



**Date:** December 8, 2020

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

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

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

**Subject:** **SFPUC First Quarter Budgetary Report**  
**through September 30, 2020**

The FY 2020-21 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 2020-21 Operations**

	Beginning Available Fund Balance	Fund Balance Budgeted to be (Used)	Projected Sources Variance	Projected Operating Uses variance	Net Operating Results Surplus / (Shortfall)	General Reserve & Project Closeout	Projected Year End Available Fund Balance
Water	258.4	(27.8)	11.2	5.9	17.0	9.0	256.7
Wastewater	211.7	(12.1)	(1.3)	1.5	0.2	10.8	210.6
Power	36.8	-	(1.6)	12.0	10.5	28.8	77.8
CleanPowerSF	52.6	-	(0.4)	4.1	3.7	15.5	71.8

**Summary:**

- Positive net operating results projected for all enterprises and CleanPowerSF.
- Water revenues are up from budget due to higher sales to wholesale customers. In addition, recent debt refinancing has led to \$5M in debt service savings for Water this fiscal year.
- Wastewater, Power and CleanPowerSF revenues are projected to be slightly below budget.
- Salary savings projected across the agency due to vacant positions through the first quarter.

**London N. Breed**  
Mayor

**Sophie Maxwell**  
President

**Anson Moran**  
Vice President

**Tim Paulson**  
Commissioner

**Ed Harrington**  
Commissioner

**Harlan L. Kelly, Jr.**  
General Manager



- In Power, \$3.5M 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.
- Emergency customer assistance programs are assumed to continue through June 2021.
- All enterprises are projected to meet their financial policy minimums and coverage ratios.

Please note that the attached reports show Capital Project cost “savings” in Water, Wastewater and Hetch Hetchy Water & Power. These savings reflect cuts to previously appropriated revenue-funded capital and programmatic projects to rebalance the FY 2019-20 budget, as well as to provide a source to help rebalance the FY 2020-21 and FY 2021-22 budgets:

***Project Cost Savings for Budget Rebalancing***

<i>\$ Millions</i>	<b>Water</b>	<b>Wastewater</b>	<b>Hetch Hetchy</b>
Capital Projects	7.0	10.2	27.3
Programmatic	2.0	0.6	-
<b>Total</b>	<b>9.0</b>	<b>10.8</b>	<b>27.3</b>

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  
 Ashley Groffenberger, Acting 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 1st 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)	
<b>Sources</b>					
Retail Water Sales	291.9	305.7	306.3	302.8	(3.4) <b>A</b>
Wholesale Water Sales	270.6	262.4	262.4	281.8	19.4 <b>B</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	16.8	(4.8) <b>C</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>691.7</b>	<b>11.2</b>
<b>Operating Uses</b>					
Personnel	95.6	102.3	102.3	101.4	0.9 <b>D</b>
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 <b>E</b>
<b>Total Operating Uses</b>	<b>487.4</b>	<b>527.2</b>	<b>550.2</b>	<b>544.3</b>	<b>5.9</b>
<b>Net Operating Results</b>	<b>160.7</b>			<b>147.4</b>	<b>17.0</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
Capital Projects	51.8	47.6	197.4	190.4	7.0 <b>F</b>
Facilities Maintenance/Programmatic	33.2	37.1	81.5	79.5	2.0 <b>G</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>256.7</b>	
<b>Available Fund Balance, % of Operating Uses (H) 25-68%</b>	<b>93.4%</b>			<b>79.1%</b>	
<b>Debt Service Coverage (Year-End Budgetary Basis)</b>					
Indenture Basis (includes Available Fund Balance) (I) ≥ 1.35	<b>2.38*</b>	<b>1.93</b>			<b>2.06</b>
Current Basis (J) ≥ 1.10	<b>1.32*</b>	<b>1.17</b>			<b>1.29</b>

## Appendix A

### WATER ENTERPRISE OPERATING FUNDS FY 2020-21 1st Quarter - Budgetary Basis, Funds 25940, 25950, 25960, 26570, 26600 (\$ Millions)

#### Revenue Variances

- A. Retail water sales forecasted to be 57.2 MGD, a 3.9% decrease from prior year actuals of 59.3 MGD, and a 0.5% decrease from budgeted volumes of 57.5 MGD. Projections incorporate \$650k cost of COVID-19 emergency discount programs.
- B. Wholesale water sales forecasted to be 136.9 MGD, a 3.6% increase from prior year actuals of 131.8 MGD, and a 6.3% 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 1st 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	352.4	(1.1) A
Interest Income	8.0	5.9	5.9	5.9	-
Miscellaneous Income	4.4	5.2	5.2	5.0	(0.2) B
Federal Bond Interest Subsidy	4.0	3.5	3.5	3.5	-
Appropriated/Budgeted Use of Fund Balance	18.0	12.1	27.5	27.5	-
<b>Total Sources</b>	<b>372.8</b>	<b>380.1</b>	<b>395.6</b>	<b>394.3</b>	<b>(1.3)</b>
<b>Operating Uses</b>					
Personnel	70.9	76.3	76.2	74.7	1.5 C
Non-Personnel Services	20.7	23.4	26.6	26.6	-
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	33.5	33.5	-
Services of Other Departments	24.6	26.1	27.1	27.1	-
Debt Service	68.7	87.5	87.5	87.5	-
<b>Total Operating Uses</b>	<b>233.3</b>	<b>268.9</b>	<b>280.1</b>	<b>278.6</b>	<b>1.5</b>
<b>Net Operating Results</b>	<b>139.5</b>			<b>115.7</b>	<b>\$ 0.2</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	169.3	159.1	10.2 D
Facilities Maintenance/Programmatic	6.4	7.3	11.4	11.4	0.6 E
General Reserve	-	0.4	0.4	0.4	-
<b>Total Adjustments to Operating Fund Balance</b>	<b>\$ 38.4</b>	<b>\$ 109.8</b>	<b>\$ 181.1</b>	<b>\$ 170.9</b>	<b>\$ 10.8</b>
<b>Available Fund Balance as of Fiscal Year-End</b>	<b>\$ 211.7</b>				<b>210.6</b>
<b>Available Fund Balance, % of Operating Uses (F) 25-68%</b>	<b>113.4%</b>				<b>104.0%</b>
<b>Debt Service Coverage (Year-End Budgetary Basis)</b>					
Indenture Basis (includes Available Fund Balance) (G) ≥ 1.35	<b>6.06</b> *	<b>4.80</b>			<b>4.56</b>
Current Basis (H) ≥ 1.10	<b>3.00</b> *	<b>2.48</b>			<b>2.31</b>

## Appendix B

### WASTEWATER ENTERPRISE OPERATING FUNDS FY 2020-21 1st Quarter - Budgetary Basis, Funds 20160, 20550, 20170, 20210 (\$ Millions)

#### Revenue Variances

- A. Wastewater retail billable volumes projected to be 47.8 MGD, a 2.3% increase from budget of 46.7 MGD and a 1.5% decrease from prior year actuals of 48.5 MGD. Projection accounts for \$1.5M in COVID-19 emergency discounts.
- B. Miscellaneous income projected to decrease from budget due to \$230k reduced revenues related to collections moratorium.

#### 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 1st 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	116.1	(1.9) <b>A</b>
Electric Sales - Wholesale	15.9	20.8	20.8	22.6	1.7 <b>B</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	12.8	(1.4) <b>C</b>
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	2.5	2.5	2.5	-
Appropriated/Budgeted Use of Fund Balance	23.8	-	29.4	29.4	-
<b>Total Sources</b>	<b>222.9</b>	<b>203.2</b>	<b>234.1</b>	<b>232.5</b>	<b>(1.6)</b>
<b>Operating Uses</b>					
Personnel	44.9	49.0	49.0	48.2	0.8 <b>D</b>
Non-Personnel Services	24.3	38.1	46.0	46.0	-
Power Purchases, Transmission Distribution & Related Charges	49.0	46.8	55.9	46.0	9.8 <b>E</b>
Natural Gas & Steam	9.7	13.0	14.2	12.8	1.4 <b>F</b>
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	-
<b>Total Operating Uses</b>	<b>161.1</b>	<b>184.7</b>	<b>208.5</b>	<b>196.5</b>	<b>12.0</b>
<b>Net Operating Results</b>	<b>61.8</b>			<b>36.0</b>	<b>10.5</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	21.8	-
Capital projects	28.5	0.6	149.7	122.5	27.3 <b>G</b>
General Reserve	-	1.5	1.5	-	1.5 <b>H</b>
<b>Total Adjustments to Operating Fund Balance</b>	<b>40.4</b>	<b>18.3</b>	<b>173.0</b>	<b>144.2</b>	<b>28.8</b>
<b>Available Fund Balance as of Fiscal Year-End</b>	<b>38.6</b>				<b>77.8</b>
<b>Available Fund Balance, % of Operating Uses (T) 25-68%</b>	<b>25.5%</b>				<b>45.8%</b>
<b>Debt Service Coverage... Year-End Budgetary Basis</b>					
Indenture Basis (includes Available Fund Balance) (U) ≥ 1.35	23.56 *	17.61			10.97
Current Basis (V) ≥ 1.10	12.21 *	1.77			7.37

**Revenue Variances**

- A. Retail sales slightly below budget due to lower than expected volumes.
- B. Wholesale sales slightly above budget, mainly due to higher than budgeted prices.
- C. Natural gas & steam sales projected to be slightly below revised budget due to continuing shelter in place orders at City Departments.

**Expenditure Variances**

- D. Salary savings due to vacant positions
- E. \$3.5M 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.
- F. Natural gas & steam sales projected to be slightly below budget due to continuing shelter in place orders at City Departments.
- G. Project savings to offset lower revenues from Covid sales reductions.
- H. General Reserve was intentionally budgeted and planned to go unspent to supplement reserves.

\* Preliminary, unaudited



**Appendix D**  
**CleanPowerSF**  
**FY 2020-21 1st Quarter - Budgetary Basis - 24870, 24750, 24760 & 24765**  
**(\$ Millions)**

	FY 2019-20 Actuals	FY 2020-21			
		Original Budget	Revised Budget (includes carryforwards)	Projection (includes carryforwards)	Variance (Projection - Revised Budget)
<b>Operating Sources</b>					
Electric Sales - Green Product	233.3	214.8	214.8	214.0	(0.8) A
Electric Sales - SuperGreen Product	11.7	10.8	10.8	11.2	0.4 B
Wholesale Sales	-	-	-	-	-
<b>Subtotal - Electric Revenues</b>	<b>245.0</b>	<b>225.6</b>	<b>225.6</b>	<b>225.2</b>	<b>(0.4)</b>
Interest Income	1.0	0.9	0.9	0.9	-
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>236.5</b>	<b>(0.4)</b>
<b>Operating Uses</b>					
Personnel	3.0	6.8	6.8	5.8	1.0 C
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	187.7	3.1 D
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>214.5</b>	<b>4.1</b>
<b>Net Operating Results</b>	<b>50.6</b>			<b>21.9</b>	<b>3.7</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
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 E
<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>52.6</b> G				<b>71.8</b> F

**Revenue Variances**

- A. Electric sales are slightly lower than budget due to fewer sales than budgeted during first few months of fiscal year.  
B. SuperGreen sales are slightly higher than budget due to more commercial accounts on SuperGreen than budgeted.

**Expenditure Variances**

- C. Salary savings due to vacant positions.  
D. Savings are due to carryforwards from conservative assumptions in FYE20 budget request.  
E. General Reserve was intentionally budgeted and planned to go unspent to build reserves.

**Other Notes**

F. 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.

G. 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.