



San Francisco Water Power Sewer

Services of the San Francisco Public Utilities Commission

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Date: May 14, 2019

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

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

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

Subject: SFPUC Third Quarter Budgetary Report
through March 31, 2019

The FY 2018-19 third 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)	\$ (10.0)	\$ 3.0	\$ (7.0)	\$ -	\$ 214.4
Wastewater	\$ 201.7	\$ (6.0)	\$ (3.7)	\$ 4.5	\$ 0.8	\$ -	\$ 196.5
Power	\$ 52.7	\$ (14.1)	\$ (12.5)	\$ 0.0	\$ (12.5)	\$ -	\$ 26.1
CleanPowerSF	\$ 10.4	\$ -	\$ -	\$ 2.5	\$ 2.5	\$ 22.1	\$ 35.0

London N. Breed
Mayor

Ann Moller Caen
President

Francesca Vietor
Vice President

Anson Moran
Commissioner

Sophie Maxwell
Commissioner

Tim Paulson
Commissioner

Harlan L. Kelly, Jr.
General Manager

Summary:

- Positive operating results projected for Wastewater and CleanPowerSF; negative results projected for Water and Power.
- Water and Wastewater revenues are below budget primarily due to lower water sales from cooler and wetter than average weather.
- Power revenues are \$8.7M (5.5%) below budget primarily from retail, wholesale and municipal energy usage below forecast;

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.



delay in transfer customer loads coming online; lower district transmission cost recovery.

- CleanPowerSF Final enrollment underway; personnel savings projected.
- Power 18% operating reserve balance projection is currently below 25% minimum (90 days operating expense) primarily due to lower revenues and higher energy costs; pending project close out will offset this shortfall in Q4 and increase the operating reserve.

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

CC: Michael Carlin, Deputy General Manager, SFPUC
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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 3rd Quarter - Budgetary Basis, 5W AAA
(\$ Millions)**

	FY 2017-18 Actuals	FY 2018-19			
		Original Budget	Revised Budget	Projection	Variance
Available Fund Balance as a Source	\$ 190.3	\$ 4.3	\$ 24.9	\$ 246.3	\$ 221.4
Sources					
Retail Water Sales	256.7	279.4	277.1	271.4	(5.7) A
Wholesale Water Sales	260.4	264.2	264.2	255.4	(8.8) B
Interest Income	1.8	2.3	2.3	2.5	0.2 C
Rental Income	12.3	12.7	12.7	12.7	-
Miscellaneous Income	25.2	16.8	14.8	19.1	4.3 D
Departmental Transfer Adjustment	(32.6)	(33.6)	(33.6)	(33.6)	-
Federal Bond Interest Subsidy	24.0	23.9	23.9	23.9	-
Total Sources	547.8	565.8	561.5	551.4	(10.0)
Operating Uses					
Personnel	91.6	97.9	95.9	93.9	2.0 E
Non-Personnel Services	23.6	17.8	26.6	25.6	1.0 F
Materials and Supplies	15.0	14.0	14.9	14.9	-
Equipment	3.8	4.7	6.5	6.5	-
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	-
Total Operating Uses	205.8	204.0	220.2	217.2	3.0
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	-	-	-	-	-
Total Uses - Operating, Debt Service, Capital & Other	\$ 512.4	\$ 570.1	\$ 586.4	\$ 583.3	\$ 3.0
Net FY 2018-19 Results					\$ (7.0)
Available Fund Balance as of Fiscal Year-End (G)	\$ 225.7				\$ 214.4
Available Fund Balance, % of Operating Uses (H) 25-68%	98.0%	94.4%		92.6%	
Debt Service Coverage (Year-End Budgetary Basis)					
Indenture Basis (includes Available Fund Balance) (I) ≥ 1.35	2.14	1.96		1.87	
Current Basis (J) ≥ 1.10	1.34	1.20		1.11	

Appendix A

WATER ENTERPRISE OPERATING FUNDS FY 2018-19 3rd Quarter - Budgetary Basis, 5W AAA (\$ Millions)

Revenue Variances

- A. Retail water sales projected to be 59.7 MGD, a 1.9% decrease from budget of 60.9 MGD and a 2.2% decrease from prior year actuals of 61 MGD.
- B. Wholesale water sales projected to be 124.8 MGD, a 4% decrease from budget of 129.9 MGD and a 3.2% decrease from prior year actuals of 128.9 MGD. The decrease is partially offset by \$3.2M in one-time minimum purchase revenue from the prior year.
- C. Interest income projected to be above budget due to higher interest rates.
- D. Miscellaneous income projected to increase from budget; major drivers include \$2.63M in additional water service installation charges, \$760k from sale of land, \$1.33M of overhead on water service installation charges, \$400k in backflow tag revenue, and \$220k in sale of scrap. This is partially offset by a \$820k reduction from budget in miscellaneous fees, \$115k in unbudgeted credit card processing fees, and various small reductions in other non-operating income.

Expenditure Variances

- E. Salary savings due to vacant positions.
- F. Savings based on projected rebate participation.

Other Notes

- G. Estimated ending available Fund Balance for FY 2017-18.
- H. 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%.
- I. 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.
- J. 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 3rd Quarter - Budgetary Basis, 5C AAA
(\$ Millions)

	FY 2017-18 Actuals	FY 2018-19			
		Original Budget	Revised Budget	Projection	Variance
Available Fund Balance as a Source	\$ 172.0	\$ 6.0	\$ 62.1	\$ 257.8	\$ 195.7
Sources					
Sewer Service Charges	308.2	327.7	327.7	323.0	(4.6) A
Interest Income	1.5	1.8	1.8	1.8	-
Miscellaneous Income	4.0	3.7	3.2	4.1	0.9 B
Federal Bond Interest Subsidy	4.0	4.0	4.0	4.0	-
Total Sources	317.6	337.2	336.7	333.0	(3.7)
Operating Uses					
Personnel	66.0	71.6	71.3	67.2	4.1 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	10.9	0.4 D
Overhead (SFPUC Bureaus)	30.6	28.4	32.4	32.4	-
Services of Other Departments	26.0	22.8	23.3	23.3	-
Total Operating Uses	170.2	165.1	177.9	173.4	4.5
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	-
Total Uses - Operating, Debt Service, Capital & Other	\$ 287.9	\$ 343.2	\$ 398.9	\$ 394.4	\$ 4.5
Net FY 2018-19 Results					\$ 0.8
Available Fund Balance as of Fiscal Year-End (E)	\$ 201.7				\$ 196.5
Available Fund Balance, % of Operating Uses (F) 25-68%	111.7%	112.9%		116.4%	
Debt Service Coverage (Year-End Budgetary Basis)					
Indenture Basis (includes Available Fund Balance) (G) ≥ 1.35	7.20	6.07		5.86	
Current Basis (H) ≥ 1.10	3.93	2.96		2.65	

Appendix B

WASTEWATER ENTERPRISE OPERATING FUNDS FY 2018-19 3rd Quarter - Budgetary Basis, 5C AAA (\$ Millions)

Revenue Variances

- A. Wastewater billed discharges projected to be below budget due to lower water sales.
- B. Miscellaneous income projected to increase from budget mainly due to unbudgeted biofuel revenues.

Expenditure Variances

- C. Personnel savings resulting from vacant positions.
- D. Projected power and gas rates and consumption are lower than anticipated.

Other Notes

- E. Estimated ending available Fund Balance for FY 2017-18.
 - F. Calculated as Ending Available Fund Balance (including additions to General Reserve) as a percent of Operating Uses plus Facilities Maintenance/Programmatic Uses. SFPUC's Fund Balance Reserve Policy requires this to be within a range of 25-68%.
 - G. Calculated as ratio between (a) Total Sources plus Beginning Available Fund Balance plus Capacity Charges, less Operating Uses less Facilities Maintenance/Programmatic (excluding all revenues and expenses related to the 525 Golden Gate COPs), and (b) Debt Service. The Indenture requires this ratio to be a minimum of 1.25 times, and SFPUC's Debt Service Coverage Policy requires this ratio to be a minimum of 1.35 times.
 - H. Calculated as ratio between (a) Total Sources plus any appropriated fund balance plus Capacity Charges, less Operating Uses less Facilities Maintenance/Programmatic (excluding all revenues and expenses related to the 525 Golden Gate COPs), and (b) Debt Service. SFPUC's Debt Service Coverage Policy requires this ratio to be a minimum of 1.10 times.
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Appendix C
HETCH HETCHY WATER & POWER OPERATING FUNDS
FY 2018-19 3rd Quarter - Budgetary Basis, 5T AAA
(\$ Millions)

	FY 2018-19				
	FY 2017-18 Actuals	Original Budget	Revised Budget	Projection	Variance
Available Fund Balance as a Source	\$ 67.2	\$ 14.1	\$ 204.1	\$ 242.7	\$ 38.6
Sources					
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	73.2	(2.4) B
Electric Sales - Wholesale (Districts, CAISO, CleanPowerSF, WSPP, Riverbank)	7.2	22.1	22.1	19.5	(2.6) C
Electric Sales - Non-City Depts. (SFUSD, Community College)	18.5	19.3	19.3	19.3	-
Electric Sales - Retail	4.0	11.7	11.7	9.4	(2.3) D
Electric Sales - Treasure Island	2.5	3.5	3.5	2.8	(0.7) E
Subtotal - Electric Revenues	122.4	157.7	157.7	149.1	(8.7)
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	0.2	(2.5) F
Subtotal - Water Revenues	33.4	36.3	36.3	33.8	(2.5)
Natural Gas & Steam - City Work Orders	9.7	10.2	13.4	11.0	(2.4) G
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	4.5	1.1 H
Total Sources	173.4	209.0	212.1	199.6	(12.5)
Operating Uses					
Personnel	38.1	45.0	42.9	42.9	-
Non-Personnel Services	17.9	29.4	33.8	33.8	-
Power Purchases	12.2	10.6	13.1	20.9	(7.9) I
Transmission Distribution & Related Charges	28.0	36.0	38.9	37.9	1.0 J
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	19.0	0.5 K
Services of Other Departments	8.4	7.9	7.9	7.9	-
Natural Gas & Steam	9.7	10.2	13.4	11.0	2.4 L
Total Operating Uses	135.3	159.7	174.0	177.9	(4.0)
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
Total Uses - Operating, Debt Service, Capital & Other	\$ 187.9	226.3	\$ 416.2	\$ 416.1	\$ 0.0
Net FY 2018-19 Results					\$ (12.5)
Available Fund Balance as of Fiscal Year-End (N)	\$ 52.7				\$ 26.1
Available Fund Balance, % of Operating Uses (O) 25-68%	27.3%	27.0%		18.2%	
Debt Service Coverage... Year-End Budgetary Basis					
Indenture Basis (includes Available Fund Balance) (P) ≥ 1.35	26.15	26.16		11.57	
Current Basis (Q) ≥ 1.10	6.36	8.90		2.01	

Revenue Variances

- A. General Fund workorder sales projected to be lower than budgeted mainly due to streetlight volumes due to LED conversion.
- B. Lower sales mainly driven by lower Airport load.
- C. Revenues below budget mainly due to \$4.2M lower district transmission cost recovery.
- D. Mainly driven by delays in transfer customer accounts, partially offset by higher load from redevelopment customers after taking into account last twelve months historical usage.

Appendix C

HETCH HETCHY WATER & POWER OPERATING FUNDS FY 2018-19 3rd Quarter - Budgetary Basis, 5T AAA (\$ Millions)

- E. Treasure Island utility sales decreased from budget due to lower gas and electric usage by TIDA customers.
- F. Water sales projected to decrease from budget because Lawrence Livermore National Labs, which represents the majority of budgeted sales, is no longer buying water from the SFPUC.
- G. Gas and steam sales lower due to lower usage.
- H. Miscellaneous revenues projected to increase from budget, primarily due to Transbay Cable revenues being \$520k higher-than-budget and \$700k of unbudgeted Rim Fire insurance payments.

Expenditure Variances

- I. Mainly driven by greater energy purchases due to Mountain Tunnel Project shutdown, higher than expected purchase prices and higher resource adequacy costs due to lower generation.
- J. CAISO charges and distribution costs lower than budget, partly offset by higher transmission charges.
- K. Projected savings in Bureau Services costs.
- L. Gas and steam sales are a pass-through.
- M. Contingency reserve for dry year/power price volatility for purchase of power.

Other Notes

- N. Estimated ending available Fund Balance for FY 2017-18.
- 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. The Power Enterprise did not have any senior lien debt service prior to FY 2017-18 due to the 2015 Power Bonds' capitalized interest period, and therefore did not have a basis to calculate and report the Indenture-based debt service coverage ratio in FY 2016-17. Beginning in FY 2017-18, 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 3rd Quarter - Budgetary Basis, 5Q
(\$ Millions)

	FY 2018-19				
	FY 2017-18 Actuals	Original Budget	Revised Budget	Projection	Variance
Beginning Fund Balance as a Source	\$ 9.7	\$ -	\$ 8.4	\$ 18.9	\$ 10.4
Operating Sources					
Electric Sales - Green Product	40.0	155.0	159.1	159.1	-
Electric Sales - SuperGreen Product	0.5	1.7	6.0	6.0	-
Wholesale Sales		-	4.5	4.5	-
Subtotal - Electric Revenues	40.5	156.6	169.6	169.6	-
Interest Income	-	0.4	0.4	0.4	-
Total Sources	40.5	157.0	170.1	170.1	-
Operating Uses					
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	135.3	135.3	-
Services of Other Departments	1.6	2.6	2.6	2.6	-
Total Operating Uses	38.1	139.1	155.9	153.4	2.5
Debt Service	1.7	-	-	-	-
Programmatic	-	0.1	0.1	0.1	-
General Reserve	-	17.9	22.1	-	22.1 B
Total Uses	\$ 39.8	\$ 157.0	\$ 178.1	\$ 153.5	\$ 24.6
Net FY 2018-19 Results				\$ 24.6	
Available Fund Balance as of Fiscal Year-End (C) \$	10.4			\$ 35.0 *	
Beginning Fund Balance					

*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 ending available fund balance for FY 2017-18.

