




# San Francisco Water Power Sewer


Services of the San Francisco Public Utilities Commission

525 Golden Gate Avenue, 13th Floor  
San Francisco, CA 94102  
T 415.934.5707  
F 415.554.1877

**Date:** March 12, 2019

**To:** Commissioner Ann Moler Caen, Vice President  
Commissioner Francesca Vietor  
Commissioner Anson Moran  
Commissioner Ike Kwon

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

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

**Subject:** SFPUC FY 2018-19 Second Quarter Budgetary Report through 12/31/18

The FY 2018-19 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 2018-19 Operations

	Beginning Available Fund Balance	Fund Balance Budgeted to be (Used)	Revenue Surplus / (Shortfall)	Expenditure Savings / (Shortfall)	Net Revenues Surplus / (Shortfall)	General Reserve	Projected Year End Available Fund Balance
Water	\$ 225.7	\$ (4.3)	\$ (1.7)	\$ -	\$ (1.7)	\$ -	\$ 219.7
Wastewater	\$ 201.7	\$ (6.0)	\$ (2.4)	\$ 4.0	\$ 1.6	\$ -	\$ 197.3
Power	\$ 52.7	\$ (14.1)	\$ (13.6)	\$ 2.5	\$ (11.1)	\$ -	\$ 27.5
CleanPowerSF	\$ 10.4	\$ -	\$ -	\$ 2.5	\$ 2.5	\$ 22.1	\$ 35.0

### Summary:

- Positive operating results projected for Wastewater and CleanPowerSF; negative results projected for Water and Power.
- Water and Wastewater revenues are slightly below budget primarily due to lower water sales from cooler and wetter than average weather.
- Power revenues are \$10.1M (6.4%) below budget primarily from retail and municipal energy usage below forecast; delay in

**London N. Breed**  
Mayor

**Ann Moller Caen**  
Vice President

**Francesca Vietor**  
Commissioner

**Anson Moran**  
Commissioner

**Ike Kwon**  
Commissioner

**Harlan L. Kelly, Jr.**  
General Manager

**OUR MISSION:** To provide our customers with high-quality, efficient and reliable water, power and sewer services in a manner that values environmental and community interests and sustains the resources entrusted to our care.



transfer customer loads coming online; lower transmission cost recovery.

- CleanPowerSF revenues projected at budgetary levels.
- Power 20% operating reserve balance projection is below 25% minimum (90 days operating expense) primarily due to lower revenues.

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

CC: Michael Carlin, Deputy General Manager, SFPUC  
Juliet Ellis, AGM, External Affairs, SFPUC  
Barbara Hale, AGM, Power Enterprise, SFPUC  
Kathryn How, AGM, Infrastructure, SFPUC  
Greg Norby, AGM, Wastewater Enterprise, SFPUC  
Steve Ritchie, AGM, Water Enterprise, SFPUC  
Kelly Kirkpatrick, Budget Director, Mayor's Office  
Ben Rosenfield, Controller

Attachments:

Appendix A Water Enterprise

Appendix B Wastewater Enterprise

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

Appendix D CleanPowerSF

Appendix A

WATER ENTERPRISE OPERATING FUNDS  
FY 2018-19 2nd Quarter - Budgetary Basis, 5W AAA  
(\$ Millions)

	FY 2017-18 Actuals	FY 2018-19			
		Original Budget	Revised Budget	Projection	Variance
<b>Available Fund Balance as a Source</b>	\$ 190.3	\$ 4.3	\$ 22.6	\$ 244.0	\$ 221.4
<b>Sources</b>					
Retail Water Sales	256.7	279.4	279.4	274.5	(4.9) A
Wholesale Water Sales	260.4	264.2	264.2	266.1	1.8 B
Interest Income	1.8	2.3	2.3	2.3	-
Rental Income	12.3	12.7	12.7	12.7	-
Miscellaneous Income	25.2	14.8	14.8	16.2	1.4 C
Departmental Transfer Adjustment	(32.6)	(33.6)	(33.6)	(33.6)	-
Federal Bond Interest Subsidy	24.0	23.9	23.9	23.9	-
<b>Total Sources</b>	<b>547.8</b>	<b>563.7</b>	<b>563.7</b>	<b>562.1</b>	<b>(1.7)</b>
<b>Operating Uses</b>					
Personnel	91.6	97.9	95.9	95.9	-
Non-Personnel Services	23.6	17.8	25.9	25.9	-
Materials and Supplies	15.0	14.0	15.5	15.5	-
Equipment	3.8	4.7	6.7	6.7	-
Light, Heat, and Power	9.0	9.9	9.9	9.9	-
Overhead (SFPUC Bureaus)	48.3	46.8	52.6	52.6	-
Services of Other Departments	14.4	12.7	13.8	13.8	-
<b>Total Operating Uses</b>	<b>205.8</b>	<b>204.0</b>	<b>220.3</b>	<b>220.3</b>	-
Debt Service	254.4	283.7	283.7	283.7	-
Capital Projects	27.8	51.8	51.8	51.8	-
Facilities Maintenance/Programmatic	24.4	30.6	30.6	30.6	-
General Reserve	-	-	-	-	-
<b>Total Uses - Operating, Debt Service, Capital &amp; Other</b>	<b>\$ 512.4</b>	<b>\$ 570.1</b>	<b>\$ 586.4</b>	<b>\$ 586.4</b>	<b>\$ 0.0</b>
<b>Net FY 2018-19 Results</b>					\$ (1.7)
<b>Available Fund Balance as of Fiscal Year-End (D)</b>	<b>\$ 225.7</b>				<b>\$ 219.7</b>
<b>Available Fund Balance, % of Operating Uses (E) 25-68%</b>	<b>98.0%</b>	<b>94.4%</b>		<b>93.6%</b>	
<b>Debt Service Coverage (Year-End Budgetary Basis)</b>					
Indenture Basis (includes Available Fund Balance) (F) ≥ 1.35	1.90	1.96		1.89	
Current Basis (G) ≥ 1.10	1.15	1.19		1.13	

## Appendix A

### WATER ENTERPRISE OPERATING FUNDS FY 2018-19 2nd Quarter - Budgetary Basis, 5W AAA (\$ Millions)

#### Revenue Variances

- A. Retail water sales are projected to be 57.5 MGD, a 0.1% decrease from budget of 57.6 MGD, and a 0.9% decrease from prior year actuals of 58.0 MGD.
- B. Wholesale water sales are projected to be 127.5 MGD, a 1.8% decrease from budget of 129.9 MGD, offset by \$3.2M in one-time Minimum Purchase revenue from prior year.
- C. Miscellaneous income projected to increase from budget primarily due to an increase in water service installation charges and gain on sale of land.

#### Other Notes

- D. Estimated FY 2017-18 ending available fund balance.
- E. 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%.
- F. 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.
- G. 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 2018-19 2nd Quarter - Budgetary Basis, 5C AAA**  
(\$ Millions)

	FY 2017-18 Actuals	FY 2018-19			
		Original Budget	Revised Budget	Projection	Variance
<b>Available Fund Balance as a Source</b>	\$ 172.0	\$ 6.0	\$ 62.2	\$ 257.9	\$ 195.7
<b>Sources</b>					
Sewer Service Charges	308.2	327.7	327.7	325.0	(2.6) A
Interest Income	1.5	1.8	1.8	1.8	-
Miscellaneous Income	4.0	3.2	3.2	3.4	0.2 B
Federal Bond Interest Subsidy	4.0	4.0	4.0	4.0	-
<b>Total Sources</b>	<b>317.6</b>	<b>336.7</b>	<b>336.7</b>	<b>334.3</b>	<b>(2.4)</b>
<b>Operating Uses</b>					
Personnel	66.0	71.6	71.3	67.3	4.0 C
Non-Personnel Services	22.7	18.2	23.0	23.0	-
City Grant Programs	0.2	0.3	0.3	0.3	-
Materials and Supplies	12.3	10.8	13.5	13.5	-
Equipment	1.6	1.8	2.9	2.9	-
Light, Heat, and Power	10.8	11.3	11.3	11.3	-
Overhead (SFPUC Bureaus)	30.6	28.4	32.4	32.4	-
Services of Other Departments	26.0	22.8	23.3	23.3	-
<b>Total Operating Uses</b>	<b>170.2</b>	<b>165.1</b>	<b>177.9</b>	<b>173.9</b>	<b>4.0</b>
Debt Service	50.5	63.2	63.2	63.2	-
Capital Projects	56.8	106.8	146.4	146.4	-
Facilities Maintenance/Programmatic	10.5	8.2	11.4	11.4	-
<b>Total Uses - Operating, Debt Service, Capital &amp; Other</b>	<b>\$ 287.9</b>	<b>\$ 343.2</b>	<b>\$ 398.9</b>	<b>\$ 394.9</b>	<b>\$ 4.0</b>
<b>Net FY 2018-19 Results</b>				\$ 1.6	
<b>Available Fund Balance as of Fiscal Year-End (D)</b>	<b>\$ 201.7</b>			<b>\$ 197.3</b>	
<b>Available Fund Balance, % of Operating Uses (E) 25-68%</b>	<b>111.7%</b>	<b>112.9%</b>		<b>116.5%</b>	
<b>Debt Service Coverage (Year-End Budgetary Basis)</b>					
Indenture Basis (includes Available Fund Balance) (F) ≥ 1.35	6.23	5.78		5.79	
Current Basis (G) ≥ 1.10	2.83	2.68		2.51	

**Appendix B**

**WASTEWATER ENTERPRISE OPERATING FUNDS  
FY 2018-19 2nd Quarter - Budgetary Basis, 5C AAA  
(\$ Millions)**

**Revenue Variances**

- A. Retail sewer service charge revenue projected to be 49.4 MGD, a 0.2% decrease from budget of 49.5 MGD, and a 0.9% decrease from prior year actuals of 49.9 MGD.
- B. Increase due to \$224K in unbudgeted biofuel revenues.

**Expenditure Variances**

- C. Personnel savings resulting from vacant positions.

**Other Notes**

- D. Estimated FY 2017-18 ending available fund balance.
  - E. 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%.
  - F. 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.
  - G. 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.
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**Appendix C**  
**HETCH HETCHY WATER & POWER OPERATING FUNDS**  
**FY 2018-19 2nd Quarter - Budgetary Basis, 5T AAA**  
**(\$ Millions)**

	FY 2017-18 Actuals	FY 2018-19				
		Original Budget	Revised Budget	Projection	Variance	
<b>Available Fund Balance as a Source</b>	\$ 67.2	\$ 14.1	\$ 205.5	\$ 244.1	\$ 38.6	
<b>Sources</b>						
Electric Sales - City Work Orders - General Fund Depts.	22.6	25.6	25.6	24.9	(0.7)	A
Electric Sales - City Work Orders - Enterprise Depts.	67.5	75.6	75.6	74.5	(1.1)	B
Electric Sales - Wholesale, (Districts, CAISO, CleanPowerSF, WSPP, Riverbank)	7.2	22.1	22.1	16.7	(5.4)	C
Electric Sales - Direct, Non-City Depts., SFUSD, Communit	18.5	19.3	19.3	19.4	0.1	D
Electric Sales - Retail	4.0	11.7	11.7	9.8	(1.9)	E
Electric Sales - Treasure Island	2.5	3.5	3.5	2.3	(1.2)	F
<b>Subtotal - Electric Revenues</b>	<b>122.4</b>	<b>157.7</b>	<b>157.7</b>	<b>147.7</b>	<b>(10.1)</b>	
Water Sales - Transfer from Water Department	32.6	33.6	33.6	33.6	-	
Water Sales - Groveland, Lawrence Livermore Labs	0.8	2.7	2.7	0.7	(2.0)	G
<b>Subtotal - Water Revenues</b>	<b>33.4</b>	<b>36.3</b>	<b>36.3</b>	<b>34.3</b>	<b>(2.0)</b>	
Natural Gas & Steam - City Work Orders	9.7	10.2	13.4	10.5	(2.9)	H
Interest Income	1.3	0.6	0.6	0.6	-	
Federal Interest Subsidy - Power Bonds	0.6	0.6	0.6	0.6	-	
Miscellaneous Income	5.3	3.5	3.5	4.9	1.4	I
<b>Total Sources</b>	<b>173.4</b>	<b>209.0</b>	<b>212.1</b>	<b>198.6</b>	<b>(13.6)</b>	
<b>Operating Uses</b>						
Personnel	38.1	45.0	42.9	42.9	-	
Non-Personnel Services	17.9	29.4	35.6	35.6	-	
Power Purchases	12.2	10.6	12.7	18.4	(5.7)	J
Transmission Distribution & Related Charges	28.0	36.0	38.9	37.6	1.3	K
Materials and Supplies	2.7	2.8	3.1	3.1	-	
Equipment	0.8	1.0	1.5	1.5	-	
Overhead (SFPUC Bureaus)	17.5	16.8	19.5	19.5	-	
Services of Other Departments	8.4	7.9	7.9	7.9	-	
Natural Gas & Steam	9.7	10.2	13.4	10.5	2.9	L
<b>Total Operating Uses</b>	<b>135.3</b>	<b>159.7</b>	<b>175.4</b>	<b>176.9</b>	<b>(1.5)</b>	
Debt Service	4.8	4.8	4.8	4.8	-	
Capital Projects	33.0	42.5	202.8	202.8	-	
Facilities Maintenance/Programmatic	14.8	15.3	30.6	30.6	-	
Contingency/Purchase of Power	-	4.0	4.0	-	4.0	M
<b>Total Uses - Operating, Debt Service, Capital &amp; Other</b>	<b>\$ 187.9</b>	<b>226.3</b>	<b>\$ 417.6</b>	<b>\$ 415.1</b>	<b>\$ 2.5</b>	
<b>Net FY 2018-19 Results</b>					\$ (11.1)	
<b>Available Fund Balance as of Fiscal Year-End (N)</b>	<b>\$ 52.7</b>				<b>\$ 27.5</b>	
<b>Available Fund Balance, % of Power Op. Uses (O) 25-68%</b>	<b>45.2%</b>	<b>30.4%</b>		<b>19.5%</b>		
<b>Debt Service Coverage... Year-End Budgetary Basis</b>						
Indenture Basis (includes Available Fund Balance) (P) ≥ 1.35	N/A	26.16		11.03		
Current Basis (Q) ≥ 1.10	5.00	8.90		1.47		



**Appendix C**  
**HETCH HETCHY WATER & POWER OPERATING FUNDS**  
**FY 2018-19 2nd Quarter - Budgetary Basis, 5T AAA**  
**(\$ Millions)**

**Revenue Variances**

- A. Lower sales mainly driven by lower streetlight loads resulting from LED Streetlight Replacement project.
- B. Lower sales revenues mainly driven by lower Airport loads.
- C. Lower revenues mainly from \$4.2M lower district transmission cost recovery and lower wholesale sales prices.
- D. Slight increase from budget due to higher electric loads.
- E. Lower sales revenues mainly due to delayed transfer customer accounts, partially offset by higher load from redevelopment customers.
- F. Treasure Island utility sales decreased from budget due to lower usage by TIDA customers.
- G. Lower than budget due to Lawrence Livermore National Labs not buying water.
- H. Gas and steam sales are a pass-through.
- I. Increase due to Distributed Antenna Fee and Transbay Cable revenues higher-than-budgeted.

**Expenditure Variances**

- J. Mainly driven by increased energy purchases resulting from Mountain Tunnel project shutdown, higher than expected purchase price as well as higher resource adequacy cost due to lower generation.
- K. CAISO charges and distribution costs lower than budget.
- L. Gas and steam are projected lower than budgeted.
- M. Contingency reserve for dry year/power price volatility for purchase of power.

**Other Notes**

- N. Estimated FY 2017-18 ending available fund balance.
- O. Calculated as Ending Available Fund Balance (including additions to General Reserve) as a percent of Power Operating Uses plus Power Facilities Maintenance/Programmatic Uses. SFPUC's Fund Balance Reserve Policy requires this to be within a range of 25-68%.
- P. Indenture basis coverage is calculated as the ratio between (a) Total Sources plus Beginning Available Fund Balance, less Operating Uses less Facilities Maintenance/Programmatic (excluding all revenues and expenses related to the 525 Golden Gate COPs, Treasure Island, Gas & Steam, and Transbay Cable revenues), and (b) Senior Lien Debt Service in the amount of \$2.6M. The Indenture requires this ratio to be a minimum of 1.25 times, and SFPUC's Debt Service Coverage Policy requires this ratio to be a minimum of 1.35 times.
- Q. Calculated as ratio between (a) Operating Sources plus Fund Balance as a Source, less Operating Uses less Facilities Maintenance/Programmatic (excluding all revenues and expenses related to the 525 Golden Gate COPs, Treasure Island, Gas & Steam, and Transbay Cable revenues), and (b) Senior Lien Debt Service in the amount of \$2.6M. SFPUC's Debt Service Coverage Policy requires this ratio to be a minimum of 1.10 times.



**Appendix D**  
**CleanPowerSF**  
**FY 2018-19 2nd Quarter - Budgetary Basis, 5Q**  
**(\$ Millions)**

	FY 2018-19				
	FY 2017-18 Actuals	Original Budget	Revised Budget	Projection	Variance
<b>Beginning Fund Balance as a Source</b>	\$ 9.7	\$ -	\$ 8.5	\$ 18.9	\$ 10.4
<b>Operating Sources</b>					
Electric Sales - Green Product	40.0	155.0	155.0	155.0	-
Electric Sales - SuperGreen Product	0.5	1.7	1.7	1.7	-
<b>Subtotal - Electric Revenues</b>	<b>40.5</b>	<b>156.6</b>	<b>156.6</b>	<b>156.6</b>	<b>-</b>
Interest Income	-	0.4	0.4	0.4	-
<b>Total Sources</b>	<b>40.5</b>	<b>157.0</b>	<b>157.0</b>	<b>157.0</b>	<b>-</b>
<b>Operating Uses</b>					
Personnel	1.3	4.7	4.7	2.2	2.5 A
Overhead	1.5	2.0	2.0	2.0	-
Non Personnel Services	3.5	10.5	11.2	11.2	-
Materials & Supplies	-	0.1	0.1	0.1	-
Power Purchases	30.3	119.1	122.3	122.3	-
Services of Other Departments	1.6	2.6	2.6	2.6	-
<b>Total Operating Uses</b>	<b>38.1</b>	<b>139.1</b>	<b>142.9</b>	<b>140.4</b>	<b>2.5</b>
Debt Service	1.7	-	-	-	-
Programmatic	-	0.1	0.1	0.1	-
General Reserve	-	17.9	22.1	-	22.1 B
<b>Total Uses</b>	<b>\$ 39.8</b>	<b>\$ 157.0</b>	<b>\$ 165.1</b>	<b>\$ 140.5</b>	<b>\$ 24.6</b>
<b>Net FY 2018-19 Results</b>				\$ 24.6	
<b>Available Fund Balance as of Fiscal Year-End (C) \$</b>	<b>10.4</b>			\$ 35.0 *	
<b>Beginning Fund Balance</b>					

\*Operating Reserve includes \$3.0M for Calpine Reserve Account

**Expenditure Variances**

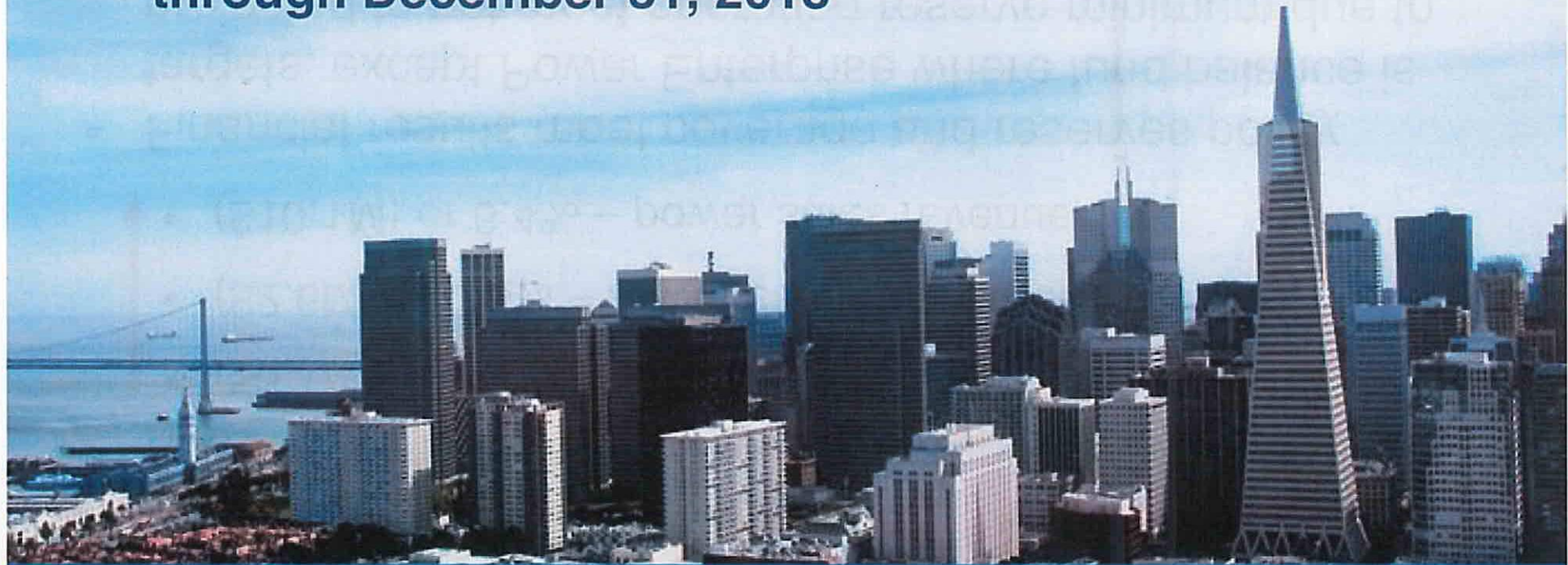
A. Savings resulting from vacant positions.

B. General Reserve was intentionally budgeted and planned to go unspent to build up fund balance reserves.

**Other Notes**

C. Estimated FY 2017-18 ending available fund balance.

# **SFPUC FY2019 2nd Quarter Budget Report through December 31, 2018**



**Eric Sandler**  
**CFO & AGM Business Services**  
**March 12, 2019**





## Observations

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- Positive net results projected for Wastewater & CleanPowerSF
- Lower revenues for the three Enterprises
  - (\$3.1M) or 0.6% – water sales revenues
  - (\$2.6M) or 0.8% – sewer service charges
  - (\$10.1M) or 6.4% – power sales revenues
- Financial results meet coverage and reserves policy targets, except Power Enterprise where fund balance is projected to not meet operating reserve minimum due to lower revenue



# FY 2019 Water Budgetary Variances

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## Lower water sales partially offset by one-time non-operating revenues

- Water sales below budget primarily from cooler weather

### Sources

(\$1.7M) or 0.6% lower revenues from water sales below projection

- ↑ • \$1.8M or 0.7% wholesale
- ↓ • (\$4.9M) or 1.8% retail
- ↑ • \$1.4M or 9.5% net non-operating



# FY 2019 Wastewater Budgetary Variances

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## Lower wastewater revenues and uses cost savings...

- Billable wastewater sales volumes below budget primarily due to lower water usage

### Sources

(\$2.4M) or 0.7% lower revenues from lower sales volumes

- ↓ • (\$2.6M) or 0.8% sewer revenues
- ↑ • \$0.2M or 6.3% miscellaneous revenues

### Uses

\$4.0 or 1.2% savings from reduced expenses

- ↓ • \$4.0M from salaries and benefits due to vacant positions



## FY 2019 Power Budgetary Variances

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### **Reduced power, water, gas/steam sales revenues partially offset by cost savings...**

- Power sales revenues \$10.1M below budget primarily from retail and municipal energy usage below forecast; delayed transfer customer loads; lower transmission cost recovery

### **Sources**

↓ (\$13.6M) or 6.4% lower than budget from lower power, water, gas and steam sales volumes

### **Uses**

\$2.5M or 1.1% savings from reduced expenses

- \$2.9M from steam and gas savings
- ↓ • \$1.3M from transmission and distribution cost savings
- ↑ • \$1.7M from higher power purchase costs





# FY 2019 CleanPowerSF Budgetary Variances

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**Sales revenues at budget and uses cost savings...**

## **Uses**

\$24.6M savings from reduced expenses and unspent reserve

- \$2.5M savings from salaries and benefits
- ↓ • \$22.1M from unspent general reserve





## Key Financial Ratios

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	Water	Wastewater	Hetchy
<b>Fund Balance Reserve</b>			
• 25%-68% of Annual Operating Uses	94%	117%	20% *
<b>Debt Service Coverage Reserve</b>			
• Indenture Basis $\geq 1.35x$	1.89	5.79	11.03
• Current Basis $\geq 1.10x$	1.13	2.51	1.47
<b>CleanPowerSF Reserve on target to be met once citywide enrollment is complete</b>			

\* Hetchy operating reserve projection of 20% is below the minimum 25% (90 days operating expense) primarily due to revenue budget variance



# Questions?

