



# 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:** November 13, 2018

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

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

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

**Subject:** SFPUC First Quarter Budgetary Report for FY 2018-19 through 9/30/18

**Summary:** Attached are the first quarter FY 2018-19 budgetary reports for the three Enterprises and CleanPowerSF. Wastewater and CleanPowerSF revenues are higher than budget; Water and Power revenues are below budget. The table below summarizes high-level changes to revenues and expenses, with positive net revenues projected for Wastewater and CleanPowerSF. Detail on the revenues and expenditures are provided in the narratives on the following pages and attached reports.

### FY 2018-19 Operations

	Beginning Available Fund Balance	Fund Balance Budgeted to be (Used)	Revenue Surplus / (Shortfall)	Expenditure Savings / (Shortfall)	Surplus / (Shortfall)	General Reserve	Projected Year End Available Fund Balance
Water	\$ 225.7	\$ (4.3)	\$ (4.0)	\$ 1.2	\$ (2.8)	\$ -	\$ 218.6
Wastewater	\$ 201.7	\$ (6.0)	\$ 0.4	\$ 5.0	\$ 5.4	\$ -	\$ 201.1
Hetch Hetchy	\$ 52.7	\$ (14.1)	\$ (14.6)	\$ 6.2	\$ (8.4)	\$ -	\$ 30.2
CleanPowerSF	\$ 10.4	\$ -	\$ -	\$ 2.6	\$ 1.0	\$ 17.9	\$ 30.9

**London N. Breed**  
Mayor

**Vince Courtney**  
President

**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.



### **Water Enterprise**

- Lower Water Sales Revenue: Wholesale water sales revenue is \$5.0M or (1.9%) lower than projected.
- Wholesale water volumes are 126.7 MGD (2.5%) lower than budget.
- Other miscellaneous income is projected to be higher than budget by \$1.0M due to an increase in water services installation.
- Cost savings of \$1.2M projected in salaries and benefits.

### **Wastewater Enterprise**

- Higher Wastewater Sales Revenue: Wastewater sales revenue is higher than budget by \$0.3M (0.1%). Wastewater revenues are a function of water sales multiplied by a flow factor which determines a customers' indoor water usage and wastewater flow.
- Wastewater discharge volumes are projected at 49.4 MGD, 0.1 MGD or 0.2% higher than budget.
- Cost savings of \$5.0M projected in salaries and benefits.

### **Hetch Hetchy Water & Power, including the Power Enterprise**

- Lower Power Sales Revenue: Power sales revenue is below budget by \$9.6M mainly in wholesale sales.
- Projected net cost savings of \$6.2M; \$2.4M savings in personnel, \$4.0M purchase of power contingency, offset by \$3.0M shortfall in transmission and distribution costs.

### **CleanPowerSF**

- Cost savings of \$2.6M in personnel costs savings.
- \$30.9M operating reserve includes \$3.0M in Calpine Reserve Account. Program reserve target projected to be met.

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**

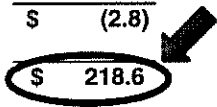
**Appendix C Hetch Hetchy Water & Power, including the Power Enterprise**

**Appendix D CleanPowerSF**

Appendix A

**WATER ENTERPRISE OPERATING FUNDS**  
**FY 2018-19 1st 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	\$ 11.6	\$ 232.9	\$ 221.4
<b>Sources</b>					
Retail Water Sales	256.7	279.4	279.4	279.4	-
Wholesale Water Sales	260.4	264.2	264.2	259.2	(5.0) A
Interest Income	1.8	2.3	2.3	2.3	-
Rental Income	12.3	12.7	12.7	12.7	-
Miscellaneous Income	25.2	16.8	16.8	17.8	1.0 B
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>565.8</b>	<b>565.8</b>	<b>561.8</b>	<b>(4.0)</b>
<b>Operating Uses</b>					
Personnel	91.6	97.9	95.9	94.7	1.2 C
Non-Personnel Services	23.6	17.8	24.8	24.8	-
Materials and Supplies	15.0	14.0	15.3	15.3	-
Equipment	3.8	4.7	5.7	5.7	-
Light, Heat, and Power	9.0	9.9	9.9	9.9	-
Overhead (SFPUC Bureaus)	48.3	46.8	46.8	46.8	-
Services of Other Departments	14.4	12.7	12.7	12.7	-
<b>Total Operating Uses</b>	<b>205.8</b>	<b>204.0</b>	<b>211.2</b>	<b>210.0</b>	<b>1.2</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>\$ 577.3</b>	<b>\$ 576.1</b>	<b>\$ 1.2</b>
<b>Net FY 2018-19 Results</b>					\$ (2.8)
<b>Available Fund Balance as of Fiscal Year-End (D)</b>	<b>\$ 225.7</b>				<b>\$ 218.6</b>
<b>Available Fund Balance, % of Operating Uses (E) 25-68%</b>	<b>98.0%</b>	<b>94.4%</b>		<b>93.7%</b>	
<b>Debt Service Coverage (Year-End Budgetary Basis)</b>					
Indenture Basis (includes Available Fund Balance) (F) ≥ 1.35	1.90	1.96		1.93	
Current Basis (G) ≥ 1.10	1.15	1.20		1.16	



## Appendix A

### WATER ENTERPRISE OPERATING FUNDS FY 2018-19 1st Quarter - Budgetary Basis, 5W AAA (\$ Millions)

#### Revenue Variances

- A. Wholesale water sales are projected to be 126.7 MGD, a 2.5% decrease from budget of 129.9 MGD, and a 1.5% decrease from prior year actuals of 128.6 MGD. Also includes Minimum Purchase revenue from prior year.
- B. Miscellaneous income projected to increase from budget primarily due to an increase in water service installation charges.

#### Expenditure Variances

- C. Personnel savings resulting from vacant positions.

#### Other Notes

- D. Unaudited estimated ending available Fund Balance for FY 2017-18.
- 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 1st 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	\$ 34.0	\$ 229.7	\$ 195.7
<b>Sources</b>					
Sewer Service Charges	308.2	327.7	327.7	328.0	0.3 A
Interest Income	1.5	1.8	1.8	1.8	-
Miscellaneous Income	4.0	3.7	3.7	3.9	0.1 B
Federal Bond Interest Subsidy	4.0	4.0	4.0	4.0	-
<b>Total Sources</b>	<b>317.6</b>	<b>337.2</b>	<b>337.2</b>	<b>337.7</b>	<b>0.4</b>
<b>Operating Uses</b>					
Personnel	66.0	71.6	71.3	66.3	5.0 C
Non-Personnel Services	22.7	18.2	23.1	23.1	-
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>178.1</b>	<b>173.1</b>	<b>5.0</b>
Debt Service	50.5	63.2	63.2	63.2	-
Capital Projects	56.8	106.8	118.5	118.5	-
Facilities Maintenance/Programmatic	10.5	8.2	11.4	11.4	-
General Reserve	-	-	-	-	-
<b>Total Uses - Operating, Debt Service, Capital &amp; Other</b>	<b>\$ 287.9</b>	<b>\$ 343.2</b>	<b>\$ 371.2</b>	<b>\$ 366.2</b>	<b>\$ 5.0</b>
<b>Net FY 2018-19 Results</b>					\$ 5.4
<b>Available Fund Balance as of Fiscal Year-End (D)</b>	\$ 201.7				\$ 201.1
<b>Available Fund Balance, % of Operating Uses (E) 25-68%</b>	111.7%	112.9%		119.5%	
<b>Debt Service Coverage (Year-End Budgetary Basis)</b>					
Indenture Basis (includes Available Fund Balance) (F) ≥ 1.35	6.23	5.79		5.88	
Current Basis (G) ≥ 1.10	2.83	2.69		2.70	

**Appendix B**

**WASTEWATER ENTERPRISE OPERATING FUNDS  
FY 2018-19 1st Quarter - Budgetary Basis, 5C AAA  
(\$ Millions)**

**Revenue Variances**

- A. Retail sewer service charge revenue projected to be 49.4 MGD, a 0.1% decrease from budget of 49.5 MGD, and a 0.8% decrease from prior year actuals of 48.5 MGD. Minor increase from budget due to wholesale revenues.
- B. Miscellaneous income projected to increase slightly from budget due to \$145K in unbudgeted biofuel revenues.

**Expenditure Variances**

- C. Personnel savings resulting from vacant positions.

**Other Notes**

- D. Unaudited estimated ending available Fund Balance for FY 2017-18.
- 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 C**  
**HETCH HETCHY WATER & POWER OPERATING FUNDS**  
**FY 2018-19 1st 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	\$ 32.2	\$ 70.9	\$ 38.6
<b>Sources</b>					
Electric Sales - City Work Orders - General Fund Depts.	22.6	25.6	25.6	25.1	(0.5) A
Electric Sales - City Work Orders - Enterprise Depts.	67.5	75.6	75.6	75.2	(0.4) B
Electric Sales - Wholesale (CAISO, CleanPowerSF, WSPP, Riverbank)	7.2	22.1	22.1	15.2	(6.8) C
Electric Sales - Direct, Non-City Depts., SFUSD	18.5	19.3	19.3	19.3	-
Electric Sales - Retail	4.0	11.7	11.7	10.0	(1.7) D
Electric Sales - Treasure Island	2.5	3.5	3.5	3.3	(0.2) E
<b>Subtotal - Electric Revenues</b>	<b>122.4</b>	<b>157.7</b>	<b>157.7</b>	<b>148.2</b>	<b>(9.6)</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	0.9	(1.9) F
<b>Subtotal - Water Revenues</b>	<b>33.4</b>	<b>36.3</b>	<b>36.3</b>	<b>34.4</b>	<b>(1.9)</b>
Natural Gas & Steam - City Work Orders	9.7	10.2	13.4	10.3	(3.1) 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	6.7	6.7	6.7	-
<b>Total Sources</b>	<b>173.4</b>	<b>212.2</b>	<b>215.4</b>	<b>200.9</b>	<b>(14.6)</b>
<b>Operating Uses</b>					
Personnel	38.1	45.0	42.9	40.5	2.4 H
Non-Personnel Services	17.9	29.4	35.2	35.2	-
Power Purchases	12.2	10.6	12.7	14.7	(2.0) I
Transmission Distribution & Related Charges	28.0	36.0	38.9	40.2	(1.3) 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	19.5	-
Services of Other Departments	8.4	7.9	7.9	7.9	-
Natural Gas & Steam	9.7	10.2	13.4	10.3	3.1 K
<b>Total Operating Uses</b>	<b>135.3</b>	<b>159.7</b>	<b>175.0</b>	<b>172.9</b>	<b>2.2</b>
Debt Service	4.8	4.8	4.8	4.8	-
Capital Projects	33.0	42.5	42.5	42.5	-
Facilities Maintenance/Programmatic	14.8	15.3	21.3	21.3	-
Contingency/Purchase of Power	-	4.0	4.0	-	4.0 L
<b>Total Uses - Operating, Debt Service, Capital &amp; Other</b>	<b>\$ 187.9</b>	<b>226.3</b>	<b>\$ 247.6</b>	<b>\$ 241.4</b>	<b>\$ 6.2</b>
<b>Net FY 2018-19 Results</b>					\$ (8.4)
<b>Available Fund Balance as of Fiscal Year-End (M)</b>	<b>\$ 52.7</b>				<b>\$ 30.2</b>
<b>Available Fund Balance, % of Operating Uses (N) 25-68%</b>	<b>35.1%</b>	<b>24.4%</b>		<b>25.6%</b>	
<b>Debt Service Coverage... Year-End Budgetary Basis</b>					
Indenture Basis (includes Available Fund Balance) (O) ≥ 1.35	N/A	27.42		16.81	
Current Basis (P) ≥ 1.10	5.00	9.58		7.24	



**Appendix C**  
**HETCH HETCHY WATER & POWER OPERATING FUNDS**  
**FY 2018-19 1st Quarter - Budgetary Basis, 5T AAA**  
**(\$ Millions)**

**Revenue Variances**

- A. Lower sales mainly driven by lower LED streetlight loads.
- B. Lower sales mainly driven by lower Airport and Water department loads.
- C. Lower wholesale sales mainly from one-time district items and lower hydro generation sales on wholesale market.
- D. Lower retail sales mainly due to delay in transfer load customer coming online.
- E. Treasure Island utility sales lower due to lower gas and electric usage by TIDA customers.
- F. Water sales lower due to Lawrence Livermore National Labs not buying water for July-September.
- G. Gas and steam sales are a pass-through.

**Expenditure Variances**

- H. Personnel savings resulting from vacant positions.
- I. Higher power purchase costs driven by lower electric generation projection, leading to greater energy purchases.
- J. Higher costs mainly driven by higher transmission rates.
- K. Lower demand resulting in gas and steam costs projected lower than budget.
- L. Contingency reserve for dry year/power price volatility for purchase of power, projected to be unspent.

**Other Notes**

- M. Unaudited estimated Ending Available Fund Balance for FY 2017-18.
- N. 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%.
- O. 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.
- P. 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 1st Quarter - Budgetary Basis, 5Q**  
**(\$ Millions)**

	FY 2017-18 Actuals	Original Budget	Revised Budget	Projection	Variance
<b>Beginning Fund Balance as a Source</b>	\$ 9.7	\$ -	\$ 4.0	\$ 14.5	\$ 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	2.1	2.6 A
Overhead	1.5	2.0	2.0	2.0	-
Non Personnel Services	3.5	10.5	10.9	10.9	-
Materials & Supplies	-	0.1	0.1	0.1	-
Power Purchases	30.3	119.1	122.3	125.9	(3.6) B
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>142.6</b>	<b>143.7</b>	<b>(1.0)</b>
Debt Service	1.7	-	-	-	-
Programmatic	-	0.1	0.1	0.1	-
General Reserve	-	17.9	17.9	-	17.9 C
<b>Total Uses</b>	<b>\$ 39.8</b>	<b>\$ 157.0</b>	<b>\$ 160.6</b>	<b>\$ 143.8</b>	<b>\$ 16.9</b>

**Net FY 2018-19 Results**

**Available Fund Balance as of Fiscal Year-End (D) \$ 10.4**

\$ 16.9  
 \$ **27.3**\*

**Beginning Fund Balance**

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

**Uses**

- A. Savings resulting from vacant positions.
- B. Power purchase costs projected to be higher due to increased loads and recourse adequacy costs.
- C. General Reserve was intentionally budgeted and planned to go unspent to build up fund balance reserves.