



**Date:** March 8, 2022

**To:** Commissioner Anson Moran, President  
 Commissioner Newsha Ajami, Vice President  
 Commissioner Sophie Maxwell  
 Commissioner Tim Paulson

**Through:** Dennis J. Herrera, General Manager *D.J.H.*

**From:** Charles Perl, Deputy Chief Financial Officer *Charles Perl*

**Subject:** **SFPUC FY 2021-22 Second Quarter Budgetary Report through December 31, 2021**

The FY 2021-22 second quarter budgetary reports are attached for the three Enterprises and CleanPowerSF, with high-level changes to revenues and expenses summarized in the following table:

**FY 2021-22 Operations**

	Beginning Fund Available Balance	Fund Balance Budgeted to be Used	Projected Sources	Projected Uses (excluding Capital & General Reserve)	Net Operating Results / Surplus / (Shortfall)	General Reserve & Project Closeout	Projected Year End Available Fund Balance
Water	254.2	(22.0)	(38.7)	6.1	(32.6)	-	199.6
Wastewater	185.7	(9.6)	(30.7)	5.8	(25.0)	-	146.1
Power	80.6	(7.1)	4.2	8.4	12.6	-	86.1
CleanPowerSF	73.4	(2.9)	(0.4)	3.7	3.3	-	73.9

**Summary:**

- Positive operating results projected for Power and CleanPowerSF and operating shortfalls projected for Water and Wastewater.
- *Water and Wastewater:* revenues are down from budget due to impact of water conservation efforts from drought assumptions and delayed economic recovery from COVID-19. Projections are worse than at Quarter 1. In both enterprises, revenue shortfalls include COVID-19 emergency customer assistance programs, offset by grants from the state COVID-19 utility debt forgiveness program. In addition, expenditures are projected to come in below budget due to vacant positions and projected year end savings in non-personnel expenses, materials and overhead.

**London N. Breed**  
Mayor

**Anson Moran**  
President

**Newsha Ajami**  
Vice President

**Sophie Maxwell**  
Commissioner

**Tim Paulson**  
Commissioner

**Dennis J. Herrera**  
General Manager



- Fund balance has been reduced by \$4.9M in the Wastewater enterprise due to legal settlements relating to floodwater claims from the 2014 storms. Such settlements can be paid directly from unappropriated fund balance per Appropriation Ordinance No. 165-20 (section 10.10).
- *CleanPowerSF*: The budget was revised to include the approved rate increases and the increased cost of power purchases driven by higher market energy costs. Revenue projections also include grants from the state COVID-19 utility debt forgiveness program. In addition, labor and non labor savings are anticipated due to vacant positions and lower than anticipated budgeted expenditures.
- *Power*: Retail revenues are higher due to increased sales volumes, largely attributed to SFO Airport. Revenues are projected to exceed the budget due to higher power prices, as well as higher water sales to Lawrence Livermore National Labs. The surplus in wholesale revenues has decreased since the prior projection at Quarter 1 due to drier weather so far in 2022 leading to lower generation. Higher revenues are partially offset by increased CAISO power purchases driven by higher power prices, as well as higher transmission and distribution costs. These costs are offset by \$4.0M power purchase contingency budget, as well as \$5.6M in prior year unspent funds carried forward from FY 2020-21. The projection also includes the estimated cost of moving certain unmetered loads over to PG&E.
- All enterprises are projected to meet financial policy minimums and coverage ratios at year end.

SFPUC's finance team is closely monitoring water and wastewater sales for FY 2021-22 to determine impacts of continued economic weakness on the current year and will provide continue to provide updates to the Commission.

If you have questions, please contact me at [Cperl@sflower.org](mailto:Cperl@sflower.org).

CC:

Masood Ordikhani, AGM, External Affairs, SFPUC  
 Barbara Hale, AGM, Power Enterprise, SFPUC  
 Alan Johanson, AGM, Infrastructure, SFPUC  
 Greg Norby, AGM, Wastewater Enterprise, SFPUC  
 Steve Ritchie, AGM, Water Enterprise, SFPUC  
 Ashley Groffenberger, Budget Director, Mayor's Office  
 Ben Rosenfield, Controller

Attachments:

Appendix A Water Enterprise

Appendix B Wastewater Enterprise

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

Appendix D CleanPowerSF

## Appendix A

**WATER ENTERPRISE OPERATING FUNDS**  
**FY 2021-22 2nd Quarter - Budgetary Basis, Funds 25940, 25950, 25960, 26570, 26600**  
(\$ Millions)

	FY 2021-22				
	FY 2020-21 Actuals	Original Budget	Revised Budget (includes carryforwards)	Projection (includes carryforwards)	Variance (Projection - Revised Budget)
<b>Sources</b>					
Retail Water Sales	285.9	328.1	328.2	315.8	(12.4) <b>A</b>
Wholesale Water Sales	275.2	270.6	270.6	246.5	(24.1) <b>B</b>
Interest Income	2.4	4.5	4.5	2.8	(1.7) <b>C</b>
Rental Income	12.7	12.9	12.9	12.3	(0.6) <b>D</b>
Miscellaneous Income	20.4	20.2	20.8	20.8	-
Departmental Transfer Adjustment	(44.2)	(45.8)	(45.8)	(45.8)	-
Federal Bond Interest Subsidy	21.8	21.6	21.6	21.6	-
Appropriated/Budgeted Use of Fund Balance	95.1	22.0	72.8	72.8	-
<b>Total Sources</b>	<b>669.3</b>	<b>634.0</b>	<b>685.5</b>	<b>646.8</b>	<b>(38.7)</b>
<b>Operating Uses</b>					
Personnel	98.7	110.0	110.0	107.5	2.5 <b>E</b>
Non-Personnel Services	17.2	24.6	35.8	35.7	0.1
Materials and Supplies	12.4	16.0	20.3	20.1	0.2
Equipment	3.2	3.1	9.6	9.6	-
Light, Heat, and Power	9.8	10.4	10.6	10.6	-
Overhead (SFPUC Bureaus)	48.4	59.8	69.0	67.5	1.5 <b>F</b>
Services of Other Departments	14.4	14.7	16.1	15.1	1.0 <b>G</b>
Debt Service	299.3	307.7	307.7	306.9	0.8 <b>H</b>
<b>Total Operating Uses</b>	<b>503.3</b>	<b>546.4</b>	<b>579.2</b>	<b>573.1</b>	<b>6.1</b>
<b>Net Operating Results</b>	<b>166.0</b>			<b>73.7</b>	<b>(32.6)</b>
<b>Adjustments to Operating Fund Balance</b>					
	FY 2020-21 Actuals	Current Year Transfers from Operating	Total Available Funds	Projection (current & future years spending)	Project Closeouts
Capital Projects	45.2	55.7	237.9	237.9	-
Facilities Maintenance/Programmatic	22.9	32.0	50.0	50.0	-
<b>Total Adjustments to Operating Fund Balance</b>	<b>\$ 68.1</b>	<b>\$ 87.7</b>	<b>\$ 287.9</b>	<b>\$ 287.9</b>	<b>\$ -</b>
<b>Available Fund Balance as of Fiscal Year-End</b>	<b>\$ 254.2</b>			<b>\$ 199.6</b>	
<b>Available Fund Balance, % of Operating Uses (I) 25-68%</b>	<b>112.0%</b>			<b>63.1%</b>	
<b>Debt Service Coverage (Year-End Budgetary Basis)</b>					
Indenture Basis (includes Available Fund Balance) (J) ≥ 1.35	<b>1.99</b>	<b>1.95</b>			<b>1.74</b>
Current Basis (K) ≥ 1.10	<b>1.22</b>	<b>1.20</b>			<b>1.10</b>

## Appendix A

### WATER ENTERPRISE OPERATING FUNDS FY 2021-22 2nd Quarter - Budgetary Basis, Funds 25940, 25950, 25960, 26570, 26600 (\$ Millions)

#### Revenue Variances

- A. Retail water sales forecasted to be 52.9 MGD, a 6.0% decrease from budgeted volumes of 56.2 MGD, and a 1.4% decrease from prior year actuals of 53.6 MGD. Assumes 5% drought surcharge effective April 2022. Projections incorporate COVID-19 emergency discount programs and \$7.3M in grants from state COVID-19 utility debt forgiveness program.
- B. Wholesale water sales forecasted to be 121.2 MGD, a 8.9% decrease from budgeted volumes of 133.0 MGD, and a 10.2% decrease from prior year actuals of 134.9 MGD. Revenues also include \$2.1M in payments from customers not meeting minimum purchase requirements.
- C. Interest income projected to fall below budget due to lower-than-budgeted interest rates on City's pooled funds portfolio.
- D. Rental income projected to fall slightly below budget due to revenue adjustments made to Crystal Springs Golf Course.

#### Expenditure Variances

- E. Savings due to vacant positions.
- F. Savings reflect lower spending associated with bureau allocation.
- G. Savings reflects lower spending from other City departments.
- H. Savings reflects \$810k in excess reserve funds applied to debt service payments.

#### Other Notes

- I. Calculated as Ending Available Fund Balance (including additions to General Reserve) as a percent of Operating Uses plus Facilities Maintenance/Programmatic Uses. SFPUC's Fund Balance Reserve Policy requires this to be within a range of 25-68%.
- J. Calculated as ratio between (a) Total Sources plus Beginning Available Fund Balance plus Capacity Charges, less Operating Uses less Facilities Maintenance/Programmatic, excluding all revenues and expenses related to the 525 Golden Gate COPs, and (b) Debt Service. The Indenture requires this ratio to be a minimum of 1.25 times, and SFPUC's Debt Service Coverage Policy requires this ratio to be a minimum of 1.35 times.
- K. Calculated as ratio between (a) Total Sources plus any appropriated fund balance, plus Capacity Charges, less Operating Uses less Facilities Maintenance/Programmatic, excluding all revenues and expenses related to the 525 Golden Gate COPs, and (b) Debt Service. SFPUC's Debt Service Coverage Policy requires this ratio to be a minimum of 1.10 times.

Appendix B

**WASTEWATER ENTERPRISE OPERATING FUNDS**  
**FY 2021-22 2nd Quarter - Budgetary Basis, Funds 20160, 20550, 20170, 20210**  
**(\$ Millions)**

	FY 2020-21 Actuals	FY 2021-22			
		Original Budget	Revised Budget (includes carryforwards)	Projection (current year spending)	Variance (Projection - Revised Budget)
<b>Sources</b>					
Sewer Service Charges	326.2	388.7	388.7	358.4	(30.4) A
Interest Income	6.0	5.8	5.8	3.6	(2.2) B
Miscellaneous Income	5.0	4.3	4.5	6.3	1.8 C
Federal Bond Interest Subsidy	3.5	3.5	3.5	3.5	-
Appropriated/Budgeted Use of Fund Balance	28.6	9.6	14.6	14.6	- D
<b>Total Sources</b>	<b>369.4</b>	<b>411.9</b>	<b>417.1</b>	<b>386.3</b>	<b>(30.7)</b>
<b>Operating Uses</b>					
Personnel	70.8	82.1	82.1	79.5	2.7 E
Non-Personnel Services	18.1	26.3	28.9	27.4	1.5 F
City Grant Programs	0.1	0.3	0.6	0.6	-
Materials and Supplies	8.7	12.0	14.6	14.1	0.5 G
Equipment	0.9	3.2	6.6	6.6	-
Light, Heat, and Power	10.1	12.3	12.8	12.8	-
Overhead (SFPUC Bureaus)	29.5	36.4	43.6	42.5	1.1 H
Services of Other Departments	27.0	25.4	27.1	27.1	-
Debt Service	86.5	95.2	95.2	95.2	-
<b>Total Operating Uses</b>	<b>251.7</b>	<b>293.1</b>	<b>311.5</b>	<b>305.8</b>	<b>5.8</b>
<b>Net Operating Results</b>	<b>117.7</b>			<b>80.6</b>	<b>\$ (25.0)</b>
<b>Adjustments to Operating Fund Balance</b>					
	FY 2020-21 Actuals	Current Year Transfers from Operating	Total Available Funds	Projection (current & future years spending)	Project Closeouts
Capital Projects	34.3	110.3	123.7	123.7	-
Facilities Maintenance/Programmatic	6.5	8.6	12.9	12.9	-
Legal Settlements	-	-	4.9	4.9	- I
General Reserve	-	-	-	-	-
<b>Total Adjustments to Operating Fund Balance</b>	<b>\$ 40.9</b>	<b>\$ 118.8</b>	<b>\$ 141.5</b>	<b>\$ 141.5</b>	<b>\$ -</b>
<b>Available Fund Balance as of Fiscal Year-End</b>	<b>\$ 185.7</b>		14.6		<b>\$ 146.1</b>
<b>Available Fund Balance, % of Operating Uses (J) 25-68%</b>	<b>108.1%</b>				<b>65.4%</b>
<b>Debt Service Coverage (Year-End Budgetary Basis)</b>					
Indenture Basis (includes Available Fund Balance) (K) ≥ 1.35	<b>4.39</b>	<b>4.18</b>			<b>3.66</b>
Current Basis (L) ≥ 1.10	<b>2.13</b>	<b>2.30</b>			<b>1.79</b>

## Appendix B

### WASTEWATER ENTERPRISE OPERATING FUNDS FY 2021-22 2nd Quarter - Budgetary Basis, Funds 20160, 20550, 20170, 20210 (\$ Millions)

#### **Revenue Variances**

- A. Wastewater retail billable volumes forecasted to be 42.9 MGD, a 3.7% decrease from budget of 44.5 MGD and a 0.3% decrease from prior year actuals of 43.0 MGD. Assumes 5% drought surcharge effective April 2022 and incorporates COVID-19 emergency discounts.
- B. Interest income projected to fall below budget due to lower-than-budgeted interest rates on City's pooled funds portfolio.
- C. Miscellaneous income forecasted to increase from budget, primarily due to increased revenue from various permitting fees and non-utility services to other City departments.
- D. Additional fund balance of \$4.9M was appropriated to cover claims relating to the December 2014 rainstorms per Appropriation Ordinance No. 165-20 (section 10.10).

#### **Expenditure Variances**

- E. Salary savings reflect vacant positions.
- F. Savings reflect lower spending on biosolids hauling and digester cleaning.
- G. Savings reflect lower projected spending on chemical supplies.
- H. Savings reflect salary savings associated with bureau allocation.
- I. \$4.9M was appropriated to cover claims relating to the December 2014 rainstorms per Appropriation Ordinance No. 165-20 (section 10.10).

#### **Other Notes**

- J. Calculated as Ending Available Fund Balance (including additions to General Reserve) as a percent of Operating Uses plus Facilities Maintenance/Programmatic Uses. SFPUC's Fund Balance Reserve Policy requires this to be within a range of 25-68%.
- K. Calculated as ratio between (a) Total Sources plus Beginning Available Fund Balance plus Capacity Charges, less Operating Uses less Facilities Maintenance/Programmatic (excluding all revenues and expenses related to the 525 Golden Gate COPs), and (b) Debt Service. The Indenture requires this ratio to be a minimum of 1.25 times, and SFPUC's Debt Service Coverage Policy requires this ratio to be a minimum of 1.35 times.
- L. Calculated as ratio between (a) Total Sources plus any appropriated fund balance plus Capacity Charges, less Operating Uses less Facilities Maintenance/Programmatic (excluding all revenues and expenses related to the 525 Golden Gate COPs), and (b) Debt Service. SFPUC's Debt Service Coverage Policy requires this ratio to be a minimum of 1.10 times.

Appendix C

HETCH HETCHY WATER & POWER OPERATING FUNDS  
 FY 2021-22 2nd Quarter - Budgetary Basis - 24970, 24980, 24990 & 25030  
 (\$ Millions)

	FY 2021-22				
	FY 2020-21 Actuals	Original Budget	Revised Budget (includes carryforwards)	Projection (current year spending)	Variance (Projection - Revised Budget)
<b>Sources</b>					
Electric Sales - Retail	109.1	134.7	134.7	138.6	3.9 A
Electric Sales - Wholesale	15.1	17.5	17.5	20.6	3.0 B
Water Sales - Transfer from Water Department	44.2	45.8	45.8	45.8	-
Natural Gas & Steam - City Work Orders	13.0	12.9	18.6	14.8	(3.7) C
Interest Income	1.5	4.8	4.8	2.3	(2.5) D
Federal Interest Subsidy - Power Bonds	0.5	0.5	0.5	0.4	-
Miscellaneous Income	9.8	5.6	5.6	9.0	3.5 E
Appropriated/Budgeted Use of Fund Balance	29.3	7.1	45.4	45.4	-
<b>Total Sources</b>	<b>222.5</b>	<b>228.9</b>	<b>272.8</b>	<b>277.0</b>	<b>4.2</b>
<b>Operating Uses</b>					
Personnel	46.6	51.4	51.4	51.4	-
Non-Personnel Services	60.3	39.4	52.6	51.8	0.8 F
Power Purchases, Transmission Distribution & Related Charge	42.8	69.4	72.5	69.1	3.4 G
Natural Gas & Steam	13.0	12.9	18.6	14.8	3.7 H
Materials and Supplies	3.5	3.5	3.7	3.7	-
Equipment	3.9	1.2	4.6	4.6	-
Overhead (SFPUC Bureaus)	17.8	21.8	25.4	24.9	0.5 I
Services of Other Departments	4.3	9.2	12.2	12.2	-
Debt Service	3.7	3.9	3.9	3.9	-
<b>Total Operating Uses</b>	<b>195.9</b>	<b>212.7</b>	<b>244.8</b>	<b>236.4</b>	<b>8.4</b>
<b>Net Operating Results</b>	<b>26.6</b>			<b>40.7</b>	<b>12.6</b>
<b>Adjustments to Operating Fund Balance</b>					
	FY 2020-21 Actuals	Current Year Transfers from Operating	Total Available Funds	Projection (current & future years spending)	Project Closeouts
Facilities Maintenance/Programmatic	12.7	14.5	20.8	20.8	-
Capital projects	27.0	1.7	96.6	96.6	-
General Reserve	-	-	-	-	-
<b>Total Adjustments to Operating Fund Balance</b>	<b>39.7</b>	<b>16.1</b>	<b>117.4</b>	<b>117.4</b>	<b>-</b>
<b>Available Fund Balance as of Fiscal Year-End</b>	<b>80.6</b>				<b>86.1</b>
<b>Available Fund Balance, % of Operating Uses (J) 25-68%</b>	<b>39.3%</b>				<b>42.5%</b>
<b>Debt Service Coverage... Year-End Budgetary Basis</b>					
Indenture Basis (includes Available Fund Balance) (K) ≥ 1.3	<b>9.89</b>	<b>33.33</b>			<b>23.28</b>

**Revenue Variances**

- A. Retail sales above budget due to unmetered loads moving to higher PG&E rates. Includes \$1.2M in grants from state COVID-19 utility debt forgiveness program.
- B. Wholesale sales above budget, mainly due to higher than budgeted power prices.
- C. Savings due to lower usage in natural gas & steam.
- D. Interest income projected to fall below budget due to lower-than-budgeted interest rates on City's pooled funds portfolio.
- E. Miscellaneous revenues projected to increase from budget due to water sales to Lawrence Livermore National Labs resuming after being on hold for several years and removed from the budget.

**Expenditure Variances**

- F. Savings due to savings in service costs for loss of unmetered loads.
- G. Increase to purchased power due to reduced generation compounded by large increases in power prices, \$2.1M payments to PG&E for unmetered loads starting February 2022 and \$2.7M collateral call from APX due to increase in weekly billing amounts. These costs are offset by \$2.1M savings in local capacity costs. \$1.5M in savings CAISO cost as well as \$3M in prior year unspent funds carried
- H. Savings due to lower usage in natural gas & steam.
- I. Savings reflect lower spending associated with bureau allocation.



**Appendix D**  
**CleanPowerSF**  
**FY 2021-22 2nd Quarter - Budgetary Basis - 24750, 24761, 24765 & 24870**  
**(\$ Millions)**

	<b>FY 2021-22</b>				
	<b>FY 2020-21 Actuals</b>	<b>Original Budget</b>	<b>Revised Budget (includes carryforwards &amp; supplemental)</b>	<b>Projection (includes carryforwards)</b>	
<b>Operating Sources</b>					
Electric Sales - Green Product	199.8	213.3	248.4	246.9	(1.6)
Electric Sales - SuperGreen Product	10.9	10.9	10.9	12.9	2.0
Wholesale Sales	-	-	-	-	-
<b>Subtotal - Electric Revenues</b>	<b>210.7</b>	<b>224.1</b>	<b>259.3</b>	<b>259.7</b>	<b>0.4</b>
Interest Income	0.6	0.9	0.9	0.2	(0.8)
Appropriated/Budgeted Use of Fund Balance	10.5	2.9	6.4	6.4	-
<b>Total Sources</b>	<b>221.8</b>	<b>227.9</b>	<b>266.7</b>	<b>266.3</b>	<b>(0.4)</b>
<b>Operating Uses</b>					
Personnel	3.7	8.0	8.0	6.2	1.8
Overhead	2.3	2.7	3.1	3.1	-
Non Personnel Services	9.9	12.1	13.3	12.8	0.5
Materials & Supplies	0.0	0.2	0.2	0.1	0.1
Power Purchases	189.5	197.9	234.3	233.0	1.2
Services of Other Departments	3.7	3.7	3.7	3.7	-
Debt Service	1.8	-	-	-	-
<b>Total Operating Uses</b>	<b>210.9</b>	<b>224.5</b>	<b>262.6</b>	<b>258.9</b>	<b>3.7</b>
<b>Net Operating Results</b>	<b>10.9</b>			<b>7.4</b>	<b>3.3</b>
<b>Adjustments to Operating Fund Balance</b>					
	<b>FY 2020-21 Actuals</b>	<b>Current Year Transfers from Operating</b>	<b>Total Available Funds</b>	<b>Projection (current &amp; future years spending)</b>	<b>Project Closeouts</b>
Programmatic	0.1	1.0	1.6	1.6	-
Capital Projects	-	2.4	4.2	4.2	-
General Reserve	-	-	-	-	-
<b>Total Adjustments to Operating Fund Balance</b>	<b>0.1</b>	<b>3.4</b>	<b>5.8</b>	<b>5.8</b>	<b>-</b>
<b>Available Fund Balance as of Fiscal Year-End</b>	<b>73.4</b>				<b>73.9</b>

**Revenue Variances**

**A.** Revised budget reflects \$35.2M supplemental appropriation to cover higher than anticipated costs to purchase energy due to volatile power market. Revenues are higher than budget due to approved rate increases in November and anticipated rate increases in March 2022. Projection also includes \$2.4M in grants from state COVID-19 utility debt forgiveness program.

**B.** Interest income projected to fall below budget due to lower-than-budgeted interest rates on City's pooled funds portfolio.

**Expenditure Variances**

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

**D.** Savings reflect budgeted contractual services performed internally.

**E.** Savings reflect a reduction in materials and supplies due to the current remote workforce.

**F. Revised budget** reflects a \$35.2M supplemental appropriation to cover higher than anticipated costs to purchase energy due to volatile power market. Wholesale power prices in California have increased by more than 30% since budget adoption.

**Other Notes**

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