

Date: February 23, 2021

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

Through: Michael Carlin, Acting General Manager 

From: Eric Sandler, CFO and AGM Business Services 

Subject: **SFPUC Second Quarter Budgetary Report**
through December 31, 2020

The FY 2020-21 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 2020-21 Operations

	Beginning Available Fund Balance	Fund Balance Budgeted to be (Used)	Projected Sources	Projected Uses (excluding Capital & General Reserve)	Net Operating Results Surplus / (Shortfall)	General Reserve	Projected Year End Available Fund Balance
Water	\$ 258.4	(27.8)	(6.5)	7.3	0.8	9.0	\$ 240.4
Wastewater	\$ 211.7	(12.1)	(12.2)	6.8	(5.4)	10.8	\$ 205.0
Power	\$ 38.6	-	4.2	11.3	15.5	29.7	\$ 83.7
CleanPowerSF	\$ 52.6	-	(10.2)	3.7	(6.5)	15.5	\$ 61.6

London N. Breed
Mayor

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Commissioner

Michael Carlin
Acting
General Manager

Summary:

- Water/Wastewater: Weakened operating results projected, due to the continued impact of the COVID-19 pandemic stay at home orders on retail sales.
- Power: Improved year end projected position largely due to the following:
 - \$2.2M unbudgeted wholesale resource adequacy sales to CleanPowerSF



- Lawrence Livermore National Labs resuming water purchases that were on hold in prior years
- Increased distribution costs from PG&E WDT3 tariff set to begin May 2021, offset by \$4.0M power purchase contingency budget, as well as \$9.1M in prior year unspent funds carried forward from FY 2019-20.
- CleanPowerSF: Negative operating results projected due to a 16% rate decrease effective January 1, 2021 as a result of PG&E tariff changes.
- Salary savings projected across the agency due to vacant positions through the second quarter
- All enterprises projected to meet financial policy minimums and coverage ratios

Please note that project savings reflected in this report are the result of cuts to currently appropriated revenue-funded capital and programmatic projects. These cuts were a part of a comprehensive strategy to rebalance the FY 2019-20, FY 2020-21 and FY 2021-22 budgets from reduced sales volumes resulting from the COVID-19 pandemic and resulting economic recession.

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

CC:

Masood Ordikhani, Acting 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
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 2020-21 2nd Quarter - Budgetary Basis, Funds 25940, 25950, 25960, 26570, 26600
 (\$ Millions)

	FY 2020-21				Variance (Projection -Revised Budget)	
	FY 2019-20 Actuals	Original Budget	Revised Budget (includes carryforwards)	Projection (includes carryforwards)		
Sources						
Retail Water Sales	291.9	305.7	306.3	292.1	(14.2)	A
Wholesale Water Sales	270.6	262.4	262.4	275.6	13.2	B
Interest Income	8.7	5.1	5.1	5.1	-	
Rental Income	13.0	12.5	12.5	12.5	-	
Miscellaneous Income	18.9	20.9	21.6	16.1	(5.5)	C
Departmental Transfer Adjustment	(34.5)	(44.2)	(44.2)	(44.2)	-	
Federal Bond Interest Subsidy	23.8	21.8	21.8	21.8	-	
Appropriated/Budgeted Use of Fund Balance	55.8	27.8	95.1	95.1	-	
Total Sources	648.1	611.9	680.5	674.0	(6.5)	
Operating Uses						
Personnel	95.6	102.3	102.3	99.9	2.3	D
Non-Personnel Services	16.4	21.8	30.5	30.5	-	
Materials and Supplies	12.9	15.3	16.9	16.9	-	
Equipment	3.1	4.5	9.9	9.9	-	
Light, Heat, and Power	9.9	10.0	10.0	10.0	-	
Overhead (SFPUC Bureaus)	45.5	54.4	60.0	60.0	-	
Services of Other Departments	12.8	14.6	16.2	16.2	-	
Debt Service	291.1	304.2	304.2	299.3	5.0	E
Total Operating Uses	487.4	527.2	550.1	542.8	7.3	
Net Operating Results	160.7			131.1	0.8	
Adjustments to Operating Fund Balance						
	FY 2019-20 Actuals	Current Year Transfers from Operating	Total Available Funds	Projection (current & future years spending)	Project Closeouts	
Capital Projects	51.8	47.6	197.4	190.4	7.0	F
Facilities Maintenance/Programmatic	33.2	37.1	81.5	79.5	2.0	G
Total Adjustments to Operating Fund Balance	\$ 85.0	\$ 84.7	\$ 278.9	\$ 269.9	\$ 9.0	
	<i>check</i>	-				
Available Fund Balance as of Fiscal Year-End	\$ 258.4				240.4	
Available Fund Balance, % of Operating Uses (H) 25-68%	93.4%				74.4%	
Debt Service Coverage (Year-End Budgetary Basis)						
Indenture Basis (includes Available Fund Balance) (I) ≥ 1.35	2.38*	1.93			2.00	
Current Basis (J) ≥ 1.10	1.32*	1.17			1.23	

Appendix A

WATER ENTERPRISE OPERATING FUNDS FY 2020-21 2nd Quarter - Budgetary Basis, Funds 25940, 25950, 25960, 26570, 26600 (\$ Millions)

Revenue Variances

- A. Retail water sales forecasted to be 55.1 MGD, a 7.1% decrease from prior year actuals of 59.3 MGD, and a 4.1% decrease from budgeted volumes of 57.5 MGD. Projections incorporate \$1.8M cost of COVID-19 emergency discount programs.
- B. Wholesale water sales forecasted to be 134.8 MGD, a 2.3% increase from prior year actuals of 131.8 MGD, and a 4.7% increase from budgeted volumes of 128.8 MGD. Revenues also include \$2.5M in unbudgeted payments from customers not meeting minimum purchase requirements.
- C. Miscellaneous revenue projected to decrease from budget, primarily driven by \$2.1M reduction in water service installations charges and \$2.7M reduced revenues or additional costs related to collections moratorium.

Expenditure Variances

- D. Salary savings due to vacant positions.
- E. Debt Service savings due to Water Revenue Bonds Refunding.
- F. Project savings to offset lower revenues from Covid sales reductions.
- G. Project savings to offset lower revenues from Covid sales reductions.

Other Notes

- 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.

* Preliminary, unaudited

Appendix B

WASTEWATER ENTERPRISE OPERATING FUNDS
FY 2020-21 2nd Quarter - Budgetary Basis, Funds 20160, 20550, 20170, 20210
(\$ Millions)

	FY 2020-21				Variance (Projection - Revised Budget)
	FY 2019-20 Actuals	Original Budget	Revised Budget (includes carryforwards)	Projection (current year spending)	
Sources					
Sewer Service Charges	338.4	353.4	353.6	341.7	(11.8) A
Interest Income	8.0	5.9	5.9	5.9	-
Miscellaneous Income	4.4	5.2	5.2	4.9	(0.4) B
Federal Bond Interest Subsidy	4.0	3.5	3.5	3.5	-
Appropriated/Budgeted Use of Fund Balance	18.0	12.1	28.6	28.6	-
Total Sources	372.8	380.1	396.8	384.6	(12.2)
Operating Uses					
Personnel	70.9	76.3	76.2	69.4	6.8 C
Non-Personnel Services	20.7	23.4	26.5	26.5	-
City Grant Programs	0.0	0.3	0.5	0.5	-
Materials and Supplies	8.4	11.2	12.5	12.5	-
Equipment	1.3	1.8	4.3	4.3	-
Light, Heat, and Power	10.8	11.9	11.9	11.9	-
Overhead (SFPUC Bureaus)	27.9	30.5	34.6	34.6	-
Services of Other Departments	24.6	26.1	27.1	27.1	-
Debt Service	68.7	87.5	87.5	87.5	-
Total Operating Uses	233.3	268.9	281.1	274.3	6.8
Net Operating Results	139.5			110.3	\$ (5.4)
Adjustments to Operating Fund Balance					
	FY 2019-20 Actuals	Current Year Transfers from Operating	Total Available Funds	Projection (current & future years spending)	Project Closeouts
Capital Projects	32.0	102.1	126.1	115.9	10.2 D
Facilities Maintenance/Programmatic	6.4	7.3	11.6	11.0	0.6 E
General Reserve	-	0.4	0.4	0.4	-
Total Adjustments to Operating Fund Balance	\$ 38.4	\$ 109.8	\$ 138.1	\$ 127.3	\$ 10.8
Available Fund Balance as of Fiscal Year-End	\$ 211.7				\$ 205.0
Available Fund Balance, % of Operating Uses (F) 25-68%	113.4%				103.7%
Debt Service Coverage (Year-End Budgetary Basis)					
Indenture Basis (includes Available Fund Balance) (G) ≥ 1.35	6.06 *	4.80			4.48
Current Basis (H) ≥ 1.10	3.00 *	2.48			2.25

Appendix B

WASTEWATER ENTERPRISE OPERATING FUNDS FY 2020-21 2nd Quarter - Budgetary Basis, Funds 20160, 20550, 20170, 20210 (\$ Millions)

Revenue Variances

- A. Wastewater retail billable volumes projected to be 45.8 MGD, a 1.8% decrease from budget of 46.7 MGD and a 5.4% decrease from prior year actuals of 48.5 MGD. Projection accounts for \$4.2M in COVID-19 emergency discounts.
- B. Miscellaneous income projected to decrease from budget mainly due to \$230k reduced revenues related to collections

Expenditure Variances

- C. Salary savings reflect vacant positions.
- D. Project savings to offset lower revenues from Covid sales reductions.
- E. Project savings to offset lower revenues from Covid sales reductions.

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.

* Preliminary, unaudited

Appendix C

HETCH HETCHY WATER & POWER OPERATING FUNDS
 FY 2020-21 2nd Quarter - Budgetary Basis - 24970, 24980, 24990 & 25030
 (\$ Millions)

	FY 2020-21				
	FY 2019-20 Actuals	Original Budget	Revised Budget (includes carryforwards)	Projection (current year spending)	Variance (Projection - Revised Budget)
Sources					
Electric Sales - Retail	128.6	117.8	118.0	117.2	(0.8) A
Electric Sales - Wholesale	15.9	20.8	20.8	24.4	3.6 B
Water Sales - Transfer from Water Department	34.6	44.1	44.1	44.1	-
Natural Gas & Steam - City Work Orders	10.8	13.0	14.2	12.5	(1.7) C
Interest Income	5.6	4.5	4.5	4.5	-
Federal Interest Subsidy - Power Bonds	0.5	0.5	0.5	0.5	-
Miscellaneous Income	3.1	1.0	1.0	4.2	3.2 D
Appropriated/Budgeted Use of Fund Balance	23.8	-	29.4	29.4	-
Total Sources	222.9	201.7	232.6	236.8	4.2
Operating Uses					
Personnel	44.9	49.0	49.0	48.4	0.6 E
Non-Personnel Services	24.3	38.1	46.0	45.5	0.5 F
Power Purchases, Transmission Distribution & Related Charges	49.0	46.8	55.9	47.4	8.5 G
Natural Gas & Steam	9.7	13.0	14.2	12.5	1.7 H
Materials and Supplies	3.3	3.4	3.5	3.5	-
Equipment	0.6	1.8	3.9	3.9	-
Overhead (SFPUC Bureaus)	16.9	18.5	20.1	20.1	-
Services of Other Departments	6.3	8.5	10.2	10.2	-
Debt Service	6.0	5.7	5.7	5.7	-
Total Operating Uses	161.1	184.7	208.5	197.2	11.3
Net Operating Results	61.8			39.5	15.5
Adjustments to Operating Fund Balance					
	FY 2019-20 Actuals	Current Year Transfers from Operating	Total Available Funds	Projection (current & future years spending)	Project Closeouts
Facilities Maintenance/Programmatic	12.0	16.2	21.8	20.9	0.9 I
Capital projects	28.5	0.6	149.7	122.5	27.3 I
General Reserve	-	1.5	1.5	-	1.5 J
Total Adjustments to Operating Fund Balance	40.4	18.3	173.0	143.3	29.7
Available Fund Balance as of Fiscal Year-End	38.6				83.7
Available Fund Balance, % of Operating Uses (T) 25-68%	25.5%				49.3%
Debt Service Coverage... Year-End Budgetary Basis					
Indenture Basis (includes Available Fund Balance) (U) ≥ 1.35	23.56 *	16.63			11.24
Current Basis (V) ≥ 1.10	12.21 *	0.71			7.64

Revenue Variances

- A. Retail sales slightly below budget due to lower than expected volumes.
- B. Wholesale sales generation volume down 23% from budget, offset by unbudgeted attribute sales.
- C. Natural gas & steam sales projected to be slightly below revised budget due to continuing shelter in place orders at City Departments.
- D. Miscellaneous income over budget due primarily to Lawrence Livermore National Labs resuming water purchases that were on hold in prior years as well as receipts from legal settlements.

Expenditure Variances

- E. Salary savings due to vacant positions
- F. Non-personnel savings projected due to lower than expected spending on professional consulting services.
- G. Increased cost of purchased power due to distribution cost proposals, set to begin in January 2021, is offset by \$4.0M power purchase contingency budget, as well as \$9.1M in prior year unspent funds carried forward from FY 2019-20.
- H. Natural gas & steam sales projected to be slightly below budget due to continuing shelter in place orders at City Departments.
- I. Project savings to offset lower revenues from Covid sales reductions.
- J. General Reserve was intentionally budgeted and planned to go unspent to supplement reserves.

* Preliminary, unaudited

Appendix D
CleanPowerSF
FY 2020-21 2nd Quarter - Budgetary Basis - 24870, 24750, 24760 & 24765
(\$ Millions)

	FY 2020-21				
	FY 2019-20 Actuals	Original Budget	Revised Budget (includes carryforwards)	Projection (includes carryforwards)	Variance (Projection -Revised Budget)
Operating Sources					
Electric Sales - Green Product	233.3	214.8	214.8	204.6	(10.2) A
Electric Sales - SuperGreen Product	11.7	10.8	10.8	10.8	-
Wholesale Sales	-	-	-	-	-
Subtotal - Electric Revenues	245.0	225.6	225.6	215.4	(10.2)
Interest Income	1.0	0.9	0.9	0.9	-
Appropriated/Budgeted Use of Fund Balance	-	-	10.4	10.4	-
Total Sources	245.9	226.5	236.9	226.7	(10.2)
Operating Uses					
Personnel	3.0	6.8	6.8	3.1	3.7 B
Overhead	2.0	2.5	2.6	2.6	-
Non Personnel Services	10.4	12.3	13.5	13.5	-
Materials & Supplies	0.0	0.2	0.2	0.2	-
Power Purchases	175.4	181.9	190.8	190.8	-
Services of Other Departments	2.4	3.6	3.7	3.7	-
Debt Service	2.0	1.0	1.0	1.0	-
Total Operating Uses	195.3	208.3	218.6	214.9	3.7
Net Operating Results	50.6			11.8	(6.5)
Adjustments to Operating Fund Balance					
	FY 2019-20 Actuals	Current Year Transfers from Operating	Total Available Funds	Projection (current & future years spending)	Project Closeouts
Programmatic	0.1	0.7	0.9	0.9	-
Capital Projects	-	1.9	1.9	1.9	-
General Reserve	-	15.5	15.5	-	15.5 C
Total Adjustments to Operating Fund Balance	0.1	18.1	18.3	2.8	15.5
Available Fund Balance as of Fiscal Year-End	52.6 E				61.6 D

Revenue Variances

A. Lower revenues driven by CleanPowerSF rate decrease on January 2021 to stay within 1% of PG&E's rates, and COVID-19 bill credit relief pro

Expenditure Variances

B. Salary savings due to vacant positions.

C. General Reserve was intentionally budgeted and planned to go unspent to build reserves.

Other Notes

D. 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.

E. Available fund balance at the beginning of the fiscal year consists of amounts closed out to fund balance within the financial system as of the prior year end