability to meet current seismic standards
Operational Optimization	<ul style="list-style-type: none">• Maintain ability to meet current seismic standards
Financial Viability	<ul style="list-style-type: none">• Reduce vulnerability to earthquakes
In-City Delivery Reliability	<ul style="list-style-type: none">• Reliably deliver water to all in-City retail customers
Infrastructure Strategy and Performance	<ul style="list-style-type: none">• Partners with key stakeholders to deliver capital projects on schedule and in a fiscally responsible manner• Maximizes asset run-time through effective maintenance• Minimizes asset failures through proper maintenance, repair, and replacement
Community Sustainability	<ul style="list-style-type: none">• Manages operations, infrastructure, and investments to support the economic, environmental, and social health of our community
Resource Sustainability	<ul style="list-style-type: none">• Recovers clean water, biosolids, biogas, and nutrients as valuable resources for local use to offset energy and carbon intensive resources
Enterprise Resiliency	<ul style="list-style-type: none">• Regularly assesses and plans for operational resiliency during routine operations and potential emergencies and prioritizes worker safety
Infrastructure Strategy and Performance	<ul style="list-style-type: none">• In development
Customer Satisfaction	<ul style="list-style-type: none">• In development

Furthermore, each year progress on performance measures developed under SFPUC’s strategic goals are reported to the Controller’s and Mayor’s Offices. Each performance measure is derived from an Action Plan Objective detailed in the Introduction to the SFPUC section. Reported performance for FY 2023-24 for the Wastewater Enterprise and agency-wide goals are as follows:

Strategic Plan Goals and Goals Descriptions

Goal Area	Performance Measure	Target	FY 2023-24 Actuals	FY 2024-25 Target	FY 2025-26 Target
Reliable Service and Assets	Number of dry weather main sewer overflows per 100 miles of main sewer	Less than or equal to 3.0	1.95	Less than or equal to 3.0	Less than or equal to 3.0
Effective Workforce	Number of Promotions	300	281	350	400
Effective Workforce	Time to Hire	275 average days to hire	96	90	80
Financial Sustainability	Average residential Wastewater bill as a percent of median income in San Francisco	0.70%	0.63%	0.72%	0.77%
Financial Sustainability	Operating cost coverage (total operational revenues/total operating costs) for Wastewater	2.00	1.57	1.97	2.1
Stakeholder and Community Interest	Number of adults and children who have participated in transformative engagement through SFPUC sponsored education programs	3,250	5,020	3500	3500
Stakeholder and Community Interest	Percent of eligible households enrolled in Community Assistance Program (CAP)	Greater than or equal to 17.53%	20.60%	20%	20%
Environmental Stewardship	Gallons of stormwater removed annually from the combined sewer system by green infrastructure	Greater than or equal to 264 million gallons	286 million gallons	293 million gallons	298 million gallons
Environmental Stewardship	Percent of biogas going to beneficial uses - Oceanside Plant	Greater than or equal to 75%	0%	0%	50%
Environmental Stewardship	Percent of biogas going to beneficial uses - Southeast Plant	Greater than or equal to 50%	44%	75%	75%

Wastewater Sources and Uses of Funds

	FY 2023-24 Unaudited Actuals	FY 2023-24 Adopted Budget	FY 2024-25 Adopted Budget	Change From FY 2023-24	FY 2025-26 Adopted Budget	Change From FY 2024-25
SOURCES OF FUNDS						
Sewer Service Charges	385,387,894	415,360,511	432,692,021	17,331,510	477,369,879	44,677,858
Federal Interest Subsidy	3,867,927	3,356,167	3,234,710	(121,457)	3,105,412	(129,298)
Other Non-Op Revenues	4,537,514	7,955,606	10,294,139	2,338,533	10,393,147	99,008
Interest Income	10,566,212	1,654,000	3,941,087	2,287,087	2,717,307	(1,223,780)
Fund Balance	26,380,369	-	24,674,744	24,674,744	34,497,983	9,823,239
Total Sources of Funds	430,739,916	428,326,284	474,836,701	46,510,417	528,083,728	53,247,027

	FY 2023-24 Unaudited Actuals	FY 2023-24 Adopted Budget	FY 2024-25 Adopted Budget	Change From FY 2023-24	FY 2025-26 Adopted Budget	Change From FY 2024-25
USES OF FUNDS						
Personnel	80,903,217	88,876,603	90,338,899	1,462,296	94,711,030	4,372,131
Non-Personnel Services	26,034,043	29,392,339	31,644,115	2,251,776	31,807,403	163,288
Materials & Supplies	14,231,168	13,975,515	16,649,590	2,674,075	16,443,644	(205,946)
Equipment	4,334,361	2,038,175	1,738,765	(299,410)	2,151,584	412,819
Overhead	35,672,687	39,042,421	47,172,449	8,130,028	49,043,991	1,871,542
Debt Service	95,126,325	98,039,423	122,615,091	24,575,668	144,013,267	21,398,176
Service of Other Departs	35,922,228	39,432,064	39,235,571	(196,493)	41,843,367	2,607,796
General Reserve	27,805,077	27,805,077	554,646	(27,250,431)	900,000	345,354
Programmatic Projects	8,544,482	8,386,551	12,472,168	4,085,617	13,278,226	806,058
Revenue-Funded Capital	82,505,474	81,338,116	112,415,407	31,077,291	133,891,216	21,475,809
Total Uses of Funds	411,079,063	428,326,284	474,836,701	46,510,417	528,083,728	53,247,027

Wastewater Uses of Funds by Section

	FY 2023-24 Unaudited Actuals	FY 2023-24 Adopted Budget	FY 2024-25 Adopted Budget	Change From FY 2023-24	FY 2025-26 Adopted Budget	Change From FY 2024-25
USES OF FUNDS						
Administration, Planning & Regulation	66,034,530	76,912,741	10,878,211	80,153,128	3,240,387	4,372,131
Maintenance	42,778,108	45,714,739	2,936,631	47,238,699	1,523,960	163,288
Bayside Operations	54,989,357	57,427,306	2,437,949	60,177,166	2,749,860	(205,946)
Environmental Engineering	8,385,487	8,161,567	(223,920)	8,526,398	364,831	412,819
Collection System	34,392,712	32,693,507	(1,699,205)	33,752,205	1,058,698	1,871,542
Laboratory	6,176,923	5,749,529	(427,394)	6,153,423	403,894	21,398,176
Debt Service	98,039,423	122,615,091	24,575,668	144,013,267	21,398,176	2,607,796
General Reserve	27,805,077	674,646	(27,130,431)	900,000	225,354	345,354
Programmatic Projects	8,386,551	12,472,168	4,085,617	13,278,226	806,058	806,058
Revenue-Funded Capital	81,338,116	112,415,407	31,077,291	133,891,216	21,475,809	21,475,809
Total Uses of Funds	411,079,063	428,326,284	474,836,701	46,510,417	528,083,728	53,247,027

CHART 9.1
Wastewater
FY 2024-25
Uses.

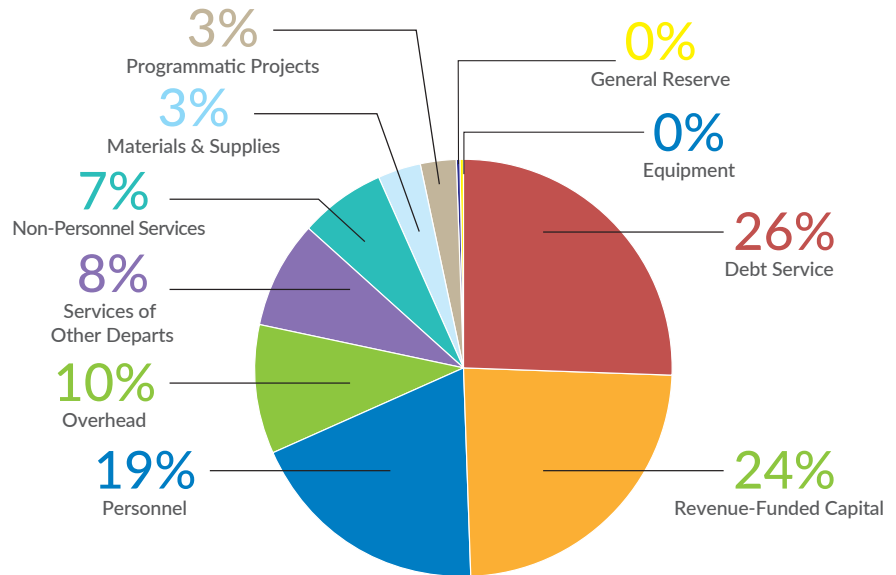
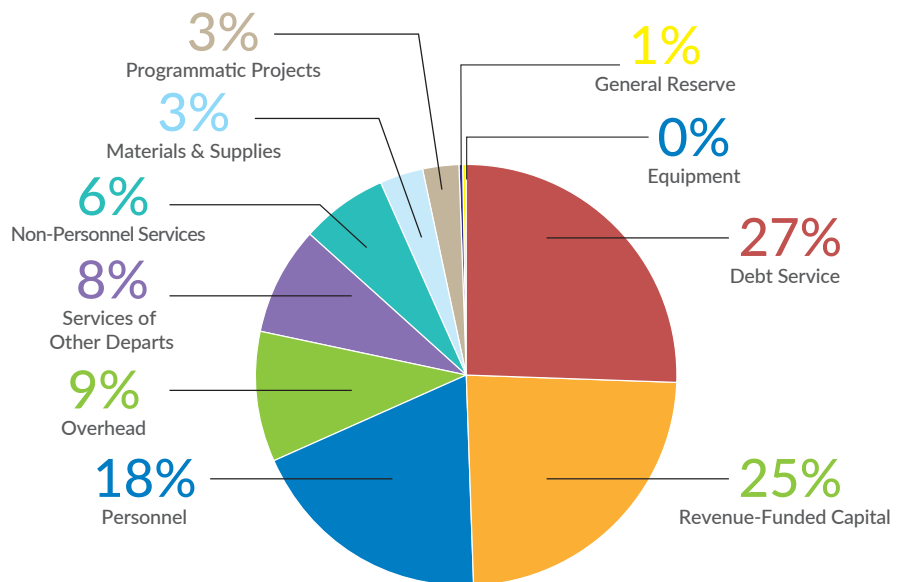


CHART 9.2
Wastewater
FY 2025-26
Uses.



Revenues

In FY 2024-25 Wastewater Enterprise budgeted revenues totaled \$474.8 million, an increase of \$46.5 million (10.9 percent) from FY 2023-24. In FY 2025-26, budgeted revenues total \$528.1 million, an increase of \$53.2 million (11.2 percent). This growth is due to projected increases in volumetric sales, planned rate increases as well as an increase in use of fund balance in accordance with reserve policies. The charts below show the Wastewater Enterprise's total revenue budgets broken out amongst major revenue categories in FY 2024-25 & FY 2025-26.

CHART 9.3 >
Wastewater
FY 2024-25
Sources.

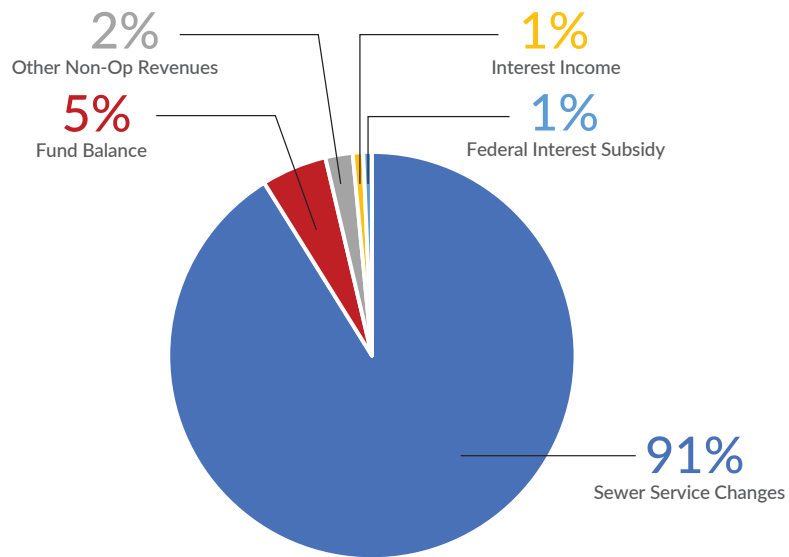
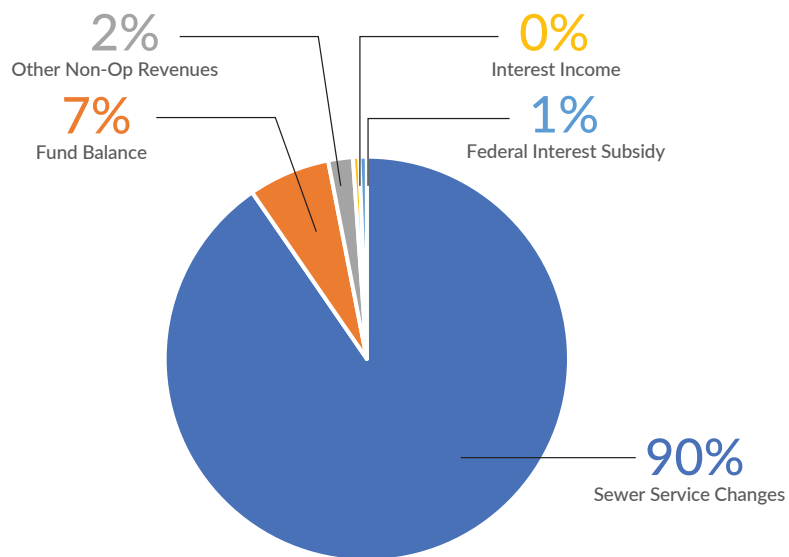


CHART 9.4 >
Wastewater
FY 2025-26
Sources.



2023 Wastewater Rate Study

Per City Charter, the SFPUC conducts a retail cost of service study for each enterprise at least every five years. The most recent cost of service study for Wastewater was completed in Spring 2023, with new rates adopted in May 2023. This study is the basis for three years of retail water and wastewater rates that have been adopted by the Commission for FY 2023-24 through FY 2025-26. For each of the three fiscal years sewer rates increased by 9.0 percent. Rate increases become effective on July 1, the beginning of each fiscal year.

As a part of the 2023 study, the sewer rates were split into wastewater and stormwater components. Historically, the Wastewater Enterprise has recovered the costs associated with both the sanitary sewer service and the costs for the collection and treatment of stormwater runoff from properties through wastewater rates. By updating the rate structure, the SFPUC has enhanced equity in its rate structure by billing customers for the total flows that they contribute to SFPUC’s combined sewer system.

Projected retail wastewater rates after FY 2025-26 are based on the SFPUC’s Ten-Year projection of revenue requirements to continue to provide operations, maintenance, needed capital investment, and meet the SFPUC’s ongoing financial obligations.

How Forecasts Were Developed

The SFPUC’s financial planning forecast is informed by the latest available financial and operational data and guided by City and Commission policies, goals, and objectives. To address the more complex financial planning needs facing the enterprises, this year’s plan is the first to use completely new financial models developed over the last year by the SFPUC’s Financial Planning team. The new models incorporate a much greater level of detail and allow the agency more flexibly to evaluate different scenarios regarding budgets, capital planning, and customer usage behavior and their impacts on the financial health of the enterprises.

Adopted (*) and Projected Wastewater Enterprise Rate Change

million	FYE 2025	FYE 2026	FYE 2027	FYE 2028	FYE 2029	FYE 3030	FYE 2031	FYE 2032	FYE 2033	FYE 2034	Avg. Annual
Retail Rate Change	9.0%*	9.0%*	12.0%	12.0%	11.0%	10.0%	10.0%	10.0%	7.0%	7.0%	9.7%

Wastewater

Using the new financial model, staff incorporated historic actual revenues and expenditures, the proposed operating budget, the proposed capital plan, capital project spending schedules, updated debt service schedules for new debt issued in the latest fiscal year, customer growth and sales forecasts, and assumptions regarding capital financing costs. Staff then calculated the updated cash flow for each enterprise and the sufficiency of the revenue generated under the prior rate forecast. Upon completion of the preliminary analysis, the assumptions used were reviewed with key staff in each enterprise and proposed changes to the financial plan were presented to executive leadership. In the event that the enterprises were failing to meet any financial goals and obligations, staff worked with executive management and staff throughout the agency to identify opportunities to reduce costs, make adjustments to the capital financing plan, and update the projection of rate adjustments until all financial targets are met.

Volumetric Sales Methodology

Wastewater volumes are a derivative of water sales. The SFPUC's ten-year financial model uses a bottom-up approach to calculating volumetric sales, building on historic changes in account growth and water usage behavior. First, account growth assumptions are calculated for each customer class to project the total number of accounts. Second, historic usage by customer class at the account level is adjusted by multiple factors, such as price elasticity, drought and pandemic recovery, and prolonged conservation efforts. The adjusted per-account volumes are multiplied by the calculated total number of accounts for each customer class and annualized to get the total projected water sales and billed wastewater discharge volumes.

The sections below discuss these factors included in the volumetric forecasts:

Account Growth Assumptions

In wastewater only minimal growth in usage is assumed due to population and job growth. The Ten-Year Plan incorporates the assumed population and job growth assumptions from the SFPUC's 2020 Urban Water Management Plan.

Drought Assumptions

In November 2021, the Commission declared a water shortage emergency. As governed by the San Francisco Water Shortage Contingency Plan, retail customers were requested to voluntarily conserve water by 5 percent compared to FYE 2020 actuals, while wholesale customers were requested to conserve water by 16 percent. Usage dropped across the service area in response to these voluntary calls.

In April 2023, the Commission rescinded the Water Shortage Emergency Declaration, lifting the voluntary water reduction requests and removing the subsequent drought surcharge. Despite the lifted drought declaration, the plan assumes a gradual rebound in retail water deliveries over the next 3-4 years. For wholesale customers, we assume that a portion of the drought-related conservation lingers permanently, as customers have higher per-capita usage than in San Francisco and therefore more ability to make permanent changes to save water. Per-account water and wastewater usage is projected to recover from the drought restrictions at 1.72 percent per year for retail customers for FY 2023-24 through FY 2025-26.

Wastewater

Pandemic Recovery's "New Normal" Assumptions Utility usage dropped precipitously during the COVID-19 pandemic. Closed offices and businesses in San Francisco, a commuter-oriented city, meant a lower demand for water, power, and sewer services. Increased residential usage with the shift to working from home only slightly offset these trends, especially in the wholesale service area. When compared to pre-pandemic averages (March 2018-June 2019), retail water usage during the COVID-19 shelter-in-place orders (March 2020-June 2021) for commercial customers was down 35 percent, municipal customers' usage decreased by 26 percent, and residential customers had 3 percent higher water usage.

However, usage has gradually increased since June 2021, when the City completely lifted the COVID-19 shelter-in-place order. The region has inched towards a "new normal," reflecting permanent changes such as greater hybrid and remote work, reduced retail business, shifts in the population distribution, and generally adjusting the way people use utility services away from historic patterns.

At this point, we assume that the majority of usage reflects this “new normal,” and do not incorporate additional increases in usage to return to pre-pandemic levels of utility usage. One exception is in water and wastewater retail commercial sales, where we expect the slow pace of recovery means that usage will rise a final 5 percent during FY 2024-25 before levelling off.

Sewer Service Charges

The majority of Wastewater Enterprise revenues are from sewer service charges, which make up 91.1 percent of total revenues in FY 2024-25 and 90.4 percent of revenues in FY 2025-26. Sewer service charges are comprised of billed rate revenue paid by retail and wholesale customers for their connection to and use of the Sewer System. For all customers sewer service charges include a fixed monthly service charge and a volumetric charge calculated based on the volume of water discharged. The volumetric fee amount is calculated using the customer’s monthly water consumed multiplied by an assumed return to sewer flow factor that has been prepared for each customer class. Non-residential customers volumetric rates are broken down into flow and three sewage loading categories (Chemical Oxygen Demand, Total Suspended Solids, and Oil & Grease), which are measured on a per pound basis. A schedule of assumed loading characteristics is used by SFPUC for various business types based on the Standard Industrial Classification of that account.

Federal Interest Subsidy

The Wastewater Enterprise is budgeted to receive \$3.2 million in federal interest rate subsidies in FY 2024-25 and \$3.1 million in FY 2025-26, which comprises 0.7 percent and 0.6 percent of total Enterprise budgeted revenues, respectively. The revenues are a federally provided interest rate subsidy intended to cover a portion of the interest rates paid on Wastewater Enterprise Build America Bonds (BABs). The budgeted revenues are projected to decline over time as the interest portion of our bond repayments decrease.

Other Non-Operating Revenues

The Wastewater Enterprise is budgeted to receive \$10.3 million in other non-operating revenues in FY 2024-25 and \$10.4 million in FY 2025-26, which comprises 2.2 percent and 2.0 percent of total Enterprise budgeted revenues, respectively. Included in non-operating revenues is rental income. The other non-operating revenue budgets were developed using historical actual performance multiplied by an inflationary growth assumption.

Interest Income

The Wastewater Enterprise is budgeted to receive \$3.9 million in interest earnings in FY 2024-25 and \$2.7 million in FY 2025-26, which comprises 0.8 percent and 0.5 percent of total Enterprise budgeted revenues for each fiscal year respectively. Interest income is calculated by multiplying an interest rate by the available fund balance in each Enterprise. Interest rates are estimate based on the U.S Treasury yield curve.

Budgeted Fund Balance

Fund Balance is used to balance sources and uses, in line with SFPUC’s Fund Balance Reserve Policy to mitigate rate increases. In FY 2024-25 use of Fund Balance as a source total \$24.7 million or 5.2 percent of total sources. In FY 2025-26, use of fund balance increases to \$34.5 million or 6.5 percent of total sources. This use of Fund Balance driven by funding needs for Revenue-Funded Capital. These uses, combined with the fact that Fund Balance is well above the minimum target of 25 percent of operations & maintenance expenses, are aligned with the Fund Balance Policy.

Expenditures

Summary

The Wastewater Enterprise annual operating budget is \$474.8 million in FY 2024-25 and \$528.1 million in FY 2025-26. The budget increased by \$46.5 million (10.9 percent) in FY 2024-25 and increased by \$53.2 million (11.2 percent) in FY 2025-26. The net increase from FY 2024-25 through FY 2025-26 mainly reflects increases to debt service, material & supplies, overhead, programmatic projects, and revenue-funded capital offset by decreases to general reserve.

Debt Service

The FY 2024-25 Debt Service budget is \$122.6 million based on principal and interest payments on outstanding senior-lien revenue bonds issued to fund SSIP and other Wastewater Capital Improvement Projects. This amount reflects a \$24.6 million (25.1 percent) increase from FY 2023-24 primarily due to interest payment of the 2021 Series A and 2021 Series B revenue bonds and planned repayment of the Oceanside Treatment Plant Gas Utilization Upgrades Project and Southeast Treatment Plant Headworks Project Clean Water State Revolving Fund (SRF) loans.

The FY 2025-26 Debt Service budget is \$144.0 million and reflects an increase of \$21.4 million (17.5 percent). This increase is primarily due to interest payments of the 2023 Series A bonds, increased interest payments of the 2021 Series A and B Bonds, and planned repayment of the Biosolids Digester Facilities Project Water Infrastructure Finance and Innovation Act (WIFIA) loan offset by lower planned interest payment for 2021 Series A revenue notes.

Actual annual debt service has increased approximately 12.2 percent per year on average from FY 2019-20 to FY 2023-24 and is currently projected to increase by an average of 32.4 percent per year on average from FY 2024-25 through FY 2028-29 per the ten-year financial plan, primarily due to issuance of additional revenue bonds to fund capital improvement projects. These increases may be offset by debt service decreases from future refunding opportunities and lower than projected new debt service subject to favorable market conditions.

Wastewater Authorized and Funded Full-Time Equivalents (FTEs)

Position Type	FY 2023-24 Adopted Budget	FY 2024-25 Adopted Budget	Change From FY 2023-24	FY 2025-26 Adopted Budget	Change From FY 2024-25
Permanent Positions	428.48	417.48	(11.00)	421.75	4.27
Temporary Positions	10.28	5.38	(4.90)	5.38	-
Subtotal Operating-Funded	438.77	422.86	(15.91)	427.13	4.27
Project-Funded	78.87	80.29	1.42	80.50	0.21
Unfunded Positions (Attrition)	70.81	88.21	17.40	88.65	0.44
Total Wastewater	588.44	591.36	2.92	596.28	4.92

Personnel

The FY 2024-25 Personnel budget is \$90.3 million, a \$1.5 million increase (1.6 percent), and the FY 2025-26 Personnel budget is \$94.7 million, an increase of \$4.4 million (4.8 percent). Overall increases to the Personnel budget include the conversion of temporary to permanent positions (described in the next section), the addition of new operating and project funded staff to support the Green Infrastructure Program, laboratory, regulatory requirements, collection systems, as well as cost of living adjustments required under various labor agreements, retirement, and health benefit costs. This increase is offset by adjustments made to attrition savings (or budgeted salary savings) to reflect projected salary savings and the elimination of long-term vacant positions.

Authorized and Funded Full-Time Equivalents

The Wastewater Enterprise total Authorized and Funded Full-Time Equivalents (FTE) for FY 2024-25 is 503.15 FTEs, a decrease of 14.49. The FY 2025-26 FTE is 507.63, an increase of 4.48. The overall decrease is mainly due to an adjustment to attrition savings (or budgeted salary savings) and the enterprise's effort to eliminate long-term vacant positions. This is offset by the addition of new operating staff for Green Infrastructure program.

CHART 9.5 >
Wastewater
Enterprise
Total Uses.

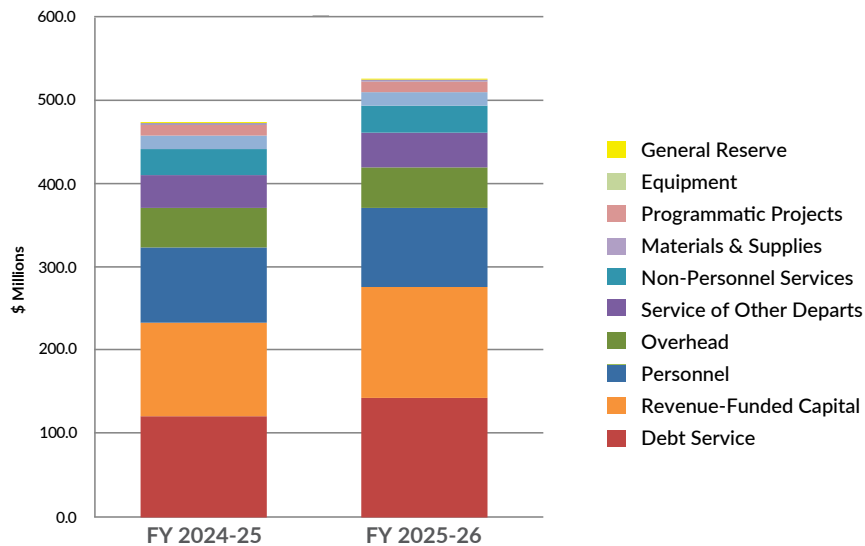
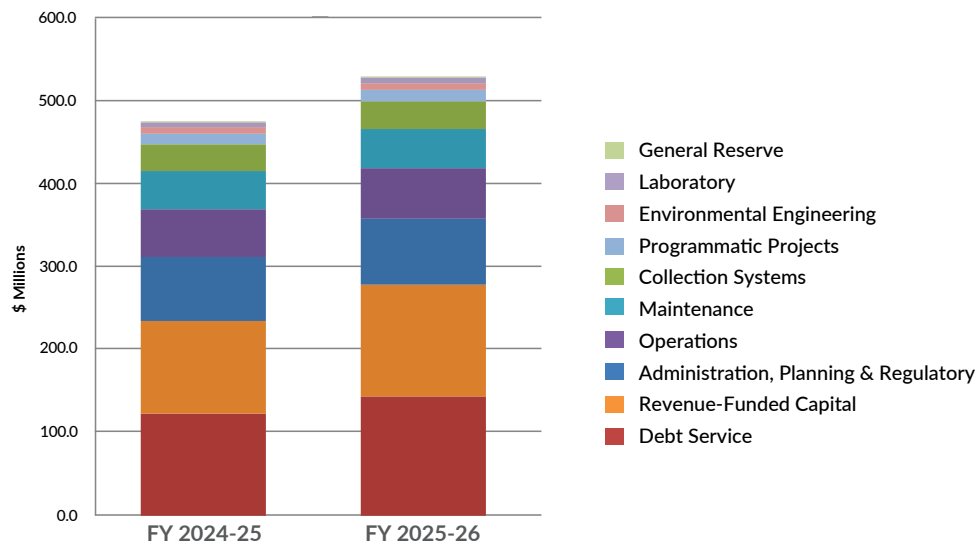


CHART 9.6 >
Wastewater
Enterprise Total
Uses of Funds
by Division.



Revenue-Funded Capital

Revenue-funded Capital funds Wastewater's Renewal & Replacement program and includes two major categories: wastewater sewer replacements and treatment facilities. The FY 2024-25 Revenue-Funded Capital budget, which funds the revenue or cash portion of the capital program is \$112.4 million, an increase of \$31.1 million (38.2 percent), and the Revenue-Funded Capital FY 2025-26 budget is \$133.9 million, an increase of \$21.5 million (19.1 percent).

Programmatic Projects

Programmatic Projects are annually appropriated projects that are revenue funded in support of routine maintenance, most of which were initiated in support of the capital program. These projects include facilities maintenance, community benefits, and the Wastewater Enterprise's share of the lease payment and operation of SFPUC's headquarters at 525 Golden Gate Avenue. The FY 2024-25 Programmatic Project budget is \$12.5 million, an increase of \$4.1 million (48.7 percent) and the FY 2025-26 budget is \$13.3 million, an increase of \$0.8 million (6.5 percent). The cost allocation for 525 Golden Gate is based on SFPUC's 2024 Indirect Cost Study, and the net increase to Programmatic Projects primarily reflects an update to Wastewater's share of cost for FY 2024-25 & FY 2025-26.

Equipment

This budget funds equipment required to support the Enterprise's daily operations. The FY 2024-25 Equipment budget is \$1.7 million, a decrease of \$0.3 million (-14.7 percent) due to one-time equipment funding from the prior fiscal year. The FY 2025-26 budget is \$2.1 million, an increase of \$0.4 million (23.7 percent) and is mainly driven by additional vehicle requests to support green infrastructure projects and the replacement of long-term rentals.

Services of Other Departments

The Services of Other Departments budget include interdepartmental services provided by other City departments to aid in the operation of the enterprise. These services include City-wide ITS, City Attorney services, risk management, facilities maintenance, and fleet maintenance among others. The FY 2024-25 Services of Other Departments budget is \$39.2 million, a decrease of \$0.2 million (-0.5 percent). The decrease is mainly due to a reduction of sewer service repair requests from the Department of Public Works. The FY 2025-26 budget is \$41.8 million, an increase of \$2.6 million (6.6 percent) and is mainly due to an increase in power utility costs from Hetch Hetchy Power.

Overhead

The Overhead budget funds the Wastewater Enterprise's share of support services provided by the SFPUC Bureaus, including the General Manager, Business Services, and External Affairs. The FY 2024-25 Overhead budget is \$47.2 million, an increase of \$8.1 million (20.8 percent) and the FY 2025-26 Overhead budget is \$49.0 million, an increase of \$1.9 million (4.0 percent). The overhead rate is based on SFPUC's 2024 Indirect Cost Study, and the net increase reflects adjustments to the SFPUC Bureaus' FY 2024-25 & FY 2025-26 budget.

Non-Personnel Services

The Non-Personnel Services budget for the enterprise includes maintenance for facilities and equipment, utilities, professional services, travel & training, and facilities rent. The FY 2024-25 Non-Personnel Services budget is \$31.6 million, an increase of \$2.3 million (7.7 percent) and FY 2025-26 Non-Personnel Services budget is \$31.8 million, an increase of \$0.2 million (0.5 percent). The overall two-year increase is mainly due to contracted services needed to maintain Wastewater's odor control and gas handling units located across all of Wastewater's treatment facilities.

Materials and Supplies

This budget funds Materials & Supplies for equipment maintenance, sewage treatment chemicals, office and safety supplies, fuel, and software licenses. The FY 2024-25 budget is \$16.6 million, an increase of \$2.7 million (19.1 percent) and the FY 2025-26 budget is \$16.4 million, a decrease of \$0.2 million (-1.2 percent). The net two-year increase reflects the projected costs for treatment chemicals needed across all of Wastewater's treatment facilities.

General Reserve

In years where projected revenues are expected to outpace budgeted expenditures, the budget is balanced with a general reserve that is meant to project the amount the entity will contribute to Fund Balance by the end of the fiscal year. However, for the FY 2024-25 & FY 2025-26 budget, labor negotiations between Unions and the City were ongoing at the time of budget preparation and a small reserve was set aside for contingency. The General Reserve budget is \$0.6 million, a reduction of \$27.2 million. The FY 2025-26 General Reserve budget is \$0.9 million, an increase of \$0.3 million.



New Initiatives

Chemical Cost Increases – This initiative supports the additional costs (\$2.5 million) projected to procure wastewater treatment chemicals. These chemicals are used for proper wastewater treatment, disinfection of treated sewage, and for city-wide odor reduction. Due to supply chain delays, increase in transportation cost and the unanticipated costs associated with raw materials (in the production of chemicals), additional funding is budgeted to cover these costs.

Residential Green Infrastructure Grant Program – This program provides funding to residential properties for the construction of green infrastructure projects. This program will encourage homeowners to manage stormwater on-site, help them to lower the stormwater component of their wastewater service charge by reducing their stormwater contribution to the sewer system, and improve collection system performance during wet weather.

Green Infrastructure Maintenance Crew – This initiative adds three staff members to perform maintenance tasks on the Wastewater Enterprise’s growing portfolio of GI assets across San Francisco, including plant and soil care and management; removal of sediment and debris from all GI assets on a regular basis; and documentation of feedback to inspection and design teams to maximize stormwater management across the portfolio.

Urban Watershed Planning & Partnerships for Green Infrastructure – Three positions will be added to support watershed planning efforts that identify and plan green infrastructure capital projects. This involves establishing and stewarding strategic partnerships with agency stakeholders across San Francisco. This initiative aims to achieve SFPUC’s stormwater management goals over the ten-year capital plan as well as comply with any potential regulatory requirements. To do so will require significantly growing the portfolio of green infrastructure projects and programs. This initiative will also support the completion of city-wide programmatic and capital commitments already underway.

Regulatory Requirements and Laboratory Support

- The California Environmental Laboratory Accreditation Program (ELAP) adopted new regulations requiring all laboratories to comply with TNI (The NELAC Institute) standard by implementing a complex quality management system. This initiative adds two staff members to support the required Laboratory Quality Assurance Program to comply with the new TNI regulatory requirements to ensure the Wastewater Laboratories maintain certification and provide analytical testing support.
- Sewer Operations maintains a collection system of approximately 1,000 miles of sewer mains with an estimated 800 miles of sewer laterals with over 160,000 lateral connections. San Francisco Public Works Code Article 4 requires SFPUC to repair and/or replace sewer laterals. Laterals have been constructed with limited or no oversight in the city, without the SFPUC’s knowledge or inspection. This initiative adds one staff member to begin initial stages to update sewer laterals rules and regulations, and the associated ordinance regarding San Francisco Public Works Code Article 4.
- San Francisco Bay Regional Water Quality Control Board order requires characterizing sediment quality in Mission Channel and Islais Channel and investigating the impact of combined sewer discharge on sediment quality. This initiative (\$1.5 million) will support implementation of the required characterization and investigation work.

Temporary to Permanent Position Conversions -

As part of the FY 2024-25 & FY 2025-26 budget development, the SFPUC conducted a significant examination of all temporary positions currently used in its workforce and made a significant effort to convert existing temporary positions to permanent budgetary status. This was done to encourage retention, recruitment, and workforce resiliency. A total of four positions were converted to permanent budgetary status: two Wastewater Administration positions that provide clerical personnel and project support to teams serving all Wastewater divisions; and two Southeast Community Center positions that provide leadership on advancing SFPUC strategic objectives and administrative support for those efforts.

Wastewater Enterprise Capital Budget

In addition to the operating budget, the Wastewater enterprise also prepares a Capital budget and Ten-Year Capital Plan.

The Wastewater Enterprise operates and maintains three wastewater treatment plants, one wet weather facility, 28 pump stations, 1,900 miles of sewer mains and laterals, over 216 green infrastructure assets, and 25,000 catch basins to protect public health and the environment. Wastewater facilities process approximately 60 MGD of dry weather flows and have 565 MGD of wet weather treatment capacity.

North Point Wet Weather Facility: The North Point Wet Weather Facility has been in operation since 1951. The facility provides primary-level treatment and disinfection of combined sewage collected in the northern part of the City during rainstorms. The facility has a treatment capacity of 150 MGD. Treated combined sewage is discharged approximately 800 feet into the San Francisco Bay.

Southeast Treatment Plant: The Southeast Treatment Plant was built in 1952 and has been expanded several times since. The Plant currently treats an average dry-weather flow of approximately 44 MGD and discharges into the San Francisco Bay through an 810-foot-long pipe. The Plant has a peak wet-weather capacity of 250 MGD which is discharged through both the 810-foot-long pipe into the Bay and an auxiliary wet-weather-only outfall into Islais Creek.

Oceanside Treatment Plant: Completed in 1993, the Oceanside Treatment Plant currently treats an average dry-weather flow of approximately 10 MGD and has a total capacity of 65 MGD during wet-weather. It treats wastewater from the west side of the City. Treated wastewater is discharged from the plant to the Pacific Ocean through the Southwest Ocean Outfall 4.5 miles offshore.

Treasure Island Treatment Plant: The SFPUC, under a 1997 Cooperative Agreement with the U.S. Navy, agreed to operate and maintain the utility systems at Treasure Island, including the Treasure Island Plant, while the Navy retains ownership of all the utility systems. The Plant provides secondary treatment of wastewater from facilities on Treasure Island and Yerba Buena Island. It serves a population of approximately 2,400 and has a design capacity of 2 MGD.

Pump Stations and Force Mains: The Wastewater Enterprise operates 28 pump stations with capacities ranging from less than 1 MGD to 175 MGD. The system includes three major force mains: North Shore, Channel, and Westside. In addition to these major force mains, there are several smaller force mains (2" in diameter and larger) downstream of pump stations, totaling 7 miles.

Gravity Sewers: Wastewater Enterprise owns, operates, and maintains approximately 800 miles of sewer mains equal or smaller than 36" in diameter ("small diameter sewers"), and nearly 200 miles of major interceptors and tunnels larger than 36" in diameter ("large diameter sewers"). In addition, WWE replaces sewer service laterals with structural deficiencies located on the pipe portion extending from face of curb to the sewer main ("sewer lateral"). There are approximately 160,000 sewer laterals.

Transport/Storage Boxes and Combined Sewer Discharge Structures: Transport/storage boxes capture combined stormwater and sewage as it overflows the sewer system and before it reaches the shoreline of the Bay or Pacific Ocean. The boxes can hold approximately 200 million gallons of stormwater and sewage for later treatment at wastewater treatment plants. The storage boxes completely fill up during the most prolonged intense rainstorms, and water is discharged into either the Bay or Ocean through one of 36 combined sewer discharge structures.

Capital Plan Summary

The Capital Plan is organized into the following four categories – Sewer System Improvement Program (SSIP), R&R Treatment Facilities and Collection System, Facilities and Infrastructure Projects and Treasure Island.

In FY 2024-25 & FY 2025-26, the Wastewater Enterprise’s capital budget is \$1.7B, of which \$1.4B or 85 percent is funded by debt and \$257M or 15 percent is revenue funded. Debt funding consists of revenue bonds. Much of the revenue funding is from sewer service charges, with the remainder being from capacity fees.

The Ten-Year Plan for FY 2024-25 through FY2033-34 is \$6B and includes the Sewer System Improvement Program at \$4B, the Collection System and Treatment Facilities Renewal and Replacement Programs at \$1.7B, the Treasure Island Treatment Plant at \$40.9M and improvements to other Wastewater Facilities and Infrastructure at \$259.0M.

Wastewater Enterprise FY 2024-25 to FY 2033-34 Capital Plan

\$million	FY 24-25	FY 25-26	FY 26-27	FY 27-28	FY 28-29	FY 29-30	FY 31-32	FY 32-33	FY 33-34	FY 34-35	Total
Sewer System Improvement Program	638.4	594.4	689.9	350.8	156.7	158.2	212.4	325.0	464.8	411.7	4,002.3
Repair And Replacement	152.5	167.1	170.7	174.0	163.0	165.2	171.5	183.7	191.1	198.8	1,737.6
Treasure Island	36.6	4.3	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	40.9
Wastewater Facilities & Infrastructure	65.0	57.1	48.3	7.5	5.4	15.9	15.1	15.8	14.4	14.4	258.9
Total Uses	892.5	822.9	908.9	532.3	325.1	339.3	399.0	524.5	670.3	624.9	6,039.7
Revenue Funded	117.7	139.4	102.3	84.9	72.0	85.0	101.7	110.2	138.9	147.5	1,099.6
Debt Funded	774.8	683.5	806.6	447.4	253.1	254.3	297.3	414.3	531.4	477.4	4,940.1
Total Sources	892.5	822.9	908.9	532.3	325.1	339.3	399.0	524.5	670.3	624.9	6,039.7

Key projects

SSIP Treatment Facilities: \$2.9B

Projects include the Southeast Plant Biosolids Digester Facility Project in southeast San Francisco; improvements to the liquid treatment at the Southeast Plant, the North Point Wet Weather Facility, the North Shore Pump Station, and associated outfalls; and improvements to the Oceanside Water Plant, Westside Pump Station, and Westside Force Main.

New Operations Engineering and Maintenance Buildings - \$159.6M - The project will replace SEP 850 and the adjacent parking lot at Jerrold and Phelps, an area just under one acre, with two new buildings. This project will provide workshop space for the Trades and Mechanical Maintenance, engineering workspaces, and shower and locker facilities for the Plant.

Southeast Plant (SEP) Mainstream Nutrients Reduction - \$1.1B - The purpose of the project is to reduce the amount of nitrogen discharged from the SEP. Nitrogen discharges into San Francisco Bay are among several factors that contributed to harmful algal blooms in 2022 and 2023. This project is necessary to comply with anticipated future nitrogen-related regulations.

SSIP Sewer/Collection System: \$206M

This program replaces existing sewers to increase hydraulic capacity, and rehabilitates transport/storage facilities, combined sewer discharge structures, pump stations, and force mains.

SSIP Stormwater Management and Flood Resilience: \$802.4M

This program includes work on flood resilience planning and project implementations, the Floodwater Management Grant Assistance Program, green infrastructure planning and project implementations, and the Green Infrastructure Stormwater Management Grant Program. Flood resilience projects manage combined sewer flooding caused by heavy rain through capital improvements, grant programs, financial incentives, Building Code amendments, options for affordable flood insurance, and enhanced coordinated storm response. Green infrastructure construction of permeable surfaces and engineered subsurface systems sustainably augments the collection

system for the management of stormwater flows. The Green Infrastructure Stormwater Management Grant Program incentivizes property owners to construct and maintain green infrastructure on large parcels. These projects support the level of service goals to minimize flooding, provide benefits to impacted communities, and achieve economic and environmental sustainability. Ancillary benefits may include reduced energy use (reduced pumping and treatment), potable water conservation, groundwater recharge, and improved community aesthetics.

Lower Alemany Area Stormwater Improvement Project: \$269.4M

The primary objective of this project is to improve stormwater conveyance in the area to meet the SFPUC-endorsed Levels of Service (LOS) goals. The Lower Alemany area surrounding the US 101 and I-280 interchange has been susceptible to recurring inundation associated with moderate and heavy storms. When the capacity of the existing Alemany sewer is exceeded during storm events, significant volumes of overland flow cause inundation on and around the Lower Alemany area, resulting in property damage and potential health and safety issues.

Folsom Area Stormwater Improvement Project: \$318.8M

Like the Lower Alemany Area Stormwater Improvement Project, this project would provide stormwater conveyance improvements, but to the neighborhood surrounding 17th and Folsom Street. Lower-lying areas in the vicinity can experience up to several feet of stormwater inundation during rain events, resulting in property damage and potential health and safety issues. The primary objective of the project is also to improve the stormwater conveyance in the area to meet the SFPUC-endorsed LOS goals.

Collection System Renewal & Replacement (R&R) \$1.4B

Small Diameter Sewer Improvements: \$498.6M

These projects help maintain the existing functionality of the sewage collection system and include planned and emergency repairs, and replacement of structurally inadequate sewers. The improvements enhance the City's ability to handle and dispose of wastewater and stormwater to protect public health, safety, and the environment. Projects are identified utilizing an asset management approach which factors in physical condition, age, location, risk, public safety, paving schedule, and other factors. WWE is shifting focus to utilize more trenchless construction methods for sewer main and lateral R&R, including cured-in-place-lining (CIPP), pipe bursting, slip lining, and alternative pipe materials. Trenchless construction methods are industry best practice and provide the benefits of substantially lower average cost per mile, shorter construction times per mile, and lower overall disruption to the public from the construction activity. As reflected in this latest Ten-year Capital Improvement Plan, WWE's goal is to increase the use of trenchless construction methods as much as practicable.

Large Diameter Sewer Improvements: \$450.5M

This is a collection of sewer improvement projects proposed to clean, perform condition assessment, and rehabilitate and/or replace Large Diameter Sewers (sewers greater than 36-inches in diameter or equivalent diameter) that have the highest risk for failure.

Treatment Facilities R&R: \$339.2M

The Treatment Plant Improvement program helps maintain the capacity and reliable performance of the treatment facilities owned and operated by the Wastewater Enterprise. This is a continuing annual program to extend the useful life of Wastewater treatment assets including Combined Discharge Structures, Pump Stations, Force Mains, and Treatment Plants. The projects are prioritized based upon worker health and safety, regulatory compliance, condition assessments, operations staff recommendations, and levels of service formally adopted as part of the SSIP. The completion of projects under the Treatment Facilities R&R Program increases the reliability and efficiency of Wastewater Enterprise facilities and ensures that the performance of the treatment facilities meets the established levels of service.

Ocean Beach Climate Adaptation Project: \$156.2M

This project is intended to develop a comprehensive shoreline management and protection plan in partnership with relevant stakeholders and regulatory agencies and establish a long-term solution to the erosion issues along Ocean Beach. This long-term solution is necessary to protect the integrity of critical wastewater assets that were constructed to protect public health and the environment. These assets include the Lake Merced Transport/Storage facility, the Westside Pump Station, and the Oceanside Treatment Plant, which are threatened by sea level rise and erosion at Ocean Beach.

Southeast Bay Outfall and SEP Booster Station Replacement: \$80.3M

The existing Southeast Bay Outfall is a critical asset that conveys final effluent from Southeast Treatment Plant to the Bay. While a current capital project is underway (Southeast Outfall Condition Assessment and Rehab) to complete a comprehensive condition assessment of the outfall and perform associated rehabilitation work, a long-term solution is needed to continue providing reliable operations, protecting water quality in San Francisco Bay, and aligning with the City's waterfront adaptation plans for sea level rise.





Hetch Hetchy Water and Power Enterprise

Mission

Hetch Hetchy Water and Power is comprised of two components: Hetch Hetchy Water, which operates and maintains the Hetch Hetchy Project, and Hetch Hetchy Power, which is responsible for all SFPUC power utility commercial transactions and in-City power operations.

The Hetch Hetchy Project provides both water for distribution through the Water Enterprise and hydroelectric power to municipal and other customers through Hetch Hetchy Power. A number of facilities in the Hetch Hetchy Project are joint assets used for both water conveyance and power generation and transmission, benefiting both Hetch Hetchy Water and Hetch Hetchy Power. All power sale revenues are allocated to Hetch Hetchy Power. Operating and capital costs benefitting Hetch Hetchy Water and 55 percent of operating and capital costs that jointly benefit Hetch Hetchy Water and Power are allocated to the Hetch Hetchy Power. Operating and capital costs benefitting Hetch Hetchy Water and 45 percent of operating and capital costs jointly benefitting Hetch Hetchy Water and Power are allocated to the Water Enterprise.

Continued on next page...

Hetch Hetchy Water and Power High Level Budget Summary

	FY 2023-24 Adopted Budget	FY 2024-25 Adopted Budget	Change From FY 2023-24	FY 2025-26 Adopted Budget	Change From FY 2024-25
Total Budget	315,158,785	345,623,725	30,464,940	381,654,566	36,030,841
Total FTE	402.78	415.81	13.03	428.51	12.70

Through the Hetch Hetchy Project, the Water Enterprise impounds and delivers, to the Water Enterprise, water for approximately 2.7 million Bay Area residents and, in an average year, generates about 1,500,000 MWh of clean, renewable electricity which Hetch Hetchy Power uses to serve its customers.

Hetch Hetchy Water

Hetch Hetchy Water's mission is to operate as an efficient, reliable water and power supplier, in a manner that values environmental and community interests and sustains the resources entrusted to Hetch Hetchy Water's care. Hetch Hetchy Water is responsible for the operation, maintenance and improvement of water, power and joint facilities that comprise the Hetch Hetchy Water and Power Project to ensure safe and reliable operations and service delivery while meeting regulatory requirements. Hetch Hetchy Water also maintains land and properties consistent with public health requirements, watershed values and neighborhood concerns, and promotes diversity, health, safety, and professional development of employees.

Hetch Hetchy Power

Hetch Hetchy Power is San Francisco's public power utility. For more than 100 years, Hetch Hetchy Power has delivered 100 percent greenhouse gas-free power for San Francisco. Today, Hetch Hetchy Power serves almost 20 percent of San Francisco's electricity needs.

The core business of Hetch Hetchy Power is to provide clean, safe, reliable supplies of electric service to power to meet the needs of its diverse customer base which includes municipal departments and services, private redevelopment sites such as The Shipyard and Treasure Island, large developments such as the Salesforce Transit Center, and affordable and public housing sites. the electricity needs of the City and County of San Francisco's municipal services and other retail customers, and to satisfy the municipal loads consistent with federal law.

The Hetch Hetchy Power's current energy portfolio consists of hydroelectric generation, on-site solar at SFPUC and other City facilities, generation using bio-methane produced at SFPUC Wastewater's

treatment facilities, and third-party purchases. For over 100 years this the Hetch Hetchy Power system—which utilizes the gravity flow of the City's water from source to tap—has operated without producing any carbon emissions. nor any radioactive byproducts. Hetch Hetchy Power energizes vital San Francisco services as well as a growing number of residential and commercial customers. In all, we Hetch Hetchy Power provide serves nearly 20 percent of San Francisco's total electricity demand.

Consistent with its commitment to the development of cleaner and greener power, and to address environmental concerns and community objectives, the SFPUC Power Enterprise continues to evaluate and expand its existing Hetch Hetchy Power resource base to include additional renewables, distributed generation, demand management, and energy efficiency programs. As part of its mission and core functions, Hetch Hetchy Power continues to provide reliable energy services at reasonable cost to customers, with attention to environmental effects impacts and community concern.

Services and Divisions

Hetch Hetchy Water

Hetch Hetchy Water is responsible for operations, maintenance and upgrades to the Hetch Hetchy Water and Power system – a system that starts at Hetch Hetchy Reservoir located in Yosemite National Park and spans all the way to Alameda East located in Sunol and Newark in Alameda County. The system provides 85 percent of the water supply for 2.7 million customers in San Francisco and other Bay Area communities.

The Hetch Hetchy Water and Power system includes the following asset categories: dams, tunnels, large diameter water conveyance pipelines, hydrogeneration powerhouses, high voltage power transmission, power distribution, switchyards, substations, penstocks, valve houses, buildings, roads, bridges, information technology systems, control networks, microwave and fiber optic communication systems. Hetchy Water’s objectives are to manage this diverse portfolio of assets in a manner that maximizes lifecycle value while consistently meeting Levels of Service requirements and performance goals, as well as informing evidence-based decisions to prioritize maintenance and minimize the risks related to asset failure. Activities associated with operating and maintaining these multifunctional systems are balanced based on priorities identified within the mission statement.

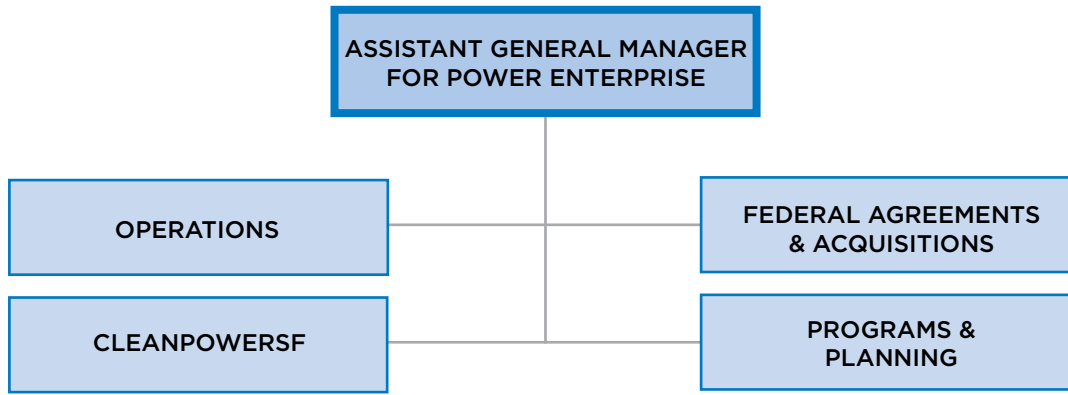
With many Hetch Hetchy Water and Power assets serving multiple purposes, a funding system has been established that is based on the function or benefit individual assets provide. An asset may be classified as “water only”, “power only” or “joint”. Funding to improve or rehabilitate an asset comes from Water funds, Power funds or a combination of the two for those assets classified as Joint.

Hetch Hetchy Power

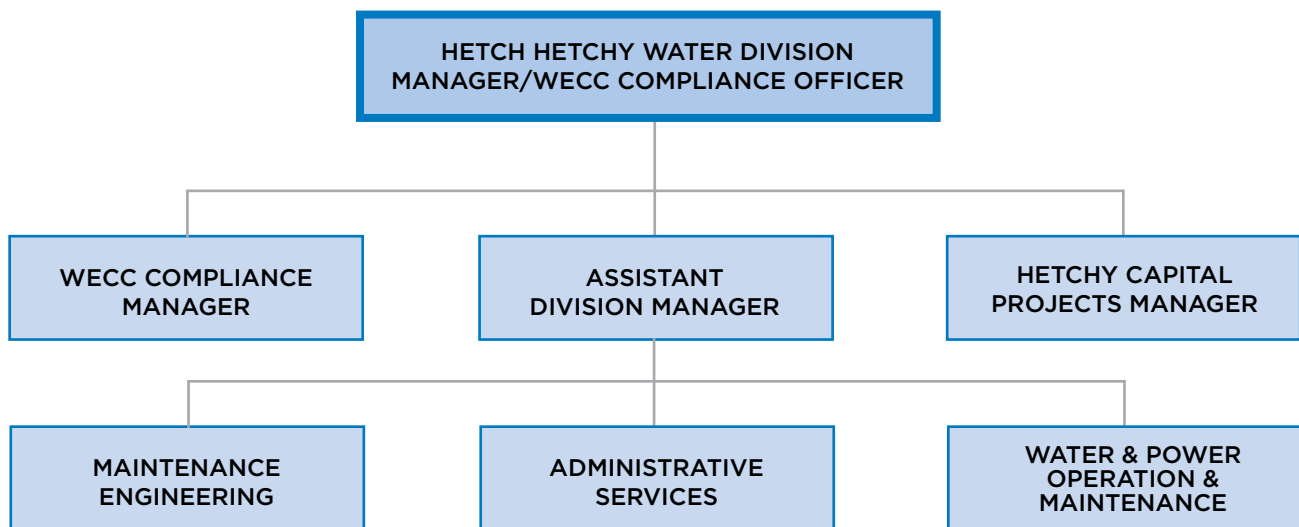
As part of its service portfolio, Hetch Hetchy Power maintains over 25,000 SFPUC-owned streetlights in the City and County of San Francisco in addition to City or partner-agency owned power transmission and distribution systems, including substations, meters, backup generators, overhead and underground power lines, transformers, and switchgears. New installation work is also performed including the installation of new overhead service and underground connections, meters, streetlights, switchgear, transformers, etc. Since FY 2015-16, Hetch Hetchy Power interconnects many of its customers through a federally-approved Wholesale Distribution Tariff, which dictates the terms and conditions under which Pacific Gas & Electric Company provides distribution interconnection services. The new requirements for facilities to interconnect customers continues to impose cost increases on the Hetch Hetchy Power budget. However, Hetch Hetchy Power continues to leverage investments in distribution and transmission assets to serve additional customers. Hetch Hetchy Power is expanding the number of customers it serves to include new retail customers at redevelopment projects.

In addition, Hetch Hetchy Power is responsible for planning, developing and implementing programs to promote energy efficiency, solar generation and storage, and building and transportation decarbonization, including GoSolarSF and EV Charge SF. Hetch Hetchy Power also manages and directs power purchasing and scheduling activities, as well as transmission planning.

Hetch Hetchy Power Organization Chart



Hetch Hetchy Water Organization Chart



Map of Hetch Hetchy Power System



Goals and Objectives

As noted in the Introduction to the SFPUC section, the SFPUC previously adopted a strategic plan to identify key priorities for the organization and serve as a roadmap to ensure that the SFPUC meets the challenges ahead and continues to deliver reliable water, power, and sewer services. The strategic plan goals include:

The strategic plan goals include:

- Reliable Service and Assets
- Organizational Excellence
- Stakeholder and Community Interests
- Environmental Stewardship
- Effective Workforce
- Financial Sustainability

Under Reliable Service and Assets, the strategic plan directs each enterprise to create and regularly update specific Levels of Service goals to guide its divisions. These include actions or standards that must be met and/or managed to satisfy each enterprise's mission and tie back into the above strategic goals. Below are Hetch Hetchy Power's and CleanPowerSF's five goals emphasizing reliable and clean energy, safe and reliable programs, effective customer service, and operational excellence and sustainability. Each goal is further divided into objectives.

Hetch Hetchy Power's Levels of Service Goals

Power Supply	<ul style="list-style-type: none">• Provide reliable, clean energy at competitive prices in support of City-wide climate goals
Power transmission	<ul style="list-style-type: none">• Provide cost-effective and reliable transmission services
Power Distribution	<ul style="list-style-type: none">• Provide cost-effective and reliable distribution services
City Programs	<ul style="list-style-type: none">• Maintain safe and reliable streetlights and offer valuable customer programs
Power Administration	<ul style="list-style-type: none">• Enhance customer and user satisfaction through effective customer service and achieve operational excellence and sustainability

Furthermore, each year progress on performance measures developed under SFPUC's strategic goals are reported to the Controller's and Mayor's Offices. Each performance measure is derived from an Action Plan Objective detailed in the Introduction to the SFPUC section. Reported performance for FY 2023-24 for the Hetch Hetchy Enterprise and agency-wide goals are as follows:

Strategic Plan Goals and Goals Descriptions

Goal Area	Performance Measure	Target	FY 2023-24 Actuals	FY 2024-25 Target	FY 2025-26 Target
Reliable Service and Assets	Percent of street light outages complying with 48-hour SFPUC response goal; simple street light repaired	Meeting target at 100%. If less than 100% then not meeting target	100%	100%	100%
Effective Workforce	Number of Promotions	300	281	350	400
Effective Workforce	Time to Hire.	275 average days to hire	96	90	80
Financial Sustainability	Average residential Power bill as a percent of median income in San Francisco.	0.76%	0.66%	0.73%	0.76%
Financial Sustainability	Operating cost coverage (total operational revenues/total operating costs) for Power	0.86	0.88	0.87	0.87
Stakeholder and Community Interest	Number of adults and children who have participated in transformative engagement through SFPUC sponsored education programs	3,250	5,020	3500	3500
Stakeholder and Community Interest	Percent of Eligible electric customers receiving low-income discount rate	60%	52%	55%	60%
Stakeholder and Community Interest	Percent of eligible households enrolled in Community Assistance Program (CAP)	Greater than or equal to 17.53%	20.60%	20%	20%

Hetch Hetchy Water and Power Sources and Uses of Funds

	FY 2023-24 Unaudited Actuals	FY 2023-24 Adopted Budget	FY 2024-25 Adopted Budget	Change From FY 2023-24	FY 2025-26 Adopted Budget	Change From FY 2024-25
SOURCES OF FUNDS						
Sale of Water	46,271,864	48,883,348	52,087,361	3,204,013	55,305,144	3,217,783
Sale of Electricity	219,719,318	200,816,109	228,990,098	28,173,989	269,784,793	40,794,695
Sale of Natural Gas & Steam	17,367,819	24,683,812	28,451,927	3,768,115	34,312,306	5,860,379
Other Non-Op Revenues	7,955,583	4,095,934	4,681,871	585,937	3,705,858	(976,013)
Interest Income	9,470,816	1,105,000	4,388,932	3,283,932	2,861,835	(1,527,097)
Federal Interest Subsidy	389,403	389,403	102,564	(286,839)	78,924	(23,640)
Fund Balance	82,168,030	35,185,179	26,920,972	(8,264,207)	15,605,706	(11,315,266)
Total Sources of Funds	383,342,834	315,158,785	345,623,725	30,464,940	381,654,566	36,030,841

USES OF FUNDS						
Personnel	54,967,712	55,916,421	59,694,629	3,778,208	63,087,704	3,393,075
Non-Personnel Services	37,845,231	44,731,570	48,539,027	3,807,457	47,422,687	(1,116,340)
Purchase of Power	95,419,271	151,711,224	138,305,952	(13,405,272)	148,739,386	10,433,434
Materials & Supplies	3,969,755	3,545,592	3,818,467	272,875	4,435,243	616,776
Equipment	1,783,540	2,598,647	2,514,615	(84,032)	2,999,313	484,698
Overhead	22,994,124	24,963,753	28,323,634	3,359,881	29,455,402	1,131,768
Debt Service	3,813,501	3,813,501	10,498,877	6,685,376	13,577,209	3,078,332
Service of Other Departments	7,454,015	8,557,873	9,805,462	1,247,589	10,314,457	508,995
General Reserve	6,935,994	-	628,190	628,190	800,000	171,810
Programmatic Projects	31,350,655	14,305,204	23,272,390	8,967,186	23,585,014	312,624
Revenue-Funded Capital	25,050,417	5,015,000	20,222,482	15,207,482	37,238,151	17,015,669
Total Uses of Funds	291,584,215	315,158,785	345,623,725	30,464,940	381,654,566	36,030,841

Hetch Hetchy Water and Power Uses of Funds by Division

	FY 2023-24 Adopted Budget	FY 2024-25 Adopted Budget	Change From FY 2023-24	FY 2025-26 Adopted Budget	Change From FY 2024-25
HETCH HETCHY POWER USES OF FUNDS					
Personnel	19,158,625	21,004,107	1,845,482	22,330,067	1,325,960
Non-Personnel Services	15,267,054	16,472,816	1,205,762	13,241,459	(3,231,357)
Purchase of Power	151,711,224	138,305,952	(13,405,272)	148,739,386	10,433,434
Materials & Supplies	874,389	847,264	(27,125)	1,464,040	616,776
Equipment	912,247	120,000	(792,247)	702,115	582,115
Overhead	11,038,251	12,414,546	1,376,295	12,880,637	466,091
Debt Service	3,813,501	10,498,877	6,685,376	13,577,209	3,078,332
Service of Other Departs	5,983,394	6,599,961	616,567	6,925,921	325,960
General Reserve	-	628,190	628,190	800,000	171,810
Programmatic Projects	6,498,204	13,535,740	7,037,536	13,745,553	209,813
Revenue-Funded Capital	5,015,000	16,770,624	11,755,624	28,465,812	11,695,188
Total Hetch Hetchy Power Uses of Funds	220,271,889	237,198,077	16,926,188	262,872,199	25,674,122
HETCH HETCHY WATER USES OF FUNDS					
Personnel	36,757,796	38,690,522	1,932,726	40,757,637	2,067,115
Non-Personnel Services	29,464,516	32,066,211	2,601,695	34,181,228	2,115,017
Materials & Supplies	2,671,203	2,971,203	300,000	2,971,203	-
Equipment	1,686,400	2,394,615	708,215	2,297,198	(97,417)
Overhead	13,925,502	15,909,088	1,983,586	16,574,765	665,677
Service of Other Departs	2,574,479	3,205,501	631,022	3,388,536	183,035
Programmatic Projects	7,807,000	9,736,650	1,929,650	9,839,461	102,811
Revenue-Funded Capital	-	3,451,858	3,451,858	8,772,339	5,320,481
Total Hetch Hetchy Water Uses of Funds	94,886,896	108,425,648	13,538,752	118,782,367	10,356,719
Total Hetch Hetchy	315,158,785	345,623,725	30,464,940	381,654,566	36,030,841

CHART 10.1 >
Hetch Hetchy
FY 2024-25 Uses.

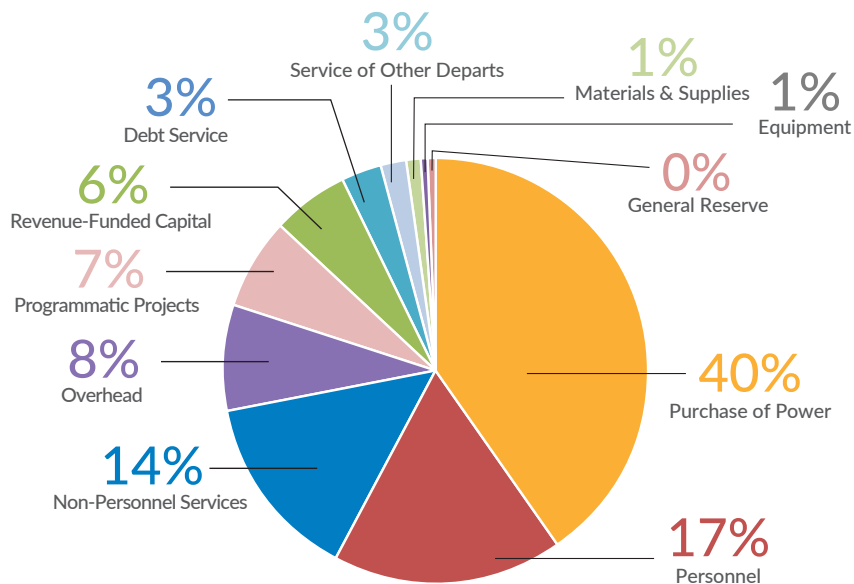
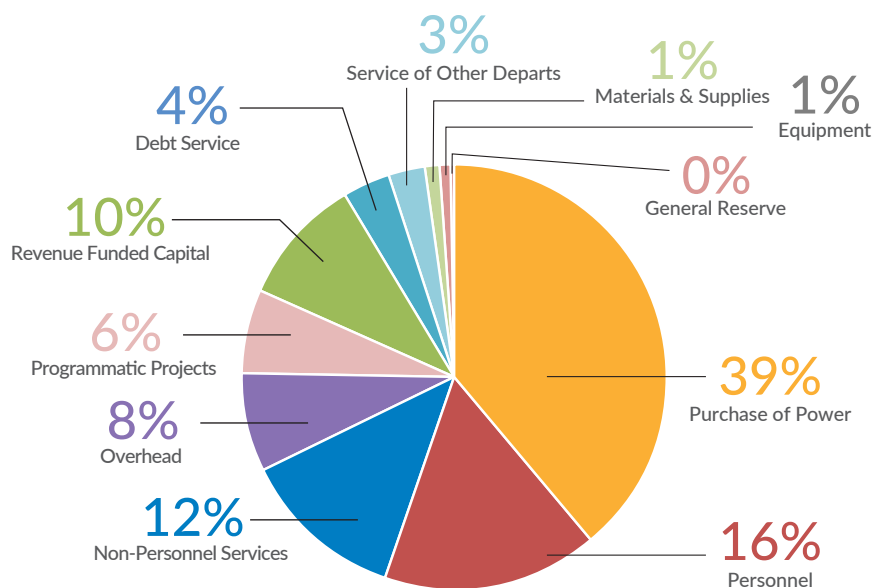


CHART 10.2 >
Hetch Hetchy
FY 2025-26 Uses.



Revenues

In FY 2024-25 Hetch Hetchy Water and Power revenues total \$345.6 million, an increase of \$30.4 million (9.7 percent) from FY 2023-24. In FY 2025-26 Hetch Hetchy Water and Power revenues total \$381.7 million, an increase of \$36.0 million (10.4 percent) from the FY 2024-25 budget. These changes are the result of load growth from new projects coming online as well as rate changes per the results of the 2022 Power Rates Study, aligning rate schedules to cost of service by customer classes.

The charts below show the Hetch Hetchy Water and Power’s total revenue budgets broken out amongst major revenue categories in FY 2024-25 & FY 2025-26.

CHART 10.3 >
Hetch Hetchy
FY 2024-25
Sources.

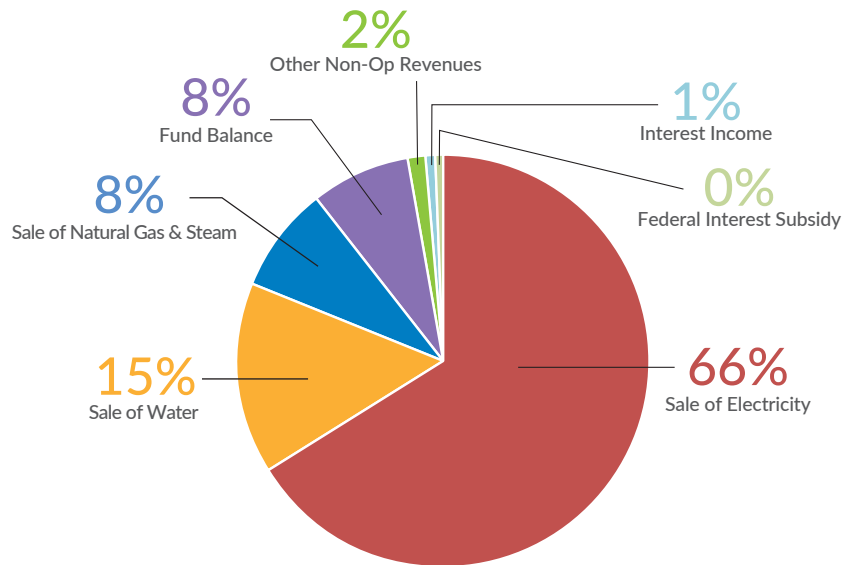
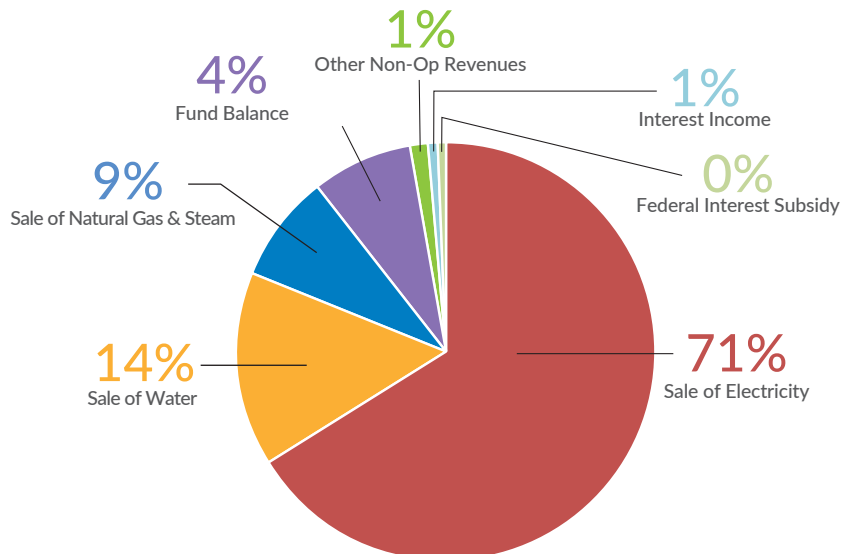


CHART 10.4 >
Hetch Hetchy
FY 2025-26
Sources.



2022 Power Rates Study

Per the City Charter for the SFPUC to conduct a cost of service study at least every five years, the 2022 Power Rates Study began in November 2020 and was completed in May 2022, informing Hetch Hetchy Power and CleanPowerSF rates for FY 2024-25. The goal of this rates study is to align rate schedules to cost of service by customer classes. This has led to decoupling rates from PG&E comparable tariffs for CleanPowerSF customers as well as Hetch Hetchy Power retail and a subset of municipal customers.

The rate study included a consolidation of the existing Retail and Enterprise municipal rate schedules into the same retail rates beginning FY 2023-24 for the same customer class. General Use Municipal (GUSE) rates are increasing from their subsidized levels toward cost of service at an effective rate increase of \$0.03/kWh annually. When GUSE rates for a given rate schedule reach cost of service, they switch over to retail rates. A couple of the rate schedules are projected to reach cost of service by FY 2026-27; however, due to increased costs for Hetch Hetchy Power, the majority of customer classes are currently projected to reach cost of service between FY 2029-30 and

FY 2032-33. The exact timing of this changeover is subject to change based on changes to the rate plan and the results of the next power cost of service and rate study.

The rates study has also modernized Hetch Hetchy rates by moving away from a flat energy rate increase, as has been followed in prior fiscal years, and standardizing the rates structure for the remaining municipal departments. While on a path to aligning rate schedules to cost of service, the rates study has considered the agency’s Ratepayer Assurance Policy on affordability for customers, designing rates in an incremental and smoothed manner over the budget years. As such, rates and bill impact on Hetch Hetchy customers vary – some with increases, some with decreases – based on rates schedules as well as usage and demand profiles.

Adopted (*) and Projected Power Rate Change

	FYE 2025	FYE 2026	FYE 2027	FYE 2028	FYE 2029	FYE 2030	FYE 2031	FYE 2032	FYE 2033	FYE 2034	Avg. Annual
Retail Rate Change	14.0%*	10.0%*	9.0%	9.0%	5.0%	4.0%	4.0%	3.0%	3.0%	3.0%	6.3%
General Use Municipal Rate Change	18.9%*	15.9%	13.7%	12.1%	10.8%	9.7%	8.9%	8.1%	7.5%	7.0%	11.2%

Hetch Hetchy Power’s financial forecast (Appendix C) results in an average annual retail rate increase of 6.3 percent annually over the Plan.

How Forecasts Were Developed

The SFPUC's ten-year financial model uses a bottom-up approach to calculating volumetric sales, building on historic changes in account growth and water usage behavior. First, account growth assumptions are calculated for each customer class to project the total number of accounts. Second, historic usage by customer class at the account level is adjusted by multiple factors, such as price elasticity, drought and pandemic recovery etc. The adjusted per-account volumes are multiplied by the calculated total number of accounts for each customer class and annualized to get the total projected sales. For Hetch Hetchy Power, volumetric forecasts are more granular and are made at the level of individual customer accounts. This allows for more nuanced variation in customer trends; for example, office buildings are expected to plateau at lower usage levels due to the shift to hybrid work, while school buildings have already recovered fully to pre-pandemic levels.

The sections below discuss these factors included in the volumetric forecasts for each enterprise.

Account Growth Assumptions

Hetch Hetchy Power is expanding its customer base significantly. This growth is defined by new facilities built by existing customers, as well as new customers and projects altogether. Each new account is modelled on an individual basis based on information from the planning teams within Power Enterprise. To allow for a gradual ramp up of power growth and to account for potential delays in construction and tenant move-in to new buildings, staff have adjusted down total load forecasts, both inserting delays in when a project comes online and applying more conservative assumptions to the total power sales provided by project managers.

The customers with the largest contribution to increases are the SF International Airport, SF Port Northern Waterfront Project in the outer years, SFPUC's Wastewater Enterprise, and the SFMTA. Airport loads are expected to grow by about 4 percent annually over the projection period due to load growth from new terminals and associated facilities, and other projects from the airport's master plan. Another customer expecting a large load growth is the SF Port, whose addition of Northern Waterfront Project will grow loads by about 8 percent annually over the planning period. The SFPUC's Wastewater Enterprise with construction at its Southeast Wastewater Treatment Plant will also increase power consumption, growing loads by about 3 percent annually over the planning period. The SFMTA growth is due to a bus electrification pilot and the central subway station project.

Retail non-municipal electric load growth is generally associated with large redevelopment projects and related customer growth in the southeastern portion of San Francisco, as well as some "infill" projects throughout the City, particularly affordable housing. Current redevelopment-area customers in the plan include Alice Griffith, Candlestick Point, HOPE SF (Potrero and Sunnydale), Hunters Point, India Basin, Mission Rock, Pier 70, Treasure Island/Yerba Buena Island, Transbay Transit Center, and Visitacion Valley (Schlage Lock).

Pandemic Recovery's "New Normal" Assumptions

Utility usage dropped precipitously during the COVID-19 pandemic. Closed offices and businesses in San Francisco, a commuter-oriented city, meant a lower demand for water, power, and sewer services. Increased residential usage with the shift to working from home only slightly offset these trends. FY 2020-21 total overall Hetch Hetchy Power loads were down 16.4 percent from FY 2018-19, or pre-pandemic levels.

However, usage has gradually increased since June 2021, when the City completely lifted the COVID-19 shelter-in-place order. The region has inched towards a "new normal," reflecting permanent changes such as greater hybrid and remote work, reduced retail business, shifts in the population distribution, and generally adjusting the way people use utility services away from historic patterns.

At this point, we assume that the majority of usage reflects this “new normal,” and do not incorporate additional increases in usage to return to pre-pandemic levels of utility usage.

For Hetch Hetchy Power, sales are mostly to municipal customers, where pre-pandemic impacts have been highly variable. As usage is forecasted at the individual account level, customers which have not already reached or exceeded their pre-pandemic volumes are forecasted to return to 90-93 percent of pre-pandemic levels by FY 2027-28. The “new normal” reduction from pre-pandemic levels and timeline for recovery varies based on department; tourism-related usage such as convention centers and SFO International Airport is expected to recover more slowly than municipal usage serving San Francisco residents, such as libraries or parks.

Sale of Water

The sale of water to Hetch Hetchy Water and Power is budgeted at \$52.1 million in FY 2024-25, consisting primarily of the sale of water to the SFPUC Water Enterprise and the balance of water sales to the City of Groveland and Lawrence Livermore. The budgeted sale of water increases to \$55.3 million in FY 2025-26. The portion of total revenues represented by the sale of water is 15.1 percent and 14.5 percent of total revenues in each fiscal year, respectively.

Sale of Electricity

Sales of Electricity comprises sales to municipal customers, retail customers as well as wholesale electricity sales. Sales of Electricity are budgeted at \$229.0 million in FY 2024-25 and \$269.8 million in FY 2025-26, representing 66.3 percent and 70.7 percent share of overall revenues in each fiscal year. The overall two-year increase is driven by rate increases as well as load growth, as discussed above.

Sale of Natural Gas & Steam

FY 2024-25 Sale of Gas and Steam is budgeted at \$28.5 million and increases to \$34.3 million in FY 2025-26. The budget is based on PG&E and the California Department of General Services (DGS) retail rates and projected usage. Hetch Hetchy Power is responsible for processing and billing City departments for natural gas and steam. The revenue generated from natural gas and steam is a pass-through and ultimately has no net impact on Hetch Hetchy’s operating budget.
Interest Income

In FY 2024-25 the Hetch Hetchy Water and Power enterprise budgeted \$4.4 million in interest earnings, making up 1.3 percent of total revenues. In FY 2025-26 interest earnings are budgeted at \$2.9 million, or 0.7 percent of total revenues. Interest income is calculated by multiplying an interest rate by the available fund balance in each Enterprise. Interest rates are estimate based on the U.S Treasury yield curve.

Budgeted Fund Balance

Fund Balance is used to balance sources and uses, in line with SFPUC’s Fund Balance Reserve Policy to mitigate rate increases. In FY 2024-25 use of Fund Balance is \$26.3 million or 7.8 percent of total sources. In FY 2025-26, use of fund balance decreases to \$14.8 million or 4.1 percent of total sources. This use of Fund Balance driven by increases in the cost of purchased power, and the desire to mitigate rate increases. These uses, combined with the fact that Fund Balance is well above the minimum target of 25 percent of operations & maintenance expenses, are aligned with the Fund Balance Policy.

Change in Fund Balance

FY 2022-23 year-end fund balance is \$217.6 million. Taking into account budgeted contribution to fund balance in FY 2024-25 of \$26.3 million, FY 2024-25 ending fund balance is projected to be \$191.3 million. FY 2025-26 ending fund balance is projected to be \$176.5 million after taking into account budgeted contribution to fund balance of \$14.8 million.

Expenditures

Summary

The Hetch Hetchy Water & Power (Hetch Hetchy) annual operating budget is \$345.6 million in FY 2024-25 and \$381.6 million in FY 2025-26. The budget has increased by \$30.4 million (9.7 percent) in FY 2024-25 and \$36.0 million (10.4 percent) in FY 2025-26. The net change from FY 2023-24 through FY 2025-26 is mainly due to increases associated with revenue funded capital, debt service and personnel costs.

Purchase of Power

Hetch Hetchy's Purchase of Power budget is \$138.3 million in FY 2024-25, a reduction of \$13.4 million (-8.8 percent). The Purchase of Power budget in FY 2025-26 is \$148.7 million, an increase of \$10.4 million (7.5 percent). Hetch Hetchy enterprise's major customers include the San Francisco International Airport (SFO), the Water and Wastewater Enterprises and the San Francisco Municipal Transportation Agency. For FY 2024-25 & FY 2025-26, power purchase estimates have been adjusted to reflect demand for power and for the cost of distribution and transmission.

Revenue Funded Capital

The FY 2024-25 Revenue Funded Capital budget, which funds the revenue or cash portion of the capital program, is \$20.2 million, increase of \$15.2 million (303.2 percent), and the Revenue-Funded Capital for the FY 2025-26 budget is \$37.2 million, an increase of \$17.0 million (84.1 percent). Hetch Hetchy's capital plan exceeds \$2.8 billion, the net change represents has a minimal impact to the overall plan.

Personnel

The Personnel budget includes salaries and mandatory fringe benefits for full-time and temporary staff. The budget has increased by \$3.8 million (6.8 percent) in FY 2024-25 to \$59.7 million and increased by \$3.4 million (5.7 percent) in FY 2025-26 to \$63.1 million. The overall increase reflects adjustments to attrition savings (or budgeted salary savings) to reflect projected salary savings, the conversion of temporary to permanent positions (described in the next section), the addition of new operating and project funded staff to support Hetch Hetchy Power's

Asset Management group, the City's Housing for All Initiative, as well as cost of living adjustments required under various labor agreements, retirement, and health benefit costs. These increases were offset by the elimination of long-term vacant positions.

Authorized and Funded Full-Time Equivalents (FTEs)

The Hetch Hetchy Enterprise's total authorized and funded full-time equivalents (FTEs) in FY 2024-25 is 381.42, an increase of 17.42, and in FY 2025-26 it is 393.08, an increase of 11.66. The increase is driven by adjustments to attrition savings (or budgeted salary savings), the conversion of temporary to permanent positions (described in the next section), and the addition of new operating and project funded staff to support Hetch Hetchy Power's Asset Management group, the City's Housing for All Initiative.

Non-Personnel Services

The Non-Personnel Services budget is \$48.5 million in FY 2024-25, an increase of \$3.8 million (8.5 percent). Increases are mainly due to payments to other governments, specifically to the National Park Service and the Don Pedro Recreation Association. The FY 2024-25 budget also includes a one-time \$3.5 million repayment to the City's General fund for an asset acquisition study under Hetch Hetchy Power. The Non-Personnel Services budget is \$47.4 million in FY 2025-26, a reduction of \$1.1 million (-2.3 percent). The decrease is mainly due to one-time costs noted above, offset by an increase in funding for Hetch Hetchy Water to support the completion of the O'Shaughnessy Dam Instream Flow Release plan and regulatory reviews required under the California Environmental Quality Act and National Environmental Policy Act.

Materials & Supplies

The Materials & Supplies budget funds building and equipment maintenance, water treatment chemicals, office and safety supplies, fuel, and software licenses. The budget will increase to \$3.8 million in FY 2024-25 and \$4.4 million in FY 2025-26 for an overall increase of \$0.9 million (25.1 percent).

CHART 10.5 >
Hetch Hetchy
Enterprise Total Uses.

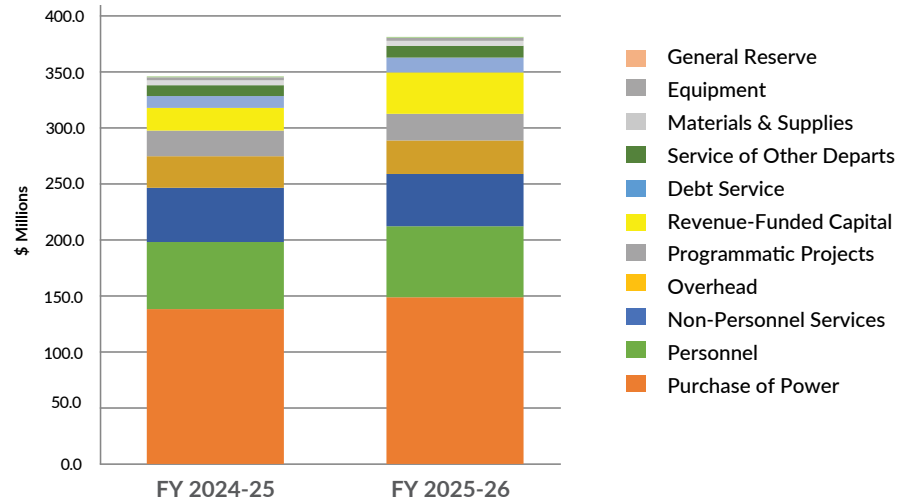
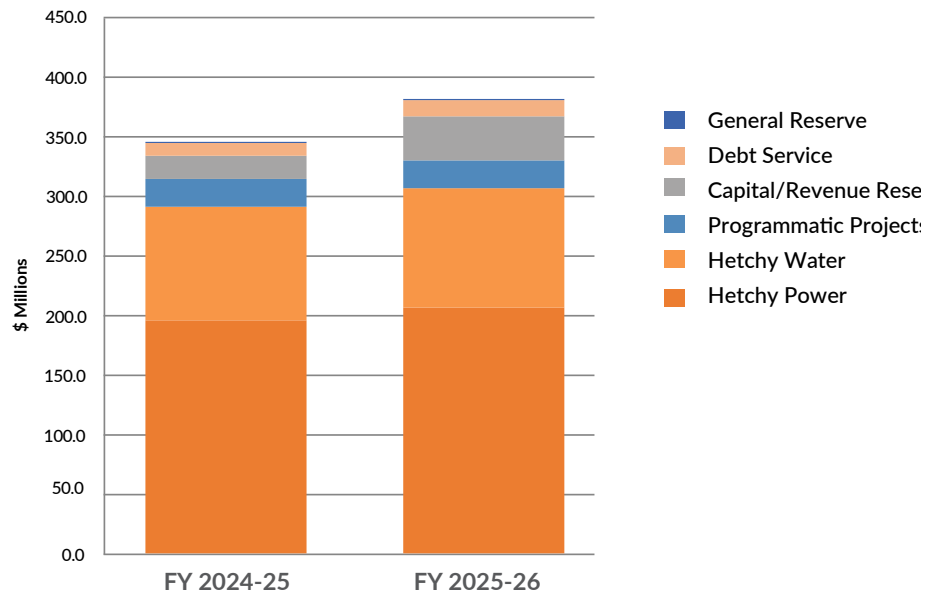


CHART 10.6 >
Hetch Hetchy
Enterprise Total Uses
of Funds by Division.



Equipment

This budget funds equipment required to support the Enterprise's operations. The FY 2024-25 equipment budget is \$2.5 million, a reduction of \$0.1 million (-3.2 percent) and the FY 2025-26 budget is \$3.0 million, an increase of \$0.5 million (19.3 percent). The net increase represents the Enterprise's plan to modernize its fleet of vehicles and the replacement of heavy-duty maintenance equipment to meet California emission standards.

Overhead

The Overhead budget funds the Enterprise's share of support services provided by the SFPUC Bureaus, including the General Manager, Business Services, and External Affairs. The FY 2024-25 Overhead budget is \$28.3 million, an increase of \$3.4 million (13.5 percent) and the FY 2025-26 Overhead budget is \$29.5 million, an increase of \$1.1 million (4.0 percent). The overhead rate is based on SFPUC's 2024 Indirect Cost Study, and the increase reflects adjustments to the SFPUC Bureaus FY 2024-25 & FY 2025-26 budget.

Debt Service

The debt service budget is based on principal and interest payment schedules for outstanding debt and debt expected to be issued over the period. The FY 2024-25 Debt Service budget is \$10.5 million and reflects an increase of approximately \$6.7 million (175.3 percent). The increase is primarily due to principal amortization and interest payments on the Series 2021A and Series 2021B

Power Revenue Bonds.

The FY 2025-26 Debt Service budget is \$13.6 million and reflects an increase of approximately \$3.1 million (29.3 percent). The increase is primarily due to interest payment on Series 2023A Power Revenue Bonds.

Actual annual debt service has decreased approximately 4.41 percent per year on average from FY 2018-19 to FY 2023-24 and is currently projected to increase by an average of 54.3 percent per year from FY 2024-25 through FY 2028-29 per the ten-year financial plan, primarily due to issuance of additional revenue bonds to fund capital improvement projects. These increases may be offset by debt service decreases from future refunding opportunities and lower than

projected new debt service subject to favorable market conditions.

Services of Other Departments

The Services of Other Departments budget include interdepartmental services provided by other City and County of San Francisco departments to aid in the operation of the enterprise. These services include City-wide ITS, City Attorney services, risk management, and fleet maintenance among others. The FY 2024-25 budget is \$9.8 million, an increase of \$1.2 million (14.6 percent) and the FY 2025-26 budget is \$10.3 million, an increase of \$0.5 million (5.2 percent). The increase is mainly due to a rise in insurance premiums paid under city-wide risk management services and workers' compensation benefits.

Programmatic Projects

Programmatic projects are mainly comprised of annual programs including facilities maintenance; the programs are funded through operating revenues but are not considered part of regular recurring operations. The FY 2024-25 Programmatic Project budget is \$23.3 million, an increase of \$9.0 million (62.7 percent), and the FY 2025-26 budget is \$23.6 million, an increase of \$0.3 million (1.3 percent). The overall increase is mainly due to the inclusion of power retail customer programs. These programs were previously apart of the capital program and have been recategorized as programmatic projects moving forward. In addition, increases to facilities maintenance at Hetch Hetchy Water upcountry locations were also made.

General Reserve

In years where projected revenues are expected to outpace budgeted expenditures, the budget is balanced with a general reserve that is meant to project the amount the entity will contribute to Fund Balance by the end of the fiscal year. However, for the FY2024-25 & FY2025-26 budget, labor negotiations between Unions and the City were not concluded until after the budget was set, and a small reserve was set aside for contingency. The General Reserve budget is \$0.6 million, an increase of \$0.6 million (100.0 percent). The FY 2025-26 General Reserve budget is \$0.8 million, an increase of \$0.2 million (27.4 percent).

Hetch Hetchy Water and Power Authorized and Funded Full-Time Equivalents (FTEs)

	FY 2023-24 Adopted Budget	FY 2024-25 Adopted Budget	Change From FY 2023-24	FY 2025-26 Adopted Budget	Change From FY 2024-25
Permanent Positions	240.96	251.30	10.34	257.37	6.07
Temporary Positions	21.46	16.90	(4.56)	16.31	(0.59)
Subtotal Operating-Funded	262.42	268.20	5.78	273.68	5.48
Project-Funded	101.58	113.22	11.64	119.40	6.18
Unfunded Positions (Attrition)	38.78	34.39	(4.39)	35.43	1.04
Total Hetch Hetchy	402.78	415.81	13.03	428.51	12.70

Hetch Hetchy Power Authorized and Funded Full-Time Equivalents (FTEs)

	FY 2023-24 Adopted Budget	FY 2024-25 Adopted Budget	Change From FY 2023-24	FY 2025-26 Adopted Budget	Change From FY 2024-25
Permanent Positions	65.01	72.78	7.77	74.98	2.20
Temporary Positions	9.29	7.01	(2.28)	7.01	-
Subtotal Operating-Funded	74.29	79.79	5.50	81.99	2.20
Project-Funded	61.58	72.43	10.85	77.60	5.17
Unfunded Positions (Attrition)	17.94	13.17	(4.77)	12.82	(0.35)
Total Hetch Hetchy Power	153.82	165.39	11.57	172.41	7.02

Hetch Hetchy Water Authorized and Funded Full-Time Equivalents (FTEs)

	FY 2023-24 Adopted Budget	FY 2024-25 Adopted Budget	Change From FY 2023-24	FY 2025-26 Adopted Budget	Change From FY 2024-25
Permanent Positions	175.95	178.52	2.57	182.39	3.87
Temporary Positions	12.17	9.89	(2.28)	9.30	(0.59)
Subtotal Operating-Funded	188.13	188.41	0.28	191.69	3.28
Project-Funded	40.00	40.79	0.79	41.80	1.01
Unfunded Positions (Attrition)	20.84	21.22	0.38	22.61	1.39
Total Hetch Hetchy Water	248.96	250.42	1.46	256.10	5.68

New Initiatives

The following are new initiatives related to activity from Hetch Hetchy Water:

Equipment Augmentation - Significant inflationary pressure has negatively affected the overall costs of equipment purchases over the last two fiscal years. As such, Hetch Hetchy Water has encountered many budget overruns and supply chain issues which has prevented the purchase of approved items from FY 2023-24 & FY 2024-25. In addition, Hetch Hetchy Water will need to continue its goal of meeting the California Air Resources Board (CARB) regulation called the Fleet Rule for Public Agencies and Utilities. It requires the reduction of diesel particulate matter emissions from on-road, heavy duty diesel-fueled vehicles owned or operated by a municipality or utility. The regulation applies to on-road diesel vehicles greater than 14,000 pounds. This initiative ensures that Hetch Hetchy Water will continue to meet the CARB requirement and meets its services goals by updating its catalog of vehicles and equipment.

Temporary to Permanent Position Conversions - As part of the FY 2024-25 & FY 2025-26 budget development, the SFPUC conducted an extensive examination of all temporary positions currently used in its workforce and made a significant effort to convert existing temporary positions to permanent budgetary status. This was done to encourage retention, recruitment, and workforce resiliency. The positions are primarily positions that started as project-based positions but have now become permanent operating functions. Examples of previous projects that have become an ongoing obligation for HHW operations include: Wildfire mitigation; emergency response to extreme weather events; FERC relicensing obligations including fishery studies, recreation support and instream flows; fleet management and compliance with CARB requirements, and radio and communication systems upgrades design and maintenance; strategic capital planning and risk-based asset management.

Payments to Other Governments - Due to the heavily regulated nature of water and power services, as well as the locations of several SFPUC dams and watersheds, Hetch Hetchy Water budgeted an additional \$1.4 million in FY 2024-25 and \$1.0 million in FY 2025-26 for payments to other governments. This initiative includes amounts for payments to the National Park Service for watershed protections, environmental stewardship, and security. Additional planned payments include: the United States Geological Survey for stream gauge maintenance under the terms of the Raker Act, Don Pedro Recreation Association under the terms of the Federal Electric Regulatory Commission (FERC) for licensing of the Don Pedro dam, and the US Forest Service for water quality protection projects.

Upper Tuolumne River Ecosystems Project (UTREP) - The SFPUC has completed the O'Shaughnessy Dam Instream Flow Management Plan (IFMP) for proposed flow releases at O'Shaughnessy Dam. The IFMP aims to resolve issues associated with the 1987 Stipulation to the Raker Act, related to river flows between O'Shaughnessy Dam and Early Intake on the upper Tuolumne River. The IFMP also addresses a mitigation measure for the Tuolumne River required under the 2008 Water System Improvement Program Programmatic Environmental Impact Report (EIR). A total of \$2.8 million is approved for FY 2024-25 & FY 2025-26 to meet regulatory requirements under the 1987 Stipulation to the Raker Act and to implement measures required in the EIR. The funding will also provide resources to update the IFMP and support required regulatory reviews under the California Environmental Quality Act and National Environmental Policy Act.

The following are new initiatives related to activity from Hetch Hetchy Power:

Housing For All Redevelopment Project – The Redevelopment group oversees activities related to the provision of electric utility services and electric infrastructure improvements in new development and redevelopment areas within the City and County of San Francisco (the City), including Treasure Island and Yerba Buena Island. The group facilitates the review and design of electric infrastructure plans and oversees the construction of new electric utility systems. For efficient delivery of these important projects, this team needs to engage in planning and coordination with the Mayor’s Office of Economic and Workforce Development, the Office of Community Infrastructure and Investment (OCII), the Treasure Island Development Authority (TIDA), along with other regulatory agencies and developers. In addition, it is important that the Redevelopment group continue to be actively engaged on projects along the eastern waterfront, such as Pier 70, Mission Rock, India Basin, Visitacion Valley, and projects on SF Port property. This initiative provides support including the addition of electrical engineers and other staff to meet the growing catalog of projects. Also, as part of the SFPUC’s effort to bring resiliency to the workforce, five staff positions have been converted from temporary to permanent budgetary status.

Housing For All Action Plan – As part of the SFPUC’s effort to bring resiliency to the workforce, this initiative converts two staff positions from temporary to permanent to process affordable housing applications and monitor timelines and customer needs to support this initiative. These positions will provide support to affordable housing tenants upon move-in, develop and implement Power’s Affordability and Arrearage Management Plan.

Asset Management – In order to meet the growing responsibilities of the Asset Management section, this initiative includes the addition of two staff and one position upgrade to support the intake of new physical assets and the continued management of existing assets. It also includes \$0.6 million in the second year for the purchase of additional electrical distribution spare parts. Materials includes conduit, conductors, interrupters, transformers, cutouts, reclosers, and AMI meters for operations and maintenance.

SFPUC Customer Service Electric Billing System– \$0.6 million and one new temporary position is budgeted to support the enhancement of Hetch Hetchy Power’s customer service electric billing system and data systems. SFPUC’s contract with its Electronic Billing Payment and Presentment (EBPP) provider is expiring in FY 2024-25 and Hetch Hetchy Power is looking for a product that would better meet its needs providing improved experience to its customers, additional payment options, and better bill presentation. Additionally, Hetch Hetchy Power will conduct an RFP to update its “My Account – Power” web portal, which allows customers to see their bills and usage, set up payments, and enroll in paperless billing. Finally, this initiative provides for ongoing customization of our electric billing system (Oracle C2M). These customizations will improve our billing efficiency and allow us to offer more products/services for our customers, provide implementation expenses for affordability programs, implement required rate structure changes and customer programs. This proposal will also provide for a consultant to migrate Oracle C2M electric billing system to the Oracle Cloud (CCS).

Hetch Hetchy Water and Power Capital Budget

In addition to the operating budget, the Hetch Hetchy Water and Power enterprise also prepares a Capital budget and Ten-Year Capital Plan. The Hetch Hetchy Water and Power of the San Francisco Public Utilities Commission is responsible for providing reliable, high quality water and electric energy to the City and other customers, operates and maintains facilities to a high standard of safety and reliability, and maximizes revenue opportunities within approved levels of risk.

Hetchy Water operates, maintains, and improves water and power facilities, smaller dams and reservoirs, water transmission systems, power generation facilities, and power transmission assets, including transmission lines to the Newark substation.

Power consists of hydroelectric generation, onsite solar at SFPUC and other City facilities, generation using bio-methane produced at SFPUC wastewater treatment facilities, and third-party purchases.

Hetch Hetchy Water Ten-Year Capital Plan
The Hetch Hetchy Water division of the Water Enterprise is responsible for operating, maintaining, and upgrading the Hetch Hetchy system of assets, which extend from Hetch Hetchy Reservoir in Yosemite National Park to Alameda East Portal (water) and Newark (electrical transmission) in Alameda County. The Hetch Hetchy system provides 85 percent of the water supply to roughly 2.7 million in-City and regional Bay Area water customers.

Additionally, Hetch Hetchy Water generates electricity via several hydro-generation plants to power City facilities and a growing number of areas in the City undergoing redevelopment.

Much of the Hetch Hetchy system is at or approaching 100 years old and on average is approximately 135 percent of its anticipated useful life. Hetch Hetchy Water operates under a “Water First” policy, which means that operational needs and capital investment decisions are heavily weighted to meet water reliability objectives.

The Hetch Hetchy Water Capital Program includes Water Only (100 percent Water Costs), up-country Power Only (100 percent Power Cost) and Joint (45 percent Water/55 percent Power costs) for operating, managing, and maintaining the Hetchy system.

Capital Plan Summary

In FY 2024-25 & FY 2025-26, Hetch Hetchy Water’s capital budget is \$333.5M and is 96 percent funded by debt. Of the debt funding, \$160.9M is from water bonds, with the remainder \$160.4M met by power bonds.

The \$1.5B Ten-Year Capital Plan represents a consistent and growing investment over ten years with funds allocated to Hetchy-Water totaling \$237.3M and Hetchy-Power totaling \$290.8M.

Hetch Hetchy Water Capital Plan

\$million	FY 24-25	FY 25-26	FY 26-27	FY 27-28	FY 28-29	FY 29-30	FY 31-32	FY 32-33	FY 33-34	FY 34-35	Total
Water Infrastructure	56.1	57.1	47.4	42.5	6.6	5.2	5.2	5.2	5.6	6.4	237.3
Power Infrastructure	25.7	61.1	62.6	59.6	29.0	9.4	4.1	6.9	19.3	13.1	290.8
Joint Projects	71.0	62.6	55.8	82.2	76.6	158.0	204.1	179.3	56.6	59.4	1,005.6
Total Uses	152.8	180.8	165.8	184.3	112.2	172.6	213.4	191.4	81.5	78.9	1,533.7
Revenue Funded	3.5	8.8	4.1	7.1	3.1	1.1	5.7	6.4	2.1	2.3	44.2
Debt Funded	149.3	172.0	161.7	177.2	109.1	171.5	207.7	185.0	79.4	46.6	1,489.5
Total Sources	152.8	180.8	165.8	184.3	112.2	172.6	213.4	191.4	81.5	78.9	1,533.7

Key Projects

Water Infrastructure: \$237.3M

The Water Infrastructure program provides capital funding for Renewal & Replacement (R&R) and Large Infrastructure projects on HHWP's assets that are classified by the Water Supply Agreement (WSA) as Water. The proposed FY23-24 Ten-Year Capital Plan includes:

Capital improvement projects to sustain the reliability of the nearly 50-mile-long San Joaquin Pipeline (SJPL) System, which conveys water from HHWP's Oakdale Portal to Tesla Valve House. The SJPL Valve and Safe Entry Improvement Project that will provide safe entry into the SJPL System, in compliance with SFPUC Safe Pipeline Isolation procedure to support future inspection, maintenance and capital improvements of SJPL system. Continued funding for the Mountain Tunnel Improvement Project and the SJPL Valve Remote Control and Monitoring Project providing remote supervisory monitoring and control over SJPL System, including in-line and cross-over valves.

Power Infrastructure: \$290.8M

The Power Infrastructure program provides capital funding for Renewal & Replacement (R&R) and Large Infrastructure projects on HHWP's assets that are classified by the Water Supply Agreement (WSA) as Power. The proposed Ten-Year Capital Plan includes:

Moccasin Powerhouse and GSU Rehabilitation -

The powerhouse was completed in 1969 and generates a combined maximum output of 110 megawatts. Both generator units and transformers have exceeded their life expectancy and need repair to continue operating reliably. The project funds generator rehabilitation, generator step up transformer (GSUs) replacement and power plant system upgrades.

Transmission Lines Clearance Mitigation Project-

Implement mitigation measures to resolve clearance discrepancies. Mitigation options include but are not limited to new towers/tubular poles, new intervening poles, tower raises, ground lowering, and other structural improvements to the lattice towers.

Cherry Eleanor Pumps - Replace and upgrade pumps in Cherry Pump Station with units that work with current operating strategies. The scope of work includes: 1) replacement of pumps, transformer, and pump motor starters; 2) installation of Programmable Logic Controller, SCADA system, and fiber optics; and 3) improvement of the existing motor control center building.

Joint Infrastructure: \$1B

The Joint Infrastructure program provides capital funding for Renewal & Replacement (R&R) and Large Infrastructure projects on Hetch Hetchy Water a's assets that are classified by the Water Supply Agreement (WSA) as Joint. The proposed Ten-Year Capital Improvement Plan includes: Eleanor Dam Rehabilitation - Funding will include improvements to increase spill capacity to safely pass the design flood, installation of a liner on the upstream face of the dam, concrete repairs, valve replacement, and installation of concrete lining and riprap for foundation armoring, and replacement of the existing bridge.

Moccasin Penstock Rehabilitation - To meet the established level of service, mitigate potential risks, and avoid potential consequences of failure, SFPUC is considering replacing the penstocks so that the life of the asset will be extended for another 75 to 100 years. Based on a preliminary study, a combination of a drop shaft, a tunnel and above grade pipes appears to be a favorable alternative. SFPUC will continue the study before determining the most appropriate alternative solution.

Moccasin Dam and Reservoir Long Term

Improvements - This project will fund construction of a new concrete spillway with adequate flow capacity along the alignment of the existing auxiliary spillway and additional flood protection to the Moccasin project facilities.

Hetch Hetchy Power Ten-Year Capital Plan

The Power capital program includes renewable generation and energy efficiency projects, solar at SFPUC and other City facilities, the Streetlight Repair and Replacement program and Transmission and Distribution projects consistent with the City's goal establishing the SFPUC as the exclusive electrical services provider to existing and new City facilities and development/redevelopment projects.

Capital Plan Summary

In FY 2024-25 & FY 2025-26, the Hetch Hetchy Enterprise’s capital budget is \$137.5M, of which \$88.4M or 64 percent is funded by debt and \$49.1M or 36 percent is revenue funded. Revenue funding includes Power operating revenue, Distributed Antenna System, Low Carbon Fuel Standards and Power Cap and Trade revenue.

The \$1.2B Power Ten-Year Capital Plan represents a consistent and growing investment over ten years funded by \$700M in Power bonds and \$534M in revenues.

Hetch Hetchy Power Capital Plan

\$million	FY 24-25	FY 25-26	FY 26-27	FY 27-28	FY 28-29	FY 29-30	FY 31-32	FY 32-33	FY 33-34	FY 34-35	Total
Transmission/ Distribution	38.9	73.5	112.0	141.2	114.3	135.7	150.4	152.7	97.2	91.3	1,107.2
Streetlights	3.6	3.6	5.1	5.1	5.1	5.1	5.1	5.1	5.1	5.1	48.0
Renewable/ Generation	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	10.0
Energy Efficiency	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	10.0
PG&E Acquisition	7.6	6.3	5.8	5.8	5.7	5.7	5.7	5.7	5.7	5.7	59.7
Total Uses	52.0	85.4	124.9	154.1	127.1	148.5	163.2	165.5	110.0	104.1	1,234.8
Revenue Funded	18.6	30.4	42.8	63.0	50.1	64.7	68.1	69.3	60.4	66.5	533.9
Debt Funded	33.4	55.0	82.1	91.1	77.0	83.8	95.1	96.2	49.6	37.6	700.9
Total Sources	52.0	85.4	124.9	154.1	127.1	148.5	163.2	165.5	110.0	104.1	1,234.8

Key Projects

Transmission & Distribution Program: \$1.1B

These projects are consistent with San Francisco Administrative Code Section 99.3 establishing the SFPUC's role as the exclusive electric service provider for existing and new City facilities, and redevelopment and development projects.

SFO Substation Improvements - This project provides for the SFPUC to serve SFO's anticipated load increase. The project will plan, design, and construct needed upgrades at the substations to provide reliable and redundant service to the airport.

Distribution Interface Redevelopment Projects- This project provides for the design and construction of new electric distribution systems and facilities for the SFPUC to provide electric services to various new developments within San Francisco. The project will consider the use and implementation of proven and new and emerging technologies. Beneficial technologies will be identified, researched, and analyzed, prior to making a proposal for any implementation on the project, where ratepayer benefit is demonstrated.

Carbon Free Steam - Cordia is the regulated operator of the steam loop serving much of downtown San Francisco. In partnership with Power Enterprise, Cordia is planning to decarbonize the steam production fuel from natural gas to greenhouse gas free Hetch Hetchy Power electricity. As part of this project, Cordia and the SFPUC will need to install a new electrical interconnection of 115kV transmission line at a PG&E substation and terminating. SFPUC is also investigating whether the scope of the project should be expanded.

Grid Connections - Project to connect customers to SFPUC owned and operated distribution and transmission infrastructure. Hetchy Power has identified several existing and new customers along the Bay Corridor Transmission and Distribution system to be connected to the systems including, The Shipyard, 2000 Marin, 1990 Newcomb, UCSF block 34, Wastewater Facilities, in addition to providing for the interconnections of other customers throughout the City.

Downtown Ferry & South Beach Electrification-

The Port of San Francisco is in the process of developing the waterfront. In addition, there are directives from the California Air Resource Board to convert short haul passenger ferries to all electric. As such, additional electric power is needed at the ports and piers. This project funds a transmission level substation at Seawall lot 328 including building a mainline duct bank to Pier 1 and Pier 40.

Bay Corridor Backup Loop - This project funds a new distribution duct bank and 12-kilovolt (kV) cabling run from the Davidson Substation up the surrounding streets and to tie into the Northern Waterfront Project's southernmost trench.

Streetlights: \$48.0M

Hetchy provides power to all of San Francisco's 44,528 streetlights, maintains the 25,509 streetlights owned by the City, and funds the maintenance of the 19,019 streetlights owned by Pacific Gas & Electric Company (PG&E). Street lighting area improvements, the conversion of high voltage series loop circuits into multiple standard voltage service and Lighting Emitting Diode (LED) lighting, holiday and festivity lighting pole use, assessments to determine the severity of pole deterioration, streetlight pole rehabilitation, and replacement of poles are all funded through this program.

Energy Efficiency: \$10.0M

Energy efficiency improvements reduce facility operating costs and electric bills for customers, improve system functionality, and reduce the environmental impact of energy use. This program funds energy efficiency investments in City facilities covering the planning, design, and construction of "direct install" projects, as well as technical assistance and project assistance for departments utilizing their own capital funds. Energy retrofits include lighting, heating and ventilation, retro-commissioning, and energy management systems projects. The SFPUC performs three to five energy efficiency projects each year. The budget funds efficiency projects in municipal facilities for departments such as Police, Real Estate, Recreation and Parks, SFMTA, Yerba Buena Center, and Fine Arts. Planned funding for lighting and mechanical system efficiency upgrades are consistent with state policies that place emphasis on energy efficiency and that support greenhouse gas reduction.

Renewable/Generation Power: \$10.0M

In accordance with City policies and directives to increase renewable energy and reduce greenhouse gases, Hetchy Power is continuously developing and implementing new renewable generation resources. Projects focus on small to mid-sized municipal facilities including solar photovoltaic, energy storage, biogas fuel cells, EV charging, micro-grid, and other renewable energy projects. The power generated from the Renewable/Generation Power projects will offset on-site power need at each project location.

Public Power Expansion

Project: - \$59.7M

The Public Power Expansion Project funds financial, technical, regulatory, and legal analysis and City staff time toward assessment of acquiring PG&E's electrical assets, preparing to execute the possible transaction, and readying the SFPUC for operation of the acquired system. This work is on-going. We have completed several analyses and continue to refine the work and perform further analyses. We are also working through the Valuation proceeding at CPUC and the California Environmental Quality Act Environmental Impact Report process.



CleanPowerSF

Mission

Empowering businesses and residents to choose a more sustainable future, CleanPowerSF is San Francisco’s Community Choice Aggregation program. CleanPowerSF was created pursuant to state legislation that authorizes local governments to partner with their investor-owned utility (PG&E in San Francisco) to deliver cleaner energy to residents and businesses. CleanPowerSF is managed as part of the Hetch Hetchy Power Enterprise.

CleanPowerSF began serving customers in May 2016, giving residential and commercial electricity consumers in San Francisco the option to have more of their electricity supplied from clean, renewable sources—such as solar, wind and geothermal—at competitive rates. When customers join CleanPowerSF’s service, they reduce the carbon footprint associated with their electricity service, support the growth of local renewable energy projects, and combat global climate change.

Continued on next page...

CleanPowerSF High Level Budget Summary

	FY 2023-24 Adopted Budget	FY 2024-25 Adopted Budget	Change From FY 2023-24	FY 2025-26 Adopted Budget	Change From FY 2024-25
Total Budget	369,554,174	464,121,833	94,567,659	463,274,699	(847,134)
Total FTE	52.85	62.50	9.65	65.14	2.64

CleanPowerSF supplies a cleaner electricity supply to customers, while PG&E continues to deliver that energy using its existing infrastructure. Currently, 30.6% of the electricity delivered by PG&E is Renewable; the other 69.4% is from nuclear, natural gas, large hydroelectric, and other non-Renewable sources. CleanPowerSF offers three services with a higher percentage of the energy from cleaner sources, such as solar and wind: Green, which contains 54.5% California Renewable Portfolio Standard (RPS) -eligible Renewable energy, and SuperGreen , which contains 100% RPS-eligible Renewable energy. CleanPowerSF added SuperGreen Saver in June 2022, which will also provide 100% RPS-eligible Renewable power for qualifying customers in State-defined Disadvantaged Communities.

Customers are automatically enrolled in the Green service and may elect to opt up to receive the SuperGreen service at any time after enrollment. By law, CleanPowerSF is an opt-out program, meaning eligible customers are automatically enrolled and may opt-out at any time.

CleanPowerSF is a financially independent program, with sufficient revenues to support its own operating and capital costs.

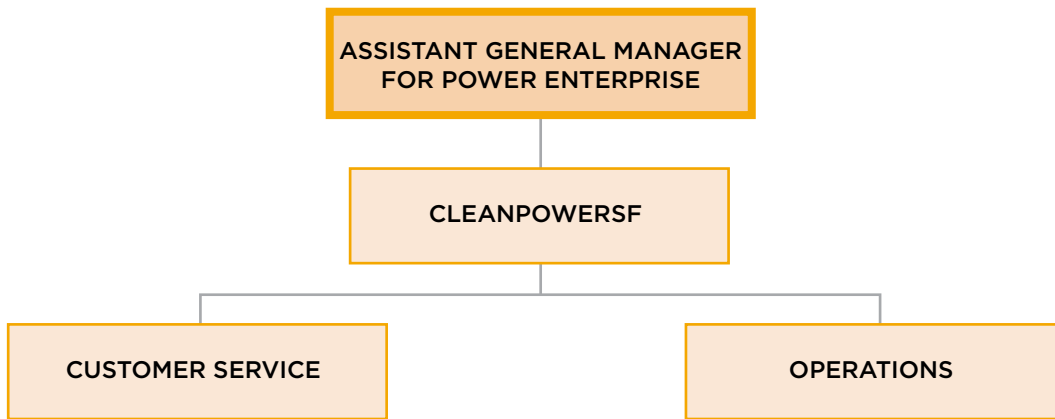
CleanPowerSF serves the majority of eligible electric customers in San Francisco. Over 380,000 residential and commercial accounts throughout the city are receiving renewable energy and high-quality service through CleanPowerSF.

Services and Divisions

CleanPowerSF is a Community Choice Aggregation program offered by the SFPUC to San Francisco residents and businesses, with direct administrative oversight by the Commission. Community Choice Aggregation programs enable local governments to purchase and/or develop power supply resources on behalf of the local community. CleanPowerSF buys electricity from sources such as wind, solar and geothermal generators; that electricity is delivered to residents and businesses through PG&E's existing infrastructure. Through City ordinance, the San Francisco Local Agency Formation Commission monitors and advises the SFPUC and the Board of Supervisors on the implementation, operation and management of CleanPowerSF. Additionally, the Rate Fairness Board advises the Commission regarding rate setting.

The CleanPowerSF program is managed by the Assistant General Manager for Power with day-to-day operations managed by the Director of CleanPowerSF and Power Resources. CleanPowerSF Operations is responsible for coordinating the development and operations of the program. CleanPowerSF Operations and teams throughout the Power Enterprise are responsible for planning and coordinating the procurement of electricity supply resources to match customer demand; managing energy and related professional service contracts; implementing customer programs designed to promote the efficient use of clean electricity over greenhouse gas emitting energy; coordinating meter data management, billing and customer service provision; supporting regulatory and legislative advocacy and compliance; and directing communications and customer outreach.

Clean PowerSF Organization Chart



Goals and Objectives

As noted in the Introduction to the SFPUC section, the SFPUC previously adopted a strategic plan to identify key priorities for the organization and serve as a roadmap to ensure that the SFPUC meets the challenges ahead and continues to deliver reliable water, power, and sewer services. The strategic plan goals include:

The strategic plan goals include:

- Reliable Service and Assets
- Organizational Excellence
- Stakeholder and Community Interests
- Environmental Stewardship
- Effective Workforce
- Financial Sustainability

Under Reliable Service and Assets, the strategic plan directs each enterprise to create and regularly update specific Levels of Service goals to guide its divisions. These include actions or standards that must be met and/or managed to satisfy each enterprise’s mission and tie back into the above strategic goals. As CleanPowerSF is part of the Hetch Hetchy Power management structure, they follow their Levels of Service Goals. Below are Hetch Hetchy Power’s and CleanPowerSF’s five goals emphasizing reliable and clean energy, safe and reliable programs, effective customer service, and operational excellence and sustainability. Each goal is further divided into objectives.

CleanPowerSF's Levels of Service Goals

Power Supply	<ul style="list-style-type: none"> • Provide reliable, clean energy at competitive prices in support of City-wide climate goals
Power transmission	<ul style="list-style-type: none"> • Provide cost-effective and reliable transmission services
Power Distribution	<ul style="list-style-type: none"> • Provide cost-effective and reliable distribution services
City Programs	<ul style="list-style-type: none"> • Maintain safe and reliable streetlights and offer valuable customer programs
Power Administration	<ul style="list-style-type: none"> • Enhance customer and user satisfaction through effective customer service and achieve operational excellence and sustainability

Strategic Plan Goals and Goals Descriptions

Goal Area	Performance Measure	Target	FY 2023-24 Actuals	FY 2024-25 Target	FY 2025-26 Target
Effective Workforce	Number of Promotions	300	281	350	400
Effective Workforce	Time to Hire	275 average days to hire	96	90	80
Financial Sustainability	Average residential Power bill as a percent of median income in San Francisco	0.76%	0.66%	0.73%	0.76%
Stakeholder and Community Interest	Number of adults and children who have participated in transformative engagement through SFPUC sponsored education programs	3,250	5,020	3500	3500
Stakeholder and Community Interest	Percent of eligible customers enrolled in California Alternate Rates for Energy (CARE) for CleanPowerSF Customers	Greater than or equal to 90%	77%	Greater than or equal to 90%	Greater than or equal to 90%
Stakeholder and Community Interest	Percent of Eligible electric customers receiving low-income discount rate.	60%	52%	55%	60%
Stakeholder and Community Interest	Percent of eligible households enrolled in Community Assistance Program (CAP)	Greater than or equal to 17.53%	20.60%	20%	20%
Environmental Stewardship	Percent of CleanPowerSF customer account retention rate.	Greater than or equal to 90%	93.5%	Greater than or equal to 90%	Greater than or equal to 90%

CleanPowerSF Sources and Uses of Funds

	FY 2023-24 Unaudited Actuals	FY 2023-24 Adopted Budget	FY 2024-25 Adopted Budget	Change From FY 2023-24	FY 2025-26 Adopted Budget	Change From FY 2024-25
SOURCES OF FUNDS						
Sale of Electricity-CCA	360,698,323	368,939,174	459,939,532	91,000,358	458,896,858	(1,042,674)
Interest Income	2,323,925	615,000	3,133,689	2,518,689	3,290,383	156,694
Other Non-Op Revenues			1,048,612	1,048,612	1,087,458	38,846
Fund Balance	26,409,606	-	-	-	-	-
Total Sources of Funds	389,431,854	369,554,174	464,121,833	94,567,659	463,274,699	(847,134)
USES OF FUNDS						
Personnel	6,413,631	8,099,601	8,659,259	559,658	9,279,562	620,303
Non-Personnel Services	8,673,582	11,964,028	10,936,438	(1,027,590)	11,216,612	280,174
Purchase of Power	283,146,686	305,329,916	385,000,573	79,670,657	386,247,595	1,247,022
Materials & Supplies	17,055	229,358	137,000	(92,358)	137,200	200
Overhead	5,676,996	6,141,614	7,544,534	1,402,920	7,845,963	301,429
Service of Other Departments	4,006,816	4,169,830	1,899,025	(2,270,805)	1,926,481	27,456
General Reserve	32,710,827	32,710,827	40,475,562	7,764,735	36,095,959	(4,379,603)
Programmatic Projects	495,325	150,000	8,887,182	8,737,182	10,008,897	1,121,715
Revenue-Funded Capital	1,473,466	759,000	582,260	(176,740)	516,430	(65,830)
Total Uses of Funds	342,614,384	369,554,174	464,121,833	94,567,659	463,274,699	(847,134)

CHART 11.1 >
Clean PowerSF
FY 2024-25
Uses.

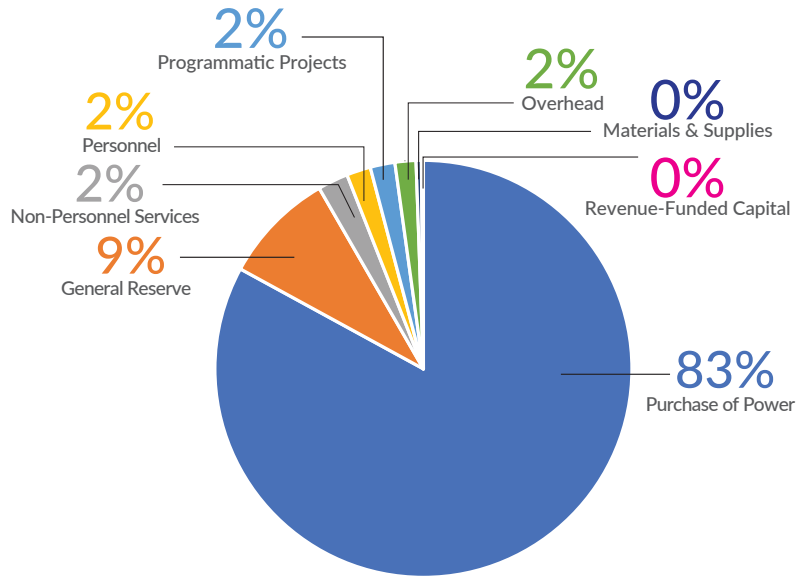
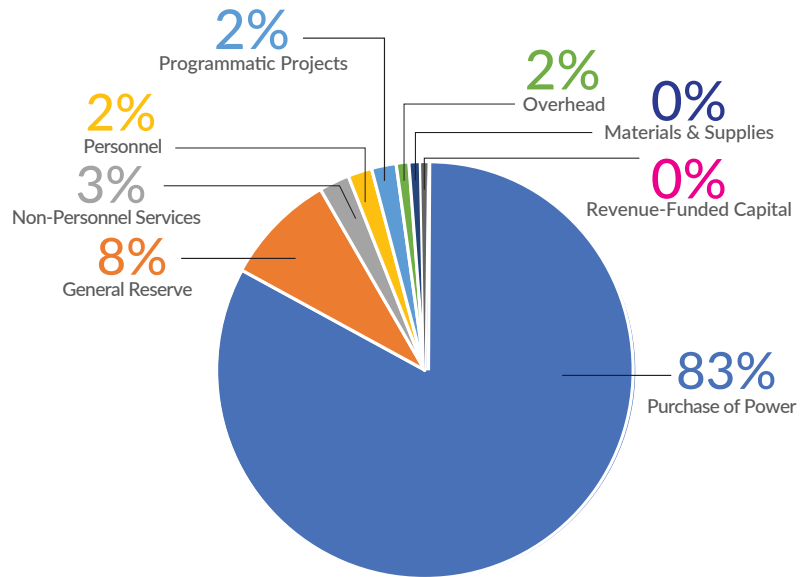


CHART 11.2 >
Clean PowerSF
FY 2025-26
Uses.



Revenues

In FY 2024-25 CleanPowerSF program revenues total \$464.1 million, an increase of \$94.6 million (25.6 percent) from FY 2023-24. The primary driver is an increase of rates, which are informed by the 2022 Power Rates Study to recover costs of surge in near-term power supply market and to increase CleanPowerSF's reserves from the Commission adopted reserves policy in April 2022. In FY 2025-26 revenues total \$463.3 million, a reduction of \$0.9 million (-0.2 percent) from the FY 2024-25 budget. This is mainly due to the market forward pricing curve showing more stabilization to the long-term power supply market.

In the CleanPowerSF Program, electric sales comprise 99.1 percent of overall Program budgeted revenues for both FY 2024-25 & FY 2025-26. These sources are a derivative of volumetric power load sales.

CHART 11.3 >
CleanPowerSF
FY 2024-25
Sources.

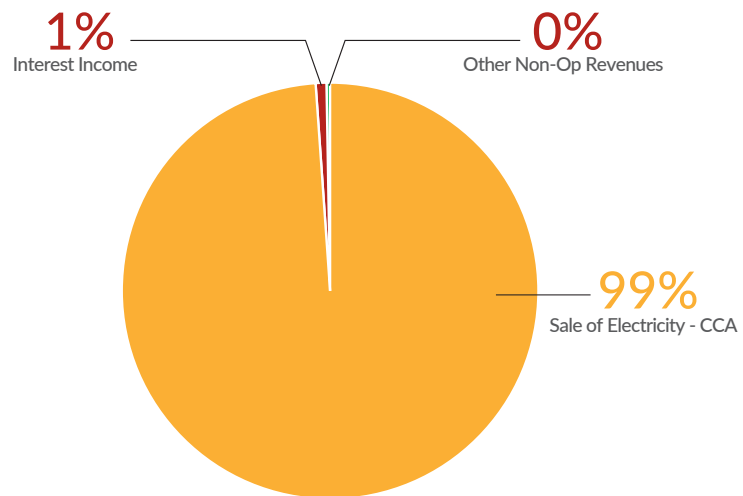
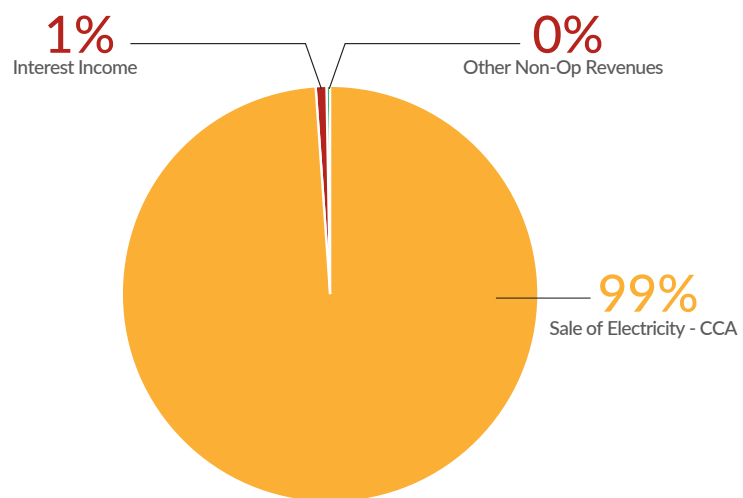


CHART 11.4 >
CleanPowerSF
FY 2025-26
Sources.



2022 Power Rates Study

Per the City Charter for the SFPUC to conduct a cost of service study at least every five years, the 2022 Power Rates Study began in November 2020 and was completed in May 2022, informing Hetchy Hetchy Power and CleanPowerSF rates for FY 2024-25. The goal of this rates study is to align rate schedules to cost of service by customer classes. This has led to decoupling rates from PG&E comparable tariffs for CleanPowerSF customers.

CleanPowerSF's financial forecast requires a large rate increase in the first year of the plan to cover increased power supply costs and ensure compliance with the revised Fund Balance Reserve Policy. After this initial increase, rates are flat from FY 2026-27 onward in the ten-year planning period with a small 1 percent increase in FY 2025-26 to meet the target of 180 days cash on hand.

It is important to note that CleanPowerSF generation rates only reflect a portion of the bill, as CleanPowerSF customers also pay delivery charges and fees to PG&E. As such, a 15 percent increase of the generation portion of the bill represents an approximate 5 percent increase on the overall bill.¹

Adopted () and Projected CleanPowerSF Generation Rate Changes*

	FYE 2025	FYE 2026	FYE 2027	FYE 2028	FYE 2029	FYE 2030	FYE 2031	FYE 2032	FYE 2033	FYE 2034	Avg. Annual
Retail Rate Change	12.0%*	1.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	1.2%

Hetch Hetchy Power's financial forecast (Appendix C) results in an average annual retail rate increase of 6.3 percent annually over the Plan.

¹Estimated using 2021 average usage patterns for a residential customer on the default E-TOU-C rate schedule.

How Forecasts are Developed

The SFPUC's ten-year financial model uses a bottom-up approach to calculating volumetric sales, building on historic changes in account growth and usage behavior. First, account growth assumptions are calculated for each customer class to project the total number of accounts. Second, historic usage by customer class at the account level is adjusted by multiple factors, such as price elasticity etc. The adjusted per-account volumes are multiplied by the calculated total number of accounts for each customer class and annualized to get the total projected sales. The CleanPowerSF program has entered a more mature steady state with all phases of significant enrollment having been completed in prior fiscal years. Total customers grew from under 380,000 served in 2020 to approximately 384,000 in 2024. Therefore, for CleanPowerSF, only minimal growth in usage is assumed due to population and job growth

Sale of Electricity

The Sale of Electricity is budgeted at \$459.9 million for FY 2024-25 and \$458.9 million for FY 2025-26. The overall increase reflects a 24.4 percent increase from FY 2023-24. This is driven by rate increases, necessitated to comply with the Program's fund balance reserve policy. Sale of electricity-CCA revenues is derived from selling electricity supplied from clean, renewable sources such as solar, wind, bioenergy, geothermal, and hydroelectric at competitive rates to San Francisco residents and businesses enrolled in the CleanPowerSF program. CleanPowerSF offers two service options for customers: Green and SuperGreen. The SuperGreen product provides 100.0 percent California-certified renewable energy and is billed at a premium over the basic Green service.

Interest Income

In FY 2024-25, the CleanPowerSF program budgeted \$3.1 million in interest earnings, making up 0.7 percent of total revenues. In FY 2025-26 interest earnings are budgeted at \$3.3 million, or 0.7 percent of total revenues. Interest income is calculated by multiplying an interest rate by the available fund balance in each Enterprise. Interest rates are estimate based on the U.S Treasury yield curve.

Other Non-Operating Revenues

The FY 2024-25 & FY 2025-26 budgets each include \$1.1 million for Other Non-Operating Revenues. The new budget represents the inclusion of Disadvantaged Community Programs funded by public purpose sources from the state of California. These programs were previously apart of the capital program and have been recategorized as programmatic projects moving forward.

Budgeted Fund Balance

Fund Balance is used on a one-time, planned basis to balance budgeted sources and uses in line with the SFPUC's Fund Balance Policy. In both years of the budget, CleanPowerSF's revenues exceed expenditures so the enterprise will contribute to Fund Balance as a balancing expenditure. Contributions to Fund Balance are budgeted at \$40.5 million and \$36.1 million in FY 2024-25 & FY 2025-26, respectively. These contributions were budgeted to shore up the enterprise's reserves in line with the fund balance reserve policy.

Change in Fund Balance

FY 2023-24 year-end fund balance is \$190.7 million. Taking into account budgeted contribution to fund balance in FY 2022-23 of \$40.5 million, FY 2024-25 ending fund balance is projected to be \$190.7 million. FY 2025-26 ending fund balance is projected to be \$226.7 million after taking into account budgeted contribution to fund balance of \$36.1 million.

Expenditures

CleanPowerSF's total budgeted expenditures in FY 2024-25 is \$464.1 million, an increase of \$94.6 million (25.6 percent) from the prior year and \$463.3 million in FY 2025-26, a reduction of \$0.9 million (-0.2 percent). CleanPowerSF has entered into several long-term Power Purchase Agreements which inform the budget necessary to maintain an appropriate power supply. The purchase of power budget also includes increases for CAISO (California Independent System Operator) charges and resource adequacy fees.

Purchase of Power

CleanPowerSF's Purchase of Power budget increased to \$385.0 million in FY 2024-25, an increase of \$79.7 million (26.1 percent). The Purchase of Power budget increased to \$386.2 million in FY 2025-26, an increase of \$1.2 million (0.3 percent). The net increase reflects projected purchases to supply all enrollees in San Francisco with green energy, long-term power purchase arrangements, as well as estimated amounts related to CAISO charges and resources adequacy fees.

Revenue-Funded Capital

The FY 2024-25 Revenue-Funded Capital budget, which funds the revenue or cash portion of the capital program, is \$0.6 million, a reduction of \$0.2 million (-23.3 percent), and the Revenue-Funded Capital for the FY 2025-26 budget is \$0.5 million, a reduction of \$0.1 million (-11.3 percent). The capital program is in its initial phase and is expected to ramp up in future fiscal years.

Personnel

The Personnel budget includes salaries and mandatory fringe benefits for full-time and temporary staff. The FY 2024-25 budget is \$8.7 million, an increase of \$0.6 million (6.9 percent) and the FY 2025-26 budget is \$9.3 million, an increase of \$0.6 million (7.2 percent). The increase is mainly driven by the conversion of temporary to permanent positions (described in the next section) and by cost-of-living adjustments required under various labor agreements, retirement and health benefit costs offset by an increase in attrition savings (or budgeted salary savings) to reflect projected salary savings.

Authorized and Full-Time Equivalent

CleanPowerSF's total Authorized and Full-Time Equivalent (FTEs) in FY 2024-25 is 45.75, an increase of 2.89, and in FY 2025-26 is 47.05, an increase of 1.3. The increase is mainly due to the conversion of temporary to permanent positions (described in the next section) offset by an offset by adjustments to attrition savings (or budgeted salary savings).

Non-Personnel Services

The Non-Personnel Services budget includes professional and consulting services, memberships, travel & training, and rent among others. The Non-Personnel Services budget is \$10.9 million in FY 2024-25, a decrease of \$1.0 million (-8.6 percent) and \$11.2 million in FY 2025-26, an increase of \$0.3 million (2.6 percent). The net decrease is mainly due to a reduction in professional and consulting services.

Materials & Supplies

The Materials & Supplies budget funds telecommunications equipment and office supplies for CleanPowerSF staff. The Materials & Supplies is budgeted slightly lower for both FY 2024-25 & FY 2025-26 at \$0.1 million.

Overhead

The Overhead budget funds CleanPowerSF's share of support services provided by the SFPUC Bureaus, including the General Manager, Business Services, and External Affairs. The Overhead budget is increasing from \$6.1 million in FY 2023-24 to \$7.5 million in FY 2024-25 and \$7.8 million in FY 2025-26, an overall increase of \$1.7 million (27.8 percent). As CleanPowerSF grows, so do the services it requires from the SFPUC Bureaus. CleanPowerSF has now grown to capture its fair share of costs from the SFPUC Bureaus.

Services of Other Departments

The Services of Other Departments budget include interdepartmental services provided by other City and County of San Francisco departments to aid in the operation of the enterprise. These services include City-wide ITS, City Attorney services, and risk management. CleanPowerSF's Services of Other Departments budget is \$1.9 million in FY 2024-25 & FY 2025-26, a net reduction of \$2.2 million (-53.8 percent). The decrease is mainly due to the removal of the line item for services provided by Hetch Hetchy Power. Certain support staff budgeted under Hetch Hetchy Power perform work on behalf of CleanPowerSF, these services were billed to CleanPowerSF through the services of other departments budget. In an effort to streamline the budget and to improve operational efficiency, this line item was removed, and Hetch Hetchy Power staff will directly utilize the CleanPowerSF personnel budget.

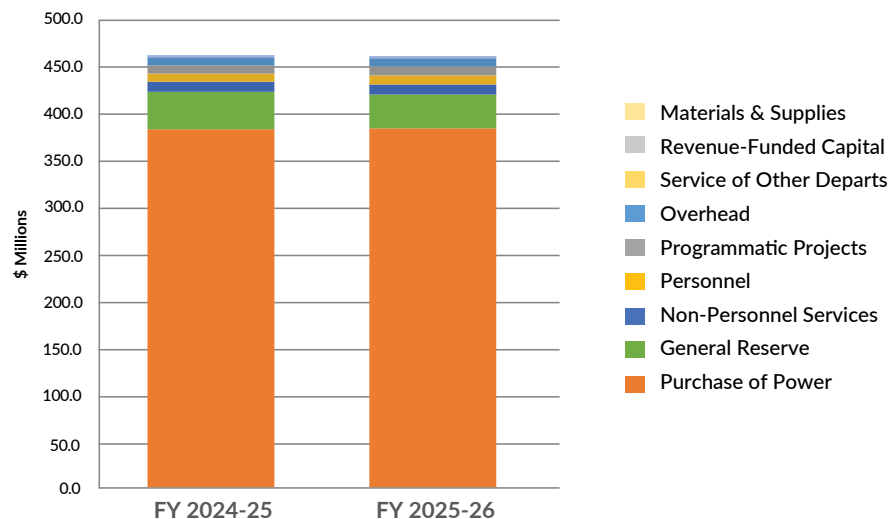
Programmatic Projects

The Programmatic Project budget is \$8.9 million in FY 2024-25, an increase of \$8.7 million, and \$10.0 million in FY 2025-26 budget, an increase of \$1.1 million. The large increase to Programmatic Projects budgeted in CleanPowerSF represent the inclusion of power retail customer programs funded by operating revenues and Disadvantaged Community Programs funded by public purpose sources from the state of California. These programs were previously apart of the capital program and have been recategorized as programmatic projects moving forward.

General Reserve

In years where projected revenues are expected to outpace budgeted expenditures, the budget is balanced with a General Reserve that is meant to project the amount that the entity will contribute to Fund Balance by the end of the fiscal year. The FY 2024-25 General Reserve budget is \$40.5 million, an increase of \$7.8 million (23.7 percent). The FY 2025-26 General Reserve budget is \$36.1 million, a reduction of \$4.4 million (-10.8 percent). The net change is due to an increase of projected revenue over expenditures over the budget period, intended to shore up fund balance in line with the reserves policy.

CHART 11.5
CleanPowerSF
Total Uses.



New Initiatives

Temporary to Permanent Position Conversions –

As part of the FY 2024-25 & FY 2025-26 budget development, the SFPUC conducted an extensive examination of all temporary positions currently used in its workforce and made a significant effort to convert existing temporary positions to permanent budgetary status. This was done to encourage retention, recruitment, and workforce resiliency. For CleanPowerSF:

One credit analyst was converted to manage credit risk and exposure, focusing on analyzing the financial health of prospective and current counterparties, developing and maintaining financial models, establishing credit requirements, updating policies and procedures, and ensuring risk exposure is minimized.

One utility analyst was converted to meet the objectives laid out for the SFPUC Housing for All Action Plan. This position will support the needs of affordable housing tenants including the processing of affordable housing applications and overall customer support and develop and implement Power's Affordability and Arrearage Management Plan.

Three utility analysts were converted to support CleanPowerSF's growing portfolio of customer programs. These customer programs ensure that CleanPowerSF meet ambitious new local, regional, and statewide initiatives to reduce greenhouse gas emissions, including the SF Climate Action Plan and regulations adopted by the Bay Area Air Quality Management District.

Other conversions include three communication officers to meet outreach goals including underserved and neglected communities; two customer service representatives to ensure call center reliability, and two members of the Origination and Power Supply Resource planning team to ensure reliability.

CleanPowerSF Capital Budget

In addition to the operating budget, CleanPowerSF also prepares a Capital budget and Ten-Year Capital Plan.

A program of the San Francisco Public Utilities Commission, CleanPowerSF is a local solution to the climate crisis, offering renewable, affordable and accessible energy to our community. We empower residents and businesses to choose a more sustainable future. CleanPowerSF buys electricity from sources such as wind and solar, and that electricity is delivered to homes via PG&E’s existing poles and wires.

CleanPowerSF, a Community Choice Aggregation program formed under State law, is a retail electric service and local solution to the global climate crisis, offering renewable, affordable, and accessible energy to our community members that continue to receive retail distribution services from PG&E. CleanPowerSF empowers residents and businesses to choose a more sustainable future by receiving the generation component of service from CleanPowerSF. CleanPowerSF buys electricity from sources such as wind and solar, and that electricity is delivered to homes via Pacific Gas & Electric’s (PG&E) existing poles and wires.

Management of CleanPowerSF’s financial business functions include developing and maintaining long-range capital and financial plans. The Capital Plan will evaluate opportunities for local renewable energy development in San Francisco city-owned and regional sites and other opportunities in and near San Francisco.

Capital Plan Summary

CleanPowerSF’s capital budget is nearly \$1.1M for FY 2024-25 & FY 2025-26 and is funded by revenue.

The CleanPowerSF Ten-Year Capital Plan for FY 2024-25 through FY 2033-34 is \$48.5M, all of which is funded by CleanPowerSF revenues. CleanPowerSF does not expect to rely on debt to fund its current Capital Improvement Program between FY 2024-25 and FY 2033-34.

Table 16: CleanPowerSF FY2025-34 Capital Plan

Key Project

Local Renewable Energy Program: \$48.5M
This program will fund the development of new renewable energy (solar photovoltaic) and battery storage projects on select SFPUC sites. The project is structured around six major phases, including: Planning, Request for Proposals, Construction and Commissioning, Power Purchase Agreement, Asset Management, and Project Buyout. The initial renewable energy facilities developed under this program would be structured as power purchase agreements (PPA) with third parties that would develop and operate the projects for an initial period. The PPAs would include a buy-out option for the City.

CleanPowerSF FY 2024-25 to FY 2033-34 Capital Plan

million	FY 24-25	FY 25-26	FY 26-27	FY 27-28	FY 28-29	FY 29-30	FY 30-31	FY 31-32	FY 32-33	FY 33-34	Total
CleanPowerSF SF Capital	0.6	0.5	0.4	0.5	0.7	6.2	15.5	23.5	0.1	0.5	48.5
DAC Solar Program	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Total Uses	0.6	0.5	0.4	0.5	0.7	6.2	15.5	23.5	0.1	0.5	48.5
Revenue Funded	0.6	0.5	0.4	0.5	0.7	6.2	15.5	23.5	0.1	0.5	48.5
Total Sources	0.6	0.5	0.4	0.5	0.7	6.2	15.5	23.5	0.1	0.5	48.5





Bureaus

Mission

The SFPUC Bureaus include the Office of the General Manager, Business Services, and External Affairs which provide support services to all three Enterprises and CleanPowerSF. The Office of the General Manager includes four sections: Emergency Response and Security, The General Manager’s Office, Human Resources, and Real Estate Services. Business Services includes Administration, Strategy, Innovation & Change, Customer Services, Financial Services, Information Technology Services, Loans & Grants, and the Audit Bureau. External Affairs includes Communications, Community Benefits and Policy and Government Affairs. The Bureaus’ budgets are funded through Bureaus Allocation model that allocates costs of services to the three Enterprises and CleanPowerSF.

Bureaus High Level Budget Summary (excluding Infrastructure)

	FY 2023-24 Adopted Budget	FY 2024-25 Adopted Budget	Change From FY 2023-24	FY 2025-26 Adopted Budget	Change From FY 2024-25
Total Budget	136,533,092	147,799,633	11,266,541	153,683,670	5,884,037
Total FTE	465.55	512.66	47.11	526.45	13.79

Infrastructure High Level Budget Summary

	FY 2023-24 Adopted Budget	FY 2024-25 Adopted Budget	Change From FY 2023-24	FY 2025-26 Adopted Budget	Change From FY 2024-25
Total Budget	102,779,298	109,249,324	6,470,026	112,659,967	3,410,643
Total FTE	376.10	382.39	6.29	384.07	1.68

Services and Divisions

Office of the General Manager

The Office of the General Manager provides centralized oversight of all the Enterprises and Bureaus, as well as the governing activities of the Commission. The General Manager of the SFPUC oversees the entire agency and the functions of the Office of the General Manager support the General Manager in key oversight areas.

Human Resource Services

Human Resource Services is led by the Chief People Officer. Human Resource Services recruits, compensates, supports, and retains a diverse and highly qualified workforce, and serves the SFPUC Enterprises and Bureaus in an efficient, responsive, and professional manner. The promotion of health, safety, workforce planning, and professional development for all SFPUC employees is critical to the SFPUC mission and Human Resource Services' functions.

Real Estate Services

Real Estate Services' primary mission is to serve SFPUC ratepayers by maximizing SFPUC revenue through renting the real property over which the SFPUC has jurisdiction. Its secondary mission is to acquire property and easements for SFPUC capital projects. Real Estate Services also negotiates leases for office, industrial and other space required by enterprise staff. In addition, the bureau leads the In-City Project Review Team and supports the Project Review Teams outside the City, all of which vet proposed third-party projects for potential negative impacts to SFPUC infrastructure and lands.

Emergency Planning and Security (EPS)

Emergency Planning and Security develops emergency plans, coordinates emergency response training and exercises, and develops and manages contracts to support emergency preparedness and security system maintenance and integration. Emergency Planning and Security also sets security design standards and oversees all security systems and operations for facilities and properties owned and occupied by SFPUC enterprises and bureaus.

Business Services

Business Services is led by the Assistant General Manager for Business Services and Chief Financial Officer. Business Services supports the Water, Wastewater and Hetch Hetchy Enterprises to achieve operational efficiency, industry-leading customer service and sound financial performance.

Business Services Administration

Business Services Administration provides overall administrative support and oversight within Business Services, as well as to the three Enterprises and other Bureaus.

Strategy, Innovation and Change (SIC)

Strategy, Innovation and Change focuses on strategic alignment, organizational maturity and transformation initiatives that help the SFPUC maintain high quality services and respond to a continually changing landscape. We lead cross-functional process improvements, realign resources to meet new objectives, proactively address agency-wide patterns that hinder our progress, and conduct research to aide strategic decisions.

Strategy, Innovation and Change also oversees SFPUC Risk Management. This division supports the organization to identify, mitigate and manage potential risks that can occur during the course of business. The program includes traditional transfer of liabilities contractually or through insurance, identifying trends and subsequent actions to reduce or prevent future losses, and utilizing the ISO 13000 Enterprise Risk Management framework to proactively identify opportunities, threats, and related mitigations. Our objective is not to eliminate risk, but to ensure that the SFPUC is able to make risk-aware decisions.

External Affairs

The SFPUC's External Affairs Bureau is responsible for disseminating the policies and programs of the agency to stakeholder groups including commissioners, elected officials, the media, businesses, community organizations, residents, and employees. External Affairs advocates on behalf of the agency by conveying the core messages clearly and engaging through a timely and transparent process. The Bureau's goal is to improve awareness and understanding of the agency's mission, build long-term partnerships, and strengthen the common identity of our employees. External Affairs is organized into four sections: Communications, Community Benefits, Policy and Government Affairs, and Strategy, Planning, and Innovation.

Communications

External Affairs' Communications unit oversees the SFPUC's internal and public-facing communications, including outreach, media relations, and social media. This team provides a full range of communication services to all SFPUC enterprises and bureaus. This includes overseeing SFPUC publications; growing community understanding and support for Water, Wastewater and Hetch Hetchy enterprise projects; coordinating community outreach for capital improvement projects; and hosting special events. The division also develops collateral materials for SFPUC projects and programs, handles proactive and reactive media relations, and manages content on the SFPUC website. The unit also promotes diversity and the health, safety, and professional development of SFPUC employees.

Community Benefits

Community Benefits was established in 2011 to implement SFPUC's Environmental Justice and Community Benefits Policies - which seek to foster a healthy environment, promote vibrant neighborhoods, and ensure that communities near SFPUC operations and projects benefit from our presence in their neighborhoods. Community Benefits' major programs include: the Southeast Community Center (SECC) which offers programs and resources in support of Southeast community health and empowerment; Kinder to Career program in partnership with SF Unified School District; Project Learning Grants for local youth-serving non-profit organizations; public

art; environmental justice; community learning gardens and land use; and the Social Impact Partnership program which partners with firms to advance positive community impact through the contracting process.

Policy and Government Affairs

Policy & Government Affairs is committed to supporting the SFPUC's policy objectives at all government levels. Locally and regionally, Policy & Government Affairs collaborates with agency personnel to develop essential legislation for our core operations. At the state and federal levels, we work closely with lobbyists in Sacramento and Washington, D.C. to monitor and respond to legislation affecting SFPUC operations and advocate for funding.

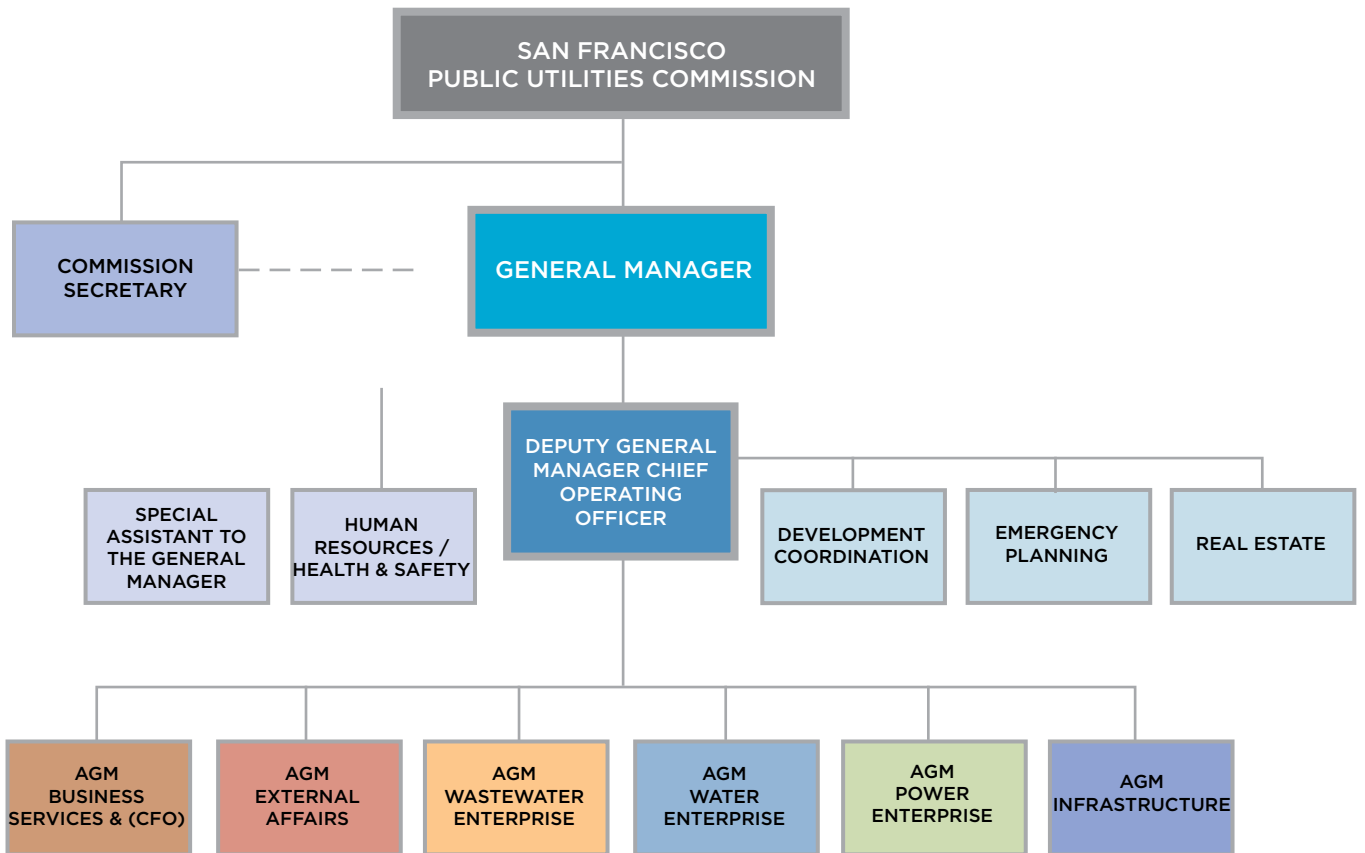
Strategy, Planning, and Innovation

Strategy, Planning, and Innovation supports the effectuation of SFPUC-wide operational priorities, activities, and legal mandates such as the coordination of public records and the Citizen Advisory Committee, and key staff support for initiatives like racial equity and low-income customer assistance programs. Strategy, Planning, and Innovation also holds capacity-building for and implementation of key EA-wide initiatives and projects, including strategic planning, process improvements, and administration of core operations.

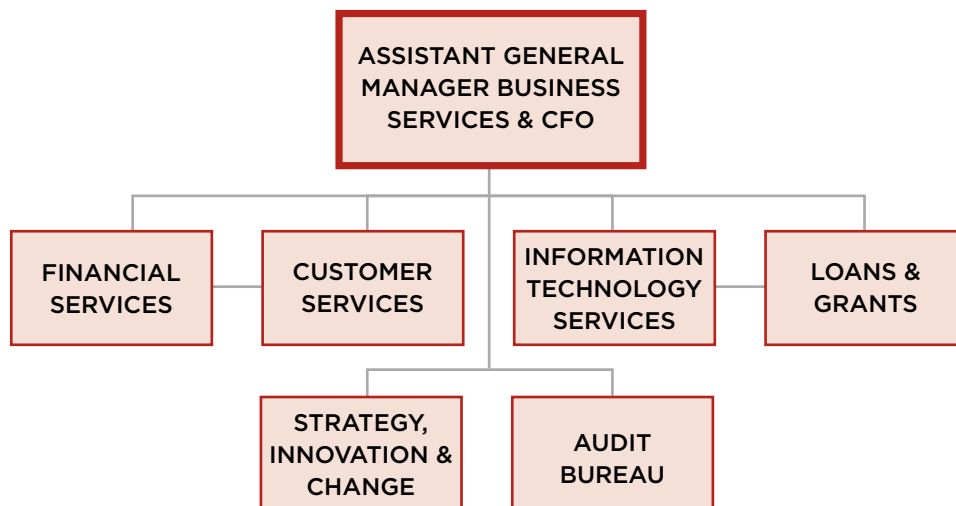
Infrastructure

Infrastructure manages the planning, design, and construction of SFPUC's capital programs, as well as the renewal and replacement of the Water, Wastewater and Hetch Hetchy Enterprise facilities. The mission of Infrastructure is to provide high quality planning, engineering, environmental and construction services for the SFPUC Water, Wastewater and Hetch Hetchy systems in a manner that values environmental, equity and community interests and sustains the natural resources entrusted to our care. Infrastructure is led by the Assistant General Manager of Infrastructure, and is supported by the Capital Program Directors, Project Controls, Infrastructure Budget & Finance, Environmental Management, Workforce & Economic Program Services and by the Project Management, Construction Management, Engineering Management and Contract Administration Bureaus.

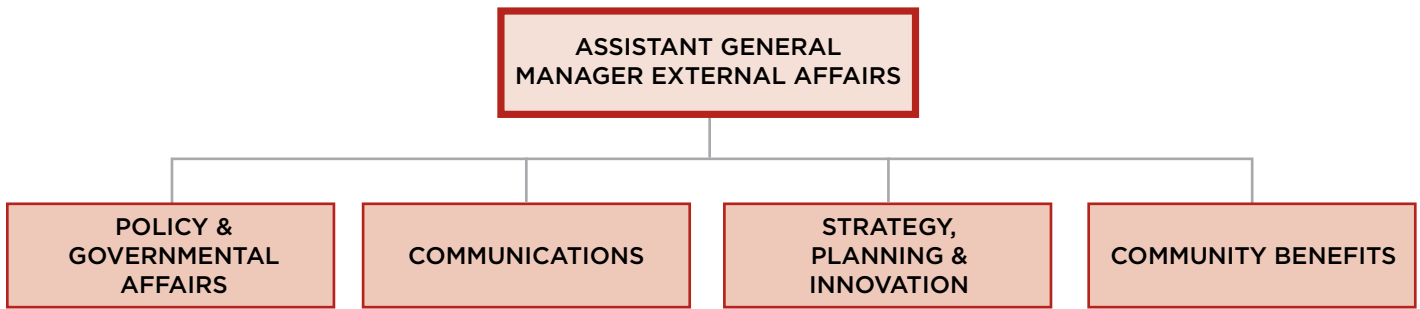
General Manager Organization Chart



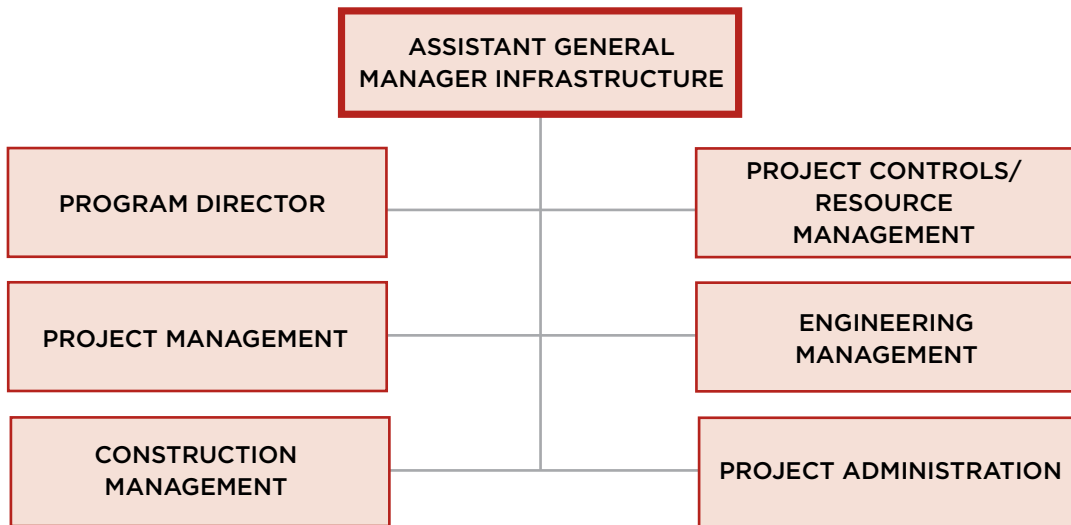
Business Services Organization Chart



External Affairs Organization Chart



Infrastructure Organization Chart



Bureaus Budget Summary (excluding Infrastructure)

\$ Millions	FY 2023-24 Unaudited Actuals	FY 2023-24 Adopted Budget	FY 2024-25 Adopted Budget	Change From FY 2023-24	FY 2025-26 Adopted Budget	Change From FY 2024-25
USES OF FUNDS						
Personnel	82,679,079	89,241,229	97,665,963	8,424,734	103,486,238	5,820,275
Overhead (COWCAP)	6,980,503	6,980,503	6,388,144	(592,359)	6,388,144	-
Non-Personnel	14,411,132	19,108,431	20,512,646	1,404,215	20,466,208	(46,438)
Materials & Supplies	1,856,430	2,034,331	2,272,197	237,866	2,258,062	(14,135)
Equipment	1,434,679	1,007,477	1,209,357	201,880	1,062,028	(147,329)
Service of Other Departs	17,322,158	18,161,121	19,751,326	1,590,205	20,022,990	271,664
Total Uses of Funds	124,683,982	136,533,092	147,799,633	11,266,541	153,683,670	5,884,037

GENERAL MANAGER BUDGET SUMMARY

USES OF FUNDS						
Personnel	25,135,800	27,765,618	29,593,818	1,828,200	31,458,214	1,864,396
Non-Personnel	1,854,477	3,478,001	3,138,509	(339,492)	2,931,860	(206,649)
Materials & Supplies	87,658	180,031	200,232	20,201	191,308	(8,924)
Equipment	-	-	36,000	36,000	39,600	3,600
Service of Other Departs	4,961,019	4,719,634	5,048,166	328,532	5,165,832	117,666
Total Uses of Funds	32,038,953	36,143,284	38,016,725	1,873,441	39,786,814	1,770,089

BUSINESS SERVICES BUDGET SUMMARY

USES OF FUNDS						
Personnel	50,749,814	54,412,911	58,538,277	4,125,366	61,680,455	3,142,178
Overhead	6,980,503	6,980,503	6,388,144	(592,359)	6,388,144	-
Non-Personnel	11,024,479	14,357,277	15,821,484	1,464,207	15,981,695	160,211
Materials & Supplies	1,685,442	1,800,145	2,017,810	217,665	2,012,599	(5,211)
Equipment	1,434,679	1,007,477	1,173,357	165,880	1,022,428	(150,929)
Service of Other Departs	12,192,803	13,239,387	14,621,060	1,381,673	14,775,058	153,998
Total Uses of Funds	84,067,721	91,797,700	98,560,132	6,762,432	101,860,379	3,300,247

EXTERNAL AFFAIRS BUDGET SUMMARY

USES OF FUNDS						
Personnel	6,793,465	7,062,700	9,533,868	2,471,168	10,347,569	813,701
Non-Personnel	1,532,176	1,273,153	1,552,653	279,500	1,552,653	-
Materials & Supplies	83,330	54,155	54,155	-	54,155	-
Service of Other Departs	168,337	202,100	82,100	(120,000)	82,100	-
Total Uses of Funds	8,577,308	8,592,108	11,222,776	2,630,668	12,036,477	813,701

Infrastructure Budget Summary

\$ Millions	FY 2023-24 Unaudited Actuals	FY 2023-24 Adopted Budget	FY 2024-25 Adopted Budget	Change From FY 2023-24	FY 2025-26 Adopted Budget	Change From FY 2024-25
USES OF FUNDS						
Personnel	24,220,462	84,260,437	89,466,665	5,206,228	92,909,803	3,443,138
Non-Personnel	2,722,479	5,475,815	5,535,804	59,989	5,317,142	(218,662)
Materials & Supplies	204,167	844,092	850,851	6,759	850,851	-
Equipment	29,069	-	204,038	204,038	291,398	87,360
Service of Other Departs	11,158,776	12,198,954	13,191,966	993,012	13,290,773	98,807
Total Uses of Funds	38,334,953	102,779,298	109,249,324	6,470,026	112,659,967	3,410,643

**Overhead not included*

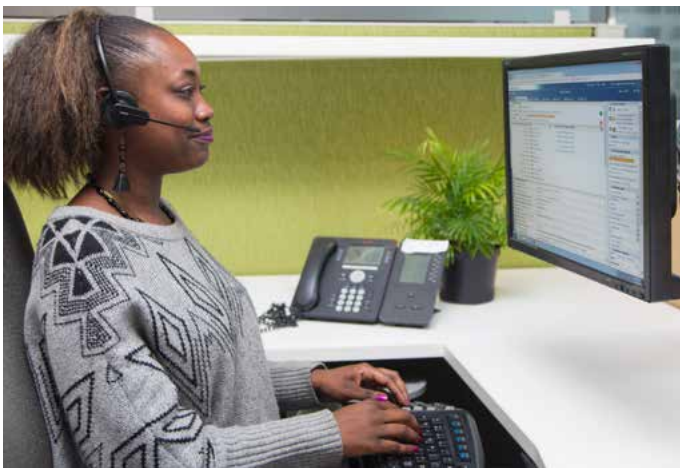


CHART 12.1 >
Bureaus Uses
FY 2024-25.

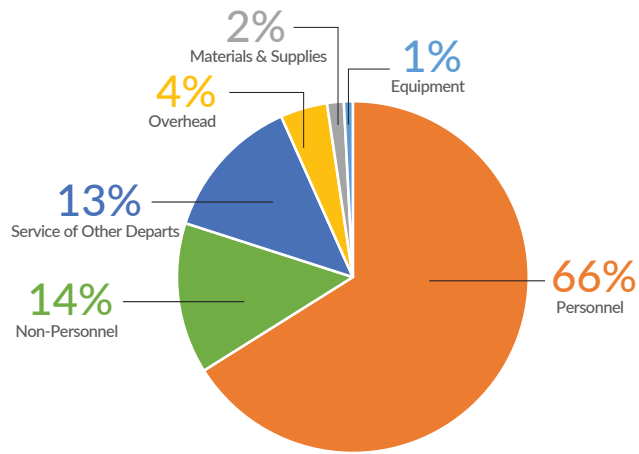


CHART 12.2 >
Bureaus Uses
FY 2025-26.

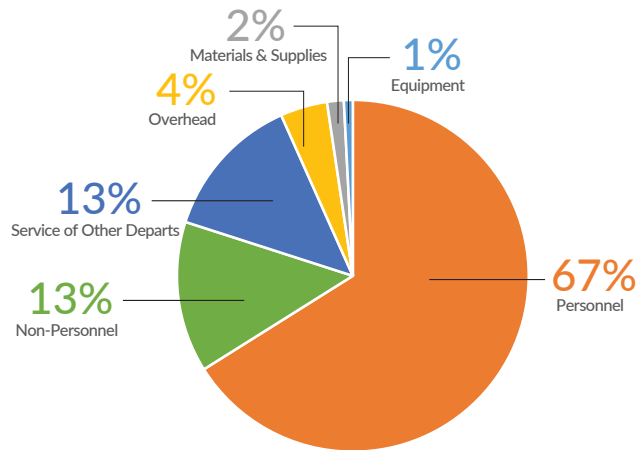


CHART 12.3 >
Infrastructure
Uses FY 2024-25.

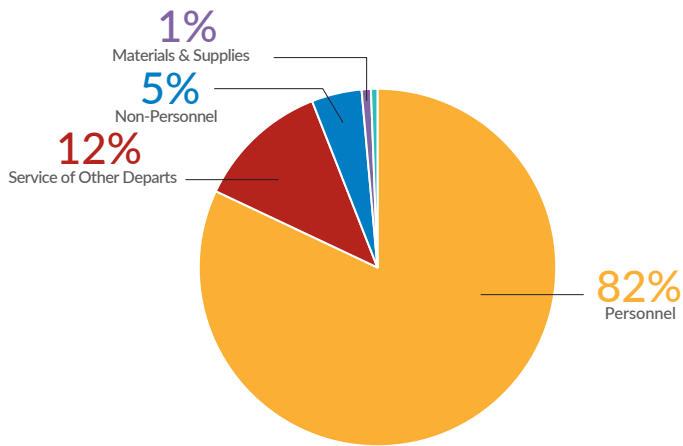
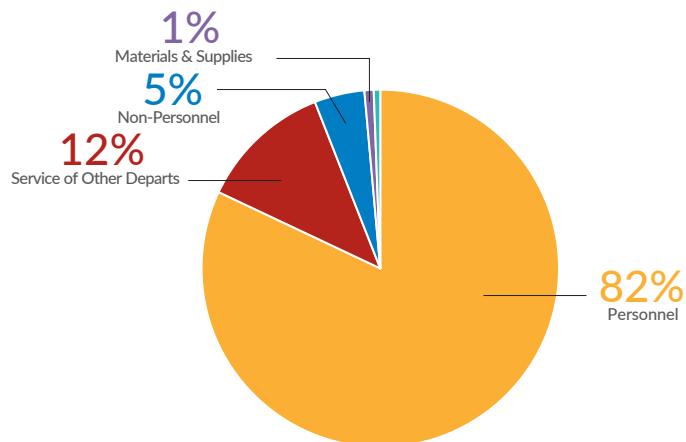


CHART 12.4 >
Infrastructure
Uses FY 2025-26.



Expenditures

The Bureaus' Budget Summary rolls up the budget by expenditure category for the three Bureaus: Office of General Manager, Business Services and External Affairs. The three bureaus are funded by the enterprise departments through an overhead allocation model. The Bureaus' budget increased by \$11.3 million (8.3 percent) in FY 2024-25 to \$147.8 million, and \$5.9 million (4.0 percent) in FY 2025-26 to \$153.7 million. The key driver of cost increases in FY 2024-25 is Personnel Costs, Non-Personnel Services, Materials & Supplies, Equipment and Services of Other Departments, offset by a decrease to COWCAP (County-Wide Cost Allocation Plan). In FY 2025-26, the increase is mainly due to Personnel costs, offset by a decrease to Non-Personnel Services, Materials & Supplies, Equipment. The Infrastructure Bureau is funded through capital projects and, as such, is presented separately.

CHART 12.5
Bureaus Total Uses
(excluding Inf)

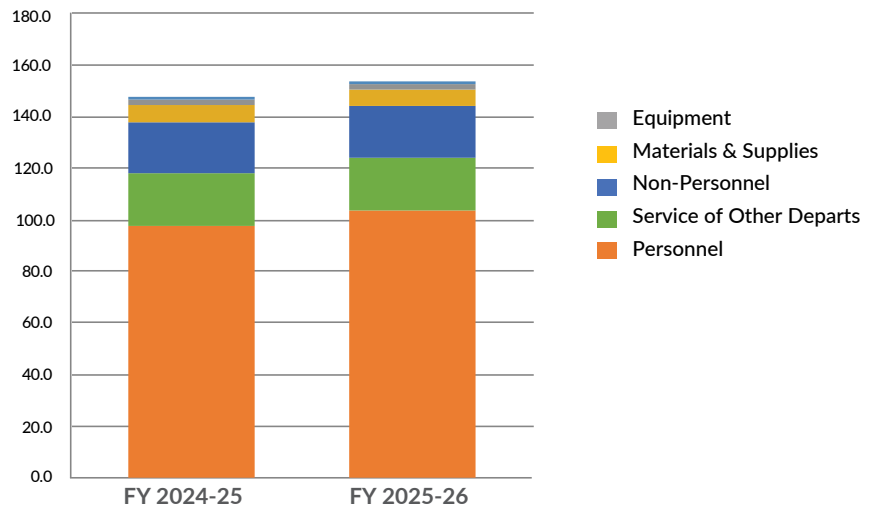
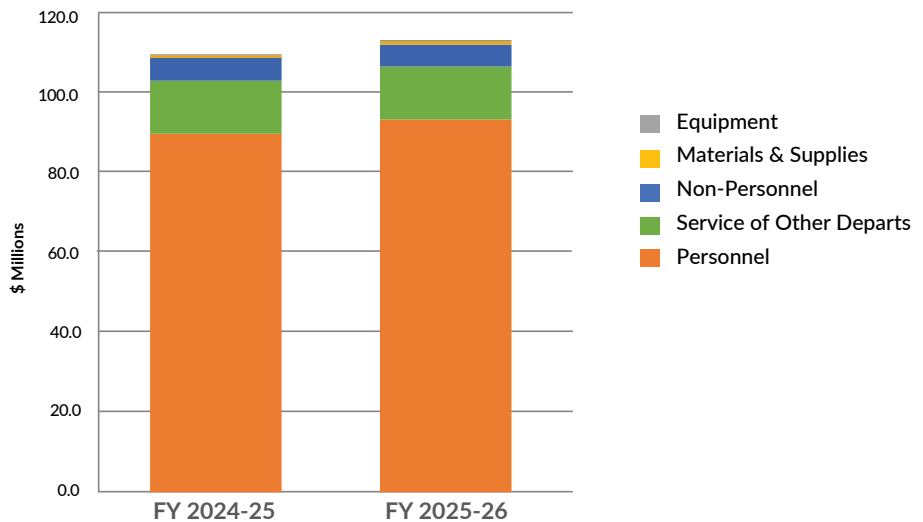


CHART 12.6
Infrastructure
Total Uses



Office of the General Manager

The Office of the General Manager's FY 2024-25 budget is \$38.0 million, a \$1.9 million (5.2 percent) increase from the prior year and the FY 2025-26 budget is \$39.8 million, an increase of \$1.8 million (4.7 percent). The overall increase is primarily due to the conversion of temporary to permanent positions, and the addition of personnel support to support the Racial Equity team and Human Resource Services. Other increases include cost of living adjustments required under various labor agreements, retirement, and health benefit costs and an adjustment to attrition savings (or budgeted salary savings) to reflect projected salary savings.

Authorized and Funded Full-Time Equivalent

The General Manager's Authorized and Full-Time Equivalent (FTE) positions for FY 2024-25 is 121.16 FTEs, an increase of 2.80 FTEs from the prior year and FY 2025-26 is 124.16 FTEs, an increase of 3.0 FTEs from the prior year. The overall increase represents adjustments to attrition savings (or budgeted salary savings) to reflect projected salary savings, and the addition of personnel support to support the Racial Equity team and Human Resource Services.

Business Services

The FY 2024-25 Business Services' budget is \$98.6 million, a \$6.8 million (7.4 percent) increase from the prior year and FY 2025-26 budget is \$101.9 million, a \$3.3 million (3.3 percent) increase. The overall increase to the budget was due to the conversion of temporary to permanent positions and an increase in personnel support for Financial Services and ITS. Other increases include Non-Personnel Services, and Services of Other Departments. This is offset by a reduction to COWCAP, an adjustment to attrition savings (or budgeted salary savings) to reflect projected salary savings.

Authorized and Funded Full-Time Equivalent

Business Services' Authorized and Full-Time Equivalent (FTE) positions for FY 2024-25 is 292.18 FTEs, an overall increase of 15.78 FTEs from the prior year and for FY 2025-26, there was an increase of 4.60 FTEs to a total of 296.78 FTEs. The increase is mainly from the conversion of temporary to permanent positions to support and an increase in personnel support for Financial Services and ITS,

offset by an adjustment to attrition savings (or budgeted salary savings) to reflect projected salary savings.

External Affairs

The External Affairs' FY 2024-25 budget is \$11.2 million, a \$2.6 million (30.6 percent) increase from the prior year and FY 2025-26 budget is \$12.0 million, a \$0.8 million (7.3 percent) increase. The increase is mainly from the conversion of temporary to permanent positions to support the increased scope and workload of the agency as it has significantly increased in size and complexity.

Authorized and Funded Full-Time Equivalent

External Affairs' Authorized and Full-Time Equivalent (FTE) positions for FY 2024-25 is 48.09 FTEs, an overall increase of 7.17 FTEs from the prior year and for FY 2025-26, there was an increase of 2.52 FTEs to a total of 50.61 FTEs. The increase is mainly from the conversion of temporary to permanent positions to support the increased scope and workload of the agency as it has significantly increased in size and complexity.

Infrastructure

Infrastructure manages the planning, design and construction of SFPUC's capital programs, as well as the renewal and replacement of the Water, Wastewater and Power Enterprise facilities. The Infrastructure budget is funded by SFPUC's capital programs. The FY 2024-25 Infrastructure budget is \$109.2 million, an increase of \$6.5 million (6.3 percent), and the FY 2025-26 budget is 112.7 million, an increase of \$3.4 million (3.1 percent). The net increase from FY 2024-25 is mainly driven by additional staff to support procurement activities for the SFPUC Capital Improvement Program, and Personnel Costs associated with cost of living adjustments required by various labor agreements, retirement, and health benefit costs.

Authorized and Funded Full-Time Equivalent

Infrastructure's Authorized and Full-Time Equivalent (FTE) positions are funded through SFPUC's capital programs. The total positions for FY 2024-25 is 382.39 and FY 2025-26 is 384.07 FTEs. The increase in total FTEs to support growing SFPUC Capital Improvement Program.

New Initiatives

Software Upgrades and Enhancements - SFPUC's fuel hardware system has reached "End of Life" and is no longer supported. This initiative will provide \$0.2 million to upgrade to a new system. Included will be web hosting, tank level monitoring, compliance reporting modules and a new fuel control terminals with 24/7 Call Center Support. This initiative also includes \$0.4 million for SFPUC's cybersecurity, SCADA and Maximo systems. This initiative will help SFPUC ensure the security and integrity of the organization's technology infrastructure in the event of disruption or unanticipated disaster.

New Position Requests & Temporary to Permanent Position Conversions - During the FY 2024-25 & FY 2025-26 budget development, the SFPUC conducted an extensive examination of all temporary positions currently utilized in its workforce and made a large effort to convert existing temporary positions into permanent budgetary status. This was done to encourage retention, recruitment, and workforce resiliency.

- **Office of the General Manager** - Two positions were added to accelerate progress towards a more inclusive, equitable, and diverse organizational community by advancing the agency's commitment to racial equity by operationalizing SFPUC's Racial Equity Action Plan. In addition, a Record's Manager was added to lead the comprehensive evaluation of the agency's records management system. This initiative will increase transparency and efficiency in business practices, decision making, and self-assessments through an equity lens.
- **Human Resource Services** - Eight positions were converted from temporary to permanent status and eleven new positions were added in Human Resource Services to improve processes, communication, and transparency to modernize, develop, and maintain strategic partnerships within the SFPUC as well as the City. HRS' responsibilities and its scope of service continue to expand with ever evolving policies and mandates from the City. This will address the crucial resources needed to meet the agency's demands, ensuring hiring activity will be maintained without disruption in services.

- **Financial Services** - Seven positions were converted from temporary to permanent status in Financial Services to ensure retention and to right-size personnel capacity crucial to sustain operations. Additionally, the Accounting group added three new positions to support the increasing fiscal demands of the agency. SFPUC is pursuing new loans and grants to diversify its funding sources and needs accounting personnel to keep in step. The Financial Strategy added two positions to its Financial Planning team to support the increase in scope and complexity of rate setting across the SFPUC. Additional capacity for the team will ensure Financial Planning can support the agency's strategic and financial planning goals.
- **Loans & Grants** - Two new positions are added in Loans & Grants to transition responsibility from consultants to in-house responsibility for administering SFPUC's loans and grants program.
- **Information Technology Services (ITS)** - fourteen positions were converted from temporary to permanent status and two new positions were requested to support new and existing application, software and infrastructure projects within ITS. The scope and complexity of projects are ever evolving and require these additional and vital resources. Examples of applications include MAXIMO for asset management, SCADA for operations, and Questica for budgeting.
- **External Affairs** - Twelve positions were converted in External Affairs to support the increased scope and workload of the bureau as the SFPUC has significantly increased in size and complexity. External Affairs will continue to advocate on behalf of the SFPUC as it supports community outreach and education, acts as SFPUC's internal and public-facing communications representative, and supports the SFPUC's policy objectives at all government levels.

- **Infrastructure** – Infrastructure added eight new positions to provide continued support of SFPUC Capital improvement Programs. This includes support to comply with any Administrative Code changes by the City, supporting SFPUC’s Social Impact Program including outreach and communication, and an increase in staffing support to tackle the increasing volumes in contracting and procurement for the Resource Management Bureau.

Infrastructure Authorized and Funded Full-Time Equivalent (FTEs)

Position Type	FY 2023-24 Adopted Budget	FY 2024-25 Adopted Budget	Change From FY 2023-24	FY 2025-26 Adopted Budget	Change From FY 2024-25
Permanent Positions	375.00	381.32	6.32	383.00	1.68
Temporary Positions	1.10	1.07	(0.03)	1.07	-
Subtotal Operating-Funded	376.10	382.39	6.29	384.07	1.68

Bureaus Authorized and Funded Full-Time Equivalents (FTEs) (excluding Infrastructure)

Position Type	FY 2023-24 Adopted Budget	FY 2024-25 Adopted Budget	Change From FY 2023-24	FY 2025-26 Adopted Budget	Change From FY 2024-25
Permanent Positions	392.06	425.74	33.68	435.30	9.56
Temporary Positions	15.61	12.11	(3.50)	12.25	0.14
Subtotal Operating-Funded	407.67	437.85	30.18	447.55	9.70
Project-Funded	28.00	23.58	(4.42)	24.00	0.42
Unfunded Positions (Attrition)	29.88	51.23	21.35	54.90	3.67
Total Positions	465.55	512.66	47.11	526.45	13.79

General Manager Authorized and Funded Full-Time Equivalents (FTEs)

Position Type	FY 2023-24 Adopted Budget	FY 2024-25 Adopted Budget	Change From FY 2023-24	FY 2025-26 Adopted Budget	Change From FY 2024-25
Permanent Positions	102.49	108.79	6.30	111.61	2.82
Temporary Positions	6.87	4.37	(2.50)	4.55	0.18
Subtotal Operating-Funded	109.36	113.16	3.80	116.16	3.00
Project-Funded	9.00	8.00	(1.00)	8.00	-
Unfunded Positions (Attrition)	5.50	15.79	10.29	17.59	1.80
Total Positions	123.86	136.95	2.80	141.75	3.00

Business Services Authorized and Funded Full-Time Equivalents (FTEs)

Position Type	FY 2023-24 Adopted Budget	FY 2024-25 Adopted Budget	Change From FY 2023-24	FY 2025-26 Adopted Budget	Change From FY 2024-25
Permanent Positions	259.77	275.08	15.31	279.30	4.22
Temporary Positions	4.63	4.52	(0.11)	4.48	(0.04)
Subtotal Operating-Funded	264.40	279.60	15.20	283.78	4.18
Project-Funded	12.00	12.58	0.58	13.00	0.42
Unfunded Positions (Attrition)	22.18	30.83	8.65	32.70	1.87
Total Positions	298.58	323.01	24.43	329.48	6.47

External Affairs Authorized and Funded Full-Time Equivalents (FTEs)

Position Type	FY 2023-24 Adopted Budget	FY 2024-25 Adopted Budget	Change From FY 2023-24	FY 2025-26 Adopted Budget	Change From FY 2024-25
Permanent Positions	29.80	41.87	12.07	44.39	2.52
Temporary Positions	4.11	3.22	(0.89)	3.22	-
Subtotal Operating-Funded	33.91	45.09	11.18	47.61	2.52
Project-Funded	7.00	3.00	(4.00)	3.00	-
Unfunded Positions (Attrition)	2.20	4.61	2.41	4.61	-
Total Positions	43.11	52.70	9.59	55.22	2.52



City and County of San Francisco Economy and General Information

City Governance And Structure

The San Francisco Public Utilities Commission (SFPUC) is a department of the City and County of San Francisco. The City and County of San Francisco (the City) was established by Charter in 1850 and is a legal subdivision of the State of California. It is the only consolidated city and county in the State, exercising the governmental powers of both a city and a county under California law. The City’s governance structure, codified in the City Charter of 1996, is similar in form to the federal government. The Mayor’s Office comprises the Executive branch, while the Board of Supervisors and Superior Court act as the Legislative and Judicial branches, respectively.

The Mayor and all 11 members of the Board of Supervisors serve four-year terms. In November 2022 San Francisco voters passed Proposition H, shifting Mayoral elections to even-numbered years starting with the next Mayoral election, which will be held in November 2024. Board of Supervisors elections are held in even-numbered years and are staggered, with five or six seats being open each election. Any vacancies on the Board of Supervisors are filled by Mayoral appointment. Both the Mayor and members of the Board of Supervisors are limited to two terms. Each of the City’s 11 districts is represented by a member of the Board of Supervisors. Beginning in November 2000, the Board of Supervisors was elected by district for the first time since the 1970s. The Mayor appoints the heads of most city departments. Many departments are also advised by commissions or boards whose members are citizens appointed by the Mayor or, in some cases, by a combination of the Mayor, the Board of Supervisors, and other elected officials. Other elected officials include the Assessor-Recorder, City Attorney, District Attorney, Public Defender, Sheriff, Superior Court Judges, and Treasurer.

Elected Officials

Mayor

London N. Breed

Board of Supervisors

Supervisor, District 1

Connie Chan

Supervisor, District 2

Catherine Stefani

Supervisor, District 3

Aaron Peskin

Supervisor, District 4

Joel Engardio

Supervisor, District 5

Dean Preston

Supervisor, District 6

Matt Dorsey

President, District 7

Myrna Melgar

Supervisor, District 8

Rafael Mandelman

Supervisor, District 9

Hillary Ronen

Supervisor, District 10

Shamann Walton

Supervisor, District 11

Ahsha Safaí

Assessor-Recorder

Joaquín Torres

City Attorney

David Chiu

District Attorney

Brooke Jenkins

Public Defender

Manohar Raju

Sheriff

Paul Miyamoto

Superior Courts Presiding Judge

Anne-Christine Massullo

Treasurer

José Cisneros

Appointed Officials

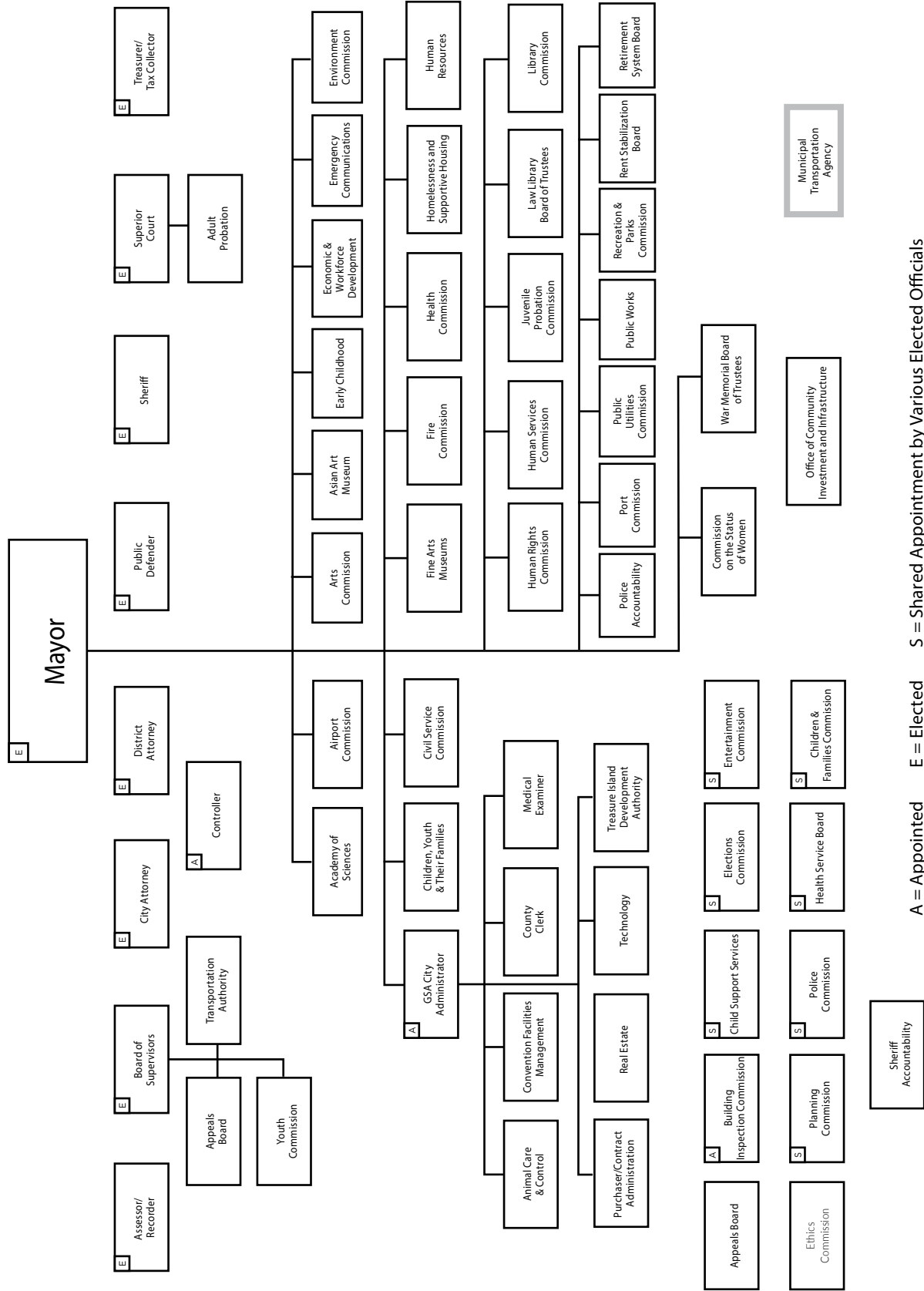
City Administrator

Carmen Chu

Controller

Greg Wagner

San Francisco: An Overview



A = Appointed E = Elected S = Shared Appointment by Various Elected Officials

Demographics and Structure

Incorporated on April 15th, 1850, San Francisco is the fourth largest city in the State of California and geographically the smallest county. Occupying just 49 square miles of land, the city is located on a peninsula bounded by the Pacific Ocean to the west, San Francisco Bay to the east, the entrance to the Bay and the Golden Gate to the north, and San Mateo County to the south.

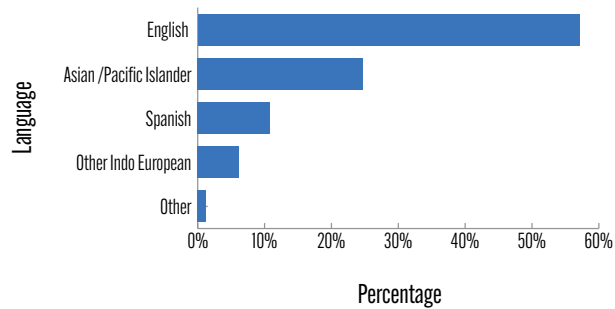
While the government has played a key role in San Francisco’s development, the true wealth of the City resides in the creative and entrepreneurial spirit of its pioneering citizens. According to the U.S. Census Bureau, San Francisco’s population was 808,988 on July 1, 2023. From July 2022 to July 2023, the City’s population increased by 1,214 people, a 0.2 percent increase. Comparatively, in 2023, Los Angeles and Santa Clara counties lost 56,420 and 743 people, respectively.

International immigration has long been a major contributor to San Francisco’s cultural diversity. 35.4 percent of the City’s population over the age of five was born outside of the United States, and about 43 percent speak a language other than English at home. Immigration and its legacy contribute to a sense of diversity in San Francisco and positions the City’s future labor force for success in the global economy.

According to the U.S. Census Bureau American Community Survey 2018-2022, 38.3 percent of the San Francisco population identifies as white, 34.5 percent identifies as Asian, 15.5 percent identifies as Hispanic or Latino, 4.9 percent identifies as Black or African American, 5.5 percent identifies with two or more races, 0.4 percent identifies as Native Hawaiian and other Pacific Islander, and 0.2 percent identifies as American Indian and Alaska Native.

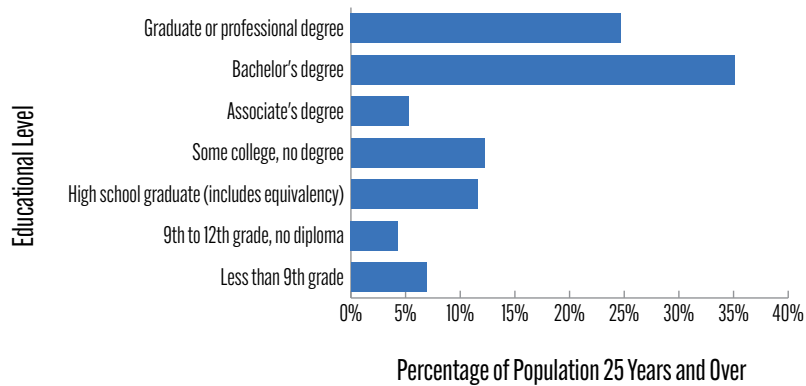
LANGUAGE SPOKEN AT HOME.

Source: U.S. Census Bureau, 2018-2022 American Community Survey 5-year.



EDUCATIONAL ATTAINMENT.

Source: U.S. Census Bureau, 2018-2022 American Community Survey 5-year Estimates.



CITY AND COUNTY OF SAN FRANCISCO

PRINCIPAL PROPERTY ASSESSEES

Current Fiscal Year and Nine Fiscal Years Ago
(Dollar in Thousands)

Assessee	Type of Business	Fiscal Year 2023			Fiscal Year 2014		
		Taxable Assessed Value	Rank	Percentage of Total Taxable Assessed Value	Taxable Assessed Value	Rank	Percentage of Total Taxable Assessed Value
		(1)		(2)			(2)
Transbay Towers LLC	Office, Commercial	\$ 1,837,581	1	0.56%	\$ -	-	-
Sutter Bay Hospitals	Office, Commercial	1,790,041	2	0.54%	-	-	-
GSW Arena LLC	Entertainment Complex	1,308,691	3	0.40%	-	-	-
Park Tower Owner LLC	Office, Commercial	1,118,039	4	0.34%	-	-	-
KRE Exchange Owner LLC	Office, Commercial	1,103,805	5	0.34%	-	-	-
HWA 555 Owners LLC	Office, Commercial	1,091,951	6	0.33%	941,010	1	0.52%
Elm Property Venture LLC	Office, Commercial	1,056,254	7	0.32%	-	-	-
PPF Paramount One Market Plaza Owner LP	Office, Commercial	894,928	8	0.27%	770,892	2	0.42%
SHR St. Francis LLC	Hotel	770,454	9	0.23%	368,994	8	0.20%
SFDC 50 Fremont LLC	Office, Commercial	739,295	10	0.22%	-	-	-
Emporium Mall LLC	Retail, Commercial	-	-	-	430,661	3	0.24%
SPF China Basin Holdings LLC	Office, Commercial	-	-	-	423,273	4	0.23%
SHC Embarcadero LLC	Office, Commercial	-	-	-	398,608	5	0.22%
SF Hilton Inc	Hotel	-	-	-	389,595	6	0.21%
Post-Montgomery Associates	Office, Commercial	-	-	-	387,267	7	0.21%
PPF Off One Maritime Plaza LP	Office, Commercial	-	-	-	367,384	9	0.20%
Wells REIT II - 333 Market St LLC	Office, Commercial	-	-	-	349,062	10	0.19%
Total		\$ 11,711,039		3.55%	\$ 4,826,746		2.64%

Source: Assessor, City and County of San Francisco

Notes:

- (1) Data for fiscal year 2022-2023 updated as of August 1, 2022.
- (2) Assessed values for fiscal years 2022-2023 and 2013-2014 are from the tax rolls of calendar year 2022 and 2013, respectively.

CITY AND COUNTY OF SAN FRANCISCO

Principal Employers

Current Year and Nine Years Ago

Employer	Year 2021 ^{(1)(a)(c)}			Year 2012 ⁽²⁾		
	Employees	Rank	Percentage of Total City Employment	Employees	Rank	Percentage of Total City Employment
City and County of San Francisco.....	35,802	1	6.38%	25,458	1	5.33%
University of California, San Francisco ^(b)	29,500	2	5.26%	22,664	2	4.74%
Salesforce.....	10,603	3	1.89%	4,000	9	0.84%
San Francisco Unified School District.....	10,322	4	1.84%	8,189	5	1.71%
Sutter Health.....	6,100	5	1.09%	-	-	-
Wells Fargo & Co.....	5,899	6	1.05%	8,300	4	1.74%
Uber Technologies Inc.....	5,500	7	0.98%	-	-	-
Allied Universal.....	4,095	8	0.72%	-	-	-
Kaiser Permanente.....	3,921	9	0.70%	3,581	10	0.75%
First Republic Bank.....	3,042	10	0.54%	-	-	-
PG&E Corporation.....	-	-	-	4,415	7	0.92%
California Pacific Medical Center.....	-	-	-	8,559	3	1.79%
Gap, Inc.....	-	-	-	6,000	6	1.26%
State of California.....	-	-	-	4,184	8	0.88%
Total Top 10 Employers.....	<u>114,784</u>		<u>20.45%</u>	<u>95,350</u>		<u>19.96%</u>
Total City and County Employment ⁽³⁾	<u>561,308</u>			<u>477,650</u>		

Source:

- (1) City and County of San Francisco data provided by Office of Controller's Payroll and Personnel Services Division. The University of California, SF data is from the Data Source Corporate Personnel Data Warehouse. All other data is obtained from the San Francisco Business Times Book of Lists
- (2) FY 2011-12 Annual Comprehensive Financial Report - City and County of San Francisco
- (3) State of California Employee Development Department

Note:

- (a) The latest data as of calendar year-end 2021 is presented
- (b) The latest data as of April 2021 is presented
- (c) The calendar year-end 2022 data is not available

Local Economy

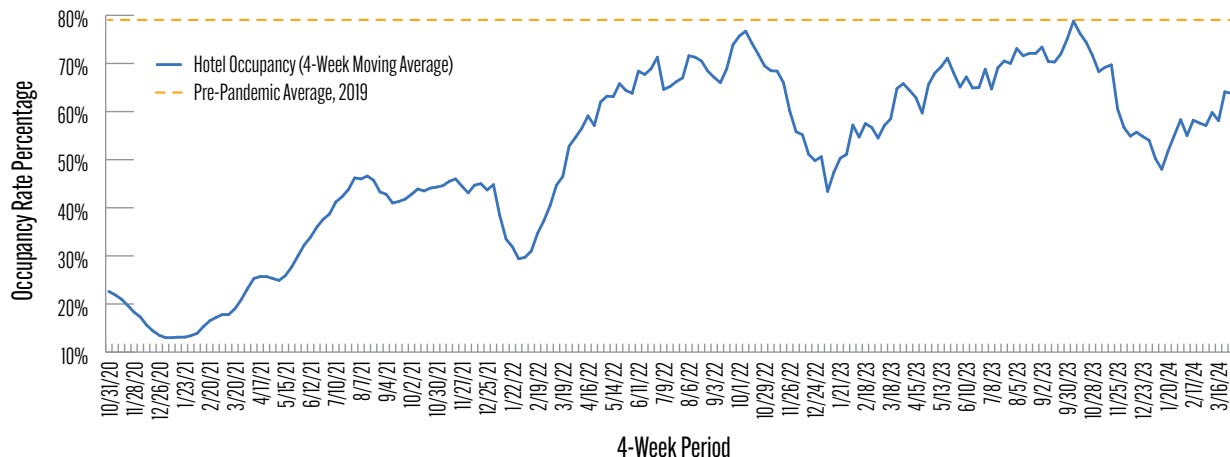
San Francisco is at the center of a dynamic and innovative region with a long track record of creating jobs and opportunities, lasting social and cultural impacts, and tools and ideas that are used worldwide. While post-pandemic changes in work and retail create new challenges for the City’s economic future, the long-term fundamentals of the City’s economy remain strong.

The strength of San Francisco’s economy comes from a diverse portfolio of well-established industries and businesses. In addition to being an economic center for advanced, knowledge-based services such as professional and financial services, information technology and digital media, and healthcare, San Francisco is pushing to develop new and innovative fields in civic-based and green technologies to help grow its manufacturing sector. Although San Francisco represents only 2.1 percent of California’s population, it accounted for 8.8 percent of Gross Domestic Product growth in the State from 2017 to 2022. During the same period, the City created 1 in 4.8 new jobs in the nine-county Bay Area.

Nonetheless, San Francisco must contend with major structural changes adopted during the pandemic that persist, namely, the high level of remote work. This has significant economic implications for San Francisco. Office attendance in large metropolitan areas is only at a 45 to 65 percent range of pre-pandemic levels and has only marginally improved over the past year. Remote work is one of the major reasons why San Francisco’s economy has been slower to recover than other cities.

Meanwhile, the City’s housing market remains under pressure due to the higher interest rate environment and other factors. The City’s residential building permit activity based on the Department of Housing and Urban Development (HUD) uniform reporting dropped by 37.4 percent in 2020, mainly due to COVID-19 related shutdown. It is important to note that the building permit indicator is volatile and only covers new private construction in the city. The HUD survey data may only partially capture actual housing production as it omits public housing or any other projects that may be considered alteration and not require a new construction permit. Nonetheless, the HUD data is an important source and points to weakness in the private housing production in the city. High interest rates are not just affecting building permit activity – they are also hampering real estate transactions, which have an impact on the City’s property tax revenues. In 2023 and beyond, the key macroeconomic question is how inflation responds to rising interest rates. The Federal

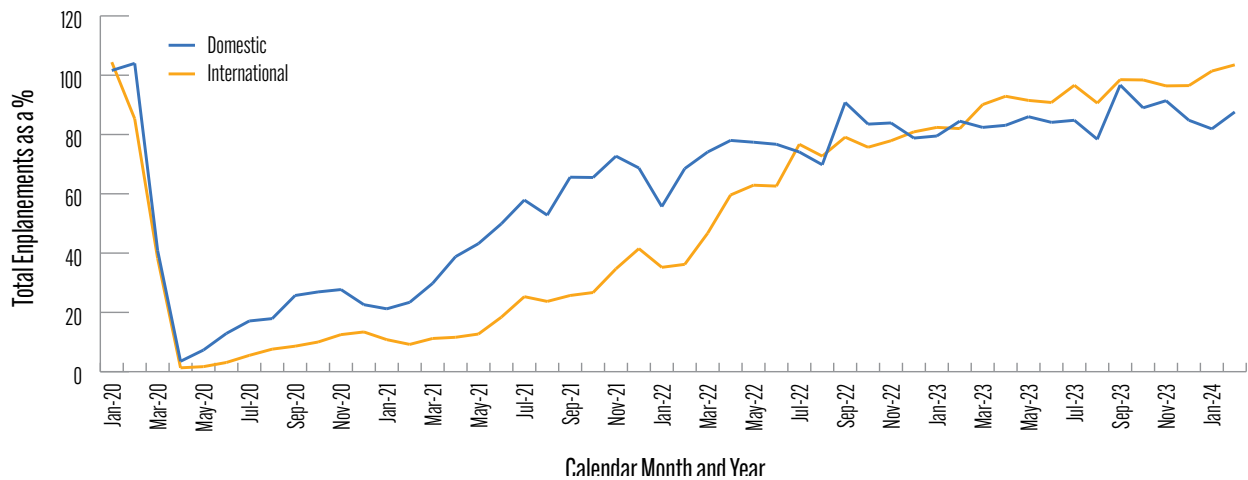
Reserve’s restrictive monetary policy has been largely successful in curbing inflation, which also benefited from ease in disruptions in the supply chain and labor supply constraints. Over the past six months, inflation has come down to a 3.1-3.5 percent range, far below the average of 8 percent for 2022. The inflation rate has cooled considerably but remains above the Federal Reserve’s annual inflation target of 2.0 percent. Therefore, any prospect of a rate cut seems remote in the near future, given the economy’s overall strength and recent uptick in inflation measures.



Other measures of economic recovery performance include hotel occupancy rates, BART downtown station exits, Muni metro ridership, and passenger boardings at San Francisco International Airport (SFO). Additionally, hotel occupancy rates have reached relatively normal levels over the last year and a half, and things are heading in the right direction, albeit slowly. BART downtown exits and Muni metro ridership indicate weakness in the city’s economic recovery. This reflects a new reality as office attendance and working from home have become more prevalent and a new normal. Muni metro ridership fared a bit better and has reached the 60-63 percent range of pre-pandemic levels. This is one of the critical areas of concern for sectors, such as retail and food service, which depend upon the foot traffic in the city.

In contrast from local travel, passenger boardings at the San Francisco International (SFO) reflect the continued strength of the city’s tourism industry and a hopeful look ahead of the general health of the local economy. Both domestic and international enplanements fell precipitously during the height of the pandemic. However, since January 2024, the international sector has fully recovered, and domestic air travel is also on its way to full recovery.

Structural changes to the City’s economy that were brought about by the pandemic combined with macro-economic forces, including interest rates and inflation, will determine the outlook for the City’s budget in the next several years. Nonetheless, San Francisco’s long-term economic fundamentals—the quality of its workforce, business environment, technological base, and general quality of life—remain among the strongest of any city in the United States.







Other Useful Documents

SFPUC produces many documents that complement the budget:

Financial Plan: a rolling ten-year plan, revised annually as a part of the budget process. It serves as a multi-year financial planning tool; the purpose of the plan is to estimate revenue and expenditure data in the form of annual revenue requirements, which are indications of future average rate changes.

<https://sfpuc.org/about-us/policies-plans/financial-plans-and-policies>

Capital Book: a guide for managers, policy makers, elected officials and the public depicting the proposed long-term program, projects and investment.

<https://www.sfpuc.gov/about-us/reports/operating-and-capital-budgets>

Quarterly Reports: a budgetary status reports for annual operating budget.

<https://www.sfpuc.gov/about-us/reports/operating-and-capital-budgets>

Annual Comprehensive Financial Report (ACFR): describes our financial activities, condition and services as a whole, encompassing all Water, Wastewater, and Hetch Hetchy Water & Power & CleanPowerSF results. The ACFR also includes financial and statistical information, all of which is of interest to the public and bond investors.

<https://sfpuc.org/about-us/reports/audited-financial-statements-reports>

Popular Annual Financial Report (PAFR): annual report that provides examples of how PUC have continued to build on its strengths -- rebuilding water and wastewater infrastructure; advancing green power and environmental initiatives; leading the way in delivering clean, efficient services now and into the future.

<https://sfpuc.org/about-us/reports/popular-annual-financial-reports>

Mayor's Budget: a presentation of the proposed balanced budget for the City and County of San Francisco.

https://www.sf.gov/sites/default/files/2024-05/CSF_Proposed_Budget_Book_June_2024_r8.pdf

Annual Appropriation Ordinance (AAO): a document that is the legal authority for the City to spend funds during the fiscal year. AAO contains information on the sources and uses of City funds and selected departments, detailed by department and program.

[AAO FY2024-25 & FY2025-26 - FINAL 7.31.24.pdf \(sf.gov\)](#)

Annual Salary Ordinance (ASO): an ordinance enumerating positions in the annual budget and appropriation ordinance for specific fiscal years.

[ASO FY2024-25 & FY2025-26 - FINAL 7.31.24.pdf \(sf.gov\)](#)

SFPUC Commission: The San Francisco Public Utilities Commission consists of five members, nominated by the Mayor and approved by the Board of Supervisors. Their responsibility is to provide operational oversight in areas such as rates and charges for services, approval of contracts, and organizational policy.

<https://sfpuc.org/about-us/boards-commissions-committees/sfpuc-commission>



Glossary

Accrual Basis of Accounting

A method of accounting in which all assets and liabilities associated with its operations is included on the statement of net assets; revenues are recorded when earned, and expenses recorded when liabilities are incurred.

Annual Appropriation Ordinance (AAO)

Upon approval, this document is the legal authority for the City to spend funds during the fiscal year. It contains information on the sources and uses of selected City funds detailed by department and by program. Additional schedules summarize selected City revenues and expenditures by service area, department and fund.

Assistant General Manager (AGM)

An AGM supports the General Manager of the SFPUC as principal member of the senior management team: Business Services, External Affairs, Infrastructure, Power Enterprise, Water Enterprise, and the Wastewater Enterprise.

Attrition Savings

Attrition savings is the projected amount of permanent salaries that will be saved during a fiscal year due to attrition or employee turnover.

Auxiliary Water Supply System (AWSS)

A system of mains and 1889 High Pressure Fire Hydrants, independent of the domestic water supply built solely for the purpose of firefighting. The system is supplied with fresh water, by gravity, from a reservoir and two tanks located at high elevation in the City.

Balanced Budget

The Constitution of the State of California requires all cities to adopt a balanced budget wherein revenues must match expenditures.

Accrual Basis of Accounting

A method of accounting in which all assets and liabilities associated with its operations is included on the statement of net assets; revenues are recorded when earned, and expenses recorded when liabilities are incurred.

Annual Appropriation Ordinance (AAO)

Upon approval, this document is the legal authority for the City to spend funds during the fiscal year. It contains information on the sources and uses of selected City funds detailed by department and by program. Additional schedules summarize selected City revenues and expenditures by service area, department and fund.

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Balanced Budget

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Bay Area Water Supply and Conservation Agency (BAWSCA)

BAWSCA represents the interests of 27 suburban wholesale that purchase water wholesale from the San Francisco regional water system. These entities provide water to 1.7 million people, businesses and community organizations in Alameda, Santa Clara and San Mateo counties.

Board of Supervisors (BOS)

The Board of Supervisors is the legislative branch of the City and County of San Francisco. The Board consists of 11 members. Each member is elected on a non-partisan basis from a district where he or she resides. The Board is responsible for approving and amending the SFPUC's proposed budget. The Board's Budget Analyst also participates in reviews of City spending and financial projections.

Budget and Finance Committee

The Budget and Finance Committee of the Board of Supervisors oversees appropriation ordinances, and measures concerning bond issues, taxes, fees and other revenue measures, redevelopment, and real estate. The Committee also oversees the annual appropriation and annual salary ordinances, and holds a public hearing on the Mayor's budget instructions to City departments for each annual City budget after the instructions are released.

Build America Bonds (BABs)

This is a tax credit or direct payment subsidy bond for municipal capital projects.

California Cap and Trade

The Cap-and-Trade Program is designed to achieve the goals of Global Warming Solutions Act of 2006. The program involves creating a market where GHG emission allowances can be bought and sold by entities, better facilitating the reduction of GHGs in a way that prevents inflexible limitations on economic activity.

California Department of General Services (DGS)

The Department of General Services (DGS) serves as business manager for the state of California. General Services helps to better serve the public by providing a variety of services to state agencies. DGS is committed to sustainability in its facilities, fleet and purchasing.

California Energy Commission (CEC)

The California Energy Commission has responsibility for activities that include forecasting future energy needs, promoting energy efficiency appliance and building standards, and supporting renewable energy technologies.

California Environmental Quality Act 1970 (CEQA)

The California Environmental Quality Act is a statute that requires state and local agencies to identify the significant environmental impacts of their actions and to avoid or mitigate those impacts, if feasible.

California Independent Systems Operator (CAISO)

CAISO is a non-profit public benefit corporation charged with operating the majority of California's high voltage wholesale power grid.

California Public Utilities Commission (CPUC)

The California Public Utilities Commission is an administrative agency that exercises both legislative and judicial powers. The major duties of the CPUC are to regulate privately owned utilities, securing adequate service to the public at rates that are just and reasonable to both customers and shareholders of the utilities. The CPUC also provides electricity and natural gas forecasting, and analysis and planning of energy supply and resources.

Capital Expenditures

Expenditures that extend the service life on an existing asset or the acquisition and/or construction of a new asset.

Capital Improvement Program (CIP) (Annual CIP)

The Capital Improvement Program is supported by the Ten-Year Capital Plan and Ten-Year Financial Plan. SFPUC's CIP includes renewal and replacement (R&R) and capital improvement programs to improve water efficiency, power infrastructure, and sewage treatment facilities. The issuance of revenue bonds, other forms of indebtedness, and the execution of governmental loans are provided under the San Francisco City Charter to finance the SFPUC's capital programs. The repayment of this indebtedness is provided for under the annual rates and revenues of the particular Enterprise that incurs the debt, categorized as debt service in the budget.

Capital Planning Committee (CPC)

The legislation creating San Francisco's (City) Ten-Year Capital Plan created the Capital Planning Committee (CPC). This body is chaired by the City Administrator and consists of the President of the Board of Supervisors, the Mayor's Finance Director, the Controller, the City Planning Director, the Director of Public Works, the Airport Director, the Executive Director of the Municipal Transportation Agency, the General Manager of the Public Utilities System, the General Manager of the Recreation and Parks Department, and the Executive Director of the Port of San Francisco. Through a series of meetings, the Capital Planning Committee reviews proposals, staff recommendations, and documents toward the development of a City-wide capital plan and annual capital budget. Furthermore, the Committee establishes prioritization and assessment criteria to assist the City Administrator and staff in developing the capital plan.

Carryforward

Outstanding budget commitments at the end of the fiscal year funded out of the annual operating budget, that are authorized to be carried over and expended during the following fiscal year.

Certificates of Participation (COP)

An instrument evidencing a pro-rata share in a specific pledged revenue stream, usually lease payments by the issuer. The certificate generally entitles the holder to receive a share, or participation, in the lease payments from a particular project. The lease payments are passed through the lessor to the certificate holders. The lessor typically assigns the lease and lease payments to a trustee, which then distribute the lease payments to the certificate holders.

Citizen's Advisory Committee (CAC)

The purpose of the Citizen's Advisory Committee is to provide policy recommendations to the Mayor, Board of Supervisors, City Administrator and Commissions on prioritization of public benefits.

City and County of San Francisco (CCSF)

CCSF is the City and County of San Francisco and SFPUC is one of departments governed by the Mayor and Board of Supervisors.

CleanPowerSF

CleanPowerSF is San Francisco's Community Choice Aggregation program. Community Choice Aggregation is a State program that allows cities and counties to partner with their investor-owned utility (PG&E in San Francisco) to deliver cleaner energy to residents and businesses.

Clean Water Act

The Clean Water Act establishes the basic structure for regulating discharges of pollutants into the waters of the United States and regulating quality standards for surface waters.

Commercial Paper (CP)

Used as a financing strategy that utilizes short-term financing to calibrate financing needs with project spending. The CP program facilitates short-term financing typically at lower interest rates than longer-term debt, which minimizes costs.

Committee on Information Technology (COIT)

The Committee on Information Technology (COIT) is the City's technology planning and governance body that is charged with submitting a five-year Information and Communication Technology (ICT) plan on a biannual basis to the Mayor and Board of Supervisors. As required by the City's Administrative Code, this plan seeks to better align City resources with the City's technology goals and objectives. The ICT Plan provides a framework for the City to proactively plan, fund, and implement projects which align with the City's goals of innovation, sustainability, and resilience. As the City's third iteration, the ICT Plan outlines a path to maximize current and future resources to support technology projects. The ICT Plan is updated every other year and covers the next five fiscal years.

Community Choice Aggregation (CCA)

As defined by Assembly Bill 117, CCA permits any city, county or city and county to aggregate the electric loads of residents, businesses and municipal facilities to facilitate the purchase and sale of electrical energy.

Countywide Cost Allocation Plan (COWCAP)

The Countywide Cost Allocation Plan is developed annually by the Controller's Office and calculates the overhead rate charged to each department for its share of City-wide overhead costs, such as payroll, accounting, and operations.

Cubic Feet (Ccf)

The billing unit for water and wastewater bills, where 1 Ccf=100 cubic feet=748 gallons. The average single-family residence uses about 51 gallons per person per day versus the California State-wide average of 155 gallons per day per capita.

Debt Service

Debt service is principal and interest payments on revenue bonds, State Revolving Fund loans used to finance system improvements, repayments on loans.

Department of General Services (DGS)

DGS serves as business manager for the State of California. DGS provides a variety of services to State agencies through innovative procurement and acquisition solutions, creative real estate management and design, state-of-the-art telecommunications, environmentally friendly transportation, and funding for the construction of safe schools.

Earthquake Safety and Emergency Response (ESER)

The San Francisco's Earthquake Safety and Emergency Response Program first approved by voters through a bond measure in 2010. The purpose of the program is to make repairs and improvements to neighborhood firehouses, upgrade the emergency firefighting water system and construct the City's new Public Safety Building that will allow San Francisco to quickly respond to a major earthquake or disaster.

Enterprise Fund

An enterprise fund establishes a separate accounting and financial reporting mechanism for municipal services for which a fee is charged in exchange for goods or services.

Environmental Protection Agency (EPA)

The EPA is an agency of the United States federal government, created to protect human health and the environment by writing and enforcing regulations based on laws passed by Congress

Equipment

Equipment has a value greater than \$5,000, and a useful life of three years or more, such as vehicles and hardware, or other heavy equipment.

Fats, Oils, and Grease (FOG)

The SFPUC Water Pollution Prevention Program has materials that can assist businesses in properly managing their fats, oils and grease wastes; FOG can be a major problem for San Francisco's sewers and for the Bay and Ocean that surround San Francisco, because when not disposed of properly FOG forms thick layers inside sewers and constricts flow.

Fiscal Year (FY)

San Francisco's fiscal year is from July 1st to June 30th.

Full-Time Equivalent (FTE)

An FTE is one or more employees who cumulatively work 40 hours per week.

Fund Balance

Fund balance is the difference between assets and liabilities.

Gallons Per Capita Daily (GPCD)

This used to refer to per capita daily water use. GPCD can be used for estimating future water use demand, but it is also an important tool for tracking conservation goals, since it provides a baseline for households and individuals to track & compare their own conservation efforts.

General Fund

The General Fund is a source of discretionary spending and funds many of the basic municipal services in the City and County of San Francisco such as public safety, health and human services and public works. Primary revenue sources include local taxes such as property, sales, payroll and other taxes.

General Reserves

General Reserves are budgeted to balance annual revenue and expenditure amounts. It is budgeted when revenues exceed expenditures.

General Use (GUSE)

Referring to general fund department customers generally pay subsidized rates.

GoSolarSF Program

The GoSolarSF Program was developed by the San Francisco Solar Task Force to encourage the installation of photovoltaic systems on residents and businesses within the City. GoSolarSF solar incentive program was approved by the San Francisco Public Utilities Commission in January 2008. The Board of Supervisors passed ordinances establishing a long-term Solar Energy Incentive Program and a Solar Energy Incentive Pilot Program in June 2008. The program was launched on July 1, 2008.

Governmental Accounting Standards Board (GASB)

The Governmental Accounting Standards Board (GASB) is the independent organization that establishes and improves standards of accounting and financial reporting for U.S. State and local governments.

Green-e Energy

The nation's leading independent consumer protection program for the sale of renewable energy and greenhouse gas reductions in the retail market. Green-e offers certification and verification of renewable energy and greenhouse gas mitigation products.

Greenhouse Gas (GHG)

GHG is a gas in an atmosphere that absorbs and emits radiation within the thermo infrared range. This process is the fundamental cause of the greenhouse effect.

Independent System Operator (ISO)

The Independent System Operator is nonprofit public benefit corporation that manages the flow of electricity across the high-voltage, long-distance power lines that make up 80 percent of California's and a small part of Nevada's power grid.

Interest Income

Revenue earned by an Enterprise on its cash investments.

Kilovolt (kV)

This is a measure of the potential energy of a unit charge at a given point in a circuit relative to a reference point.

Local Agency Formation Commissions (LAFCO)

LAFCO is responsible for reviewing and approving proposed jurisdictional boundary changes, including annexations and detachments of territory to and/or from cities and special districts, incorporations of new cities, formations of new special districts, and consolidations, mergers and dissolutions of existing districts.

Low-Impact Design (LID)

LID refers to a land planning and engineering design approach to manage stormwater runoff. LID directs runoff to natural vegetated systems, such as landscaped planters, swales and gardens that reduce filter or slow stormwater runoff. Strategic placement of this system can help mitigate the impacts of impervious surfaces and in some cases increase the level of service provided by the traditional sewer pipes.

Materials & Supplies (M&S)

M&S is an expenditure category that includes maintenance, safety, fuel, office supplies, and other miscellaneous materials and supplies for the maintenance and operations of an Enterprise/Bureau.

Megawatt (MW)

Megawatt is a standard unit of power in the international system equal to one million watts, used as a measure of the output of a power station.

Memorandum of Understanding (MOU)

A memorandum of understanding describes a bilateral or multilateral agreement between two or more parties

Million Gallons per Day (MGD)

Million gallons per day is a measurement of water flow frequently used in measurement of water consumption.

Modesto Irrigation District (MID)

One of four irrigation districts in California; its electric service area includes Modesto, Salida, Empire, Waterford, Mountain House and parts of LaGrange, Riverbank, Ripon, Escalon and Oakdale.

Modified Accrual Basis of Accounting

A basis of accounting used with a current financial resources measurement focus. It modifies the accrual basis of accounting in two significant ways: first, revenues are not recognized until they are measurable and available; and second, expenditures are recognized in the period in which the SFPU normally liquidates the related liability rather than when the liability is first incurred, if earlier.

National Pollutant Discharge Elimination System (NPDES)

A permit program, authorized by the Clean Water Act, that controls water pollution by regulating point sources that discharge pollutants into waters of the United States.

Non-Personnel Services

Non-personnel services include the maintenance of equipment and facilities, travel, training, memberships, professional services, rent, and other expenses that support maintenance for the operation of an Enterprise.

North American Electric Reliability Corporation (NERC)

The electric reliability organization (ERO) certified by the Federal Energy Regulatory Commission purpose is to establish and enforce reliability standards for the bulk-power system. NERC develops and enforces reliability standards; assesses adequacy annually via a ten-year forecast, and summer and winter forecasts; monitors the bulk power system; and educates, trains and certifies industry personnel.

Office of the General Manager (GM)

Supports the General Manager in his key oversight functions, which are to oversee the regional utility that delivers reliable, high quality drinking water to more than 2.5 million Bay Area customers; that collects and treats wastewater and stormwater for the CCSF; and that provides hydroelectric and other renewable power resources for the San Francisco municipal customers.

Operating Transfers Out

Operating transfers out refers to the revenue transfers between Enterprise funds.

Operations and Maintenance (O&M)

Includes budgets for Personnel, Overhead (or COWCAP), Non-Personnel Services, Materials and Supplies, Equipment, and Services of Other Departments.

Other Non-Operating Revenues

Non-utilities revenues, including rent, permit fees, sale of property, custom work, and reimbursements.

Pacific Gas & Electric (PG&E)

Incorporated in California in 1905, Pacific Gas & Electric is a natural gas and electric utilities company, with a service area from Eureka in the north to Bakersfield in the south, and from the Pacific Ocean in the west to the Sierra Nevada in the east. The company is based in San Francisco.

Pass-through

A pass-through is when the budget and/or expenditures are off-set by a like amount in revenues.

Personnel

Personnel refers to all labor costs including full-time, temporary, and projected-funded employees, overtime, premium and holiday pays and related benefits.

Pretreatment and Pollution Prevention (P2)

Programs to ensure regulatory compliance in wastewater collection systems; they focus on contaminant reduction activities for residential, commercial, and industrial dischargers. The major P2 programs include: Street Sweeping, Fats, Oils & Grease (FOG), Mercury Reduction Program, Pesticides/Integrated Pest Management (IPM), and Storm Water P2 Program/Construction Runoff Control.

Programmatic Projects

Programmatic projects are annual projects that close-out at the end of the fiscal year. These projects are used to capture costs for specific operating or maintenance programs.

Proposition 218

Prop 218 amended the California Constitution (Articles XIII C and XIII D) which, as it relates to assessments, requires the local government to have a vote of the affected property owners for any proposed new or increased assessment before it could be levied. The Proposition was passed by California voters on November 5, 1996, and the assessments portion placed in effect on July 1, 1997.

Proposition A (2002)

Approved by voters in November 2002, authorizes the SFPUC, subject to Board of Supervisors approval, to issue up to \$1.628 billion in revenue bonds or other forms of indebtedness to finance the acquisition and construction of improvements to the City's water system.

Proposition A (2009)

Approved in November 2009, this Proposition amended the City Charter to require the City to transition to a two-year budget cycle by FY 2012-13.

Proposition E (2002)

Approved by voters in November 2002, authorizes the SFPUC to issue revenue bonds or other forms of indebtedness for the purpose of reconstructing, replacing, expanding, repairing or improving water facilities or clean water facilities when authorized by ordinance approved by a two-thirds vote of the Board of Supervisors.

Rate Fairness Board (RFB)

The RFB was established with the passage of Proposition E, approved by San Francisco voters on November 5, 2002. The RFB advises the SFPUC on water and sewer rate matters. Its specific duties are: Annual review of a five-year rate forecast; hold one or more public hearings on annual rate recommendations before the SFPUC Commission adopts rates; provide a report and recommendations to the SFPUC on the rate proposal and; in connection with periodic rate studies, submit to the SFPUC rate policy recommendations for the Commission's consideration, including recommendations to reallocate costs among various retail utility customer classifications, subject to any outstanding bond requirements.

Renewable Portfolio Standards (RPS)

(RPS) is a regulation that requires the increased production of energy from renewable energy sources, such as wind, solar, biomass, and geothermal.

Renewal and Replacement (R&R)

R&R refers to projects in the Enterprises, including both minor and major construction projects, maintenance and rehabilitation projects, planning studies, and preliminary engineering analysis for major capital improvements.

Request for Proposal (RFP)

The process by which a corporate department or government agency prepares bid documents to acquire equipment or services.

Retail Water Sales

Retail water sales consist of rate schedules that include City and Suburban Retail rates. City Retail Rates include general rates - single-family residential, multiple-family residential, and commercial (industrial). These rates consist of a monthly service charge based on meter size and a two-step commodity charge for single- and multiple-family residential customers, and meter size and a uniform commodity charge for commercial (industrial) customers. Suburban retail rates include rate schedules for use outside of San Francisco.

Revenue-Funded Capital

The Revenue-Funded Capital is the revenue portion of the two-year capital program approved outside the budget process. This revenue reserve is funded in the operating budget.

Sale of Electricity

Sale of electricity refers to charges for electric power to City departments for municipal use, wholesale customers, and other retail customers.

Sale of Gas and Steam

Revenues from gas and steam provided to City departments by Hetch Hetchy Power. These revenues are a pass-through and have no impact on Hetchy Hetchy's fund balance levels.

Sale of Water

The budget category for revenues from sales of water to retail customers in San Francisco and suburban areas and to wholesale customers under the terms of a long-term Water Supply Agreement (WSA).

San Francisco Municipal Transportation Agency (SFMTA)

A public service Enterprise department of the CCSF that provides a surface transportation network for pedestrians, bicyclists, transit and paratransit customers, motorists, and taxis.

San Francisco Public Utilities Commission (SFPUC)

The SFPUC is a department of the City responsible for the maintenance, operation and development of three utility enterprises: the Wastewater Enterprise, the Water Enterprise and the Power Enterprise. The SFPUC provides regional water, local water, wastewater (collection, treatment, and disposal), and power.

Services of Other Departments

Services performed for the SFPUC by other City departments.

Sewer Service Charges

Sewer service charges are the primary funding source for the payment of costs associated with the Wastewater Enterprise's sanitary waste and stormwater collection, treatment and disposal.

Sewer System Improvement Program (SSIP)

A major focus of the Wastewater Enterprise, the SSIP is a long-term capital program that provides strategies and policies for the future. The San Francisco Sewer System Improvement Program objectives are to: develop a long-term vision and strategy for the management of the City's wastewater and stormwater; provide a detailed capital planning roadmap for improvements needed; estimate the funds to implement these improvements; address specific challenges facing the system; and maximize system reliability and flexibility.

SFPUC Commission

Under the Charter, the SFPUC is given exclusive charge of the operation and management of all water, wastewater and municipal customers' energy supplies and utilities of the City as well as the real, personal and financial assets under the SFPUC's jurisdiction. The Commission consists of five Commissioners appointed by the Mayor and subject to confirmation by a majority of the Board of Supervisors serving four-year terms.

State Revolving Fund (SRF)

State revolving funds are available as loans to government entities for the construction of publicly owned water and wastewater treatment facilities. The fund is administered by State Water Resources Control Board.

Ten-Year Capital Plan

The City and County of San Francisco Administrative Code requires the annual development of a Ten-Year Capital Plan for City-owned facilities and infrastructure. Under the authority of the City Administrator, the Capital is presented to the Capital Planning Committee (CPC) for their review. The CPC completes its review of the capital plan by March 1 and presents it to the Board of Supervisors (BOS). The BOS must adopt the Capital Plan by May 1.

Ten-Year Financial Plan

The Ten-Year Financial Plan is a planning document as required by the City and County of San Francisco, that includes a ten-year financial summary for each Enterprise, describing projected sources and uses, resulting fund balances and associated financial reserve ratios.

Treasure Island (TI)

The Water, Wastewater, and Power Enterprises operate and maintain the water, wastewater, and power distribution systems, and the associated revenues, on Treasure Island, on behalf of the Treasure Island Development Authority (TIDA) and in accordance with a water supply and quality permit issued by the California Department of Health Services, and the National Pollutant Discharge Elimination System (NPDES) permit issued by the California Regional Water Quality Control Board.

Treasure Island Development Authority (TIDA)

The Treasure Island Development Authority (TIDA) is a non-profit, public benefit agency dedicated to the economic redevelopment of former Naval Station Treasure Island. The Authority is vested with the powers of a California Redevelopment Agency as well as the rights to administer Tidelands Trust property. TIDA also performs and administers vital municipal services for the residential and daytime population during the interim reuse of the former military base.

Turlock Irrigation District (TID)

This is one of four irrigation districts in California that provides irrigation water as well as electric retail energy directly to homes, farms and businesses.

Up-country

Up-country refers to the water and power facilities located east of Alameda Country to the Sierras.

Water Supply Agreement (WSA)

The City and County of San Francisco and the 27 suburban wholesale customers entered into an agreement to purchase water from San Francisco on a wholesale basis and distribute it to residents, businesses, and thousands of community organizations in Alameda, Santa Clara and San Mateo Counties. The WSA was approved in April 2009 and has a term of 25 years. The Agreement changes the cost basis by which the wholesale rate is determined from a "utility cost basis" to a "cash basis". Beginning in FY 2009-10, wholesale customers will pay a proportionate share of regional system operating expenses, debt service on bonds sold to finance regional improvements, and other regional system improvements funded from current revenues. The WSA requires the rate be calculated and set annually and include a "true-up" between prior year revenues expenses.

Water System Improvement Program (WSIP)

The SFPUC launched a \$4.6 billion Water System Improvement Program (WSIP) to repair, replace, and seismically upgrade the San Francisco Regional Water System's aging facilities. Built in the early to mid-1900s, many parts of the San Francisco Regional Water System, often referred to as the Hetch Hetchy System, are nearing the end of their working life, with crucial portions crossing over or near to three of the nation's most active earthquake faults. The WSIP increases resilience to vulnerable portions of the system to mitigate earthquake risk and enhance water treatment processes to ensure a reliable supply of water for SFPUC customers.

Western Electricity Coordinating Council (WECC)

The Western Electricity Coordinating Council (WECC) is the Regional Entity responsible for coordinating and promoting Bulk Electric System reliability in the Western Interconnection. In addition, WECC provides an environment for coordinating the operating and planning activities of its members as set forth in the WECC Bylaws.

Western Renewable Energy Generation Information System

The Western Renewable Energy Generation Information System (WREGIS) is an independent, renewable energy tracking system for the region covered by the Western Electricity Coordinating Council (WECC). WREGIS tracks renewable energy generation from units that register in the system using verifiable data and creates renewable energy certificates (RECs). WREGIS certificates can be used to verify compliance with state and provincial regulatory requirements (i.e. - Renewable Portfolio Standards) and in voluntary market programs.

Western Systems Power Pool (WSPP)

WSPP is an agreement and an organization that creates power trading opportunities and allows WSPP members to manage power delivery and price risk. The mission of the organization is to provide a catalyst for an efficient and robust wholesale electric power market. WSPP accomplishes this by constantly facilitating refinements to the Agreement, and promoting trading relationships.

Wholesale Water Sales

The Water Enterprise provides wholesale water service to 27 wholesale customers, which consist of 24 municipalities and water districts, one private utility, one private non-profit university and one mutual water association. Wholesale customers are located in Alameda, Santa Clara and San Mateo counties. The SFPUC and the wholesale customers have negotiated a new Water Supply Agreement (WSA) that changes the cost basis by which the wholesale rate is determined from a "utility basis" to a "cash basis". Beginning in FY 2009-10, wholesale customers will pay a proportionate share of regional system operating expenses, debt service on bonds sold to finance regional improvements, and other regional system improvements funded from current revenues.



Appendix: Financial Policies

Capital Financing Policy

The San Francisco Charter Section 8B.125 requires the SFPUC to exercise prudent financial stewardship of SFPUC assets by establishing “rates, fees and charges at levels sufficient to improve or maintain financial condition and bond ratings at or above levels equivalent to highly rated utilities of each enterprise under its jurisdiction, meet requirements and covenants under all bond resolutions and indentures and provide sufficient resources for the continued financial health (including appropriate reserves), operation, maintenance and repair of each enterprise, consistent with good utility practice.” To most effectively meet these requirements, the SFPUC will utilize financial policies that foster financial stability, support fiscal discipline, and maintain credit ratings at or above levels equivalent to highly rated utilities. Strong financial policies signal to rating agencies and the capital markets that an entity is well managed and committed to sound financial practices.

The SFPUC owns and operates Water, Wastewater and Power Enterprises. These enterprises provide essential services to the residents and businesses of the San Francisco Bay Area. Maintaining enterprise infrastructure in a state of good repair requires ongoing maintenance and capital improvements, which represent a large portion of the SFPUC’s total ongoing expenditures. Balancing the mix of funding sources needed to pay for these improvements is a prudent way to protect both ratepayer affordability and the high-grade credit ratings of the three enterprises.

The SFPUC relies mainly on current revenue and debt financing to pay for capital assets or improvements. The use of current revenue (i.e. pay-as-you-go) to pay for recurring capital investment, such as repair and replacement projects, promotes financial sustainability by minimizing financing costs. Debt financing large, long-lived capital projects helps mitigate short term rate impacts and spreads the cost of the improvement over multiple generations of ratepayers. However, over-reliance on debt financing could limit future financial flexibility by imposing significant debt burdens on future rate payers, and could put downward pressure on future credit ratings. The appropriate mix of current revenue versus debt financing depends, in part, on the capital investment lifecycle of each enterprise.

In the light of these considerations, it is a policy of this Commission that over the ten-year financial planning horizon, a minimum ranging between 15% and 30% of each enterprise's capital budget will be paid for by current revenues.

To monitor compliance with this policy, SFPUC Finance staff will present this information to the Commission as part of the biennial budget process and the annual ten-year Financial Plan.

Adopted by Resolution 17-0061 on March 28, 2017

Charter Sections Related to Budgeting

PROPOSED BIENNIAL AND MULTI-YEAR BUDGETS (SF CHARTER SEC. 9.101) (a) The Mayor shall submit to the Board of Supervisors each year a proposed biennial budget, ordinances and resolutions fixing wages and benefits for all classifications and related appropriation ordinances. (b) The proposed biennial budget shall include: (1) Estimated revenues and surpluses from whatever sources, to the extent feasible, for the forthcoming two fiscal years and the allocation of such revenues and surpluses to various departments, functions and programs to support expenditures. Proposed expenditures may include such necessary and prudent reserves as recommended by the Controller; and (2) A summary of the proposed biennial budget with a narrative description of priorities, services to be provided and economic assumptions used in preparing the revenue estimates. (c) The proposed biennial budget and appropriation ordinances shall be balanced for each fiscal year so that the proposed annual expenditures of each fund do not exceed the estimated annual revenues and surpluses of that fund. If the proposed budget contains new revenue or fees, the Mayor shall submit to the Board of Supervisors the relevant implementing ordinances at the same time the biennial budget is submitted. (d) Until the appropriation ordinances are adopted by the Board of Supervisors, the Mayor may submit to the Board of Supervisors revisions to the proposed biennial budget, appropriation ordinances, and

ordinances and resolutions fixing wages and benefits. The Mayor may instruct the Controller to prepare the draft appropriation ordinances. (e) The Mayor shall file a copy of the proposed biennial budget at the Main Library and shall give notice of the budget summary, including making copies available to the public. Upon final approval of the budget by both the Board and the Mayor, notice shall be given of the final budget summary. (f) The Board of Supervisors by ordinance may require multi-year budget plans and other budget planning strategies to be performed by the several departments and offices of the City and County. (g) No later than February 1 of any even-numbered fiscal year, the Mayor and the Board of Supervisors by resolution may determine that the upcoming budgetary cycle or cycles for some or all City departments and offices shall be a fixed budgetary cycle or cycles in which the biennial budget will remain in effect for two fiscal years. With respect to the designated City departments and offices, the Board will not adopt a new budget for the second fiscal year of such fixed budgetary cycle or cycles, except as provided in subsection (h), below. But the City shall adjust the biennial budget for the second year of any fixed budget cycle if certain conditions exist, using the following process: 47 (3) If, during the first year of any fixed budgetary cycle, the Controller projects that the City will experience significant increases or decreases in revenues or expenditures during the second year of such budgetary cycle, the Controller shall submit a report to the Mayor and the Board of Supervisors identifying those increases or decreases. (4) The Mayor shall prepare and submit to the Board

of Supervisors a proposed amendment to the biennial budget responding to the Controller's report. The Board may approve or amend the Mayor's proposed budget amendment subject to the limitations that apply to the approval of the budget in Section 9.103. The Mayor's proposed budget amendment shall be deemed approved by operation of law unless the Board finally adopts an amendment to the biennial budget on second reading no later than July 15. (5) The Board's resolution declaring that an upcoming budgetary cycle or cycles shall be fixed, shall include a definition of the term "significant increases or decreases in revenues or expenditures," a deadline for the Controller's submission of a report identifying such increases or decreases, and a deadline for the Mayor to submit to the Board a proposed amendment to the biennial budget in response to the Controller's report. (h) Nothing in this section shall limit the ability of the Mayor or a member of the Board of Supervisors to introduce at his or her discretion an amendment to a biennial budget at any time during the budgetary cycle. (Amended by Proposition A, Approved 11/5/2009)

MISSION-DRIVEN BUDGET (SF CHARTER SEC. 9.114 Each departmental budget shall describe each proposed activity of that department and the cost of that activity. In addition, each department shall provide the Mayor and the Board of Supervisors with the following details regarding its budget: (a) The overall mission and goals of the department; (b) The specific programs and activities conducted by the department to accomplish its mission and goals; (c) The customer(s) or client(s) served by the department; (d) The service outcome desired by the customer(s) or client(s) of the department's programs and activities; (e) Strategic plans that guide each program or activity; (f) Productivity goals that measure progress toward strategic plans; (g) The total cost of carrying out each program or activity; and (h) The extent to which the department achieved, exceeded or failed to meet its missions, goals, productivity objectives, service objectives, strategic plans and spending constraints identified in subsections (1) through (6) during the prior year. Departmental budget estimates shall be prepared in such form as the Controller, after consulting with the Mayor, directs in writing.

PLANNING AND REPORTING (SF CHARTER SEC. 8B.123. (a) Planning and Reporting The Public Utilities Commission shall annually hold public hearings to review, update and adopt: (1) A long-term capital plan, covering projects during the next ten-year period; including cost estimates and schedules. (2) A long-range financial plan, for a ten-year period, including estimates of operation and maintenance expenses, repair and replacement costs, debt costs and rate increase requirements. (3) A Long-Term Strategic Plan, setting forth strategic goals and objectives and establishing performance standards as appropriate. The long-term capital plan and long-range financial plan shall serve as a basis and supporting documentation for the Commission's capital budget, the issuance of revenue bonds, other forms of indebtedness and execution of governmental loans under this Charter. (b) Citizens' Advisory Committee. The Board of Supervisors, in consultation with the General Manager of the Public Utilities Commission, shall establish by ordinance a Citizens' Advisory Committee to provide recommendations to the General Manager of the Public Utilities Commission, the Public Utilities Commission and the Board of Supervisors. (Added November 2002)

November
2019

SAN FRANCISCO PUBLIC UTILITIES COMMISSION



DEBT MANAGEMENT POLICIES & PROCEDURES

^ To review the San Francisco Public Utilities Commission
'Debt Management Policies and Procedures', go to:

https://sfpuc.org/sites/default/files/about-us/policies-reports/DebtManagementPolicy_9819.pdf

Debt Service Coverage Policy

The San Francisco Charter Section 8B.125 requires the SFPUC to exercise prudent financial stewardship of SFPUC assets by establishing “rates, fees and charges at levels sufficient to improve or maintain financial condition and bond ratings at or above levels equivalent to highly rated utilities of each enterprise under its jurisdiction, meet requirements and covenants under all bond resolutions and indentures... and provide sufficient resources for the continued financial health (including appropriate reserves), operation, maintenance and repair of each enterprise, consistent with good utility practice.” To most effectively meet these objectives, the SFPUC will adopt financial policies that foster financial stability, supports fiscal discipline,

and maintains credit ratings at or above levels equivalent to highly rated utilities. Strong financial policies signal to rating agencies and the capital markets that an entity is well managed and committed to prudent financial practices.

Debt issuance is a significant funding source for the SFPUC’s capital programs. Pursuant to SFPUC bond covenants entered into with bondholders, enterprise revenues pledged for the repayment of debt service must meet the following financial ratios.

Indenture Coverage: Net Revenues must equal a minimum of 1.25 x annual debt service; calculated as follows:

$$\frac{(\text{Annual Revenues} - \text{Operating Expenses}) + \text{Unappropriated Fund Balance}}{\text{Annual Debt Service}}$$

Current Coverage: Annual Revenues must equal a minimum of 1.00 x annual debt service; calculated as follows:

$$\frac{(\text{Annual Revenues} - \text{Operating Expenses})}{\text{Annual Debt Service}}$$

To ensure that the SFPUC maintains access to low-cost capital and retains financial flexibility for contingencies, it is important to adopt and implement financial policies that impose higher standards than the minimum indenture requirements. Therefore, for each enterprise, the SFPUC will adopt budgets, rates and financial plans that generate revenues such that:

Indenture Coverage shall be at least **1.35x**

Current Coverage shall be at least **1.10x**

To monitor compliance with this policy, SFPUC Finance staff will present this information to the Commission as part of the biennial budget process and the annual Ten-Year Financial Plan.

Adopted by Resolution 17-0060 on March 28, 2017

Fund Balance Reserve Policy

The San Francisco Charter Section 8B.125 requires the SFPUC to be a financial steward by establishing “rates, fees and charges at levels sufficient to improve or maintain financial condition and bond ratings at or above levels equivalent to highly rated utilities of each enterprise under its jurisdiction, meet requirements and covenants under all bond resolutions and indenture and provide sufficient resources for the continued financial health (including appropriate reserves), operation, maintenance and repair of each enterprise, consistent with good utility practice.” To most effectively meet this requirement, the SFPUC will utilize financial policies that foster financial stability, support fiscal discipline, and maintain credit ratings at or above levels equivalent to

highly rated utilities. Institutionalized policies signal to rating agencies and the capital markets that an entity is well managed and committed to prudent financial practices.

The SFPUC faces a number of risks to revenue stability, including multi-year rate packages, drought and weather variability, and highly volumetric rates. To manage these risks and reduce susceptibility to emergency rate increases, the SFPUC will ensure adequate ratepayer protection in the form of a Fund Balance Reserve. For each enterprise, the SFPUC will adopt budgets and establish rates to maintain undesignated fund balances that provide sufficient capacity to bridge shortfalls in cash flow and cover unanticipated expenditures, while also considering ratepayer impact and fairness in compliance with the San Francisco Charter. Specifically, for the time period covered in the SFPUC’s Charter-

mandated Ten-Year Financial Plan, operating and capital budgets and rates will be proposed for adoption such that the Fund Balance Reserve totals **a minimum of 90 days or 25% of Operations & Maintenance Expenses** (including programmatic projects, and excluding debt service and revenue-funded capital) throughout the forecast period. Amounts in excess of the minimum will be considered for contingencies and rate stabilization.

In the event that Fund Balance Reserve exceeds 250 days or 68% of Operations & Maintenance Expenses, this fact will be brought to the Commission during the subsequent biannual budget process for consideration for uses, including:

- The reduction of future customer rate increases,
- Management of unanticipated one-time events (such as an earthquake or disaster), or any ongoing impairment to revenues (such as a drought or economic downturn), or
- Revenue-funded capital projects, which will reduce projected future debt issuance.

To monitor compliance with this policy, SFPUC Finance staff will present this metric to the Commission as part of the annual Ten-Year Financial Plan and Quarterly Budget Status Report.

Adopted by Resolution 17-0044 on February 28, 2017

Cleanpowersf Fund Balance Reserve

While CleanPowerSF operates under much of the same legal and policy framework as the SFPUC's other utility services, the program is also uniquely reliant on a volatile power supply market, and faces competitive pressures that reduce its flexibility for rate increases. Moreover, CleanPowerSF's credit impacts not only lending terms, but also third-party power supply contracts, a key tool to mitigate market exposure. In the case of CleanPowerSF, the reserves need to be higher than in other Enterprises to account for the increased financial pressures and need for rate stabilization faced by power supply market volatility impacting open positions.

Consistent with this policy and with the San Francisco Charter, the SFPUC will adopt budgets and establish rates for CleanPowerSF that provide for adequate ratepayer protection in the form of a Fund Balance Reserve.

This Fund Balance Reserve for CleanPowerSF will be established at the following funding levels to mitigate short-term, unanticipated loss of revenues or increase in expenses; stabilize rates; and support the growth of the program:

3. Operating Reserve Fund Minimum: equal to 150 days cash on hand (or 41%) of annual operating expenditures; and
4. Operating Reserve Fund Target: equal to 180 days cash on hand (or 49%) of annual operating expenditures.

"Operating expenditures" are defined as all expenses in annual funds, including both operations and maintenance and personnel costs, as well as power supply costs and related expenditures, but excluding contributions to the reserve fund. The Fund Balance Reserve will be evaluated at least quarterly; the days cash on hand for Fund Balance Reserve minimum and target will be calculated using an annual basis of the twelve months operating expenditures in the fiscal year.

To allow for rate stabilization, budgets and rates may be set to draw down the Fund Balance Reserve to a minimum of 150 days cash on hand; further reductions should only occur due to unanticipated expenditure or revenue changes during the fiscal year. If the Fund Balance Reserve ends the fiscal year below the target of 180 days cash on hand, budgets and rates must be set to build back up to the target within three fiscal years.

Ratepayer Assurance Policy

Background

The San Francisco Charter Section 8B.125 requires the SFPUC to exercise prudent financial stewardship of SFPUC assets by establishing “rates, fees and charges at levels sufficient to improve or maintain financial condition and bond ratings at or above levels equivalent to highly rated utilities of each enterprise under its jurisdiction, meet requirements and covenants under all bond resolutions and indentures and provide sufficient resources for the continued financial health (including appropriate reserves), operation, maintenance and repair of each enterprise, consistent with good utility practice.” To most effectively meet these requirements, the SFPUC will utilize financial policies that foster financial stability, support fiscal discipline, and maintain credit ratings at or above levels equivalent to highly rated utilities. Strong financial policies signal to rating agencies and the capital markets that an entity is well managed and committed to sound financial practices.

The Commission recognizes that its revenue comes from ratepayers, and takes seriously its commitment to provide affordable and reliable water, power and sewer services. Ratepayers pay for: 1) what we do, i.e. our essential-service water, power and sewer utilities, and 2) how we do it, through a commitment to sustainability and adherence to the Commission’s Environmental Justice and Community Benefits policies.

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Purpose

The Ratepayer Assurance Policy serves as guidance to the SFPUC General Manager and staff of the Commission’s expectations regarding a) prudent use of ratepayer funds, b) establishment of rates and charges, and c) transparency in budgeting and rate-setting processes. SFPUC departments are self-supported enterprises, receiving no tax revenue from San Francisco’s General Fund. The Water, Power, and Sewer Enterprises are funded by service-based rates, fees and charges, as well as non-operating revenues such as interest and rental income.

Accountability to ratepayers is a central tenet that guides the use of ratepayer monies and the stewardship of the utility systems and resources entrusted to the SFPUC’s care.

Prudent Use of Ratepayer Funds

This policy is intended to provide ratepayers with the assurance that management recommendations and Commission decisions are made in the ratepayers’ best interest. It promotes accountability and transparency by using established budget and planning efforts to report how management will address the following:

Mission Management

The SFPUC shall comply with all San Francisco Charter requirements, including the development of our budget, as well as our long-term capital, financial and strategic plans. This includes mission-driven budgets for SFPUC Enterprises which are considered, adopted and published in a timely manner. Specifically, the Commission shall:

Review any proposed changes to the mission statement early in the budget process and any changes to the mission are adopted by the Commission prior to the cost of such changes being budgeted.

Review an analysis of mission changes along with how the proposed budget ties to the Strategic Plan.

Asset Management

As a utility, a significant portion of the SFPUC budget is allocated for the acquisition, construction, repair, and replacement of critical physical assets. Purchasing contracting and construction are subject to extensive legal and administrative regulation. Asset costs are ultimately driven by the assets acquired and the way in which they are maintained. The Commission shall:

- Plan and fund the acquisition, design, construction, repair, and replacement of assets such that their life cycle cost is minimized.
- Reduce the environmental impact of its assets by using more efficient technologies and seeking out opportunities to practice resource recovery, simultaneously reducing the cost of its activities. Examples include the use of vehicle pools, public transit, and greenhouse gas-free vehicles; developing power generation capacity as a byproduct of other utility functions; capturing and using stormwater runoff and recycled water wherever feasible; and investing in energy efficient and recycled buildings, assets, and materials.
- Review and approve all major asset purchases through the budget process, confirming that they are consistent with City policies and best practices promulgated by the General Manager.
- Ensure that assets (including, but not limited to, vehicles, computers, and other electronic devices) are selected and assigned to individuals in a cost-effective manner, and that they are used for business purposes that benefit the ratepayers.

- Support the development of innovative technologies, including the consideration of prudent demonstration projects, and implement proven technologies that achieve utility reliability, performance effectiveness, cost minimization, and continued environmental impact improvements.

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efficient and recycled buildings, assets, and materials.

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- Ensure that assets (including, but not limited to, vehicles, computers, and other electronic devices) are selected and assigned to individuals in a cost-effective manner, and that they are used for business purposes that benefit the ratepayers.
- Support the development of innovative technologies, including the consideration of prudent demonstration projects, and implement proven technologies that achieve utility reliability, performance effectiveness, cost minimization, and continued environmental impact improvements.

Personnel Management

Personnel costs are driven by how the SFPUC operates and organizes its workforce, including the number and level of staff. Compensation and benefit costs are determined by labor agreements, the Civil Service Commission, the City's Retirement Board, and the City's Health Service System. Position classifications and hiring authorizations include a review process that is governed by the Civil Service Commission and the City's Human Resources Department to ensure our hiring is appropriate for the work assigned. The Commission shall:

- Meet new position needs by reassignment of existing positions or substituting new positions for existing ones wherever possible.
- Review all proposed position changes in every budget in order to assure compliance with the agency's mission and Strategic Plan.
- Structure its workforce to ensure that customer service and utility operations are achieved effectively and efficiently, minimizing unplanned overtime, and maintaining the established level of service.
- Consider strategies to promote employee retention and succession planning by evaluating employee satisfaction with job content, compensation, and personnel processes.

Operating Cost Containment

To the extent that operating costs are determined by SFPUC management choices, the Commission shall limit operating cost increases, exclusive of debt services and pay-go capital investment, to not more than the cost of inflation. Any proposed budget that increases operating costs above this level will be supported by findings of necessity.

Social & Environmental Stewardship

The SFPUC has a stated policy of supporting the triple bottom line (TBL) form of performance measurement, evaluating the impact of projects beyond solely financial performance to include environmental as well as social impacts. Management shall report to the Commission on how the proposed budget and rates support TBL principles.

Establishment of Rates and Charges

Within industry standard ratemaking best practices, the SFPUC has significant flexibility to create rate structures that advance different policy goals. The SFPUC commits to designing rates in a manner that prioritizes the needs of ratepayers and aligns with the mission and values of the agency.

Tradeoffs are inherent in the development of rates and financial planning; it is rarely possible to achieve all goals. To ensure that decision-makers have properly assessed the impact of their recommendations, the SFPUC has identified the following principles to consider during the development of all proposed rates and charges:

Revenue Sufficiency

The Commission will aim to establish rates sufficient to cover the full cost of all SFPUC activities. Recovering sufficient revenue to fund the programs identified by the long-term plan is necessary to meet established level of service goals and comply with bond covenants, contract commitments, and adopted SFPUC and City policies.

Customer Equity

The Commission will establish rates based on cost of service in compliance with the San Francisco Charter and California Proposition 218. Cost of service based rates are an industry best practice to fairly allocate the cost of providing utility services between customer classes.

Environmental Sustainability

The Commission will aim to establish rates in a manner that values environmental sustainability and preserves the natural resources entrusted to the SFPUC's care. Rate structures that financially incentivize customers to conserve resources or reduce their demand on the SFPUC's system support this principle.

Affordability

The Commission will consider SFPUC service affordability for all its customers. Prudent operating and capital planning ties annual spending to system demand and intergenerational equity, enabling financial engineering and reducing costly emergency expenditures. Rate design should also consider the burden imposed by SFPUC bills on low-income customers.

Predictability

The Commission will aim to establish rates designed to minimize bill fluctuations, enabling ratepayers to plan ahead for their personal finances. Communicating to ratepayers well in advance of pending rate changes is important to prevent rate shock.

Simplicity

The Commission will aim to establish rates that are easy for ratepayers to understand. Simple rate structures also require fewer implementation and administration costs.

Tradeoffs

These principles sometimes compete with each other. For instance, customer equity may impede simplicity, environmental sustainability, or predictability. Rate structures that equitably distribute the cost of service often require more detail and complexity, which can hinder customers' ease of understanding, discourage measures to promote environmental sustainability, or inhibit the predictability of monthly bills. Some rate methodologies that promote conservation may be more challenged in meeting cost of service objectives, so the SFPUC will consider the principle of environmental sustainability alongside that of revenue sufficiency. Most of the SFPUC's costs (including debt service, operations and maintenance, and repair and replacement of aging infrastructure) do not vary based on consumption. With widespread customer conservation, rates tied solely to volumetric usage will impede revenue sufficiency.

The Commission endeavors to thoughtfully consider these inherent tradeoffs, and to transparently present the reasons for its decision-making.

Transparency

The above principles for prudent use of ratepayer funds and the establishment of rates and charges must be supported by a strong commitment to transparency. None of the Commission's work can be effectively carried out without the trust of its ratepayers. This requires open communication and engagement with the Commission, ratepayers, and other key stakeholders about the tradeoffs that are inevitably present in decision-making. SFPUC management and staff recognize that it is their obligation to accurately collect and present to the Commission the input of a diverse and representative set of stakeholders in the financial planning, budgeting, and rate-setting processes. This includes the oversight provided by the Citizens' Advisory Committee, the Rate Fairness Board, the Revenue Bond Oversight Committee, the Board of Supervisors, and the Mayor's Office. Mechanisms to communicate information on key decisions shall include: timely public meetings for budget and rate review; accurate, predictable communication of future rate changes, including average bill impact illustrations; and descriptions of both operating and capital costs to ensure that ratepayers know the component costs of their utility service and related programs. In addition, the SFPUC fosters transparency for ratepayers and the Commission through a range of publications that provide metrics and context regarding asset management, affordability, environmental sustainability, community engagement, cost containment, and levels of service. These include the annual Ten-Year Financial and Capital Plans, as well as independent cost of service studies as required by the city charter. With these metrics and stakeholder input, the Commission can ensure that it makes informed decisions that support the SFPUC's mission and values.

*Adopted by Resolution 17-0198 on
September 12, 2017*

Affordability

Policy Financial Policies Background & Purpose

As the sole water and sewer provider and a primary power provider within San Francisco, and a wholesale water, power, and sewer provider to public and private agencies within five counties in the Bay Area and Sierras, the San Francisco Public Utilities Commission (SFPUC) has an obligation to take actions to advance and protect the needs of residents, businesses, and visitors relying on our services. The SFPUC's utilities are enterprise departments, relying primarily on customer rates to fund their operations. Prudent and sustainable financial management is critical to the agency's mission.

Section 8B.125 of the San Francisco Charter requires the SFPUC to "establish rates, fees and charges at levels sufficient to improve or maintain financial condition and bond ratings at or above levels equivalent to highly rated utilities of each enterprise under its jurisdiction, meet requirements and covenants under all bond resolutions and indentures... and provide sufficient resources for the continued financial health (including appropriate reserves), operation, maintenance and repair of each enterprise, consistent with good utility practice" and to "set retail rates... based on the cost of service." In addition to Charter requirements, the SFPUC must also set rates that meet state and federal legal requirements and contractual obligations, including contractual covenants with the SFPUC's wholesale customers. After these requirements have been met, the SFPUC also considers additional factors in its financial planning, as directed by approved Commission policy goals, other Charter language, and the agency's mission and values.

To guide the SFPUC's compliance with financial requirements and achievement of its goals, the SFPUC has enacted various financial policies that set performance metrics and targets. These policies are used when adopting budgets and developing financial and capital plans. Transparent capital and operating budgeting and planning demonstrates to stakeholders that the SFPUC is well-managed and committed to prudent financial practices. This policy sits alongside the SFPUC's other financial policies and is one part of the comprehensive analysis necessary to inform sound financial decision-making.

Affordability Policy Background & Purpose

The SFPUC is dedicated to delivering cost-based, equitable, accessible, and affordable utility services for all our customers. This Affordability Policy sets forth the Commission's understanding of retail customer bill affordability and establishes metrics to assist in evaluating the impact of operating and capital budget increases on future rates. While this policy does not elevate residential rate affordability above other financial planning considerations, it reflects the Commission's commitment to consider the burden imposed by SFPUC bills on ratepayers, as directed by Charter Section 8B.125's directive to "conduct studies of rate-based conservation incentives and... rate structures to provide assistance to low- income users, and take the results of such studies into account when establishing rates, fees and charges, in accordance with applicable state and federal laws." The Commission understands customer rate affordability to be a foundational priority in achieving all of its Charter and other legal requirements, underlying its credibility with ratepayers and its authority to provide utility services.

US Census and other data indicates that, while San Francisco has a high proportion of residents with incomes above national and California averages, it also has among the highest cost of living and level of income inequality in the country. The SFPUC'S 2020 Resolution Condemning Systemic Racism & Taking Action to Promote Racial Justice requires the promotion of "racial and social equity across all enterprises and bureaus, including performance measures, incorporating a racial and social equity lens in budgeting, personnel, contracting decisions, and in all strategic long-term planning processes." Census data shows that in San Francisco, Black, Indigenous, and People of Color households have lower median incomes than households generally. In light of these facts, these metrics focus on low-income customers in San Francisco, who are disproportionately burdened by their utility bills. Moreover, traditional metrics focused on the household at the median or 50th percentile income do not capture the disparate impact of racial inequality. Instead, our metrics will be based upon a "typical" household earning the 40th percentile income, which reflects a more diverse subpopulation of our residential customer base.

This policy will be used to analyze utility bills to support sustainable budgeting and rate-setting. These metrics are not a rate cap or similar restriction. The SFPUC will always set rates that meet its legal, including regulatory, obligations, while at the same protecting the SFPUC’s current bond ratings, its ability to meet all debt covenants, its ability to meet other obligations (including contractual obligations to its wholesale customers), and its ability to provide utility services and maintain its infrastructure, all as required by the Charter.

Affordability Policy

It is the policy of the SFPUC when adopting budgets, developing financial and capital plans, and setting retail rates, to review the following metrics. The SFPUC’s capital and operating budgets should be developed based on retail rates that keep residential bills under the targets within a 20-year planning horizon. If this is not possible, each impacted Enterprise will include with their budget proposal to the Commission (1) an identification of the which targets are exceeded, (2) the rationale for exceeding the targets, and (3) proposed strategies to address affordability. These strategies might include cost management (operating expenditure cuts, reducing or deferring capital spending), securing alternative revenue sources (grants, federal and state loans, voter-approved taxes, fees for service, and resource recovery initiatives), or developing programs to assist low-income customers. Cost management and other strategies will be consistent with cost of service requirements of the California Constitution and San Francisco Charter.

If it is necessary or prudent to adopt rates exceeding these affordability targets, SFPUC management will provide a rationale accompanying the rate proposal. This rationale will describe the progress toward or infeasibility of implementing the previously identified strategies to avoid rate increases exceeding the targets, and the reasons staff nonetheless recommends these rate increases.

Both of the below affordability metrics follow the same general calculation:

$$\frac{\text{Average Bill}}{\text{Income}} = \text{Affordability Metric}$$

The SFPUC's rate metrics are as follows:

1. *Typical Customer Affordability Metric: The average individually-metered residential bill as a percentage of the 40th percentile income (second quintile income)*
 - a. *The combined water and sewer bill will target less than 3% of the typical customer's income.*
 - b. *The CleanPowerSF and Hetch Hetchy Power bills will be evaluated under this policy, but the target for power affordability has not been determined. Power affordability targets will be developed and included in a future version of this policy.*

2. *Low-Income Customer Affordability Metric: The average individually-metered residential bill as a percentage of the 20th percentile income (lowest quintile income)*
 - a. *The combined water and sewer bill will target less than 7% of the low-income customer's income using standard rates, and will target less than 5% of the low-income customer's income after accounting for enrollment in applicable bill discount programs.*
 - b. *The CleanPowerSF and Hetch Hetchy Power bills will be evaluated under this policy, but the target for power affordability has not been determined. Power affordability targets will be developed and included in a future version of this policy.*

Income data will be sourced from the US Census Bureau's latest available 5-year American Community Survey estimates for San Francisco, or an equivalent source if this information is no longer available. Bills and incomes will be expressed annually and include all relevant line items of the applicable rates schedules. Average bill calculations will assume the mean utility volumetric usage for all individually metered residential accounts, fixed service charges based on the most common meter and/or parcel size, and the default residential rate schedule if there is more than one choice.

Adopted by Resolution 23-0215 on November 28, 2023





SAN FRANCISCO PUBLIC UTILITIES COMMISSION
AN ENTERPRISE DEPARTMENT OF
THE CITY AND COUNTY OF SAN FRANCISCO, CALIFORNIA



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San Francisco
Water Power Sewer

Services of the San Francisco Public Utilities Commission