





**Date:** May 11, 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 FY 2020-21 Third Quarter Budgetary Report through March 31, 2021**

The FY 2020-21 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 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 & Project Closeout	Projected Year End Available Fund Balance
Water	\$ 258.4	(27.8)	(10.6)	5.6	(5.1)	9.0	\$ 234.5
Wastewater	\$ 211.7	(12.1)	(23.9)	8.5	(15.3)	11.2	\$ 195.5
Power	\$ 38.6	-	(3.9)	11.6	7.7	29.7	\$ 76.0
CleanPowerSF	\$ 74.6	-	(16.3)	4.3	(12.0)	15.5	\$ 78.1

**London N. Breed**  
 Mayor

**Sophie Maxwell**  
 President

**Anson Moran**  
 Vice President

**Tim Paulson**  
 Commissioner

**Ed Harrington**  
 Commissioner

**Newsha Ajami**  
 Commissioner

**Michael Carlin**  
 Acting General Manager

**Summary:**

- Weakened operating results projected across all enterprises and CleanPowerSF, with Water, Wastewater and CleanPowerSF projected to end the year with a net operating shortfall.
- Water and Wastewater: sales are down due to the continued impact of the COVID-19 pandemic on retail sales.
- CleanPowerSF: weakened sales projections due to rate reductions and rate structure changes for commercial customers.

**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.



- Power: generation is down due to below average precipitation resulting in wholesale sales 33% below budget. Lower revenues are offset by:
  - Unbudgeted wholesale resource adequacy sales to CleanPowerSF and resumption of water sales to Lawrence Livermore National Labs.
  - \$13.1M in savings from unspent power purchase contingency budget, as well as closeout of prior year unspent funds.
- Interest income is down across the agency due to lower interest rates.
- Staff salary increases that went into effect in December 2020 per the negotiated MOUs, are now reflected in salary projections. Salary savings are projected in Wastewater, Hetchy Power and CleanPowerSF due to vacant positions.
- All enterprises projected to meet financial policy minimums and coverage ratios.

The \$78.1M CleanPowerSF Fund Balance increased \$16.5M from the last quarterly report due to a revision in the presentation of beginning fund balance. In Q3 the presentation was updated to account for savings not previously included due to the unique fund structure of CleanPowerSF.

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 [ESandler@sfgwater.org](mailto:ESandler@sfgwater.org).

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 3rd Quarter - Budgetary Basis, Funds 25940, 25950, 25960, 26570, 26600**  
(\$ Millions)

	FY 2020-21				
	FY 2019-20 Actuals	Original Budget	Revised Budget (includes carryforwards)	Projection (includes carryforwards)	Variance (Projection -Revised Budget)
<b>Sources</b>					
Retail Water Sales	291.9	305.7	306.3	289.1	(17.2) <b>A</b>
Wholesale Water Sales	270.6	262.4	262.4	273.2	10.8 <b>B</b>
Interest Income	8.7	5.1	5.1	3.0	(2.0) <b>C</b>
Rental Income	13.0	12.5	12.5	12.9	0.4 <b>D</b>
Miscellaneous Income	18.9	20.9	21.6	18.9	(2.7) <b>E</b>
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	-
<b>Total Sources</b>	<b>648.1</b>	<b>611.9</b>	<b>680.5</b>	<b>669.8</b>	<b>(10.6)</b>
<b>Operating Uses</b>					
Personnel	95.6	102.3	102.3	102.3	-
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	59.4	0.6 <b>F</b>
Services of Other Departments	12.8	14.6	16.3	16.3	-
Debt Service	291.1	304.2	304.2	299.3	5.0 <b>G</b>
<b>Total Operating Uses</b>	<b>487.4</b>	<b>527.2</b>	<b>550.1</b>	<b>544.6</b>	<b>5.6</b>
<b>Net Operating Results</b>	<b>160.7</b>			<b>125.2</b>	<b>(5.1)</b>
<b>Adjustments to Operating Fund Balance</b>					
	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 <b>H</b>
Facilities Maintenance/Programmatic	33.2	37.1	81.5	79.5	2.0 <b>I</b>
<b>Total Adjustments to Operating Fund Balance</b>	<b>\$ 85.0</b>	<b>\$ 84.7</b>	<b>\$ 278.9</b>	<b>\$ 269.9</b>	<b>\$ 9.0</b>
	<i>check</i>	-			
<b>Available Fund Balance as of Fiscal Year-End</b>	<b>\$ 258.4</b>				<b>234.5</b>
<b>Available Fund Balance, % of Operating Uses (J) 25-68%</b>	<b>93.4%</b>				<b>72.2%</b>
<b>Debt Service Coverage (Year-End Budgetary Basis)</b>					
Indenture Basis (includes Available Fund Balance) (K) ≥ 1.35	<b>2.16</b>	<b>1.93</b>			<b>1.98</b>
Current Basis (L) ≥ 1.10	<b>1.26</b>	<b>1.17</b>			<b>1.20</b>

## Appendix A

### WATER ENTERPRISE OPERATING FUNDS FY 2020-21 3rd Quarter - Budgetary Basis, Funds 25940, 25950, 25960, 26570, 26600 (\$ Millions)

#### Revenue Variances

- A. Retail water sales forecasted to be 54.4 MGD, a 8.4% decrease from prior year actuals of 59.3 MGD, and a 5.4% 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 133.6 MGD, a 1.4% increase from prior year actuals of 131.8 MGD, and a 3.7% increase from budgeted volumes of 128.8 MGD. Revenues also include \$2.5M in unbudgeted payments from customers not meeting minimum purchase requirements.
- C. Interest rate budget assumed at 2%, whereas the City's pooled fund portfolio YTD Yield as of February is 0.79%.
- D. Rental income projected to increase by \$400K for Mission Valley Rock Quarry due to greater volume of sales than expected.
- E. 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

- F. Savings are related to salary savings associated with bureaus overhead allocation.
- G. Debt Service savings due to Water Revenue Bonds Refunding.
- H. Project savings to offset lower revenues.
- I. Project savings to offset lower revenues.

#### Other Notes

- J. Calculated as Ending Available Fund Balance (including additions to General Reserve) as a percent of Operating
- 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 B

WASTEWATER ENTERPRISE OPERATING FUNDS  
 FY 2020-21 3rd Quarter - Budgetary Basis, Funds 20160, 20550, 20170, 20210  
 (\$ Millions)

	FY 2019-20 Actuals	FY 2020-21			Variance (Projection - Revised Budget)	
		Original Budget	Revised Budget (includes carryforwards)	Projection (current year spending)		
<b>Sources</b>						
Sewer Service Charges	338.4	353.4	353.6	333.8	(19.7)	A
Interest Income	8.0	5.9	5.9	2.1	(3.8)	B
Miscellaneous Income	4.4	5.2	5.2	4.9	(0.4)	C
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	-	
<b>Total Sources</b>	<b>372.8</b>	<b>380.1</b>	<b>396.8</b>	<b>372.9</b>	<b>(23.9)</b>	
<b>Operating Uses</b>						
Personnel	70.9	76.3	76.2	70.6	5.6	D
Non-Personnel Services	20.7	23.4	26.4	24.9	1.5	E
City Grant Programs	0.0	0.3	0.5	0.5	-	
Materials and Supplies	8.4	11.2	12.5	11.5	1.0	F
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	34.2	0.4	G
Services of Other Departments	24.6	26.1	27.3	27.3	-	
Debt Service	68.7	87.5	87.5	87.5	-	
<b>Total Operating Uses</b>	<b>233.3</b>	<b>268.9</b>	<b>281.1</b>	<b>272.5</b>	<b>8.5</b>	
<b>Net Operating Results</b>	<b>139.5</b>			<b>100.4</b>	<b>\$ (15.3)</b>	
<b>Adjustments to Operating Fund Balance</b>						
	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	122.5	112.4	10.2	H
Facilities Maintenance/Programmatic	6.4	7.3	11.6	11.0	0.6	I
General Reserve	-	0.4	0.4	-	0.4	J
<b>Total Adjustments to Operating Fund Balance</b>	<b>\$ 38.4</b>	<b>\$ 109.8</b>	<b>\$ 134.5</b>	<b>\$ 123.3</b>	<b>\$ 11.2</b>	
<b>Available Fund Balance as of Fiscal Year-End</b>	<b>\$ 211.7</b>				<b>\$ 195.5</b>	
<b>Available Fund Balance, % of Operating Uses (K) 25-68%</b>	<b>113.4%</b>				<b>99.7%</b>	
<b>Debt Service Coverage (Year-End Budgetary Basis)</b>						
Indenture Basis (includes Available Fund Balance) (L) ≥ 1.35	<b>6.08</b>	<b>4.80</b>			<b>4.37</b>	
Current Basis (M) ≥ 1.10	<b>2.64</b>	<b>2.48</b>			<b>2.14</b>	

## Appendix B

### WASTEWATER ENTERPRISE OPERATING FUNDS FY 2020-21 3rd Quarter - Budgetary Basis, Funds 20160, 20550, 20170, 20210 (\$ Millions)

#### Revenue Variances

- A. Wastewater retail billable volumes projected to be 44.9 MGD, a 3.9% decrease from budget of 46.7 MGD and a 7.4% decrease from prior year actuals of 48.5 MGD. Projection accounts for \$4.2M in COVID-19 emergency discounts.
- B. Interest rate budget assumed at 2%, whereas the City's pooled fund portfolio YTD Yield as of February is 0.79%.
- C. Miscellaneous income projected to decrease from budget mainly due to \$230k reduced revenues related to collections moratorium.

#### Expenditure Variances

- D. Salary savings reflect vacant positions.
- E. Savings mainly due to the impact of COVID-19 causing a reduction in the hauling and disposal of biosolids through contractual services.
- F. Savings mainly due to the impact of the COVID-19 which caused a reduction in sewage treatment chemicals being procured.
- G. Savings are related to salary savings associated with the bureaus overhead allocation.
- H. Project savings to offset lower revenues.
- I. Project savings to offset lower revenues .
- J. General Reserve was intentionally budgeted and planned to go unspent to build reserves.

#### Other Notes

- K. 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%.
- L. 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.
- M. 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 2020-21 3rd 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)	
<b>Sources</b>						
Electric Sales - Retail	128.6	117.8	118.0	117.5	(0.5)	A
Electric Sales - Wholesale	15.9	20.8	20.8	17.9	(2.9)	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	13.0	(1.2)	C
Interest Income	5.6	4.5	4.5	1.9	(2.5)	D
Federal Interest Subsidy - Power Bonds	0.5	0.5	0.5	0.5	-	
Miscellaneous Income	3.1	1.0	1.0	4.4	3.3	E
Appropriated/Budgeted Use of Fund Balance	23.8	-	29.4	29.4	-	
<b>Total Sources</b>	<b>222.9</b>	<b>201.7</b>	<b>232.6</b>	<b>228.7</b>	<b>(3.9)</b>	
<b>Operating Uses</b>						
Personnel	44.9	49.0	49.0	49.0	-	
Non-Personnel Services	24.3	38.1	46.0	46.0	-	
Power Purchases, Transmission Distribution & R	49.0	46.8	55.9	45.8	10.1	F
Natural Gas & Steam	9.7	13.0	14.2	13.0	1.2	G
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	19.8	0.3	H
Services of Other Departments	6.3	8.5	10.2	10.2	-	
Debt Service	6.0	5.7	5.7	5.7	-	
<b>Total Operating Uses</b>	<b>161.1</b>	<b>184.7</b>	<b>208.5</b>	<b>196.9</b>	<b>11.6</b>	
<b>Net Operating Results</b>	<b>61.8</b>			<b>31.8</b>	<b>7.7</b>	
<b>Adjustments to Operating Fund Balance</b>						
	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
<b>Total Adjustments to Operating Fund Balance</b>	<b>40.4</b>	<b>18.3</b>	<b>173.0</b>	<b>143.3</b>	<b>29.7</b>	
<b>Available Fund Balance as of Fiscal Year-End</b>	<b>38.6</b>				<b>76.0</b>	
<b>Available Fund Balance, % of Operating Uses (T)</b>	<b>25.5%</b>				<b>44.8%</b>	
<b>Debt Service Coverage... Year-End Budgetary Basis</b>						
Indenture Basis (includes Available Fund Balance)	23.56 *	16.63			7.94	

Current Basis (V)  $\geq 1.10$

12.21 \*

0.71

4.33



### **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. Interest rate budget assumed at 2%, whereas the City's pooled fund portfolio YTD Yield as of February is 0.79%.
- E. 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**

- F. Increased cost of power distribution costs offset by unspent \$4.0M power purchase contingency and 9.1M savings from prior year carryforward closeout.
- G. Natural gas & steam sales projected to be slightly below budget due to continuing shelter in place orders at City Departments.
- H. Overhead savings due to less spending than expected in the SFPUC Bureaus.
- I. Project closeout savings to offset lower revenues.
- J. General Reserve was intentionally budgeted and planned to go unspent to supplement reserves.

\* Preliminary, unaudited

**Appendix D**  
**CleanPowerSF**  
**FY 2020-21 3rd Quarter - Budgetary Basis - 24870, 24750, 24760 & 24765**  
**(\$ Millions)**

	FY 2019-20 Actuals	FY 2020-21			Variance (Projection - Revised Budget)	
		Original Budget	Revised Budget (includes carryforwards)	Projection (includes carryforwards)		
<b>Operating Sources</b>						
Electric Sales - Green Product	233.3	214.8	214.8	199.1	(15.8)	A
Electric Sales - SuperGreen Product	11.7	10.8	10.8	10.4	(0.4)	
Wholesale Sales	-	-	-	-	-	
<b>Subtotal - Electric Revenues</b>	<b>245.0</b>	<b>225.6</b>	<b>225.6</b>	<b>209.4</b>	<b>(16.2)</b>	
Interest Income	1.0	0.9	0.9	0.8	(0.1)	B
Appropriated/Budgeted Use of Fund Balance	-	-	10.4	10.4	-	
<b>Total Sources</b>	<b>245.9</b>	<b>226.5</b>	<b>236.9</b>	<b>220.6</b>	<b>(16.3)</b>	
<b>Operating Uses</b>						
Personnel	3.0	6.8	6.8	3.2	3.6	C
Overhead	2.0	2.5	2.6	2.6	0.1	D
Non Personnel Services	10.4	12.3	13.5	13.0	0.5	E
Materials & Supplies	0.0	0.2	0.2	0.1	0.1	F
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	-	
<b>Total Operating Uses</b>	<b>195.3</b>	<b>208.3</b>	<b>218.6</b>	<b>214.4</b>	<b>4.3</b>	
<b>Net Operating Results</b>	<b>50.6</b>			<b>6.2</b>	<b>(12.0)</b>	
<b>Adjustments to Operating Fund Balance</b>						
	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	G
<b>Total Adjustments to Operating Fund Balance</b>	<b>0.1</b>	<b>18.1</b>	<b>18.3</b>	<b>2.8</b>	<b>15.5</b>	
<b>Available Fund Balance as of Fiscal Year-End</b>	<b>74.6</b> T				<b>78.1</b> S	

**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 program  
B. Interest rate budget assumed at 2%, whereas the City's pooled fund portfolio YTD Yield as of February is 0.79%.

**Expenditure Variances**

- C. Salary savings due to vacant positions.  
D. Savings due to lower than expected spending in the SFPUC Bureaus.  
E. Savings mainly from budgeted contract work performed internally.  
F. Savings from fewer materials & supplies needs due to a mainly remote workforce.  
G. General Reserve was intentionally budgeted and planned to go unspent to build reserves.

**Other Notes**

S. 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, certain 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 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.

T. Available fund balance at the beginning of the fiscal year consists of CleanPowerSF operating results. In Q3 the presentation was updated to account for savings not previously included due to the unique fund structure of CleanPowerSF.