



Date: November 12, 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.* Harlan L. Kelly Jr., General Manager

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

Subject: SFPUC First Quarter Budgetary Report through September 30, 2019

The FY 2019-20 first quarter budgetary reports are attached for the three Enterprises and CleanPowerSF, with high-level changes to revenues and expenses summarized in the following table:

FY 2019-20 Operations

	Beginning Available Fund Balance	Fund Balance Budgeted to be (Used)	Revenue Surplus / (Shortfall)	Expenditure Savings / (Shortfall)	Net Revenues Surplus / (Shortfall)
Water	\$ 232.3	\$ (17.2)	\$ 1.0	\$ 4.5	\$ 5.5
Wastewater	\$ 208.0	\$ (3.5)	\$ 1.0	\$ 8.6	\$ 9.7
Power	\$ 40.5	\$ (7.7)	\$ (6.8)	\$ 3.6	\$ (3.2)
CleanPowerSF	\$ 35.7	\$ -	\$ 20.1	\$ 0.8	\$ 21.0

Summary:

- Positive results projected for Water, Wastewater and CleanPowerSF; negative results projected for Power.
- Water and Wastewater revenues are slightly up from budget primarily due to slightly higher water sales and usage mainly by retail customers.
- Power revenues are \$6.8M (3.1%) below budget primarily from retail, wholesale and municipal energy usage below forecast;

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

- CleanPowerSF Final enrollment completed; personnel savings projected.
- Power 21% operating reserve balance projection is currently 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 2019-20 1st Quarter - Budgetary Basis, 5W AAA
 (\$ Millions)

	FY 2019-20				
	FY 2018-19 Actuals	Original Budget	Revised Budget (includes carryforwards)	Projection (includes carryforwards)	Variance (Projection - Revised Budget)
Sources					
Retail Water Sales	270.1	299.1	299.1	300.1	1.0 A
Wholesale Water Sales	255.8	264.9	264.9	265.0	0.1 B
Interest Income	4.6	2.2	2.2	2.2	-
Rental Income	12.7	13.0	13.0	13.0	-
Miscellaneous Income	21.2	19.0	19.0	18.9	(0.1) C
Departmental Transfer Adjustment	(33.6)	(34.5)	(34.5)	(34.5)	-
Federal Bond Interest Subsidy	23.9	23.8	23.8	23.8	-
Appropriated/Budgeted Use of Fund Balance	2.4	17.2	56.1	56.1	-
Total Sources	557.1	604.7	643.6	644.7	1.0
Operating Uses					
Personnel	94.0	102.8	100.8	98.9	1.9 D
Non-Personnel Services	17.7	18.3	25.3	25.3	-
Materials and Supplies	13.9	15.1	16.4	16.4	-
Equipment	3.5	4.1	8.9	8.9	-
Light, Heat, and Power	9.5	10.2	10.2	10.2	-
Overhead (SFPUC Bureaus)	38.7	49.3	54.4	54.4	-
Services of Other Departments	13.6	13.5	14.4	14.4	-
Total Operating Uses	190.9	213.4	230.4	228.6	1.9
Debt Service, Capital & Other					
Debt Service	283.7	306.3	306.3	303.7	2.6 E
Capital Projects	51.8	51.8	198.8	198.8	-
Facilities Maintenance/Programmatic	30.6	33.2	55.1	55.1	-
General Reserve (Should this be the same concept as Budgeted Contribution t	-	-	-	-	-
Total Uses - Operating, Debt Service, Capital & Other	\$ 557.1	\$ 604.7	\$ 790.6	\$ 786.1	\$ 4.5
Net Operating Results (excludes Capital Projects)	51.9	51.8	51.8	57.4	\$ 5.5
Available Fund Balance as of Fiscal Year-End	\$ 232.3	266.9	266.9	272.5	
Available Fund Balance, % of Operating Uses (F) 25-68%	104.8%			96.1%	
Debt Service Coverage (Year-End Budgetary Basis)					
Indenture Basis (includes Available Fund Balance) (G) ≥ 1.35	2.14	1.89		1.91	
Current Basis (H) ≥ 1.10	1.34	1.19		1.21	

Appendix A

WATER ENTERPRISE OPERATING FUNDS
FY 2019-20 1st Quarter - Budgetary Basis, 5W AAA
(\$ Millions)

Revenue Variances

- A. Retail water sales projected to be 60.4 MGD, a 0.4% increase from budget of 60.0 MGD and a 1.6% increase from prior year actuals of 59.5 MGD.
- B. Wholesale water sales projected to be 127.4 MGD, a 1.9% decrease from budget of 129.9 MGD and a 2.0% increase from prior year actuals of 125.0 MGD. The decrease is offset by one-time minimum purchase penalty payment revenues from the prior year.
- C. Miscellaneous income projected to slightly decrease from budget, due to miscellaneous charges.

Expenditure Variances

- D. Salary savings due to vacant positions.
- E. Debt Service savings due to application of reserve funds in connection with final payment of Series 1991A Revenue Bonds.

Other Notes

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

Appendix B

WASTEWATER ENTERPRISE OPERATING FUNDS
 FY 2019-20 1st Quarter - Budgetary Basis, 5C AAA
 (\$ Millions)

	FY 2018-19 Actuals	FY 2019-20			Variance (Projection - Revised Budget)	
		Original Budget	Revised Budget (includes carryforwards)	Projection (includes carryforwards)		
Sources						
Sewer Service Charges	322.0	350.5	350.5	351.5	1.0	A
Interest Income	4.2	2.0	2.0	2.0	-	
Miscellaneous Income	4.1	3.7	3.7	3.7	-	
Federal Bond Interest Subsidy	4.0	4.0	4.0	4.0	-	
Appropriated/Budgeted Use of Fund Balance	-	3.5	17.6	17.6	-	
Total Sources	334.2	363.7	377.8	378.8	1.0	
Operating Uses						
Personnel	66.1	75.8	75.8	71.6	4.2	B
Non-Personnel Services	20.2	18.5	22.4	22.4	-	
City Grant Programs	0.0	0.3	0.3	0.0	-	
Materials and Supplies	9.7	11.2	12.7	12.7	-	
Equipment	0.8	1.8	3.8	3.8	-	
Light, Heat, and Power	10.9	11.7	11.7	11.7	-	
Overhead (SFPUC Bureaus)	25.7	29.9	33.7	33.7	-	
Services of Other Departments	23.7	23.6	24.3	24.3	-	
Total Operating Uses	157.2	172.7	184.6	180.2	4.2	
Debt Service	63.2	70.7	70.7	66.3	4.4	C
Capital Projects	57.0	113.0	202.4	202.4	-	
Facilities Maintenance/Programmatic	6.5	7.3	9.5	9.5	-	
Total Uses - Operating, Debt Service, Capital & Other	\$ 283.8	\$ 363.7	\$ 467.2	\$ 458.4	\$ 8.6	
Net Operating Results (excludes Capital Projects)	107.4	113.0	113.0	122.8	\$ 9.7	
Available Fund Balance as of Fiscal Year-End	\$ 208.0	317.4	317.4	327.2		
Available Fund Balance, % of Operating Uses (D) 25-68%	127.0%			172.5%		
Debt Service Coverage (Year-End Budgetary Basis)						
Indenture Basis (includes Available Fund Balance) (E) ≥ 1.35	7.20	5.84		6.36		
Current Basis (F) ≥ 1.10	3.93	2.86		3.05		

Appendix B

WASTEWATER ENTERPRISE OPERATING FUNDS
FY 2019-20 1st Quarter - Budgetary Basis, 5C AAA
(\$ Millions)

Revenue Variances

A. Wastewater billed discharges projected to be higher than budget due to higher water sales volumes.

Expenditure Variances

B. Salary savings resulting from vacant positions.

C. Variance is primarily due to lower than projected debt service from the postponement of the issuance of the 2019 Wastewater Revenue Notes

Other Notes

D. 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%.

E. 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.

F. Calculated as ratio between (a) Total Sources plus any appropriated fund balance plus Capacity Charges, less Operating Uses less Facilities Maintenance/Programmatic (excluding all revenues and expenses related to the 525 Golden Gate COPs), and (b) Debt Service. SFPUC's Debt Service Coverage Policy requires this ratio to be a minimum of 1.10 times.

Appendix C

HETCH HETCHY WATER & POWER OPERATING FUNDS
FY 2019-20 1st Quarter - Budgetary Basis, 5T AAA
(\$ Millions)

	FY 2019-20					
	FY 2018-19 Actuals	Original Budget	Revised Budget (includes carryforwards)	Projection (includes carryforwards)	Variance (Projection - Revised Budget)	
Sources						
Electric Sales - City Work Orders - General Fund Depts.	24.6	27.8	27.8	26.9	(0.8)	A
Electric Sales - City Work Orders - Enterprise Depts.	73.2	78.5	78.5	81.1	2.6	B
Electric Sales - Wholesale (Districts, CAISO, CleanPowerSF, WSPP, Riverbank)	16.5	21.6	21.6	19.8	(1.9)	C
Electric Sales - Non-City Depts. (SFUSD, Community College)	18.8	20.4	20.4	20.4	-	
Electric Sales - Retail	8.7	14.3	14.3	9.6	(4.8)	D
Electric Sales - Treasure Island	3.2	3.6	3.6	3.6	-	
Subtotal - Electric Revenues	144.8	166.2	166.2	161.4	(4.9)	
Water Sales - Transfer from Water Department	33.6	34.6	34.6	34.6	-	
Water Sales - Groveland, Lawrence Livermore Labs	0.3	2.9	2.9	0.2	(2.8)	E
Subtotal - Water Revenues	33.9	37.5	37.5	34.8	(2.8)	
Natural Gas & Steam - City Work Orders	12.1	10.9	10.9	11.7	0.8	F
Interest Income	4.7	0.6	0.6	0.6	-	
Federal Interest Subsidy - Power Bonds	0.6	0.5	0.5	0.5	-	
Miscellaneous Income	7.3	4.6	4.6	4.6	-	
Appropriated/Budgeted Use of Fund Balance	28.2	7.7	23.5	23.5	-	
Total Sources	235.8	228.1	243.9	237.1	(6.8)	
Operating Uses						
Personnel	41.9	48.3	46.9	45.9	1.0	G
Non-Personnel Services	33.9	27.3	35.0	35.0	-	
Power Purchases	20.9	14.5	14.6	18.6	(4.0)	H
Transmission Distribution & Related Charges	32.9	36.3	37.2	37.2	-	
Materials and Supplies	3.1	3.2	3.3	3.3	-	
Equipment	1.5	1.3	2.8	2.8	-	
Overhead (SFPUC Bureaus)	17.1	16.6	18.2	18.2	-	
Services of Other Departments	7.8	8.3	9.8	9.8	-	
Natural Gas & Steam	12.1	10.9	13.0	11.7	1.3	I
Total Operating Uses	171.1	166.6	180.7	182.4	(1.7)	
Debt Service	4.8	6.0	6.0	4.7	1.3	J
Capital Projects	187.8	38.5	179.5	179.5	-	
Facilities Maintenance/Programmatic	30.6	13.0	14.7	14.7	-	
Contingency/Purchase of Power	-	4.0	4.0	-	4.0	K
Total Uses - Operating, Debt Service, Capital & Other	\$ 394.3	228.1	\$ 384.9	\$ 381.3	\$ 3.6	
Net Operating Results (excludes Capital Projects)	\$ 29.2	\$ 38.5	\$ 38.5	\$ 35.3	\$ (3.2)	
Available Fund Balance as of Fiscal Year-End	\$ 40.5	71.3	55.5	52.2		
Available Fund Balance, % of Operating Uses (L) 25-68%	16.0%			21.2%		
Debt Service Coverage... Year-End Budgetary Basis						
Indenture Basis (includes Available Fund Balance) (M) ≥ 1.35	26.15	32.49		30.74		
Current Basis (N) ≥ 1.10	6.36	8.45		17.99		

Revenue Variances

- A. General Fund workorder sales lower than budget due to streetlight volume decreases from LED conversion.
- B. Enterprise workorder revenues projected to increase from budget due to PG&E October rate increases being higher than expected.
- C. Sales below budget mainly driven by \$4.2M lower irrigation district transmission cost recovery, offset by revenue from Low Carbon Fuel Standard program.
- D. Lower sales mainly driven by delays in transfer customer accounts, and delayed load from redevelopment customers.
- E. Water sales below budget from Lawrence Livermore National Labs no longer purchasing water.
- F. Gas and steam sales slightly greater than budget due to higher usage than originally projected.

Expenditure Variances

- G. Salary savings due to vacant positions.
- H. Mainly driven by greater energy purchases due to system shutdown and higher than expected purchase price.
- I. Savings due to lower usage of total contract amount which includes carryforwards (pass-through).
- J. Debt service savings due to budgeted power bond sale which has not yet occurred.
- K. Contingency reserve for dry year/power price volatility for purchase of power unused.

Other Notes

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

Appendix D
CleanPowerSF
FY 2019-20 1st Quarter - Budgetary Basis, 5Q
(\$ Millions)

	FY 2019-20				
	FY 2018-19 Actuals	Original Budget	Revised Budget (includes carryforwards)	Projection (includes carryforwards)	Variance (Projection -Revised Budget)
Operating Sources					
Electric Sales - Green Product	159.6	212.1	212.1	219.2	7.2 A
Electric Sales - SuperGreen Product	7.5	-	-	9.9	9.9 B
Wholesale Sales	2.9	-	-	3.0	3.0 C
Subtotal - Electric Revenues	170.0	212.1	212.1	232.2	20.1
Interest Income	0.5	0.8	0.8	0.8	-
Appropriated/Budgeted Use of Fund Balance		-	40.4	40.4	-
Total Sources	170.5	212.9	253.3	273.4	20.1
Operating Uses					
Personnel	1.9	6.6	6.6	3.8	2.8 D
Overhead	2.0	2.1	2.2	2.2	-
Non Personnel Services	7.7	12.5	14.0	14.0	-
Materials & Supplies	0.1	0.2	0.2	0.2	-
Power Purchases	122.6	164.6	177.2	177.2	-
Services of Other Departments	2.6	3.1	3.1	3.1	-
Total Operating Uses	137.0	189.2	203.3	200.5	2.8
Debt Service	2.0	-	-	2.0	(2.0) E
Programmatic	0.1	0.3	0.3	0.3	-
General Reserve	-	23.5	49.7	-	49.7 F
Total Uses - Operating, Debt Service, Capital & Other	\$ 139.1	\$ 212.9	\$ 253.3	\$ 202.8	\$ 50.6
Net FY 2019-20 Operating Results	\$ 31.4	\$ -	\$ -	\$ 20.9	\$ 21.0 G
Available Fund Balance as of Fiscal Year-End	\$ 35.7	35.7	35.7	56.7	

Revenue Variances

- A. Electric sales are greater than budget due to higher sales volume than planned.
- B. Electric sales are greater than budget due to higher sales volume than planned.
- C. Budget did not assume wholesale revenues.

Expenditure Variances

- D. Salary savings due to vacant positions.

Other Notes

- E. Repayment of Loan to HHPower was not included in the budget due to initial uncertainty around CleanPowerSF
- F. General Reserve was intentionally budgeted and planned to go unspent to build reserves.
- G. General Reserve savings are excluded from Net Operating Results as those funds will continue to be carried forward and will not be closed out to Fund Balance