



ADOPTED BUDGET

FY 2014-15 & FY 2015-16



San Francisco
Water Power Sewer
Services of the San Francisco Public Utilities Commission



GOVERNMENT FINANCE OFFICERS ASSOCIATION

*Distinguished
Budget Presentation
Award*

PRESENTED TO

**San Francisco Public Utilities Commission
California**

For the Biennium Beginning

July 1, 2012

Christopher P. Morill

President

Jeffrey R. Emer

Executive Director

VISION

Sustainable utility leader,
recognized for superior results in
service, value, environmental
stewardship and innovation

MISSION

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.

FY 2014-15 AND FY 2015-16 SFPUC BUDGET

A balanced two-year budget
covering three public utility
enterprises that reflects fiscal and
social responsibility, investments in
the future of our City and Region
and response to affordability
demands.

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GENERAL MANAGER'S TRANSMITTAL LETTER



Dear Customers, Stakeholders and Commissioners,

On behalf of the San Francisco Public Utilities Commissioners, I am pleased to present the San Francisco Public Utilities Commission (SFPUC) approved budget, covering Fiscal Year (FY) 2014-15 and FY 2015-16. The budget funds the SFPUC's three essential service utilities: Water, Wastewater, and Power. It supports our on-going mission to provide high quality, efficient and reliable water for our 2.6 million customers in the San Francisco Bay Area, wastewater collection and treatment for over 840,000 customers in San Francisco and neighboring communities, and power services for our municipal customers within the City and County of San Francisco (CCSF), the San Francisco International Airport (SFO) and both the Modesto and Turlock Irrigation Districts (MID/TID). Furthermore, it is our mission to provide these services in a manner that value environmental and community interests, and that sustains the resources entrusted to our care. We continue to accomplish our mission while balancing prudent operational and fiscal management with affordability for our customers.

The SFPUC's budget for FY 2014-15 and FY 2015-16 supports our strategic goals to provide high quality services, plan for the future, promote a green and sustainable City, engage the public and invest in our communities. This budget represents engagement, for all three Enterprises, in major capital infrastructure programs in order to meet our mission and strategic goals. In the last two budget years we saw a trend in the Water Enterprise that a large percentage of the budget was allocated for debt and other capital investments. In this two year budget, the Water Enterprise debt service and capital/revenue reserves increased as previously planned and projected by 29.3 percent from FY 2013-14 to FY 2015-16. The budget also reflects a growing Sewer System Improvement Program (SSIP) as the debt and other capital investment increase by 7.3 percent from FY 2013-14 to FY 2015-16. The Power Enterprise is for the first time in decades complementing its revenue-funded capital program with a debt-funded capital program to improve the reliability of the joint water/power and, power infrastructure.

Over the past ten years, our capital programs have dramatically increased, and based on our Ten-Year Capital Plans as shown and discussed in this budget document, are projected to reach \$8 billion by FY 2024-25. In May 2014, the SFPUC Commission adopted four-year water and sewer rates increases to fund the debt services required to pay for our capital programs.

The size and duration of our infrastructure program means that the SFPUC is now a major infrastructure developer in San Francisco and our Region, and part of the economic engine in our vibrant economy. In FY 2014-15 the combination of the Water, Wastewater, and Power capital programs are expected to create 5,928 jobs; in FY 2015-16 it will be 7,029 jobs; and over the Ten-Year Capital program as proposed in this budget, 72,063 jobs. Ensuring that these jobs are from the local communities that are paying the water and sewer rates and the communities where our facilities are located is also a priority for the City; so we are investing in local job training and hiring programs. To ensure that our capital programs support local business through our Local Business Enterprise, we have created the Contractor's Assistance Center to help individuals connect with local businesses and to help the larger national and international businesses to connect with local businesses.

Our capital programs will also be developing green infrastructure and other sustainability projects to support more livable neighborhoods and ensure that the communities that host our operating facilities have a positive experience. Our Water-Hero-Wednesday program is using social media (#WaterHeroWednesday) to let our customers tell us, and each other, how they have effectively conserved water.

With the prudent management of resources, including funds already secured through low-cost successful revenue bond sales, the \$4.8 billion Water System Improvement Program (WSIP) has completed the majority of the 85 projects in seven counties in the Bay Area, the foothills and the Sierra Nevada watershed. Only three major projects still are in construction; the Harry Tracy Treatment Plant Long-Term Improvements, a \$278 million project to provide increased capacity, improved treatment and seismic upgrades for 140 million gallons of drinking water a day; the Calaveras Dam Replacement project a \$718 million construction of a new dam to replace an 89 year old earth dam that is about a mile from the Calaveras fault line; and the Seismic Upgrade of the Bay Division Pipelines 3 and 4, a \$75 million project. In June 2012, we found unexpected geologic landslides which have required a revised structural reinforcement of the Calaveras replacement dam; which have delayed the completion and increased the cost of the Dam. The Dam is now scheduled to be completed in November 2018 and the Harry Tracy Treatment Plant and the Bay Division Pipelines 3 and 4 in February 2015. As the rest of the WSIP projects were and are being completed, they have been integrated into our water storage, treatment and delivery system operations to ensure continued delivery of high quality and reliable water services to our customers.

The Water Enterprise has developed a new capital program to incorporate projects which were not identified when WSIP was defined over twelve years ago. The \$1.29 billion Ten-Year program includes two major conveyance projects which are critical for reliability, and two major recycling projects and participation in a regional desalination project to expand our regional supply options. Independent expert rate assessments have determined that our rates can be increased to pay for this new capital program and still be affordable. The three-year drought which has been the most severe since the 1930's has made it clear that we cannot delay the projects which augment to our Hetch Hetchy system water supply.

The SSIP has moved into implementation over the last two years. With a decision to build innovative Cambi anaerobic digesters to produce Class A biosolids at the Southeast Water Pollution Control Plant and to expand the function and capacity of the Central Bayside System Improvement project, the next two years will focus on completing the planning and begin the design of these critical projects. At the same time, the SSIP will continue planning and design to upgrade and update: the treatment facilities at Southeast and Oceanside Water Pollution Control Plants; the outfalls and pump station at the North Point Facility; critical collection system reliability improvements and the design and construction of green infrastructure projects in urban watersheds of San Francisco.

The SFPUC will need to make major capital investments in the coming years to address aging infrastructure for the Hetch Hetchy Water and Power system we are now calling this the Hetch Hetchy System Improvement Program (HSIP). It is a \$1.7 billion ten-year capital program with the first major projects in the next two years, the Moccasin Control and Server Building to provide a new home for the Hetch Hetchy Water and Power system control and the Lower Cherry Aqueduct Rehabilitation Project, a drought resilience and dry-year supply project.

California is in a severe drought. The State Water Resources Control Board, adopted drought emergency rule requiring water utilities impose mandatory restrictions on outdoor irrigation of ornamental landscapes and turf with potable water. It also required that agencies implement plans to reduce wasteful outdoor water use. The SFPUC will comply with the requirements by implementing the following concurrent, but separate measures:

- A mandatory 10% outdoor irrigation reduction.
 - All retail customers are required to reduce outdoor water use of ornamental landscape and turf by 10%. Reduction does not apply to edible food gardens or areas irrigated with non-potable water.
 - Accounts that are **irrigation only** will be assigned a potable water allocation baseline that is 10% less than their 2013 usage - this applies to approximately 1,600 accounts.
 - Irrigation accounts that exceed their 2013 allocation baseline may be charged an excess use charge – levied at twice the applicable water rate and adopted by the Commission on August 26, 2014.

- Water Waste Education and Enforcement Program
 - The SFPUC has implemented a program that focuses on education and notification; work fines and citations being a last resort given San Francisco's already high conservation achievement.

The impact of water conservation on water and sewer revenues was projected in the April 2014 rate analysis. Three factors were considered: 1) the average San Francisco single-family household uses 148 gallons of water per day; 2) projected 0.5 percent increase in number of SFPUC customer accounts based on population growth estimates, and 3) ongoing conservation and per-capita water-demand reductions. The rate study concluded that the population growth and water conservation will offset each other. As a result, we project that the annualized, aggregate water demand will remain flat for the 10-year forecast period. Likewise, wholesale water sales are projected to remain flat consistent with ongoing, achieved conservation over the last ten years. In recent years, the volume of sewage treated by the Wastewater Enterprise for residential and non-residential customers decreased by about 1% in FYE 2012 and 1% in FYE 2013. This downward trend is a result of successful water conservation efforts and several years of dry weather. Water volume sales, and subsequently wastewater discharge volumes are projected to remain flat over the projected 10-year period.

FY 2014-15 and FY 2015-16 Budget

The FY 2014-15 budget shows a 7.6 percent increase in comparison to FY 2013-14, for a total of \$939.6 million. The FY 2015-16 budget will increase by 5.2 percent over the FY 2014-15 budget to \$988.8 million. These budgets ensure funding for our operating programs, revenue and debt funding for capital programs, and programmatic programs that support the capital and operations to ensure the appropriate application of talent and tools to reach our strategic goals. Our utilities are infrastructure intensive, and we know that to assure reliability and to accomplish our mission now and in the years to come, we must upgrade and modernize our infrastructure and we must invest in modern, efficient equipment. We are committed to managing these critical infrastructure upgrades across all three Enterprises while keeping our rates affordable.

The FY 2015-16 budget of \$988.8 million is 5.2 percent higher than the FY 2014-15 budget. Revenues from the Sale of Water, Sewer Service Charges and Sale of Electricity are increasing as the total percentage of the Sources of Funds due to approved rate increases and the increased price for wholesale water. Consistent with our mission to be efficient and reliable, the overall budget remained flat with the exception of debt service and contractual obligations. Although we have budgeted increased costs for personnel for higher retirement and health care rates with a 4.1 percent increase in FY 2014-15 from the previous budget, the increase in FY 2015-16 is modest at 1.4 percent. Some of our key initiatives are highlighted below.

1) Provide High Quality Affordable Services

Our customers rely on us to provide continuous, efficient delivery of reliable, high quality water, and to protect public health and the environment through effective collection and treatment of wastewater, and ensure un-interrupted power provision to municipal services, while affordability is considered. In February 2012, the San Francisco Public Utilities Commission (SFPUC) approved the SFPUC Rates Policy which states that rates are set by the Commission pursuant to the authority and provisions set forth by the San Francisco Charter (Section 8B.125). All budgets, rates, fees, and charges presented by SFPUC staff to the Commission must conform to the SFPUC Rates Policy, the four key principles of which are: affordability, compliance, sufficiency and transparency. Although all of these are critical to rate setting, the affordability principle means that rates must be competitive with what other water utilities are charging, consistent with the value of the benefits and service provided and will consider low-income customers.

In October 2012, the Commission approved the SFPUC Ratepayer Assurance Policy. This policy is intended to provide ratepayers with the assurance that Commission decisions are made in the ratepayers' best interest. This policy promotes accountability and transparency by requiring a biannual, independently developed report card through which ratepayers and the Commission can see verifiable results that the ratepayer safeguards and policies are being implemented and yielding successful outcomes. The Ratepayer Assurance Scorecard addresses the following:

mission management, personnel management, asset management, sustainability, and operating cost containment. The Ratepayer Assurance Scorecard highlighted in Appendix D; this was discussed with the public at over 100 meetings at which then proposed rate increases were being considered. The SFPUC received a score of A- and was independently determined by the City Controller's Office.

2) Plan for the Future

The investment in debt funded capital program is a clear indication that the SFPUC is planning for the future, but there are other indications as well:

- Revenue-funded capital projects in the Water Enterprise are at \$29.2 million for FY 2014-15 and \$37.5 million and in FY 2015-16 these funds are to renew, repair and replace water pipeline, and other pumps and reservoirs.
- Renewal and Rehabilitation (R&R) funding in the Wastewater Enterprise is partially revenue-funded in FY 2014-15 at \$87.7 million, an increase of 15.7 percent from the previous budget; and in FY 2015-16 \$91.1 million. The R&R program includes sewer condition assessments, spot sewer repairs, and planned/emergency projects to repair/replace structurally inadequate, repairs to Transport Boxes, Pump Stations, Force Mains, Tunnels and Treatment Plants prioritized by condition assessments, regulatory compliance, and staff recommendations and level of service goals.
- Programmatic Projects in all three Enterprises are major non-capital and non-operating programs such as natural resource planning for the Regional water program and watershed protection for the local water program. These two example programmatic projects will foster the conservation of 1.7 million acres and protect the natural assets that help us to maintain the high quality of our drinking water. The Operations and Maintenance and Lease Payments for our SFPUC Headquarters, a Platinum Leadership in Energy and Environmental Design (LEED) building, are also included in the Programmatic Projects budgets. These programmatic investments are a combined total of \$42.5 million in FY 2014-15 and \$41.7 million in FY 2015-16 for all three Enterprises.
- Pipeline replacements and repairs in the San Francisco streets are coordinated with the street paving program to minimize traffic and neighborhood impacts and to leverage publicly funded work and excavations. For the Wastewater Enterprise combined sewers, the renewal and replacement rate increases to 15 miles a year with a ten-year capital investment of \$593.3 million for sewer main replacement and \$147.1 million for spot sewer repair. Investment in Asset Management for the Wastewater Collection System over the Ten-Year Capital Improvement Program (CIP) will be \$14.3 million to develop conditions assessment, and to develop a risk model to determine the highest priorities for maintenance, repair, renewal and replacement.

3) Promote a Green and Sustainable City

Part of our sustainability mission is to manage our resources with the future generations in mind. Our two year old Headquarters building at 525 Golden Gate Avenue was designed to be a model for sustainability. It is a 277,500 square-foot "super green" building, achieving a LEED Platinum rating, showcasing cutting-edge, sustainable approaches including on-site treatment and recycling of wastewater using a unique biological wetland technology. Wind and solar power generates 7 percent of the energy demand for the building. The building uses 32.0 percent less energy and 60.0 percent less water compared to similar sized buildings.

In addition to our Headquarters building, our FY 2014-15 and FY 2015-16 operating and capital budgets continue our multi-year approach to planning for the future and promoting a green and sustainable City.

Water Supplies Become More Vulnerable due to Drought and Effects of Climate Change

Even though we are experiencing a serious drought, the long-term concerns about climate change and water supply motivate the Water Enterprise to diversify the supply portfolio and continue our successful conservation programs. The San Francisco Groundwater Supply Project is an important component of the Water System Improvement Program and provides both local and regional benefits. Groundwater will be blended together with the Hetch Hetchy supply at the Sunset and Sutro reservoirs and then be distributed throughout the City. The \$64 million project begins construction in September 2014 and will be completed by February 2016. Two water recycling projects are planned. The Westside Water Recycling project will provide a summer time peak of 4 million gallons per day (MGD) of water or irrigation in Golden Gate Park and median strips on the Westside of San Francisco. This \$186 million project will begin construction in September 2016 and be completed by April of 2019. The Eastside project which is currently in planning will provide 2 MGD for irrigation and toilet flushing in dual plumbed buildings. The Water Enterprise is also working with other regional water supply agencies to develop a regional desalination project which will treat brackish groundwater to augment regional supplies. This project is seeking state grant funds which would be matched by participants' local capital for construction.

Although San Franciscans already have achieved the lowest per capita water use in California, the SFPUC developed a smart and sexy ad campaign to remind our community to conserve water with three main advertisements:

- When showering make it a **Quickie**;
- Replace your toilet and get paid for **Doing It**; and
- Watering twice a week will keep most gardens **Satisfied**

These ads have been shown on buses, billboards, transit tunnels, and local and regional highways. The smart, sexy and fun message is clear, conserve water, it is precious and in short supply.

Resource Recovery – Turning Waste to Energy

There are two resource recovery methods that the Wastewater Enterprise uses to turn what was traditionally considered waste to energy. The first is biogas produced with the anaerobic digestion of the wastewater solids (biosolids) to power the WWE Treatment Plants; and the second is the GreaseCycle program which generates bio-energy (e.g. biofuel or cogenerated power) as a byproduct of processing the fats, oils and grease (FOG) collected throughout the City. FOG has traditionally caused clogging and malfunction in both the wastewater collection system and treatment processes. The GreaseCycle program is an alternative to dumping FOG for residents, restaurants, and other commercial establishments, and supports the Wastewater Enterprise's operations, environmental protection, and compliance objectives. In July 2013 we processed 180,000 gallons of FOG resulting in \$9,000 in tipping fees for fiscal year 2013-14. While the program is not operating at this time because the gas handling system at the Oceanside Treatment Plant is not working properly, the GreaseCycle program will resume by the end of calendar year 2014 when repairs are completed.

The digesters at the Oceanside Plant are currently being upgraded as are the cogeneration engines to ensure that biogas produced will be recovered to produce energy for the Treatment Plant use. This upgrade project will be operational by spring 2015.

Renewable Energy and Efficiency Programs

The SFPUC generates close to 100 percent of San Francisco's municipal energy needs (i.e. an amount equivalent to 20 percent of the total City and County of San Francisco's electric power use, including all residential and business use) through renewable resources like

solar power and hydropower that produce zero greenhouse gas emissions. The Hetch Hetchy Water and Power System delivers an average of 1.7 billion kilowatt hours of 100 percent clean, greenhouse gas-free electricity annually to the City and County of San Francisco, the Modesto and Turlock Irrigation Districts, and tenants of the San Francisco International Airport and the Port of San Francisco. Renewable energy and efficiency investments are an important component of our electric utility's portfolio. Energy efficiency reduces facility operating costs and electric bills for our municipal customers, improves system functionality, and reduces the environmental impact of energy use.

Since 2004 we have installed 7.5 megawatts of municipal solar installations on top of San Francisco civic buildings. The FY 2014-15 and FY 2015-16 budgets together include \$12.4 million for Renewable/Generation projects such as small renewable (solar photovoltaic, solar thermal, wind, geothermal, fuel cells), small hydro (in-line turbines, turbines in existing pipelines, incremental hydro) and the GoSolarSF incentive program that promotes the installation of solar power systems in San Francisco by offering one-time incentive payments to reduce project costs. The FY 2014-15 and 2015-16 budgets together also include a total of \$2.0 million for Energy Efficiency Projects including funding for General Fund departments, the Civic Center Sustainability District and for Enterprise departments.

The SFPUC owns, operates and maintains over half of the streetlights in San Francisco; however, the Hetch Hetchy Power System is the green-house gas-free energy source for all of the approximately 45,000 total City streetlights. Over the next two fiscal years; \$26 million is budgeted to continue the replacement/repair of streetlights, pull boxes, and conduit on an as-needed basis. Funding was increased from \$11.6 million to \$14.1 million in FY 2014-15 to address the increasing number of streetlights in need of repairs or replacement. The additional funding will enable the installation of new, streetlights and address inadequate lighting at various locations throughout the City. Funding is also included to convert inefficient lighting systems to standard voltage services and replace fixtures with ultra-efficient Light Emitting Diode (LED), the 3rd Street Rehabilitation Project and pedestrian light pole assessments.

4) Engage the Public and Invest in Our Communities

Not only do our three Enterprise utilities support economic development through our capital and operating budget spending, we are investing in our communities through our Programmatic Projects which include Youth Employment, with a combined investment over the two fiscal years of \$4.7 million. We are committed to supporting Youth Employment and other workforce development programs that train and connect local youth and adults to job training, work experience, apprenticeship, employment, and promising careers. Such programs include CityBUILD, GoSolarSF, the Garden Project Earth Stewards Program, Project Pull, San Francisco YouthWorks, and many more.

The External Affairs Bureau's role within the SFPUC is to educate and communicate, and coordinate SFPUC community benefits activities. The Community Benefits program is allocated \$2.6 million from Water and Wastewater in the two fiscal years operating budgets. External Affairs also coordinates and staffs the Citizen's Advisory Committee (CAC), which provides recommendations to the San Francisco Public Utilities Commission General Manager and the Board of Supervisors regarding the agency's long-term strategic, financial and capital improvement plans. The CAC has three subcommittees, one for each Enterprise. The External Affairs Bureau also coordinates with the three capital programs, WSIP, SSIP and HSIP to provide outreach and education related to operating issues and capital project planning and construction. Recently, a Southeast Coordinating Team, which is a group of opinion, community and business leaders from the San Francisco Southeast area, was convened to discuss the SSIP estimated \$2.5 billion infrastructure program at the Southeast Treatment Plant. The Southeast Coordinating Team engagement will be critical to our design, construction and operation of these new facilities.

We believe that investing in the development of local workers and local small businesses strengthens our communities and ensures a strong pipeline of skilled and diverse workers for today and tomorrow. As mentioned earlier, we are also committed to supporting local small businesses that present new employment opportunities and serve as the building blocks to creating a vibrant community. Through the Contractors Assistance Center in Bayview Hunters

Point, we provide technical assistance and capacity to local small businesses to increase their ability to compete for SFPUC and City contracting opportunities.

5) Invest in Our Employees

We are proud to be the employer of 2,300 employees who provide around-the-clock service to ensure reliable water, power, and sewer service to our customers. Over the next five years, nearly half of our workforce will be eligible for retirement. In addition, necessary updates to our City's aging water, wastewater and power infrastructure will represent billions of dollars in capital improvement projects that will include technology improvements and upgrades which have never been applied in our systems before. This will result in a new generation of jobs that will require workers with very specific training, skills and experience. Our investments in job training, such as BayWorks which is a partnership of San Francisco Bay Area operator training and recruitment for water utilities and Operation Certification programs for water and wastewater operators are critical to develop the utility workforce of the future. Our Strategic Sustainability Plan has several indicators for employee training, one is focused on safety, and we find that lost time due to accidents for FY 2013-14 was 3.5 hours for every 100 employees. The safety-first training at all our facilities and our Headquarters office has resulted in decreasing the number of lost hours due to accidents. We also provide ethics training, diversity training, management and leadership training, and environmental management system training consistent with ISO 14001 standards to our employees. Under the leadership of the SSIP, we have regular lunch-time presentations from national and international engineering, construction and technology firms about innovations, case studies on specific high profile projects and alternative project delivery to name just a few topics that have been covered. These lunch-time presentations keep our technical and operations staff abreast of the latest developments in water utilities.

Our strategic focus is to develop a modern 21st Century water, wastewater and power utility to ensure that now and in the future we will provide our customers with high quality, efficient and reliable water, power and sewer services, while we value the environment and our community and sustain the resources entrusted to our care.

Water Enterprise

The Water Enterprise is responsible for collecting, treating and distributing about 220 million gallons of water per day to 2.6 million people, including retail customers in the City, and 27 wholesale customers located in San Mateo, Santa Clara, and Alameda Counties. Retail customers include residential, commercial, industrial and governmental users. The Water Enterprise operates and maintains 390 miles of pipelines in the regional system and 1,235 miles in San Francisco; 74 miles of tunnels in the regional system; five regional pump stations and 22 in the City; 25 reservoirs; 16 dams; eight water tanks; and three water treatment plants that serve both the regional and City systems.

Infrastructure Renewal Ensures High Quality Service

The number one strategic goal for the SFPUC is to provide high quality service, but our aging water infrastructure requires investment to achieve this goal. Since 2002 the highest priority for the Water Enterprise is rebuilding and retrofitting the Hetch Hetchy Water system. The \$4.8 billion dollar program to upgrade Regional and Local Water Systems, known as WSIP, has enhanced the Enterprise's ability to provide reliable, affordable, high quality drinking water in an environmentally sustainable manner. The program is structured to cost-effectively meet water quality requirements, improve seismic and delivery reliability, and meet water supply objectives through 2030. As of July 2014, the majority of the 85 projects are completed. The original completion date of the program was 2016; however, due to unforeseen site conditions, our Calaveras Dam Replacement project is now scheduled for delayed completion in November 2018.

Auxiliary Water Supply System

The Emergency Firefighting Water Supply System, also known as the Auxiliary Water Supply System (AWSS) is a high-pressure water system for firefighting using two storage tanks, one reservoir and about 135 miles of dedicated pipes. Two salt water pumps augment the fire suppression system and approximately 200 independent water storage

cisterns located in intersections throughout the City, completion scheduled for Fall 2016. In 2013 construction began on the first group of 30 new cisterns to be installed throughout the City, which are scheduled to be completed in Fall 2016. These improvements are part of the \$412 million Earthquake Safety and Emergency Response (General Obligation) Bond approved by voters in 2010.

Rates and Charges

In May 2014, the Commission approved average retail water rate changes will increase revenues from water sales by 12.0 percent in FY 2014-15 and FY 2015-16, 10.0 percent in FY 2016-17, and 7.0 percent in FY 2017-18. Projected average annual retail water rate changes are 7.0 percent in FY 2018-19 through FY 2020-21, 5.0 percent in FY 2021-22, 4.0 percent in FY 2022-23 and 3.0 percent in FY 2023-24. Wholesale water rates are managed through a 25-year Water Supply Agreement, with rates increasing 19.6 percent in FY 2014-15, and then trending to an average of 8.0 percent from FY 2014-15 to FY 2018-19 based on FY 2014-15 rate setting update. These rate changes are necessary to continue funding vital capital improvements largely comprised of the Water System Improvement Program (WSIP) along with providing additional resources to the annual renewal and replacement program.

Wastewater Enterprise

The Wastewater Enterprise collects, transports, treats, and discharges sanitary and stormwater runoff generated within the City, Treasure Island and Yerba Buena Island in order to protect public health and the water environment of the San Francisco Bay and the Pacific Ocean. This involves operating and maintaining 993 miles of City sewers, a majority of which are combined sewers that collect a combination of sanitary sewage and stormwater runoff; 56 sewage pump stations and six stormwater pump stations; four wastewater treatment plants that provide liquid and solids treatment; five deep water outfalls; 36 overflow structures for combined sewage discharges around the shoreline of the City; and 50 stormwater outfalls around Treasure and Yerba Buena Islands. The average dry weather effluent discharge to the San Francisco Bay and Pacific Ocean is 84 million gallons a day (mgd); peak wet-weather effluent from the treatment plants alone is 465 mgd. The Wastewater Enterprise serves approximately 147,373 residential accounts, which discharge to the sewers about 23.4 million Ccf (i.e. 100 cubic feet) of sanitary flow per year; and approximately 16,164 non-residential accounts, which discharge about 11.7 million Ccf of sanitary flow to the sewers per year. The Enterprise also responds when there are sewer-related emergencies.

Investments for a Reliant, Compliant and Modern System that Protects Our Bay and Ocean

The wastewater system has been developed over 110 years, and although there was significant investment from the mid-1970's through the mid-1990's to comply with the Clean Water Act, many of the existing facilities were not improved or upgraded during that period and are now in critical need of major improvement. The Sewer System Improvement Program (SSIP) is a \$6.9 billion, phased program to provide a compliant, reliable and resilient system, integrate green and grey infrastructure to manage stormwater, and minimize flooding all while maintaining rate payer affordability. The program includes both grey projects, such as new digesters at the Southeast Water Pollution Control Plant, and green infrastructure projects to manage stormwater before it enters the sewage or stormwater system. The combination of the two types of projects will provide optimal and sustainable protection of our Bay and Ocean while promoting a green city.

In addition to the SSIP and the renewal and replacement investment in the sewers, the Wastewater Enterprise is also investing in better technology to meter and monitor the wet-weather operations of the system. Although our wet-weather facilities are fully compliant with State and Federal requirements, these new investments in metering, monitoring, and modeling are intended to not only refine our understanding of the performance of the wet-weather facilities but also to enable our operators to improve our systems for even better performance.

The Wastewater Enterprise operational priorities are to optimize the value and reliability of all assets, develop a learning organization based on technical competence and leadership, operate and plan for regulatory compliance and resource recovery while adapting to a changing climate, and deliver high quality customer service while providing a safe and secure work environment.

New Four-Year Approved Sewer Service Charge Rate

In May 2014, the Commission approved rates for single-family and multiple-family residential and non-residential customers. Revenues from sewer service charges will increase by 5 percent for FY 2014-15 and FY 2015-16, 7 percent for FY 2016-17 and 11 percent for FY 2017-18. Projected annual rate changes are 11 percent for FY 2018-19, 12 percent in FY 2019 through FY 2023-24. These wastewater rate structure changes were based on recommendations made in 2014 Water and Wastewater Cost of Service Study to better reflect updated residential customer usage patterns and align the SFPUC with utility industry best practices.

Hetch Hetchy Water and Power

Hetch Hetchy Water and Power operates the collection and conveyance of approximately 85 percent of our total water supply, and the generation and transmission of electricity from that source. Approximately 65 percent of the electricity generated by Hetch Hetchy Water and Power is used by the City's municipal customers. The balance of electricity generated is sold to other publicly-owned utilities, such as the Turlock and Modesto Irrigation Districts, or into the grid in the event of surplus generation capacity. Hetch Hetchy Water and Power includes a system of reservoirs, hydroelectric power plants, aqueducts, pipelines, and transmission lines that carry water and power from the Sierra Nevada to customers in the City and parts of the surrounding San Francisco Bay Area.

The August 2013 Rim Fire, the third largest wild fire in California history, threatened our Hetch Hetchy facilities and caused concerns for our water quality due to deposition of ash into the Hetch Hetchy reservoir. Within four days the Rim Fire had overtaken our Early Intake Facilities and moved toward our Hetch Hetchy Reservoir. As our staff responded to the emergency and the threat to families and homes of our workers in path of the fire, we quickly assessed the capabilities of our newly upgraded Sunol Valley Water Treatment Plant, a successful WSIP project, to supply water to our customer should it be necessary. Fortunately, the ash deposition was minimal, and there was no impact on the water quality. This experience reinforced our decisions to provide resiliency and redundancy for our water supply and treatment system through the WSIP program.

FY 2014-15 and 2015-16 Capital Program Supplemental Appropriation

The SFPUC Capital Budget was approved through a supplemental appropriation due to the size of the request and the need for additional time for the review by governing agencies. The supplemental appropriated \$234.8 million for projects and financing costs for Hetch Hetchy Water and Power for FY 2014-15 and FY 2015-16.

Although Hetchy System Improvement Program (HSIP) is not as large as its sister programs in Water and Wastewater, the Power capital program increases by 18.9 percent from FY 2013-14 to FY 2014-15 and 3.1 percent from FY 2014-15 to FY 2015-16 indicating an overall sustained increase in capital budgets. The Hetchy Water capital budget nearly doubles in FY 2014-15 from the previous year and levels out in FY 2015-16 with a 34 percent increase from FY 2013-14. We are deliberately enhancing the Hetchy Power and Hetchy Water capital programs requiring new bond-funding, as compared to the reliance of revenue-funded capital projects in the past. The Capital Improvement Program represents continued investment in upgrading and improving infrastructure to ensure reliability of power generation and water delivery. The CIP grows the Power portfolio with continued investment in renewable sources and efficiency.

Engagement in Western Electricity Policy and Management

The operating budget for the Enterprise continues to support constructive engagement in the Western Electric Coordinating Council (WECC) and the North American Electrical

Reliability Corporation (NERC). In FY 2014-15, we are adding three new positions to support and constructively engage in these regulatory agencies. We are restructuring our Long-range Planning and Policy group by transferring funding for purchase of power, and the funding for the Western Renewable Energy Generation Information System (WREGIS). This change will centralize the tracking and management of renewable energy generation and creates renewable energy certificates that can be used to verify compliance with state and western regional regulatory requirements.

Hetch Hetchy Power Rates

Hetch Hetchy Power's revenue requirement model was completed in September 2009. The electric rate setting process, in conjunction with an independent rate study, is required every five years by the City Charter. In fiscal year 2013-14, Hetch Hetchy Power charged General Fund City departments at an average rate of \$0.0475 per kilowatt-hour (kWh). Other City enterprise departments were charged at the PG&E scheduled rates. In May 2014 the SFPUC approved a two-year rate increase for General Fund City departments. This increase included a \$0.010/kWh increase per year over the next two fiscal years through fiscal year 2015-16. For fiscal year 2013-14 class one rate for the Modesto Irrigation District (MID) and Turlock Irrigation District (TID) were \$0.03593/kWh and \$0.03212/kWh, respectively. MID and TID rates get trued up every year based on actual costs. Under an existing development agreement, Hetch Hetchy Power will construct, own, and operate the electric distribution infrastructure required to provide retail electric service to residential and commercial customers in Parcel "A" of the former Hunter's Point Shipyard. Public power rates for redevelopment areas in San Francisco were adopted on February 8, 2011. Effective July 1, 2012 and each successive July 1, the rates are adjusted by the lesser of the annual percentage in the Consumer Price Index or the change of the PG&E scheduled rates. To date, Hetch Hetchy Power has prepared service standards, developed system plans and specifications, acquired materials and equipment, and initiated construction of primary distribution facilities.

Budget Overview

Table 1 provides the FY 2013-14 to FY 2015-16 adopted budgets, FY 2012-13 audited actual and FY 2013-14 pre-audit actual, and the budget variances between FY 2014-15 and FY 2013-14, and between FY 2015-16 and FY 2014-15 by Enterprise, by Division and Debt Service, Capital/Revenue Reserve, Programmatic Projects and General Reserve.

Table 1. FY 2012-13 to FY 2015-16 SFPUC Budget Overview (Uses of Funds)

Expenditure Category	FY 2012-13	FY 2013-14	FY 2013-14	FY 2014-15	FY 2015-16	FY 2014-15 vs. FY 2013-14		FY 2015-16 vs. FY 2014-15	
	Audited Actual	Adopted Budget	Pre-Audit Actual	Adopted Budget	Adopted Budget	Adopted Amount	Adopted %	Adopted Amount	Adopted %
Water Enterprise									
Operations and Maintenance	167.7	175.2	190.5	183.5	185.4	8.3	4.7%	1.9	1.0%
Debt Service	155.2	209.7	170.2	235.6	259.8	25.9	12.4%	24.2	10.3%
General Reserve	-	5.4	-	8.8	3.5	3.3	61.8%	(5.3)	-60.2%
Subtotal	322.9	390.3	360.7	427.8	448.6	37.6	9.6%	20.8	4.9%
Capital/Revenue Reserve	17.2	20.3	20.3	29.2	37.5	9.0	44.3%	8.3	28.3%
Programmatic Projects	20.4	24.0	24.0	27.4	26.7	3.4	14.3%	(0.7)	-2.7%
Water Subtotal	360.5	434.5	405.0	484.5	512.8	50.0	11.5%	28.3	5.8%
Wastewater Enterprise									
Operations and Maintenance	144.1	145.8	156.2	153.0	154.3	7.2	4.9%	1.4	0.9%
Debt Service	48.3	60.4	52.4	52.3	63.5	(8.1)	-13.4%	11.2	21.3%
General Reserve	11.7	4.5	8.9	21.9	21.4	17.4	383.6%	(0.5)	-2.2%
Subtotal	204.1	210.7	217.5	227.2	239.3	16.5	7.8%	12.0	5.3%
Capital/Revenue Reserve	33.0	37.0	37.0	39.0	41.0	2.0	5.4%	2.0	5.1%
Programmatic Projects	5.9	6.2	6.2	7.2	7.2	1.0	15.7%	0.0	0.6%
Wastewater Subtotal	243.0	254.0	260.7	273.4	287.5	19.5	7.7%	14.1	5.1%
Hetch Hetchy Water and Power									
Hetchy Power									
Operations and Maintenance	46.7	64.1	58.1	61.9	83.0	(2.2)	-3.4%	21.1	34.0%
Natural Gas & Steam (Pass-through)	7.6	10.2	8.9	11.4	11.8	1.2	12.2%	0.4	3.2%
Debt Service	0.4	2.0	2.0	2.2	2.2	0.2	11.2%	(0.0)	-1.4%
General Reserve	-	-	-	7.5	0.2	7.5	100.0%	(7.4)	-97.8%
Reclassification of Power Only & Joint Operating Costs	21.5	18.1	22.7	21.6	16.0	3.5	19.3%	(5.6)	-25.9%
Subtotal	76.2	94.3	91.7	104.6	113.1	10.3	10.9%	8.4	8.0%
Capital/Revenue Reserve	13.6	23.9	23.9	23.3	17.4	(0.6)	-2.7%	(5.9)	-25.4%
Programmatic Projects	6.7	6.9	6.9	7.9	7.8	1.0	14.9%	(0.2)	-1.9%
Reclassification of Power Only & Joint Capital Costs	18.9	25.1	25.1	10.9	9.0	(14.2)	-56.6%	(1.9)	-17.4%
Hetchy Power Subtotal	115.4	150.2	147.6	146.7	147.2	(3.5)	-2.3%	0.5	0.3%
Hetchy Water									
Operations and Maintenance	52.1	51.7	55.8	55.8	56.4	4.1	8.0%	0.7	1.2%
General Reserve	-	-	-	0.1	0.1	0.1	100.0%	0.0	8.3%
Reclassification of Power Only & Joint Operating Costs	(21.5)	(18.1)	(22.7)	(21.6)	(16.0)	(3.5)	19.3%	5.6	-25.9%
Subtotal	30.6	33.6	33.1	34.3	40.5	0.7	2.1%	6.3	18.3%
Capital/Revenue Reserve	18.9	20.9	20.9	-	-	(20.9)	-100.0%	-	0.0%
Programmatic Projects	3.6	5.6	5.6	11.6	9.8	6.0	108.1%	(1.8)	-15.5%
Reclassification of Power Only & Joint Capital Costs	(18.9)	(25.1)	(25.1)	(10.9)	(9.0)	(9.0)	0.0%	1.9	-17.4%
Hetchy Water Subtotal	34.2	34.9	34.4	35.0	41.3	(4.1)	-40.5%	6.4	18.2%
Hetch Hetchy Water and Power Subtotal									
Operations and Maintenance	98.8	115.8	113.9	117.7	139.4	1.9	1.7%	21.7	18.4%
Natural Gas & Steam (Pass-through)	7.6	10.2	8.9	11.4	11.8	1.2	12.2%	0.4	3.2%
Debt Service	0.4	2.0	2.0	2.2	2.2	0.2	11.2%	(0.0)	-1.4%
General Reserve	-	-	-	7.6	0.3	7.6	0.0%	(7.4)	-96.6%
Subtotal	106.8	127.9	124.8	138.9	153.6	11.0	8.6%	14.7	10.6%
Capital/Revenue Reserve	32.5	44.8	44.8	23.3	17.4	(21.5)	-47.9%	(5.9)	-25.4%
Programmatic Projects	10.3	12.4	12.4	19.5	17.6	7.1	56.6%	(2.0)	-10.0%
Hetch Hetchy Water and Power Subtotal	149.6	185.1	182.0	181.7	188.5	(3.4)	-1.8%	6.8	3.8%
Bureaus*									
General Manager, Business Services, External Affairs	77.6	79.4	83.1	86.0	85.5	6.6	8.3%	(0.5)	-0.5%
Recovery to Enterprises	(77.6)	(79.4)	(83.1)	(86.0)	(85.5)	(6.6)	8.3%	0.5	-0.5%
Infrastructure**	41.3	71.6	40.5	76.2	77.5	4.6	6.4%	1.4	1.8%
Recovery to Capital Projects	(41.3)	(71.6)	(40.5)	(76.2)	(77.5)	(4.6)	6.4%	(1.4)	1.8%
TOTAL SFPUC	753.1	873.6	847.7	939.6	988.8	66.0	7.6%	49.2	5.2%

* The SFPUC Bureaus' budget is funded through an overhead support allocation model that recovers costs of services to the benefiting Enterprises.

** The Infrastructure budget is funded through SFPUC capital projects budgets.

Operating Budget for FY 2014-15 and FY 2015-16

The SFPUC operating programs include regular operating costs, maintenance of utility facilities and lands, as well as support services (including management, business services, planning, regulatory compliance, and communication), planned debt service, and lease costs for each of the Enterprises. The operating budget is financed by both wholesale and retail rates, service charges, and other non-operating revenues, including rents and interest earnings. The total operating budget for the SFPUC is \$939.6 million for FY 2014-15 and \$988.8 million for FY 2015-16.

Water Enterprise

In FY 2014-15 the Water Enterprise budget increased by \$19.5 million, or 7.7 percent including increases of \$25.9 million in Debt Service, \$9.0 million for Capital/Revenue Reserve, \$8.3 million in Operations and Maintenance and \$3.4 million in Programmatic Projects, \$3.3 million General Reserve. From FY 2014-15 to FY 2015-16, the Water Enterprise budget increased by \$14.1 million or 5.1 percent including increases of \$24.2 million in Debt Service, \$8.3 million in Capital/Revenue Reserve.

Wastewater Enterprise

In FY 2014-15 the Wastewater Enterprise budget increased by \$19.5 million, or 7.7 percent including increases of \$17.4 million in General Reserve, and \$7.2 million in Operations and Maintenance. These increases are offset by an \$8.1 million reduction in Debt Service. In FY 2015-16 Wastewater Enterprise budget increased by \$14.1 million, or 5.1 percent including increases of \$11.2 million in Debt Service, \$2.0 million Capital/Revenue Reserve, and \$1.4 million in Operations and offset by a reduction of \$0.5 in General Reserve.

Hetch Hetchy Water and Power

In FY 2014-15 the Hetch Hetchy Water and Power Enterprise budget decreased by \$3.4 million or 1.8 percent. This includes a decrease in the Capital/Revenue Reserve of \$21.5 million; an increase in General Reserve of \$7.6 million and \$7.1 million in Programmatic Projects. The FY 2015-16 Hetch Hetchy Water and Power's budget increased by \$6.8 million, or 3.8 percent including increases of \$21.7 million in Operation and Maintenance which is offset by a decrease including \$7.4 million in General Reserve, \$5.9 million in Capital/Revenue Reserve and \$2.0 million in Programmatic Projects.

Capital Budget for FY 2014-15 and FY 2015-16

The SFPUC's capital programs are intended to reconstruct, replace, expand, repair, or improve facilities that are under the SFPUC's jurisdiction. The capital budgets are coordinated with the Ten-Year Capital Plan and the Ten-Year Financial Plan. The issuance of revenue bonds, other forms of indebtedness, and the execution of governmental loans are provided for under the San Francisco City Charter to finance the SFPUC's capital programs. The repayment of this indebtedness is funded through rates and service charge revenues of the particular Enterprise that incurs the debt and benefits from the underlying capital improvements. The budget appropriations for capital programs are coordinated with the SFPUC's Ten-Year Capital Financial Plans. The capital budgets for FY 2014-15 and FY 2015-16 were approved through a supplemental appropriation following the same approvals and noticing process as we are required to do with our operating budget. The SFPUC develops stand-alone supplemental appropriations for our capital programs which are also consistent with and coordinated with the SFPUC's budget.

Water Enterprise

The capital program supplemental appropriation covered both FY 2014-15 and FY 2015-16 in the amount of \$449.6 million for projects, financing costs and the Auxiliary Water Supply System (AWSS). The request includes continuing Renewal and Replacement Projects for the Regional and Local Water Enterprise along with significant non-reoccurring capital expenditures for the Water System Improvement Program (WSIP) Augmentation Project and the AWSS. The capital budget is funded by a combination of Water Enterprise revenues, Water revenue bonds and City & County of San Francisco General Obligation Bonds and Water capacity fees. The FY 2014-15 Water Enterprise capital program of \$267.1 million increased \$142.2 million from \$124.9 million approved in FY 2013-14. The projects include: \$72.2 million for WSIP augmentation to fund additional excavation and slope mitigation measures at Calaveras Dam, additional security related site improvements for the Irvington Tunnel Project, improvements at the Crystal Springs/San Andreas reservoirs and dams and funding for the Regional Groundwater Storage and Recovery Project; \$85.9 million for the AWSS which is funded through the General Obligation Bonds; and \$11.1 million for the Pacific Rod & Gun Club Remediation Project for the planning, environmental review, excavation and disposal of contaminated soil.

In FY 2015-16 the annual capital program will be \$182.5 million, a decrease of \$84.6 million from FY 2014-15; \$16.4 million for Regional Water Treatment, Transmission, and Supply & Storage Program projects, \$2.8 million for Watershed/Rights-of-Way Management, \$2.0 million for Communication and Monitoring Programs, \$27.4 million for upgrades to the Sunol and Millbrae Yards, and \$41.1 million for WSIP Augmentation. The Local Water budget includes \$53.7 million for water main replacements, \$1.5 million for buildings and grounds improvements, \$0.2 million for Pacific Rod & Gun Club remediation project, \$5.9 million for System Monitoring and Control, \$3.4 million for water storage facilities, and \$3.9 million for recycled water projects.

Wastewater Enterprise

The supplemental appropriation for the Wastewater Enterprise capital program is \$950.9 million for projects and financing costs in FY 2014-15 and FY 2015-16. The capital program includes continuing Treatment and Collection System Sewer Renewal & Replacement (R&R), spot sewer repair and significant non-reoccurring capital expenditures for the Sewer System Improvement Program (SSIP). The CIP is funded by a combination of Wastewater Enterprise revenues, Wastewater revenue bonds and capacity fees.

The capital program in FY 2014-15 is \$342.8 million and includes \$304.6 million for Wastewater Capital Projects and \$38.1 million for financing costs. The capital costs include: \$23.0 million for SSIP Program-Wide Management; \$5.0 million for Land Reuse program, which addresses long-term planning and ongoing needs for physical space to support SSIP projects by upgrading and/or replacing aging infrastructure; \$107.1 million for SSIP Treatment Facilities including a new digester and solids handling facility replacing the existing facility at the Southeast Plant, major improvements to the North Point Facility, North Shore Pump Station, and associated outfalls, and improvements to the Oceanside Water Pollution Control Plant; \$31.8 million for the SSIP Sewer/Collection System including the Central Bayside System Improvements Project; \$40.3 million for SSIP Flood Control Projects including the Low Impact Design (LID) program, and the SSIP Urban Watershed Assessment and Planning Project; \$2.7 million for Ocean Beach Protection Project; and \$7.0 million for Southeast Community Center Improvements. The Collection System R&R is \$75.3 million and the Treatment R&R is \$12.4 million.

The capital program total for FY 2015-16 is \$608.1 million. It includes funding for: SSIP Program-Wide Management, \$24.0 million; Land Reuse, \$29.3 million; SSIP Treatment Facilities, \$270.9 million; SSIP Sewer/Collection System, \$74.5 million; Flood Control Program, \$23.7 million; Collection System R&R, \$77.9 million;

Treatment Plan Improvement, \$13.1 million; Collection System Division Consolidation, \$20.0 million; and the Ocean Beach Protection Project, \$3.3 million.

Hetch Hetchy Water and Power Enterprise

The Hetch Hetchy Water and Power capital program supplemental appropriation is for \$234.8 million for projects and financing costs for Hetchy Water and Power for FY 2014-15 and FY 2015-16. The FY 2014-15 capital program budget is \$123.2 million and includes \$75.9 million for Hetchy Power and the power portion of joint-related projects, \$31.7 million for Hetchy Water and the water portion of joint-related projects and \$15.6 million for Financing Costs. The FY 2014-15 CIP is funded by \$23.3 million from Power revenues, \$43.0 million from the issuance of Power Enterprise revenue bonds for projects considered Hetchy Power or joint Hetchy/Power assets, \$38.2 million from the issuance of Water Enterprise revenue bonds for projects considered Water or joint Hetchy/Water assets, \$1.4 million from Cap and Trade Carbon Auction revenue and \$17.3 million from project de-appropriation.

The Hetch Hetchy Power FY 2015-16 capital program is \$73.6 million and includes \$11.9 million to fund improvements to the SFPUC’s streetlights and the Van Ness Bus Rapid Transit Project, \$1.3 million for transmission distribution projects, \$6.2 million for investments in renewable generation projects, \$1.0 million for energy efficiency projects for General Fund and Enterprise departments, \$3.0 million for Treasure Island development projects, and \$50.3 million for Hetchy Power’s share of improvements to the power infrastructure up-country.

The Hetchy Water FY 2015-16 capital program is \$19.3 million and includes \$4.0 million for improvements to the water transmission system, reservoirs and dams, \$31.6 million for Power Infrastructure projects including the rehabilitation of transmission/distribution systems and switchyards, \$34.0 million for rehabilitation of support infrastructure (facilities/buildings/right-of-way) and communication systems throughout the Hetchy system. The budget also includes the reclassification (reduction) of \$50.3 million to Hetchy Power for its share of improvements to power infrastructure up-country.

Retail Rates – Water and Wastewater

Pursuant to the City and County of San Francisco Charter section 8B.125, an independent rate study is performed at least once every five years. A rate study completed in April 2014 proposed a 4-year rate increase for Water and Wastewater. On May 13, 2014 the SFPUC Commission approved the new rates.

Table 2. Approved Retail Water Rate Adjustments

Water	Adopted			
	FY 2014-15	FY 2015-16	FY 2016-17	FY 2017-18
Average Annual Adjustment	12.0%	12.0%	10.0%	7.0%

Table 3. Approved Wastewater Rate Adjustments

Wastewater	Adopted			
	FY 2014-15	FY 2015-16	FY 2016-17	FY 2017-18
Average Annual Adjustment	5.0%	5.0%	7.0%	11.0%

Wholesale Rates – Water

In the Spring of 2009, the SFPUC successfully negotiated a new Water Supply Agreement (WSA) with our Wholesale Water Customers. The new contract took effect on July 1, 2009 and changes the rate basis by which the wholesale rates and revenues are determined from a “utility basis” to a “cash basis,” resulting in the repayment of the cost of capital over the life of the debt funding of those assets rather than the life of the asset. For FY

2014-15, there will be no change in the monthly service charges applicable to wholesale water sale; however, the volume charge increased 19.6% from \$2.45/Ccf to \$2.93/Ccf. The WSA requires the rate be calculated and set annually and include a “true-up” between prior-year revenues and expenses.

Table 4. Wholesale Water Rate Adjustments

Water	Adopted		Projected	
	FY 2014-15	FY 2015-16	FY 2016-17	FY 2017-18
Average Annual Adjustment	19.6%	17.7%	0.3%	5.8%

Electrical Rates

Hetch Hetchy Water and Power charges for services related to the storage and delivery of water, as well as generating and delivering electricity to contractual and municipal customers. For municipal power services, Enterprise department customers generally pay rates based on the projected Pacific Gas & Electric (PG&E) equivalent rate based on customer class. General Fund department customers generally pay subsidized rates. On May 27, 2014, the Commission, through Resolution 11-0203, approved a 1.0 cent per kWh rate increase per year in FY 2014-15 and FY 2015-16. Hetchy Power completed a revenue requirement analysis in 2009 and completed a formal retail rate-setting process in FY 2011-12 to support new retail electric customers coming online over the next few years in the redevelopment areas, mainly Hunters Point and Treasure Island. The next electric rate-setting process is planned to start in the Fall of 2014 for new rates to take effect on July 1, 2016.

Conclusion

The SFPUC continues to invest in programs, projects and people to support its long-term capability to provide high quality, efficient, and reliable water, wastewater, and power services. Our goal is to be more sustainable in our programs and to focus on renewable energy, energy efficiency, resource recovery and reuse. The SFPUC is on track to complete the Water System Improvement Program in FY 2018-19 and the SSIP for the Wastewater Enterprise is well underway. The Rim Fire in August 2013 demonstrated the value of our WSIP investment for resilient and reliable supply and deliver infrastructure and the SFPUC’s disaster preparedness to respond when needed. Further, both Hetchy Power and Hetchy Water are moving forward with essential investments in the rehabilitation of existing facilities, development of alternative energy and energy efficiency.

I want to thank the Commission and SFPUC staff who have worked to develop and guide the FY 2014-15 and FY 2015-16 budgets so that we may continue to serve our customers and stakeholders. I am especially proud of the transparent and capital sustaining rate-setting process as it relied on our Rates Policy and Ratepayer Assurance Policy and Scorecard to engage our community and guided deliberations as our Commission considered and approved new rates. We are an essential-service utility making critical investments on behalf of our ratepayers to ensure reliable service and efficiency in our day-to-day operations. We stand committed to provide high quality services while fostering environmental, economic, and social sustainability for San Francisco and the San Francisco Bay Region.

Respectfully submitted,



Harlan L. Kelly, Jr.
General Manager

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NAVIGATING THE SFPUC BUDGET



The City and County of San Francisco's Public Utilities Commission's (SFPUC) FY 2014-15 and FY 2015-16 Budget Document is organized into the following sections:

The General Manager's Transmittal Letter: This section provides an overview of the SFPUC's proposed budget and includes priorities and an overview for the FY 2014-15 and FY 2015-16 budget years.

Introduction: This provides information on the Mission and Organizational Structure of the SFPUC, and includes the SFPUC Organizational Chart and both the Strategic Sustainability and Ten-Year Financial Plans as well as a copy of our investors Ratepayer Assurance Scorecard

Financial Authority and Policies: This section provides a calendar of the budget cycle, information on the budget process, along with the SFPUC's financial authority and policies.

Budget Summary: This section provides an overview of the SFPUC's adopted budget.

- **Budget Appropriation by Fund:** This provides a description of the three Enterprise Funds.
- **Budget Sources and Uses:** This provides high-level summary of the SFPUC adopted budget with budget tables and descriptions by Sources and Uses categories. The budget tables contain: FY 2012-13 Audited Actual; the FY 2013-14 Adopted Budget; FY 2013-14 Pre-Audit Actual; and the FY 2014-15 and FY 2015-16 Adopted Budgets. The variance columns measure the dollar and percentage difference between the FY 2014-15 and FY 2013-14 Adopted Budgets, and the FY 2015-16 and FY 2014-15 Adopted Budgets. The descriptions provide explanations for changes between FY 2014-15 and FY 2013-14, and between FY 2015-16 and FY 2014-15, for Adopted Budgets for Sources and Uses categories.
- **Fund Balance:** This provides a summary by Enterprise and the SFPUC overall beginning and ending fund balances.
- **Authorized and Funded Full-Time Equivalent (FTEs):** This provides a summary by Enterprise, Bureau, and Infrastructure, as well as the SFPUC overall full-time equivalent positions.
- **Capital Expenditures Impact on Operating Budget:** This provides an explanation of the capital expenditure impact on the operating budget.

Enterprise, Bureau, and Infrastructure Sections: These sections provide budgetary and operational information for each of the SFPUC's Enterprises – Water, Wastewater, and Hetch Hetchy Water and Power; the Bureaus, including the Office of the General Manager, Business Services, and External Affairs; and Infrastructure.

- **Budget Sources and Uses:** This provides the same information as the SFPUC Budget Summary Section on Budget Sources and Uses, at the Enterprise, Bureau, and Infrastructure level.
- **Approved Rates:** This provides Water, Wastewater, and Power Enterprise rates, and includes descriptions and justifications of Sources of Revenues and Expenditures for the five-year forecast period.
- **Capital Improvement Program (CIP):** This provides descriptions and budgetary information on major projects in each of the Enterprises' CIPs for FY 2014-15 and FY 2015-16. These projects are included in the Ten-Year Capital Plan.

- **Ten-Year Capital Plan:** This provides an outline of the long-term capital needs of the organization over the next ten years.
- **Ten-Year Financial Plan:** This provides a ten-year financial summary (FY 2014-15 to FY 2023-24) for each Enterprise, and describes projected sources and uses, resulting fund balances and key financial reserve ratios.
- **Departmental Section:** This provides operational and financial information on each of the Enterprises and Bureaus, including an organizational chart; objectives as they relate to the SFPUC's priorities overall; and Enterprise divisional information.
 - **Divisions:** This explains the roles and responsibilities of the Divisions, along with divisional budget summaries. The budget summaries include FY 2012-13 Audited Actual; the FY 2013-14 Adopted Budget; FY 2013-14 Pre-Audit Actual; and the FY 2014-15 and FY 2015-16 Adopted Budget. The variance column measures the dollar and percentage difference between the FY 2014-15 and the FY 2013-14 Adopted Budgets; and between the FY 2015-16 and FY 2014-15 Adopted Budgets. The descriptions provide explanations for changes between FY 2014-15 and FY 2013-14, and FY 2015-16 and FY 2014-15 Adopted Budgets for Sources and Uses categories with variances greater than ten percent.

Glossary of Terms: This section provides explanations and definitions to assist readers in understanding the Budget Document.

The following provides a brief explanation of the categories of FY 2014-15 and FY 2015-16 Budget Sources and Uses of Funds:

Sources of Funds:

Sale of Water

Revenues from sales of water to retail customers in San Francisco and wholesale areas. The wholesale customers are served under the terms of a long-term Water Supply Agreement (WSA).

Sewer Service Charges

Revenues from both San Francisco and neighboring special districts, including Bayshore Sanitary District, the City of Brisbane, and portions of the North San Mateo County Sanitation District, for sewer service charges to retail customers.

Sale of Electricity

Revenues from power sales to City departments for municipal use, wholesale customers, and other retail customers.

Sale of Natural Gas and Steam

Revenues from gas and steam provided to City departments by Hetchy Power.

Fund Balance

Amount used to balance annual sources and uses. It is budgeted when uses exceed sources. Conversely, a general reserve is budgeted in the event that sources exceed current year uses to keep the budget in balance.

Other Non-Operating Revenues

Revenues from other income, including rent, permit fees, sale of property, custom work, and reimbursements.

Proceeds from Debt

Refers to what is received through the issuance of bonds, loans, or other borrowing instruments.

Federal Interest Subsidy

This direct subsidy for Build America Bonds (BABs) is provided by the Treasury Department under the American Recovery and Reinvestment Act (ARRA), equal to 35.0 percent of the interest payable for bonds issued as BABs.

Interest Income

Revenue earned by an Enterprise for its cash and other financial investments.

Uses of Funds:

Debt Service

Principal and interest payments on revenue bonds, State Revolving Fund loans used to finance system improvements, repayments on other loans, and financing costs related to Clean Renewable Energy Bonds (CREBs) and Qualified Energy Conservation Bonds (QECBs).

Capital/Revenue Reserve

Capital projects for the Renewal and Replacement (R&R) program were previously part of the annual budget, but beginning in FY 2012-13, the program is funded through a supplemental appropriation. Capital Projects are infrastructure projects that include: minor construction projects, major maintenance and rehabilitation projects, planning studies, and preliminary engineering analysis for major capital improvements; major maintenance and routine additions, and major improvements to sewers, pumping stations, and treatment plants. The Capital/Revenue Reserve is revenue appropriated in each of the Enterprises to fund the revenue portion of their respective capital programs.

General Reserve

Amount budgeted to balance the budget when budgeted sources exceed budgeted uses. Conversely, fund balance is budgeted when budgeted uses exceed budgeted sources. Budgeted uses of General Reserve funds must be approved by the Mayor and Board of Supervisors.

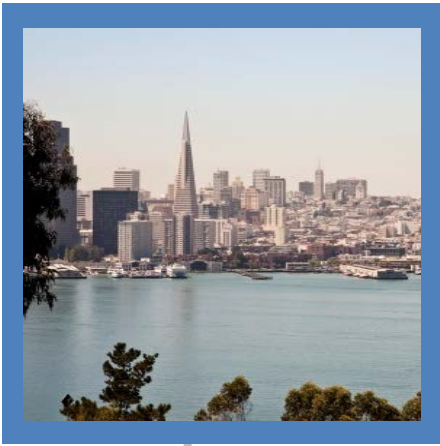
Operations and Maintenance (O&M costs) include the following:

- **Personnel**
Labor for SFPUC's full-time and temporary employees, and related fringe benefits like retirement and healthcare.
- **Overhead**
The SFPUC's share of City-wide overhead, including the County-wide Cost Allocation Plan (COWCAP).
- **Non-Personnel Services**
Services such as maintenance of equipment and facilities, travel, training, memberships, professional services, rent, and other expenses that support maintenance for the operation of the Enterprises.
- **Materials and Supplies**
Includes equipment maintenance supplies, safety, fuel, office supplies, chemicals, and other miscellaneous materials and supplies for the maintenance and operation of the Enterprises.
- **Equipment**
Equipment that has a value greater than \$5,000, and a useful life of three years or more, such as vehicles, machinery, and other heavy equipment.
- **Services of Other Departments**
Services performed for the SFPUC by other City departments.
- **Operating Transfers Out**
On-going operating payments between Enterprise funds or other City departments.

Programmatic Projects

Programmatic projects are annual projects that will close out at the end of the fiscal year, and their costs do not result in a capitalized asset. They include facilities maintenance projects and special non-capital projects, which are cash-funded and may not result in a capitalized asset.

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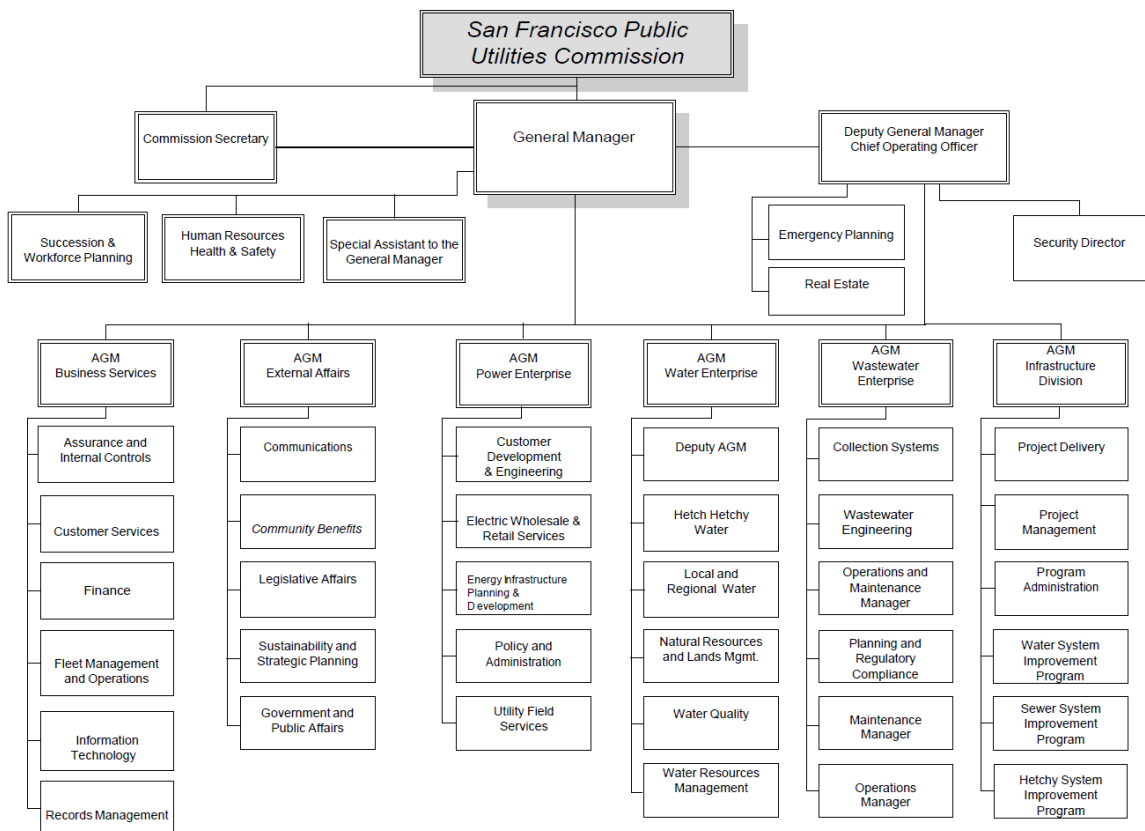
INTRODUCTION

The San Francisco Public Utilities Commission (SFPUC) is an Enterprise Department of the City and County of San Francisco (CCSF). The SFPUC provides essential service utilities: Water (both regional and local), Wastewater (local collection, treatment and disposal), and Power. The SFPUC supplies water to 2.6 million people in San Francisco and the San Francisco Bay Area. One-third of the water is supplied directly to retail customers primarily in San Francisco (including residential, industrial and commercial customers), and the remaining two-thirds is supplied to wholesale customers through a long-term Water Supply Agreement (WSA). Wastewater services are provided within the City and County of San Francisco (as well as to three neighboring districts, including the San Mateo Sanitation District, Bayshore Sanitary District, and the City of Brisbane). Power is supplied primarily to San Francisco City departments and their tenants, as well as the Turlock and Modesto Irrigation Districts.

Mission, Vision, and Organization Chart

The mission of the SFPUC is to provide our customers with high quality, efficient and reliable water, power, and sewer services in a manner that is inclusive of environmental and community interests, and that sustains the resources entrusted to our care.

The SFPUC is a sustainable utility leader, recognized for superior results in service, value, environmental stewardship and innovation.



Structure

The SFPUC is comprised of three Enterprises, Infrastructure, and the Bureaus. The three Enterprises are the Water Enterprise, Wastewater Enterprise, and the Power Enterprise, operated within Hetch Hetchy Water and Power. The Bureaus, comprised of the Office of the General Manager, Business Services, and External Affairs and provide critical support services and oversight to the Enterprises and Infrastructure. Business Services includes Administration, Assurance and Internal Controls, Customer Services, Financial Services and Asset Management, Fleet Management & Operations, Information Technology Services, and Records Management. External Affairs includes Communications, Community Benefits, Legislative Affairs, Sustainability & Strategic Planning, and Special Projects. Human Resources reports directly to the General Manager Office, Security, Emergency Planning, and Real Estate report to Deputy GM Office.

Department and Fund Relationship

The SFPUC uses a cost-allocation model to determine the amount of funds to recover from the three Enterprises for the cost of services provided by the Office of the General Manager and the Bureaus. Costs are allocated from both the operating and capital funds depending on whether the services provided are to support Enterprise operations/maintenance or for capital programs or projects. Bureaus allocations to the three Enterprises are detailed and discussed in the "SFPUC Bureaus" chapter. Chart S1 on page 192 illustrates this cost-allocation.

The uses of these allocated funds are shown on page 193 in Chart S2. As in past years, the Business Services Division has the larger budget of the bureaus and so represents the largest amount of funds from the cost-allocation model.

Capital Expenditures Impact on Operating Budgets

The SFPUC renews the Ten-Year Capital Plan each year, and each Enterprise has a Ten-Year Capital Plan included in this budget (Water on page 97; Wastewater on Page 134 and Hetch Hetchy Water and Power on page 166); which illustrate a continued total growth in the capital investments through FY 2023-24. These capital investments are essential for the reliable delivery of clean drinking water, the protection of public health and the environment, including the San Francisco Bay and Pacific Ocean and the continued delivery of clean energy for municipal services. Due to the nature of water utility operations, which rely on personnel, chemicals and electricity, these multi-billion dollar investments are not expected to reduce the annual operating budgets.

In the next two budget years, there are few new positions funded by the operating budgets across the SFPUC; in FY 2014-15 there are only four new positions and two new positions in FY 2015-16. In contrast, there are 30 new project-funded positions for FY 2014-15 and an additional four new positions in FY 2015-16 largely supporting capital budget priorities.

In the next few years, some facilities may experience short-term increased, non-personnel operating cost as a result of integrating new or upgraded facilities into existing ones, while not interrupting service. In FY 2014-15 and FY 2015-16 the Water Enterprise's annual programmatic projects include \$3.3 million and \$4.5 million respectively to fund monitoring of the implementation of mitigation and permit requirements for WSIP projects. Overall, projected operating budgets assume a 3.0 percent operating expense growth. However, these next two fiscal years we are seeing more than the assumed 3.0 percent for Operations and Maintenance, 4.2 percent in FY2014-15 and 5.4 percent in FY 2015-16.

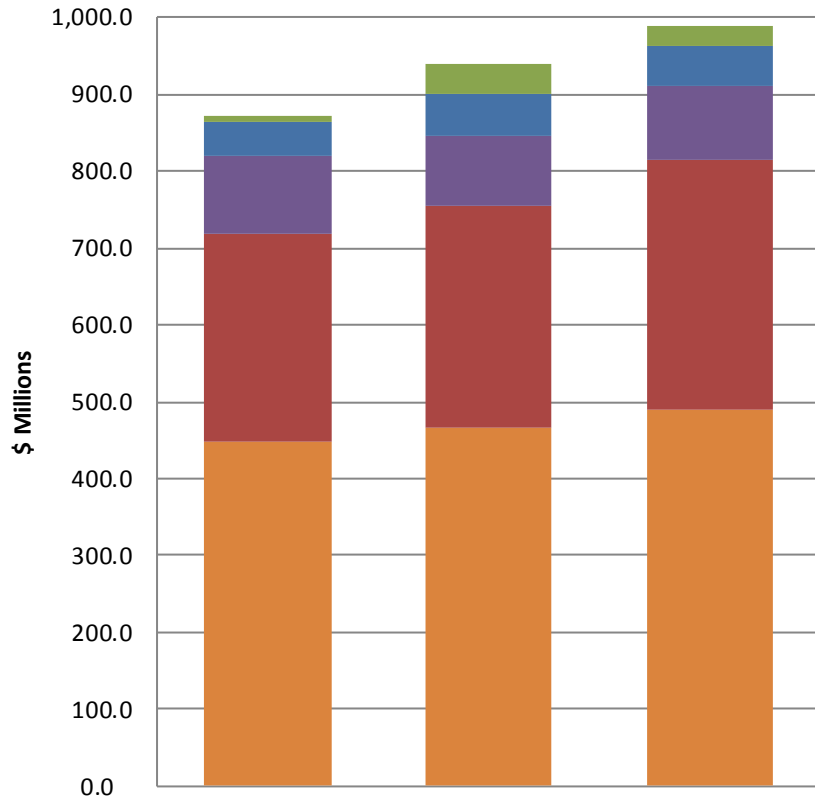
Infrastructure Program

Over the past five to seven years, the Water Infrastructure Program has invested nearly \$5 billion across the Water Enterprise service area to repair, replace and upgrade aging infrastructure to ensure reliability and provide seismic protections. Now as the water infrastructure spending is slowing, the Wastewater and Power infrastructure programs are

increasing. As illustrated in Chart 1 below, capital investments in infrastructure are driving the SFPUC budget for FY 2014-15 and FY 2015-16; most notably shown in the increase in Debt Service, all of which funds critical capital investments

Chart 1 displays the budget growth from FY 2013-14 to FY 2015-16 by major categories.

Chart 1. SFPUC Budget Growth from FY 2013-14 to FY 2015-16



	Adopted FY 2013-14	Adopted FY 2014-15	% Change	Adopted FY 2015-16	% Change
Operations and Maintenance	\$ 446.9	\$ 465.5	4.2%	\$ 490.9	5.4%
Debt Service	272.1	290.1	6.6%	325.4	12.2%
Capital/Revenue Reserve	102.0	91.5	-10.3%	95.8	4.8%
Programmatic Projects	42.7	54.1	26.9%	51.5	-4.9%
General Reserve	10.0	38.3	285.2%	25.2	-34.3%
Total Sources of Funds	\$ 873.6	\$ 939.6	7.6%	\$ 988.8	5.2%

The capital programs are intended to support a defined Level of Service for each utility enterprise based on the SFPUC Vision and Mission. This level of capital investment has changed the SFPUC from an operating based utility one that was primarily focused on service delivery, to a utility that is both focused on reliable service delivery at the same time that the environmental, community and resource management components of the mission are also at the forefront. For example, an essential outcome of the capital investment is the implementation of local hire, job training and job creation programs to benefit the community that pays for the capital program.

SFPUC Ten-Year Financial Plan and Ten-Year Capital Plan

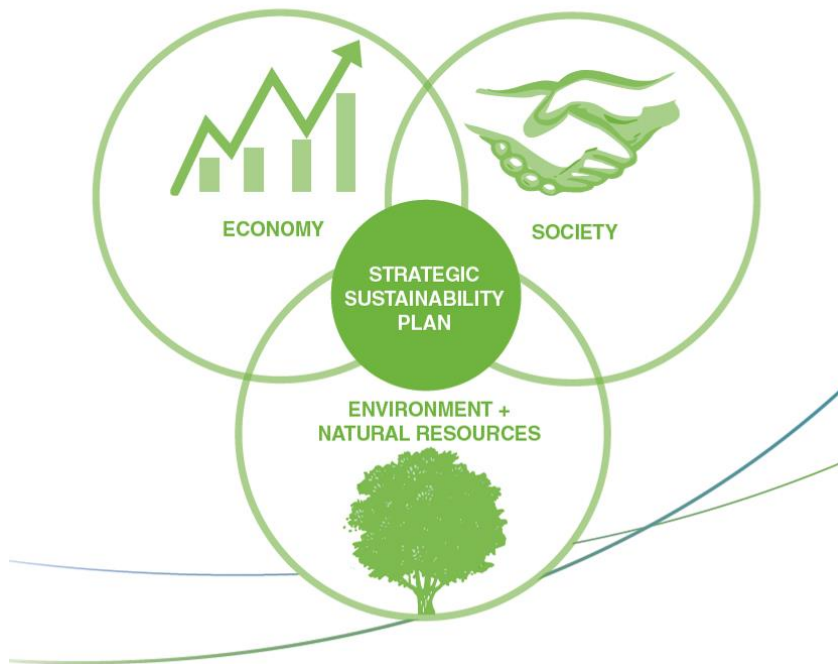
Ten-Year Financial Plan

The SFPUC prepares a Ten-Year Financial Plan as part of the budget deliberations process as required by the City and County of San Francisco Charter Section 8B.123. This is a planning document used to develop the Ten-Year Capital Plan, water, power and sewer utility rates, and the biennial budget. The Plan includes a ten-year financial summary (FY 2014-15 through FY 2023-24) for each Enterprise, describing projected sources and uses, resulting fund balances and key financial ratios. Projected costs and revenues are estimates and subject to variations inherent in all such projections. Consequently, the estimates are not viewed as precise predictions but rather as indications of expected trends given expenditure, revenue, and financing assumptions. These assumptions are based on current Board of Supervisors and Commission policies, goals, and objectives representing management's best estimates at the time. This is not a budget, nor are funds appropriated through this process, but it does inform the subsequent budget.

Ten-Year Capital Plan

The SFPUC prepares a Ten-Year Capital Plan as part of the budget deliberations process as required by the City and County of San Francisco Charter Section 3.20. The Ten-Year Capital Plan informs and guides managers, policy makers, elected officials, and the public, by providing the proposed long-term capital program, projects, and investments. As the budget process progresses through the Spring and into final adoption in the Summer, the annual Capital Improvement Program (CIP) can be revised and final projects, costs, and totals for the two annual CIPs can change. This is not a budget, nor are funds appropriated driving the Plan adoption. Appropriation follows as part of the subsequent budget process.

SFPUC Strategic Sustainability Plan



The San Francisco Public Utilities Commission (SFPUC) defines sustainability as the framework through which we responsibly manage the resources under our care, protect public health, and balance our social and environmental responsibilities to the citizens and community, while providing cost effective services to our ratepayers.

Committed to long-term and continuous improvement, the SFPUC annually measures and reports to stakeholders on its performance toward reaching the goals and objectives of its 2008 strategic sustainability plan. An annual organization-wide review, measurement and reporting protocol tasks SFPUC management and staff to:

- Plan and deliver quality services to current and future generations of San Franciscans based on triple bottom line sustainability;
- Embed sustainability into our business DNA and long-term strategic decision-making;
- Communicate our organizational culture and build relationships with stakeholders;
- Benchmark our strategic sustainability performance against ourselves and peers;
- Build capacity for longer term trend, risk and foresight analyses; and
- Provide stakeholders with ongoing review of SFPUC-wide triple bottom line performance.

Strategic Sustainability Framework

The triple bottom line (financial, environment, society) is the dominant model for framing organizational sustainability. SFPUC expanded this model by integrating it through six categories of issues our stakeholders identified as most relevant and readily understood and applied within the SFPUC. Through this framework, SFPUC aims to institutionalize the triple bottom line into its business DNA.

SFPUC STRATEGIC SUSTAINABILITY FRAMEWORK

Our Strategic Sustainability Plan is a system for planning, managing, and evaluating SFPUC-wide performance that takes into account the long term economic, environmental and social impacts of our business activities. Our framework integrates these principles through long term sustainability categories, goals and objectives most material to the SFPUC.



CUSTOMERS

- CR-A.** Foster customer satisfaction
- CR-B.** Enhance meter reading technology & billing accuracy
- CR-C.** Align rate structure to reflect conservation, full costs of providing service & affordability



ENVIRONMENT & NATURAL RESOURCES

- EN-A.** Become a leader in Environmental Stewardship e.g. habitat, biodiversity & land management
- EN-B.** Diversify high quality water sources & advance water efficiency, conservation & reuse
- EN-C.** Reduce inflows to the sewer system & ensure quality effluent
- EN-D.** Increase energy efficiency & conservation
- EN-E.** Advance high quality & emissions-free power supply sources
- EN-F.** Address SFPUC in-house emissions contributing to climate change
- EN-G.** Reduce SFPUC in-house environmental impacts



INFRASTRUCTURE

- IA-A.** Improve capital facilities through construction
- IA-B.** Optimize maintenance for water, wastewater & power assets

GOALS

Provide high quality services / Engage our public & invest in our communities / Promote a green & sustainable city / Invest in our people / Plan for the future



COMMUNITY

- CY-A.** Promote Environmental Justice
- CY-B.** Advance Community Benefits
- CY-C.** Foster engagement with current & developing stakeholder groups



GOVERNANCE & MANAGEMENT

- GM-A.** Provide high quality service to all customers
- GM-B.** Ensure compliance with regulatory requirements
- GM-C.** Drive accountability & transparency
- GM-D.** Strengthen financial performance
- GM-E.** Implement & improve supply chain & contracting procedures
- GM-F.** Optimize relevant technological innovations
- GM-G.** Optimize planning to meet water, wastewater & power demand
- GM-H.** Advance strategic sustainability planning, management & decision-making
- GM-I.** Advance relevant public policy & legislation
- GM-J.** Develop & implement SFPUC-wide risk assessment & management
- GM-K.** Advance security, emergency planning & response



WORKPLACE

- WP-A.** Advance positive employee relations through fair labor practices
- WP-B.** Track workplace turnover & satisfaction
- WP-C.** Ensure employee health & safety
- WP-D.** Track effectiveness of internal communications
- WP-E.** Provide effective recruitment
- WP-F.** Promote the professional development of staff & perform annual reviews

Strategic Sustainability Goals

The SFPUC's six sustainability categories and associated objectives are aimed at continuous improvement in the integration of and performance along the triple bottom line, and ultimately at meeting the five key strategic goals:

- Plan for the Future
- Invest in SFPUC's People
- Promote a Green and Sustainable City
- Provide High Quality Services
- Engage SFPUC's Public and Invest in our Communities

Sustainability Categories



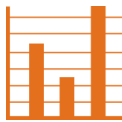
Customers: Issues relating to customers, rates and service standards



Community: Issues relating to the SFPUC's relationship and involvement with its communities



Environment & Natural Resources: Issues relating to environmental impacts and the use, protection and health of natural resources



Governance & Management: Issues relating to organizational planning, management, effectiveness, accountability and financial health



Infrastructure & Assets: Issues relating to the management, reliability and performance of assets and infrastructure



Workplace: Issues relating to human resource management, labor relations, and health and safety.

These six categories result from the rigorous outreach and analysis that underlies our foundational sustainability planning. They incorporate the triple bottom line perspective for examining the most relevant economic, environmental and social effects of SFPUC business activities.

Strategic Sustainability Objectives

SFPUC's Sustainability Objectives are identified by our executive leadership and are listed in the Framework, each as associated with one of our Strategic Sustainability Categories. Though we continue to take lessons learned from our annual performance to refine and update our objectives, we anticipate that these objectives will remain relatively durable over time.

Key Performance Indicators, Standards and Best Practices

SFPUC's Key Performance Indicators (KPIs) bring the framework to life as the foundational measures for critical evaluation, benchmarking and trending our performance.

We use each KPI to report progress against its associated strategic sustainability category and objective. The KPIs are sourced from applicable international, national and local reporting and performance standards, guidelines, best practices, laws and policies. Examples include the international guidelines of the Global Reporting Initiative, the Accountability Stakeholder Engagement Standard, and the American Water Works Association guidelines for strategic planning and sustainability reporting.

We regularly re-examine our KPIs to stay aligned with ongoing developments and internal applicability and utility. As a result, each KPI is associated with the most current industry metrics, standards and best practices to allow for benchmarking performance. Their applicability enables us to more realistically evaluate SFPUC's progressive triple bottom line (Environmental, Financial and Social) performance.

To the extent possible, KPIs are quantitative, directional, measurable, specific and actionable. However, in case where no rigorous quantitative measure is available, SFPUC uses a qualitative KPI.

Fiscal Year 2013-14 Strategic Sustainability Performance Results

The fiscal year 2013-14 report is the sixth annual assessment of SFPUC-wide performance on our strategic sustainability plan. Over time, we've learned from the feedback of our stakeholders and continue to use their input to improve our actions, data collection and reporting across the triple bottom line.

The SFPUC began reporting on performance with our fiscal year 2005-06 Baseline, released our Sustainability Plan and Program in 2008, and subsequently integrated it with our long-term strategic goals and objectives.

A systemic benefit of our reporting protocol is in the utility of its feedback loop. Our inclusive SFPUC-wide scope provides all stakeholders a snapshot of how SFPUC is performing on its triple bottom line as an organization. Results can be used to inform broad strategic and more discrete or division-specific activities which can be rolled up into subsequent fiscal year SFPUC-wide reporting. This feedback loop allows us to build capacity for better trend and risk analyses and improve longer-term strategic planning.

Strategic Sustainability Performance Profile and Scoring

To facilitate evaluation and benchmarking, we have normalized our data where appropriate. Normalizing data refers to the process of representing data against a driver or strongest determinant or correlator of performance.

To score its annual performance, SFPUC uses the generic performance scale developed for its Sustainability Baseline Assessment. Because data collection for sustainability performance can result in a variety of quantitative and qualitative forms, this scale enables a more consistent, methodical approach to data analysis and assessment.

The following figure shows that we score each indicator using an ordinal scale from 1 to 5, indicating progressive levels of performance. Each score represents the following:

SCORING CRITERIA	1	2	3	4	5	Performance Profile
Impact	Negative impact		Average/No impact	Positive impact	Significantly positive impact	This Profile allows us to assign a relative score to the evaluation of performance for each KPI. Then we average the KPI scores for each objective to establish an overall score for that objective. The term "average" in this case refers only to performance levels based on this relative scale from 1 to 5.
Performance [via peers (/via self) baseline]	Does not meet requirements		Meets requirements	Exceeds requirements	Significantly exceeds requirements	
	Baseline data with no benchmark(s) will score 3					
Practice	Does not meet best practice		Meets best practice	Leads best practice	Significantly leads best practice	

For a qualitative indicator that requires a subjective evaluation of performance, SFPUC assumes that enough information is available to provide a basis for an assessment and score. In rare cases, a qualitative indicator may be so unique to SFPUC with variable targets and results, that we will describe but not evaluate or score the results. In case where SFPUC is assessing data for the first time or for which there is no appropriate industry standard or existing trend data, we use the initial data to establish a baseline. Unless this initial data indicates otherwise, we typically assign the result a neutral score of three in order to allow fair evaluation of future results against this baseline.

Appendix F has data from FY 2013-14. You can view all SFPUC’s annual performance results in our report *"Performance on Strategic Sustainability Measures FY2013-2014"* available in December 2014 at sfwater.org/sustainability.

SFPUC Ratepayer Scorecard

In addition to the Strategic Sustainability Plan, the SFPUC has developed a Ratepayers Scorecard as required by the Ratepayers Assurance Policy. The SFPUC Ratepayer Assurance Policy, which is described in more detail in Appendix C, provides assurance to ratepayers that their money will be spent wisely and serves as guidance to the SFPUC General Manager and staff of the Commission's expectations regarding the wise use of ratepayer funds. The policy is particularly intended to provide ratepayers with the assurance that management recommendations and Commission decisions are and will be made in the ratepayers’ best interest. This policy promotes accountability and transparency by requiring a biannual, independently developed report card through which ratepayers and the Commission can see verifiable results that the ratepayer safeguards and policies are being implemented and yielding successful outcomes. The most recent report card is below. The report card will be updated at least biannually as part of the budget cycle.

SFPUC Ratepayer Assurance Scorecard



SFPUC Ratepayer Assurance Scorecard CITY AND COUNTY OF SAN FRANCISCO OFFICE OF THE CONTROLLER

A-

FY 2012-13

ASSET MANAGEMENT	1. Preventative Maintenance B- Combined Utility Avg Benchmark = 80% <p>79% WATER 78% POWER 50% SEWER</p>	2. Regulatory Compliance A Meets or Exceeds the Standard <p>Zero fines or sanctions for WATER POWER or SEWER Enterprises</p>
	STEWARDSHIP	STEWARDSHIP
MISSION MANAGEMENT SUSTAINABILITY	3. Average Monthly Bill A <p>CA Average Combined Utility Bills = \$178.89 * SFPUC provides electricity to Hunter's Point and Treasure Island.</p>	4. Cost of Service B+ \$1.70 per person/day CA Average Cost/Person/Day = \$1.99
	SERVICE	SERVICE
PERSONNEL MANAGEMENT	5. Credit Ratings A Maintained Low Risk AA- WATER Investment Grade rated by S&P/Moody's Aa3 SEWER	6. Customer Service Quality B % of Retail Customers that rate SFPUC good or better <p>86% YTD</p>
	SERVICE	SERVICE
7. Environmental Stewardship - All Enterprises Exceed Standards A 		ENVIRONMENTAL STEWARDSHIP
8. Contracted Hours A Exceeds Minimum Local Hire Ordinance by 4% 29% WATER POWER SEWER Local Hires 25% 2010 Local Hire Ordinance Requirement	9. Lost Time Incidents C Per 100 Employees Needs Improvement 3.2 out of 100	RESPECT/EQUAL OPPORTUNITY
RESPECT/EQUAL OPPORTUNITY	SAFETY	



SFPUC Ratepayer Assurance Scorecard CITY AND COUNTY OF SAN FRANCISCO

A-

OFFICE OF THE CONTROLLER

FY 2012-13

PURPOSE

The San Francisco Public Utilities Commission (SFPUC) is an agency of the City and County of San Francisco that provides high-quality drinking water to a population of approximately 2.6 million people, including retail customers in San Francisco and wholesale customers located in San Mateo, Santa Clara, and Alameda Counties. The SFPUC provides wastewater services to over 800,000 residents of San Francisco and green hydroelectric solar power to the City's municipal departments.

The [SFPUC's Ratepayer Assurance Policy](#) was adopted on October 23, 2012 and is reviewed annually as part of the budget process to ensure measurable, verifiable, wise use of ratepayer resources for all enterprises- **Water (W)**, **Power (P)**, and **Sewer (WW)**. The policy promotes accountability and transparency with an annual scorecard developed and performed by the Office of the Controller, City Services Auditor (CSA).

This scorecard provides useful information to the ratepayers and the Commission using metrics that measure the performance of ratepayer strategies and policies in mitigating risk and taking advantage of opportunities to yield positive outcomes. Each metric addresses one of the following policy categories of Asset Management, Mission Management & Sustainability, and Personnel Management in line with the [Effective Utility Management \(EUM\)](#) initiative and model. For further information, please refer to the [SFPUC Ratepayer Assurance Scorecard Manual](#).

GRADING SCALE

The measures are graded based on the standard academic scale illustrated below. Grades are based on comparison to a relevant industry standard, best practice, comparison to peer jurisdictions, or comparison to SFPUC standard or policy:

Grade	Description	Score Range
A	Exceptionally	3.8 - 4.0
A-	Above Standard	3.4 - 3.7
B+	Slightly Above or Meets Standard	3.1 - 3.3
B		2.8 - 3.0
B-		2.4 - 2.7

Grade	Description	Score Range
C+	Slightly	2.1 - 2.3
C	Below	1.8 - 2.0
C-	Standard	1.4 - 1.7

Grade	Description	Score Range
D+	Below Standard	1.1 - 1.3
D		0.8 - 1.0
D-		0.4 - 0.7
F	Critically Below Standard	0.0 - 0.3

FY13 SUMMARY

The SFPUC in the aggregate scored slightly above average or a letter grade A-. The SFPUC exceeded benchmarks for five (56%) of the measures and met industry benchmarks for three (33%) of measures. One measure (11%) were slightly below the standard and need improvement.

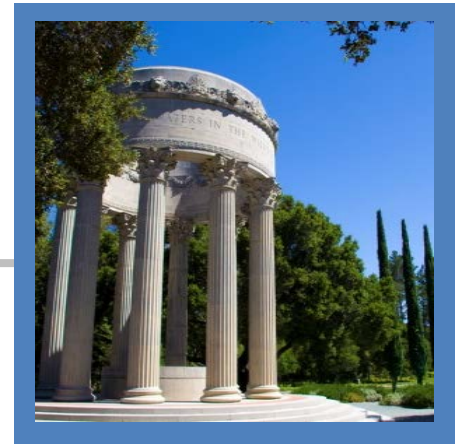
Policy Category	#	Measure	W	P	WW	Average Score	Grade
Asset Management	1	Stewardship: Preventive maintenance ratio	B	B	C	2.7	B-
	2	Regulatory Compliance: Number of incidents of fines/sanctions	A	A	A	4.0	A
Mission Management & Sustainability	3	Service: Average monthly combined water, power, and sewer residential bill	A	A	A	4.0	A
	4	Service: Cost per person per day	A	B	B	3.3	B+
	5	Stewardship: Credit rating	A	NA	A	4.0	A
	6*	Service: Percent of retail customers that rate SFPUC as good or better	B	B	B	3.0	B
Personnel Management	7	Environmental Stewardship: Amount of water sold to SF residential customers Emissions-free municipal and retail electricity supplied Unauthorized discharges from combined sewer system	A	A	A	4.0	A
	8*	Respect/Equal Opportunity: Percent of local hire hours	A	A	A	4.0	A
	9*	Safety: Recordable lost time rate	C	C	C	2.0	C
Overall			A-	A-	B+	3.4	A-

*Measures are rated such that the corresponding enterprise grade is the same as the overall grade.



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FINANCIAL POLICIES



Calendar and Budget Process

The budget cycle for the biennial July 1 fiscal year budget begins in October and ends in July. The two-year fixed budget is prepared, reviewed, enacted by the Board of Supervisors (BOS), signed by the Mayor, and implemented by departments and adjusted as necessary during this period. The Board of Supervisors does not adopt a new budget for the second fiscal year of the cycle, but may amend the second year through supplemental budget adjustments if increases or decreases in revenues or expenditures are significant¹. The SFPUC's two-year budget is comprised of two, single-year spending plans. The budget process is described below.

Participants

- The Public is invited to all public meetings, notified in advance to ensure stakeholder awareness of any budget items. This includes the SFPUC Citizen Advisory Committee
- The SFPUC Commissioners hold publicly-noticed Budget Committee meetings, during business hours, that allow for public comment on the budget as presented by staff.
- The Committee on Information Technology (COIT) will evaluate all departmental technology plans and will make recommendation for approvals and funding of the departmental technologies budget requests.
- The Capital Planning Committee (CPC) provides recommendations to the Mayor's Office on City-wide priorities for capital and the level of investment needed to meet the priorities they identify.
- The Mayor prepares and submits a balanced budget to the Board of Supervisors on a biennial basis.
- The Board of Supervisors is the City's legislative body and is responsible for reviewing and may amend then approve the Mayor's proposed budget. The Board's Budget and Legislative Analyst also participates in reviews of City spending and financial projections.
- The Controller is the City's Chief Accounting and Auditing Officer and ensures the accuracy of the final budget.

Calendar and Process

Beginning in October and concluding in July, the biennially recurring two-year budget cycle can be divided into three major stages.

- **Budget Preparation:** budget development and submission to the SFPUC Commission.
- **Approval:** budget review and enactment by the SFPUC, Mayor, and Board of Supervisors.
- **Implementation:** department execution and budget adjustments.

¹ "Significant increases or decreases in revenues or expenditures shall be defined as greater than five percent difference between the projected and adopted budget for operating or capital expenditures or revenues for the second year of the department's biennial budget." (Resolution 464-11)

Preparation

In October, SFPUC Budget staff begins budget training for departments to assist them in planning, and preparing their biennial budgets.

Two categories of budgets are prepared:

- **SFPUC Enterprise and Bureau Operating Budgets:** Enterprise departments generate non-discretionary revenue primarily from charges for services that are used to support operations and revenue-funded capital.
- **Capital Budgets:** the biennial capital budget requests and Ten-Year Capital Plan proposals are submitted to the Capital Planning Committee (CPC) for review and inclusion in the City's annual Ten-Year Capital Plan. The Capital Budget is submitted to the Mayor and Board of Supervisors for approval.

Beginning in October, SFPUC Enterprises prepare their budget requests. From November to December, the Assistant General Managers (AGM), the Deputy General Manager, and the General Manager review the capital budget and department operating budget requests. In December and early January, the General Manager's proposed budget is consolidated and submitted to the SFPUC Commission for deliberations in January and February. From January to February, the Commission holds public hearings to review the operating and capital budget requests, Ten-Year Capital Plan, and Ten-Year Financial Plan. By mid-February, the budget requests are submitted to the Controller's Office. The Controller consolidates, verifies, and refines all the information that departments have submitted. In the first week of March, the Controller submits departments' proposed budget requests to the Mayor's Office of Public Policy and Finance for review.

From February through May, the Mayor and the Mayor's staff meet with community groups to provide budget updates and to hear concerns and requests for funding to improve public services. Total budget requests must be in balance with estimated total revenues. The Controller ensures that the Mayor's final budget request is balanced, accurate, and based on reasonable assumptions.

Approval

Upon receiving the Mayor's proposed SFPUC budget requests, the Budget and Finance Committee of the Board of Supervisors holds public hearings during the months of May and June to review departmental requests and solicit public input. The Budget and Finance Committee makes recommendations to the full Board for budget approval along with their proposed changes. If the budget review lapses into the new fiscal year, a continuing resolution adopting the Interim Budget, which is usually the Mayor's proposed budget with some limitations, is passed by the Board and serves as the operating budget until the budget is finalized in late July. The Mayor typically signs the budget ordinance into law by the end of July.

The Budget and Finance Committee works closely with the Board of Supervisors' Budget Analyst, who develops recommendations on departmental budgets. The SFPUC discusses the recommendations with the Budget Analyst, centered on proposed expenses and comparisons with prior year spending. Based on these discussions, the Board's Budget Analyst forwards a report with recommended reductions. The Budget and Finance Committee reviews the Budget Analyst's recommended expenditure cuts, along with the SFPUC and public input, before making final budget recommendations to the full Board of Supervisors. The Budget Committee votes to approve the amended budget and forwards it to the full Board by mid-July.

Original Budget Amendments: The City Charter requires that the Board of Supervisors vote on the budget twice between July 15 and August 1. The first reading occurs the first Tuesday after July 15, and amendments may be proposed. These amendments are added to the budget if they are passed by a simple majority. Amendments may be proposed by any member of the Board of Supervisors and can reflect further public input and/or Board policy priorities. The Board votes on the amended budget during the second reading and if the

budget is passed, it is sent to the Mayor for final signature. If other amendments are proposed during the second reading, there is a further reading a week later. The Board of Supervisors must pass a final budget before the August 1 deadline.

The Mayor has ten days to approve the final budget, referred to as the Annual Appropriation Ordinance (AAO). The Mayor may sign the budget as approved by the Board, making it effective immediately. The Mayor may also veto any portion of the budget, whereupon it returns to the Board of Supervisors. The Board has ten days to override any or all of the Mayor's vetoes with a two-thirds majority vote. In this case, upon the Board vote, the budget is immediately enacted, thus completing the budget process for the fiscal year. Should the Mayor opt not to sign the budget within the ten-day period, the budget is automatically enacted but without the Mayor's signature of approval. Once the AAO is passed, it supersedes the Interim Budget.

Implementation

The budget is implemented and executed by SFPUC staff as originally adopted by the Mayor and the Board of Supervisors, at the start of the fiscal year.

Supplemental Budget Adjustments: Budget adjustments during the fiscal year can be made through surplus transfers if available, or supplemental appropriation requests, when a department has inadequate revenue for the remainder of the fiscal year or when additional appropriation is needed for operating or capital project funding, grants appropriation legislation, or when a third party awards funding to a department. Budget adjustments for the second year of the biennial budget can be made through a supplemental appropriation, when increases or decreases in revenues or expenditures between the adopted and projected budget are significant. These adjustment requests require Board of Supervisors approval before going to the Mayor for final signature. The Commission must approve any budget adjustments in advance of it being presented to the Board of Supervisors. The public is informed and has the opportunity to engage in the budget amendment process through the SFPUC Commission agenda and public meetings, and the Board of Supervisors agenda and public meetings.

Biennial Budget Activity by Month

In FY 2010-11, the City adopted two-year budgets for the SFPUC and three other pilot departments (the Airport, the Port, and the Municipal Transportation Agency), in accordance with Proposition A passed in 2009. FY 2014-15 & FY 2015-16 represent SFPUC's third biennial budget. The SFPUC will only formally amend the budget mid-cycle for FY 2015-16 if revenues or expenditures are five percent below or above projections, respectively. (Refer to Resolution 464-11)

Year One

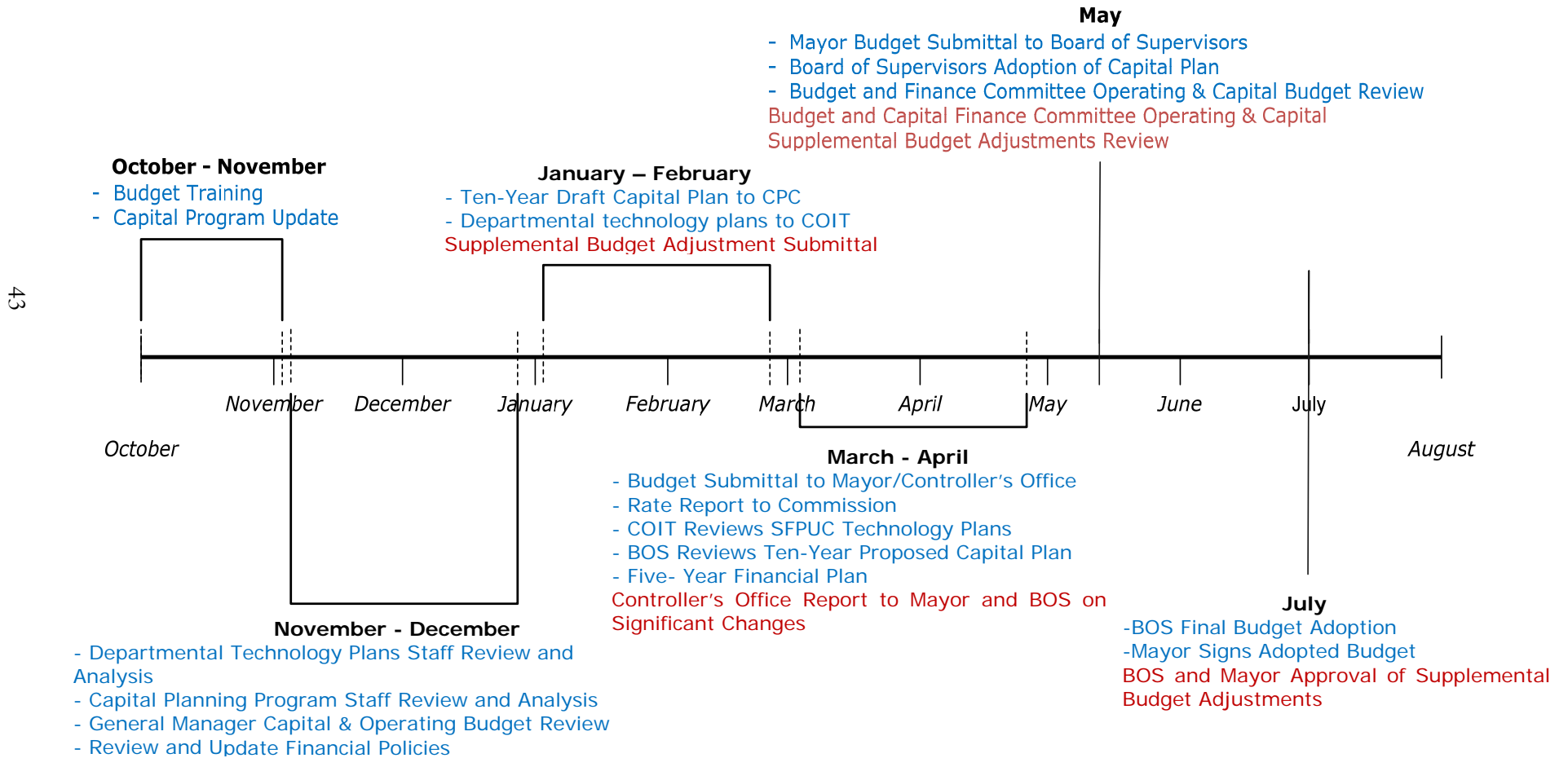
Date	Activity
October to November	<ul style="list-style-type: none"> ▪ As-needed budget training for departments to assist them in preparing the operating Budget. ▪ Update of capital program.
November to December	<ul style="list-style-type: none"> ▪ Capital Planning Program (CPP) staff review and analysis. ▪ Capital and Operating budget, including departmental technology requests due to Financial Services, including proposed re-organizations. ▪ Review and update of financial policies. ▪ Departmental budget reviews with Financial Services, including departmental technology plans. ▪ General Manager Operating and Capital budgets review. ▪ Ten-Year Financial Plan updates. ▪ Ten-Year Capital Plan updates.
January to February	<ul style="list-style-type: none"> ▪ Commission budget workshops, deliberations, and proposed budget and plan adoptions. ▪ Ten-Year Draft Capital Plan to Capital Planning Committee (CPC). ▪ CPC review of Ten-Year Draft Capital Plan. ▪ Departmental technology plans submitted to COIT. ▪ Ten-Year Financial Plan reviewed and adopted by Commission ▪ Five-Year Financial Plan submitted to the Controller, Mayor, and Board of Supervisors. ▪ Budget submittal to Mayor/Controller's Office.
March to April	<ul style="list-style-type: none"> ▪ CPC submits Ten-Year Proposed Capital Plan to Board of Supervisors. ▪ Board of Supervisors reviews Ten-Year Proposed Capital Plan. ▪ Rates Report to Commission. ▪ COIT reviews and approves SFPUC technology plans
May to June	<ul style="list-style-type: none"> ▪ Mayor's budget submittal to Board of Supervisors (Enterprise funds). ▪ Board of Supervisors adoption of Ten-Year Capital Plan. ▪ Board of Supervisors adoption of Five-Year Financial Plan. ▪ Budget and Finance Committee Operating and Capital Budgets Review and Action.
July to August	<ul style="list-style-type: none"> ▪ Final Budget adoption by Board of Supervisors. ▪ Mayor signs Adopted Budget.

Year 2, Mid-Cycle

From January to February, the SFPUC submits supplemental budget adjustments to the Controller's Office for changes greater than five percent between the projected and adopted budgets. From March to April, the Controller's Office submits a report to the Mayor and Board of Supervisors, stating whether they project significant changes in SFPUC revenues or expenditures. From May to June, the Budget and Finance Committee reviews and takes action on operating and capital supplemental budget adjustments. From July to August, the supplemental budget adjustments receive approval by the Board of Supervisors and Mayor's Office.

SUMMARY TIMELINE OF BUDGET CALENDAR

Year One & Year 2, Mid-Cycle



Budgeting Basis

The City historically adopted annual budgets for all government funds on a budget basis relying on a current financial resources measurement focus and a modified accrual basis of accounting. Since the passage of Proposition A (2009), the SFPUC and other enterprises of the City have transitioned to a two-year fixed, biennial budget. The modified accrual method is a basis of accounting used with a current financial resources measurement focus. It modifies the accrual basis of accounting in two significant ways: first, revenues are not recognized until they are measurable and available; and second, expenditures are recognized in the period in which the SFPUC normally liquidates the related liability rather than when the liability is first incurred, if earlier. Under the modified accrual basis of accounting method, Actuals in the Tables located throughout this Budget Book include spending authorized by a carryforward appropriation; these are funds carried forward from the prior fiscal year to be expended in the subsequent fiscal year. Examples typically include capital project funds and certain debt service funds that adopt project-length budgets. The budget of the City is a detailed operating plan that identifies estimated costs and results in relation to estimated revenues. The budget includes (1) the programs, projects, services, and activities to be provided during the fiscal year; (2) the estimated resources (inflows) available for appropriation; and (3) the estimated charges to appropriations. The budget represents a process through which policy decisions are deliberated, implemented, and controlled. The City Charter prohibits expending funds for which there is no legal appropriation.

Accounting Basis

The accounts of the SFPUC Enterprises are organized on the basis of a proprietary fund type, specifically an enterprise fund. The activities of the Enterprises are accounted for with a separate set of self-balancing accounts that comprise the Enterprises' assets, liabilities, net position, revenues, and expenses. Enterprise funds account for activities (i) that are financed with debt secured solely by a pledge of the net revenues from fees and charges of the activity; or (ii) that are required by laws or regulations that the activity's costs of providing services, including capital costs (such as depreciation or debt service), be recovered with fees and charges, rather than with taxes or similar revenues; or (iii) that the pricing policies of the activity establish fees and charges designed to recover its costs, including capital costs (such as depreciation or debt service).

The financial activities of the Enterprises and the year-end audited financial statements are accounted for using an economic resources measurement focus, with a full accrual basis of accounting. Under this method, all assets and liabilities associated with its operations are included on the statement of net position; revenues are recorded when earned, and expenses recorded when liabilities are incurred.

The SFPUC Enterprises do not apply Financial Accounting Standards Board (FASB) statements and interpretations issued after November 30, 1989. The Enterprises apply all applicable Governmental Accounting Standards Board (GASB) pronouncements, as well as statements and interpretations of the FASB, Accounting Principles Board Opinions, and Accounting Research Bulletins of the Committee on Accounting Procedures issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements.

Financial Authority and Policies

General

The City and County of San Francisco is a Charter City under the California Constitution, and as a result, the Charter is the guiding document for financial authority and policies for City departments. The SFPUC is the department of the City responsible for the maintenance, operation and development of three utility enterprises: the Water Enterprise, the Wastewater Enterprise and the Hetch Hetchy Water and Power Enterprise (which collectively represents Hetchy Power and Hetchy Water funds). Each of the

SFPUC's Enterprise funds are operated and managed as a separate financial entity and separate enterprise funds are maintained.

Below are specific sections of the Charter which pertain to the requirements and parameters of activities in which the SFPUC engages, including the development, content, and approvals of budgets, rates, debt, contracts and capital plans.

Financial Authority

PUBLIC UTILITIES COMMISSION (SF CHARTER SEC. 8B.121.)

- (a) Notwithstanding Charter section 4.112, the Public Utilities Commission shall have exclusive charge of the construction, management, supervision, maintenance, extension, expansion, operation, use and control of all water, clean water and energy supplies and utilities of the City as well as the real, personal and financial assets that are under the Commission's jurisdiction or assigned to the Commission under Section 4.132.
- (b) The Public Utilities Commission may enter into Joint Powers Agreements with other public entities in furtherance of the responsibilities of the Commission.
- (c) Except to the extent otherwise provided in this Article, the Public Utilities Commission shall be subject to the provisions of Charter sections 4.100 et seq. generally applicable to boards and commissions of the City and County.
- (d) The General Manager shall have the authority to organize and reorganize the department. The General Manager shall adopt rules and regulations governing all matters within the jurisdiction of the department subject to section 4.102 as applicable.
- (e) Ownership or control of any public utility or any part thereof under the jurisdiction of the Public Utilities Commission may not be transferred or conveyed absent approval by the Public Utilities Commission and approval by a vote of the electors of the City at the election next ensuing not less than 90 days after the adoption of such ordinance, which shall not go into effect until ratified by a majority of the voters voting thereon. Voter approval shall not be required for sales or transfers of real property declared surplus to the needs of any utility by the Public Utilities Commission or to leases or permits for the use of utility real property approved by the Public Utilities Commission.

(Added November 2002)

GOALS AND OBJECTIVES RELATED TO WATER AND CLEAN WATER [WASTEWATER] (SF CHARTER SEC. 8B.122.)

- (a) The Commission shall develop, periodically update and implement programs to achieve goals and objectives consistent with the following:
 - (1) Provide water and clean water services to San Francisco and water service to its wholesale customers while maintaining stewardship of the system by the City;
 - (2) Establish equitable rates sufficient to meet and maintain operation, maintenance and financial health of the system;
 - (3) Provide reliable water and clean water services and optimize the systems' ability to withstand disasters;
 - (4) Protect and manage lands and natural resources used by the Commission to provide utility services consistent with applicable laws in an environmentally sustainable manner. Operate hydroelectric generation facilities in a manner that causes no reasonably anticipated adverse impacts on water service and habitat;

- (5) Develop and implement priority programs to increase and to monitor water conservation and efficiency system-wide;
- (6) Utilize state-of-the-art innovative technologies where feasible and beneficial;
- (7) Develop and implement a comprehensive set of environmental justice guidelines for use in connection with its operations and projects in the City;
- (8) Create opportunities for meaningful community participation in development and implementation of the Commission's policies and programs; and
- (9) Improve drinking water quality with a goal of exceeding applicable drinking water standards if feasible.

(Added November 2002)

Financial Policies

MISSION-DRIVEN BUDGET (SF CHARTER SEC. 9.114.)

Each departmental budget shall describe each proposed activity of that department and the cost of that activity. In addition, each department shall provide the Mayor and the Board of Supervisors with the following details regarding its budget:

- (a) The overall mission and goals of the department;
- (b) The specific programs and activities conducted by the department to accomplish its mission and goals;
- (c) The customer(s) or client(s) served by the department;
- (d) The service outcome desired by the customer(s) or client(s) of the department's programs and activities;
- (e) Strategic plans that guide each program or activity;
- (f) Productivity goals that measure progress toward strategic plans;
- (g) The total cost of carrying out each program or activity; and
- (h) The extent to which the department achieved, exceeded or failed to meet its missions, goals, productivity objectives, service objectives, strategic plans and spending constraints identified in subsections (1) through (6) during the prior year.

Departmental budget estimates shall be prepared in such form as the Controller, after consulting with the Mayor, directs in writing.

PLANNING AND REPORTING (SF CHARTER SEC. 8B.123.)

- (a) Planning and Reporting

The Public Utilities Commission shall annually hold public hearings to review, update and adopt:

- (1) A long-term capital plan, covering projects during the next 10-year period; including cost estimates and schedules.
- (2) A long-range financial plan, for a 10-year period, including estimates of operation and maintenance expenses, repair and replacement costs, debt costs and rate increase requirements.
- (3) A Long-Term Strategic Plan, setting forth strategic goals and objectives and establishing performance standards as appropriate.

The long-term capital plan and long-range financial plan shall serve as a basis and supporting documentation for the Commission's capital budget, the issuance of revenue bonds, other forms of indebtedness and execution of governmental loans under this Charter.

(b) Citizens' Advisory Committee

The Board of Supervisors, in consultation with the General Manager of the Public Utilities Commission, shall establish by ordinance a Citizens' Advisory Committee to provide recommendations to the General Manager of the Public Utilities Commission, the Public Utilities Commission and the Board of Supervisors.

(Added November 2002)

PROPOSED BIENNIAL AND MULTI-YEAR BUDGETS (SF CHARTER SEC. 9.101)

(a) The Mayor shall submit to the Board of Supervisors each year a proposed biennial budget, ordinances and resolutions fixing wages and benefits for all classifications and related appropriation ordinances.

(b) The proposed biennial budget shall include:

(1) Estimated revenues and surpluses from whatever sources, to the extent feasible, for the forthcoming two fiscal years and the allocation of such revenues and surpluses to various departments, functions and programs to support expenditures. Proposed expenditures may include such necessary and prudent reserves as recommended by the Controller; and

(2) A summary of the proposed biennial budget with a narrative description of priorities, services to be provided and economic assumptions used in preparing the revenue estimates.

(c) The proposed biennial budget and appropriation ordinances shall be balanced for each fiscal year so that the proposed annual expenditures of each fund do not exceed the estimated annual revenues and surpluses of that fund. If the proposed budget contains new revenue or fees, the Mayor shall submit to the Board of Supervisors the relevant implementing ordinances at the same time the biennial budget is submitted.

(d) Until the appropriation ordinances are adopted by the Board of Supervisors, the Mayor may submit to the Board of Supervisors revisions to the proposed biennial budget, appropriation ordinances, and ordinances and resolutions fixing wages and benefits.

The Mayor may instruct the Controller to prepare the draft appropriation ordinances.

(e) The Mayor shall file a copy of the proposed biennial budget at the Main Library and shall give notice of the budget summary, including making copies available to the public. Upon final approval of the budget by both the Board and the Mayor, notice shall be given of the final budget summary.

(f) The Board of Supervisors by ordinance may require multi-year budget plans and other budget planning strategies to be performed by the several departments and offices of the City and County.

(g) No later than February 1 of any even-numbered fiscal year, the Mayor and the Board of Supervisors by resolution may determine that the upcoming budgetary cycle or cycles for some or all City departments and offices shall be a fixed budgetary cycle or cycles in which the biennial budget will remain in effect for two fiscal years. With respect to the designated City departments and offices, the Board will not adopt a new budget for the second fiscal year of such fixed budgetary cycle or cycles, except as provided in subsection (h), below. But the City shall adjust the biennial budget for the second year of any fixed budget cycle if certain conditions exist, using the following process:

- (3) If, during the first year of any fixed budgetary cycle, the Controller projects that the City will experience significant increases or decreases in revenues or expenditures during the second year of such budgetary cycle, the Controller shall submit a report to the Mayor and the Board of Supervisors identifying those increases or decreases.
- (4) The Mayor shall prepare and submit to the Board of Supervisors a proposed amendment to the biennial budget responding to the Controller's report. The Board may approve or amend the Mayor's proposed budget amendment subject to the limitations that apply to the approval of the budget in Section 9.103. The Mayor's proposed budget amendment shall be deemed approved by operation of law unless the Board finally adopts an amendment to the biennial budget on second reading no later than July 15.
- (5) The Board's resolution declaring that an upcoming budgetary cycle or cycles shall be fixed, shall include a definition of the term " significant increases or decreases in revenues or expenditures," a deadline for the Controller's submission of a report identifying such increases or decreases, and a deadline for the Mayor to submit to the Board a proposed amendment to the biennial budget in response to the Controller's report.
- (h) Nothing in this section shall limit the ability of the Mayor or a member of the Board of Supervisors to introduce at his or her discretion an amendment to a biennial budget at any time during the budgetary cycle.

(Amended by Proposition A, Approved 11/5/2009)

WATER AND CLEAN WATER [WASTEWATER] REVENUE BONDS (SF CHARTER SEC. 8B.124.)

Notwithstanding, and in addition to, the authority granted under Charter Section 9.107, the Public Utilities Commission is hereby authorized to issue revenue bonds, including notes, commercial paper or other forms of indebtedness, when authorized by ordinance approved by a two-thirds vote of the Board of Supervisors, for the purpose of reconstructing, replacing, expanding, repairing or improving water facilities or clean water facilities or combinations of water and clean water facilities under the jurisdiction of the Public Utilities Commission.

Any legislation authorizing the issuance of revenue bonds (except for refunding bonds) under this section shall be subject to the referendum requirements of Section 14.102 of this Charter. The ordinance authorizing the issuance of such revenue bonds shall not become effective until 30 days after its adoption.

Notwithstanding any other provision of this Charter or of any ordinance of the City and County, the Board of Supervisors may take any and all actions necessary to authorize, issue and repay such bonds, including, but not limited to, modifying schedules of rates and charges to provide for the payment and retirement of such bonds, subject to the following conditions:

- (a) Certification by an independent engineer retained by the Public Utilities Commission that:
 - (1) The projects to be financed by the bonds, including the prioritization, cost estimates and scheduling, meet utility standards; and
 - (2) That estimated net revenue after payment of operating and maintenance expenses will be sufficient to meet debt service coverage and other indenture or resolution requirements, including debt service on the bonds to be issued, and estimated repair and replacement costs.
- (b) Certification by the San Francisco Planning Department that facilities under the jurisdiction of the Public Utilities Commission funded with such bonds will comply with applicable requirements of the California Environmental Quality Act (CEQA).

Except as expressly provided in this Charter, all revenue bonds may be issued and sold in accordance with state law or any procedure provided for by ordinance of the Board of Supervisors.

(Added November 2002)

RATES (SF CHARTER SEC. 8B.125.)²

Notwithstanding Charter sections 2.109, 3.100 and 4.102 or any ordinance (including, without limitation, Administrative Code Appendix 39), the Public Utilities Commission shall set rates, fees and other charges in connection with providing the utility services under its jurisdiction, subject to rejection--within 30 days of submission--by resolution of the Board of Supervisors. If the Board of Supervisors fails to act within 30 days the rates shall become effective without further action.

In setting retail rates, fees and charges the Commission shall:

1. Establish rates, fees and charges at levels sufficient to improve or maintain financial condition and bond ratings at or above levels equivalent to highly rated utilities of each enterprise under its jurisdiction, meet requirements and covenants under all bond resolutions and indentures, (including, without limitation, increases necessary to pay for the retail water customers' share of the debt service on bonds and operating expenses of any state financing authority such as the Regional Water System Financing Authority), and provide sufficient resources for the continued financial health (including appropriate reserves), operation, maintenance and repair of each enterprise, consistent with good utility practice;
2. Retain an independent rate consultant to conduct rate and cost of service studies for each utility at least every five years;
3. Set retail rates, fees and charges based on the cost of service;
4. Conduct all studies mandated by applicable state and federal law to consider implementing connection fees for water and clean water facilities servicing new development;
5. Conduct studies of rate-based conservation incentives and/or lifeline rates and similar rate structures to provide assistance to low income users, and take the results of such studies into account when establishing rates, fees and charges, in accordance with applicable state and federal laws;
6. Adopt annually a rolling five-year forecast of rates, fees and other charges; and
7. Establish a Rate Fairness Board consisting of seven members: the City Administrator or his or her designee; the Controller or his or her designee; the Director of the Mayor's Office of Public Finance or his or her designee; two residential City retail customers, consisting of one appointed by the Mayor and one by the Board of Supervisors; and two City retail business customers, consisting of a large business customer appointed by the Mayor and a small business customer appointed by the Board of Supervisors.

The Rate Fairness Board may:

- i. Review the five-year rate forecast;
- ii. Hold one or more public hearings on annual rate recommendations before the Public Utilities Commission adopts rates;
- iii. Provide a report and recommendations to the Public Utilities Commission on the rate proposal; and
- iv. In connection with periodic rate studies, submit to the Public Utilities Commission rate policy recommendations for the Commission's consideration, including recommendations to reallocate costs among various retail utility customer classifications, subject to any outstanding bond requirements.

² See Appendix C for further information on the SFPUC Rates Policy.

These provisions shall be effective January 3, 2003 for the setting of retail rates, fees and charges related to the clean water system. If the voters approve bonds for the Public Utilities Commission's capital program at the November 5, 2002 election then the provisions of this section shall take effect on July 2, 2006 for the setting of retail rates, fees and charges related to the water system. If the voters do not approve such bonds then this section will take effect on January 3, 2003.

(Added November 2002)

CONTRACTING AND PURCHASING (SF CHARTER SEC. 8B.127.)

Notwithstanding Charter Section 9.118 or any ordinance, the Public Utilities Commission shall have the sole authority to enter into agreements for the purchase of water; the sale of water to wholesale customers; and agreements necessary to implement Joint Powers Agreements with any wholesale water customer.

In order to promote labor stability and to ensure the Ten-Year Capital Plan is completed expeditiously and efficiently, the Public Utilities Commission is authorized, to the extent legally appropriate, to enter into project labor agreements, with appropriate Building Construction and Trades Councils, covering significant capital projects.

Debt Management Policies³

REVENUE BONDS (SF CHARTER SEC. 9.107.)

The Board of Supervisors is hereby authorized to provide for the issuance of revenue bonds. Revenue bonds shall be issued only with the assent of a majority of the voters upon any proposition for the issuance of revenue bonds, except that no voter approval shall be required with respect to revenue bonds:

1. Approved by three-fourths of all the Board of Supervisors if the bonds are to finance buildings, fixtures or equipment which are deemed necessary by the Board of Supervisors to comply with an order of a duly constituted state or federal authority having jurisdiction over the subject matter;
2. Approved by the Board of Supervisors prior to January 1, 1977;
3. Approved by the Board of Supervisors if the bonds are to establish a fund for the purpose of financing or refinancing for acquisition, construction or rehabilitation of housing in the City and County;
4. Authorized and issued by the Port Commission for any Port-related purpose and secured solely by Port revenues, or authorized and issued for any Airport-related purpose and secured solely by Airport revenues;
5. Issued for the purposes of assisting private parties and not-for-profit entities in the financing and refinancing of the acquisition, construction, reconstruction or equipping of any improvement for industrial, manufacturing, research and development, commercial and energy uses or other facilities and activities incidental thereto, provided the bonds are not secured or payable from any monies of the City and County or its commissions.
6. Issued for the purpose of the reconstruction or replacement of existing water facilities or electric power facilities or combinations of water and electric power facilities under the jurisdiction of the Public Utilities Commission, when authorized by resolution adopted by a three-fourths affirmative vote of all members of the Board of Supervisors.
7. Approved and authorized by the Board of Supervisors and secured solely by an assessment imposed by the City.

³ See Appendix E for further information on SFPUC Debt and Derivatives Policies, and Disclosure Requirements.

8. Issued to finance or refinance the acquisition, construction, installation, equipping, improvement or rehabilitation of equipment or facilities for renewable energy and energy conservation.

Except as expressly provided in this Charter, all revenue bonds may be issued and sold in accordance with state law or any procedure provided for by ordinance.

(Amended November 2001)

REFUNDING BONDS (SF CHARTER SEC. 9.109.)

The Board of Supervisors is hereby authorized to provide for the issuance of bonds of the City and County for the purpose of refunding any general obligation or revenue bonds of the City and County then outstanding. No voter approval shall be required for the authorization, issuance and sale of refunding bonds, which are expected to result in net debt service savings to the City and County on a present value basis, calculated as provided by ordinance.

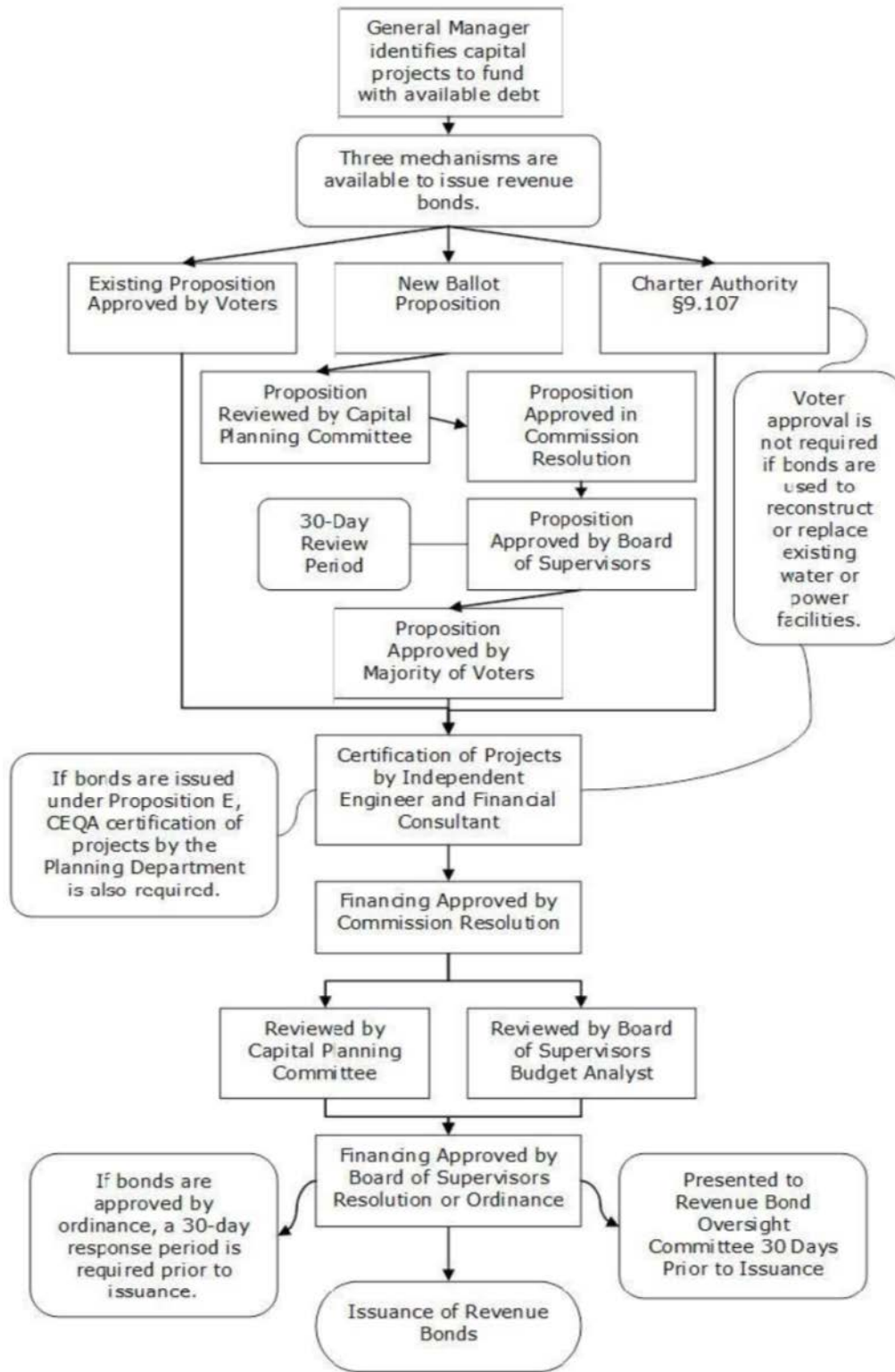
DEBT POLICY AND INDENTURE REQUIREMENTS

- (a) Current SFPUC financing documents require that net revenues plus unappropriated fund balance equal 1.25 times annual debt services. On a current basis, without fund balance, the requirement is that the revenues equal a minimum of 1.00 times annual debt service. From time to time, utility user rates may have to be increased to comply with financing document covenants.
- (b) To issue additional bonds, SFPUC financing documents require an independent certification that debt coverage of 1.25 will be maintained for three years after issuance of additional bonds.

The Commission and Board of Supervisors must approve any additional indebtedness.

Chart 2. illustrates SFPUC/City & County of San Francisco debt management approval process.

Chart 2. Debt Management Approval Process⁴



⁴ Does not include bond refundings, which are authorized pursuant to Section 9.109 of the Charter and Board Resolution No. 151-12

BUDGET SUMMARY

Funds Subject to Appropriation



The SFPUC is comprised of three utility Enterprises, the Office of the General Manager, two support Bureaus and Infrastructure. The three Enterprises are Water, Wastewater, and Power, which is a component unit of Hetch Hetchy Water and Power. The Enterprises support the management, operations, facilities maintenance, and capital needs of each utility. The Bureaus which include Business Services and External Affairs provide support and oversight services to the Enterprises. Business Services and External Affairs budgets are funded through an allocation model that recovers costs of services to the Enterprises. Infrastructure is focused on planning, design and construction of Enterprise capital facilities, so the budget is funded through capital projects appropriations.

The Water Enterprise The Water Enterprise collects, transmits, treats, and distributes pure drinking water to approximately 2.6 million people, including retail customers in the City and wholesale customers located in San Mateo, Santa Clara, and Alameda Counties. The Enterprise delivered approximately 221 million gallons per day of water in FY 2013-14. Approximately two-thirds of the water delivered by the Enterprise is to wholesale customers. Retail customers include residential, commercial, industrial, and governmental uses, and the Enterprise recovers costs of service through user fees. Wholesale customers include other cities and, water districts, one private utility and one nonprofit university. Services to these customers are provided pursuant to the 25-year Water Supply Agreement (WSA), dated on July 1, 2009, which established the basis for determining cost recovery and rates for associated wholesale water service.

The Wastewater Enterprise The Wastewater Enterprise was formally created after San Francisco voters approved a proposition in 1976 authorizing the City to issue \$240 million in bonds for the purpose of acquiring, constructing, improving, and financing improvements to the City's municipal sewage treatment and disposal system. The Enterprise collects transports, treats, and discharges sanitary and stormwater flows generated within the City for the protection of public health and the bay and ocean environment. In addition, the Enterprise provides services on a contractual basis to municipal customers located outside the City limits, including the North San Mateo County Sanitation District, Bayshore Sanitary District, and the City of Brisbane. The Enterprise recovers cost of service through user fees based on the volume and strength of sanitary flow. The Enterprise serves 147,373 residential accounts which discharge to the sewers 23.4 million Ccf (i.e., 100 cubic feet) of sanitary flow per year; and 16,164 non-residential accounts, which discharge 11.7 million Ccf of sanitary flow to the sewers per year.

Hetch Hetchy Water and Power, Including the Power Enterprise The Power Enterprise is San Francisco's clean energy backbone and the source of our municipal power. Services also include the collection and distribution of approximately 85 percent of the City's water supply and in the generation and transmission of electricity. Approximately 65 percent of the electricity generated by the Enterprise is used by the City's municipal customers (including the San Francisco International Airport, San Francisco Municipal Transportation Agency, Recreation and Parks, the Port of San Francisco, San Francisco General Hospital, City Hall streetlights, the Moscone Center, and the SFPUC Water and Wastewater Enterprises). The majority of the balance of electricity is sold to other utility districts, such as the Turlock and Modesto Irrigation Districts and the Western System Power Pool (WSPP). The Enterprise includes a system of reservoirs, hydroelectric power plants, aqueducts, pipelines, and transmission lines, carrying water over 170 miles and power more than 160 miles from the Sierra Nevada Mountains to customers in the City and portions of the surrounding San Francisco Bay Area.

There are different categories of Sources and Uses of Funds within the Enterprises, Bureaus, and Infrastructure funds. A list and descriptions of these sources and uses are located in the "Navigating the SFPUC Budget" section.

Budget Summary

Table 5 shows the FY 2013-14 to FY 2015-16 adopted budgets, FY 2012-13 audited actual and FY 2013-14 pre-audit actual, and budget variances between FY 2014-15 and FY 2013-14, and between FY 2015-16 and FY 2014-15.

This table illustrates the increase in Water Sales, Sewer Service Revenue and Electricity Sales based on the rate increase. The rate increase covers the increased debt service as well as increases other uses of funds. Debt service remains the largest use of funds across the SFPUC and represents a 6.6 percent increase from FY 2013-14 to FY 2014-15 and a 12.2 percent increase in FY 2015-16 from FY 2014-15. This is an overall increase of 19.6 percent from FY 2013-14 to FY 2015-16. This planned increase represents the investment in the WSIP starting in FY 2004 and the scheduled debt service payments for Water and Wastewater infrastructure programs.

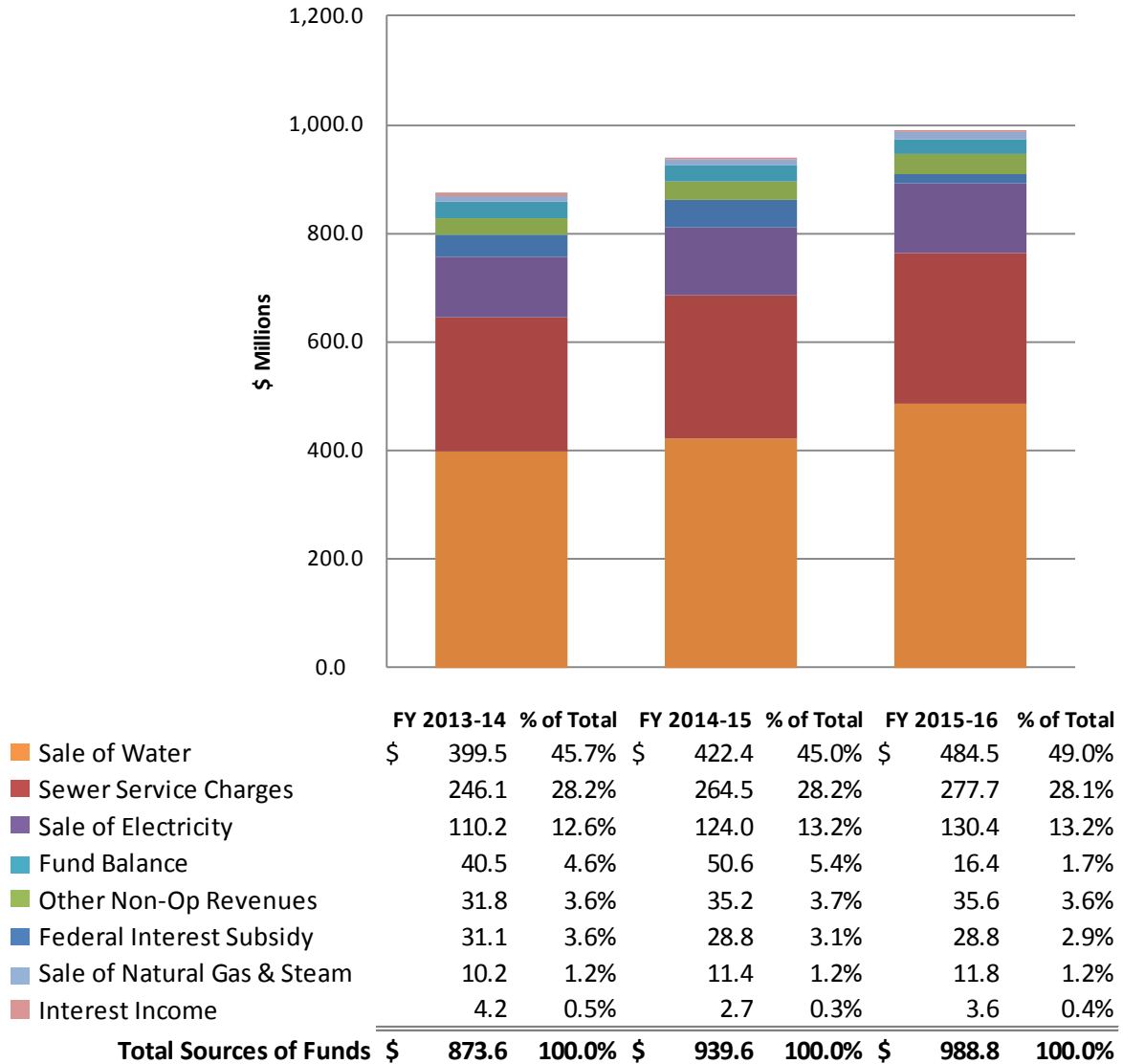
Table 5. SFPUC Sources and Uses of Funds

Expenditure Category	FY 2012-13	FY 2013-14	FY 2013-14	FY 2014-15	FY 2015-16	FY 2014-15 vs. FY 2013-14		FY 2015-16 vs. FY 2014-15	
	Audited Actual	Adopted Budget	Pre-Audit Actual	Adopted Budget	Adopted Budget	Adopted Budget Amount	Adopted Budget %	Adopted Budget Amount	Adopted Budget %
SOURCES OF FUNDS									
Sale of Water	344.4	399.5	375.6	422.4	484.5	22.9	5.7%	62.1	14.7%
Sewer Service Charges	235.5	246.1	254.5	264.5	277.7	18.4	7.5%	13.2	5.0%
Sale of Electricity	96.4	110.2	98.0	124.0	130.4	13.8	12.5%	6.4	5.1%
Sale of Natural Gas & Steam	7.6	10.2	8.9	11.4	11.8	1.2	12.2%	0.4	3.2%
Fund Balance	2.0	40.5	48.4	50.6	16.4	10.1	24.9%	(34.2)	-67.6%
Other Non-Op Revenues	31.9	31.8	31.1	35.2	35.6	3.4	10.5%	0.4	1.2%
Federal Interest Subsidy	31.2	31.1	28.0	28.8	28.8	(2.3)	-7.3%	-	0.0%
Interest Income	4.1	4.2	3.2	2.7	3.6	(1.5)	-35.4%	0.9	32.3%
Total Sources of Funds	753.1	873.6	847.7	939.6	988.8	66.0	7.6%	49.2	5.2%
USES OF FUNDS									
Personnel	172.9	183.3	176.3	190.9	193.5	7.5	4.1%	2.6	1.4%
Non-Personnel Services	82.1	96.7	98.9	97.4	119.7	0.7	0.7%	22.3	22.9%
Materials & Supplies	24.6	25.8	26.7	26.3	27.0	0.5	2.0%	0.7	2.5%
Equipment	5.1	3.3	6.3	4.0	3.5	0.7	20.8%	(0.5)	-13.2%
Debt Service	203.9	272.1	224.6	290.1	325.4	18.1	6.6%	35.3	12.2%
Services Of Other Depts	133.5	137.7	161.4	147.0	147.2	9.2	6.7%	0.2	0.2%
General Reserve	11.7	10.0	8.9	38.3	25.2	28.4	285.2%	(13.1)	-34.3%
Subtotal Expenditures	633.8	728.9	703.1	794.0	841.5	65.1	8.9%	47.5	6.0%
Capital/Revenue Reserve	82.7	102.0	102.0	91.5	95.8	(10.5)	-10.3%	4.3	4.7%
Programmatic Projects	36.6	42.7	42.7	54.1	51.4	11.4	26.8%	(2.7)	-5.0%
Total Uses of Funds	753.1	873.6	847.7	939.6	988.8	66.0	7.6%	49.2	5.2%

Sources of Funds

Chart 3 displays the FY 2013-14 to FY 2015-16 budgeted Sources of Funds by revenue category.

Chart 3. FY 2013-14 to FY 2015-16 SFPUC Sources of Funds



Summary

FY 2014-15 projected revenues from Sale of Water, Sewer Service Charges, Sale of Electricity, Federal Interest Subsidy, Fund Balance, Other Non-Operating Revenues, Federal Interest Subsidy, Sale of Natural Gas and Steam, and Interest Income are budgeted at \$939.6 million. This represents a \$66.0 million, or a 7.6 percent increase from FY 2013-14. The net increase is mainly due increases in Sale of Water, Sewer Service Charges and Sale of Electricity based on new rates and projected consumption.

FY 2015-16 projected revenues total \$988.8 million, \$49.2 million, or a 5.2 percent increase from FY 2014-15. The increase is due to rate increases which increase revenues from Sale of Water, Sewer Service Charges, Sale of Electricity, Fund Balance, and increases in Other Non-Operating Revenues, Federal Interest Subsidy, Sale of Natural Gas and Steam and Interest Income offset by a reduction in Fund Balance.

Revenues from the Sale of Water, Sewer Service Charges and Sale of Electricity is increasing as the total percentage of the Sources of Funds due to approved rate increases and the increased price for wholesale water. Otherwise, Sources of Funds is relatively flat from FY 2013-14 through FY 2015-16.

Chart 3 displays the FY 2013-14 to FY 2015-16 Sources of Funds by revenue category; and Table 5 shows the FY 2013-14 to FY 2015-16 adopted budgets, FY 2012-13 audited actual and FY 2013-14 pre-audit actual, and budget variances between FY 2014-15 and FY 2013-14, and between FY 2015-16 and FY 2014-15.

Sale of Water

FY 2014-15 Water Sales revenues are budgeted at \$422.4 million, a \$22.9 million, or 5.7 percent increase from the FY 2013-14 budget. Water Enterprise revenues from water sales are budgeted at \$419.9 million, less water costs of \$36.8 million to Hetchy Water. The increase in water sales for the Water Enterprise is based on rates adopted by the Commission in May 2014 for retail customers, including single-family and multiple-family residential and non-residential customers and projected revenues for wholesale customers. Hetch Hetchy Water's water sales revenues are budgeted at \$39.3 million, of which \$36.8 million is from the Water Enterprise and \$2.5 million from water sales to Lawrence Livermore National Laboratory and the City of Groveland based on applicable rates and projected consumption.

FY 2015-16 Sale of Water revenues are budgeted at \$484.5 million, a \$62.1 million, or 14.7 percent increase from the FY 2014-15 budget. The increase represents FY 2015-16 water rates adopted by the Commission in May 2014.

Sewer Service Charges

FY 2014-15 Sewer Service Charges are budgeted in the Wastewater Enterprise at \$264.5 million, an \$18.4 million, or 7.5 percent increase from the FY 2013-14 budget and are based on the sewer service retail rates adopted by the Commission in May 2014, including rates for single-family and multiple-family residential and non-residential customers.

FY 2015-16 Sewer Service Charges are budgeted at \$277.7 million, \$13.2 million, or 5.0 percent increase consistent with adopted rates.

Sale of Electricity

FY 2014-15 Sale of Electricity is budgeted at \$124.0 million, a \$13.8 million, or 12.5 percent increase from FY 2013-14. The increase in revenues includes \$7.8 million from City departments based on an increase in general funds rates and projected enterprise rates and usage, \$3.9 million for wholesale customers based on projected market prices for Western System Power Pool (WSPP) and updated rates for district sales, and \$2.1 million from retail customers based on projected rate and consumption increases.

FY 2015-16 Sale of Electricity is budgeted at \$130.4 million, an increase of \$6.4 million, or 5.1 percent from the FY 2014-15. The net increase reflects newly approved rates for General Fund departments and adjustments for projected consumption and rates for the Enterprise departments.

Fund Balance

FY 2014-15 Fund Balance is budgeted at \$50.6 million, a \$10.1 million, or 24.9 percent increase from FY 2013-14. Fund Balance is appropriated to support the Enterprises' operating and revenue-funded capital programs. The increase in the Use of Fund Balance is based on the projected difference between total sources and uses. The net increase in Fund Balance by the Water Enterprise is offset by a decrease in Hetch Hetchy's revenue-funded capital.

FY 2015-16 Fund Balance is budgeted at \$16.4 million, a decrease of \$34.2 million from FY 2014-15. The decrease is anticipated due to increased water sales revenue primarily due to adopted rate increases.

Other Non-Operating Revenues

FY 2014-15 Other Non-Operating Revenues are budgeted at \$35.2 million, \$3.4 million, or 10.5 percent more than the FY 2013-14 budget. The net change reflects an increase in the SFPUC Enterprises for reimbursements from Infrastructure for their share of the maintenance and financing costs for the SFPUC's Headquarters and in other miscellaneous revenues.

FY 2015-16 revenues total \$35.6 million, a \$0.4 million, or 1.2 percent, increase from FY 2014-15 to reflect reimbursements from Infrastructure, for the SFPUC Enterprises' share of the maintenance and financing costs for the SFPUC's Headquarters offset by a reduction in other miscellaneous revenues.

Federal Interest Subsidy

The FY 2013-14 Federal Interest Subsidy related to Build America Bonds (BABs) financing is budgeted at \$28.8 million, \$2.3 million, or 7.3 percent, less than in FY 2013-14. The budget includes \$24.1 million for the Water Enterprise and \$4.0 million for the Wastewater Enterprise to reflect revenue sources under the American Recovery and Reinvestment Act (ARRA). The decrease is consistent with federal sequestration and the subsidy provisions in the ARRA. Hetch Hetchy's subsidy is \$0.7 million in Federal Interest Subsidy issued to promote Clean Renewable Energy Bonds (CREBs) and Qualified Energy Conservation Bonds (QECBs).

The FY 2015-16 Federal Interest Subsidy is budgeted at \$28.8 million; the same as in FY 2014-15.

Sale of Natural Gas and Steam (Pass-through)

FY 2014-15 Sale of Natural Gas and Steam is budgeted at \$11.4 million in Hetch Hetchy Power, a \$1.2 million, or 12.2 percent increase from the FY 2013-14 budget. The budget includes \$9.7 million for natural gas and \$1.7 million for steam, and is based on Pacific Gas & Electric (PG&E) and California Department of General Services (DGS) retail rates and historical usage. Hetch Hetchy Power is responsible for billing City Departments, and the revenues generated from natural gas and steam are a pass-through and do not impact the Hetch Hetchy Water and Power fund balance availability.

FY 2015-16 Sale of Natural Gas and Steam is budgeted at \$11.8 million in Hetch Hetchy Power, a \$0.4 million, or 3.2 percent increase from the FY 2014-15 budget based on adjustments in natural gas rates, and consumption.

Interest Income

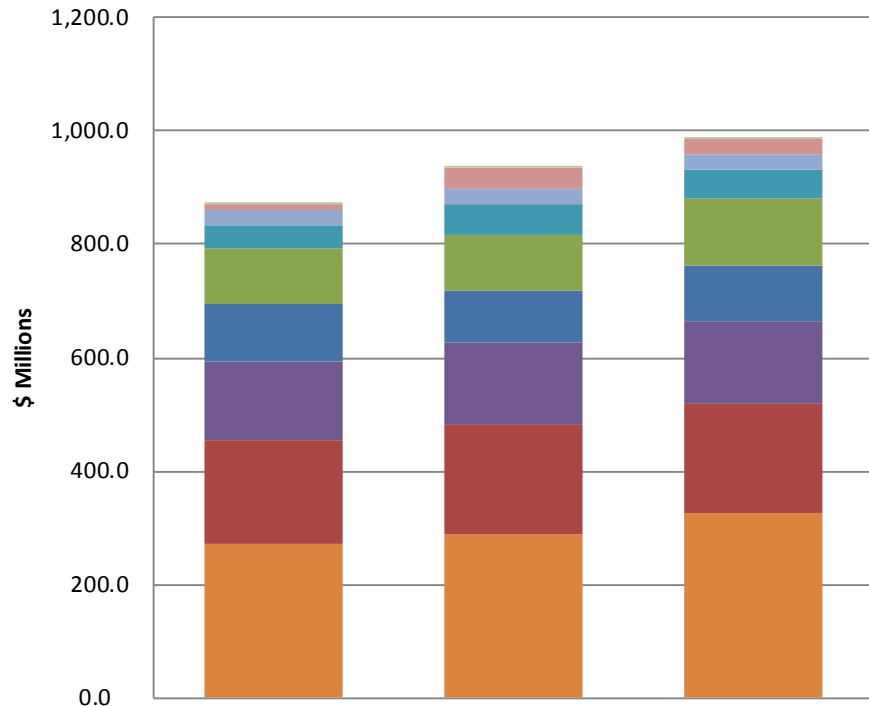
FY 2014-15 Interest Income is budgeted at \$2.7 million, a \$1.5 million, or 35.4 percent, decrease from the FY 2013-14 budget and is based on interest rates in the County Investment Pool. The budget includes \$1.2 million in the Water Enterprise, \$1.0 million in the Wastewater Enterprise, and \$0.5 million in Hetch Hetchy Water and Power. The decrease is based on projected interest rates and cash balances.

FY 2015-16 revenues from Interest Income is projected to be \$3.6 million, \$0.9 million, or 32.3 percent more than in FY 2014-15 as a result of higher projected cash balances. The budget includes \$1.7 million in the Water Enterprise, \$1.4 million in the Wastewater Enterprise, and \$0.5 million in Hetch Hetchy Water and Power. The increase is based on projected interest rates and cash balances.

Uses of Funds

Chart 4 displays the FY 2013-14 to FY 2015-16 budgeted Uses of Funds by expenditure category.

Chart 4. FY 2013-14 to FY 2015-16 SFPUC Uses of Funds



	FY 2013-14	% of Total	FY 2014-15	% of Total	FY 2015-16	% of Total
Debt Service	\$ 272.1	31.1%	\$ 290.1	30.9%	\$ 325.4	32.9%
Personnel	183.3	21.0%	190.9	20.3%	193.5	19.6%
Service Of Other Depts	137.7	15.8%	147.0	15.6%	147.2	14.9%
Capital/Revenue Reserve	102.0	11.7%	91.5	9.7%	95.8	9.7%
Non-Personnel Services	96.7	11.1%	97.4	10.4%	119.7	12.1%
Programmatic Projects	42.7	4.9%	54.1	5.8%	51.4	5.2%
Materials & Supplies	25.8	3.0%	26.3	2.8%	27.0	2.7%
General Reserve	10.0	1.1%	38.3	4.1%	25.2	2.5%
Equipment	3.3	0.4%	4.0	0.4%	3.5	0.3%
Total Uses of Funds	\$ 873.6	100.0%	\$ 939.6	100.0%	\$ 988.8	100.0%

Summary

Total Uses of Funds for FY 2014-15 are \$939.6 million, a \$66.0 million, or 7.6 percent increase from FY 2013-14. The net increase includes \$76.5 million in Personnel, Non-Personnel Services, Materials and Supplies, Equipment, Debt Service, Services of Other Departments, General Reserve, and Programmatic Projects are offset by a \$10.5 million reduction in Capital/Revenue Reserve.

Total Uses of Funds for FY 2015-16 are \$988.8 million, a \$49.2 million, or 5.2 percent increase from FY 2014-15. The net increase includes \$65.5 million in Personnel, Non-Personnel Services, Materials and Supplies, Debt Service, Services of Other Departments, and Programmatic Projects offset by a \$16.3 million reduction in General Reserve, Programmatic Projects and Equipment.

Debt service as a percentage uses of funds increases from 31.1 percent in FY 2013-14 to 32.9 percent in FY 2015-16. Three other major uses of funds, Personnel, Services of Other Departments and Capital/Revenue Reserves have decreased their share of the total uses of funds from FY 2013-14 to FY 2015-16.

Personnel

FY 2014-15 Personnel, labor and benefits, are budgeted at \$190.9 million, a \$7.5 million, or 4.1 percent, increase from the FY 2013-14 budget. The budget includes \$128.9 million for salaries and \$62.0 million for fringe benefits. The net change in salaries includes increases for position substitutions and salary adjustments as required by the various labor agreements.

The increase in mandatory fringe benefits reflects adjustments to salaries and increases in retirement and health benefit rates.

FY 2015-16 Personnel is budgeted at \$193.5 million, a \$2.6 million, or 1.4 percent, increase from the FY 2014-15 budget. The budget includes \$133.3 million for salaries and \$60.2 million for fringe benefits. The net change in salaries includes increases for position substitutions and salary adjustments as required by the various labor agreements.

Non-Personnel Services

FY 2014-15 Non-Personnel Services are budgeted at \$97.4 million, a \$0.7 million, or 0.7 percent increase from the FY 2013-14 budget. This budget funds contractual obligation to support the three Enterprises including the purchase of natural gas and steam for other City departments. The increased budget funds professional services to support planning and regulatory service, vehicle rental, biosolids/grit hauling and disposal services, a sewer service increase to support various Water Enterprise facilities offset by a decrease in purchase of power to adjust for the cost of energy prices.

FY 2015-16 Non-Personnel Services are budgeted at \$119.7 million, a \$22.3 million, or 22.9 percent increase from the FY 2014-15 budget. The increase adjusts the purchase of power budget for Hetch Hetchy based on projected energy costs, purchase of natural gas and steam based on projected rates and the vehicle rental and water and wastewater service charges for various facilities.

Materials and Supplies

FY 2014-15 Materials and Supplies are budgeted at \$26.3 million, \$0.5 million, or 2.0 percent increase from the FY 2013-14 budget. The budget funds materials and supplies to support the maintenance and operations of the Enterprises. The increase from FY 2013-14 is based on projected costs for sewage treatment supplies for odor control and streetlight maintenance supplies.

FY 2015-16 Materials and Supplies are budgeted at \$27.0 million, a \$0.7 million, or 2.5 percent increase from FY 2014-15. The increase reflects higher costs for water, wastewater treatment chemicals and laboratory supplies.

Equipment

FY 2014-15 Equipment is budgeted at \$4.0 million, a \$0.7 million or 20.8 percent increase from FY 2013-14. Equipment is defined as a unit having a value greater than \$5,000 and a useful life of three years or more, such as vehicles, machinery and heavy equipment. The increase supports the water and sewer vehicle replacement programs.

FY 2015-16 Equipment is budgeted at \$3.5 million, a \$0.5 million, or 13.2 percent reduction from the FY 2014-15 budget. The reduction adjusts the budget for projected FY 2015-16 equipment needs for the Enterprises.

Debt Service

FY 2014-15 Debt Service is budgeted at \$290.1 million, a \$18.1 million, or 6.6 percent, increase from the FY 2013-14 budget. This budget is based on principal and interest payments on revenue bonds to finance the Water Enterprise and Wastewater Enterprise capital programs including the Water System Improvement Program (WSIP), the Sewer System Improvement Program (SSIP), Hetchy's Clean Renewable Energy Bonds (CREBs) and Qualified Energy Conservation Bonds (QECBs) to fund solar photovoltaic projects and conservation aspects of the SFPUC's new headquarters at 525 Golden Gate Avenue. The decrease is based on achieved saving in debt service related to the Wastewater 2013 Series A bonds which refunded the 2003 Wastewater bonds.

FY 2015-16 Debt Service is budgeted at \$325.4 million, a \$35.3 million, or 12.2 percent increase from the FY 2014-15 budget. The increase reflects scheduled debt service payments on revenue bonds financing WISP for the Water Enterprise and Wastewater's 2013 Series B bonds to fund the capital program, previously funded from capitalized interests.

Services of Other Departments

FY 2014-15 Services of Other Departments is budgeted at \$147.0 million, a \$9.2 million, or 6.7 percent increase from the FY 2013-14 budget. This budget is based on services provided to the SFPUC by City departments. The increase mainly reflects adjustments for utility services and adjustments in services provided by the SFPUC support Bureaus to the three Enterprises, and by both the Department of Human Resources for workers' compensation, and City's Recreation and Park for gardening services and utilities.

FY 2015-16 Services of Other Departments is budgeted at \$147.2 million, a \$0.2 million, or 0.2 percent increase from the FY 2014-15 budget based on increases in administrative services provided to the three SFPUC Enterprises, power usage and worker's compensation costs.

General Reserve

The FY 2014-15 General Reserve budget is \$38.3 million, a \$28.4 million increase from the FY 2013-14 budget. The General Reserve for Hetch Hetchy and Wastewater is used to balance budgeted sources and uses, when budgeted revenues exceed budgeted expenditures. Use of General Reserve must be approved by the Mayor and Board of Supervisors.

The Water Enterprise's General Reserve represents the Wholesale Revenue Coverage Reserve per the terms of the Water Supply Agreement (WSA) with the wholesale customers. Each fiscal year, the Water Enterprise must set aside (budget) and deposit that portion of revenue equal to Wholesale Revenue Coverage into a reserve known as the "Wholesale Revenue Coverage Reserve". The estimated revenues coverage for FY 2014-15 is \$8.8 million. The increase is linked to rate increases.

The FY 2015-16 the General Reserve budget is \$25.2 million, a \$13.1 million, or 34.3 percent decrease from the FY 2014-15 budget. The change reflects a decrease in Water's wholesale revenue source offset by a net increase in Hetch Hetchy and Wastewater.

Capital/Revenue Reserve

FY 2014-15 Capital/Revenue Reserve is budgeted at \$91.5 million, a \$10.5 million, or, 10.3 percent decrease from the FY 2013-14 budget. The revenue-funded portion of the capital program is approved and funded through a supplemental appropriation, not in this budget. The net decrease reflects increases in the Water Enterprise's and Wastewater Enterprise's revenue-funded capital programs and a decrease in Hetch Hetchy's revenue-funded capital programs based on the planned bond funding in the Power Enterprise.

FY 2015-16 Capital/Revenue Reserve is budgeted at \$95.8 million, a \$4.3 million, or 4.7 percent increase from FY 2014-15. The net increase reflects increases in the Water and Wastewater Enterprises' revenue-funded capital programs offset by a decrease in Hetch

Hetchy' s revenue-funded capital programs based on the planned increase of bond funding for Power Enterprise capital programs.

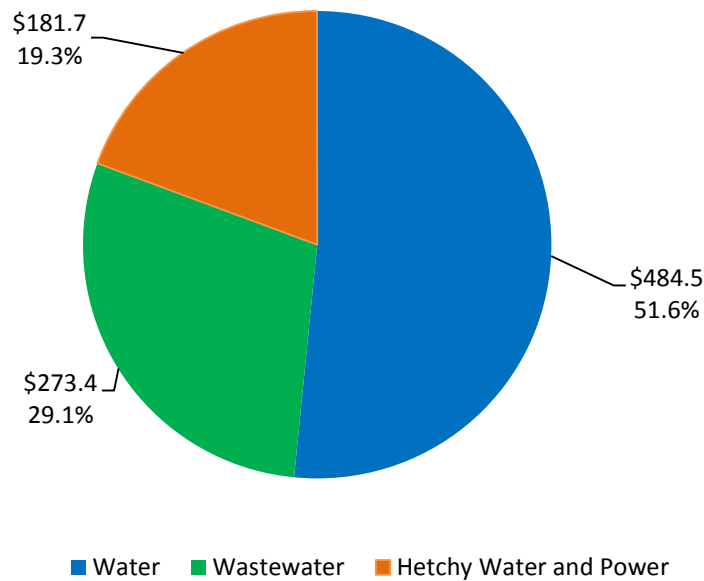
Programmatic Projects

FY 2014-15 Programmatic Projects are budgeted at \$54.1 million, a \$11.4 million, or 26.8 percent increase from the FY 2013-14 budget. This budget supports annual programs including facilities maintenance for the SFPUC Enterprises. The increase funds the annual lease payments and maintenance for the SFPUC's Headquarters, operational support to comply with requirements set by Western Electricity Coordinating Council/North American Electric Reliability (WECC/NERC), and services to support the Community Benefits Program.

FY 2015-16 Programmatic Projects are budgeted at \$51.4 million, a \$2.7 million, or 5.0 percent less than in FY 2014-15. The net reduction reflects increases for planned lease payments for 525 Golden Gate, offset by a decrease in costs supporting WECC/NERC.

Chart 5 displays the allocation of the total SFPUC adopted budget for FY 2014-15 by Enterprise.

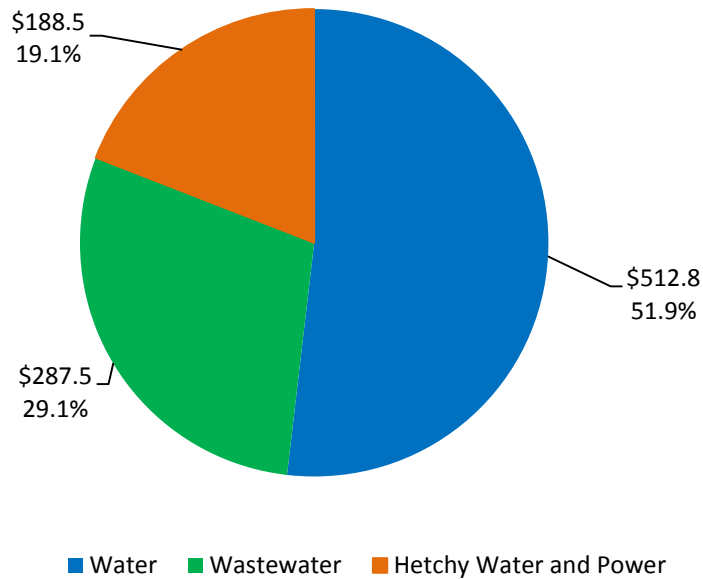
Chart 5. FY 2014-15 SFPUC Budget by Enterprise: \$939.6 Million



The FY 2014-15 SFPUC budget totals \$939.6 million, a \$66.0 million, or 7.6 percent increase from of the FY 2013-14 approved budget of \$873.6 million. The Water Enterprise budget is 51.6 percent, slightly over half of the entire SFPUC budget. The net increase from FY 2013-14 includes an increase of 11.5 percent for Water Enterprise, 7.7 percent for the Wastewater Enterprise offset by reductions of 1.8 percent for Hetch Hetchy Water and Power.

Chart 6 displays the allocation of the total SFPUC adopted budget for FY 2015-16 by Enterprise.

Chart 6. FY 2015-16 SFPUC Budget by Enterprise: \$988.8 Million



The FY 2015-16 SFPUC budget totals \$988.8 million, \$49.2 million, or 5.2 percent more than the FY 2014-15 approved budget of \$939.6 million. The Water Enterprise budget is 51.9 percent, or slightly over half of the entire SFPUC budget. The increase from FY 2014-15 includes an increase of 5.8 percent for Water Enterprise, 5.1 percent for the Wastewater Enterprise and 3.8 percent for the Hetch Hetchy Water and Power.

Table 6 provides the FY 2013-14 to FY 2015-16 adopted budgets, FY 2012-13 audited actual and FY 2013-14 pre-audit actual, and the budget variances between FY 2014-15 and FY 2013-14, and between FY 2015-16 and FY 2014-15 by Enterprise, by Division and Debt Service, Capital/Revenue Reserve, Programmatic Projects and General Reserve.

Table 6. SFPUC Uses of Funds by Enterprise and Division

Expenditure Category	FY 2012-13	FY 2013-14	FY 2013-14	FY 2014-15	FY 2015-16	FY 2014-15 vs. FY 2013-14		FY 2015-16 vs. FY 2014-15	
	Audited Actual	Adopted Budget	Pre-Audit Actual	Adopted Budget	Adopted Budget	Amount	%	Amount	%
Administration	58.4	56.3	72.6	62.5	62.3	6.2	11.0%	(0.2)	-0.3%
City Distribution	33.5	36.4	36.4	37.1	37.6	0.8	2.2%	0.5	1.3%
Water Quality	15.8	15.1	17.4	15.8	16.3	0.6	4.3%	0.5	3.4%
Water Supply & Treatment	43.7	48.3	47.1	49.0	49.7	0.6	1.3%	0.7	1.5%
Natural Resources	9.8	10.7	10.5	10.9	11.2	0.3	2.5%	0.3	2.5%
Water Resources	6.5	8.4	6.5	8.1	8.2	(0.2)	-3.0%	-	0.0%
Debt Service	155.2	209.7	170.2	235.6	259.8	25.9	12.4%	24.2	10.3%
Capital/Revenue Reserve	17.2	20.3	20.3	29.2	37.5	9.0	44.3%	8.3	28.3%
Programmatic Projects	20.4	24.0	24.0	27.4	26.7	3.4	14.3%	(0.7)	-2.7%
General Reserve	-	5.4	-	8.8	3.5	3.3	61.8%	(5.3)	-60.2%
Total Water	360.5	434.5	405.0	484.5	512.8	50.0	11.5%	28.3	5.8%
Administration, Planning, & Regulatory	45.2	43.0	53.5	46.2	46.2	3.2	7.5%	-	0.0%
Maintenance	24.7	26.9	27.0	27.2	27.5	0.3	1.2%	0.3	1.0%
Operations	37.0	35.9	36.9	38.1	39.0	2.1	5.9%	0.9	2.4%
Environmental Engineering	4.0	4.1	4.4	4.6	4.7	0.5	12.0%	0.1	1.2%
Collection Systems	29.6	31.4	30.4	32.2	32.3	0.8	2.6%	0.1	0.3%
Wastewater Labs	3.7	4.5	3.9	4.6	4.7	0.2	3.6%	0.1	1.4%
Debt Service	48.3	60.4	52.4	52.4	63.5	(8.1)	-13.3%	11.1	21.2%
Capital/Revenue Reserve	33.0	37.0	37.0	39.0	41.0	2.0	5.4%	2.0	5.1%
Programmatic Projects	5.9	6.2	6.2	7.2	7.2	1.0	15.7%	-	0.0%
General Reserve	11.7	4.5	8.9	21.9	21.4	17.4	383.6%	(0.5)	-2.2%
Total Wastewater	243.0	254.0	260.7	273.4	287.5	19.5	7.7%	14.1	5.1%
Power Administration	11.0	11.0	12.4	12.0	12.1	1.0	9.2%	0.1	1.1%
Energy Services	27.3	45.9	36.8	10.3	10.5	(35.6)	-77.5%	0.2	2.1%
Long Range Planning and Power Purchase	1.7	1.4	2.0	32.3	52.8	30.9	2190.0%	20.4	63.2%
Light, Heat and Power	14.3	16.0	15.8	18.6	19.3	2.7	16.7%	0.6	3.3%
Project Operations	52.1	51.7	55.8	55.8	56.5	4.1	8.0%	0.7	1.3%
Debt service	0.4	2.0	2.0	2.2	2.2	0.2	11.2%	-	0.0%
Capital/Revenue Reserve	10.3	44.7	44.7	23.3	17.4	(21.5)	-48.0%	(5.9)	-25.4%
Programmatic Projects	32.5	12.5	12.5	19.5	17.5	7.0	56.1%	(2.0)	-10.2%
General Reserve	-	-	-	7.6	0.3	7.6	0.0%	(7.4)	-96.6%
Total Hetch Hetchy Water and Power	149.6	185.1	182.0	181.7	188.5	(3.4)	-1.9%	6.8	3.8%
Total SFPUC	753.1	873.6	847.7	939.6	988.8	66.0	7.6%	49.2	5.2%

From the FY 2013-14 adopted budget to FY 2014-15, the Water Enterprise budget increased by \$50.0 million, or 11.5 percent including increases of \$25.9 million in Debt Service, \$9.0 million for Capital/Revenue Reserve, \$6.2 million in Administration, \$3.4 million in Programmatic Projects, \$3.3 million General Reserve and \$2.4 million in City Distribution, Water Quality, Water Supply and Treatment, and Natural Resources offset by a \$0.2 million reduction in Water Resources. The Wastewater Enterprise budget increased by \$19.5 million, or 7.7 percent including increases of \$17.4 million in General Reserve, \$3.2 million in Administration, Planning & Regulatory, \$2.1 million in Operations, \$2.0 million in Capital/Revenue Reserve, and \$2.9 million in Programmatic Projects, Collection Systems, Environmental Engineering, Maintenance, and Wastewater Labs offset by an \$8.1 million reduction in Debt Service. Hetch Hetchy Water and Power Enterprise budget decreased by \$3.4 million, or 1.9 percent including increases of \$30.9 million in Long Range Planning and Power Purchases (transfer of Purchase of Power funding from Energy Services), \$7.6 million in General Reserve, \$7.0 million in Programmatic Projects, \$4.1 million in Project Operations and \$4.1 million in Light, Heat and Power, Power Administration and Debt Service offset by a reductions of \$35.6 million in Energy Services (transfer of Purchase of Power funding to Long Range Planning) and \$21.5 million in Capital/Revenue Reserve.

From FY 2014-15 to FY 2015-16, the Water Enterprise budget increased by \$28.3 million or 5.8 percent including increases of \$24.2 million in Debt Service, \$8.3 million in Capital/Revenue Reserve and \$2.0 million in Water Supply and Treatment, City Distribution, Water Quality, and Natural Resources offset by a \$6.2 million reduction in General Reserve, Programmatic Projects and Administration. The Wastewater Enterprise budget increased by \$14.1 million, or 5.1 percent including increases of \$11.1 million in Debt Service, \$2.0 million Capital/Revenue Reserve, and \$1.5 million in Operations, Maintenance, Environmental Engineering, Collection Systems and Wastewater Labs offset by a reduction of \$0.5 million in General Reserve. Hetch Hetchy Water and Power's budget increased by \$6.8 million, or 3.8 percent including increases of \$20.4 million in Long Range Planning and Power Purchases and \$1.7 million in Project Operations, Light, Heat and Power, Energy Service and Power Administration offset by a \$15.3 million reductions in General Reserve, Capital/Revenue Reserve, and Programmatic Projects.

Tables 7 show a breakdown of budgeted Sources and Uses of Funds for FY 2014-15 by Enterprise.

Table 7. FY 2014-15 SFPUC Sources and Uses of Funds by Enterprise

\$ Millions	Hetch Hetchy Water & Power			Total
	Water	Wastewater	Power	
Sources of Funds				
Sale of Water	383.1	-	39.3	422.4
Federal Interest Subsidy	24.1	4.0	0.7	28.8
Sewer Service Charges	-	264.5		264.5
Sale of Electricity	-	-	124.0	124.0
Sale of Natural Gas & Steam	-	-	11.4	11.4
Fund Balance	50.6	-	-	50.6
Other Non-Op Revenues	25.5	3.9	5.8	35.2
Interest Income	1.2	1.0	0.5	2.7
Total Sources of Funds	484.5	273.4	181.7	939.6
Uses of Funds				
Personnel	85.8	65.7	39.4	190.9
Non-Personnel Services	16.0	15.8	65.5	97.4
Materials & Supplies	13.6	9.9	2.9	26.3
Equipment	2.1	1.0	0.9	4.0
Debt Service	235.6	52.3	2.2	290.1
Services Of Other Depts	66.0	60.6	20.3	146.9
General Reserve	8.8	21.9	7.6	38.3
Sub-total Expenditures	427.8	227.2	138.9	794.0
Capital/Revenue Reserve	29.2	39.0	23.3	91.5
Programmatic Projects	27.4	7.2	19.5	54.1
Total Uses of Funds	484.5	273.4	181.7	939.6

The major sources of funds are for the Sale of Water, Sewer Service Charges, Sale of Electricity and Sale of Natural Gas and Steam Pass-Through. Hetch Hetchy Water and Power's largest use of funds is for Non-Personnel Services. The largest use of funds is for Debt Service, reflecting the capital programs for the three Enterprises, followed by Personnel and Services of Other Departments for all Enterprises.

Tables 8 show a breakdown of budgeted Sources and Uses of Funds for FY 2015-16 by Enterprise.

Table 8. FY 2015-16 SFPUC Sources and Uses of Funds by Enterprise

\$ Millions	Hetch Hetchy			Total
	Water	Wastewater	Water & Power	
Sources of Funds				
Sale of Water	445.1	-	39.4	484.5
Federal Interest Subsidy	24.1	4.0	0.7	28.8
Sewer Service Charges	-	277.7		277.7
Sale of Electricity	-	-	130.4	130.4
Sale of Natural Gas & Steam	-	-	11.8	11.8
Fund Balance	16.4	-	-	16.4
Other Non-Op Revenues	25.5	4.4	5.7	35.6
Interest Income	1.7	1.4	0.5	3.6
Total Sources of Funds	512.8	287.5	188.5	988.8
Uses of Funds				
Personnel	87.0	66.7	39.8	193.5
Non-Personnel Services	16.4	16.0	87.2	119.7
Materials & Supplies	13.9	10.1	3.0	27.0
Equipment	2.0	0.7	0.8	3.5
Debt Service	259.8	63.5	2.2	325.4
Services Of Other Depts	66.1	60.8	20.4	147.2
General Reserve	3.5	21.4	0.3	25.2
Sub-total Expenditures	448.6	239.2	153.6	841.5
Capital/Revenue Reserve	37.5	41.0	17.4	95.8
Programmatic Projects	26.7	7.2	17.5	51.4
Total Uses of Funds	512.8	287.5	188.5	988.8

The major sources of funds are for the Sale of Water, and Sewer Service Charges and the Sale of Electricity and Sale of Natural Gas and Steam Pass-Through. The largest use of funds is for Debt Service, reflecting the Capital programs for the three Enterprises, followed by Personnel and Services of Other Departments for both of these Enterprises. Hetch Hetchy Water and Power's largest use of funds is for Non-Personnel Services.

Together the FY 2014-15 and FY 2015-16 illustrate how the schedule debt payments for the Water System Improvement Program (WSIP) program as a result to the investments made in the WSIP since 2004, have become the dominate use of the funds in the Water Enterprise. Likewise the Capital/Revenue Reserve for Water indicates an increase in the revenue-funded capital program. In Wastewater there is a slight increase in revenue funded capital program and a decrease for Water and Power. The less significant increase for the Wastewater Enterprise is debt service. The infrastructure investments represented by the SSIP will show more prominently in the Wastewater budget within four to five years. There will also be relatively large infrastructure investment in Power which will be reflected in debt service, capital and other reserves in the coming budget years.

Fund Balance

The City and County of San Francisco and the SFPUC are legally required to balance their budgets each year. The San Francisco City Charter requires that proposed budgets be balanced such that the proposed expenditures of each fund do not exceed the projected revenues and available Fund Balance of that Enterprise. When actual spending is determined at the end of fiscal year, the net of actual expenditures and revenues is applied to fund balance. The reverse is true as well, if actual expenditures are greater than revenues, the difference is funded by use of fund balance.

Table 9 displays changes to fund balance for FY 2014-15 by Enterprise.

Table 9. FY 2014-15 SFPUC Beginning and Ending Available Fund Balance

\$ Millions	FY 2014-15			
	All Funds	Water	Wastewater	Hetch Hetchy Water & Power
Beginning Available Fund Balance, July 1, 2014	373.1	228.5	111.2	33.4
Sources				
Sale of Water	422.4	383.1	-	39.3
Federal Interest Subsidy	28.8	24.1	4.0	0.7
Sewer Service Charges	264.5	-	264.5	
Sale of Electricity	124.0	-	-	124.0
Sale of Natural Gas & Steam	11.4	-	-	11.4
Fund Balance	50.6	50.6	-	-
Other Non-Op Revenues	35.2	25.5	3.9	5.8
Interest Income	2.8	1.2	1.0	0.5
Total Sources	939.6	484.5	273.4	181.7
Uses				
Operations and Maintenance	454.1	183.5	153.0	117.7
Natural Gas & Steam	11.4	-	-	11.4
Debt Service	290.1	235.6	52.3	2.2
General Reserve	38.3	8.8	21.9	7.6
Capital/Revenue Reserve	91.5	29.2	39.0	23.3
Programmatic Projects	54.1	27.4	7.2	19.5
Total Uses	939.6	484.5	273.4	181.7
Net Revenues	-	-	-	-
Use of Available Fund Balance	(50.6)	(50.6)	-	
Planned Unspent General Reserve	38.3	8.8	21.9	7.6
Ending Available Fund Balance, June 30, 2015	360.9	186.7	133.1	41.0

Table 10 displays changes to fund balance for FY 2015-16 by Enterprise.

Table 10. FY 2015-16 SFPUC Beginning and Ending Available Fund Balance

\$ Millions	FY 2015-16			
	All Funds	Water	Wastewater	Hetch Hetchy Water & Power
Beginning Available Fund Balance, July 1, 2015	360.9	186.7	133.1	41.0
Sources				
Sale of Water	484.5	445.1	-	39.4
Federal Interest Subsidy	28.8	24.1	4.0	0.7
Sewer Service Charges	277.7	-	277.7	
Sale of Electricity	130.4	-	-	130.4
Sale of Natural Gas & Steam	11.8	-	-	11.8
Fund Balance	16.4	16.4	-	-
Other Non-Op Revenues	35.6	25.5	4.4	5.7
Interest Income	3.6	1.7	1.4	0.5
Total Sources	988.8	512.8	287.5	188.5
Uses				
Operations and Maintenance	454.3	204.8	144.0	105.5
Natural Gas & Steam	11.8	-	-	11.8
Debt Service	325.4	259.8	63.5	2.2
General Reserve	25.2	3.5	21.4	0.3
Capital/Revenue Reserve	95.8	37.5	41.0	17.4
Programmatic Projects	76.2	7.2	17.5	51.4
Total Uses	988.8	512.8	287.5	188.5
Net Revenues	-	-	-	-
Use of Available Fund Balance	(16.4)	(16.4)	-	
Planned Unspent General Reserve	25.2	3.5	21.4	0.3
Ending Available Fund Balance, June 30, 2016	369.7	173.8	154.6	41.3

Authorized and Funded Full-Time Equivalents (FTEs)

The SFPUC uses a full-time equivalent (FTE) ratio to develop a budget for positions. The FTE ratio is calculated based on one person working 80 hours per (two weeks) pay period, for a full year. The FTEs are either operating or project-funded.

Table 11 provides a total organization count of FTEs by position and by type: permanent, temporary, project or infrastructure permanent position for FY 2012-13 to FY 2015-16 for the entire SFPUC.

Table 11. SFPUC Authorized and Funded Full-Time Equivalents (FTEs)

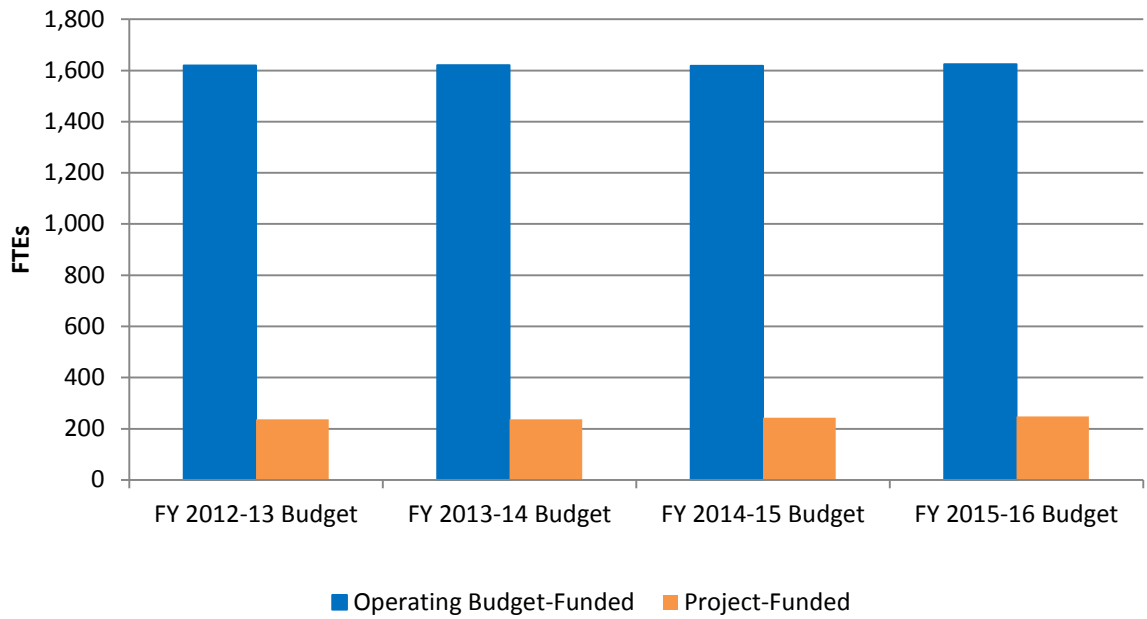
Position Type	FY 2012-13 Adopted Budget	FY 2013-14 Adopted Budget	FY 2014-15 Adopted Budget	FY 2015-16 Adopted Budget	FY 2014-15 vs. FY 2013-14	FY 2015-16 vs. FY 2014-15
Permanent Positions	1,587.68	1,589.97	1,579.06	1,582.06	(10.91)	3.00
Temporary Positions	31.89	31.07	39.19	42.24	8.12	3.05
Subtotal Operating Budget-Funded	1,619.57	1,621.04	1,618.25	1,624.30	(2.79)	6.05
Project-Funded	236.50	236.50	243.66	248.58	7.16	4.92
Subtotal	1,856.07	1,857.54	1,861.91	1,872.88	4.37	10.97
Infrastructure Permanent Positions	369.00	368.23	384.16	389.00	15.93	4.84
Total SFPUC	2,225.07	2,225.77	2,246.07	2,261.88	20.30	15.81

As noted above in Table 11, the total authorized and funded full-time equivalent (FTE) operating budget, project-funded, and temporary positions for FY 2014-15 are 1,861.91, an increase of 4.37 FTEs from FY 2013-14. The net increase includes an increase of 8.12 FTEs in temporary positions and 7.16 FTEs in project-funded positions offset by a reduction of 10.91 FTEs in permanent positions. Changes in temporary salaries reflect an increase in temporary salaries funding and in project-funded positions reflect the addition of new positions to support Water Enterprise, Hetch Hetchy Water and Power, and Wastewater Enterprise activities. The net reduction in permanent positions reflects new positions, position deletions and adjustments to attrition savings. Infrastructure permanent positions are not included in the total operating budget funded positions, because Infrastructure's personnel are all funded directly and indirectly through capital projects. The FTEs change in Infrastructure reflects new positions.

FY 2015-16 FTEs total 1,872.88, an increase of 10.97 FTEs from FY 2014-15 including increases to annualize partially-funded FY 2014-15 new positions and adjustments in attrition savings. Infrastructure's position count reflects annualization of FY 2014-15 new positions.

Chart 7 illustrates the trend of operating and project-funded FTEs from FY 2012-13 to FY 2015-16.

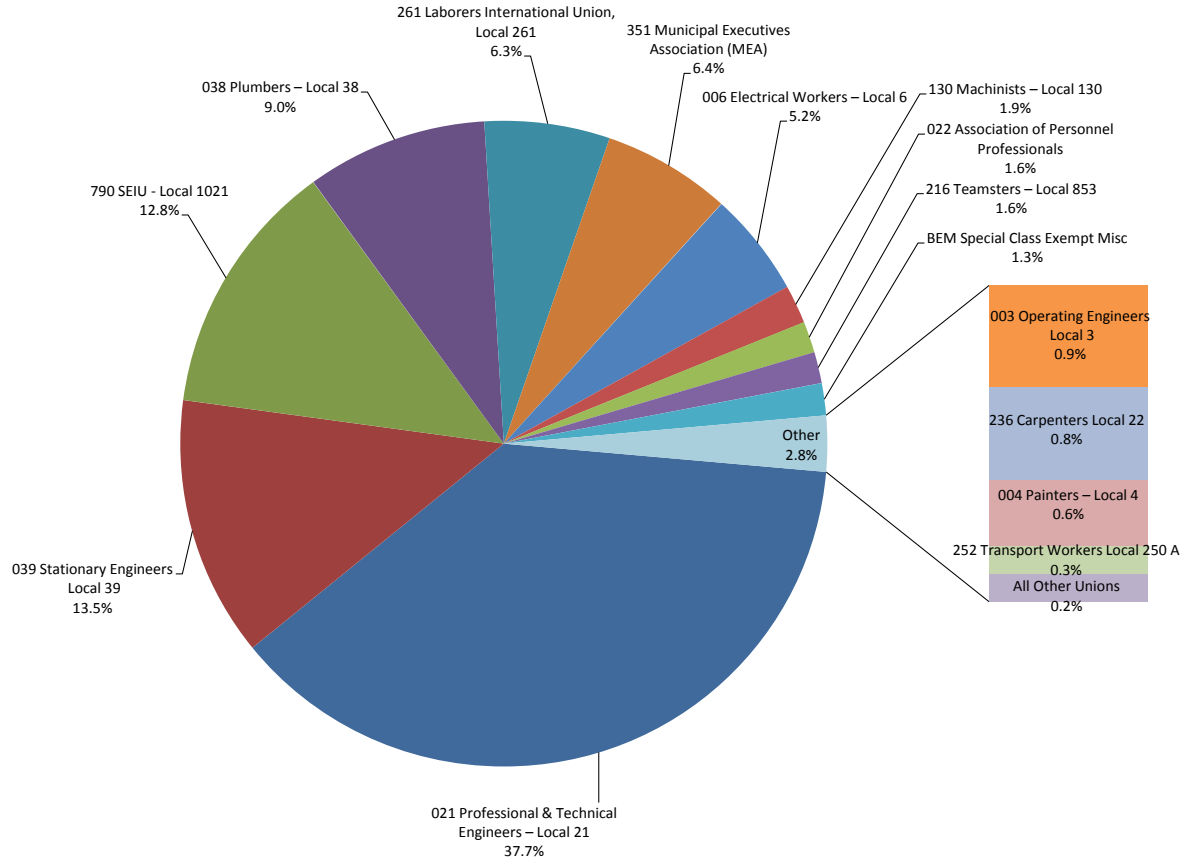
Chart 7. SFPUC Operating and Project FTEs Trend



The breakdown of FTEs by Enterprise can be found in the individual budget sections of this budget document; (Water Enterprise on page 79, Wastewater Enterprise on page 122 and Hetch Hetchy Water and Power on page 162. The breakdown of FTEs for the General Manager's Office, the Bureaus and Infrastructure are aggregated and provided on pages 194 and 219 respectively.

Chart 8 shows the percentage of total SFPUC appropriated FTEs represented by various unions for FY 2014-15.

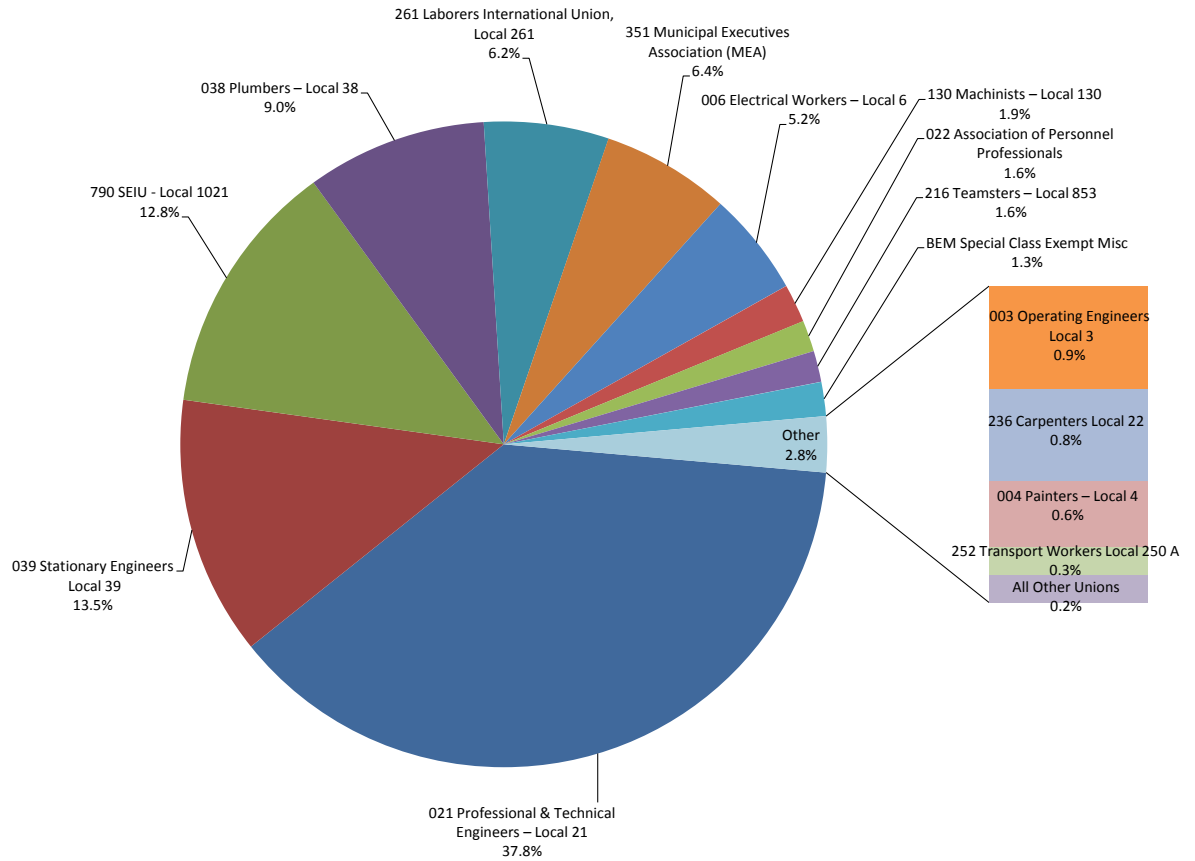
Chart 8. SFPUC FY 2014-15 Percentage of Positions by Union



In FY 2014-15 three unions represent the majority of authorized SFPUC positions: 37.7 percent represented by Local 21, Professional and Technical Engineering, 13.5 percent represented by Local 39, Stationary Engineers, and 12.8 percent represented by Local 790, Service Employees International Union (SEIU).

Chart 9 shows the percentage of total SFPUC appropriated FTEs represented by various unions for FY 2015-16.

Chart 9. SFPUC FY 2015-16 Percentage of Positions by Union



In FY 2015-16 three unions continue to represent the majority of authorized SFPUC positions 37.8 percent represented by Local 21, Professional and Technical Engineering, 13.5 percent represented by Local 39, Stationary Engineers, and 12.8 percent represented by Local 790 SEIU.

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WATER ENTERPRISE

Mission, Roles, and Responsibilities

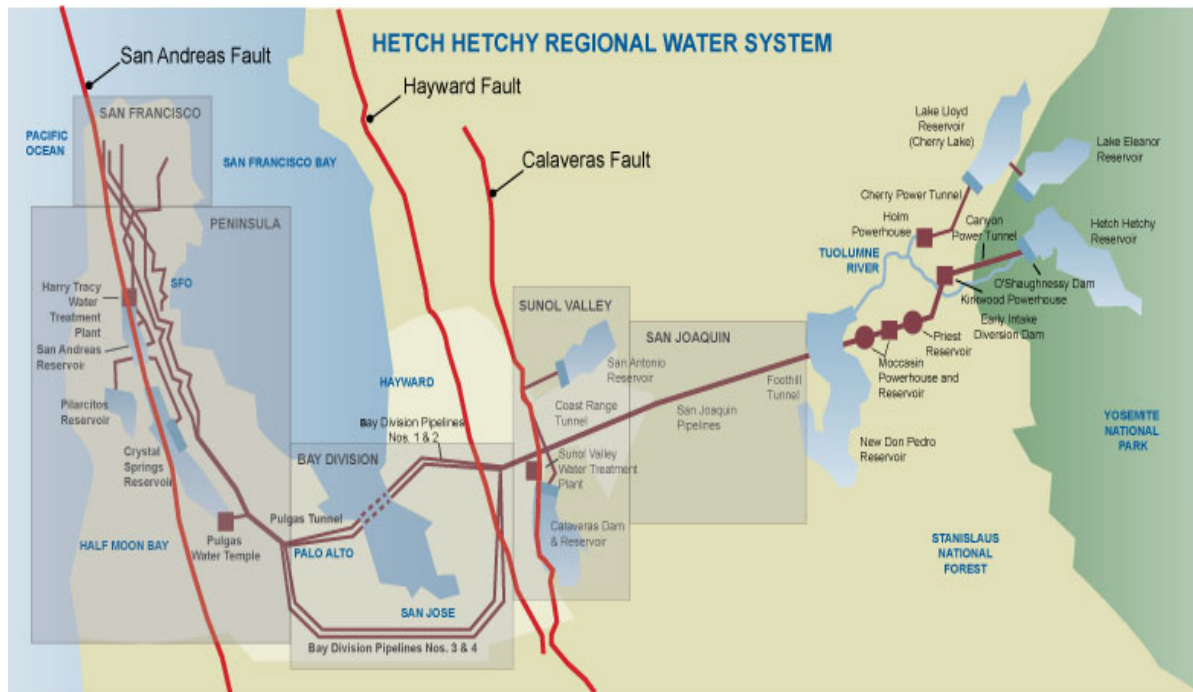
The Water Enterprise of the San Francisco Public Utilities Commission operates the Hetch Hetchy Regional Water System and is an efficient, reliable supplier of water and hydroelectric power for the San Francisco Bay Area.

With 2.6 million people in the Bay Area relying on the water supplied by the Hetch Hetchy Regional Water System, we are the third largest municipal water agency in California. Our system delivers high quality drinking water from Hetch Hetchy Reservoir, situated in Yosemite National Park, 167 miles across the state to San Francisco and 27 wholesale water agencies in San Mateo, Alameda, and Santa Clara Counties. Our system is unique because the treated water delivered from high in the Sierra Nevada is among the cleanest drinking water supplies in the nation requiring no filtration; and the physical system for delivering this water to the Bay Area is almost entirely gravity fed, requiring very little, if any, fossil fuel consumption.

The Hetch Hetchy Regional Water System draws approximately 85 percent of its water from the Upper Tuolumne River watershed. The remaining water supply is drawn from local surface waters in the Alameda Creek and Peninsula watersheds. This regional water system consists of 390 miles of pipelines, seventy four miles of tunnels, twenty five reservoirs, sixteen dams, eight water tanks, five regional pump stations and three water treatment plants.

In addition, the system generates 1.7 billion kilowatt hours of clean hydroelectric power to meet 100% of the City and County of San Francisco's annual municipal needs. While the Hetch Hetchy system operates under a "water first" policy, this hydroelectric generation provides the City a clean, green energy alternative that is greenhouse gas free.

Map of Regional Water System



Budget Summary

Table W1 shows the FY 2013-14, FY 2014-15, and FY 2015-16 adopted budgets, FY 2012-13 audited actual, FY 2013-14 pre-audit actual, and the budget variance between FY 2014-15 and FY 2013-14 and between FY 2015-16 and FY 2014-15.

Table W1 shows how the revenues from the Sale of Water have increased, due to new rate increases, from FY 2013-14 to FY 2015-16 by 21.1 percent based on adopted budgets. In Uses of Funds, the combination in the growth of debt service and Capital/Revenue Reserves increased from FY 2013-14 to FY 2015-16 by 29.3 percent based on adopted budgets. These increase in Sources and Uses of Funds reflect the scheduled payments bonds for WSIP and continued Water Enterprise investments in capital projects.

Table W1. Water Enterprise Sources and Uses of Funds

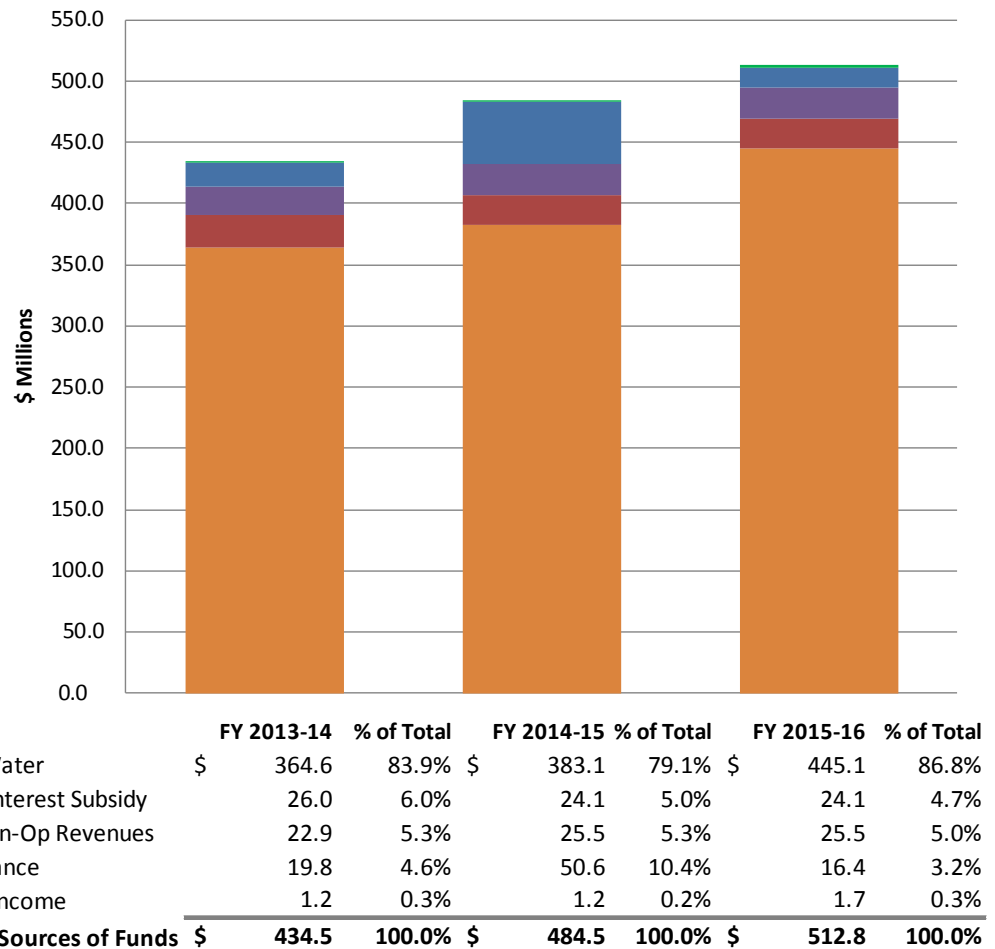
Category	FY 2012-13	FY 2013-14	FY 2013-14	FY 2014-15	FY 2015-16	FY 2014-15 vs.		FY 2015-16 vs.	
	Audited Actual	Adopted Budget	Pre-Audit Actual	Adopted Budget	Adopted Budget	FY 2013-14 Adopted Budget Amount	FY 2013-14 %	FY 2014-15 Adopted Budget Amount	FY 2014-15 %
SOURCES OF FUNDS									
Sale of Water	344.4	397.9	373.1	419.9	481.7	22.0	5.5%	61.8	14.7%
Less Water Costs to Hetchy	(37.3)	(33.3)	(33.3)	(36.8)	(36.6)	(3.5)	10.5%	0.2	-0.5%
Fund Balance	0.6	19.8	14.9	50.6	16.4	30.8	155.5%	(34.2)	-67.6%
Federal Interest Subsidy	26.0	26.0	24.1	24.1	24.1	(1.9)	-7.2%	-	-
Other Non-Op Revenues	25.0	22.9	24.5	25.5	25.5	2.6	11.3%	-	-
Interest Income	1.8	1.2	1.6	1.2	1.7	-	-	0.5	40.0%
Total Sources of Funds	360.5	434.5	405.0	484.5	512.8	50.0	11.5%	28.3	5.8%
USES OF FUNDS									
Personnel	77.9	82.6	80.0	85.8	87.0	3.1	3.8%	1.2	1.4%
Non-Personnel Services	16.1	15.5	20.8	16.0	16.4	0.5	3.0%	0.4	2.8%
Materials & Supplies	11.9	13.6	13.8	13.6	13.9	0.0	0.0%	0.3	2.3%
Equipment	2.0	2.0	3.7	2.1	2.0	0.1	6.0%	(0.1)	-5.9%
Debt Service	155.2	209.7	170.2	235.6	259.8	25.9	12.4%	24.2	10.3%
Services Of Other Depts	59.8	61.4	72.2	66.0	66.1	4.6	7.4%	0.1	0.1%
General Reserves	-	5.4	-	8.8	3.5	3.3	61.8%	(5.3)	-60.2%
Capital/Revenue Reserve	17.2	20.3	20.3	29.2	37.5	9.0	44.3%	8.3	28.3%
Programmatic	20.4	24.0	24.0	27.4	26.7	3.4	14.3%	(0.7)	-2.7%
Total Uses of Funds	360.5	434.5	405.0	484.5	512.8	50.0	11.5%	28.3	5.8%

Sources of Funds

Chart W1 shows the FY 2013-14, 2014-15 and FY 2015-16 budgeted Sources of Funds by revenue category. Table W1 shows the FY 2013-14, FY 2014-15, and FY 2015-16 adopted budgets, FY 2012-13 audited actual, FY 2013-14 pre-audit actual, and the budget variance between FY 2014-15 and FY 2013-14 and between FY 2015-16 and FY 2014-15.

Chart W1 and Table W1 illustrate total Enterprise estimated revenues are projected to be \$484.5 million for FY 2014-15 and \$512.8 million for FY 2015-16. The FY 2014-15 net increase of \$50.0 million or 11.5 percent increase from FY 2013-14 mainly reflects the water rate increases as part of the approved four-year rate and the increase on the use of fund balance.

Chart W1. FY 2013-14 to FY 2015-16 Water Enterprise Sources of Funds



Summary

Estimated revenues for FY 2014-15 from the Sale of Water, Federal Interest Subsidy, Other Non-Operating Interest, Fund Balance and Interest Income are \$484.5 million, \$50.0 million or 11.5 percent increase over FY 2013-14. The net increase reflects a \$30.8 million increase in Fund Balance, a \$18.5 million increase in net Water Sales, a \$2.6 million increase in Other Non-Operating Revenues, offset by a \$1.9 million decrease in the Federal Interest Subsidy.

Estimated revenues for FY 2015-16 from the Sale of Water, Federal Interest Subsidy, Other Non-Operating Revenues, Fund Balance and Interest Income are \$512.8 million, \$28.3 million or 0.6 percent over FY 2014-15. The net increase reflects a \$62.0 million increase in net Water Sales, a \$0.5 million increase in Interest Income offset by a \$34.2 million in Fund Balance.

Sale of Water

Water sales for FY 2014-15 are budgeted at \$419.9 million including \$383.1 million of direct sales and \$36.8 million of water transfer sales shown under Hetchy Water for net water sales of \$383.1 million. Net water sales revenue is 79.1 percent of total sources of funds. In FY 2015-16 water sales are budgeted at \$445.1 million, net of the \$36.6 million budgeted under Hetchy Water. Net water sales revenue is 86.8 percent of total sources of funds. Water sales reflect rates adopted by the SFPUC in May 2014 for retail customer classes, including single-family and multiple-family residential and non-residential customers, as well as projected wholesale customer revenues.

Federal Interest Subsidy

The FY 2014-15 budget for Federal Interest Subsidy is \$24.1 million or 5 percent of total sources. The U.S. Treasury Department is estimated to provide a direct subsidy equal to 32 percent (net of sequestration) of the interest payable for bonds issued as Build America Bonds per the American Recovery and Reinvestment Act (ARRA). A portion of the Water Enterprise outstanding bonds qualify under this subsidy program. FY 2015-16 Subsidy is budgeted at \$24.1 million, 4.7 percent of total sources.

Other Non-Operating Revenues

FY 2014-15 non-operating revenues total \$25.5 million, 5.3 percent of total sources, including \$11.0 million from property rentals; \$4.6 million for service installations; \$4.4 million recovery from Infrastructure a payment on their share of the cost for the SFPUC Headquarters building costs; \$2.8 million for late fees and liens; \$1.5 million in other miscellaneous services; and \$1.2 million from Treasure Island utilities. The \$2.6 million increase from the prior year is primarily due to the increase in water service installations. The FY 2015-16 revenues are budgeted the same at \$25.5 million which is 5.0 percent of total sources.

Fund Balance

Fund Balance totaling \$50.6 million is appropriated to support the Water Enterprise operating and revenue-funded capital for FY 2014-15; this equates to 10.4% of the sources. In FY 2015-16, fund balance decreased by \$34.2 million from \$50.6 million to \$16.4 million, 3.2% of sources, as a result of increase in water sales.

Interest Income

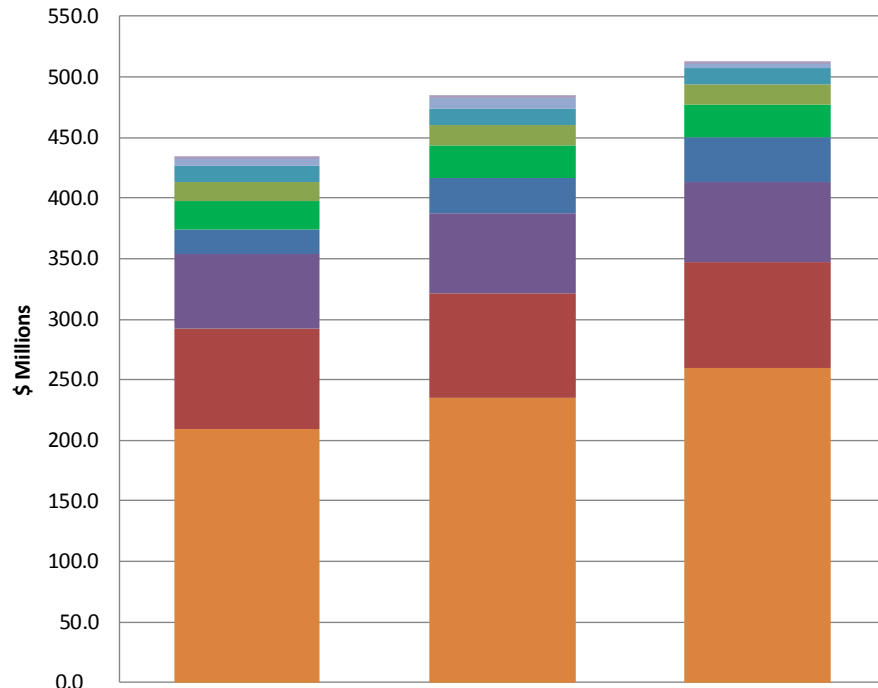
Revenue from interest income for FY 2014-15 is budgeted at \$1.2 million based on interest rates earned on deposits managed by the City Treasurer. There is no change from FY 2013-14. The FY 2015-16 budget is \$1.7 million, an increase of \$0.5 million reflecting higher estimated cash balances stemming from revenues increase and slightly higher interest rates.

Uses of Funds

Chart W2 shows the budgeted Uses of Funds by expenditure category from FY 2013-14 through FY 2015-16. Table W1 (page 59) shows the FY 2013-14, FY 2014-15, and FY 2015-16 adopted budgets, FY 2012-13 audited actual, FY 2013-14 pre-audit actual, and the budget variance between FY 2014-15 and FY 2013-14 and between FY 2015-16 and FY 2014-15.

Comparing the growth across the Use of Funds categories as a percentage of the total amount of the Uses of Funds shows that growth is generally flat from FY 2013-14 through FY 2015-16 except debt service which grows from 48.3 to 50.7 percent and capital/revenue reserves which grows from 4.7 to 7.3 percent. These increases reflect the scheduled debt service payment for the WSIP and the continued Water Enterprise capital investments, as well as increased cash funding for the capital program.

Chart W2. FY 2013-14 to FY 2015-16 Water Enterprise Uses of Funds



	FY 2013-14	% of Total	FY 2014-15	% of Total	FY 2015-16	% of Total
Debt Service	\$ 209.7	48.3%	\$ 235.6	48.6%	\$ 259.8	50.7%
Personnel	82.6	19.0%	85.8	17.7%	87.0	17.0%
Services Of Other Depts	61.4	14.1%	66.0	13.6%	66.1	12.9%
Capital/ Revenue Reserve	20.3	4.7%	29.2	6.0%	37.5	7.3%
Programmatic	24.0	5.5%	27.4	5.7%	26.7	5.2%
Non-Personnel Services	15.5	3.6%	16.0	3.3%	16.4	3.2%
Materials & Supplies	13.6	3.1%	13.6	2.8%	13.9	2.7%
General Reserves	5.4	1.2%	8.8	1.8%	3.5	0.7%
Equipment	2.0	0.5%	2.1	0.4%	2.0	0.4%
Total Uses of Funds	\$ 434.5	100.0%	\$ 484.5	100.0%	\$ 512.8	100.0%

Summary

The Enterprise estimated uses for FY 2014-15 total \$484.5 million, see Chart W2 and Table W1. This is a \$50.0 million or 11.5 percent increase from the prior year. The net increase is mainly due to the increase in debt service.

The FY 2015-16 budget totals \$512.8 million, see Chart W2 and Table W1. This is a \$28.3 million or 5.8 percent increase from the prior year mainly due to the increase in debt service and capital/revenue reserve.

Debt Service

The FY 2014-15 Debt Service is budgeted at \$235.6 million based on principal and interest scheduled payments on revenue bonds to finance the Water System Improvement Program (WSIP) and the rest of the Enterprise's capital programs. The budget increased \$25.9 million or 12.4 percent from FY 2013-14.

The FY 2015-16 Debt Service is budgeted at \$259.8 million, a \$24.2 million, or 10.3 percent increase from the prior year. The increase reflects the scheduled payments on the revenue bonds financing WSIP and other capital programs.

Personnel

The FY 2014-15 Personnel budget is \$85.8 million, comprised of \$57.7 million for salaries and \$28.1 million for fringe benefits. The net increase of \$3.2 million or 3.9 percent from the FY 2013-14 budget reflects cost of living adjustments required under various labor agreements, and increases in retirement and health benefit costs.

The FY 2015-16 Personnel budget is \$87.0 million, comprised of \$59.7 million for salaries and \$27.3 million for fringe benefits. The net increase of \$1.2 million or 1.4 percent from FY 2014-15 budget results from a \$2.0 million increase in salaries for cost of living adjustments based on labor agreements and a \$0.8 million decrease for fringe benefits, primarily in retirement benefits.

Services of Other Departments

The FY 2014-15 Services of Other Departments budget is \$66.1 million, an increase of \$4.6 million or 7.4 percent over the FY 2013-14 approved budget. The net increase reflects a \$3.4 million increase in administrative services provided by the SFPUC Bureaus, a \$0.4 million increase in worker's compensation costs, \$0.4 million increase in the gardening services provided by the City's Recreation and Park, \$0.2 million for power services to operate the facilities, \$0.1 million for telephone services, and \$0.1 million for health services.

There is a slight \$0.1 million increase in the Services of Other Departments budget from FY 2014-15 to FY 2015-16.

Capital/Revenue Reserve

The FY 2014-15 Capital/Revenue Reserve is budgeted at \$29.2 million, which funds the revenue portion of the capital program approved and funded through a supplemental appropriation as part of the annual budget process.

The FY 2015-16 Capital/Revenue Reserve is budgeted at \$37.5 million, an \$8.3 million increase from the FY 2014-15 amount of \$29.2 million. The increase reflects more revenues being available to fund the capital program.

Programmatic Projects

The FY 2014-15 Programmatic Project budget mainly increased from \$24.0 million in FY 2013-14 to \$27.4 million. This \$3.4 million increase is to fund Regional Water long-term monitoring and permit requirements associated with capital projects and their operations and to fund the Water Enterprise's share of the annual lease payments for the SFPUC's Headquarters.

The FY 2015-16 Programmatic Project budget decreased from \$27.4 million in FY 2014-15 to \$26.7 million. This \$0.7 million decrease is primarily due to lower funding levels for Water Resource Planning.

Non-Personnel Services

The FY 2014-15 Non-Personnel Services budget is \$16.0 million, a \$0.5 million or 3.2 percent increase from the FY 2013-14 approved budget. The net increase mainly reflects sewer services for the Millbrae Headquarters and a Harry Tracy Water Treatment Plant, and increase in equipment maintenance.

The FY 2015-16 Non-Personnel Services budget is \$16.4 million, a \$0.4 million or 2.5 percent increase from the FY 2014-15 approved budget. The increase is to modify and upgrade the Enterprise's maintenance systems.

Material and Supplies

The FY 2014-15 Materials and Supplies budget is \$13.6 million based on projected needs. There is no change from the FY 2013-14 budget.

The FY 2015-16 Materials and Supplies budget is \$13.9 million, a \$0.3 million or 2.2 percent increase from the FY 2014-15 approved budget. The increase reflects projected costs for laboratory supplies needed for water treatment.

General Reserves

The FY 2014-15 General Reserves represents the Wholesale Revenue Coverage Reserve per the terms of the Water Supply Agreement (WSA) with the wholesale customers. Each fiscal year, the Enterprise must set aside (budget) and deposit that portion of revenue equal to Wholesale Revenue Coverage into a reserve known as the "Wholesale Revenue Coverage Reserve". The estimated revenues coverage for FY 2014-15 is \$8.8 million.

The FY 2015-16 General Reserves budget is estimated at \$3.5 million, a \$5.3 million decrease from FY 2014-15.

Equipment

The FY 2014-15 Equipment budget is \$2.1 million, an increase of \$0.1 million or 5.0 percent from the FY 2013-14 budget. The increase is to support the Enterprise's vehicle replacement program for FY 2014-15.

There is a slight decrease in the Equipment budget from FY 2014-15 to FY 2015-16.

Authorized and Funded Full-Time Equivalents (FTEs)

Table W2 shows total full-time equivalents (FTEs) operating budget, project funded, and temporary positions for FY 2012-13 to FY 2015-16.

Table W2. Water Enterprise Authorized and Funded Full-Time Equivalents (FTEs)

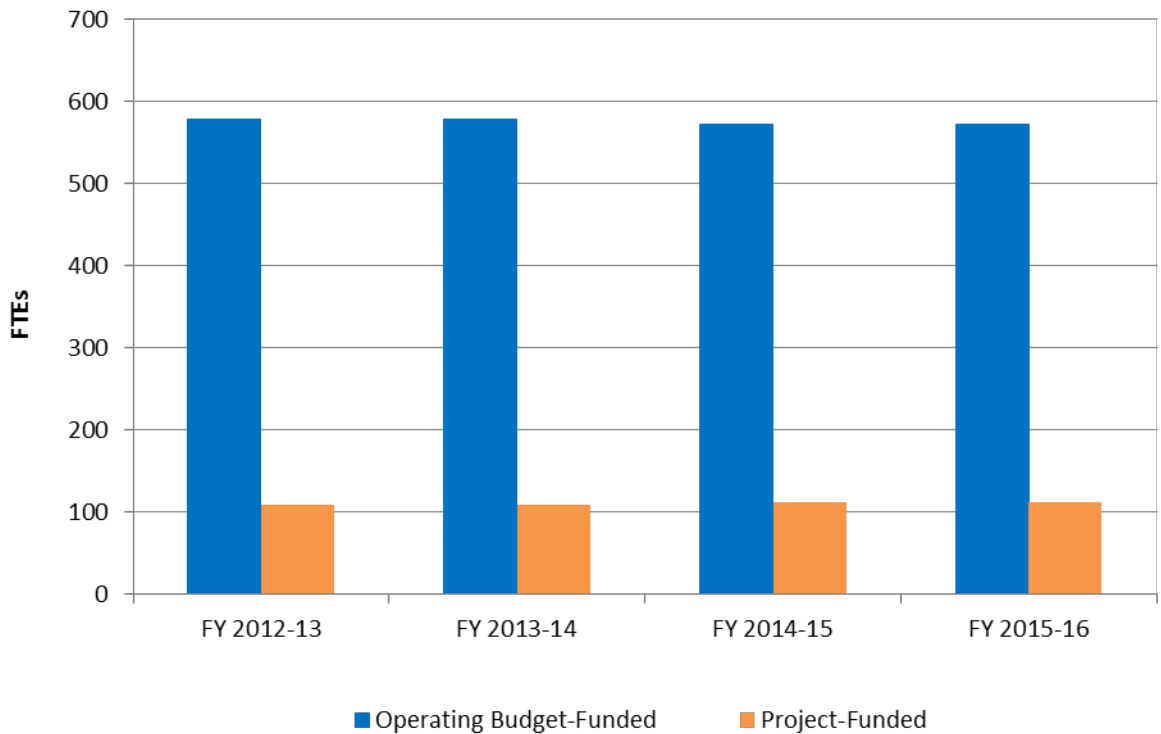
Position Type	FY 2012-13	FY 2013-14	FY 2014-15	FY 2015-16	FY 2014-15	FY 2015-16
	Adopted Budget	Adopted Budget	Adopted Budget	Adopted Budget	vs. FY 2013-14	vs. FY 2014-15
Permanent Positions	567.88	568.23	559.70	560.24	(8.53)	0.54
Temporary Positions	9.81	9.61	11.81	12.26	2.20	0.45
Funded	577.69	577.84	571.51	572.50	(6.33)	0.99
Project-Funded Positions	109.00	109.00	111.54	112.77	2.54	1.23
Total Positions	686.69	686.84	683.05	685.27	(3.79)	2.22

As noted in Table W2, the total full-time equivalents (FTEs) operating budget, project-funded, and temporary positions for FY 2014-15 is 683.05 FTEs, a decrease of 3.79 FTEs from FY 2013-14. The net change reflects the elimination of four operating positions, two new project-funded positions, one to support the Enterprise's Capital Improvement Program and one to address regulatory compliance issues, the reassignment of two positions, one from Infrastructure and one from Hetchy Power, an increase in temporary salaries, and adjustments for attrition.

The FY 2015-16 FTE count is increased by 2.22 as a result of adjustments to attrition and an increase in temporary funding. One new project-funded position was added to support the Enterprise's Capital Improvement Program.

Chart W3 shows the operating budget and project-funded positions four-year trend.

Chart W3. Water Enterprise Operating and Project FTEs Trend



Four-Year Approved Rates and Charges

Rates and Charges

San Francisco City Charter Rate Requirements

The City Charter (Sections 8B.125) establishes a number of goals and objectives for the setting of retail water rates. A summary of the major goals and objectives include:

- Provide sufficient revenues for the operation, maintenance and repair of the Enterprise consistent with good utility practice;
- Provide sufficient revenues to improve or maintain financial condition and bond ratings at or above levels equivalent to highly-rated utilities of each Enterprise;
- Meet requirements and covenants under all bond indentures;
- Set rates based on costs of service;
- Investigate and develop capacity fees for new development;
- Investigate and develop rate-based conservation incentives; and
- Investigate and develop affordability programs for low-income customers.

Rate Objectives

A number of other rate objectives have been considered in developing rates. These objectives, together with the San Francisco Charter requirements and other legal considerations, provide a basis for evaluating rate alternatives and selecting a preferred rate structure. The objectives include:

Conservation. The rate structure should encourage customers to conserve water and to use water and sewer services in an environmentally sustainable manner.

Simplicity. The rate structure should be easy to communicate to customers, and customers should be able to use their knowledge of the rate structure to reliably predict the amount of their water and sewer bill.

Stability. The rate structure should provide a reliable revenue stream such that small changes in residential use patterns should not lead to large changes in revenues. Rate adjustments should be minimized year-to-year to avoid large changes.

Fairness. The rate structure should ensure that all customer classes pay their fair share of costs. Cost of service is a basis for evaluating fairness.

Appendix C of this budget document provides more information about the SFPUC Rates Policy and the SFPUC Ratepayer Assurance Policy.

2014 SFPUC Water and Wastewater Cost of Service Study

As required by the City Charter (Sections 8B.125), SFPUC completed a cost of service study by an independent consultant during FY 2013-14. The findings and recommendations of the independent cost of service study entitled *SFPUC Water and Wastewater Cost of Service Study* were reviewed by the SFPUC Commission on May 13, 2014. In addition to the rate objectives listed above, the goal is to maintain a combined water and sewer rate that does not exceed 2.5 percent of the average household income in San Francisco. This affordability index is consistent with the Federal Environmental Protection Agency guideline for utility cost affordability. The adopted 4-year rate package included retail water and wastewater rates for FY 2014-15 through FY 2017-18 as well as water and wastewater capacity charges, connection fees, and miscellaneous charges.

Throughout the rate-setting process, SFPUC staff worked closely with the Rate Fairness Board during the development of rates to meet Charter and Commission objectives. During this rate-setting cycle, the Rate Fairness Board met ten times, between July 2013 and April 2014, to evaluate staff proposals and to assess their impacts on customers. The final rates package adopted by the SFPUC Commission in May 2014 addresses rate policy objectives established by the Commission and reflects priorities contained in the Water Enterprise FY 2014-15 and FY 2015-16 budgets, as approved by the Commission in February 2014.

SFPUC staff also participated in an extensive public outreach program, delivering over 100 presentations on the proposed rate adjustments to organizations representing a wide spectrum of community, environmental, business, labor and other interests. Outreach was also made through the SFPUC's website, which includes tools for customers to estimate rate impacts based on their current usage. In compliance with California Proposition 218 which requires proposed rates be publicized through specific mailings, the proposed rates were mailed more than 45 days prior to the April 22, 2014 hearing to approximately 215,000 ratepayers and property owners; in response, the SFPUC received some 124 formal protest letters. Through the rate adoption, the Commission affirmed that the SFPUC met all requirements of the City Charter and Proposition 218.

Monthly Service Charges

SFPUC rates include a monthly service charge applicable to all retail classes of service. The monthly service charge has two components, a fixed and a variable or volume-based charge. Certain costs such as meter reading and customer billing are equal for all customers and are included in the monthly service charge as fixed cost per account. Other costs such as meter maintenance and replacement are a function of meter size. While also fixed in type, these costs are included in the monthly service charge and are higher for larger metered accounts. Other costs are highly correlated to volume usage and are a part of the variable cost portion of the bill.

Adopted Retail Water Rates

Table W3 below reflects water rates per Ccf units (where 1 Ccf or 100 cubic feet equals 748 gallons of water) approved by the Commission on May 13, 2014, effective starting in FY 2014-15 through FY 2017-18. As recommended by the 2014 Cost of Service Study, the overall rate increase is 12 percent in FY 2014-15 and FY 2015-16, 10 percent in FY 2016-17, and 7 percent in FY 2017-18.

Table W3 shows Commission approved rates FY 2014-15 through FY 2017-18

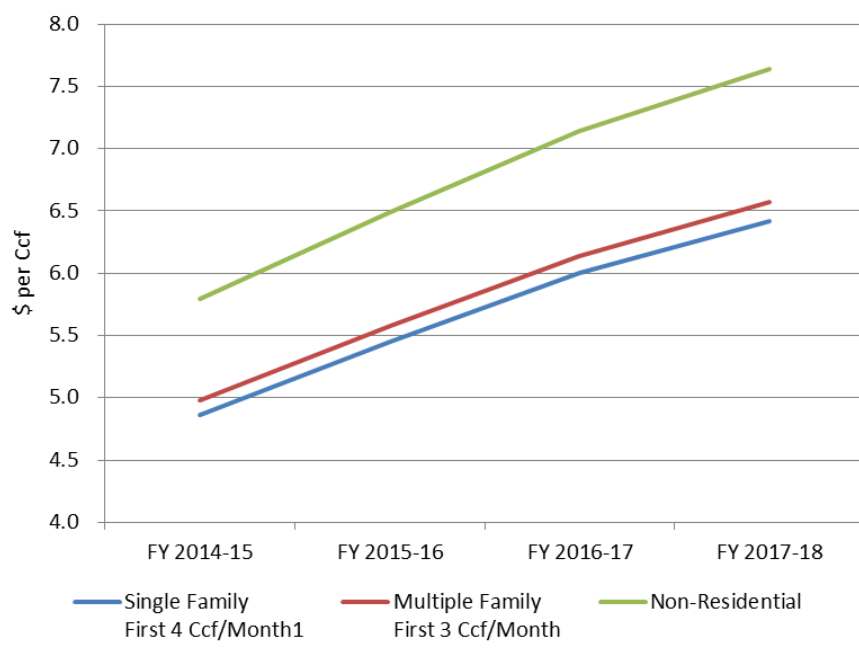
Table W3. Summary of Approved Retail Water Rates

\$	FY 2014-15	FY 2015-16	FY 2016-17	FY 2017-18
Cost Components				
Monthly Service Charge				
5/8 in	8.81	9.87	10.86	11.63
3/4 in	11.09	12.43	13.68	14.64
1 in	15.66	17.54	19.30	20.66
1-1/2 in	27.08	30.33	33.37	35.71
2 in	40.79	45.69	50.26	53.78
3 in	72.77	81.51	89.67	95.95
4 in	118.46	132.68	145.95	156.17
6 in	232.69	260.62	286.69	306.76
8 in	369.76	414.14	455.56	487.45
10 in	529.67	593.24	652.57	698.25
12 in	986.57	1,104.96	1,215.46	1,300.55
16 in	1,717.61	1,923.73	2,116.11	2,264.24
Single Family				
Single Family				
First 4 Ccf/Month ¹	4.86	5.45	6.00	6.42
All Additional	6.52	7.31	8.05	8.62
Multiple Family				
Multiple Family				
First 3 Ccf/Month	4.98	5.58	6.14	6.57
All Additional	6.67	7.48	8.23	8.81
Non-Residential	5.79	6.49	7.14	7.64
Interruptible	5.25	5.88	6.47	6.93
Docks & Shipping	7.64	8.57	9.43	10.10
Builders & Contractors	6.95	7.79	8.57	9.17

(1) Single-Family Residential Tier 1 Rate in FY 2013-14 applies to the first three Ccf/Month. Single-Family Residential Tier 1 in FY 2014-15, and thereon, applies to the first four Ccf/Month.

Chart W4 shows the summary of approved retail water rate for FY 2014-15 through FY 2017-18.

Chart W4. Summary of Approved Retail Water Rate Trends

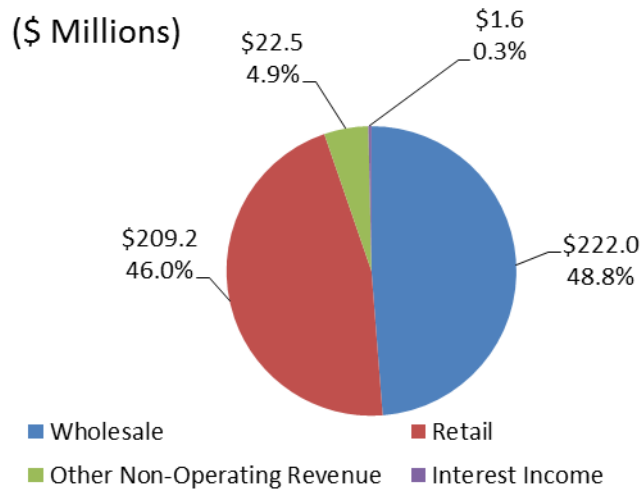


Revenue Sources

The Water Enterprise receives revenues from sales of water to retail customers in San Francisco and suburban areas and to wholesale customers under the terms of a long-term Water Supply Agreement. Interest income earned on the investment of available cash balances and other miscellaneous activities are additional sources of revenue.

Chart W5 illustrates the proportion of revenues received from each source

Chart W5. FY 2014-15 Water Enterprise Sources of Revenues: \$484.5 Million



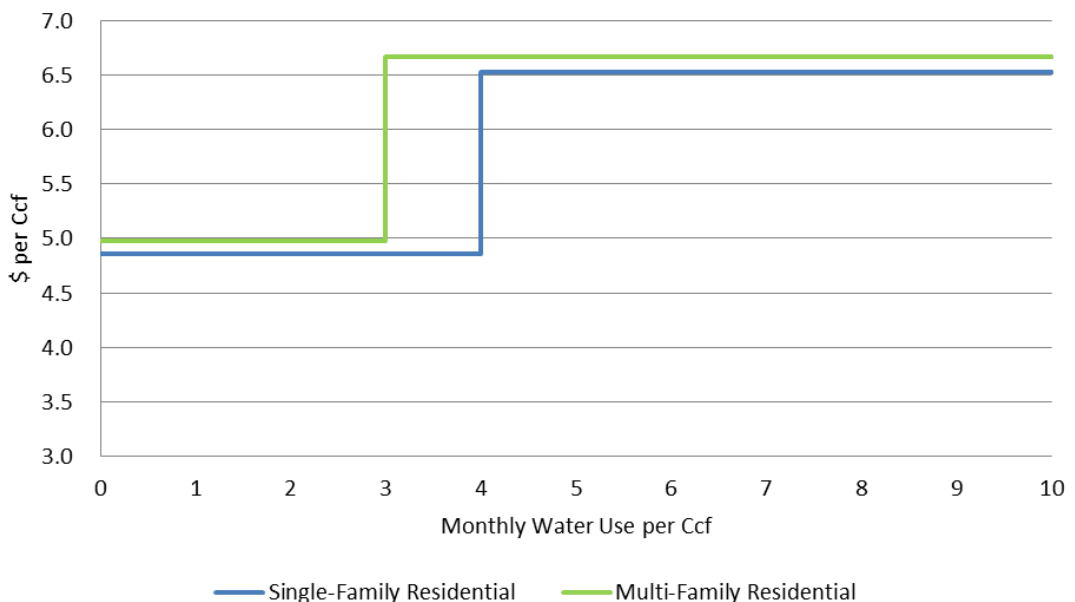
Retail Water Sales

In FY 2014-15, retail water sales are budgeted at \$209.2 million, an increase of \$19.4 million over FY 2013-14 actual. There are eight rate schedules applicable to retail water sales in San Francisco. Schedule W-1A is applicable to water sales to single-family residential customers and Schedule W-1B is applicable to multiple-family residential customers. Both rate schedules consist of a monthly service charge based on meter size and a two-step commodity charge (see Chart W6). For single-family residential customers, the first step or tier is applicable to the first 4 Ccf of use per month. The second step or tier is applicable to all additional use. For multiple-family residential customers, the first step or tier is applicable to the first 3 Ccf of use per month per dwelling unit. The second step or tier is applicable to all additional use. Schedule W-1C is applicable to commercial, industrial, and other general uses. It includes a monthly service charge based on meter size and a uniform commodity charge. Schedule W-2 is applicable to private fire protection. Schedule W-3A is applicable to public uses and the charges for this rate are identical to Schedule W-1C. Schedule W-3B is an interruptible rate applicable to public buildings, parks and other uses that can be interrupted during water shortages and other emergencies. Schedule W-4 is applicable to shipping service where water is not provided through a regular service connection. Schedule W-5 is applicable to builders and contractors who receive service from a fire hydrant or other un-metered sources. There are seven additional rates applicable to retail water sales outside San Francisco. One of these (W-24 Untreated Water) is available to customers who provide all facilities necessary to take non-potable water directly from reservoirs.

Rates within San Francisco	
W-1A	Single-Family Residential
W-1B	Multiple-Family Residential
W-1C	Commercal/Industrial
W-2	Private Fire Service
W-3A	Municipal Use
W-3B	Interruptible Use
W-4	Docks and Shipping Supply
W-5	Builders and Contractors
Rates outside San Francisco	
W-21	Single-Family Residential
W-22	Private Fire Service
W-24	Untreated Water
W-25	Wholesale Use / Contract
W-31	Multiple-Family Residential, Commercial, Industrial, and General Use
W-33	Public Use
W-34	Interruptible Use

Chart W6 shows the Two-Tier Residential Rate Structure

Chart W6. FY 2014-15 Water Enterprise Two-Tier Residential Rate Structure



The two-tiered residential rate structure is intended to encourage water conservation because the water becomes more expensive as volume use increases. This rate approach is consistent with California Urban Water Conservation Council's Best Practices Memorandum of Understanding and the California Water Conservation Act of 2009.

City Retail Rates

Most customers are billed under schedules W-1A Single-Family, W-1B Multi-Family or W-1C Commercial/Industrial. The schedules include monthly service charges based on meter size and commodity charges applicable to all water use. For FY 2014-15, the monthly service charges have a range based on meter sizes from a five-eighth inch diameter meter to a 16-inch diameter meter (See table W3). As noted in Table W3 and Chart W6, single-family residential customers pay a lower rate for the first 4 Ccf monthly and higher rate for all additional water use. As a result of the independent 2014 SFPUC Water and Wastewater Cost of Service Study, the Commission adopted a new single-family residential rate structure, changing the first tier from 3 Ccf monthly to 4 Ccf monthly. Approximately 57% of single-family residential use is billed in the first tier with the remaining use billed in the second tier.

Multi-family residential customers also pay a lower rate for the first 3 Ccf monthly (or 6 Ccf bi-monthly) and a higher rate for all additional water use. The block feature for multi-family customers calculates the usage allowance in the first tier by the number of dwelling units. For example, a multi-family account with 5 dwelling units would be billed at the first tier rate for first 15 Ccf of monthly use (3 Ccf/Dwelling Unit x 5 Dwelling Units) or 30 Ccf of bimonthly use. Approximately 65 percent of multi-family residential use is billed in the first tier and remaining use in the second tier.

Although single-family and multi-family residential customers have similar usage characteristics, the differences in the use falling in each tier requires that each class have its own rate in order to recover each class's proportionate share of costs. This is consistent with Proposition 218 passed by voters in 1996 where property-related fees and charges may not exceed the cost required to provide the property-related service. Both rates provide a conservation incentive by increasing the customer's bill with increasing water use. Both are simple to understand and provide revenue stability. Both promote affordability by charging a lower rate for the first tier of use.

Non-residential customers pay a uniform volumetric rate as specified in Table W3. Because of the different usage characteristics exhibited by non-residential customers, particularly with respect to the quantity of water used, the SFPUC does not consider a tiered rate structure to be helpful for non-residential customers in meeting Charter-mandated conservation pricing goals.

In addition to the general use rates, there are rates applicable to private fire service (Schedule W-2), to public uses (Schedules W-3A Uninterruptible and W-3B Interruptible), to docks and shipping (Schedule W-4), and to builders and contractors (Schedule W-5). In FY 2014-15, each of these schedules has monthly service charges and volumetric rates that differ from those shown on Schedule W-1C, with exception of private fire service which continues to charge Schedule W-1C for applicable volumetric use. As a result of the 2014 SFPUC Utility Rate Study, the Commission adopted separate volumetric rates for Schedules W-3A, W-3B, W-4, and W-5, rather than referencing Schedule W-1C.

Suburban Retail Rates

There are four rate schedules applicable to suburban retail water service. Schedule W-21 is a general use rate applicable to residential use. Schedule W-31 is applicable to commercial, industrial and other general uses. Schedule W-22 is applicable to private fire protection. Schedule W-23 is applicable to public uses except resale. Schedule W-24 is applicable to non-potable water service. Suburban areas covered by retail water services include Alameda, Santa Clara and San Mateo counties.

Wholesale Water Sales

The Water Enterprise also provides wholesale water service to 27 wholesale customers, which consist of 24 municipalities and water districts, one private utility, one non-profit

university and one mutual water association. Wholesale customers are located in Alameda, Santa Clara and San Mateo counties. Total budgeted wholesale revenues in FY 2014-15 are \$222.0 million, \$38.8 million above FY 2013-14 pre-audit actuals.

The SFPUC and the wholesale customers implemented a 25-year Water Supply Agreement (WSA) effective July 1, 2009. Wholesale customers pay a proportionate share of regional system operating expenses, debt service on bonds sold to finance regional improvements, and other regional system improvements funded from current revenues.

The existing wholesale rate structure consists of a monthly service charge based on meter size and type and an uniform volume charge, see Table W4. The volume charge portion of the wholesale rate represents approximately 98% of total wholesale revenues received by the Water Enterprise. Consequently, estimating water sales is a key component in the rate-setting process. Projected sales based on historical averages and demand studies have been used for calculating revenues under existing rates, allocating costs, and determining the required rate adjustment percentage. For FY 2014-15, there will be no change in the monthly service charges applicable to wholesale water sale; however, the volume charge increased 19.6% from \$2.45/Ccf to \$2.93/Ccf. The WSA requires the rate be calculated and set annually and include a "true-up" between prior-year revenues and expenses.

Table W4 shows the approved wholesale water rates

Table W4. FY 2014-15 Approved Wholesale Water Rates

Monthly Service Charge	Disc/Compound Meters	Approved Rates		
		Crest Meters	Magnetic Meters	Turbine Meters
5/8 in	\$ 11			
3/4 in	18			
1 in	30			
1-1/2 in	43			
2 in	79			
3 in	158			
4 in	318	\$ 353		\$ 577
6 in	476	685		1,256
8 in	635	1,335	\$ 2,265	1,875
10 in	793	1,732		3,391
12 in	953	1,840	5,159	
16 in	1,270	5,628		7,215
18 in		6,133		
20 in		6,349		
Ccf	2.93			

Interest Income

The Water Enterprise earns interest income from the investment of available funds. Interest income on unrestricted cash assets may be used to meet any purpose of the Enterprise, whereas earnings associated with restricted assets come with spending restrictions. Interest income earned from the investment of monies in restricted funds such as bond reserves may only be used for the purpose of that fund and are not available to meet day-to-day operating expenses. In the FY 2014-15 budget, it is anticipated that investment income earned from unrestricted funds will be \$1.2 million. This projection is based on an estimated yield on investments made by the City Treasurer and projected cash balances.

Other Income

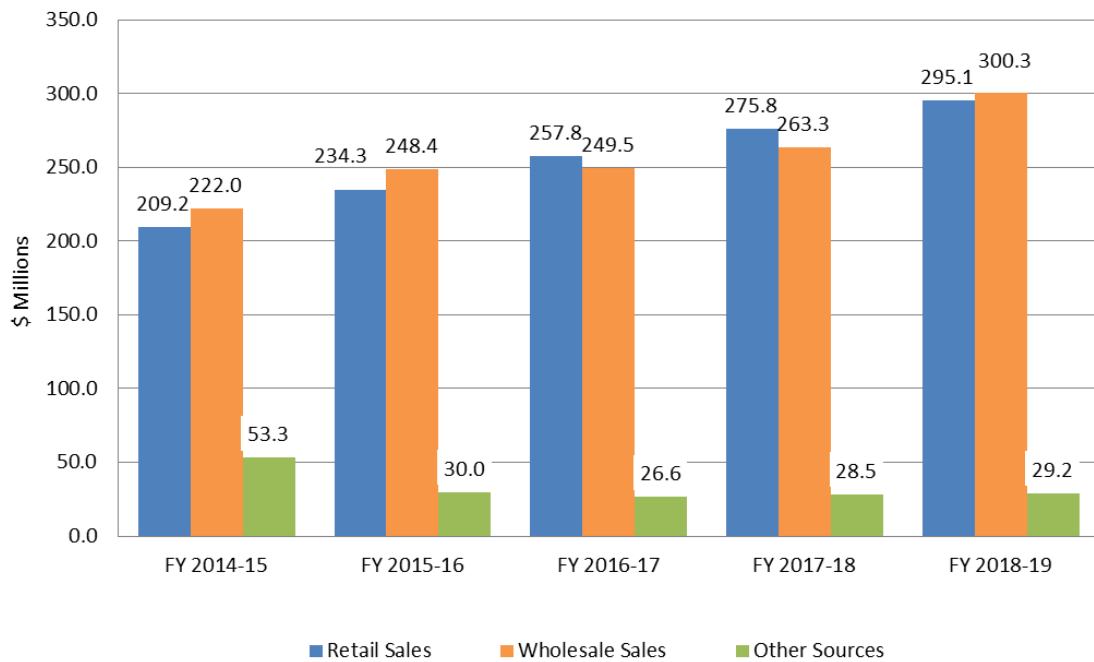
The Water Enterprise derives additional income from rents and permit fees for secondary uses of its watershed lands and pipeline right-of-way. The Water Enterprise has entered into long-term leases that allow portions of its Alameda and Peninsula watersheds to be used for golf courses and for land adjacent to our Sunol Headquarters to be mined for gravel. Typical uses of pipeline rights-of-way are parking and landscaping for adjoining properties. The income from these uses is projected to be \$22.5 million in FY 2014-15 and represents about 4.9 percent of annual revenues. The Water Enterprise receives other income from custom work, reimbursements for service installations and meter relocations done at the customer's request, miscellaneous service charges and other fees.

Total Sources

Estimates of revenues under existing rates are based on an analysis of the number of customers and the corresponding water volumes used by those customers. Chart W7 shows projected revenues with the approved rate increases through FY 2017-18. Over the five years from FY 2014-15 to FY 2018-19, income from retail sales and other income increases by \$35.2 million, while revenue from wholesale water increases by \$104.9 million. The total increase in income over the five-year period is \$140.1 million.

Chart W7 shows Water Enterprise revenues by source.

Chart W7. Water Enterprise Revenues by Source



Miscellaneous Fees and Charges

In addition to rates for water service, the Water Enterprise also imposes a variety of fees and charges related to the provision of water service (see Table W5). These fees and charges include new account fees, late payment penalties, service and meter relocation charges and so forth. The cost for each service has been reviewed and adjustments to miscellaneous fees and charges have been made in FY 2014-15 in accordance with the rate study. Table W5 provides a summary of miscellaneous service fees and charges.

Table W5 shows miscellaneous fees for FY 2014-15

Table W5. FY 2014-15 Miscellaneous Service Fees

Service Fee	Current Charge as of 07/01/2014
Late Payment Penalty	0.5% per 30 days (or fraction thereof) on the amount owed
Return Check Charge	\$96
New Account Charge	\$57
48 Hour Notice	\$50
Service Shut-off	\$50
Service Turn-on	\$50
Lock Charge	\$14
Meter Test	\$100 for first test; \$325 for each subsequent test within 24-months
Lien Fee	Set by Administrative Code
Builders Contractors Connection Fee	\$113
Docks & Shipping Connection Fee	\$231
Meter Deposit	\$800: 1" meter \$2,700: 3" meter
No-Reporting Penalty Fee	Charge for 25 Ccf water per month at the current W-5 rate
Manual Meter-Reading Fee	\$5.00 per month

The Water Enterprise charges for service and meter relocations and for changes in meter size made at the customer's request. The customer is billed for a service and meter relocation or a meter change at the greater of actual cost or the average of costs incurred by the Water Enterprise performing similar service requests in the first nine months of the previous fiscal year. The costs included are labor, materials, paving and other costs.

Customers who violate water use restrictions may, after one written warning and in accordance with applicable laws, have their service limited by the installation of a flow restrictor on their service line. If a flow restrictor is installed, the customer will be billed for its installation as well as its removal, when warranted. The Water Enterprise currently charges \$245 for installation or removal of a flow restriction on a 5/8 and 1-inch service lines and \$344 on a 1 1/2 to 2-inch service line. The charge for service lines three inches and larger is based on actual cost.

Capacity Charges

The SFPUC imposes a capacity charge on any retail customer requesting a new connection to the water distribution system, or requiring additional capacity as a result of any addition, improvement, modification or change in use of an existing connection to the water distribution system. The capacity charge, as of July 1, 2014, is \$1,239 per equivalent 5/8 inch meter. The capacity charge is adjusted on July 1 of each year by the annual change in the 20 City Average Construction Cost Index published by ENR Magazine. Capacity charge revenues are dependent upon economic growth and development and are used to support renewal and replacement capital projects as funds are available, consequently capacity charges are not a source of funds in the Water Enterprise operating budget.

Expenditures

The Water Enterprise's annual operating budget includes operation and maintenance costs, debt service on revenue bonds used to finance capital improvements, and repair and replacement costs funded from current revenues.

Operation and Maintenance Expenses

Operation and maintenance expenses include personnel costs, material and supplies, power and energy, and services of the other City Departments including SFPUC Bureaus. The cost of operating the water system in FY 2014-15 is projected at \$219.7 million. The operation and maintenance expense forecast assumes that WSIP projects start-up and integration into the water system will not materially increase costs. The forecast assumes there will be no changes in regulations or operating procedures that could impact operating expenses.

Debt Service & Lease Payments

Debt service includes principal and interest payments on revenue bonds used to finance system improvements, as well as lease financing costs, if and when applicable for projects such as the 525 Golden Gate Headquarters. The Water Enterprise had twenty-two outstanding bond issues for a total of \$4,295,536 as of June 30, 2014, as listed in Table W6.

Table W6 shows outstanding bond issuances as of June 30, 2014

Table W6. Outstanding Water Enterprise Revenue Bonds & Lease Financing

\$ Thousands		Outstanding
Series	Original Par	Par: 06-30-14
1991 A	70,145	7,100
2006 A	507,815	435,665
2006 B Refunding	110,065	86,865
2006 C Refunding	48,730	30,610
2009 A	412,000	369,680
2009 B	412,000	373,535
2010 AB	474,665	460,530
2010 C	14,040	7,640
2010 D New Money	71,360	60,735
2010 D Refunding	31,365	31,365
2010 E New Money	344,200	344,200
2010 F	180,960	177,665
2010 G	351,470	351,470
2011A	602,715	602,715
2011B	28,975	28,525
2011C	33,595	30,140
2011D Refunding	55,465	55,465
2012A	591,610	591,610
2012B	16,520	16,520
2012C Refunding	93,750	93,750
2012D Refunding	24,040	24,040
525 Golden Gate COPs*	119,716	115,711
Total Outstanding		4,295,536

* Amount shown represents Water Enterprise portion of debt.

In November 2002, San Francisco voters authorized the SFPUC to issue up to \$1.628 billion of water revenue bonds to fund the Water System Improvement Program (WSIP) under Proposition A. At the same time, voters granted the SFPUC the authority to finance capital improvements through revenue bonds or other financing methods consistent with

the powers of other major public utilities in California under Proposition E. Four series of water revenue bonds have been issued to date against the Proposition A authorization: \$507.8 million 2006 Series A; \$412.0 million 2009 Series A; \$412.0 million 2009 Series B; and \$16.5 million 2012 Series B. As of June 30, 2014, the Board of Supervisors authorized a combined issuance of up to \$3.26 billion in water revenue bonds under Proposition E. Bonds issued against this authorization include: \$474.7 million Series 2010 AB; \$446.9 million Series 2010 DE; \$532.4 million 2010 Series FG; \$665.3 million 2011 Series ABC; \$701.88 million Series 2012 ABC and \$24.04 million Series 2012 D.

Future debt service cost projections assume the issuance of new debt to fund WSIP projects through project construction and completion. Table W7 sets forth the previously issued debt for the WSIP and a projected debt financing schedule for the WSIP for FY 2014-15 through FY 2019-20, based on the WSIP June 2014 Approved Budget. The Water Enterprise issued \$3.9 billion from FY 2002-03 to FY 2011-12 and expects to issue \$300 million in FY 2014-15. In addition, during FY 2009-10 and FY 2010-11, \$56.95 million in water revenue bonds were issued for the Advanced Metering Infrastructure (AMI) project and \$45.41 million were issued to refund a portion of the Series 2001A and 2002A Bonds. Of the \$1.4 billion issued in FY 2011-12, \$1.2 billion was issued for the WSIP, \$29.0 million for Hetch Hetchy water projects, \$33.6 million for local water main projects, \$149 million for refunding and \$16.5 million to reimburse the SFPUC for litigation costs. The repayment of principal and interest on these future debt issues has been incorporated into the Commission's approved rates through FY 2017-18 as well as projected rates through FY 2023-24.

Table W7 lists bond issuances to support WSIP

Table W7. Historical and Projected Bond Issuance Schedule for WSIP

\$ Thousands	Total Bond
Fiscal Year	Issuance
2002-03 - 2008-09	507,815
2009-10	1,241,720
2010-11	947,990
2011-12	1,202,715
2014-15*	300,000
2015-16*	300,000
2019-20*	265,381
Total	4,765,621

* The timing and amount of future debt issuances are estimates.

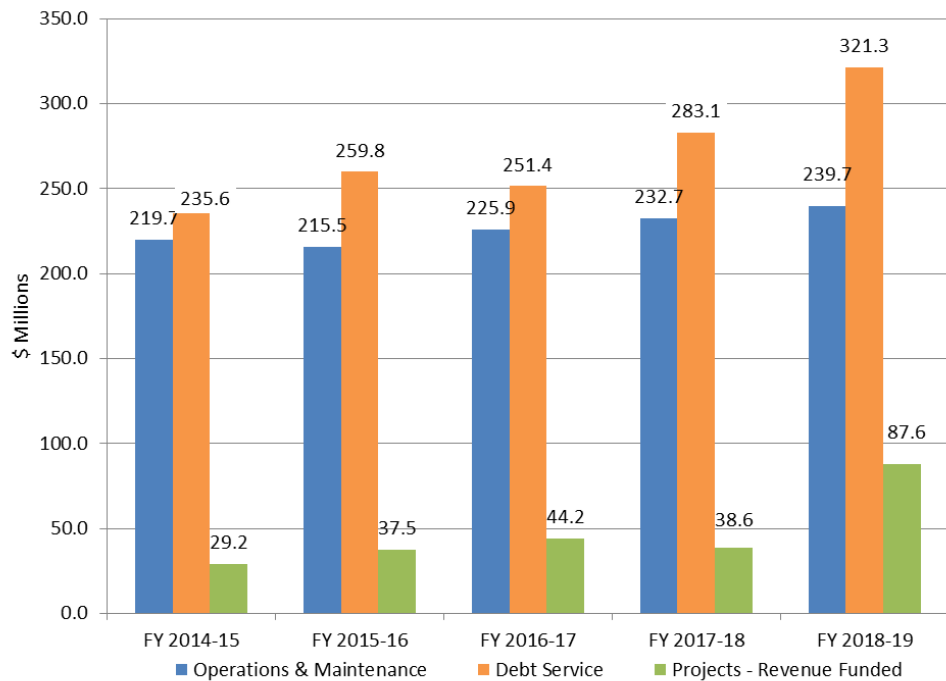
Revenue-Funded Capital

Revenue-funded capital expenditures may include minor construction projects, major maintenance and rehabilitation projects, planning studies, and preliminary engineering analysis for major capital improvements. The projected funding averages \$68.4 million per year over the next ten years; see Table W12. This represents a decrease from FY 2014-15, when the Water Enterprise budgeted \$1 million a year for revenue-funded capital projects. Approximately \$60 million per year of this funding came from early repayments from the Bay Area Water Supply & Conservation Agency; without this significant revenue source from FY 2015-16 onwards, revenue-funded capital expenditures will return to their previous levels.

Summary of Projected Expenses

Chart W8 shows projected Enterprise expenses for FY 2014-15 through FY 2018-19

Chart W8. Water Enterprise Projected Expenses



Debt Service and Operations and Maintenance Cost are the major expenses with Debt Service overtaking Operations and Maintenance (O&M) expenses by 2016. Operation and maintenance expense is projected to remain flat through FY 2015-16 with subsequent years' forecast to increase at an annual rate of three percent, i.e. estimated inflation. Debt Service is financing the multi-billion dollar WSIP in order to ensure service reliability, provide essential seismic upgrades, and repair and replace infrastructure which is beyond its useful life. These investments are essential for the reliable delivery of clean drinking water and the protection of public health. Due to the nature of water operations, which rely on personnel, chemicals and electricity, these multi-billion dollar investments are not expected to reduce the annual operating budgets. In the next few years, at some facilities there may be a short-term increased operations cost as a result of integrating new or upgraded facilities into existing ones, while not interrupting service. As the SFPUC brings new capital assets on-line, the impact on future operating budgets will be further refined.

Revenue Requirement

The annual expenditures for operation and maintenance, debt service and revenue-funded capital make up the Water Enterprise's revenue requirement. However, to determine the revenue requirement for rate purposes, the income derived from interest, rents and other miscellaneous sources are deducted from the total revenue requirement. Operating surpluses from prior years can be included in the calculation of net revenue requirement. The net revenue requirement represents the amount to be recovered through water sales revenues.

To develop the projected retail cost responsibility, the projected suburban revenue requirement and other operating and non-operating revenues are deducted from total expenditures. The wholesale revenue requirement represents the wholesale water customers' proportionate share of operation and maintenance expense, debt service, and annual appropriations for revenue-funded capital improvements. The wholesale revenue requirement has been calculated based on projected expenditures and in accordance with the adopted Water Supply Agreement. Finally, the application of available fund balance, if

any, is deducted from the retail revenue requirement. The available fund balance, if adequate, can be used to offset any funding shortfall assigned to retail customers in lieu of raising rates.

Water Enterprise Capital Improvement Program (CIP)

The Water Enterprise of the San Francisco Public Utilities Commission is responsible for the distribution of high quality water to San Francisco and Bay Area Customers. The Enterprise operates and maintains the following facilities:

Table W8 lists types of facilities maintained by the Water Enterprise

Table W8. List of Facilities Maintained by the Water Enterprise

	Regional Water System	In-City Distribution System
Pipelines	280 miles	1,250 miles
Tunnels	60 miles	None
Pump Stations	5	12
Reservoir and/or Water Tanks	11 reservoirs	12 reservoirs/9 water tanks
Treatment Plants	3	None

The Water Distribution System consists of three Regional Water Systems: the Hetch Hetchy System; the Regional Water System (East Bay), Regional Water System (Peninsula/West Bay) and the Local Water distribution which includes an In-City Distribution System.

- **Hetch Hetchy System:** In the Hetch Hetchy System, water is diverted from Hetch Hetchy Reservoir into a series of tunnels and aqueducts from the Sierra Nevada to the San Joaquin Pipelines that cross the San Joaquin Valley to the Coast Range Tunnel which connects to the Alameda system at the Alameda East Portal.
- **Regional Water System (East Bay):** The Regional Water System (East Bay) includes two reservoirs, San Antonio Reservoir and Calaveras Reservoir, which collect water from the upper Alameda and San Antonio Creek watersheds in Alameda County plus conveyance facilities connecting the Hetch Hetchy System and Alameda water sources to the Peninsula System. These conveyance facilities include pipelines known as the Alameda Siphons that connect the Coast Range Tunnel to the Irvington Tunnel.
- **Regional Water System (Peninsula/West Bay):** The Regional Water System (Peninsula/West Bay) includes conveyance facilities connecting the Bay Division Pipelines to the In-City Distribution System and to other SFPUC customers on the Peninsula. Three reservoirs, Crystal Springs, San Andreas, and Pilarcitos collect runoff from the San Mateo Creek and Pilarcitos watersheds. Water from these reservoirs serves all wholesale customers, including the Coastside County Water District.
- **In-City Distribution System:** The City's retail water supply is delivered to the City in several major pipelines. Two pipelines provide water to the eastside of the In-City Distribution System and three pipelines serve the west side of the In-City Distribution System. The "In-City Distribution System" delivers water to homes and businesses in the City. Several major pipelines convey water from the Peninsula System to the City.

The Regional Program continues to be dominated by the WSIP which is 60% of the FY 2014-15 and FY 2015-16 Regional CIP. Local Water Conveyance and Distribution System (for the City of San Francisco) is 78% of the Local CIP. Water revenue and capacity fees make up less than 29% with BAWSCA of the total revenues, the remaining revenue is debt-funded. Nevertheless, the water revenue funding is increasing each budget year, primarily a function of the BAWSCA prepayment bonds.

Table W9 shows the Water Enterprise's CIP for FY 2013-14, FY 2014-15 and FY 2015-16 by major programs

Table W9. Water Enterprise CIP by Major Program

\$ Millions	FY 2013-14	FY 2014-15	FY 2015-16
	Adopted Budget	Adopted Budget	Adopted Budget
Regional Costs			
Water Treatment Program	4.8	8.8	3.6
Water Transmission Program	14.0	9.2	11.6
Water Supply & Storage Program	3.2	2.1	1.2
Watersheds & Land Management	5.6	1.4	2.8
Communication & Monitoring Program	0.5	3.5	2.0
Buildings and Grounds Programs	15.4	0.5	27.4
WSIP Augmentation - Regional *	-	72.2	41.1
Regional Total	43.6	97.7	89.7
Local Costs			
Local Water Conveyance /Distribution System	44.2	53.7	53.7
Buildings & Grounds Improvements	0.5	0.8	1.5
Pacific Rod & Gun Club Remediation Project *	1.4	11.1	0.2
Systems Monitoring & Control	-	1.5	5.9
Water Storage Facilities/Pump Stations	-	0.7	3.4
Other Recycled Water Projects - Local	0.9	1.0	3.9
Treasure Island	3.0	-	-
Local Total	50.0	68.8	68.7
Auxiliary Water System *	29.8	85.9	0.0
Financing Cost	1.5	14.8	24.2
Total Regional & Local	124.9	267.1	182.5
Revenues			
Water Revenue	20.3	29.2	37.5
Water Bonds	11.4	85.9	142.1
BAWSCA Pre-payment Bonds - Retail Customers Share	61.7	62.5	-
General Obligation Bonds	29.8	87.0	-
Capacity Fee	1.7	2.5	3.0
Total Sources	124.9	267.1	182.5

* Capital Enhancements - Nonrecurring

FY 2014-15 and 2015-16 Supplemental Appropriation

The SFPUC Capital Budget was approved through supplemental appropriation. The appropriation covered both FY 2014-15 and FY 2015-16 in the amount of \$449.6 million

for projects, financing costs and the Auxiliary Water Supply System (AWSS), a high-pressure water distribution system for firefighting.

The requesting includes continuing Renewal and Replacement Projects for the Regional and Local Water Enterprise along with significant non reoccurring capital expenditures for the WSIP Augmentation Project and the AWSS. It is funded primarily by a combination of Water Enterprise revenues, Water revenue bonds and City and County of San Francisco General Obligation Bonds and capacity fee.

FY 2014-15

As shown in Table W9 above, the FY 2014-15 Water Enterprise CIP of \$267.1 million, which includes the AWSS and financing costs, increased \$142.2 million from the FY 2013-14 approved CIP of \$124.9 million.

In FY 2015-16 the annual CIP will be \$182.5 million, a decrease of \$84.6 million from FY 2014-15.

Major projects in the Water Enterprise FY 2014-15 CIP include:

Renewal and Replacement Projects (Recurring)

- \$8.8 million for Water Treatment Program including upgrades to the Tesla Ultra Violet (UV) Treatment Facility and improvements to the Sunol Valley Water Treatment Plant (SVWTP) and Harry Tracy Water Treatment Plant (HTWTP).
- \$9.2 million for the Water Transmission Program including pipeline inspections, seismic monitoring, vault upgrades, metering upgrades, pump station upgrades and corrosion control protection projects. This also funds for installation of a renewable hydroelectric turbine on the Calaveras Pipeline and a fire suppression system for the Town of Sunol.
- \$2.1 million for Water Supply & Storage Program supporting additional geotechnical monitoring and analysis for structural upgrades at various dam locations and funding for technical and feasibility studies for a Bay Area Regional Desalination Project.
- \$1.4 million for Watersheds & Land Management which supports capital projects that improve and/or protect the water quality and/or ecological resources impacted by the operations of the SFPUC water system. Projects may include the repair, replacement and maintenance of roads, fences, or trails and the acquisition of easements or properties to meet these purposes.
- \$3.5 million for Communication & Monitoring Program including development a microwave radio communication system to link the SFPUC Regional water system from the Hetch Hetchy Dam in Yosemite to other PUC sites (San Francisco, San Mateo, Santa Clara and Alameda counties).
- \$0.5 million for Buildings & Grounds Programs for the Sunol and Millbrae Yards including replacement structures for maintenance shops and equipment storage, new fueling center and administration building, re-surfacing of yard, and demolition of dilapidated structures.
- \$53.7 million for the Local Water Conveyance and Distribution project to install, replace, and renew pipelines and service connections for the 1,230 mile drinking water distribution system in San Francisco with the goal of replacing 15 miles per year to minimize main breaks and meet customer level of service goals for uninterrupted service.
- \$0.8 million for Local Buildings & Grounds will fund capital improvements at all City Distribution Division (CDD) non-operational facilities and structures including replacing the current fueling station, yard improvements and a comprehensive arc flash and electrical hazard study of the electrical distribution systems at all CDD facilities.
- \$1.5 million for System Monitoring and Control including improvements to the System Control and Data Acquisition (SCADA) for remote monitoring of pressure, flow, and valve position status at key locations throughout the distribution system.
- \$0.7 million for Water Storage Facilities/Pump Stations to fund College Hill Reservoir outlet structure retrofit, McLaren Park pump station upgrades, and Merced Manor Reservoir facilities repairs.

- \$1.0 million for Other Recycled Water Projects including pipeline construction, recycled water expansion projects, and irrigation upgrades and needs to the Presidio-Marina, Daly City, Menlo Country Club, and South San Francisco.

Capital Enhancements – Nonrecurring

- \$72.2 million for Water System Improvement Program (WSIP) Augmentation to fund additional excavation and slope mitigation measures at Calaveras Dam, additional security related site improvements for the Irvington Tunnel Project, improvements at the Crystal Springs/San Andreas reservoirs and dams and funding for the Regional Groundwater Storage and Recovery Project.
- \$85.9 million for the Auxiliary Water Supply System which is now included in the SFPUC Ten Year Capital Plan funded through General Obligation Bonds. The AWSS project includes retrofits, improvements, or replacement existing firefighting pipes and tunnel; construct new or retrofit existing cisterns; and improve and seismically upgrade two pump stations, two storage tanks, and the primary reservoir.
- \$11.1 million for the Pacific Rod & Gun Club Remediation project for the planning, environmental review, excavation and disposal of lead contaminated soil. Following removal of impacted soils, the excavated areas will be backfilled with clean soil which enable future unrestricted safe reuse of the site.

Included in the FY 2014-15 budget is \$14.8 million of financing costs.

FY 2015-16

As shown on Table W9 above, the Water Enterprise FY 2015-16 Capital Budget totals \$182.5 million: \$16.4 million for Regional Water Treatment, Transmission, and Supply & Storage Program projects, \$2.8 million for Watershed/Rights-of-Way Management, \$2.0 million for Communication and Monitoring Programs, \$27.4 million for upgrades to the Sunol and Millbrae Yards, and \$41.1 million for WSIP augmentation.

The Local Water budget includes \$53.7 million for water main replacements, \$1.5 million for buildings and grounds improvements, \$0.2 million for Pacific Rod & Gun Club remediation project, \$5.9 million for System Monitoring and Control, \$3.4 million for water storage facilities, and \$3.9 million for recycled water projects.

Included in the FY 2015-16 budget is \$24.2 million of financing costs.

Water Programmatic Projects

Programmatic projects are annually appropriated projects in support of routine maintenance of programs most of which were initiated in support of the capital program. These programmatic projects include monitoring, mitigation, watershed protection, community benefits, and the Water Enterprise share of lease payment and operation of the SFPUC headquarters at 525 Golden Gate Avenue.

Table W10 shows the Water Enterprise Programmatic Projects, for FY 2013-14, FY 2014-15, and FY 2015-16, by major programs

Table W10. Water Enterprise Programmatic Projects

\$ Millions	FY 2013-14 Adopted Budget	FY 2014-15 Adopted Budget	FY 2015-16 Adopted Budget
Program/Project			
Regional Costs			
Natural Resources Planning	0.5	0.4	0.3
Long Term Monitoring & Permit Program	3.5	3.3	4.5
Water Resource Planning & Development	2.1	3.5	0.4
Watershed Protection	2.0	1.2	0.8
Total Regional	8.1	8.4	6.0
Local Costs			
Landscape Conservation Program	1.5	1.5	1.3
AWSS Maintenance	0.5	0.5	0.5
Treasure Island Facilities Maintenance	1.1	1.1	1.2
Youth Employment Project	1.3	1.3	1.3
Community Benefits - Water	-	1.3	1.1
Retrofit Grant Program	-	0.7	2.6
525 Golden Gate - Operations & Maintenance	2.2	3.4	3.5
525 Golden Gate - Lease Payment	9.2	9.2	9.2
Total Local	15.9	19.0	20.6
Total Regional & Local	24.0	27.4	26.7
Sources			
Infrastructure - Recovery Capital	4.7	4.4	3.9
Federal Bond Interest Subsidy	2.1	1.9	1.9
Water Enterprise Revenue	17.2	21.1	20.8
Total Sources	24.0	27.4	26.7

FY 2014-15

The Water Enterprise Programmatic Projects budget increases from \$24.0 million in FY 2013-14 to \$27.4 million in FY 2014-15. The \$3.4 million increase is to fund the Regional Water Resource Planning and Development and the Water Enterprise's share of the annual operations & maintenance of the SFPUC Headquarters. This also include the \$0.7 million in Retrofit Grant program which provides assistance to SFPUC retail customers to help reduce the consumption of surface water imports for non-potable uses.

FY 2015-16

The Water Enterprise Programmatic Projects budget decreases from \$27.4 million in FY 2014-15 to \$26.7 million in FY 2015-16. The decrease in the budget is mostly due to a decrease in funding for the Water Resources Planning and Development project and is largely offset by an increase in the Retrofit Grant Program.

Water Enterprise Ten-Year Capital Plan

The adopted capital project costs for the Water Enterprise total approximately \$1.3 billion over the next ten years. These investments, divided between regional and local needs, are shown on Table W11. Identified capital needs will be financed with a combination of water revenue bonds and Water Enterprise revenues along with general obligation bonds for the Auxiliary Water System. Project timelines may be adjusted to match available funding. The table also shows the estimated number of jobs per year that this ten-year program will create.

Table W11 shows projected costs over ten-year period

Table W11. Water Enterprise Ten-Year Capital Plan

\$ Thousands							
Program/Project	FY 2014-15	FY 2015-16	FY 2016-17	FY 2017-18	FY 2018-19	FY 2020-2024	Plan Total
Spending Plan							
Regional Costs							
Water Treatment Program	8,841	3,647	2,052	1,889	1,894	9,587	27,910
Water Transmission Program	9,196	11,631	12,971	8,515	57,285	87,567	187,165
Water Supply & Storage Program	2,055	1,194	1,739	1,949	2,810	26,073	35,820
Watersheds & Land Management	1,408	2,804	1,504	1,504	1,504	7,520	16,244
Communication & Monitoring Program	3,500	2,000	550	550	500	2,515	9,615
Buildings and Grounds Programs	500	27,365	5,165	4,943	786	4,112	42,871
WSIP Augmentation - Regional	72,178	41,074	11,074	1,074	-	-	125,400
Regional Total	97,678	89,715	35,055	20,424	64,779	137,374	445,025
Local Costs							
Water Conveyance /Distribution System	53,700	53,700	48,700	54,700	54,700	271,500	537,000
Buildings & Grounds Improvements	800	1,525	10,525	725	500	2,500	16,575
Pacific Rod & Gun Club Remediation Project	11,105	155	-	-	-	-	11,260
Systems Monitoring & Control	1,510	5,900	5,800	-	-	-	13,210
Water Storage Facilities/Pump Stations	650	3,448	1,568	19,149	1,360	-	26,175
Other Recycled Water Projects - Local	986	3,925	-	-	-	-	4,911
WSIP Augmentation - Local	-	-	24,801	5,500	5,500	272	36,073
Treasure Island Capital Upgrades	-	-	-	3,000	-	-	3,000
Local Total	68,751	68,653	91,394	83,074	62,060	274,272	648,204
Auxiliary Water System	85,928	-	-	-	-	110,000	195,928
Total Regional & Local	252,357	158,368	126,449	103,498	126,839	521,646	1,289,157
Revenues							
Water Revenue	29,219	37,484	18,341	18,952	71,804	263,000	438,800
Water Bonds	158,106	117,884	107,108	83,546	54,035	253,647	774,326
BAWSCA Pre-payment Bonds - Retail Customers Share	62,532	-	-	-	-	-	62,532
Capacity Fee	2,500	3,000	1,000	1,000	1,000	5,000	13,500
Total	252,357	158,368	126,449	103,498	126,839	521,646	1,289,157
Total San Francisco Jobs/Year	2,251	1,413	1,128	923	1,131	4,653	11,499

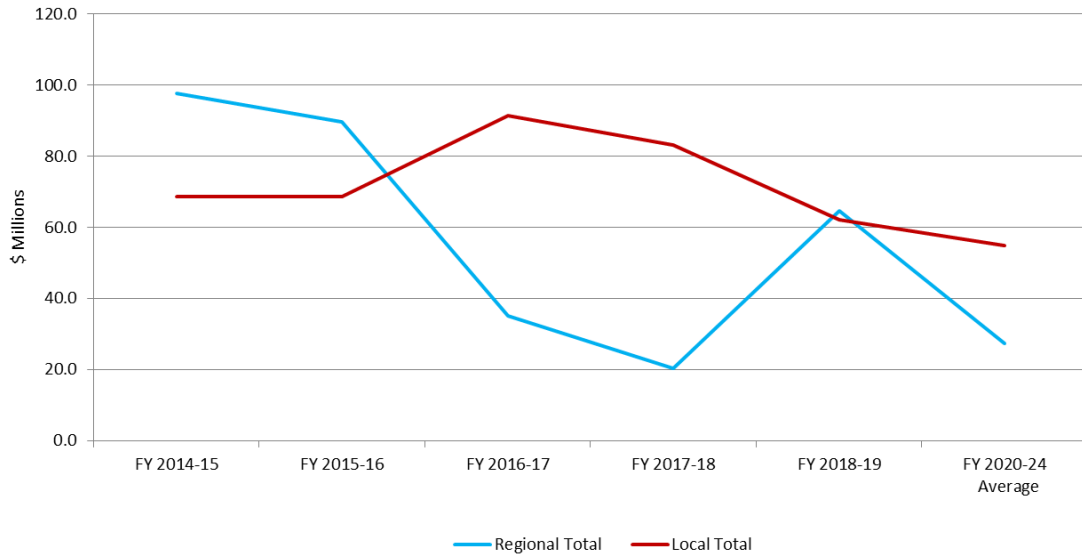
The Ten-Year Capital Plan is updated each year by the SFPUC and approved by the Commission early in the budget development process. The plan helps inform and guide managers, policy makers, elected officials and the public by providing the proposed long-term capital program, projects and investments, and guides the Ten-Year Financial Plan and the rate analysis approved every five years. The Ten-Year Capital Plan is a plan, not a budget and is not "appropriated" like a budget. As the budget process progresses through the Spring and into final adoption in the early Summer, the annual CIPs can be revised and final projects, costs and totals for the two annual CIPs can change. Consequently, even though the annual CIPs are based on the Ten-Year Capital Plan, they do not always match by project or dollar amount, though are often the same.

Table W11 and Chart W9 show that regional spending will decline over the next several years from \$97.7 million in FY 2014-15 to an average of \$27.5 million per fiscal year in

the final five years of the Ten-year Plan. Local Water improvement costs over the same five-year period, FY 2020-24, average \$54.9 million per year.

Chart W9 shows Water’s capital budget trend over ten years.

Chart W9. Water Enterprise Ten-Year Capital Plan Trend



With the WSIP fully in construction, the SFPUC’s Water Enterprise uses the annual updates to the Ten-Year Capital Plan to ensure the other non-WSIP projects and investments are in place to ensure adopted levels of service are maintained. To update the Ten-Year Capital Plan, the Water Enterprise relies on the latest information including condition assessments (performance and remaining useful life of existing assets), master plan updates, review of levels of service objectives, and financial data (revenue requirement, project expenditures and cash flow).

Regional Water

As shown in Table W11, page 97, the Regional Water Ten-Year Capital Plan is \$445.0 million and funds the following projects:

Regional Water Treatment Program, \$27.9 million

This program includes major upgrades to the Sunol Valley and Harry Tracy Water Treatment Plants. Projects are identified through condition assessments, operation staff review, level of service and feasibility studies and alternative analysis at each plant. Projects include upgrades of chemical dosage, flow monitoring, valve and pump replacement and chemical handling upgrades.

Regional Water Transmission Program, \$187.2 million

This will provide upgrades to the Transmission System including pipeline inspection and repairs, valve replacements, metering upgrades, corrosion protection to extend the useful life of the pipelines, pump station upgrades and vault upgrades.

Included is funding for the Calaveras Micro Turbine Project, a small renewable hydroelectric turbine (approximately 1 megawatt-MW) on the Calaveras Pipeline near the Sunol Valley Water Treatment Plant using energy from water stored in Calaveras Reservoir and funding to complete upgrades to the Town of Sunol Fire Suppression System.

Regional Water Supply & Storage Program, \$35.8 million

This project includes upgrades to structures to meet State Division of Safety of Dams requirements including geotechnical work and installation of monitoring systems, and regional desalination project. The automated data acquisition system will provide timely, accurate data related to inspections at various dams.

Also included is funding for technical and feasibility studies for a Bay Area Regional Desalination Project. The project would involve the larger Bay Area Water Agencies working together to develop desalination to serve the water needs of residents and business in the region.

Regional Watersheds & Land Management, \$16.2 million

This program supports projects that improve and/or protect the water quality and/or ecological resources impacted by the siting and operation of the SFPUC facilities. Projects including the repair, replacement, maintenance, or construction of roads, fences, or trails, the acquisition of easements and/or fee title of properties, (within the Pilarcitos Creek, San Mateo Creek, or Alameda Creek watersheds), and other ecosystem restoration or public access, recreation, and education projects.

Regional Communications & Monitoring Program, \$9.6 million

Development of a microwave backbone to link the entire SFPUC Regional water system from the Hetch Hetchy Dam site in Yosemite to the rest of the SFPUC sites (San Francisco, San Mateo, Santa Clara and Alameda counties). The project will provide much needed redundant emergency communication capability and increased bandwidth for security data transfer.

Regional Buildings & Grounds Programs, \$42.9 million

The program provides funding for major improvements to the Sunol and Millbrae Yards.

Sunol Yard improvements include replacement structures for maintenance shops and equipment storage, new fueling center and administration building, re-surfacing of yard, and demolition of six dilapidated structures. Construction, \$25.9 million is anticipated in FY 2015-16.

Millbrae Yard improvements include a new administration building to consolidate the Water and Wastewater laboratory, maintenance shop, and equipment storage, demolition of large unused abandoned building, new parking lot, and new vehicle wash site.

Regional WSIP Augmentation, \$125.4 million

Additional funding for WSIP is needed to ensure Calaveras Dam will meet the seismic reliability objective and restore the historical capacity of the reservoir, to add security related site improvement at the New Irvington Tunnel, and to upgrade the facilities/outlet structures necessary to transport water from upper to lower Crystal Spring Reservoir. The majority of the funding for the WSIP Augmentation, \$113.3 million is budgeted in the first two years of the plan.

Local Water

As shown in Table W11, page 97, the Local Water Ten-Year Capital Plan is \$648.2 million and funds the following projects:

Local Water Conveyance/Distribution System, \$537.0 million

To install, replace and renew distribution system pipelines and service connections for the 1,230 miles of drinking water mains in San Francisco and meet customer level of service goals for uninterrupted service. The increased investment is needed to improve annual replacement rate from the previous 6 miles per year average to an increased rate of 15 miles per year to minimize main breaks. Improvements include replacement, rehabilitation, re-lining, and cathodic protection of all pipe categories to extend or renew pipeline useful life.

Local Buildings & Grounds Improvements, \$16.6 million

This provides funding for capital improvements at CDD facilities and structures. Projects include a new fueling station, yard improvements to address health and safety issues and security, a comprehensive arc flash and electrical hazard study and construction of a seismically reliable building for CDD's communications and control systems.

Pacific Rod & Gun Club Remediation project, \$11.3 million

Funding for the planning, environmental review, excavation and disposal of lead contaminated soil at the Pacific Rod & Gun Club site. Following removal of impacted soils, the excavated areas will be backfilled with clean soil which enable future unrestricted safe reuse of the site.

System Monitoring and Control, \$13.2 million

This project provides improvements to facilities that control and monitor San Francisco's water distribution system. Facilities include enhancements to the System Control and Data Acquisition (SCADA) for remote monitoring of pressure, flow, and valve position status at key locations throughout the distribution system. This program will also install fiber optic communications to critical facilities and security installations not completed under WSIP.

Water Storage Facilities/Pump Stations, \$26.2 million

This consists of upgrades to the College Hill Reservoir outlet structure retrofit, McLaren Park pump station upgrades and Merced Manor Reservoir facilities repairs.

Other Recycled Water Projects, \$4.9 million

This includes recycled water projects for retail customers near Daly City, Redwood City and South San Francisco. Projects will contribute to SFPUC's overall water supply diversification goal, providing additional recycled water use for irrigation, which will be a direct offset of potable water currently used to irrigate parks, cemeteries and golf courses.

Local WSIP Augmentation, \$36.1 million

Additional funding through WSIP will be needed for the construction of the San Francisco Westside Recycled Water Project and the San Francisco Groundwater Supply Project which include the recycled water treatment facilities, storage, and distribution system to produce and deliver approximately 2 MGD of recycled water to customers on the western side of the City, and building required facilities to produce and deliver an average of 4 MGD of groundwater from Westside Basin in San Francisco to the Sunset and Sutro reservoir.

Treasure Island, \$3.0 million

Existing water facilities on Treasure Island and Yerba Buena Island are unreliable and investments in existing infrastructure are needed to maintain reliable service. Current projects include new water pump station and water line extension to Oakland and interim repairs to Yerba Buena & Treasure Island Infrastructure. These interim investments are planned to be consistent with long-term planning and development of the islands.

Auxiliary Water System (AWSS)

The 2010 Earthquake Safety and Emergency Response (ESER) bond provided funding for repairs to the AWSS to increase the earthquake safety response capacity of the Fire Department following a major earthquake and during multiple-alarm fires from other causes.

In June 2014, San Francisco voters approved Proposition A – the Earthquake Safety and Emergency Response Bond 2014 (ESER 2014) for \$400 million. ESER 2014 will pay for repairs that will allow San Francisco to quickly respond to a major earthquake or disaster and included \$51.4 million for the AWSS

The AWSS capital plan includes \$195.9 million for the retrofit, improvements or replacement of existing firefighting pipes and tunnels, construct new or retrofit existing cisterns, and improve and seismically upgrade two pump stations, two storage tanks, and the primary reservoir. The project will be funded through the issuance of City of San Francisco General Obligation Bonds.

Water Enterprise Ten-Year Financial Plan

Table W12 shows the Water Enterprise Ten-Year Financial Plan, from FY 2014-15 to FY 2023-24

Table W12. Water Enterprise Ten-Year Financial Plan

\$ Millions	FY 2013-14										
	(Pre-Audit)	FY 2014-15	FY 2015-16	FY 2016-17	FY 2017-18	FY 2018-19	FY 2019-20	FY 2020-21	FY 2021-22	FY 2022-23	FY 2023-24
Beginning Operating Fund Balance	279.5	224.5	135.9	127.1	139.5	152.8	128.8	108.9	111.5	113.6	114.8
Sources											
Retail Sales - Base Rates	178.3	186.8	209.2	234.3	257.8	275.8	295.1	315.8	337.9	354.8	369.0
Retail Sales - Rate Increases	11.6	22.4	25.1	23.4	18.0	19.3	20.7	22.1	16.9	14.2	11.1
Wholesale Sales - Operating Costs	90.0	92.7	95.5	98.3	101.3	104.3	107.5	110.7	114.0	117.4	120.9
Wholesale Sales - Capital & Debt	93.2	129.3	153.0	151.1	162.1	195.9	209.2	191.3	191.5	204.2	210.0
Interest Income	1.6	1.6	2.0	3.1	4.3	4.3	4.3	4.3	4.4	4.6	4.7
Other Income	24.5	22.5	23.1	23.5	24.2	25.0	25.7	26.5	27.3	28.1	28.9
Total Sources	399.2	455.3	508.0	533.8	567.6	624.6	662.4	670.6	692.0	723.3	744.6
Uses											
Operations & Maintenance	192.0	183.9	184.0	189.5	195.2	201.1	207.1	213.3	219.7	226.3	233.1
Hetchy Transfer	33.3	34.3	35.3	36.4	37.5	38.6	39.8	41.0	42.2	43.5	44.8
Debt Service, net of Subsidy	147.4	214.2	240.0	251.4	283.1	321.3	342.8	355.9	365.7	387.7	399.7
Projects - Revenue Funded	81.5	111.6	57.3	44.2	38.6	87.6	92.7	57.8	62.3	64.5	67.2
Total Uses	454.2	543.9	516.7	521.4	554.4	648.6	682.3	668.0	689.9	722.0	744.8
Net Revenues	(55.0)	(88.7)	(8.7)	12.4	13.3	(23.9)	(19.9)	2.6	2.1	1.3	(0.2)
Ending Fund Balance	224.5	135.9	127.1	139.5	152.8	128.8	108.9	111.5	113.6	114.8	114.6
Requirement - Retail	6.5%	12.0%	12.0%	10.0%	7.0%	7.0%	7.0%	7.0%	5.0%	4.0%	4.0%
Requirement - Wholesale	-16.4%	25.7%	12.0%	0.3%	5.8%	14.2%	5.5%	-4.5%	1.2%	5.2%	5.2%
Fund Balance as % of Revenue	56.2%	29.8%	25.0%	26.1%	26.9%	20.6%	16.4%	16.6%	16.4%	15.9%	15.4%
Fund Balance as % of Expense	49.4%	25.0%	24.6%	26.8%	27.6%	19.9%	16.0%	16.7%	16.5%	15.9%	15.4%
Fund Balance as % of Operating Expense	99.7%	62.3%	58.0%	61.7%	65.6%	53.7%	44.1%	43.9%	43.4%	42.6%	41.3%
Debt Service Coverage (Indenture)	3.08	2.16	1.77	1.73	1.68	1.67	1.59	1.48	1.48	1.46	1.45
Debt Service Coverage (Current)	1.18	1.11	1.20	1.22	1.18	1.20	1.21	1.17	1.18	1.17	1.17

Chart W10 provides the Ten-Year Financial Plan trend

Chart W10. Water Enterprise Ten-Year Financial Plan Trend

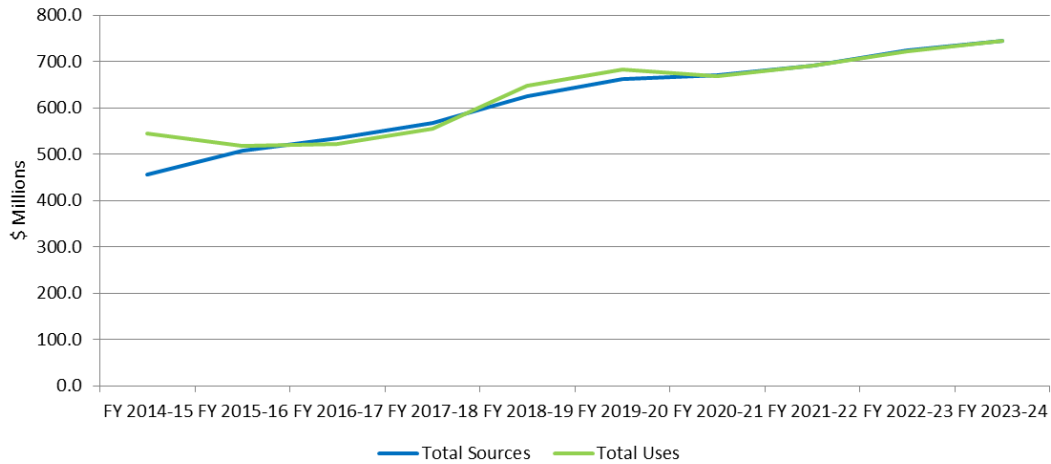


Table W12 and Chart W10 reflect the SFPUC’s Water Enterprise Ten-Year Financial Plan as required by City and County of San Francisco Charter Section 8B.123. This is a plan, not a budget nor are funds appropriated. The Plan includes a ten-year financial summary (FY 2014-15 through FY 2023-24) describing projected sources and uses, resulting fund balances and associated financial reserve ratios. Projected costs and revenues are estimates and subject to variations inherent in all such projections. It is a planning document intended to inform the development of the Ten-Year Capital Plan, the water rates and the fiscal year budgets. Consequently, the estimates should not be viewed as precise predictions but rather as indications of expected trends, given certain expenditure, receipt, and financing assumptions. These assumptions are based on current Board of Supervisors and Commission policies, goals, and objectives representing management’s best estimates at this time.

Rates and Charges

Approved average retail water rate changes will increase revenues from water sales by 12.0 percent in FY 2014-15 and FY 2015-16, 10.0 percent in FY 2016-17, and 7.0 percent in FY 2017-18. Projected average annual retail water rate changes are 7.0 percent in FY 2018-19 through FY 2020-21, 5.0 percent in FY 2021-22, and 4.0 percent in FY 2023-24. Wholesale water rates are managed through a 25-year Water Supply Agreement (WSA), with rates increasing 19.6 percent in FY 2014-15, and then trending to an average of 8.0 percent from FY 2014-15 to FY 2018-19 based on FY 2014-15 rate-setting calendar. These rate changes are necessary to continue funding vital capital improvements largely comprised of the Water System Improvement Program (WSIP) along with providing additional resources to the annual Repair and Replacement program.

Sources of Funds

The Water Enterprise provides water to 2.6 million people in San Francisco, Santa Clara, Alameda and San Mateo counties. Water Enterprise customers are grouped into retail and wholesale service categories. The retail customer category is further divided into in-city and suburban customers. Customers within each sub-category are then grouped into revenue classes based on their service characteristics. The wholesale customer category consists of only one revenue class – wholesale resale with long-term contract. Total sources are projected to grow from \$455.3 million in FY 2014-15 to \$744.6 million by FY 2023-24.

- Retail water sales revenues are projected to increase from \$209.2 million in FY 2014-15 to \$380.1 million over the ten-year period. This increase assumes zero growth in annual consumption with population growth being offset by conservation and other water saving measures.
- Wholesale customers' water sales, representing about half of the Enterprise revenues and two-thirds of water deliveries, are forecasted to increase revenues from \$222.0 million in FY 2014-15, to \$330.9 million over the period. This increase assumes no growth in consumption population growth offset by conservation and other water saving measures.
- Other income includes interest income on fund balances along with rents and miscellaneous income. These revenues are assumed to average approximately at \$27.9 million over the ten years and are mainly derived from interest earnings on fund balances, rents and permit fees for secondary uses of its watershed lands and pipeline rights-of-way.

Uses of Funds

In the absence of more specific forecast data, the Ten-Year Financial Plan includes a general 3.0 percent annual growth assumption for operations and maintenance costs and a 5.0 percent annual escalation in revenue-funded capital costs.

The annual operating budget includes operation and maintenance costs, debt service on revenue bonds used to finance capital improvements, and repair and replacement costs funded from current revenues. Debt Service in FY 2014-15 is the largest component of the Water Enterprise's expenses (39.4 percent), projected to increase to 53.7 percent of total expenses by FY 2023-24. Total expenditures are increasing from \$543.9 million in FY 2014-15 to \$744.8 million by FY 2023-24.

- Operations and Maintenance costs include salaries and fringe benefits, material and supplies, power and energy, and services of the other City departments including SFPUC Bureaus. The cost of operating the water system in FY 2014-15 is projected to be \$183.9 million; increasing to \$233.1 million by FY 2023-24. As projects in the WSIP are completed and placed into service, we project no increase to operation and maintenance expenses associated with the new facilities beyond the forecast shown in this report of 3.0 percent annual growth assumption. In addition, the forecast assumes there will be no changes in regulations or operating procedures that could impact operating expenses.
- Debt Service costs includes principal and interest payments on revenue bonds used to finance system improvements. Future debt service cost projections assume the issuance of new debt to fund WSIP and non-WSIP Water Enterprise capital projects. The plan reflects debt service costs increasing from \$214.2 million in FY 2014-15 (net of Federal subsidy) to \$399.7 million by FY 2023-24. The actual timing and size of bond sales may vary depending on construction timing.
- Revenue-Funded Capital Project spending is projected to average \$68.4 million annually over the next 10 years. Projects include minor construction projects, major maintenance and rehabilitation projects, planning studies, and preliminary engineering analysis for major capital improvements.

Debt Financing of Capital Needs

The Capital and Financial Plans assume significant debt financing of capital needs over the next ten-year period. The WSIP, approximately 85% complete as of June 30, 2014, will require \$4.765 billion in total financing for the program, authorized by the voters under Propositions A and E in November 2002.

The Plan assumes a financing strategy that utilizes short-term financing via the existing Commercial Paper (CP) program to calibrate financing needs with project spending. Long-term (30-year) 5 percent fixed rate debt issuance is assumed to periodically refund the CP program. The CP program facilitates short-term financing typically at lower interest rates than longer term debt, which minimizes costs. The authorized CP program for the Water Enterprise is \$500.0 million. As of July 2014, the Enterprise has \$186 million in

commercial paper notes outstanding and \$3.9 billion of water revenue bonds have been issued to finance the \$4.765 billion WSIP. The remaining capital financing will occur periodically through the scheduled completion of the program in 2018.

Financial Ratios

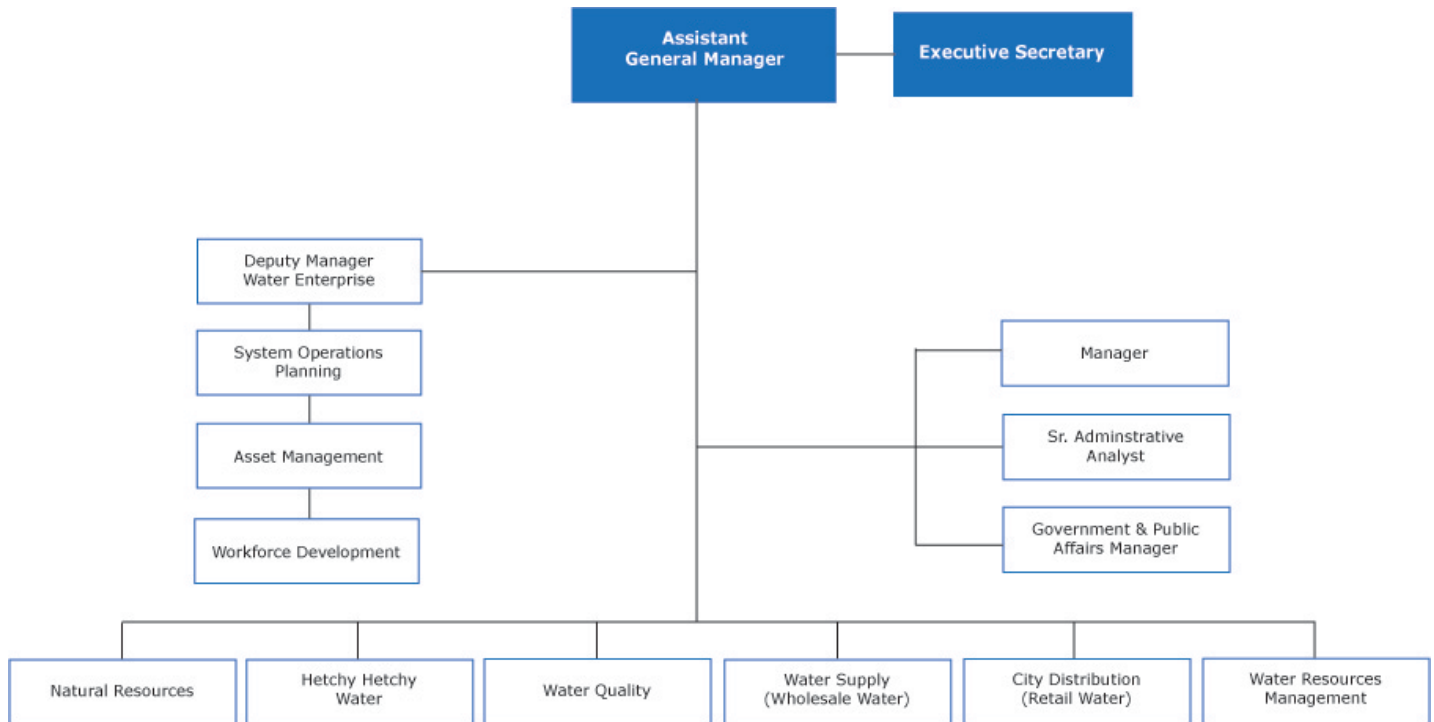
It is the financial objective of the SFPUC to maintain a minimum revenue bond coverage ratio of 1.25 times on an indenture basis and 1.00 times on a current operations basis, which does not include fund balance. Over the ten-year period, the indenture coverage ranges from 2.16 to 1.45 times coverage. On a current basis, the coverage ratio ranges from 1.11 to 1.22 times coverage, above the 1.00 minimum.

Fund Balances and Reserves

As the Ten-Year Financial Plan indicates, the Water Enterprise's ending fund balance will decrease from \$135.9 million in FY 2014-15 to \$114.6 million in FY 2023-24. The use of fund balance for capital projects over the 10-year period balances the need to maintain infrastructure with rate increases, and conforms to established fund balance reserve policies.

Departmental Section

Water Enterprise Organization Chart



Water's Strategic Sustainability Trends

The Strategic Sustainability Plan (SSP) provides the SFPUC with a system for planning, managing, and evaluating SFPUC-wide performance that takes into account the long-term economic, environmental, and social impacts of its business activities. The SSP is described in the introduction of this report and in Appendix F are the 2013-14 performance result and the 2014-15 and 2015-16 targets. The SSP combines the SFPUC strategic mission and goals, essential business activities and appropriate sustainability measures consistent with the Global Reporting Initiative recommendations.

The SSP report communicates a cross section of performance goals and objectives to support planning and inform customers, the SFPUC Commission, the Controller's Office, Bond holders, rating agencies, regulators and the general public. The annual organization-wide review, measurement and reporting protocol tasks SFPUC management and staff to:

- Plan and deliver high quality water services to current and future generations of San Franciscans based on triple bottom line sustainability;
- Embed sustainability into SFPUC's business DNA and long-term strategic decision-making;
- Communicate SFPUC's organizational culture and build relationships with stakeholders;
- Benchmark SFPUC's strategic sustainability performance against SFPUC's and peers;
- Build capacity for longer term trend, risk and foresight analyses; and
- Provide stakeholders with ongoing review of SFPUC-wide triple bottom line performance.

Fiscal Year 2013-14 Strategic Sustainability Performance Results

The fiscal year 2013-14 report is the sixth annual assessment of SFPUC-wide performance on the strategic sustainability plan.

The SFPUC's six sustainability categories as described in the Introduction Chapter on page 31 are:

- Customers (CR)
- Community (CY)
- Environmental and Natural Resources (ENR)
- Governance and Management (GM)
- Infrastructure and Assets (IA)
- Workplace (WP)

The associated objectives in the SSP are aimed at continuous improvement and meeting the SFPUC-wide five key strategic goals:







- Plan for the Future
- Invest in SFPUC's People
- Promote a Green and Sustainable City
- Provide High Quality Services
- Engage SFPUC's Public and Invest in Communities

Chart W11 in the following page provides a representation of the performance of the Water Enterprise in FY 2013-14 in these categories. Targets for FY 2014-15 and FY 2015-16 are included in Appendix F where the Performance Measure Report is located. As shown in Appendix F there are some trends for the Water Enterprise that can be noted:

- The percentage of apprentice labor hours worked by service area residents has dropped by 2.9 percent which is a result of the WSIP program being largely completed but at the same time, the percentage of hours worked by local residents has been consistently exceeding requirements;
- The amount of gallons per capita per day (gpcpd) sold to San Francisco residents has reduced from 50.29 in FY 2011-12 to 48.2 in FY 2013-14; this trend could be the result of the call for outdoor water conservation and other drought measures.
- The SFPUC-wide security plan is still in progress; work began in FY 2012-13 and by the end of FY 2013-14 the plan was at 50% complete, it is targeted to be completed in FY 2015-16. The Emergency Drinking Water Supply plan is at the 75% completion level to be completed in FY 2014-15.
- The preventative maintenance (PM) ratio has dropped from 80.8% in FY 2011-12 to 71.5% in FY 2013-14. The reduction is not a concern because the Water Enterprise which has largely completed the multi-billion dollar WSIP program, has a capital budget of nearly \$500 million in the next two fiscal years and \$1.3 billion over the next ten years. The implementation of the asset management program will support a more appropriate target PM ratio.

Chart W11 provides a representation of the performance of the Water Enterprise in FY 2013-14 in SFPUC's six sustainability categories.

Chart W11 – FY 2013-14 Water Enterprise Excerpts from the Strategic Sustainability Plan

	Strategic Sustainability Categories					
Strategic Mission						
	CR	CY	ENR	GM	IA	WP
Provide High Quality Services	85% of CR rate good or better services Wholesale CR 4.6 score out of 5			100% of Fees reflect cost of service	5.1 miles of water mains repaired or replaced	
Promote a Green and Sustainable City	100 % of retail rate encourages conservation		48.2 gpcpd to SF retail CRs	100% rate of reg compliance		
Plan for the Future				S&P credit rating AA-Moody's Aa3	71.5 % Preventive maintenance ratio	
Invest in SFPUC's People				Security Plan is 50% completed		6.9 injuries per 100 staff; 3.5 hours lost per 100 staff
Engage SFPUC's Public and Invest in our Communities		48.1% of labor hours worked by service area residents 37% of labor hours worked by local residents (goal is 20%) 80% of apprentice labor hours worked by local residents (goal is 50%)				

Divisions

The Water Enterprise is comprised of the following six Divisions: Water Administration, City Distribution Division (CDD), Water Quality Division, Water Supply and Treatment (WS&T), Natural Resources, and Water Resources.

Chart W12 shows the FY 2014-15 and FY 2015-16 operating budgets by Division. The chart also includes budget information on Enterprise-wide categories including debt service, general reserve, programmatic and capital/revenue reserve.

Chart W12. FY 2014-15 and FY 2015-16 Water Enterprise Uses of Funds by Division and Other Categories

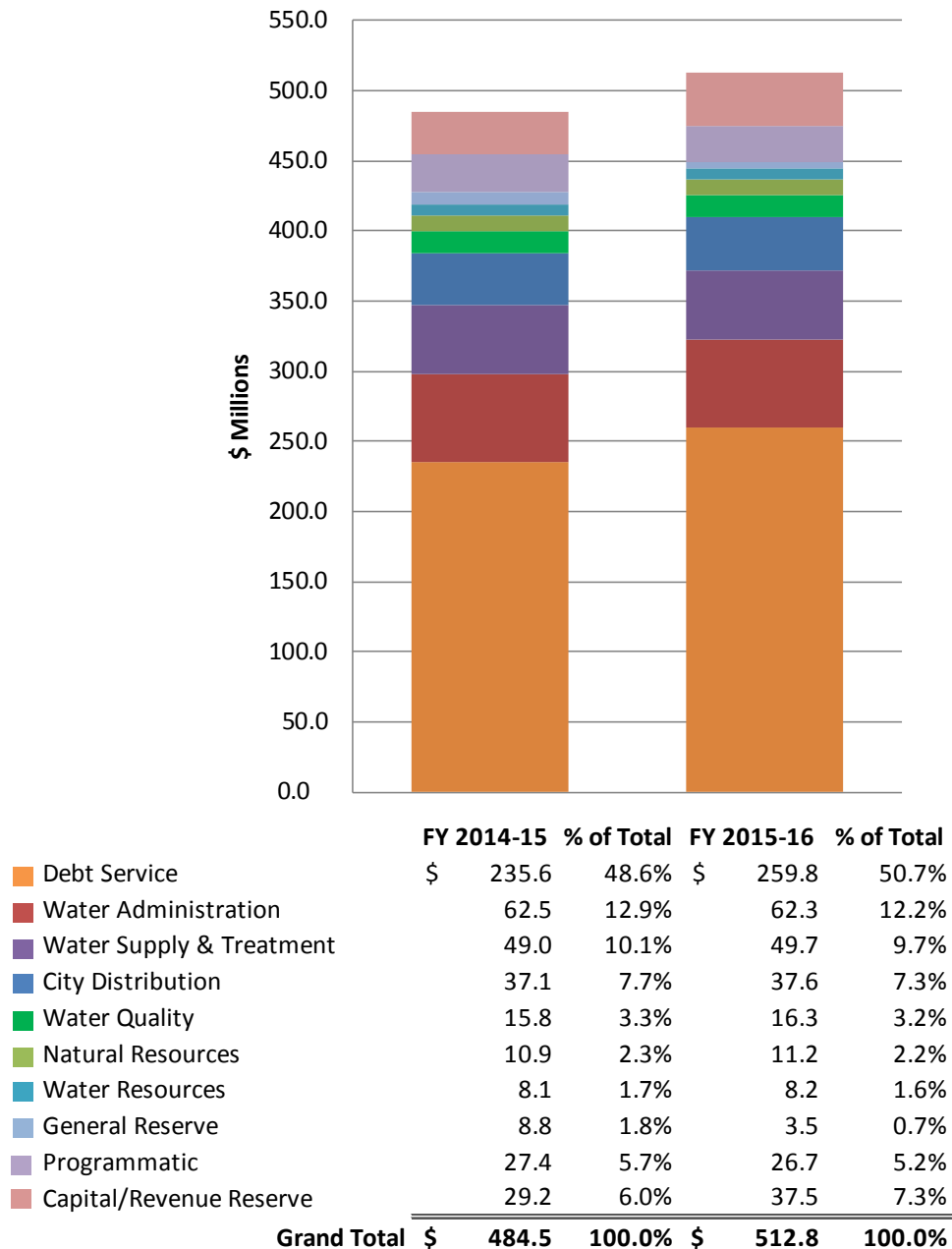


Table W13 provides FY 2012-13 audited actual, the FY 2013-14 budget and pre-audit actual, FY 2014-15 and FY 2015-16 adopted budgets, and the variances between the FY 2014-15 and FY 2013-14 and FY 2015-16 and FY 2014-15 adopted budgets, for all Water Divisions, including debt service, general reserve, programmatic and capital/revenue reserve.

Table W13. Water Enterprise Uses of Funds by Division and Other Categories

\$ Millions	FY 2012-13	FY 2013-14	FY 2013-14	FY 2014-15	FY 2015-16	FY 2014-15 vs. FY 2013-14		FY 2015-16 vs. FY 2014-15	
	Audited Actual	Adopted Budget	Pre-Audit Actual	Adopted Budget	Adopted Budget	Adopted Budget Amount	%	Adopted Budget Amount	%
Administration	58.4	56.3	72.6	62.5	62.3	6.2	11.0%	(0.2)	-0.3%
Debt Service	155.2	209.7	170.2	235.6	259.8	25.9	12.4%	24.2	10.3%
City Distribution	33.5	36.4	36.4	37.1	37.6	0.8	2.2%	0.5	1.3%
Water Quality	15.8	15.1	17.4	15.8	16.3	0.6	4.3%	0.5	3.4%
Water Supply & Treatment	43.7	48.3	47.1	49.0	49.7	0.6	1.3%	0.7	1.5%
Natural Resources	9.8	10.7	10.5	10.9	11.2	0.3	2.5%	0.3	2.5%
Water Resources	6.5	8.4	6.5	8.1	8.2	(0.2)	-3.0%	0.0	0.5%
Programmatic	20.4	24.0	24.0	27.4	26.7	3.4	14.3%	(0.7)	-2.7%
General Reserve	-	5.4	-	8.8	3.5	3.3	61.8%	(5.3)	-60.2%
Capital/Revenue Reserve	17.2	20.3	20.3	29.2	37.5	9.0	44.3%	8.3	28.3%
Water Total	360.4	434.5	405.0	484.5	512.8	50.0	11.5%	28.3	5.8%

Water Administration

The Administrative Division provides direction and administrative support to the Water Enterprise.

The budget funds Enterprise-wide expenses including debt service, travel/training, memberships and administrative services from other City departments.

Budget Summary

Table W14 shows the FY 2013-14, FY 2014-15, and FY 2015-16 adopted budgets, FY 2012-13 audited actual, FY 2013-14 pre-audit actual, and the budget variance between FY 2013-14 and FY 2014-15 and FY 2014-15 and FY 2015-16.

Table W14. Water Administration Budget Summary, including Debt Service

\$	FY 2012-13	FY 2013-14	FY 2013-14	FY 2014-15	FY 2015-16	FY 2014-15 vs. FY 2013-14		FY 2015-16 vs. FY 2014-15	
	Audited Actual	Adopted Budget	Pre-Audit Actual	Adopted Budget	Adopted Budget	Adopted Budget Amount	%	Adopted Budget Amount	%
Personnel	4,608,430	5,355,095	4,824,774	6,902,125	7,050,031	1,547,030	28.9%	147,906	2.1%
Non-Personnel Services	4,966,191	1,926,290	7,197,587	2,027,684	1,975,618	101,394	5.3%	(52,066)	-2.6%
Materials & Supplies	34,390	53,412	36,105	29,000	47,239	(24,412)	-45.7%	18,239	62.9%
Equipment	-	-	-	500,000	335,000	500,000	-	(165,000)	-33.0%
Debt Service	155,200,000	209,658,976	170,207,835	235,594,623	259,768,998	25,935,647	12.4%	24,174,375	10.3%
Services Of Other Departments	48,763,329	48,993,945	60,374,150	53,040,250	52,894,454	4,046,305	8.3%	(145,796)	-0.3%
Water Total	213,572,340	265,987,718	242,640,451	298,093,682	322,071,340	32,105,964	12.1%	23,977,658	8.0%

Reasons for Changes, FY 2013-14 to FY 2014-15

The following describes FY 2014-15 and FY 2015-16 budget category variances that are greater than ten percent.

- **Personnel** - Reflects cost increases in retirement and health service costs.
- **Materials & Supplies** - Reflects a decrease in office supplies based on projected needs.
- **Equipment** – Reflects an increase to support SFPUC Water Supervisory Control and Data Acquisition (SCADA) system.
- **Debt Service** - Reflects the increase in principal and interest on outstanding Water Enterprise bonds.

Reasons for Changes, FY 2014-15 to FY 2015-16

- **Materials & Supplies** - Reflects an increase in office supplies based on projected needs.
- **Equipment** – Reflects one-time funding for equipment.
- **Debt Service** - Reflects the increase in principal and interest on outstanding Water Enterprise bonds.

City Distribution Division (CDD)

The City Distribution Division (CDD) distributes high quality treated water to San Francisco customers. On average, approximately 80 million gallons of water a day are delivered to nearly 0.8 million people in San Francisco. CDD maintains the water distribution system within the City, which consists of 13 reservoirs, 20 pumping stations, a network of approximately 1,300 miles of pipeline and 12,000 water valves. CDD also operates and maintains the Auxiliary Water Supply System (AWSS) which includes 120 miles of high-pressure pipelines, two pump stations, approximately 200 cisterns, and 3 reservoirs.

Budget Summary

Table W15 shows the FY 2013-14, FY 2014-15, and FY 2015-16 adopted budgets, FY 2012-13 audited actual, FY 2013-14 pre-audit actual, and the budget variance between FY 2013-14 and FY 2014-15 and FY 2014-15 and FY 2015-16.

Table W15. City Distribution Division (CDD) Budget Summary

Expenditure Category	FY 2012-13	FY 2013-14	FY 2013-14	FY 2014-15	FY 2015-16	FY 2014-15 vs. FY 2013-14		FY 2015-16 vs. FY 2014-15	
	Audited Actual	Adopted Budget	Pre-Audit Actual	Adopted Budget	Adopted Budget	Adopted Budget Amount	%	Adopted Budget Amount	%
Personnel	23,420,343	26,023,387	23,867,857	26,451,285	26,768,454	427,898	1.6%	317,169	1.2%
Non-Personnel Services	1,601,844	2,053,790	2,795,256	2,088,290	2,133,790	34,500	1.7%	45,500	2.2%
Materials & Supplies	2,133,421	2,420,889	2,579,196	2,387,509	2,435,492	(33,380)	-1.4%	47,983	2.0%
Equipment	1,268,368	862,903	1,731,259	694,344	694,461	(168,559)	-19.5%	117	0.0%
Services Of Other Departments	5,047,470	5,000,642	5,429,435	5,524,363	5,595,554	523,721	10.5%	71,191	1.3%
Water Total	33,471,446	36,361,611	36,403,003	37,145,791	37,627,751	784,180	2.2%	481,960	1.3%

Reasons for Changes, FY 2013-14 to FY 2014-15

- **Equipment** – Reflects a decrease based on the projected needs.
- **Services of Other Departments** – Reflects an increase to the Recreation and Park work order for gardening services and to the Light, Heat and Power work order for increased power costs.

Reasons for Changes, FY 2014-15 to FY 2015-16

There were no major changes in FY 2015-16.

Water Quality Division (WQD)

The Water Quality Division (WQD) mission is to ensure that the SFPUc complies with all current and future water quality regulations and customer expectations through: sample collection; field and laboratory analyses; process engineering; applied research; inspections; quality control/assurance programs; regulatory liaison and reporting; and on-site support to source/treatment/distribution operations. In addition, the WQD's mission includes analysis of discharges (into the sewer system, Bay and Ocean) and treatment performance samples, assessing environmental impacts, recommending/overseeing any necessary mitigation, and responding to and resolving customer inquiries about the quality of drinking and receiving waters.

Budget Summary

Table W16 shows the FY 2013-14, FY 2014-15, and FY 2015-16 adopted budgets, FY 2012-13 audited actual, FY 2013-14 pre-audit actual, and the budget variance between FY 2013-14 and FY 2014-15 and FY 2014-15 and FY 2015-16.

Table W16. Water Quality Division (WQD) Budget Summary

Expenditure Category	FY 2012-13	FY 2013-14	FY 2013-14	FY 2014-15	FY 2015-16	FY 2014-15 vs. FY 2013-14		FY 2015-16 vs. FY 2014-15	
	Audited Actual	Adopted Budget	Pre-Audit Actual	Adopted Budget	Adopted Budget	Adopted Budget Amount	%	Adopted Budget Amount	%
Personnel	12,101,561	10,756,830	12,381,615	11,045,423	11,257,568	288,593	2.7%	212,145	1.9%
Non-Personnel Services	2,518,252	2,963,774	3,274,530	3,052,491	3,424,007	88,717	3.0%	371,516	12.2%
Materials & Supplies	944,871	1,044,256	1,102,337	1,257,898	1,304,746	213,642	20.5%	46,848	3.7%
Equipment	211,705	359,105	682,423	417,273	315,267	58,168	16.2%	(102,006)	-24.4%
Services Of Other Departments	2,498	2,576	5,718	2,576	2,576	-	0.0%	-	0.0%
Water Total	15,778,887	15,126,541	17,446,623	15,775,661	16,304,164	649,120	4.3%	528,503	3.4%

Reasons for Changes, FY 2013-14 to FY 2014-15

- **Materials and Supplies** - Reflects an increase in data processing supplies and chemical reagents needed to operate the water quality monitoring stations.
- **Equipment** - Reflects an increase for equipment needed to operate the Water Quality laboratories.

Reasons for Changes, FY 2014-15 to FY 2015-16

- **Non-Personnel Services** - Reflects an increase to support the Sustainable Contaminant Warning System.
- **Equipment** - Decrease reflects one-time funding for equipment.

Water Supply & Treatment Division (WS&T)

The Water Supply & Treatment Division manages the SFPUC's Regional Water System and delivers high quality water to residents in the City and County of San Francisco as well as to wholesale customers in Santa Clara, Alameda, and San Mateo counties with supplies derived from watersheds in Yosemite National Park (Hetch Hetchy), Alameda County, and the Peninsula. WS&T operates and maintains three major water treatment plants, 260 miles of pipelines and associated right-of-way, and five Bay Area reservoirs.

Budget Summary

Table W17 shows the FY 2013-14, FY 2014-15, and FY 2015-16 adopted budgets, FY 2012-13 audited actual, FY 2013-14 pre-audit actual, and the budget variance between FY 2013-14 and FY 2014-15 and FY 2014-15 and FY 2015-16.

Table W17. Water Supply and Treatment Division Budget Summary

Expenditure Category	FY 2012-13	FY 2013-14	FY 2013-14	FY 2014-15	FY 2015-16	FY 2014-15 vs. FY 2013-14		FY 2015-16 vs. FY 2014-15	
	Audited Actual	Adopted Budget	Pre-Audit Actual	Adopted Budget	Adopted Budget	Adopted Budget Amount	%	Adopted Budget Amount	%
Personnel	26,527,020	28,202,083	27,336,852	28,543,203	28,907,701	341,120	1.2%	364,498	1.3%
Non-Personnel Services	3,214,193	3,248,572	3,478,000	3,814,769	3,892,608	566,197	17.4%	77,839	2.0%
Materials & Supplies	8,230,605	9,327,394	9,447,207	9,160,811	9,362,065	(166,583)	-1.8%	201,254	2.2%
Equipment	224,527	563,069	944,156	431,746	402,175	(131,323)	-23.3%	(29,571)	-6.8%
Services Of Other Departments	5,500,979	6,962,533	5,880,195	7,000,501	7,131,276	37,968	0.5%	130,775	1.9%
Water Total	43,697,324	48,303,651	47,086,410	48,951,030	49,695,825	647,379	1.3%	744,795	1.5%

Reasons for Changes, FY 2013-14 to FY 2014-15

- **Non-Personnel Services** - Reflects an increase in the cost of sludge removal.
- **Equipment** - Decrease reflects one-time funding for equipment.

Reasons for Changes, FY 2014-15 to FY 2015-16

There were no major changes in FY 2015-16.

Natural Resources Division

The Natural Resources Division is responsible for monitoring, protecting and restoring those lands and ecological resources under the management of the SFPUC. Natural Resources is responsible for management of the significant resources within the Tuolumne River, Alameda Creek and Peninsula watersheds, and also reflects the high priority the SFPUC gives to its role as the steward of these natural resources for current and future generations.

Budget Summary

Table W18 shows the FY 2013-14, FY 2014-15, and FY 2015-16 adopted budgets, FY 2012-13 audited actual, FY 2013-14 pre-audit actual, and the budget variance between FY 2013-14 and FY 2014-15 and FY 2014-15 and FY 2015-16.

Table W18. Natural Resources Division Budget Summary

Expenditure Category	FY 2012-13	FY 2013-14	FY 2013-14	FY 2014-15	FY 2015-16	FY 2014-15 vs. FY 2013-14		FY 2015-16 vs. FY 2014-15	
	Audited Actual	Adopted Budget	Pre-Audit Actual	Adopted Budget	Adopted Budget	Adopted Budget Amount	%	Adopted Budget Amount	%
Personnel	7,908,697	8,691,846	7,988,812	9,048,501	9,150,810	356,655	4.1%	102,309	1.1%
Non-Personnel Services	1,115,710	1,229,762	1,570,954	1,241,315	1,241,315	11,553	0.9%	-	0.0%
Materials & Supplies	403,635	402,460	429,197	401,318	402,703	(1,142)	-0.3%	1,385	0.3%
Equipment	231,709	173,056	297,417	69,441	242,000	(103,615)	-59.9%	172,559	248.5%
Services Of Other Departments	181,456	184,265	184,257	184,265	184,265	-	0.0%	-	0.0%
Water Total	9,841,207	10,681,389	10,470,637	10,944,840	11,221,093	263,451	2.5%	276,253	2.5%

Reasons for Changes, FY 2013-14 to FY 2014-15

- **Equipment** - Decrease reflects one-time funding for vehicles.

Reasons for Changes, FY 2014-15 to FY 2015-16

- **Equipment** - Reflects an increase to equipment needed for watershed protection.

Water Resources Division

The Water Resources Division conducts water supply planning studies and implements projects to develop additional water supplies from groundwater, recycled water, conservation, desalination, groundwater dewatering and other alternate water sources. These services are developed on a local and regional level. The Water Resources Division coordinates with bureaus and divisions within the SFPUC, other City departments, Bay Area Water Supply and Conservation Agency (BAWSCA), and SFPUC member agencies in the development and implementation of these water supply planning studies and projects.

Budget Summary

Table W19 shows the FY 2013-14, FY 2014-15, and FY 2015-16 adopted budgets, FY 2012-13 audited actual, FY 2013-14 pre-audit actual, and the budget variance between FY 2013-14 and FY 2014-15 and FY 2014-15 and FY 2015-16.

Table W19. Water Resources Division Budget Summary

Expenditure Category	FY 2012-13	FY 2013-14	FY 2013-14	FY 2014-15	FY 2015-16	FY 2014-15 vs. FY 2013-14		FY 2015-16 vs. FY 2014-15	
	Audited Actual	Adopted Budget	Pre-Audit Actual	Adopted Budget	Adopted Budget	Adopted Budget Amount	%	Adopted Budget Amount	%
Personnel	3,362,599	3,599,379	3,593,546	3,773,614	3,816,091	174,235	4.8%	42,477	1.1%
Non-Personnel Services	2,643,028	4,093,906	2,472,527	3,729,834	3,731,362	(364,072)	-8.9%	1,528	0.0%
Materials & Supplies	103,473	369,650	113,691	387,925	383,508	18,275	4.9%	(4,417)	-1.1%
Equipment	23,457	35,000	51,618	-	-	(35,000)	-100.0%	-	0.0%
Services Of Other Departments	326,588	295,000	283,011	253,190	253,239	(41,810)	-14.2%	49	0.0%
Water Total	6,459,145	8,392,935	6,514,393	8,144,563	8,184,200	(248,372)	-3.0%	39,637	0.5%

Reasons for Changes, FY 2013-14 to FY 2014-15

- **Equipment** - Decrease reflects one-time funding for equipment.
- **Services of Other Departments** – Reflects a decrease in the work orders based on the Division’s projected needs.

Reasons for Changes, FY 2014-15 to FY 2015-16

There were no major changes in FY 2015-16.



WASTEWATER ENTERPRISE

Mission, Roles, and Responsibilities

The Wastewater Enterprise is committed to its mission of safely and cost-effectively managing San Francisco's sewage, stormwater, and biosolids to protect public health and the environment.

The primary responsibility of the Wastewater Enterprise is to protect public health and the surrounding bay and ocean waters by collecting and treating storm and sanitary flows generated in the service area. San Francisco is the only coastal city in California with a combined sewer system that collects both wastewater and stormwater in the same network of pipes and provides treatment to remove harmful pollutants before discharge into the San Francisco Bay and Pacific Ocean.

Wastewater implements a Water Pollution Prevention Program that works to keep pollutants from entering the City's sewer system and street storm drains. The program includes an industrial/commercial Pretreatment Program, which monitors individual businesses that have been issued permits to discharge wastewater into the City's sewer system, as well as outreach, education and best management practices programs for residents, business and governments.

The Wastewater Enterprise operates and maintains the City's three water pollution control plants; 27 wastewater pump stations, about 993 miles of combined sewers, tunnels, and force mains, 36 near-shore combined sewage discharge structures, and four effluent outfalls, including the North Point Facility consolidated outfall which is actually four separate outfall pipes. The Wastewater Enterprise also operates and maintains the Treasure Island sewer system that includes the Treasure Island Treatment Plant, 29 wastewater pump stations, six stormwater pump stations, an effluent outfall, and 50 stormwater outfalls on Treasure and Yerba Buena Islands. The Living Machine at SFPUC Headquarters is an additional wastewater treatment facility that treats and recycles the wastewater within the 13-story building.

San Francisco's sewer system is well operated, but aging infrastructure, past funding constraints resulting in deferred maintenance, and a vision for a more sustainable system highlight the need for the significant, planned Capital Improvement Program and a change in how we value and maintain our existing assets. Over the next 20 years the SFPUC plans to implement a \$6.9 billion Sewer System Improvement Program (SSIP) to provide a compliant, reliable and resilient system, integrate green and grey infrastructure to manage stormwater and minimize flooding. At the same time, the Wastewater Enterprise operational priorities are to optimize the value and reliability of all assets, develop a learning organization based on technical competence and leadership, operate and plan for regulatory compliance and resource recovery while adapting to a changing climate, and deliver high quality customer service while providing a safe and secure work environment.

Budget Summary

Table C1 shows the FY 2013-14 to FY 2015-16 adopted budgets, FY 2012-13 audited actual and FY 2013-14 pre-audit actual, and budget variances between FY 2014-15 and FY 2013-14, and between FY 2015-16 and FY 2014-15.

The increases in the Sources of Funds are a reflection of the increased Sewer Service Charges approved in May 2014. The Use of Funds remains consistently proportional in the top four categories as the total amount increase is consistently with the increased revenues available to the Enterprise.

Table C1. Wastewater Enterprise Sources and Uses of Funds

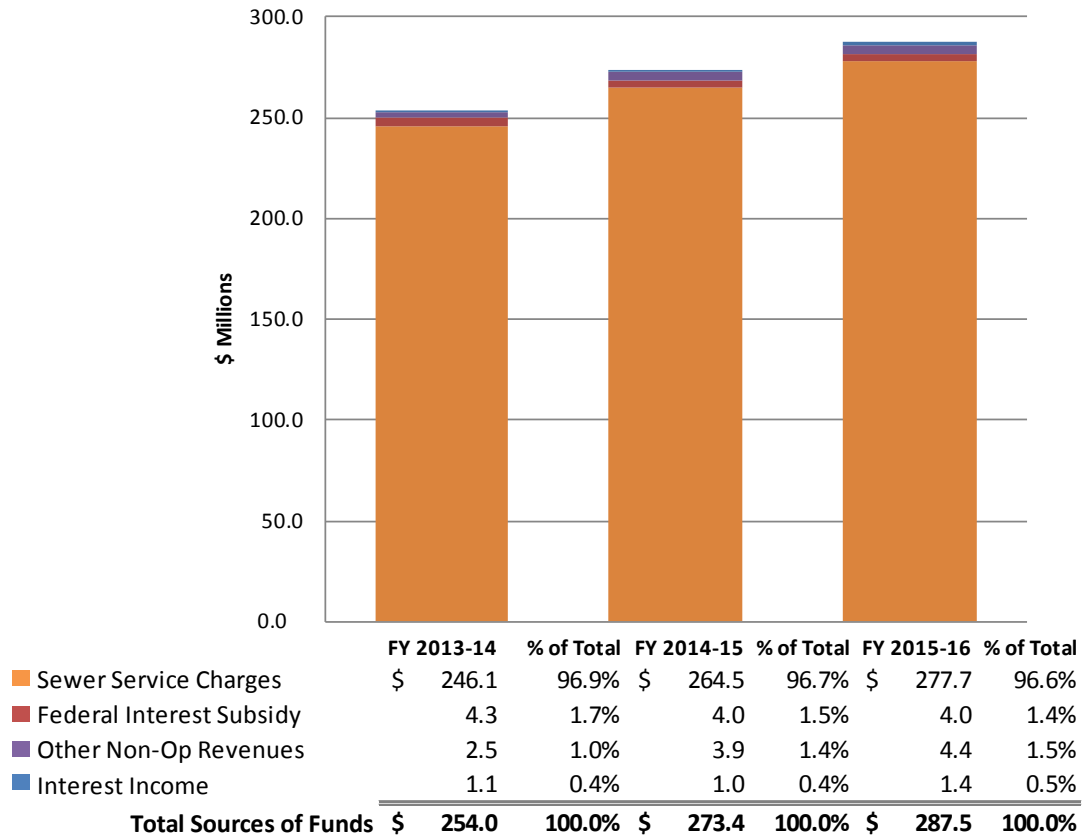
Expenditure Category	\$ Millions					FY 2014-15 vs. FY 2013-14		FY 2015-16 vs. FY 2014-15	
	FY 2012-13	FY 2013-14	FY 2013-14	FY 2014-15	FY 2015-16	Adopted Budget		Adopted Budget	
	Audited Actual	Adopted Budget	Pre-Audit Actual	Adopted Budget	Adopted Budget	Amount	%	Amount	%
SOURCES OF FUNDS									
Sewer Service Charges	235.5	246.1	254.5	264.5	277.7	18.4	7.5%	13.2	5.0%
Federal Interest Subsidy	4.3	4.3	3.4	4.0	4.0	(0.3)	-7.2%	-	0.0%
Other Non-Op Revenues	2.4	2.5	2.3	3.9	4.4	1.4	56.8%	0.5	12.9%
Interest Income	0.8	1.1	0.5	1.0	1.4	(0.1)	-10.9%	0.4	42.3%
Total Sources of Funds	243.0	254.0	260.7	273.4	287.5	19.4	7.7%	14.1	5.2%
USES OF FUNDS									
Personnel	60.4	63.5	61.1	65.7	66.8	2.2	3.4%	1.1	1.6%
Non-Personnel Services	16.1	14.7	17.1	15.8	16.0	1.1	7.6%	0.2	1.1%
Materials & Supplies	9.9	9.4	10.0	9.9	10.1	0.5	4.8%	0.3	2.6%
Equipment	1.9	0.7	1.5	1.0	0.7	0.3	49.8%	(0.3)	-31.1%
Debt Service	48.3	60.4	52.4	52.3	63.5	(8.1)	-13.4%	11.2	21.3%
Services Of Other Depts	55.8	57.5	66.6	60.6	60.8	3.1	5.4%	0.2	0.3%
General Reserve	11.7	4.5	8.9	21.9	21.4	17.4	383.6%	(0.5)	-2.2%
Capital/Revenue Reserve	33.0	37.0	37.0	39.0	41.0	2.0	5.4%	2.0	5.1%
Programmatic Projects	5.9	6.2	6.2	7.2	7.2	1.0	15.7%	-	0.0%
Total Uses of Funds	243.0	254.0	260.7	273.4	287.5	19.4	7.7%	14.1	5.2%

Sources of Funds

Chart C1 displays the FY 2013-14 to FY 2015-16 budgeted Sources of Funds by revenue category.

The Wastewater Enterprise is dependent upon the Sewer Service Charge revenue, and the user fees paid by the system customers. Other revenue sources combined are less than 4 percent of the total Sources of Funds.

Chart C1. FY 2013-14 to FY 2015-16 Wastewater Enterprise Sources of Funds



Summary

Estimated revenues for FY 2014-15 from Sewer Service Charges, Federal Interest Subsidy, Other Non-Operating Revenues, and Interest Income are projected at \$273.4 million, a \$19.4 million, or 7.7 percent, increase from FY 2013-14. The net increase from FY 2013-14 revenues reflects an increase of \$18.4 million in Sewer Service Charges, a \$1.4 million increase in Other Non-Operating Revenues, offset by a decrease of \$0.3 million in Federal Interest Subsidy and \$0.1 million decrease in Interest Income.

Estimated revenues for FY 2015-16 are projected at \$287.5 million. The \$14.1 million increase includes \$13.2 million in Sewer Service Charges, \$0.5 million in Other Non-Operating Revenues, and \$0.4 million in Interest Income.

Sewer Service Charges

Sewer Service Charge revenues, which are based on water consumption and approved rates, are budgeted at \$264.5 million in FY 2014-15, and \$277.7 million in FY 2015-16. Sewer service rates were adopted by the SFPUC Commission in May 2014, and include rates for single-family and multiple-family residential and non-residential customers. The \$18.4 million increase from FY 2013-14 to FY 2014-15, and the \$13.2 million increase from FY 2014-15 to FY 2015-16, are consistent with the approved rates. See the Wastewater Enterprise Approved Rates Section for more detail.

Federal Interest Subsidy

The FY 2014-15 Federal Interest Subsidy for Build America Bonds (BABs) financing is budgeted at \$4.0 million and reflects a revenue source for the Wastewater Enterprise. The Treasury Department provides a direct subsidy, under the American Recovery and Reinvestment Act (ARRA), equal to 32.0 percent, net of sequestration, of the interest payable for bonds issued as BABs. The decrease of \$0.3 million from FY 2013-14 is consistent with the subsidy provisions in the ARRA.

The Federal Interest Subsidy in FY 2015-16 is budgeted at \$4.0 million; the same as in FY 2014-15.

Other Non-Operating Revenues

Other Non-Operating Revenues are budgeted at \$3.9 million in FY 2014-15. They include the following: \$1.4 million for reimbursement for SFPUC's Headquarters, \$1.2 million from miscellaneous revenues including biofuel, \$0.8 million from property rental, and \$0.5 million from services provided to other City departments. The \$1.4 million increase from FY 2013-14 reflects increases of \$0.9 million in miscellaneous revenues and \$0.5 million recovery from Infrastructure for their share of the cost of the SFPUC Headquarters.

Other Non-Operating Revenues in FY 2015-16 are budgeted at \$4.4 million. The \$0.5 million increase from FY 2014-15 is for the recovery from Infrastructure for their share of the cost of the SFPUC Headquarters.

Interest Income

Interest Income revenues are budgeted at \$1.0 million in FY 2014-15. Interest income is based on interest rates on the County Investment Pool. Interest revenues are projected to be \$0.1 million less than in FY 2013-14. The decrease reflects a lower cash balance in the investment pool.

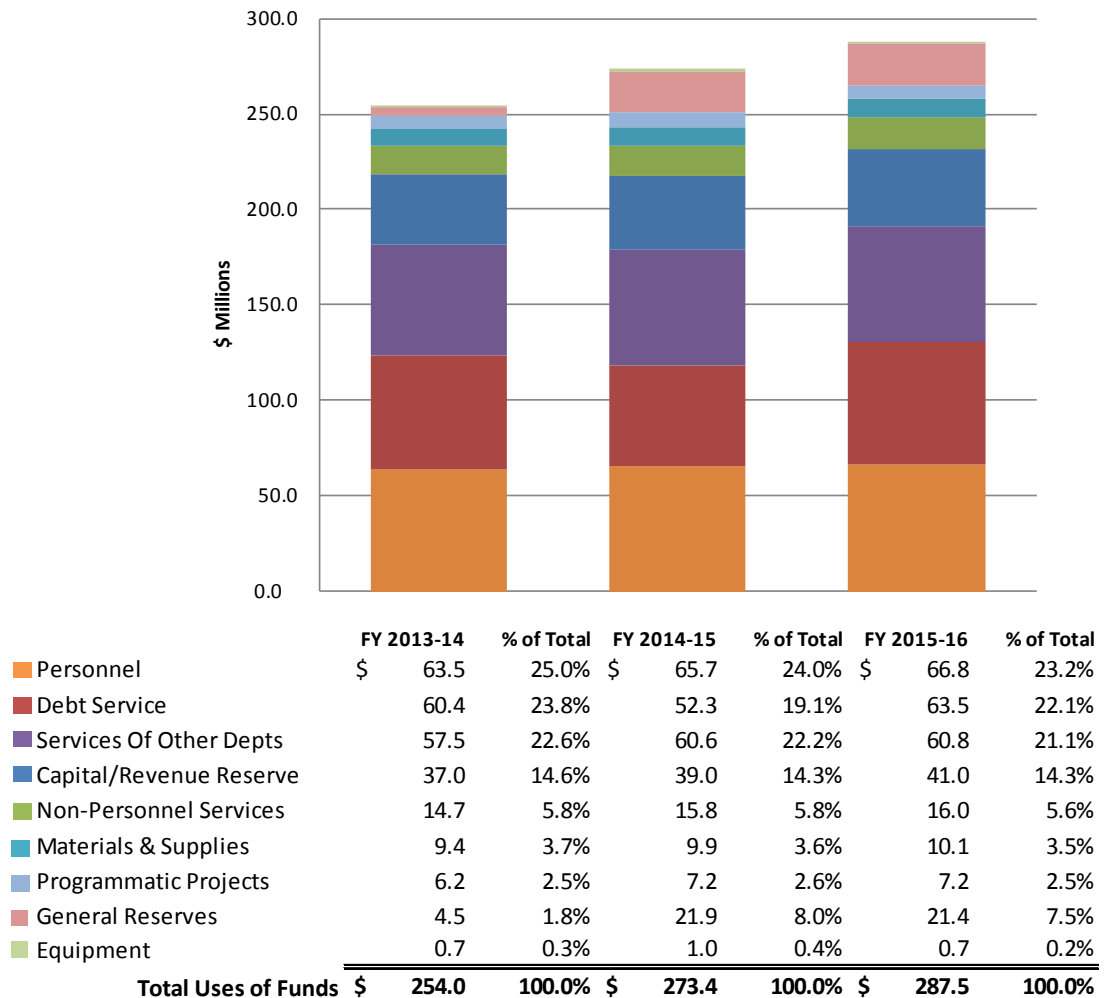
In FY 2015-16, Interest Income is projected to be \$1.4 million or \$0.4 million more than the prior year. The increase reflects a projected higher cash balance in the investment pool.

Uses of Funds

Chart C2 displays the FY 2013-14 to FY 2015-16 budgeted Uses of Funds by expenditure category.

The Uses of Funds remain proportionally consistent from FY 2013-14 through FY 2015-16 with the majority of the funds allocated to the four main categories of Personnel, Service to Other Departments, Debt and Capital/Revenue Reserve.

Chart C2. FY 2013-14 to FY 2015-16 Wastewater Enterprise Uses of Funds



Summary

The Wastewater Enterprise's FY 2014-15 Uses of Funds are \$273.4 million, a \$19.4 million, or 7.7 percent, increase from FY 2013-14. It includes \$65.7 million for Personnel; \$60.6 million for Services of Other Departments; \$52.3 million for Debt Service; \$39.0 million for Capital/Revenue Reserve; \$21.9 million for General Reserve; and \$33.9 million for Non-Personnel Services, Materials and Supplies, Programmatic Projects and Equipment. The net increase of \$19.4 million from FY 2013-14 reflects increases of \$2.2 million in Personnel, \$3.1 million in Services of Other Departments, \$2.0 million in Capital/Revenue Reserve, \$17.4 million in General Reserve, and \$2.8 million in Non-Personnel Services, Materials and Supplies, Programmatic Projects, and Equipment offset by a decrease of \$8.1 million in Debt Service.

The Wastewater Enterprise's FY 2015-16 Uses of Funds are \$287.5 million, a \$14.1 million or 5.2 percent increase from FY 2014-15. It includes \$66.8 million in Personnel; \$60.8 million in Services of Other Departments; \$63.5 million in Debt Service; \$41.0 million in

Capital/Revenue Reserve; \$21.4 million in General Reserve; \$16.0 million for Non-Personnel Services; and \$18.0 million in Materials and Supplies, Programmatic Projects, and Equipment. The net increase of \$14.1 million from FY 2014-15 reflects increases of \$1.1 million in Personnel, \$11.2 million in Debt Service, \$2.0 million in Capital/Revenue Reserve, \$0.6 million in Services of Other Departments, Non-Personnel Services, and Materials and Supplies offset by a decrease of \$0.8 million in General Reserve and Equipment.

Personnel

The FY 2014-15 Personnel budget is \$65.7 million. It includes \$44.4 million for salaries and \$21.3 million for fringe benefits. The increase in salaries of \$1.2 million FY 2013-14 includes: salary adjustments based on labor agreements and the substitution of six position classes to meet new job demands.

Mandatory Fringe Benefits are budgeted at \$21.3 million and includes funding for retirement and healthcare costs. This budget is determined by salaries and headcount for healthcare costs, including retirement and social security. The net increase of \$1.0 million from the FY 2013-14 budget reflects adjustments to salaries and retirement and health benefit rates.

The 2015-16 Personnel budget is \$66.8 million, a \$1.1 million, or 1.6 percent increase from FY 2014-15. The increase includes: a \$1.6 million increase in salaries resulting from adjustments to labor agreements offset by a \$0.5 million decrease in fringe benefits resulting from lowered retirement rates.

Services of Other Departments

The FY 2014-15 Services of Other Departments budget is \$60.6 million and funds services provided by other City departments to the Wastewater Enterprise. These services include City-wide dispatch, sewer cleaning, facilities maintenance, and fleet maintenance, among other services. The \$3.1 million increase from the FY 2013-14 reflects an increase in SFPUC administrative support services, and laboratory services.

The FY 2015-16 Services of Other Departments budget is \$60.8 million, a \$0.2 million or 0.3 percent increase from FY 2014-15. The increase primarily reflects an increase in power and workers' compensation services.

Debt Service

The FY 2014-15 Debt Service budget at \$52.3 million funds principal and interest payments on revenue bonds. It covers the principal on outstanding Wastewater revenue bonds for the SSIP, and lease payments for the SFPUC's Headquarters. The decrease of \$8.1 million reflects a near-term reduction in debt service related to the Wastewater 2013 Series A bonds which refunded both the 2003 Wastewater bonds as well as the State Revolving Fund loans.

The FY 2015-16 Debt Service budget is \$63.5 million, an \$11.2 million or 21.4 percent increase from FY 2014-15. The increase is related to the Wastewater 2013 Series B bonds to fund new capital projects, previously funded from capitalized interests.

Capital/Revenue Reserve

The FY 2014-15 Capital/Revenue Reserve budget is \$39.0 million, a \$2.0 million increase from FY 2013-14 consistent with the policy to optimize the value and reliability of all assets. This budget funds the revenue portion of the capital program approved and funded through a supplemental appropriation. The Renewal and Replacement (R&R) program is part of Wastewater's Capital Program, specifically for renewal of the collection system and plant improvements.

The FY 2015-16 Capital/Revenue Reserve budget is \$41.0 million, a \$2.0 million or 5.1 percent increase from FY 2014-15. The increase reflects Wastewater's for FY 2015-16 is consistent with the policy to optimize the value and reliability of all assets.

General Reserve

The FY 2014-15 General Reserve budget is \$21.9 million. The General Reserve is used to balance budgeted fund sources and uses when budget revenues exceed budgeted expenditures. The \$17.4 million increase from the FY 2013-14 budget reflects increases in Sewer Service Charges revenue.

The FY 2015-16 General Reserve budget is \$21.4 million, a decrease of \$0.5 million or 2.2 percent from FY 2014-15 due to increases in other spending categories.

Non-Personnel Services

The FY 2014-15 Non-Personnel Services budget is \$15.8 million and funds services for the Enterprise including equipment and facility maintenance, travel, training, memberships, entertainment and promotion expenses, utilities, professional services, and rent. The increase of \$1.1 million from the FY 2013-14 budget funds increases in professional services to support planning and regulatory service, equipment rental for two additional Vactor sewer cleaning trucks used for sewer repair, water service charges to reflect rate increases for water for pump station and facilities, and biosolids/grit hauling and disposal service contract increases.

The FY 2015-16 Non-Personnel Services budget is \$16.0 million, an increase of \$0.2 million or 1.2 percent from FY 2013-14. The increase funds the rental of two additional Vactor sewer cleaning trucks, water service charges offset by a reduction in one-time funding in professional services.

Materials and Supplies

The FY 2014-15 Materials and Supplies budget is \$9.9 million and funds materials and supplies, including equipment maintenance supplies, sewage treatment supplies, office and safety supplies, food, fuel, and software licenses. The increase of \$0.5 million from FY 2013-14 reflects projected costs for sewage treatment supplies used in various processes of wastewater treatment and City-wide odor control.

The FY 2015-16 Materials and Supplies budget is \$10.1 million, an increase of \$0.2 million or 2.0 percent from FY 2014-15. The increase reflects higher costs for equipment maintenance supplies and sewage treatment chemicals.

Programmatic Projects

FY 2014-15 Programmatic Projects are budgeted at \$7.2 million to support annually funded programs. The \$1.0 million, or 15.7 percent, increase from FY 2013-14 reflects increased funding for Wastewater Enterprise's share of 525 Golden Gate Operations and Maintenance budget, which includes the operations of the Living Machine which treats and recycles the wastewater in the building and Community Benefits Programs, including workforce development and low impact design programs such as sidewalk garden grants and permeable school yards.

FY 2015-16 Programmatic Projects are budgeted at \$7.2 million; the same as in FY 2014-15.

Equipment

The FY 2014-15 Equipment budget is \$1.0 million. This budget funds equipment required to support the Enterprise's operations. The \$0.3 million increase reflects the costs of several large vehicles needed to support the sewer replacement program.

The FY 2015-16 Equipment budget is \$0.7 million, a decrease of \$0.3 million or 30 percent from FY 2014-15. The decrease reflects one-time vehicle purchases in FY 2014-15.

Authorized and Funded Full-Time Equivalents (FTEs)

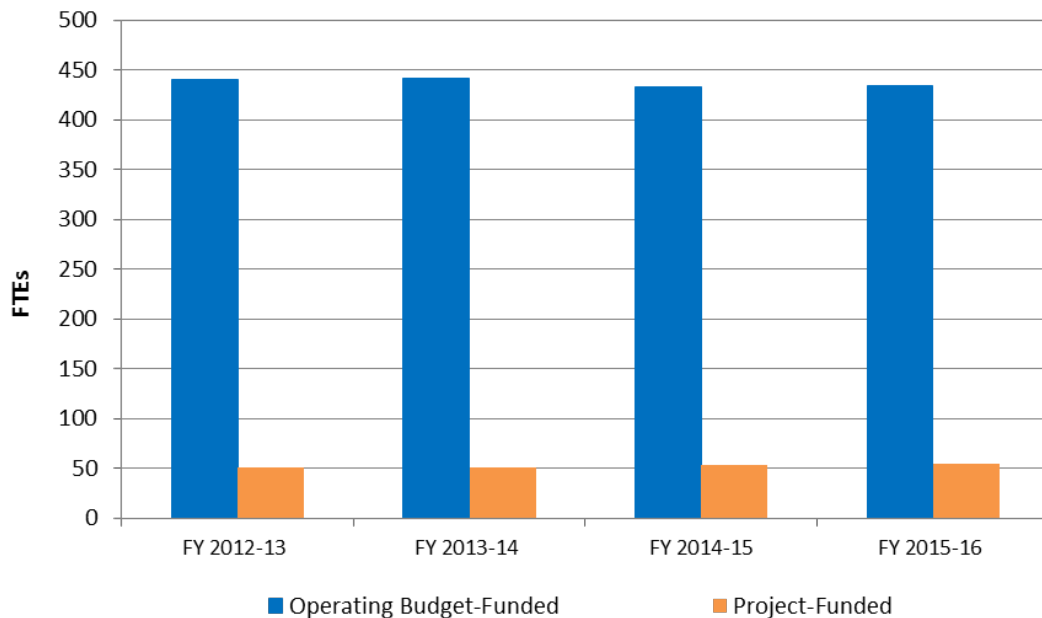
Table C2 provides a breakdown of positions by position type for FY 2012-13 to FY 2015-16.

Table C2. Wastewater Enterprise Authorized and Funded Full-Time Equivalents (FTEs)

Position Type	FY 2012-13	FY 2013-14	FY 2014-15	FY 2015-16	FY 2013-14 vs. FY 2014-15	FY 2015-16 vs. FY 2014-15
	Adopted Budget	Adopted Budget	Adopted Budget	Adopted Budget		
Permanent Positions	436.01	437.18	429.03	429.72	(8.15)	0.69
Temporary Positions	4.08	3.98	3.91	4.06	(0.07)	0.15
Subtotal Operating Budget-Funded	440.09	441.16	432.94	433.78	(8.22)	0.84
Project-Funded Positions	50.50	50.50	53.81	54.50	3.31	0.69
Total Positions	490.59	491.66	486.75	488.28	(4.91)	1.53

Chart C3 shows the operating budget and project-funded positions four-year trend.

Chart C3. Wastewater Enterprise Operating and Project FTEs Trend



As noted above in Table C2, the Wastewater Enterprise full-time equivalent (FTE) operating, project-funded, and temporary positions for FY 2014-15 is 486.75 FTEs, a 4.91 FTE decrease from FY 2013-14. Chart C3 illustrates a shift from the operating to the project-funded FTEs from FY 2012-13 to FY 2015-16. FY 2014-15 permanent positions decreased by 8.15 FTEs, from 437.18 FTEs in FY 2013-14 to 429.03 FTEs in FY 2014-15. The net Permanent Position decrease includes: a 4.15 FTE increase in salary savings to adjust for vacancies and the elimination of four vacant positions based on how long the positions were vacant. In addition, four new project-funded positions were added - two utility specialists to support post-construction policy and regulatory compliance and redevelopment activities and one position to manage the regulatory interface with the Sewer System Improvement Program (SSIP) program, and one position to support Wastewater's maintenance systems.

The number of temporary positions from FY 2013-14 to FY 2014-16 decreased by 0.07 FTEs, from 3.98 FTEs in FY 2013-14 to 3.91 FTEs in FY 2014-15 resulting from a slight reduction in temporary salaries funding.

Project-funded positions increased by 3.31 FTEs from FY 2013-14 to FY 2014-15, from 50.50 FTEs to 53.81 FTEs. The increase reflects the addition of four new positions - two

utility specialists to support post-construction policy and regulatory compliance and redevelopment activities and one position to manage the regulatory interface with the Sewer System Improvement Program (SSIP) program and one position to support Wastewater's maintenance systems.

The FY 2015-16 Wastewater Enterprise FTE count increased by 1.53 FTEs from FY 2014-15 based on: adjustments to salary savings to reflect the projected vacancy rate; adjustments to the temporary salaries to reflect changes to the temporary salaries budget; and the annualization of four new FY 2014-15 project-funded positions, discussed above.

Four-Year Approved Rates and Charges

Rates and Charges

San Francisco City Charter Requirements

In addition to Federal and State guidelines, the City Charter (Sections 8B.125) establishes a number of goals and objectives for the setting of retail sewer rates. A summary of the major goals and objectives appears below:

- Provide sufficient revenues for the operation, maintenance and repair of the Enterprise consistent with good utility practice;
- Provide sufficient revenues to improve or maintain financial condition and bond ratings at or above levels equivalent to highly-rated utilities of each Enterprise;
- Meet requirements and covenants under all bond indentures;
- Set rates based on cost of service;
- Investigate and develop capacity fees for new development;
- Investigate and develop rate-based conservation incentives;
- Investigate and develop affordability programs for low-income customers.

Rate Objectives

Sewer rates generate revenue from individual customers to meet the cost of serving each customer class. The SFPUC has identified a series of objectives to be reflected in its rate structure. Those objectives include:

- **Conservation.** The residential rate structure should encourage customers to conserve water and to use water and sewer services in a responsible manner that promotes environmental stewardship.
- **Simplicity.** The residential rate structure should be easy to communicate to customers, and customers should be able to use their knowledge of the rate structure to reliably predict the amount of their water and sewer bill.
- **Stability.** The residential rate structure should provide a reliable revenue stream to the Wastewater Enterprise, and a small change in residential use patterns should not lead to large changes in revenues.
- **Fairness.** The residential rate structure should ensure that all customers pay their fair share of costs. Cost of service serves as a basis for evaluating the equity.

Appendix C and D of this budget document provides more information about the SFPUC Rates Policy and the SFPUC Ratepayer Assurance Policy.

2014 SFPUC Water and Wastewater Cost of Service Study

As required by the City Charter (Sections 8B.125) at least every 5 years, SFPUC completed a cost of service study by an independent consultant during FY 2013-14. The findings and recommendations of the independent cost of service study entitled *SFPUC Water and Wastewater Cost of Service Study* informed the final SFPUC staff rate proposal adopted by the Commission on May 13, 2014. In addition to the rate objectives listed above, the goal is to maintain a combined water and sewer rate that does not exceed 2.5 percent of the average household income in San Francisco. This affordability index is consistent with the Federal Environmental Protection Agency guideline for utility affordability. The adopted 4-year rate package included retail water and wastewater rates for FY 2014-15 through FY 2017-18 as well as water and wastewater capacity charges, connection fees, and miscellaneous charges.

Throughout the rate-setting process, SFPUC staff worked closely with the Rate Fairness Board during the development of rates to meet Charter and Commission objectives. During this rate-setting cycle, the Rate Fairness Board met ten times, between July 2013 and April 2014, to evaluate staff proposals and assess their impacts on customers. The final rates package adopted by the Commission in May 2014 addresses rate policy objectives established by the Commission and reflects priorities contained in the Wastewater Enterprise FY 2014-15 and FY 2015-16 budget, as approved by the Commission in February 2014.

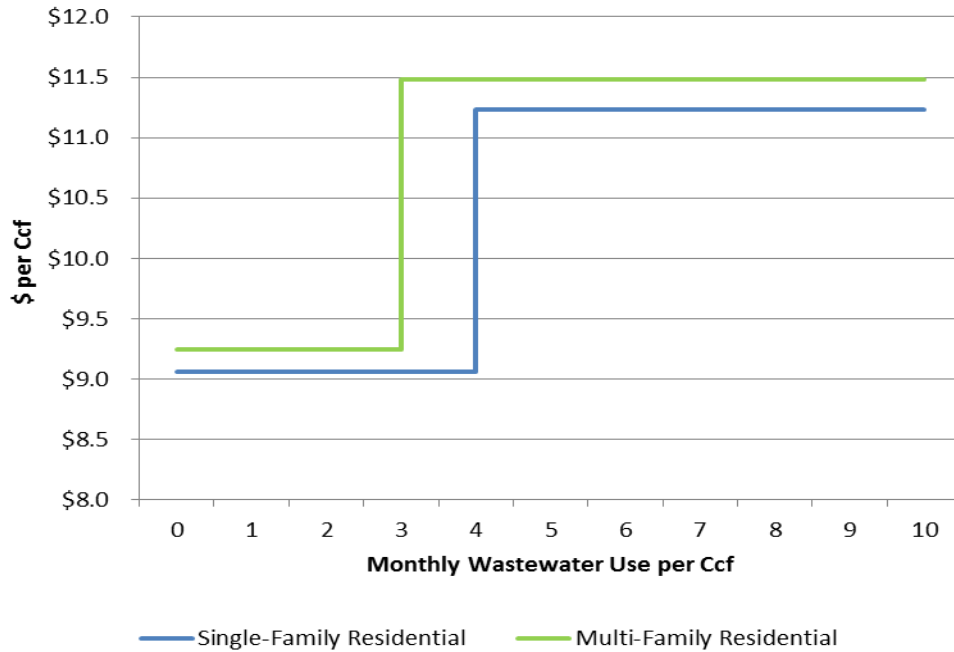
SFPUC staff also participated in an extensive public outreach program, delivering over 100 presentations on the proposed rate adjustments to organizations representing a wide spectrum of community, environmental, business, labor and other interests. Outreach was also made through the SFPUC's website, which includes tools for customers to estimate rate impacts based on their current usage. In compliance with California Proposition 218 which requires proposed rates be publicized through specific mailings, the proposed rates were mailed more than 45 days prior to the April 22, 2014 hearing to approximately 215,000 ratepayers and property owners; in response, the SFPUC received some 124 formal protest letters. Through the rate adoption, the Commission affirmed the SFPUC met all requirements of the City Charter and Proposition 218.

Residential Rate Structure

Single-family residential customers and multi-family Wastewater customers are separated into separate classes, allowing rates to be designed to reflect the particular usage characteristic of each group of residential customers, approximately 57 percent. Single-family residential customers have a larger percentage of their total usage in the first tier, approximately 65 percent. Separate classes ensure each customer group pays their fair share of costs. As a result of the independent 2014 Water and Wastewater Cost of Service Study, the Commission adopted a new single-family residential rate structure, changing the first tier from 3 Ccf-monthly to 4 Ccf-monthly and phasing out the second wastewater tier for all residential customers by FY 2017-18. These wastewater rate structure changes were based on recommendations made in 2014 Water and Wastewater Cost of Service Study to better reflect updated residential customer usage patterns and align the SFPUC with utility industry best practices.

Chart C4 shows the rate structure for single-family residential and multi-family residential.

Chart C4. FY 2014-15 Wastewater Enterprise Two-Tier Residential Rate Structure



Non-Residential Rate Structure

Non-residential customers pay rates based on the unit costs of volume, oil and grease (O/G), total suspended solids (TSS), and chemical oxygen demand (COD), which are discharged to the Wastewater sewers. The later three components are means of measuring the pollutant loading of a customer’s discharge. Pollutant loadings are identified through individual sampling of significant dischargers or are based on a standard strength for dischargers engaged in the same or similar business activity.

Table C3 shows unit costs for the approved rates through FY 2017-18, and an illustrative rate based on normal strength sewage.

Table C3. Summary of Approved Wastewater Rates

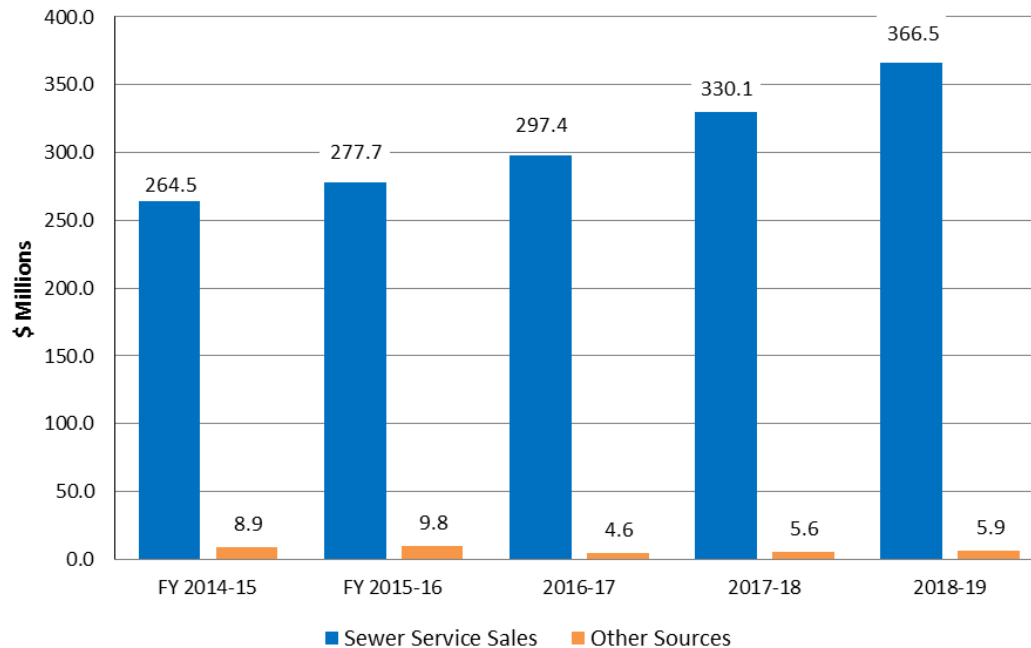
Cost Components	Approved Rates				
	FY 2013-14	FY 2014-15	FY 2015-16	FY 2016-17	FY 2017-18
Single-Family Residential					
First Four Ccf/Month ¹	\$ 7.90	\$ 9.06	\$ 9.82	\$ 10.84	\$ 12.40
All Additional	10.53	11.23	11.34	11.66	12.40
Multi-Family Residential					
First Three Ccf/Month	8.25	9.24	9.95	10.91	12.40
All Additional	\$ 11.01	\$ 11.48	\$ 11.51	\$ 11.75	\$ 12.40
Non-Residential					
Volume per Ccf	6.62	6.15	6.45	6.90	7.66
COD per lb.	0.89	0.44	0.46	0.49	0.55
SS per lb.	1.11	0.83	0.87	0.93	1.03
O/G per lb.	0.22	0.87	0.91	0.97	1.08
Normal Strength per Ccf	9.60	9.92	10.42	11.15	12.37

Revenue Sources

As an Enterprise department, the Wastewater Enterprise is required to generate sufficient revenues to fund its annual budget and to comply with the conditions of Federal grants, State loans, and bond covenants. The Enterprise derives its revenues from sewer service charges, interest income, and other non-operating income. Sewer service charges produce the vast majority of total revenues received. The following paragraphs describe revenues in greater detail.

Chart C5 shows the Wastewater Enterprises Revenue by Source.

Chart C5. Wastewater Enterprise Revenues by Source



Sewer Service Charges

Prior to 1977, the City funded sewer service costs principally from property taxes, supplemented by a flat fee per connection. Since 1977, the sewer service charge has been the Wastewater Enterprise's primary source of revenue to fund operations. As a recipient of Federal and State grants and a borrower under the State Revolving Fund (SRF) loan program, and under Proposition 218, the City is required to adopt sewer service charges based on each customer class's proportional use of the sewage system and to establish a dedicated source of revenues to pay for operating the system. The use of the sewage system is determined by actual water consumed, which is measured by the Water Enterprise's water meters. For single family residential customers, sewer charges assume an effluent rate of 90 percent of water consumed, and 95 percent for multi-family. Total sewer service sales are projected at \$264.5 million in FY 2014-15, \$10.0 million higher than prior year pre-audit actuals. FY 2015-16 Sewer Service Charges are projected at \$277.7 million, a \$13.2 million increase consistent with approved rates. Revenues are projected to increase to \$366.5 million in FY 2018-19, based on projected rate increases.

Residential

The sewer service charge applicable to residential service in FY 2014-15 is an inclining block rate structure; however, the second wastewater tier for residential customers will be progressively phased into a unified rate by FY 2017-18. A uniform (i.e. single-tier) residential wastewater rate was adopted by the Commission to better reflect updated residential customer usage patterns and align the SFPUC with utility industry best practices. The first block is applied to the first four units of monthly discharge for single-

family customers and the first three units of monthly discharge per dwelling unit for multi-family customers. All remaining units are billed at a higher rate. For single-family residential customers, sewer charges assume a flow factor of 90 percent of water consumed, and multiple-family residential customers receive a flow factor of 95 percent of water consumed. For multiple-family residential accounts, the billable use in each block is calculated by multiplying the allowed use by the number of dwelling units. An account with ten dwelling units, for example, would be allowed 30 discharge units in the first block per month. There is no adjustment for vacant units in multi-family dwellings.

Non-Residential

For non-residential customers, the sewer service charge is calculated based on the volume of wastewater discharged and the pounds of pollutants contained in that discharge. For non-residential customers, sewer charges assume a flow factor of 90 percent of water consumed. The charges for customers with sampled discharges are billed based on their specific waste characteristics. Other customers are billed based on the standard waste characteristics for their respective business activity. A customer or business activity that discharges high-strength wastes is charged a higher rate than a customer or business activity that discharges wastes similar to residential customers. In addition to the costs shared with residential customers, all non-residential customers are responsible for the costs of the Wastewater Enterprise's pretreatment program. The pretreatment program monitors customers with high-strength wastes to ensure prohibited substances are not discharged to the sewage system. Therefore non-residential customers cover these costs and residential customers do not bear any cost responsibility for the pretreatment program.

Other Sources

Other Sources including Interest Income are projected to be \$3.3 million in FY 2014-15 and \$3.7 million in FY 2015-16, and Other Non-Operating Revenue, projected to be \$3.9 million in FY 2014-15 and \$4.4 million in FY 2015-16.

Federal Interest Subsidy

State and local governments receive a subsidy payment from the Federal Government for a portion of their borrowing costs on taxable bonds. A popular example of this is the Build America Bonds (BABs) program, which provides issuers with a payment equal to 35 percent of the interest due to investors. It is anticipated that this subsidy will be \$4.0 million in both FY 2014-15 and FY 2015-16.

Interest Income

The Wastewater Enterprise earns interest income from the investment of available funds primarily by the City Treasurer and fiscal agents for debt bond proceeds. The interest income earned from the investment of non-restricted funds is included in the operating budget. Interest income earned from the investment of monies in restricted funds such as bond funds may only be used for the purpose of the fund and are not available to meet day-to-day operating expenses. Based on the estimated yield on investments made by the City Treasurer and projected cash balances, it is anticipated that investment income earned by unrestricted funds in FY 2014-15 will be \$1.0 million and \$1.4 million in FY 2015-16.

Non-Operating Revenues

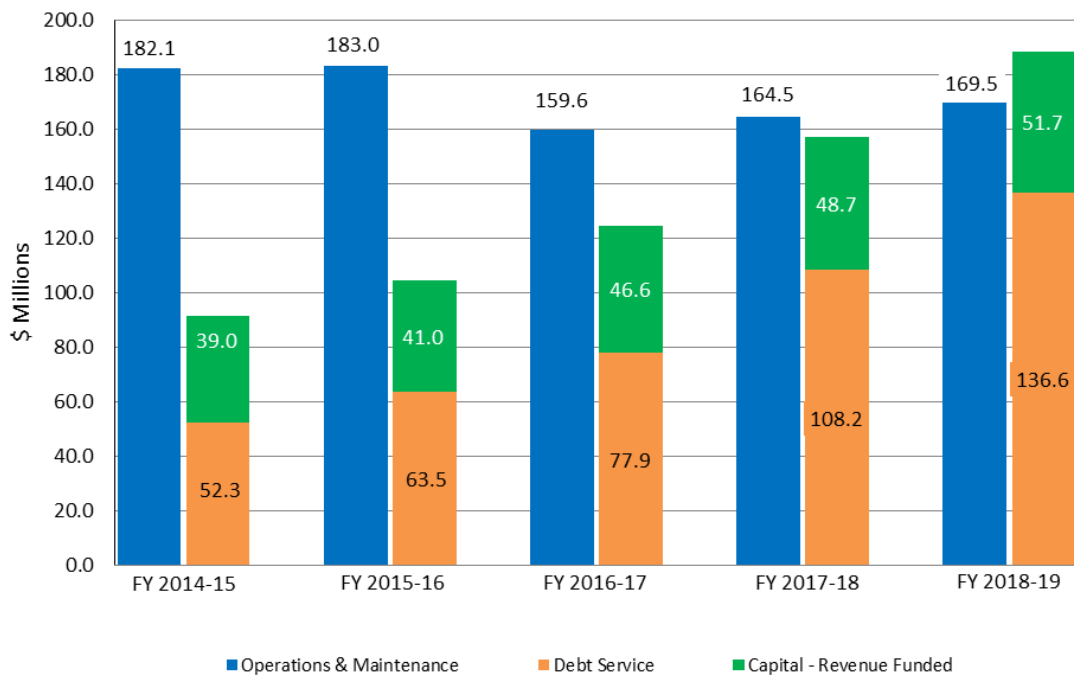
Non-Operating Revenues total \$3.9 million in FY 2014-15, and includes revenue from property rental, biofuel revenue, fees for plans and specifications, and revenue for services provided to other City departments. Non-Operating revenues total \$4.4 million in FY 2015-16. The \$0.5 million increase from FY 2014-15 is for the recovery from Infrastructure for their share of the cost of the SFPUC Headquarters.

Summary of Projected Expenses

Chart C6 shows projected operating expenses for FY 2014-15 to FY 2018-19.

Operations and maintenance costs are the largest projected expenses; however, debt service is forecast to grow by 92 percent between FY 2015-16 and FY 2018-19 due to investment in the multi-billion dollar Sewer System Improvement Program (SSIP). The SSIP is focused on reliability, resiliency, flood minimization, essential seismic upgrades, and the renewal and replacement of infrastructure that is beyond its useful life. These investments are essential for the protection of public health and the environment, including protection of the San Francisco Bay and the Pacific Ocean. There is also an increase of 16 percent in Capital/Revenue-funded projects. This represents a policy decision to optimize the value and reliability of assets, including smaller sewers, by annually increasing the Renewal and Replacement (R&R) funding. Due to the nature of wastewater operations, which rely on personnel, chemicals, and electricity, these multi-billion dollar investments are not expected to reduce the annual operating budgets. While operations and maintenance expenses have remained flat until FY 2014-15, expenses for forecast years FY 2015-16 to FY 2018-19 increase at an average annual rate of three percent. As the SFPUC brings new capital wastewater assets on-line, the impact on future operating budgets will be further refined.

Chart C6. Wastewater Enterprise Budgeted and Projected Operating Expenses



Revenue-Funded Capital

A 1986 Board of Supervisors resolution set the minimum R&R expenditures at \$5.0 million and requires expenditures to increase at least five percent annually until the amount of the annual contribution reaches \$20.0 million. The total revenue-funded capital in FY 2014-15 is \$39.0 million. Additional R&R capital project spending, averaging \$53.0 million per year, is included in the Ten-Year Capital Plan to accelerate the replacement of aging sewers. A multi-year, bond and revenue-funded supplemental of \$950.9 million was also approved by the Board of Supervisors in May 2014.

Debt Service and Lease Payments

Debt service includes principal and interest payments on Wastewater revenue bonds and State Revolving Fund (SRF) loans used to finance system improvements, as well as lease payments due for the Wastewater Enterprise's share of the SFPUC Headquarter's Certificates of Participation (COP). In addition to debt service payments on existing long-term debt, the Wastewater Enterprise developed a \$300 million commercial paper (CP) program to fund the Interim Capital Improvement Program (Interim CIP) projects to address flooding and odor control problems. During FY 2013-14, the Wastewater Enterprise had no commercial paper outstanding.

Table C4 shows Wastewater Enterprise's Outstanding Revenue Bonds and Certificates of Participation (COP).

Table C4. Outstanding Wastewater Enterprise Revenue Bonds and Certificates of Participation (COP)

\$ Thousands	Outstanding as	
Series	Original Par	of 06-30-14
Revenue Bonds 2010A	47,050	47,050
Revenue Bonds 2010B	192,515	192,515
Revenue Bonds 2013A (Refunding)	193,400	160,595
Revenue Bonds 2013B (New Money)	331,585	331,585
525 Golden Gate COPs *	31,690	30,596
Total Outstanding		\$ 762,341

* Amounts shown represent the Wastewater Enterprise's share of indebtedness.

In FY 2012-13, the Enterprise issued \$193.4 million in refunding revenues bonds, 2013 Series A bonds; and \$331.6M new money revenue bonds, 2013 Series B, as shown in Table C4. Proceeds from 2013 Series A bonds were used to defease outstanding 2003 Refunding Series A bonds, and to fund the early repayment of certain outstanding State of California Clean Water State Revolving Fund (SRF) loans, and pay financing costs. Proceeds from 2013 Series B were used to finance and refinance (through the retirement of commercial paper notes) certain capital projects, fund capitalized interest with respect to the 2013 Series B bonds, and pay financing costs.

The Enterprise anticipates issuing approximately \$345.0 million in revenue bonds in FY 2014-15 and \$610.0 million in FY 2015-16.

Operations and Maintenance Expenses

Operations and Maintenance expenses are \$182.1 million in FY 2014-15 and \$183.0 million in FY 2015-16. These costs are projected to increase by an estimated three percent annually through FY 2018-19.

Revenue Requirement

The annual expenditures for operations and maintenance, debt service, and renewal and replacement make up the revenue requirement of the Wastewater Enterprise. The income derived from interest and non-operating income is subtracted from the annual revenue requirement to determine the net revenue requirement to be met from sewer service charges. Rates have been approved through FY 2017-18, with the next rate-setting cycle to begin with an independent rate study in the spring of 2017 as required at least every five years by the City Charter.

Wastewater Enterprise Capital Improvement Program (CIP)

The Wastewater Enterprise is responsible for the operations, maintenance, capital improvements and repair/replacement of the following wastewater facilities and assets:

- Four Water Pollution Control Plants including: Southeast Treatment Plant, Oceanside Treatment Plant, North Point Wet Weather Facility, and Treasure Island Treatment Plant;
- Twenty-nine Pump Stations, including those in Mission Bay, in San Francisco; twenty eight sanitary pump stations on Treasure and Yerba Buena Islands and six stormwater pump stations on Treasure Island;
- Nine Transport/Storage Facilities with 199 million gallons of capacity for combined sewage;
- Three Bay and one Ocean Outfalls off of San Francisco;
- One Bay Outfall off of Treasure Island;
- Thirty-six Combined Sewer Discharge Structures in San Francisco;
- Fifty stormwater outfalls on Treasure and Yerba Buena Islands;
- Nine hundred and ninety-three miles of Sewers, Tunnels, Force Mains and Transport/Storage facilities;
- Two chemical feed stations for odor control in San Francisco;
- Six continuous deflective separation (CSD) units for stormwater management in San Francisco; and
- One Southeast Community Facility in San Francisco.

San Francisco dry-weather wastewater is treated by two main treatment plants, Southeast and Oceanside, with a combined dry-weather design capacity of 107.4 mgd. During wet-weather, three plants, Southeast, Oceanside and North Point Facility, with a peak design capacity of 465 mgd, treat the combined sanitary and stormwater flows which are called "combined sewage". Wastewater generated on Treasure Island is treated at the Treasure Island facility with a dry-weather capacity of 2 mgd. The treatment plants are:

- **North Point Wet Weather Facility:** The North Point Wet Weather Facility has been in operation since 1951. The facility provides primary-level treatment and disinfection of combined sewage collected in the north part of the City during rainstorms. The facility has a treatment capacity of 150 mgd. Treated combined sewage is discharged approximately 800 feet into the San Francisco Bay. In a typical year, the North Point Wet-Weather Facility treats about 1.3 billion gallons of combined sewage.
- **Southeast Treatment Plant:** The Southeast Treatment Plant was built in 1952 and has been expanded several times since. The Plant treats an average dry-weather flow of approximately 58 mgd and discharges into the San Francisco Bay through an 810 foot-long pipe. The Plant has a peak wet-weather capacity of 250 mgd which is discharged through both the 810 foot-long pipe into the Bay and an auxiliary wet-weather-only outfall into Islais Creek. In a typical year, the Southeast Treatment Plant treats about 25 billion gallons of combined sewage.
- **Oceanside Treatment Plant:** Completed in 1993, the Oceanside Treatment Plant treats an average dry-weather flow of approximately 16 mgd and has a total capacity of 65 mgd during wet-weather. It treats wastewater from the west side of the City. Treated wastewater is discharged from the plant to the Pacific Ocean through the Southwest Ocean Outfall 4.5 miles offshore. In a typical year, the Oceanside Treatment Plant treats approximately 6.6 billion gallons of combined sewage. In 2004, the Oceanside Plant was awarded the U.S. Environmental Protection Agency's "Plant of the Year" Award over similar-sized treatment plants around the nation and in 2014 the Plant received the National Association of Clean Water Agencies Platinum Award for 18 consecutive years of compliance.

- Treasure Island Treatment Plant:** The San Francisco Public Utilities Commission (SFPUC), under a 1997 Cooperative Agreement between the U.S. Navy, agreed to operate and maintain the utility systems at Treasure Island, including the TI Plant, while the Navy retains ownership of all the utility systems. The Plant provides secondary treatment of wastewater from facilities on Treasure Island and Yerba Buena Island. It serves a population of approximately 2,400 and has a design capacity of 2 mgd; daily influent flows measured between December 2005 and June 2009 ranged between 0.35 and 0.50 mgd.

Table C5 shows the Wastewater Enterprise's CIP for FY 2013-14, FY 2014-15, and FY 2015-16, by major program. This three-year increase of over 125 percent in the capital program represents the beginning of the 20-year multi-billion dollar capital program and the increased investment in the R&R program.

Table C5. Wastewater Enterprise CIP by Major Program

\$ Millions	FY 2013-14	FY 2014-15	FY 2015-16
	Adopted Budget	Adopted Budget	Adopted Budget
Program/Project			
Cost			
Sewer System Improvement Program			
Program Wide Management	22.0	23.0	24.0
Land Reuse (candidate)	-	5.0	29.3
Treatment Facilities	77.9	107.1	270.9
Sewer/Collection System	19.3	31.8	74.5
Flood Control	15.8	40.3	23.7
Total SSIP	135.0	207.2	422.3
Renewal and Replacement			
Collection System - Condition Assessment	3.0	3.5	3.7
Collection System - Sewer Improvements	42.3	52.5	54.3
Collection System - Spot Sewer	18.6	19.3	19.9
Treatment Plant Improvements	11.8	12.4	13.1
Total R&R	75.8	87.7	91.1
Treasure Island - New Wastewater Treatment Facility	4.4	-	-
Wastewater Facilities & Infrastructure			
Collection System Division Consolidation	10.0	-	20.0
Ocean Beach Protection	1.5	2.7	3.3
Southeast Community Center Improvements	15.0	7.0	-
Total Wastewater Facilities & Infrastructure	26.5	9.7	23.3
Financing Cost	29.3	38.1	71.5
Total Cost	270.9	342.8	608.1
Sources			
Revenue	37.0	39.0	41.0
Revenue Bonds	223.5	292.8	554.1
Capacity Fee	9.6	11.0	13.0
BABS Interest Income	0.8	-	-
Total Sources	270.9	342.8	608.1

FY 2014-15 and 2015-16 Supplemental Appropriation

The SFPUC Capital Budget was approved through supplemental appropriation. The supplemental appropriated \$950.9 million for projects and financing costs for the Wastewater Enterprise in FY 2014-15 and FY 2015-16.

The requesting includes continuing Renewal and Replacement (R&R) Projects for the Collection System Sewer R&R, spot sewer repair and Treatment Plant Facilities Improvements and significant non reoccurring capital expenditures for the Sewer System Improvement Program (SSIP). It is funded by a combination of Wastewater Enterprise revenues, Wastewater revenue bonds and capacity fees.

FY 2014-15

The Wastewater Enterprise's Capital Improvement Program (CIP) for FY 2014-15 is \$342.8 million and includes \$304.6 million for Wastewater Capital Projects and \$38.1 million for financing cost. The FY 2014-15 Wastewater Enterprise CIP including financing cost is \$71.9 million more than the FY 2013-14 approved CIP. The increase is mainly due to the Sewer System Improvement Program (SSIP) as the result of the shifting out of the two-year SSIP capital budget.

Major projects in the FY 2014-15 CIP include:

Capital Enhancements SSIP

- \$23.0 million for SSIP Program-Wide Management – Program to fund SSIP implementation including condition assessments, project definition and prioritization, public outreach and education, analysis of the impacts of climate change, sustainability evaluation, and general program management.
- \$5.0 million for Land Reuse program, this program addresses long-term planning and ongoing needs for physical space to support SSIP projects by upgrading and/or replacing aging infrastructure.
- \$107.1 million for SSIP Treatment Facilities including a new digester and solids handling facility replacing the existing facility at the Southeast Plant, major improvements to the North Point Facility, North Shore Pump Station, and associated outfalls, and improvements to the Oceanside Water Pollution Control Plant.
- \$31.8 million for the SSIP Sewer/Collection System including the Central Bayside System Improvements Project, replacement of existing sewers to increase hydraulic capacity and reduce localized flooding and improvements to Wastewater Enterprise pump stations and force mains.
- \$40.3 million for SSIP Flood Control Projects involving Drainage Basin Management project, the Low Impact Design (LID) program, and the SSIP Urban Watershed Assessment and Planning project.

Capital Enhancements Non-SSIP

- \$2.7 million for Ocean Beach Protection Project, which will facilitate the planning and development of the long-term shoreline protection measures along Ocean Beach in the effort to protect the integrity of critical Wastewater assets.
- \$7.0 million for Southeast Community Center Improvements, which will focus on evaluating and improving the functional and operational reliability of the existing Southeast Community Facility including energy efficiency, seismic/structural, life/safety and accessibility improvements.

Renewal and Replacement Projects (Recurring)

- \$75.3 million for Collection System R&R projects including sewer condition assessments, spot sewer repairs, and planned/emergency projects to repair/replace structurally inadequate sewers to maintain the existing functionality of the collection system.
- \$12.4 million for Treatment Plant Improvements R&R program to maintain the capacity and reliable performance of the wastewater treatment facilities. Includes repairs to Transport Boxes, Pump Stations, Force Mains, Tunnels and Treatment Plants prioritized by condition assessments, regulatory compliance, staff recommendations and level of service goals.

FY 2015-16

The CIP total for FY 2015-16 is \$608.1 million. It includes funding for: SSIP Program-Wide Management, \$24.0 million; Land Reuse, \$29.3 million; SSIP Treatment Facilities, \$270.9 million; SSIP Sewer/Collection System, \$74.5 million; Flood Control Program, \$23.7 million; Collection System R&R, \$78.0 million; Treatment Plan Improvement, \$13.1 million; Collection System Division Consolidation, \$20.0 million; and the Ocean Beach Protection Project, \$3.3 million.

Wastewater Enterprise Programmatic Projects

Table C6 shows the Wastewater Enterprise's programmatic projects for FY 2013-14, FY 2014-15, and FY 2015-16, by major program.

Table C6. Wastewater Enterprise Programmatic Projects

\$ Millions	FY 2013-14	FY 2014-15	FY 2015-16
	Adopted Budget	Adopted Budget	Adopted Budget
Cost			
Treasure Island Facilities Maintenance	1.2	1.2	1.2
Low Impact Development	1.2	0.7	0.7
Youth Employment Project	0.7	0.7	0.7
Community Benefits - Wastewater	-	1.2	1.1
525 Golden Gate - Operations & Maintenance	0.7	1.1	1.1
525 Golden Gate - Lease Payments	2.4	2.4	2.4
Total Cost	6.2	7.2	7.2
Sources			
Infrastructure - Recovery Capital (O&M)	0.2	0.2	0.2
Infrastructure - Recovery Capital (Lease)	0.7	1.2	1.7
Federal Bond Interest Subsidy	0.6	0.5	0.5
Revenue	4.8	5.3	4.9
Total Sources	6.2	7.2	7.2

FY 2014-15

The Wastewater Enterprise Programmatic Project budget increased from \$6.2 million in FY 2013-14 to \$7.2 million in FY 2014-15. The increase of \$1.0 million funds the new Community Benefits Program and the Wastewater Enterprise's share of the annual costs for maintenance at the SFPUC's Headquarters which is offset by a decrease in the Low Impact Development Project.

FY 2015-16

The Wastewater Enterprise Programmatic Project budget of FY 2014-15 is consistent with FY 2015-16 at \$7.2 million.

Wastewater Enterprise Ten-Year Capital Plan

Table C7 shows total projected costs over ten-year period.

This Plan includes \$4.48 billion of the SSIP program including the completion of the \$2.7 billion Phase I and the initiation of the Phase II which will continue beyond this Ten-Year Plan. The Plan also includes significant increases in the R&R program and essential investments in Treasure Island, Ocean Beach, Southeast Community Facility and the consolidation of the Collection System Division into a new facility to house all staff and equipment.

Table C7. Wastewater Enterprise Ten-Year Capital Plan

§ Thousands							
Program/Project	FY 2014-15	FY 2015-16	FY 2016-17	FY 2017-18	FY 2018-19	FY 2020-2024	Plan Total
Spending Plan							
Sewer System Improvement Program							
Program Wide Management	23,000	24,000	23,000	22,000	19,000	91,000	202,000
Land Reuse (candidate)	5,000	29,253	43,500	10,000	-	-	87,753
Treatment Facilities	107,120	270,861	156,590	633,410	572,110	750,010	2,490,101
Sewer/Collection System	31,800	74,500	62,416	58,971	216,223	1,097,761	1,541,671
Stormwater Management/Flood Control	40,300	23,670	5,060	4,300	8,340	80,080	161,750
Total SSIP	207,220	422,284	290,566	728,681	815,673	2,018,851	4,483,275
Renewal and Replacement							
Collection System - Condition Assessment	3,530	3,725	3,781	3,327	-	-	14,363
Collection System - Sewer Improvements	52,499	54,338	56,240	58,209	60,246	311,770	593,302
Collection System - Spot Sewer	19,251	19,925	20,622	21,345	11,000	55,000	147,143
Treatment Plant Improvements	12,442	13,063	13,715	14,402	15,121	87,739	156,482
Total R&R	87,722	91,051	94,358	97,283	86,367	454,509	911,290
Treasure Island - New Wastewater Treatment Facility	-	-	-	2,463	41,240	60,090	103,793
Wastewater Facilities & Infrastructure							
Collection System Division Consolidation	-	20,000	-	-	-	-	20,000
Ocean Beach Protection	2,700	3,300	2,000	4,000	4,000	6,000	22,000
Southeast Community Center Improvements	7,000	-	-	-	-	-	7,000
Total Wastewater Facilities & Infrastructure	9,700	23,300	2,000	4,000	4,000	6,000	49,000
Total Wastewater	304,642	536,635	386,924	832,427	947,280	2,539,450	5,547,358
Revenues							
Revenue	39,000	41,000	43,000	45,000	48,000	275,388	491,388
Revenue Bonds	254,642	482,635	341,424	784,927	896,780	2,251,562	5,011,970
Capacity Fee	11,000	13,000	2,500	2,500	2,500	12,500	44,000
Total	304,642	536,635	386,924	832,427	947,280	2,539,450	5,547,358
Total San Francisco Jobs/Year	2,717	4,787	3,451	7,425	8,450	22,652	49,482

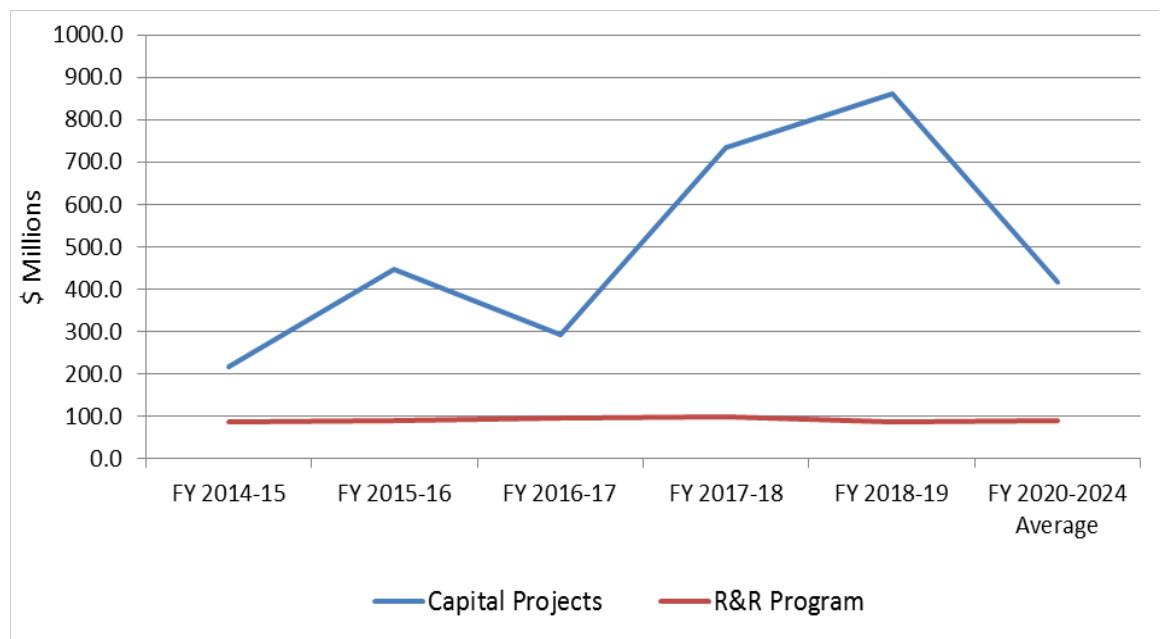
The Ten-Year Capital Plan is developed each year by the SFPUC and is approved by the Commission early in the budget development process. The Ten-Year Capital Plan informs and guides managers, policy makers, elected officials, and the public by providing the proposed long-term capital program, projects, and investments. The Ten-Year Capital Plan also guides the Ten-Year Financial Plan and the rate analysis approved every five years. The Ten-Year Capital Plan is not a budget and is not "appropriated" in the same manner as a budget. As the budget process progresses through the Spring and into final adoption in the Summer, the annual CIPs can be revised, and final projects, costs, and totals for the two annual CIPs can change. The annual CIPs are based on the Ten-Year Capital Plan, but they do not always match by project or dollar amount.

The Ten-Year Capital Plan (Table C7 and Chart C7) shows total project costs for the Wastewater Enterprise of approximately \$5.5 billion. Capital investments during the ten-year period are in the following areas:

- Program-Wide Management, \$202.0 million;
- Land Reuse, \$87.8 million;
- Treatment Facilities, \$2,490.1 million;
- Sewer/Collection System, \$1,541.7 million;
- Flood Control, \$161.8 million;
- Sewer Collection System Improvements, \$754.8 million;
- Treatment Plant Improvements, \$156.5 million;
- Treasure Island Capital Improvements, \$103.8 million;
- Wastewater Facilities & Infrastructure, \$49.0 million

Chart 7 shows Wastewater’s capital budget trend over ten years.

Chart C7. Wastewater Enterprise Ten-Year Capital Plan Trend



Within the categories listed above, the Ten-Year Capital Plan includes the Renewal and Replacement (R&R) program, which is partially revenue-financed, SSIP, and improvements to Treasure Island, which are debt financed.

Renewal and Replacement (R&R) Program

The Wastewater R&R program includes two major categories: sewer replacements and treatment facilities.

Collection System, \$754.8 million

Condition Assessment Project – Includes cleaning and inspection of large diameter sewers, transport/storage boxes and collection system discharge/overflow structures. The results of the inspection program will inform the R&R Spot Repair and Collection System Sewer Improvements Programs, as well as the SSIP regarding needed sewer repairs. This project will assist with the on-going gathering of data necessary for the Wastewater Enterprise Collection Systems Asset Management Program.

Sewer Replacement/Improvement Program – This program maintains the existing functionality of the sewage collection system and includes planned and emergency repairs and replacement of structurally inadequate sewers. Failure of the collection system will reduce the City's ability to handle and dispose of wastewater and stormwater which can lead to public health, safety and environmental risks. Projects are identified utilizing an asset management approach which factors in physical condition, age, location, risk, public safety, paving schedule and other factors. The estimated annual cost for sewer replacement beginning in FY 2014-15 is approximately \$52.5 million. This amount increases to \$62.4 million by FY 2023-24 while allowing replacement of 15 miles of sewer per year.

Collection System Spot Sewer Repair Project – This project provides as-needed contingency-based repairs of existing sewer pipes. FY 2014-15 and FY 2015-16 budgets are approximately \$19.2 million and \$19.9 million respectively, which is projected to repair approximately 700 individual spot sewer locations per fiscal year, to meet the targeted levels of service goals. It is anticipated that this base rate of spot repair will continue for the next several years and would ultimately decrease as the overall R&R program continues to be implemented.

Treatment Plants, \$156.5 million

The Treatment Plant Improvement program helps maintain the capacity and reliable performance of the wastewater treatment facilities owned and operated by the Wastewater Enterprise. This is a continuing annual program to extend the useful life of Wastewater treatment assets including Transport Boxes, Discharge Structures, Pump Stations, Force Mains, Tunnels and Treatment Plants.

The projects are prioritized based upon regulatory compliance, condition assessments, operation staff recommendations and Level of Service goals. The completion of projects under the Treatment Plant Improvement program increase reliability and efficiency of Wastewater Enterprise facilities and will ensure that the performance of the treatment facilities meets the established levels of service. The estimated annual cost for the treatment plant renewal program, beginning in FY 2014-15, is approximately \$12.4 million. This amount increases to \$19.3 million by FY 2023-24.

Capital Program

In addition to the R&R discussion above, the Ten-Year Capital Plan includes \$4.6 billion for capital improvements to the sewer system. The scope of the capital investments includes four categories of projects: (1) the SSIP totaling an estimated \$4,483 million; (2) Treasure Island's new wastewater treatment facility for \$103.8 million; and (3) Wastewater Facilities and Infrastructure at \$49.0 million.

Sewer System Improvement Program (SSIP), \$4.5 billion

The San Francisco Public Utilities Commission endorsed a \$6.9 billion Sewer System Improvement Program (SSIP) to help the Wastewater Enterprise meet the SFPUC goals and levels of service for operational reliability, regulatory compliance, effective stormwater management, community benefits, climate change adaptation, economic and environmental sustainability and ratepayer affordability. The SSIP will be implemented in three phases over the next 20 years. Phase 1, \$2.7 billion is currently underway.

The SSIP evaluated the current treatment and collection system to provide a long-term strategy for wastewater and stormwater management to ensure reliability and resilience. The SSIP is based on a comprehensive planning effort that: (1) outlines a long-term strategy for San Francisco's wastewater and stormwater management; (2) addresses specific system deficiencies, aging infrastructure, and future operational and repair/replacement needs; and (3) provides a roadmap for future capital improvement programs, ensuring reliable service meeting all regulatory requirements. The SSIP will be implemented over a 20 to 30-year timeframe, a portion of which is addressed in the Ten-Year Capital Plan.

The Ten-Year Capital Plan as adopted anticipates approximately \$4.5 billion of investments in the SSIP, focusing on projects in the following categories:

- Program-Wide Efforts: \$202.0 million – the SSIP is a series of capital improvement projects focused on improving the wastewater system to meet the present and future needs of the City. The Program-Wide Management Project will support the SSIP implementation, providing condition assessments (facility inspections), project definition and prioritization, public outreach and education, analysis of the impacts of climate change, sustainability evaluation, and general program management (program controls, change control, constructability). The initial focus will be on scope optimization and program implementation of the \$2.7 billion SSIP Phase 1; and the continued development of programmatic schedules, construction cost estimates; and rates and cash flow projections for the SSIP.
- Land Reuse \$87.8 million – this program addresses long-term planning and ongoing needs for physical space to support SSIP projects by upgrade and/or replacing aging infrastructure. This program will enable the SSIP to proceed with various near and long-term projects to replace aging infrastructure.
- Treatment Facilities: \$2,490.1 million - projects include the Bayside Biosolids (Digester) Project which funds the planning, design and construction of a new digester and solids facility to be located in the southeast area of San Francisco, improvements to the near shore combined sewer transport storage and combined sewer discharge structures, major improvements to the North Point Facility, North Shore Pump Station and associated outfalls, and major improvements to the Oceanside Water Pollution Control Plant, Westside Pump Station and Force Main.
- Sewer/Collection System: \$1,541.7 million – includes the proposed Central Bayside System Improvement Project providing system enhancements to the Channel Drainage Basin, including needed redundancy for the existing 66-inch Channel Force Main, hydraulic improvements to sewers/pump stations, and improvements to stormwater management through elements of both grey and green infrastructure. Also provides funding for replacement of existing sewers to increase hydraulic capacity, transportation/storage and combined sewer discharge structures, pump stations and force mains.
- Stormwater Management/Flood Control: \$161.8 million – Drainage Basins - through Phase I of the SSIP, SFPUC will build, monitor and evaluate the effectiveness of eight green infrastructure projects to minimize stormwater impacts on the aging sewer system throughout San Francisco's eight urban watersheds.
- Green Infrastructure - this project includes planning and preliminary design support for the implementation of green infrastructure projects to be designed and constructed as part of SSIP (Phases 1, 2, & 3). The green infrastructure Early Implementation Projects will demonstrate the performance of Green Infrastructure's ability to manage stormwater and will recommend the site selection and design approach used for future projects.

- Advanced Rainfall - This project will provide the SFPUC with better rainfall forecasting capabilities, especially 4-8 hours in advance of an event, which will be beneficial in managing wet weather flows in the combined collection system.
- Watershed Assessment - The Urban Watershed Assessment and Planning project will evaluate alternatives that balance the use of grey versus green infrastructure for collection system improvements. The SSIP will utilize an integrated urban watershed management approach to investigate the health of the City's Watersheds.

Treasure Islands Capital Improvement, \$103.8 million

On October 1, 1997, concurrent with the operational closure of the Treasure Island Naval Station, the City entered into a Cooperative Agreement with the U.S. Navy in which the City agreed to take responsibility for caretaker services on Treasure Island and Yerba Buena Island. As a result of this agreement, the SFPUC provides utility operations and maintenance services for the wastewater and stormwater systems. This project includes \$103.8 million for the New Wastewater Treatment Facility. A new tertiary two-million gallon per day wastewater treatment facility is proposed for the Treasure Island/Yerba Buena Island service area to replace the existing, aged facility. The new treatment facility will include influent screening, a combined primary/secondary treatment process, anaerobic sludge digestion, sludge dewatering and truck load-out, disinfection, odor control, and tertiary treatment.

Wastewater Facilities and Infrastructure, \$49.0 million

- Collection System Division Consolidation: \$20.0 million - This project will focus on consolidating the Collection System Division Administrative and Sewer Operations staff to a centralized location, maximizing the operational efficiency and functionality of the City's sewer cleaning. The completion of this project will provide the Collection System Division with the necessary facilities and infrastructure to effectively manage and respond to a wide range of operating needs and requirements.
- Ocean Beach Protection Process: \$22.0 million - This project is to develop comprehensive shoreline management and protection plan in partnership with relevant stakeholders and regulatory agencies and to establish a long-term solution to the erosion issues along Ocean Beach. This long term solution is necessary to protect the integrity of critical wastewater assets that were planned, built, permitted and constructed to protect public health and the environment.
- Southeast Community Center Improvements: \$7.0 million – This project focuses on evaluating and improving the functional and operational reliability of the existing Southeast Community Facility by providing infrastructure improvements. The project improvements include efficiency upgrades, building envelope repairs, tenant space reconfigurations and consolidations, structural/seismic, life/safety, and accessibility upgrades.

Wastewater Enterprise Ten-Year Financial Plan

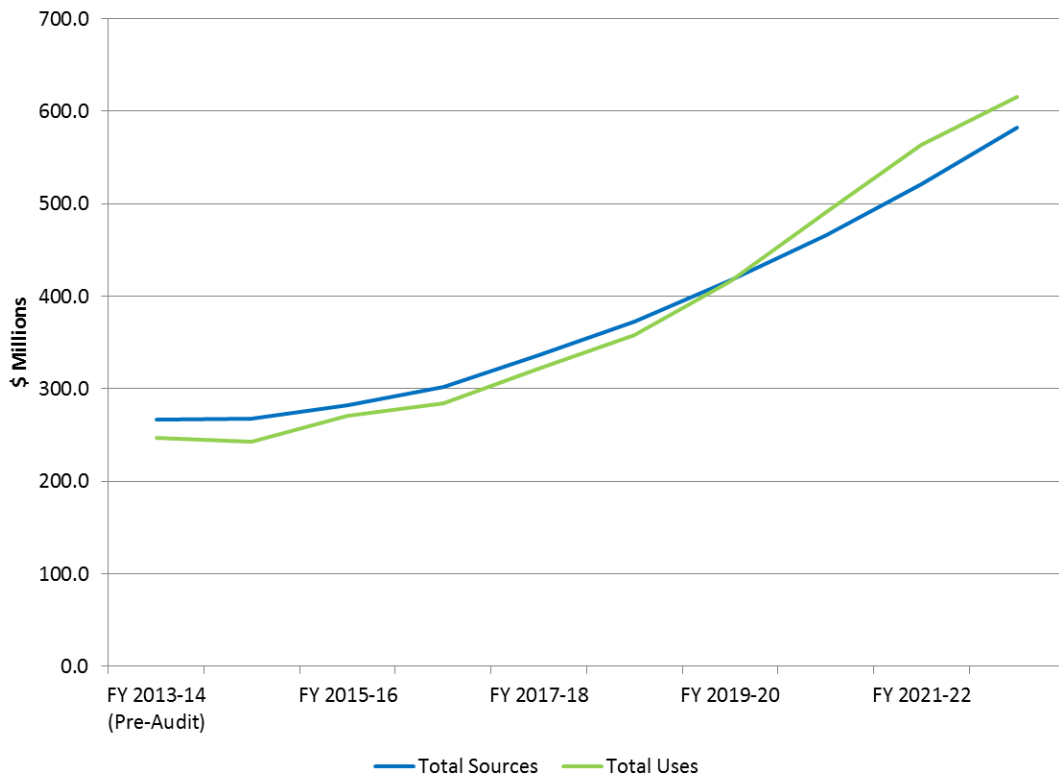
Table C8 shows Wastewater Enterprise Ten-Year Financial Plan, from FY 2014-15 to FY 2023-24.

Table C8. Wastewater Enterprise Ten-Year Financial Plan

\$ Millions	FY 2013-14										
	(Pre-Audit)	FY 2014-15	FY 2015-16	FY 2016-17	FY 2017-18	FY 2018-19	FY 2019-20	FY 2020-21	FY 2021-22	FY 2022-23	FY 2023-24
Beginning Operating Fund Balance	88.2	107.9	133.7	144.8	162.7	177.1	191.7	192.4	168.0	125.4	93.1
Sources											
Sewer Service Sales - Base Rates	242.6	252.1	264.7	278.0	297.4	330.1	366.5	410.4	459.7	514.8	576.6
Sewer Service Sales - Rate Increases	11.9	12.6	13.2	19.5	32.7	36.3	44.0	49.3	55.2	61.8	69.2
Interest Income on Fund Balances	0.5	1.0	1.4	2.3	3.3	3.6	3.9	3.9	3.7	3.6	4.0
Other Miscellaneous Income	11.6	2.3	2.3	2.3	2.3	2.3	2.3	2.3	2.3	2.3	2.3
Total Sources	266.6	268.0	281.6	302.0	335.8	372.4	416.6	465.8	520.8	582.6	652.1
Uses											
Operations & Maintenance	155.4	150.2	154.7	159.6	164.5	169.5	174.6	181.4	188.5	198.2	204.2
Debt Service (net of Bond Interest Subsidy)	48.9	48.9	71.1	77.9	108.2	136.6	187.5	253.0	316.0	354.9	376.2
Projects - Revenue Funded	42.6	43.2	44.7	46.6	48.7	51.7	53.8	55.9	58.9	61.8	64.7
Total Uses	246.9	242.2	270.5	284.1	321.4	357.8	415.9	490.2	563.5	614.9	645.1
Net Revenues	19.7	25.8	11.2	17.9	14.4	14.6	0.7	(24.4)	(42.7)	(32.3)	7.0
Ending Fund Balance	107.9	133.7	144.8	162.7	177.1	191.7	192.4	168.0	125.4	93.1	100.1
Revenue Requirement Impact	5.0%	5.0%	5.0%	7.0%	11.0%	11.0%	12.0%	12.0%	12.0%	12.0%	12.0%
Fund Balance as % of Revenue	40.5%	49.9%	51.4%	53.9%	52.8%	51.5%	46.2%	36.1%	24.1%	16.0%	15.3%
Fund Balance as % of Expense	43.7%	55.2%	53.6%	57.3%	55.1%	53.6%	46.3%	34.3%	22.2%	15.1%	15.5%
Fund Balance as % of Operating Expense	69.4%	89.0%	93.6%	102.0%	107.7%	113.2%	110.2%	92.6%	66.5%	47.0%	49.0%
Debt Service Coverage (Indenture)	4.08	4.62	3.67	3.69	3.09	2.78	2.31	1.88	1.58	1.44	1.44
Debt Service Coverage (Current)	2.27	2.41	1.79	1.83	1.58	1.49	1.29	1.12	1.05	1.08	1.19

Chart C8 provides Wastewater Enterprise Ten-Year Financial Plan Trend.

Chart C8. Wastewater Enterprise Ten-Year Financial Plan Trend



The SFPUC’s Ten-Year Financial Plan, as required by City and County of San Francisco Charter, Section 8B.123, includes a Wastewater Enterprise ten-year financial summary (FY 2014-15 to FY 2023-24) describing projected sources and uses, resulting fund balances, and associated financial reserve ratios. This is a plan, not a budget nor are funds appropriated like a budget. It is a planning document intended to inform the development of the Ten-Year Capital Plan, the sewer rates, and the fiscal year budgets. Projected costs and revenues are estimates and subject to variations inherent in all such projections. Consequently, the estimates should not be viewed as precise predictions but rather as indications of expected trends, given certain expenditure, receipt, and financing assumptions. These assumptions are based on current Board of Supervisors and Commission policies, goals, and objectives representing management’s best estimates at this time. Table C8 above details the Ten-Year Financial Plan, and Chart C8 shows the Ten-Year Financial Plan trend.

Rates and Charges

Approved average sewer service rate changes will increase revenues by 5.0 percent in FY 2014-15 and FY 2015-16, 7.0 percent in FY 2016-17, and 11.0 percent in FY 2017-18. Projected average annual sewer service rate changes are 11.0 percent in FY 2018-19 and 12.0 percent annually from FY 2019-20 through FY 2023-24. These rate changes are needed to fund the Wastewater Capital Improvement Program (CIP) to construct new digesters at the Southeast Plant, provide other treatment plant improvements, and manage stormwater to minimize flooding. The larger increases at the end of the period are related to debt service costs associated with the implementation of the first phase of the \$6.9 billion SSIP.

Sources of Funds

The Wastewater Enterprise serves a population of approximately 840,000 within San Francisco and adjacent communities. Customers are grouped into two classes: residential and non-residential. Grouping customers with the same or similar wastewater characteristics into classes allows the Enterprise to allocate costs responsibility to each class based on their respective volumes and strengths (i.e., wastewater characteristics). Within each class, subgroups have been established to facilitate rate analysis and rate administration. Total sources excluding bond proceeds are expected to increase from \$268.0 million to \$652.1 million over the ten-year period.

- Sewer service charges are projected to increase from \$264.7 million in FY 2014-15 to \$645.8 million by FY 2023-24. The City has adopted sewer service charges through FY 2017-18, based on each customer class's proportional use of the sewage system and to establish a dedicated source of revenues to pay for operating the system.
- Interest Income on Fund Balances are projected to be \$1.0 million in FY 2014-15 and \$1.4 million in FY 2015-16.
- Other miscellaneous income is projected to average \$2.3 million annually over the ten-year period, and interest income on cash balances is estimated to be about \$4.0 million.

Uses of Funds

The Ten-Year Financial Plan includes projections of three percent annual growth for operations and maintenance costs, and five percent annual escalation in revenue-funded capital costs.

The Ten-Year Financial Plan includes operation and maintenance costs, renewal and replacement costs for existing equipment and facilities, and debt service on bonds and loans used to finance capital improvements. Operations and maintenance costs, currently the largest expense component, make up 62.0 percent of total expense in FY 2014-15, but will decrease to 31.7 percent of total expense over the next ten years as debt service costs increase. Total expenditures are forecasted to more than double from \$242.2 million to \$645.1 million over the period.

- Operations and Maintenance costs include personnel costs, material and supplies, treatment chemicals, power and energy, sludge disposal, and services of other City departments (including the SFPUC Bureaus). FY 2014-15 projections to operate the water pollution control system are \$150.2 million, increasing to \$204.2 million by FY 2023-24. The majority of these costs are fixed in nature and associated with running a 24/7 operation.
- Debt Service includes principal and interest payments on revenue bonds used to finance system improvements, and are projected to increase from \$48.9 million to \$376.2 million over the ten-year period. The increase towards the end of the forecast period results from estimated debt service expense associated with the early years of the SSIP, currently in project development.
- Revenue-Funded Capital Projects, otherwise known as the Renewal and Replacement (R&R) program, are used to fund major maintenance and routine additions and improvements to sewers, pumping stations, and treatment plants. As a recipient of State and Federal grants under the Clean Water Act, the Enterprise is required to include annual funding for repairs and replacement as a part of its annual revenue requirement. A 1986 Board of Supervisors resolution set the minimum R&R expenditure at \$5.0 million and requires the expenditure to increase at least five percent annually until the amount of the annual contribution reaches \$20.0 million. The annual contribution is projected to be \$43.2 million in FY 2014-15. Together with the \$30.0 million reserve to accelerate replacement of aging sewers, R&R will reach \$64.7 million by FY 2023-24.

Debt Financing of Capital Needs

The Ten-Year Capital Plan largely assumes debt financing of capital needs over the next ten-year period. The SSIP will require significant debt financing as authorized under Proposition E (2002).

The SFPUC Plan assumes a financing strategy that utilizes short-term financing via the existing commercial paper (CP) program to calibrate financing needs with project spending. Long-term (30-year), five percent fixed-rate debt issuance is assumed to periodically refund the CP program. The CP program facilitates short-term financing, typically at lower interest rates than longer term debt, which minimizes costs. The authorized CP program for the Enterprise is \$300 million, as of June 30, 2014, and raised to \$500 million in October 2014.

Financial Ratios

It is the financial objective of the SFPUC to maintain a minimum revenue bond coverage ratio of 1.25 times on an indenture basis and 1.00 times on a current operations basis; the latter does not include available fund balances. Over the ten-year period, the Wastewater Enterprise indenture coverage ranges from 4.62 to 1.44. On a current basis, the coverage ratio is projected to exceed the 1.00 minimum with a range from 2.41 to 1.05 times coverage.

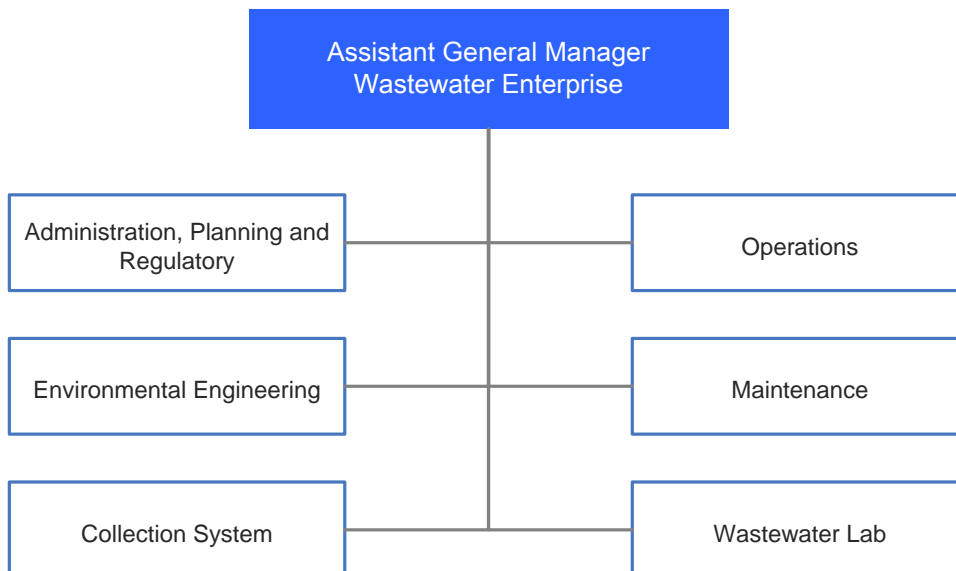
Fund Balances and Reserves

Ending fund balance is projected to grow in the Wastewater Enterprise from \$133.7 million in FY 2014-15 to \$192.4 million in FY 2019-20, then decrease to \$100.1 million by FY 2023-24. This mid-range increase is necessary for the ramping up of debt service purposes, and is funded by rate increases. The new debt service during the period is related to funding the enterprise's Capital Plan, including the annual CIP, as well as the SSIP. Projected fund balance conforms to established fund balance reserve policies.

Departmental Section

Wastewater Enterprise Organization Chart

This organizational chart reflects the budget structure of the Wastewater Enterprise.



Wastewater's Strategic Sustainability Trends

The Strategic Sustainability Plan (SSP) provides the SFPUC with a system for planning, managing, and evaluating SFPUC-wide performance that takes into account the long-term economic, environmental, and social impacts of its business activities. The SSP is described in the introduction of this report and in Appendix F are the 2013-14 performance result and the 2014-15 and 2015-16 targets. The SSP combines the SFPUC strategic mission and goals, essential business activities and appropriate sustainability measures consistent with the Global Reporting Initiative recommendations.

The SSP report communicates a cross section of performance goals and objectives to support planning and inform customers, the SFPUC Commission, the Controller's Office, Bond holders, rating agencies, regulators and the general public. The annual organization-wide review, measurement and reporting protocol tasks SFPUC management and staff to:

- Plan and deliver high quality wastewater services to current and future generations of San Franciscans based on triple bottom line sustainability;
- Embed sustainability into SFPUC's business DNA and long-term strategic decision-making;
- Communicate SFPUC's organizational culture and build relationships with stakeholders;
- Benchmark SFPUC's strategic sustainability performance against SFPUC's and peers;
- Build capacity for longer term trend, risk and foresight analyses; and
- Provide stakeholders with ongoing review of SFPUC-wide triple bottom line performance.

Fiscal Year 2013-14 Strategic Sustainability Performance Results

The fiscal year 2013-14 report is the sixth annual assessment of SFPUC-wide performance on the strategic sustainability plan.

The SFPUC's six sustainability categories as described in the Introduction Chapter on page 31 are:

- Customers (CR)
- Community (CY)
- Environmental and Natural Resources (ENR)
- Governance and Management (GM)
- Infrastructure and Assets (IA)
- Workplace (WP)

The associated objectives in the SSP are aimed at continuous improvement and meeting the SFPUC-wide five key strategic goals:







- Plan for the Future
- Invest in SFPUC's People
- Promote a Green and Sustainable City
- Provide High Quality Services
- Engage SFPUC's Public and Invest in Communities

Chart C9, on the next page, provides a representation of the performance of the Wastewater Enterprise in FY 2013-14 in the (six) sustainability categories as noted above. Targets for FY 2014-15 and FY 2015-16 are included in Appendix F where the Performance Measure Report is located. As shown in Appendix F there are some trends for the Wastewater Enterprise that can be noted:

- The Wastewater Enterprise has reported 5 un-authorized discharges in FY 2013-14. This is an increase from zero in previous years; the amount of electricity used to treat a million gallons of sewage went up slightly to 2.2 (MWh/MG) from the previous year of 2.1 (MWh/MG) and the preventative maintenance ratio is 40 percent, down from 50 in FY 2012-13. All of these metrics point to Wastewater Enterprise's aging infrastructure. WWE is investing \$4.5 billion in the SSIP program and \$911 million in the R&R program in the next ten years.
- Odor complaints have decreased to 3 from 9 in FY 2012-13.
- 90 miles of sewer lines were cleaned and inspected in FY 2013-14; this is a reduction from FY 2011-12 which had 125 miles and from FY 2012-13 which had 130 miles. Additionally in FY 2013-14 metric shows 12.75 miles of pipeline repaired or replaced which is a reduction from 13.7 miles in FY 2012-13. For both metrics of cleaning/inspection and R&R we see this reduction due to the coordination with the Department of Public Works to ensure that the paving program, which is funded by a General Obligation Bond, was on track.
- SFPUC-wide the number of hours of training for staff was reported to be 11.59 in FY 2013-14 which is a reduction from 16 hours the previous year. The target for the next two years is 30 hours.

Chart C9 provides representation of the performance of the Wastewater in FY 2013-14 in SFPUC's six sustainability categories.

Chart C9. FY 2013-14 Wastewater Enterprise Excerpts from the Strategic Sustainability Plan

	Strategic Sustainability Categories					
Strategic Mission						
	CR	CY	ENR	GM	IA	WP
Provide High Quality Service	100% of Fees reflect cost of service		5 Discharges that were not authorized	90 miles of sewer lines cleaned	12.75 miles in R&R	
Promote a Green and Sustainable City	100 % of retail rate encourages conservation		100% of bio-solids go to reuse 2.2 MWh/MG treated	Work with Water on Climate Change Impact Assessment		
Plan for the Future				S&P credit rating AA- Moody's Aa3	40.0 % Preventive maintenance ratio	
Invest in SFPUC's People				Security Plan is 50% completed		11.59 average hours of training per year
Engage SFPUC's Public and Invest in our Communities		48.10% of labor hours worked by service area residents 37% of labor hours worked by local residents (goal is 20%) 80% of apprentice labor hours worked by local residents (goal is 50%)		3 odor complaints		

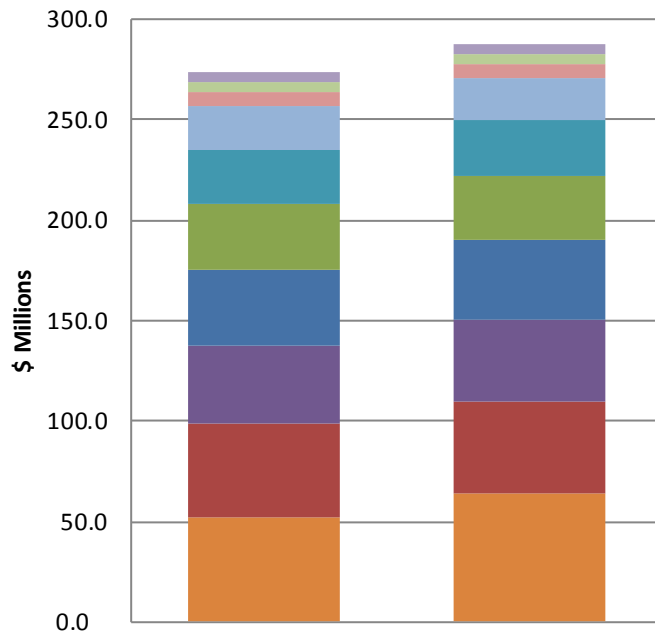
Divisions

The Wastewater Enterprise is comprised of six Divisions: Wastewater Administration/ Planning and Regulatory, Maintenance, Operations, Environmental Engineering, Collection Systems, and Wastewater Laboratory.

Chart C10 shows the FY 2014-15 and FY 2015-16 budgets by Wastewater Divisions. The chart also shows budget information for Enterprise level categories including debt service, programmatic projects, and capital/revenue reserve.

The significant increase from FY 2014-15 to FY 2015-16 are in debt service 21 percent, Operations 2.4 percent and a 5 percent increase in Capital/Revenue Reserves. The other categories are relatively flat from one year to the next.

Chart C10. FY 2014-15 and FY 2015-16 Wastewater Enterprise Uses of Funds by Division and Other Categories



	FY 2014-15	% of Total	FY 2015-16	% of Total
Debt Service	\$ 52.3	19.1%	\$ 63.5	22.1%
Administration, Planning & Regulatory	46.2	16.9%	46.2	16.1%
Capital/Revenue Reserve	39.0	14.3%	41.0	14.3%
Operations	38.1	13.9%	39.0	13.6%
Collection Systems	32.2	11.8%	32.3	11.2%
Maintenance	27.2	9.9%	27.5	9.6%
General Reserve	21.9	8.0%	21.4	7.5%
Programmatic Projects	7.2	2.6%	7.2	2.5%
Laboratory	4.6	1.7%	4.7	1.6%
Environmental Engineering	4.6	1.7%	4.7	1.6%
Total Uses of Funds	\$ 273.4	100.0%	\$ 287.5	100.0%

The FY 2014-15 operations budget includes: \$46.2 million for Administration, Planning and Regulatory, \$38.1 million for Operations, \$32.2 million for Collection Systems, \$27.2 million for Maintenance, \$4.6 million for Laboratory, and \$4.6 million for Environmental Engineering. Enterprise level categories include Debt Service at \$52.3 million, Capital/revenue reserve at \$39.0 million, General Reserve at \$21.9 million, and Programmatic Projects at \$7.2 million.

The FY 2015-16 operations budget includes: \$46.2 million for Administration, Planning and Regulatory, \$39.0 million for Operations, \$32.3 million for Collection Systems, \$27.5 million for Maintenance, \$4.7 million for Laboratory and \$4.7 million for Environmental Engineering. Enterprise level categories include Debt Service at \$63.5 million, Capital/revenue reserve at \$41.0 million, General Reserve at \$21.4 million, and Programmatic Projects at \$7.2 million.

Budget Summary

Table C9 illustrates the FY 2013-14 to FY 2015-16 adopted budgets, FY 2012-13 audited actual and FY 2013-14 pre-audit actual, and budget variances between FY 2014-15 and FY 2013-14, and between FY 2015-16 and FY 2014-15 for all Wastewater Divisions. The table also shows budget information for Enterprise level categories including debt service, programmatic projects, and capital/revenue reserve.

Table C9. Wastewater Enterprise Uses of Funds by Division and Other Categories

\$ Millions	FY 2012-13	FY 2013-14	FY 2013-14	FY 2014-15	FY 2015-16	FY 2014-15 vs. FY 2013-14		FY 2015-16 vs. FY 2014-15	
	Audited Actual	Adopted Budget	Pre-Audit Actual	Adopted Budget	Adopted Budget	Adopted Budget	Budget	Adopted Budget	Budget
Administration, Planning & Regulatory	45.2	43.0	53.5	46.2	46.2	3.2	7.5%	-	0.0%
Maintenance	24.7	26.9	27.0	27.2	27.5	0.3	1.2%	0.3	1.0%
Operations	37.0	35.9	36.9	38.1	39.0	2.1	5.9%	0.9	2.4%
Environmental Engineering	4.0	4.1	4.4	4.6	4.7	0.5	12.0%	0.1	1.2%
Collection Systems	29.6	31.4	30.4	32.2	32.3	0.8	2.6%	0.1	0.3%
Laboratory	3.7	4.5	3.9	4.6	4.7	0.2	3.6%	0.1	1.4%
Debt Service	48.3	60.4	52.4	52.3	63.5	(8.1)	-13.4%	11.2	21.3%
General Reserve	11.7	4.5	8.9	21.9	21.4	17.4	383.6%	(0.5)	-2.2%
Capital/Revenue Reserve	33.0	37.0	37.0	39.0	41.0	2.0	5.4%	2.0	5.2%
Programmatic Projects	5.9	6.2	6.2	7.2	7.2	1.0	15.7%	-	0.0%
Wastewater Total	243.0	254.0	260.7	273.4	287.5	19.4	7.7%	14.1	5.2%

Administration, Planning and Regulatory

The Administration, Planning and Regulatory Division are responsible for providing direction to the Wastewater operating divisions. The Division supports all of the administrative functions for the Enterprise including budget, procurement, contracting and personnel matters. The Division is committed to maintaining and supporting a diverse work group and offering the opportunity for advancement within the organization.

The Administration, Planning and Regulatory activities include financial administration, environmental and sustainability planning, regulatory compliance, biosolids resource planning and compliance, and policy developments. Other responsibilities include developing and implementing the Asset Management Program, Urban Watershed management, and Workforce Development. The areas of these responsibilities are divided as follows:

The Regulatory Compliance group is responsible for providing information and support regarding environmental compliance impacts, occupational health and safety risks, and biosolids management impacts for all of Wastewater's activities.

The Asset Management group is responsible for developing, implementing and managing Wastewater in a manner consistent with industry best practices in asset management, to achieve consistent regulatory compliance, defensible risk management, and cost-effective delivery of services to customers.

The Urban Watershed Management group is responsible for developing, implementing and managing stormwater policy, protocols, and projects. In addition, the group performs project review and enforcement in the City's separate storm and sanitary areas to ensure

that developments have adequate stormwater control measures necessary for compliance with regulatory permit requirements.

The Workforce Development group is responsible for recruiting, developing and retaining a motivated, diverse, highly qualified, and supported workforce, to ensure effective services today and in the future.

Budget Summary

Table C10 shows the FY 2013-14 to FY 2015-16 adopted budgets, FY 2012-13 audited actual and FY 2013-14 pre-audit actual, and budget variances between FY 2014-15 and FY 2013-14, and between FY 2015-16 and FY 2014-15.

Table C10. Administration, Planning and Regulatory Budget Summary

Expenditure Category	FY 2012-13	FY 2013-14	FY 2013-14	FY 2014-15	FY 2015-16	FY 2014-15 vs. FY 2013-14		FY 2015-16 vs. FY 2014-15	
	Audited Actual	Adopted Budget	Pre-Audit Actual	Adopted Budget	Adopted Budget	Amount	%	Amount	%
Personnel	9,615,792	9,222,585	9,816,714	9,823,756	9,986,158	601,171	6.5%	162,402	1.7%
Non-Personnel Services	6,893,629	4,004,716	6,286,663	4,251,503	4,098,612	246,787	6.2%	(152,891)	-3.6%
Materials & Supplies	209,114	241,403	142,406	241,403	254,232	-	0.0%	12,829	5.3%
Debt Service	48,282,006	60,420,010	52,402,716	52,344,993	63,498,125	(8,075,017)	-13.4%	11,153,132	21.3%
Services Of Other Depts	28,470,210	29,541,471	37,290,820	31,923,789	31,892,381	2,382,318	8.1%	(31,408)	-0.1%
Total	93,470,751	103,430,185	105,939,319	98,585,444	109,729,508	(4,844,741)	-4.7%	11,144,064	11.3%

Reasons for Changes, FY 2013-14 to FY 2014-15

The following describes FY 2013-14 and FY 2014-15 budget category variances that are greater than ten percent.

- Personnel** - Four new project-funded positions were added - two utility specialists to support post-construction policy and regulatory compliance and redevelopment activities and one position to manage the regulatory interface with the Sewer System Improvement Program, and position to support Wastewater's data maintenance systems. These project-funded positions do not impact the operating budget.
- Debt Service** – Reflects a near-term saving in debt service related to the Wastewater 2013 Series A Bonds which refunded both the 2003 Wastewater Bonds as well as the State Revolving Fund loans.

Reasons for Changes, FY 2014-15 to FY 2015-16

- Debt Service** – Reflects an increase in debt service 2013 Series A Bonds previously funded from capitalized interest.

Maintenance

The Maintenance Division is responsible for repairs and improvements to Wastewater's process equipment and facilities; these support treatment at the four treatment facilities, conveyance, and pumping, to allow Wastewater to meet permit standards efficiently and effectively.

Conveyance and pumping requires maintaining a network of 27 pump stations in San Francisco designed to move combined sewage/runoff flows to treatment plants, and storage transports (conveyance/pumping). During wet-weather, pumping facilities transport up to 465 mgd. The Division also maintains 29 pump stations on Treasure Island. The system consists of approximately 700 pumps. The Division is implementing a Reliability Centered Maintenance program to enhance the preventive maintenance for the Division and to integrate with the Wastewater Enterprise Asset Management Program.

Treatment and conveyance maintenance activities focus on preventative maintenance, repairs, and overhaul work.

Budget Summary

Table C11 shows the FY 2013-14 to FY 2015-16 adopted budgets, FY 2012-13 audited actual and FY 2013-14 pre-audit actual, and budget variances between FY 2014-15 and FY 2013-14, and between FY 2015-16 and FY 2014-15.

Table C11. Maintenance Budget Summary

Expenditure Category	FY 2012-13	FY 2013-14	FY 2013-14	FY 2014-15	FY 2015-16	FY 2014-15 vs. FY 2013-14		FY 2015-16 vs. FY 2014-15	
	Audited Actual	Adopted Budget	Pre-Audit Actual	Adopted Budget	Adopted Budget	Adopted Budget Amount	%	Adopted Budget Amount	%
Personnel	17,356,777	18,454,835	17,717,090	18,874,559	19,180,761	419,724	2.3%	306,202	1.6%
Non-Personnel Services	1,195,224	2,726,408	2,335,240	2,662,132	2,714,990	(64,276)	-2.4%	52,858	2.0%
Materials & Supplies	2,639,110	2,310,168	2,868,924	2,354,659	2,481,461	44,491	1.9%	126,802	5.4%
Equipment	365,764	244,209	648,264	186,887	-	(57,322)	-23.5%	(186,887)	-100.0%
Services Of Other Depts	3,110,726	3,130,387	3,440,292	3,098,701	3,076,105	(31,686)	-1.0%	(22,596)	-0.7%
Total	24,667,601	26,866,007	27,009,810	27,176,938	27,453,317	310,931	1.2%	276,379	1.0%

Reasons for Changes, FY 2013-14 to FY 2014-15

- **Equipment** – Reflects funding for equipment to support maintenance activities.

Reasons for Changes, FY 2014-15 to FY 2015-16

- **Equipment** – Eliminates equipment for FY 2015-16.

Operations

The Operations Division is responsible for the 24/7 operation of the Wastewater Enterprise's treatment facilities and pump stations. The Operations Division's primary mission is to protect public health and the environment by treating an average daily flow of 72 million gallons of wastewater, equal to 26.3 billion gallons of flow a year. The Operations Division treats all flows while meeting all the regulatory standards and discharge requirements.

Wastewater treatment is performed at four different locations: Southeast Treatment Plant, Treasure Island Treatment Plant, Oceanside Treatment Plant, and North Point Wet-Weather Facility. Wastewater treatment includes pre-treatment, primary treatment, secondary treatment, disinfection, solids treatment, and odor control. The Southeast Treatment Plant treats 75 percent of dry-weather wastewater flow, or 64 mgd, and can process up to 250 mgd during the rainy season. Oceanside treats a dry-weather flow up to 21 mgd with a total capacity of 65 mgd and with the Westside Transport system, can process up to 195 mgd during wet weather. Treasure Island treats less than 1 mgd with a peak capacity of 2 mgd. The North Point Wet-Weather Facility provides primary-level treatment of wastewater collected in the north part of the City during storms, with a treatment capacity of 150 mgd. Treatments plants and pump stations operate 365 days per year, 24-hour per day.

Budget Summary

Table C12 shows the FY 2013-14 to FY 2015-16 adopted budgets, FY 2012-13 audited actual and FY 2013-14 pre-audit actual, and budget variances between FY 2014-15 and FY 2013-14, and between FY 2015-16 and FY 2014-15.

Table C12. Operations Budget Summary

Expenditure Category	FY 2012-13	FY 2013-14	FY 2013-14	FY 2014-15	FY 2015-16	FY 2014-15 vs. FY 2013-14		FY 2015-16 vs. FY 2014-15	
	Audited Actual	Adopted Budget	Pre-Audit Actual	Adopted Budget	Adopted Budget	Adopted Budget Amount	%	Adopted Budget Amount	%
Personnel	17,345,418	16,455,520	16,776,132	16,936,289	17,279,552	480,769	2.9%	343,263	2.0%
Non-Personnel Services	5,081,591	4,647,181	4,905,643	5,409,646	5,509,656	762,465	16.4%	100,010	1.8%
Materials & Supplies	5,849,871	5,780,445	5,873,029	6,019,975	6,291,013	239,530	4.1%	271,038	4.5%
Equipment	130,848	-	-	48,949	40,000	48,949	0.0%	(8,949)	-18.3%
Services Of Other Depts	8,605,022	9,061,107	9,394,662	9,659,542	9,854,913	598,435	6.6%	195,371	2.0%
Total	37,012,750	35,944,253	36,949,466	38,074,401	38,975,134	2,130,148	5.9%	900,733	2.4%

Reasons for Changes, FY 2013-14 to FY 2014-15

- **Non-Personnel Services** – Reflects additional funding to support National Pollutant Discharge Elimination System (NPDES) and air permit compliance, projected levels for hauling and disposal of biosolids, grit, and screenings and projected costs for garbage and recycling services.
- **Equipment** – Reflects equipment needs for FY 2014-15.

Reasons for Changes, FY 2014-15 to FY 2015-16

- **Equipment** – Reflects equipment needs for FY 2015-16.

Environmental Engineering

The Environmental Engineering Division is responsible for providing engineering services to the Wastewater Enterprise in four core service areas: process support, maintenance, design, and planning of large projects and master planning. These services allow Wastewater to maintain and improve the efficiency and reliability of wastewater collection and treatment to ensure the public's safety and welfare, environmental protection, and regulatory compliance.

Process support services include process design, design review, construction liaison, research and testing, process performance review and troubleshooting, and regulatory supports services.

- Maintenance support services include vibration monitoring, procurement specifications, and equipment failure troubleshooting.
- Design support services include design and contract preparation for small to medium-size projects, updating as-built records when changes are made, and other drafting, documentation and technical services.
- Planning and Compliance support services include the development and implementation of the SSIP and compliance with special studies, reports and analyses as required by NPDES permits.

Budget Summary

Table C13 shows the FY 2013-14 to FY 2015-16 adopted budgets, FY 2012-13 audited actual and FY 2013-14 pre-audit actual, and budget variances between FY 2014-15 and FY 2013-14, and between FY 2015-16 and FY 2014-15.

Table C13. Environmental Engineering Budget Summary

Expenditure Category	FY 2012-13 Audited Actual	FY 2013-14 Adopted Budget	FY 2013-14 Pre-Audit Actual	FY 2014-15 Adopted Budget	FY 2015-16 Adopted Budget	FY 2014-15 vs. FY 2013-14		FY 2015-16 vs. FY 2014-15	
						Amount	%	Amount	%
Personnel	3,856,151	3,994,207	4,347,501	4,485,207	4,534,756	491,000	12.3%	49,549	1.1%
Non-Personnel Services	60,526	71,122	47,520	74,873	78,737	3,751	5.3%	3,864	5.2%
Materials & Supplies	78,021	53,922	50,418	53,922	53,922	-	0.0%	-	0.0%
Total	3,994,698	4,119,251	4,445,439	4,614,002	4,667,415	494,751	12.0%	53,413	1.2%

Reasons for Changes, FY 2013-14 to FY 2014-15

- **Personnel** – Reflects the reassignment of one position from the Maintenance Division, one position from the Operations Division to the Environmental Engineering Division, two position substitutions and related fringe benefits.

Reasons for Changes, FY 2014-15 to FY 2015-16

There were no major changes to the FY 2015-16 adopted budget.

Collection Systems

The Collection System Division is responsible for collecting and transporting 85 mgd of wastewater to treatment plants that support one million residents, and business and visitors. Sewage reaches the treatment plants through a conveyance system that starts with side sewers that connect public or private property to local public sewers in the streets.

Proper operation and regular maintenance of the sewer system is a result of the Sewer Collection Systems' preventive maintenance program. Preventive maintenance occurs annually during dry weather. The program includes inspections and maintenance of major sewers to ensure that lines are free of debris, thus minimizing their potential to clog and malfunction. In addition to the pipelines, the collection system contains 19,500 catch basins and 25,000 manholes. Activities within this program include cleaning, inspection, and repair of sewers; responding to public service requests; control of odors in the sewers system; and hydraulic analysis and modeling. To ensure regulatory compliance in the system as a whole, both pretreatment and pollution prevention (P2) programs are implemented, focusing on contaminant reduction activities for residential, commercial, and industrial dischargers. The major P2 programs include: street sweeping, fats, oils and grease (FOG) program to control discharge into sewers, mercury reduction program, pesticides/integrated pest management, and stormwater P2 program to control construction runoff which carries pollutant to surface waters.

Budget Summary

Table C14 shows the FY 2013-14 to FY 2015-16 adopted budgets, FY 2012-13 audited actual and FY 2013-14 pre-audit actual, and budget variances between FY 2014-15 and FY 2013-14, and between FY 2015-16 and FY 2014-15.

Table C14. Collection Systems Budget Summary

Expenditure Category	FY 2012-13	FY 2013-14	FY 2013-14	FY 2014-15	FY 2015-16	FY 2014-15 vs. FY 2013-14		FY 2015-16 vs. FY 2014-15	
	Audited Actual	Adopted Budget	Pre-Audit Actual	Adopted Budget	Adopted Budget	Amount	%	Amount	%
Personnel	9,162,452	11,517,499	9,316,769	11,538,291	11,671,352	20,792	0.2%	133,061	1.2%
Non-Personnel Services	2,695,046	3,126,294	3,244,977	3,296,878	3,474,692	170,584	5.5%	177,814	5.4%
Materials & Supplies	851,342	731,245	724,838	792,045	786,885	60,800	8.3%	(5,160)	-0.7%
Equipment	1,279,321	260,710	639,115	630,533	407,768	369,823	141.9%	(222,765)	-35.3%
Services Of Other Depts	15,592,232	15,730,412	16,426,146	15,911,369	15,922,273	180,957	1.2%	10,904	0.1%
Total	29,580,393	31,366,160	30,351,845	32,169,116	32,262,970	802,956	2.6%	93,854	0.3%

Reasons for Changes, FY 2013-14 to FY 2014-15

- **Equipment** – Reflects projected equipment needs for the Collection Systems Division including an ElectroScan Cargo Van to locate, identify and measure defects in sewer, storm and water and combined sewers.

Reasons for Changes, FY 2014-15 to FY 2015-16

- **Equipment** – Reflects equipment needs for the Collection Systems Division.

Laboratory

The Laboratory Division consists of a network of full-service, state-certified laboratories that provide quality analytical and advisory services through advanced measurement science and standards. The Division is responsible for analytical testing for real-time process control, regulatory compliance, and industrial source control purposes. In addition, the Division provides technical consulting on the interpretation of analytical data for Wastewater staff, regulatory compliance report generation for SFPUC, National Pollution Discharge Elimination System (NPDES) permits, and interfacing with regulatory agencies concerning analytical data issues. The Division also actively participates in special projects with analytical applications. Staff operates from three laboratory facilities located at the Southeast, Oceanside and Treasure Island Treatment Plants.

Budget Summary

Table C15 shows the FY 2013-14 to FY 2015-16 adopted budgets, FY 2012-13 audited actual and FY 2013-14 pre-audit actual, and budget variances between FY 2014-15 and FY 2013-14, and between FY 2015-16 and FY 2014-15.

Table C15. Laboratory Budget Summary

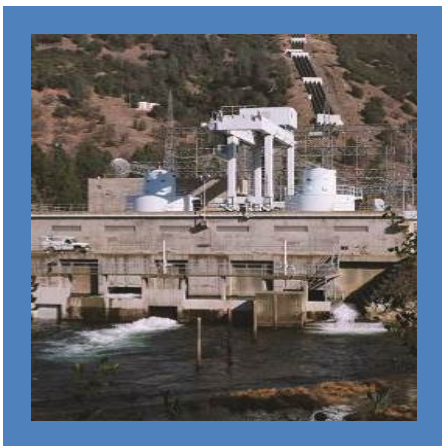
Expenditure Category	FY 2012-13 Audited Actual	FY 2013-14 Adopted Budget	FY 2013-14 Pre-Audit Actual	FY 2014-15 Adopted Budget	FY 2015-16 Adopted Budget	FY 2014-15 vs. FY 2013-14		FY 2015-16 vs. FY 2014-15	
						Adopted Budget		Adopted Budget	
						Amount	%	Amount	%
Personnel	3,076,858	3,871,629	3,087,163	4,017,639	4,062,696	146,010	3.8%	45,057	1.1%
Non-Personnel Services	150,375	143,497	320,975	143,497	143,497	-	0.0%	-	0.0%
Materials & Supplies	319,476	283,568	297,707	327,269	241,625	43,701	15.4%	(85,644)	-26.2%
Equipment	123,292	166,980	175,165	140,135	245,233	(26,845)	-16.1%	105,098	75.0%
Total	3,670,001	4,465,674	3,881,010	4,628,540	4,693,051	162,866	0.0%	64,511	0.0%

Reasons for Changes, FY 2013-14 to FY 2014-15

- **Materials and Supplies** – Reflects increased costs for laboratory supplies and consumables required by lab staff to conduct routine and specialized analyses.
- **Equipment** – Reflects equipment needs for the Wastewater Laboratory Division.

Reasons for Changes, FY 2014-15 to FY 2015-16

- **Materials and Supplies** – Reflects a reduction in laboratory supplies.
- **Equipment** – Reflects equipment needs for the Wastewater Laboratory Division.



HETCH HETCHY WATER & POWER, INCLUDING THE POWER ENTERPRISE

Hetch Hetchy Water and Power is comprised of two components, the Water Enterprise's up-country water operations (Hetchy Water) and power operations (Hetchy Power), and Hetchy Power which includes the Power Enterprise. Hetch Hetchy Water and Power provides reliable, high quality water and electric energy to the City and County of San Francisco and other customers, protects watershed resources in cooperation with Federal agencies, operates and maintains facilities to

a high standard of safety and reliability, and maximizes revenue opportunities within approved levels of risk.

In normal rain years, eighty-five percent of San Francisco's drinking water starts out as snow falling on 459 square miles of watershed land in Yosemite National Park; the City may supplement water supply from an additional 191 square miles of watershed in the Stanislaus National Forest during extremely dry years. As the snow melts, the snow collects in Hetch Hetchy's three storage reservoirs. As water flows by gravity through over 150 miles of pipelines and tunnels, it turns the turbines in four hydroelectric powerhouses, generating approximately 1.7 billion kilowatt hours of electricity per year. The electricity travels over 160 miles of transmission and distribution lines from the up-country powerhouses to the San Francisco Bay Area. The power is used to meet the electricity needs of City and County of San Francisco municipal and retail customers, including City departments like the San Francisco Municipal Transit Agency, the San Francisco International Airport and its tenants, and the San Francisco General Hospital. Surplus power is made available to the Modesto and Turlock Irrigation Districts and other public agencies.

Hetchy Water

Mission, Roles, and Responsibilities

Hetchy Water endeavors to operate as an effective, reliable water and power supplier, while managing resources in an environmentally responsible manner. Hetchy Water is responsible for the operation, maintenance and improvement of water and power facilities to a high standard of safety and reliability while meeting regulatory requirements. Hetchy Water distributes high quality water to SFPUC customers while optimizing the generation of clean hydropower as water is transported through the system. Hetch Hetchy Water also maintains land and properties consistent with public health, watershed values and neighborhood concerns, and promotes diversity, health, safety and professional development of its employees.

Hetchy Power

Mission, Roles and Responsibilities

The core business of Hetchy Power is to provide adequate and reliable supplies of electric power to meet the electricity needs of the City and County of San Francisco's municipal and retail customers, and to satisfy the municipal loads and agricultural pumping demands of the Modesto and Turlock Irrigation Districts consistent with prescribed contractual obligations and Federal law.

Hetchy Power's portfolio consists of hydroelectric generation, on-site solar at SFPUC and other City facilities, generation using bio-methane produced at SFPUC Wastewater's treatment facilities, and third-party purchases. Consistent with its commitment to the development of cleaner and greener power, and to address environmental concerns and community objectives, Hetchy Power continues to evaluate and expand its existing resource base to include additional renewables, distributed generation, demand management, and energy efficiency programs. As part of its mission and core functions, Hetchy Power

provides reliable energy services at reasonable cost to customers, with attention to environmental effects and community concern.

Budget Summary

Table H1 provides the FY 2013-14 to FY 2015-16 adopted budgets, FY 2012-13 audited actual and FY 2013-14 pre-audit actual, and budget variances between FY 2014-15 and FY 2013-14, and between FY 2015-16 and FY 2014-15.

Table H1 below shows that the Hetch Hetchy Water and Power budget decreased by 1.8 percent between FY 2013-14 and FY 2014-15 and then increased modestly between FY 2014-15 and FY 2015-16 by 3.8 percent. The net increase from FY 2013-14 to FY 2015-16 is also modest at 1.9 percent. Sale of water, electricity and natural gas are budgeted to increase, however, other sources of funds that are reduced, including Fund Balance, Other Non-Operating Revenue, Interest Income and Federal Interest Subsidy. From FY 2013-14 to FY 2014-15 these reductions created a net reduction of sources of funds in the budget resulting in a reduction on the uses of funds. Reasons for these reductions are explained on the next page.

Table H1. Hetch Hetchy Water and Power Sources and Uses of Funds

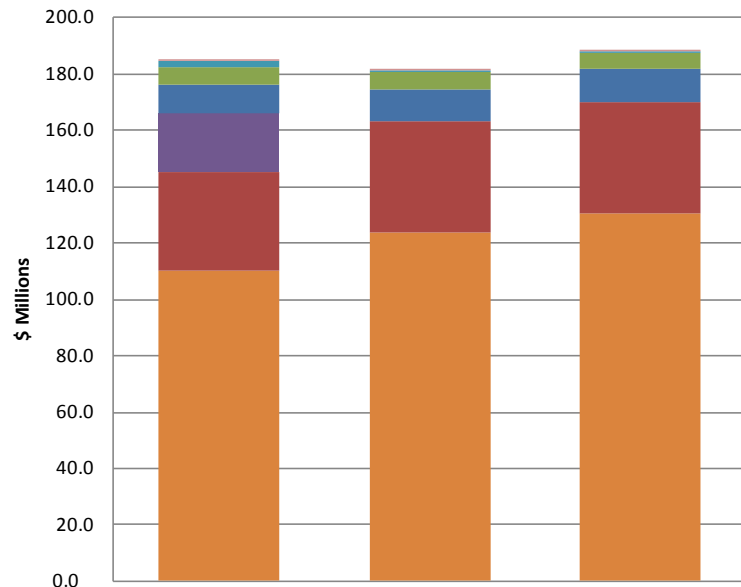
Category	FY 2012-13	FY 2013-14	FY 2013-14	FY 2014-15	FY 2015-16	FY 2014-15 vs. FY 2013-14		FY 2015-16 vs. FY 2014-15	
	Audited Actual	Adopted Budget	Pre-Audit Actual	Adopted Budget	Adopted Budget	Amount	%	Amount	%
SOURCES OF FUNDS									
Sale of Water	37.3	35.0	35.8	39.3	39.4	4.3	12.4%	0.1	0.3%
Sale of Electricity	96.4	110.2	98.0	124.0	130.4	13.8	12.5%	6.4	5.2%
Sale of Natural Gas & Steam (Pass-through)	7.6	10.2	8.9	11.4	11.8	1.2	12.2%	0.4	3.2%
Fund Balance	1.4	20.7	33.5	-	-	(20.7)	-100.0%	-	0.0%
Other Non-Op Revenues	4.5	6.4	4.3	5.8	5.7	(0.6)	-9.8%	(0.1)	-1.9%
Interest Income	1.5	1.9	1.1	0.5	0.5	(1.4)	-71.1%	-	0.0%
Federal Interest Subsidy	0.9	0.8	0.4	0.7	0.7	(0.1)	-10.9%	-	0.0%
Total Sources of Funds	149.6	185.1	182.0	181.7	188.5	(3.4)	-1.8%	6.8	3.8%
USES OF FUNDS									
Personnel	34.6	37.2	35.2	39.4	39.8	2.2	5.9%	0.4	0.9%
Non-Personnel Services	49.9	66.4	60.9	65.5	87.2	(0.9)	-1.3%	21.7	33.1%
Materials & Supplies	2.8	2.8	2.9	2.9	3.0	0.1	3.7%	0.1	3.7%
Equipment	1.2	0.7	1.2	0.9	0.8	0.2	35.3%	(0.1)	-15.8%
Debt Service	0.4	2.0	2.0	2.2	2.2	0.2	11.2%	-	0.0%
Services Of Other Depts	17.9	18.8	22.7	20.4	20.4	1.6	8.3%	-	0.0%
General Reserve	-	-	-	7.6	0.3	7.6	100.0%	(7.3)	-96.2%
Capital/Revenue Reserve	32.5	44.7	44.7	23.3	17.4	(21.4)	-47.9%	(5.9)	-25.4%
Programmatic Projects	10.3	12.5	12.5	19.5	17.5	7.0	55.9%	(2.0)	-10.2%
Total Uses of Funds	149.6	185.1	182.0	181.7	188.5	(3.4)	-1.8%	6.8	3.8%

Sources of Funds

Chart H1 displays the FY 2013-14 to FY 2015-16 budgeted Sources of Funds by revenue category.

The combination of the Sale of Electricity and the Sale of Water continues to be the dominant Sources of Funds in FY 2014-15 accounting for 89.8 percent and in FY 2015-16 accounting for 90.1 percent of the Total Sources of Funds. Even though there are reductions in the Sources of Funds as shown in Chart H1 and discussed below, the net increase in the Sources of Funds from FY 2013-14 to FY 2015-16 is 1.8 percent.

Chart H1. FY 2013-14 to FY 2015-16 Hetch Hetchy Water and Power Sources of Funds



	FY 2013-14	% of Total	FY 2014-15	% of Total	FY 2015-16	% of Total
Sale of Electricity	\$ 110.2	59.5%	\$ 124.0	68.2%	\$ 130.4	69.2%
Sale of Water	35.0	18.9%	39.3	21.6%	39.4	20.9%
Fund Balance	20.7	11.2%	-	0.0%	-	0.0%
Sale of Natural Gas & Steam (Pass-through)	10.2	5.5%	11.4	6.3%	11.8	6.2%
Other Non-Op Revenues	6.4	3.5%	5.8	3.2%	5.7	3.0%
Interest Income	1.9	1.0%	0.5	0.3%	0.5	0.3%
Federal Interest Subsidy	0.8	0.4%	0.7	0.4%	0.7	0.3%
Total Sources of Funds	\$ 185.1	100.0%	\$ 181.7	100.0%	\$ 188.5	100.0%

Summary

Estimated revenues for FY 2014-15 for Sale of Electricity, Sale of Water, Fund Balance, Sale of Natural Gas and Steam, Other Non-Operating Revenues, Interest Income and Federal Interest Subsidy are \$181.7 million, \$3.4 million or 1.8 percent less than FY 2013-14 revenues. Changes from the FY 2013-14 budget include increases in Sale of Electricity of \$13.8 million, Sale of Water of \$4.3 million, and Sale of Natural Gas & Steam of \$1.2 million. The increases are more than offset by the elimination of Fund Balance of \$20.7 million and reductions of \$2.0 million in Interest Income, Other Non-Operating Revenues, and Federal Interest Subsidy.

Estimated revenues for FY 2015-16 are \$188.5 million, \$6.8 million or 3.8 percent more than FY 2014-15 estimated revenues. Changes from FY 2014-15 include increases for Sale of Electricity of \$6.4 million, Sale of Natural Gas and Steam of \$0.4 million, and Sale of Water of \$0.1 million slightly offset by a \$0.1 million decrease in Other Non-Operating Revenues.

Sale of Electricity

FY 2014-15 Sale of Electricity is budgeted at \$124.0 million, which is \$13.8 million more than the amount budgeted for FY 2013-14. The increase is due to increases in projected revenues from municipal, retail and wholesale customers.

- \$80.0 million is estimated from municipal customers and based on General Fund and Enterprise rates, projected power usage adjusted for offline and new facilities and energy efficiency measures. The Enterprise rates are based on a Pacific Gas & Electric (PG&E) tariff approved by the California Public Utilities Commission (CPUC). The increase of \$7.8 million from the FY 2013-14 budget reflects a 1 cent/kWh increase in rates for the General Fund departments and changes in consumption and rate adjustments for Enterprise municipal customers.
- \$20.1 million is estimated from retail customers including customers from the Retail Electric Settlement Account, San Francisco Housing Authority, San Francisco Parking Garages, San Francisco Port tenants, San Francisco Unified School District, Community College of San Francisco, California Academy of Sciences, and other miscellaneous customers. Projected revenues are based on Enterprise and General Fund rates, negotiated rates, and projected electric usage adjusted for offline, new facilities, and energy efficiency measures. The \$2.1 million increase from the FY 2013-14 budget reflects projected increases in rates and consumption.
- \$21.4 million is estimated from wholesale customers, Modesto Irrigation District (MID), Turlock Irrigation District (TID), the Western Systems Power Pool (WSPP) and miscellaneous customers such as Riverbank Redevelopment Authority and Caltrans. Estimated revenues from MID and TID are based on rates and loads specified in the Amended and Restated Long-Term Agreements between San Francisco and MID and TID. Estimated revenues from miscellaneous customers are based on rates specified by contract and projected electric usage. MID and TID revenue estimates based the cost of power and WSPP revenue estimates are based on Hetch Hetchy Power's available excess power and projected market rates. The \$3.9 million increase from the FY 2013-14 budget is based on projected market prices for WSPP and updated rates for district sales.
- \$2.5 million is estimated from electric receipts from Treasure Island tenants based on PG&E rates for FY 2014-15. There is no change from the FY 2013-14 budget.

FY 2015-16 Sale of Electricity is budgeted at \$130.4 million, an increase of \$6.4 million from FY 2014-15. The net increase reflects newly approved rates for General Fund departments, reflecting another 1 cent/kWh increase, and adjustments for projected consumption and rates for the Enterprise departments.

Sale of Water

FY 2014-15 Sale of Water is budgeted at \$39.3 million. The estimated revenues include \$36.8 million from the Sale of Water to the Water Enterprise (shown as an offset in the Table W1 based on an analysis of prior year actual operating and capital expenditures). The balance of \$2.5 million is from water sales to Lawrence Livermore Labs and Groveland based on applicable rates and projected consumption. The \$4.3 million increase from FY 2013-14 includes a \$3.5 million increase for sales to the Water Enterprise due to projected cost increases in operating costs of the Hetch Hetchy water system and an \$0.8 million increase for sales to Lawrence Livermore Labs and Groveland due to projected rate and consumption increases.

FY 2015-16 revenues from the Sale of Water are \$39.4 million, an increase of \$0.1 million from FY 2014-15. The net increase includes a \$0.3 million increase for sale of water to Lawrence Livermore Labs and Groveland, offset by a \$0.2 million reduction in water sales to the Water Enterprise.

Sale of Gas and Steam (Pass-through)

FY 2014-15 Sale of Gas and Steam is budgeted at \$11.4 million, and is based on PG&E and the California Department of General Services (DGS) retail rates and projected usage.

Hetchy Power is responsible for processing and billing City departments for natural gas and steam. The revenue generated from natural gas and steam is a pass-through and ultimately has no impact on Hetch Hetchy's fund balance. The budget includes \$9.7 million for gas and \$1.7 million for steam. The \$1.2 million increase from the FY 2013-14 budget is due to commodity rates adjustments, projected consumption and the addition of City facilities.

In FY 2015-16 the estimated revenue is \$11.8 million, an increase of \$0.4 million from the prior year. The change reflects projected rates and consumption.

Other Non-Operating Revenues

FY 2014-15 Other Non-Operating Revenues total \$5.8 million and includes: \$2.0 million payment from the Transbay Cable Project as a condition of the operational license issued by the City and County of San Francisco; \$1.2 million for payment of loans by City departments for the cost of energy efficiency projects provided by Hetch Hetchy; \$0.5 million from the San Francisco International Airport and its tenants and Water Enterprise for miscellaneous services provided by Hetch Hetchy based on projected costs of labor and materials for requested services; and \$1.0 million from rents, PG&E rebates, claim settlements, a recovery from Infrastructure for their share of the cost of the SFPUC Headquarters and other miscellaneous income. Other miscellaneous revenues include \$1.1 million from Treasure Island for utility and other services provided to Treasure Island Development Authority TIDA-managed facilities. The net decrease of \$0.6 million from the FY 2013-14 budget is due to a decrease in other miscellaneous revenues.

The FY 2015-16 budget is reduced by \$0.1 million to \$5.7 million to reflect a reduction in other miscellaneous revenues.

Federal Interest Subsidy

The FY 2014-15 Federal Interest Subsidy totals \$0.7 million, a \$0.1 million decrease from the FY 2013-14 adopted budget. The Federal Interest Subsidy is issued to promote Clean Renewable Energy Bonds (CREBs) and Qualified Energy Conservation Bonds (QECBs).

The FY 2015-16 Federal Interest Subsidy budget of \$0.7 million remains the same as in FY 2014-15.

Interest Income

FY 2014-15 Revenues from Interest Income totals \$0.5 million based on estimated interest rates on cash balance. Due to projected interest rates and cash balances, interest income is projected to be \$1.4 million less than the FY 2013-14 budget.

The FY 2015-16 Interest Income budget of \$0.5 million remains the same as in FY 2014-15.

Fund Balance

Fund Balance is appropriated to support Hetch Hetchy Water and Power's operating and capital improvement needs. For FY 2014-15, Fund Balance is eliminated due to a shift from revenue-funded to debt-funded capital program.

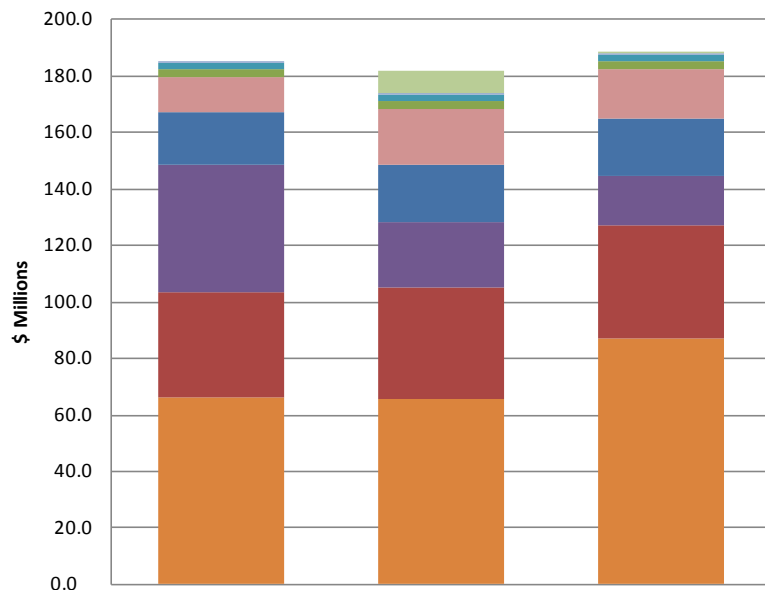
The FY 2015-16 use of Fund Balance remains the same as in FY 2014-15.

Uses of Funds

Chart H2 displays the FY 2013-14 to FY 2015-16 budgeted Uses of Funds by expenditure category.

The Non-Personnel Service budgeted amount increases by 20.8 percent from FY 2013-14 to FY 2015-16; this is also the largest category of Uses of Funds. The Capital/Revenue Reserves decreases the budgeted amount from FY 2013-14 to FY 2015-16 by \$27.3 million which is a total decrease of 61.1 percent. This decrease along with a flat debt service seems to indicate that the Hetch Hetchy capital program is shrinking; in reality it is growing, but is shifting in this budget from revenue-funded to debt-funded and being appropriated through a capital supplemental for the next two years. That supplemental totaled \$234.8 million and was adopted July 2, 2014. Accordingly Debt service is expected to increase after FY 2015-16.

Chart H2. FY 2013-14 to FY 2015-16 Hetch Hetchy Water and Power Uses of Funds



	FY 2013-14	% of Total	FY 2014-15	% of Total	FY 2015-16	% of Total
Non-Personnel Services	\$ 66.4	35.9%	\$ 65.5	36.1%	\$ 87.2	46.3%
Personnel	37.2	20.1%	39.4	21.7%	39.8	21.1%
Capital/Revenue Reserve	44.7	24.2%	23.3	12.8%	17.4	9.2%
Services Of Other Depts	18.8	10.2%	20.4	11.2%	20.4	10.8%
Programmatic Projects	12.5	6.8%	19.5	10.7%	17.5	9.3%
Materials & Supplies	2.8	1.5%	2.9	1.6%	3.0	1.6%
Debt Service	2.0	1.1%	2.2	1.2%	2.2	1.1%
Equipment	0.7	0.4%	0.9	0.5%	0.8	0.4%
General Reserve	-	0.0%	7.6	4.2%	0.3	0.1%
Total Uses of Funds	\$ 185.1	100.0%	\$ 181.7	100.0%	\$ 188.5	100.0%

Summary

Total Uses of Funds for FY 2014-15 are \$181.7 million, \$3.4 million or 1.8 percent less than in FY 2013-14. The FY 2014-15 Uses of Funds include \$65.5 million for Non-Personnel Services, \$39.4 million for Personnel, \$23.3 million for Capital/Revenue Reserve, \$20.4 million for Services of Other Departments, \$19.5 million for Programmatic Projects, \$7.6 million for General Reserve, \$2.9 million for Materials and Supplies, and \$3.1 million for Debt Service, and Equipment. Changes from the FY 2013-14 budget include increases of \$7.6 million in General Reserve, \$7.0 million in Programmatic Projects, \$4.3 million

Personnel, Services of Other Departments, Equipment, Debt Service and Materials and Supplies offset by reductions of \$22.3 million in Capital/Revenue Reserve and Non-Personnel Services.

Total Uses of Funds for FY 2015-16 are \$188.5 million, \$6.8 million or 3.8 percent more than in FY 2014-15. The FY 2015-16 Uses of Funds include \$87.2 million for Non-Personnel Services, \$39.8 million for Personnel, \$20.4 million for Services of Other Departments, \$17.5 million for Programmatic Projects, \$17.4 million for Capital/Revenue Reserve, \$3.0 million for Materials and Supplies, and \$3.2 million for Debt Service, Equipment and General Reserve. Changes from FY 2014-15 include increases of \$21.7 million in Non-Personnel Services, \$0.5 million in Personnel, and Materials and Supplies offset by decreases of \$7.3 million in General Reserve, \$5.9 million in Capital/Revenue Reserve and \$2.2 million in Programmatic Projects and Equipment.

Table H1 shows the FY 2013-14 to FY 2015-16 adopted budgets, FY 2012-13 audited actual and FY 2013-14 pre-audit actual, and the budget variances between FY 2014-15 and FY 2013-14, and between FY 2015-16 and FY 2014-15. Table H2 provides the FY 2013-14 to FY 2015-16 adopted budgets, FY 2012-13 audited actual and FY 2013-14 pre-audit actual, and the budget variances between FY 2014-15 and FY 2013-14, and between FY 2015-16 and FY 2014-15 for all Hetch Hetchy Water and Power Sections.

Non-Personnel Services

The FY 2014-15 Non-Personnel Services budget is \$65.5 million based on projected spending levels for various services provided to Hetch Hetchy Water and Power. The net change is \$0.9 million, or 1.3 percent less compared to the FY 2013-14 budget. The reduction includes increases to fund: payments to the Modesto Irrigation District for dry-year water supply, based on an annual purchase cost for 2,240 acre-feet of water at \$700 per acre-foot; gas and steam based on commodity rates increases, projected consumption and the addition of City facilities; and projected PG&E streetlight maintenance contract costs, offset by a reduction in purchase of power to adjust for Hetch Hetchy maintenance and operating changes, updated energy prices based on forward energy curves, and more clarity of the City's renewable power requirements.

The FY 2015-16 Non-Personnel Services budget is \$87.2 million, a \$21.7 million increase from FY 2014-15. The increase adjusts the purchase of power budget for Hetch Hetchy based maintenance and operating changes, updated energy prices based on forward energy curves, and the expiration of the City's energy bank with Pacific Gas & Electric (PG&E) in July, 2015. Also the budget was adjusted based on projected rates for natural gas and steam.

Personnel

The FY 2014-15 Personnel budget is \$39.4 million, including \$26.7 million for salaries and \$12.7 million for fringe benefits. Salaries are based on various labor agreements. The net salaries increase of \$1.4 million over the FY 2013-14 salaries budget reflects position substitutions, position transfers from the Water Enterprise to Hetch Hetchy and salaries adjustments as required by labor agreements.

The FY 2014-15 Mandatory Fringe Benefits budget is \$12.7 million and is based on the cost of budgeted salaries, and adjustments to fringe benefits such as Social Security, retirement and health costs. The net increase of \$0.8 million over the FY 2013-14 budget reflects increases to salaries, retirement rate adjustments and other fringe benefit rate adjustments.

The FY 2015-16 Personnel budget is \$39.8 million including \$27.6 million for salaries and \$12.2 million for fringe benefits. The \$0.9 million increase from FY 2014-15 funds reflects position substitutions and salaries adjustments as required by the various labor agreements.

The FY 2015-16 Mandatory Fringe Benefits budget is \$12.2 million. The net decrease of \$0.5 million from FY 2014-15 reflects adjustments to salaries based on labor agreements offset by decreases in fringe benefits resulting from fringe benefits resulting for lowered retirement rates.

Capital/Revenue Reserve

The FY 2014-15 Capital/Revenue Reserve budget is \$23.3 million. The budget funds the revenue portion of the capital program approved and funded through an annual supplemental appropriation. The \$21.4 million reduction from the FY 2013-14 budget reflects the source change from revenue to a bond-funded capital program.

The FY 2015-16 Capital/Revenue Reserve budget is \$17.4 million, \$5.9 million less than in FY 2014-15. The decrease reflects Hetch Hetchy's capital improvement forecast for FY 2015-16, a further replacement of revenue funding, with more bond funding.

Services of Other Departments

The FY 2014-15 Services of Other Departments budget is \$20.4 million and is based on the projected costs of services provided by other City departments to Hetch Hetchy. The \$1.6 million increase from FY 2013-14 funds Hetch Hetchy's share of SFPUC Bureaus' costs and workers compensation projected costs.

The FY 2015-16 Services of Other Departments budget is \$20.4 million. There is no change from FY 2014-15.

Programmatic Projects

The FY 2014-15 Programmatic Projects budget is \$19.5 million, a \$7.0 million increase from FY 2013-14. The increase funds activities related to the Western Electricity Coordinating Council/North American Electric Reliability Corporation (WECC/NERC) compliance requirements.

The FY 2015-16 Programmatic Projects budget is \$17.5 million, a decrease of \$2.0 million from FY 2014-15. The change reflects reduced costs for WECC/NERC Compliance Project.

Materials and Supplies

The FY 2014-15 Materials and Supplies budget is \$2.9 million and is based on projected cost and usage for materials and supplies related to operations and maintenance. The \$0.1 million increase from the prior year reflects the cost of projected streetlight maintenance supplies.

The FY 2015-16 Materials and Supplies is \$3.0 million or \$0.1 million more than the FY 2014-15 budget based on projected costs for water treatment supplies.

Debt Service

The FY 2014-15 Debt Service budget is \$2.2 million and based on principal and interest on the Clean Renewable Energy Bonds (CREBs), Qualified Energy Conservation Bonds (QECSBs), new Clean Renewable Energy Bonds, California Energy Commission (CEC) loan and Certificates of Participation (COP) for 525 Golden Gate, Series 2009 C and D. The \$0.2 million net increase from FY 2013-14 reflects the projected CEC loan principal and interest payments.

The FY 2015-16 Debt Service budget remains the same as in FY 2014-15.

Equipment

The FY 2014-15 Equipment budget is \$0.9 million. The budget funds equipment required to efficiently and effectively operate and maintain the overall system consisting of dams, reservoirs, water and power transmission lines, streetlights and power generation facilities. The \$0.2 million increase from FY 2013-14 is based on the projected costs of equipment.

The FY 2015-16 Equipment budget is \$0.8 million, a \$0.1 million decrease from the FY 2014-15. The decrease reflects projected equipment needs for FY 2015-16.

General Reserve

The FY 2014-15 General Reserve budget is \$7.6 million. The General Reserve is used to balance budgeted sources and uses of funds, when budgeted revenues exceed budgeted expenditures. The change reflects an increase in the Sale of Electricity revenues offset by a decrease in revenue-funded programs.

The FY 2015-16 General Reserve budget is \$0.3 million, a \$7.3 million decrease from FY 2014-15 due to a reduction in Hetch Hetchy' s revenue-funded capital projects.

Table H2 provides the FY 2013-14 to FY 2015-16 adopted budgets, FY 2012-13 audited actual and FY 2013-14 pre-audit actual, and the budget variances between FY 2014-15 and FY 2013-14, and between FY 2015-16 and FY 2014-15 for all Hetch Hetchy Water and Power Sections.

Table H2. Hetch Hetchy Water and Power Uses of Funds by Section and Other Categories

Section	FY 2012-13	FY 2013-14	FY 2013-14	FY 2014-15	FY 2015-16	FY 2014-15 vs. FY 2013-14		FY 2015-16 vs. FY 2014-15	
	Audited Actual	Adopted Budget	Pre-Audit Actual	Adopted Budget	Adopted Budget	Amount	%	Amount	%
Power Administration	11.0	11.0	12.4	12.0	12.1	1.0	9.2%	0.1	1.1%
Energy Services	27.3	45.9	36.8	10.3	10.5	(35.6)	-77.5%	0.2	2.1%
Long Range Planning and Power Purchase	1.7	1.4	2.0	32.3	52.8	30.9	2190.0%	20.4	63.1%
Light, Heat and Power	14.3	16.0	15.8	18.6	19.3	2.7	16.7%	0.6	3.3%
Project Operations	52.1	51.7	55.8	55.8	56.5	4.1	8.0%	0.7	1.3%
Debt Service	0.4	2.0	2.0	2.2	2.2	0.2	11.2%	-	0.0%
Capital/Revenue Reserve	10.3	44.7	44.7	23.3	17.4	(21.5)	-48.0%	(5.9)	-25.4%
Programmatic Projects	32.5	12.5	12.5	19.5	17.5	7.0	56.1%	(2.0)	-10.2%
General Reserve	-	-	-	7.6	0.3	7.6	0.0%	(7.4)	-96.6%
Hetch Hetchy Total	149.6	185.1	182.0	181.7	188.5	(3.4)	-1.8%	6.8	3.8%

Note: Although the Long Range Planning Section has the most significant increase in total budgets and percentages across the three fiscal years, other sections and categories also have marked increases which are partially offset by the Energy Services and the Capital/Revenue Reserves dramatic reductions.

Authorized and Funded Full-Time Equivalents (FTEs)

Table H3 provides a breakdown of positions by position type for FY 2012-13 to FY 2015-16.

Table H3. Hetch Hetchy Water and Power Authorized and Funded Full-Time Equivalents (FTEs)

Position Type	FY 2012-13	FY 2013-14	FY 2014-15	FY 2015-16	FY 2014-15 vs. FY 2013-14	FY 2015-16 vs. FY 2014-15
	Adopted Budget	Adopted Budget	Adopted Budget	Adopted Budget		
Permanent Positions	240.99	241.02	242.72	242.80	1.70	0.08
Temporary Positions	7.93	7.76	10.63	11.03	2.87	0.40
Subtotal Operating Budget-Funded	248.92	248.78	253.35	253.83	4.57	0.48
Project-Funded Positions	61.00	61.00	62.31	65.31	1.31	3.00
Total Positions	309.92	309.78	315.66	319.14	5.88	3.48

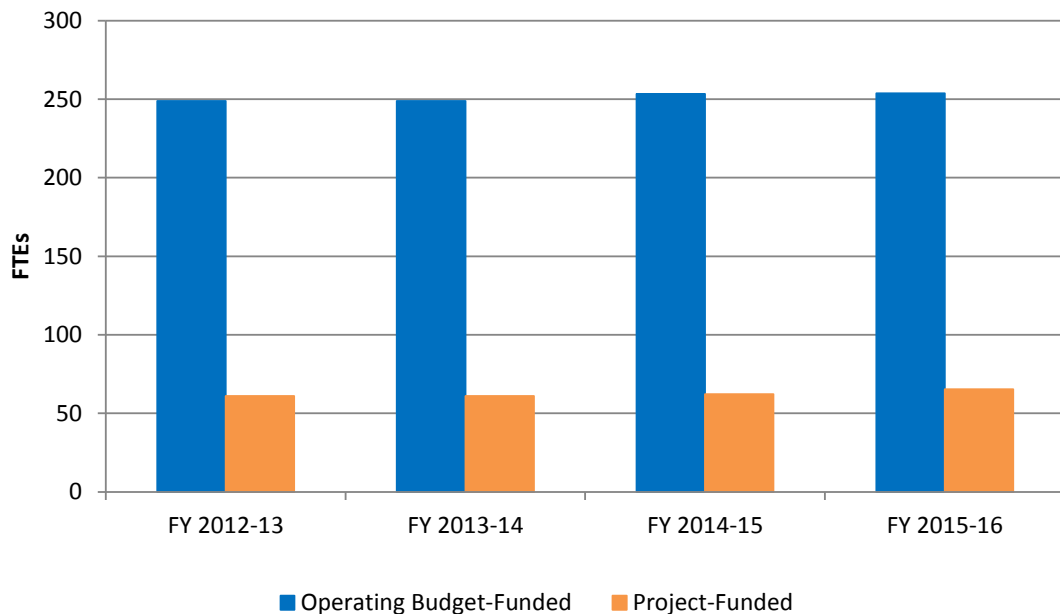
As noted above in Table H3, the total authorized and funded full-time equivalent (FTE) operating, project-funded, and temporary positions for FY 2014-15 are 315.66 FTEs, a 5.88 FTE increase from FY 2013-14. In FY 2014-15 the net change in the FTEs count from FY 2013-14 includes adjustments to salary savings to reflect scheduled hiring of vacant positions, increases in temporary salaries funding to reflect actual costs, the addition of three new project-funded positions to support Western Electricity Coordinating Council/North American Reliability Corporation (WECC/NERC) regulatory activities, and the transfer of one project-funded position to the Water Enterprise to reflect where the position works and reports.

The FY 2015-16 FTEs are 319.14, an increase of 3.48 FTEs from FY 2014-15 includes the annualization of three new project-funded positions in FY 2014-15, an additional three new project-funded positions to support WECC/NERC activities and adjustments to salary savings and temporary salaries.

Chart H3 illustrates the trend of operating and project-funded FTEs from FY 2012-13 to FY 2015-16.

The operating and project FTEs trend reflects a slight increase in positions for FY 2012-13 through FY 2015-16.

Chart H3. Hetch Hetchy Water and Power Operating and Project FTEs Trend



Hetch Hetchy Water and Power Capital Improvement Program (CIP)

Table H4 shows the Hetch Hetchy Water and Power CIP for FY 2013-14, FY 2014-15 and FY 2015-16 by major programs.

Table H4. Hetch Hetchy Water and Power CIP by Major Program

\$ Millions	FY 2013-14	FY 2014-15	FY 2015-16
Program/Project	Adopted Budget	Adopted Budget	Adopted Budget
Hetchy Power Costs			
Streetlights	11.6	14.1	11.9
Transmission/Distribution	4.2	1.0	1.3
Renewable/Generation	5.2	6.2	6.2
Energy Efficiency	2.1	1.0	1.0
Treasure Island	3.9	3.1	3.0
Reclassification -Power Only Joint Projects	34.6	50.5	50.3
Total Hetchy Power	61.6	75.9	73.6
Hetchy Water Costs			
Water Infrastructure	8.0	19.8	4.0
Power Infrastructure	26.7	36.0	31.6
Joint Projects - Water Infrastructure 45%	6.5	11.9	15.3
Joint Projects - Power Infrastructure 55%	7.9	14.5	18.7
Reclassification -Power Only Joint Projects	(34.6)	(50.5)	(50.3)
Total Hetchy Water	14.5	31.7	19.3
Financing Cost - Hetchy Water	2.8	6.5	3.9
Financing Cost - Hetchy Power	3.2	9.1	14.8
Total Financing Costs	6.0	15.6	18.7
Total Hetchy Power & Water	82.1	123.2	111.6
Sources			
Revenue	48.2	23.3	17.4
Power Bonds	15.5	43.0	69.3
Water Bonds	17.3	38.2	23.2
Cap and Trade Auction Revenue	1.2	1.4	1.7
Project De-Appropriation	-	17.3	-
Total Sources	82.1	123.2	111.6

FY 2014-15 and 2015-16 Supplemental Appropriation

The SFPUC Capital Budget was approved through a supplemental appropriation due to the size of the request and the need for additional time for the review by governing agencies. The supplemental appropriated \$234.8 million for projects and financing costs for Hetchy Water & Power for FY 2014-15 and FY 2015-16.

Table H4 shows an overall growth in the Hetch Hetchy Water and Power capital program in the next two fiscal years. The Power capital program increases by 18.9 percent from FY 2013-14 to FY 2014-15. There is a slight but not significant decrease from 2014-15 to FY

2015-16 of 3.1 percent. Although the Hetchy Water capital budget grows in FY 2014-15, the reduction in FY 2015-16 is significant. The table shows the clear shift away from revenue-funded capital projects, a significant increase in bond funding for both Hetchy Power, 64 percent between FY 2013-14 and FY 2015-16, and Hetchy Water 45 percent between FY 2013-14 and FY 2014-15 with a slight decrease shown in the bond funding in FY 2015-16 consistent with the slightly reduced total capital project budget. The de-appropriated funds in FY 2014-15 equal 14 percent of the budget reducing the Community Choice Aggregation project by a like amount.

FY 2014-15 Summary

The Hetchy Water and Power Capital Improvement Program (CIP) for FY 2014-15 is \$123.2 million and includes: \$75.9 million for Hetchy Power and joint-related projects, \$31.7 million for Hetchy Water and joint-related projects and \$15.6 million for financing cost. The FY 2014-15 CIP is funded by \$23.3 million in Hetchy Water and Power revenue, \$43.0 million from the issuance of Power Enterprise revenue bonds for projects considered Hetchy Power or 55.0 percent of joint assets, \$38.2 million from the issuance of Water Enterprise revenue bonds for projects considered Water or 45.0 percent of joint Water's assets, \$1.4 million from Cap and Trade Carbon Auction revenue and \$17.3 million from project de-appropriation. The projects are included in the SFPUC's Ten-Year Capital Plan which is part of the City and County of San Francisco's Ten-Year Capital Plan approved by the Board of Supervisors biannually.

The CIP represents continued investment in upgrading and improving infrastructure to ensure reliability of power generation and water delivery. The CIP grows the Power portfolio with continued investment in renewable sources and efficiency.

Hetchy Power

Projects in the FY 2014-15 CIP include:

- \$14.1 million to fund the continued replacement/repair of streetlights, pull boxes, and conduit on an as needed basis. Funding was increased from \$11.6 million to \$14.1 million to address the increasing number of streetlights in need of repairs or replacement. The additional funding will enable the installation of new streetlights and address inadequate lighting at various locations throughout the City. Funding is also included to convert inefficient lighting systems to standard voltage services and replace fixtures with LEDs, the 3rd Street Rehabilitation Project and pedestrian light pole assessments.
- \$1.0 million to the Telemetering of Municipal Load project that will evaluate the feasibility of two scenarios (1) replacing all or a portion of the 2000 Pacific Gas & Electric Company (PG&E) meters used to serve the municipal load customers with meters that would be owned by the Power Enterprise and (2) the Power Enterprise purchasing these meters from PG&E.
- \$6.2 million for Renewable/Generation projects such as small renewable (solar photovoltaic, solar thermal, wind, geothermal, fuel cells), small hydro (in-line turbines, turbines in existing pipelines, incremental hydro) and the GoSolarSF incentive program that promotes the installation of solar power systems in San Francisco by offering one-time incentive payments to reduce project costs.
- \$1.0 million for Energy Efficiency Projects including \$0.5 million for General Fund departments, \$0.2 million for the Civic Center Sustainability District and \$0.3 million for Enterprise departments.
- \$3.1 million for Treasure Island to install a new underground 12 kilovolt (kV) distribution system at Treasure and Yerba Buena Island. The developer will pay for the installation of the new underground 12-kV electric distribution system while the SFPUC, as the electric utility provider, will be responsible for installing the conduit wires, transformers, switches, and metering equipment and connecting the existing electrical distribution system with the new system.
- \$50.5 million for reclassification to Hetchy Power's share of improvements to the power infrastructure up-country. This includes: \$36.0 million to fund major

improvements to the power generation and transmission system portion of the Hetch Hetchy Project, including a number of power related projects and work at all facilities including powerhouses, switchyards and transmission/distribution system; and \$14.5 million funds major improvements on joint assets located up-country (this represents Power's 55.0 percent share).

Hetchy Water

Projects in the FY 2014-15 CIP include:

- \$19.8 million for Water Infrastructure projects to fund major improvements and maintenance activities involved with the water supply and delivery portion of the Hetch Hetchy Project. \$18.1 million is for the Lower Cherry Aqueduct project that, due to age and damage caused by the Rim Fire, is unable to reliably convey water from Cherry Creek to Early Intake Reservoir. Funding is also included for recurring repairs to the San Joaquin Pipeline.
- \$36.0 million for Power Infrastructure projects including upgrades to powerhouse breakers, turbines, generators, controls, monitoring systems, and to purchase and install new governors at Kirkwood Powerhouse and Holm Powerhouse. Upgrades to the existing oil separation system to prevent oil discharges; rehabilitation of transmission lines and distribution system, auto transformers at switchyards, and replacement of switchyard and substation components.
- \$11.9 million for Water's 45.0 percent of joint asset property to support the infrastructure required for the operation and maintenance for both the Hetchy water and power systems including improvements to facilities at Moccasin, facilities outside Moccasin, road improvements, facility security and communication projects.
- (\$50.5 million) for reclassification from Hetchy Water to Hetchy Power for power infrastructure improvements up-country. This includes \$36.0 million in Power infrastructure Projects (see Power Infrastructure above) and \$14.5 million for Power's share of joint assets located upcountry (See Joint Water/Power Projects above).

FY 2015-16 Summary

Hetchy Power

The Hetchy Power FY 2015-16 Capital Budget is \$73.6 million and includes \$11.9 million to fund improvements to the SFPUC's streetlights and the Van Ness Bus Rapid Transit Project, \$1.3 million for transmission distribution projects, \$6.2 million for investments in renewable generation projects, \$1.0 million for energy efficiency projects for General Fund and Enterprise departments, \$3.0 million for Treasure Island development projects, and \$50.3 million for Hetchy Power's share of improvements to the power infrastructure up-country.

Hetchy Water

The Hetchy Water FY 2015-16 Capital Budget is \$19.3 million and includes \$4.0 million for improvements to the water transmission system, reservoirs and dams, \$31.6 million for Power Infrastructure projects including the rehabilitation of transmission/distribution systems and switchyards, \$34.0 million for rehabilitation of support infrastructure (Facilities/Buildings/Right-of-Way) and communication systems throughout the Hetchy system. The budget also includes the reclassification (reduction) of \$50.3 million to Hetchy Power for its share of improvements to power infrastructure up-country, which is operated and managed by Hetchy Water.

Hetch Hetchy Water and Power Programmatic Projects

Table H5 shows Hetch Hetchy Water and Power Programmatic Projects, for FY 2013-14, FY 2014-15 to FY 2015-16, by major programs.

Table H5. Hetch Hetchy Water and Power Programmatic Projects

\$ Millions	FY 2013-14 Adopted Budget	FY 2014-15 Adopted Budget	FY 2015-16 Adopted Budget
Program/Project			
Hetchy Costs			
SF Electric Reliability - Trans Bay Cable Funding	2.0	2.0	2.0
Arc Flash & Electrical Hazard	0.4	0.4	-
Treasure Island Facilities Maintenance	2.9	2.9	3.0
Youth Employment Project	0.3	0.3	0.3
525 Golden Gate - Operations & Maintenance	0.4	0.5	0.7
525 Golden Gate - Lease Payments	1.2	1.2	1.2
Facilities Maintenance	1.6	1.6	1.6
Camp Mather	1.0	-	-
Community Choice Aggregation	-	0.7	0.7
WECC/NERC Compliance	2.7	9.9	8.1
Total Cost	12.5	19.5	17.5
Sources			
Infrastructure - Recovery Capital (O&M)	-	-	0.1
Infrastructure - Recovery Capital (Lease)	0.1	0.1	0.2
Federal Bond Interest Subsidy	0.3	0.3	0.3
Trans Bay Cable Payment	2.0	2.0	2.0
Revenue	10.0	17.1	15.0
Total Sources	12.5	19.5	17.5

The Hetch Hetchy Water and Power Programmatic Projects budget increased from \$12.5 million in FY 2013-14 to \$19.5 million in FY 2014-15. This \$7.0 million increase is to fund the WECC/NERC Compliance which requires the development of previously non-existent business processes, ongoing internal compliance monitoring and feedback, and rigorous documentation.

The Hetch Hetchy Water and Power Programmatic Projects budget decreased from \$19.5 million in FY 2014-15 to \$17.5 million in FY 2015-16. The decrease of \$2.0 million is due to the completion of WECC/NERC Compliance Project.

Hetch Hetchy Water and Power Ten-Year Capital Plan

The SFPUC is required to develop a Ten-Year Capital Plan. Reliability and delivery of high quality water and renewable sources of power are the most critical objectives of Hetch Hetchy Water and Power. Therefore, understanding the long-term capital needs of the system and determining how to finance these capital needs are essential.

Table H6 shows the Hetch Hetchy Water and Power Ten-Year Capital Plan by program and project. The table also shows the four different sources of revenue that are expected to finance the CIP over these ten-years and the anticipated number of jobs created by this program.

The \$1,242 billion Ten-Year Capital Plan represents a consistent and growing investment over ten years with greater amount of funds allocated to the Power infrastructure. The trend to bonds and away from revenue funding is also evident with revenues only supporting 15.4 percent of the CIP. The new revenue is the California Cap and Trade

Carbon auction funding which although small in comparison, grows by nearly 51% between FY 2014-15 and FY 2018-19.

Table H6 and Chart H4 shows total project costs for Hetch Hetchy Water and Power of \$1,242.4 million.

Revenues are projected to be \$1,242.4 million resulting in a balanced plan.

Table H6. Hetch Hetchy Water and Power Ten-Year Capital Plan

§ Thousands							
Program/Project	FY 2014-15	FY 2015-16	FY 2016-17	FY 2017-18	FY 2018-19	FY 2020-24	Plan Total
Spending Plan							
Hetch Hetchy Power							
Streetlights	14,070	11,946	5,734	5,734	4,710	17,856	60,050
Transmission/Distribution	1,000	1,250	-	-	-	-	2,250
Renewable/Generation	6,200	6,200	3,200	3,200	1,200	6,000	26,000
Energy Efficiency	1,000	1,000	1,000	1,000	1,000	5,000	10,000
Treasure Island & Other Development	3,050	2,950	9,600	8,950	7,100	6,300	37,950
Reclassification -Power Only Joint Project	50,540	50,278	47,012	50,989	43,253	370,041	612,113
Total Hetchy Power	75,860	73,624	66,546	69,873	57,263	405,197	748,363
Hetchy Water							
Water Infrastructure	19,820	3,960	10,480	9,735	32,505	47,375	123,875
Power Infrastructure	36,008	31,578	21,620	21,720	18,685	30,094	159,705
Joint Projects - Water Infrastructure 45%	11,890	15,300	20,775	23,948	20,101	278,138	370,152
Joint Projects - Power Infrastructure 55%	14,532	18,700	25,392	29,269	24,568	339,947	452,408
Reclassification -Power Only Joint Project	(50,540)	(50,278)	(47,012)	(50,989)	(43,253)	(370,041)	(612,113)
Total Hetchy Water	31,710	19,260	31,255	33,683	52,606	325,513	494,027
Total Hetchy Power & Water	107,570	92,884	97,801	103,556	109,869	730,710	1,242,390
Revenues							
Revenue	23,252	17,354	19,841	21,644	19,832	60,366	162,288
Power Bonds	33,890	54,570	44,681	45,840	34,627	341,817	555,424
Water Bonds	31,710	19,260	31,255	33,683	52,606	325,513	494,027
Cap and Trade Auction Revenue	1,418	1,700	2,025	2,390	2,804	3,014	13,351
Project De-Appropriation	17,300	-	-	-	-	-	17,300
Total Revenues	107,570	92,884	97,801	103,556	109,869	730,710	1,242,390
Total San Francisco Jobs/Year	960	829	872	924	980	6,518	11,082

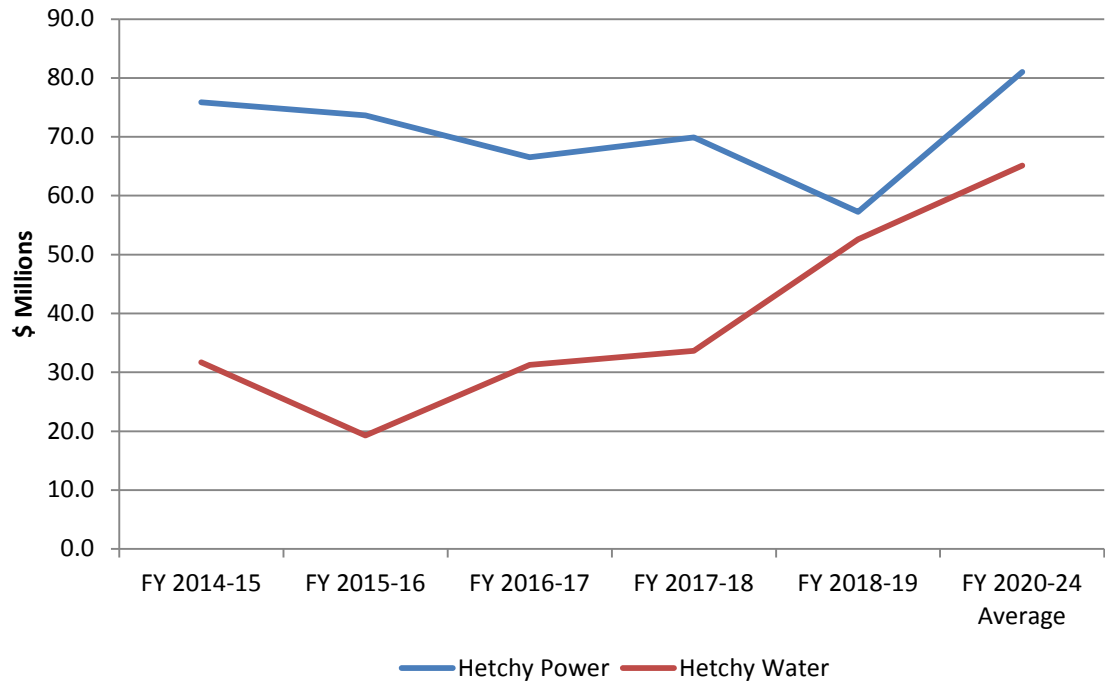
The Ten-Year Capital Plan is developed every year by the SFPUC and approved by the Commission. The Ten-Year Capital Plan informs and guides managers, policy makers, elected officials and the public by providing the proposed long-term capital program, projects and investment. The Ten-Year Capital Plan also guides the Ten-Year Financial Plan. The Ten-Year Capital Plan is a plan, not a budget and is not “appropriated” like a budget. As the budget process progresses through the Spring and into final adoption in the Summer, the annual CIPs can be revised and final projects, costs and totals for the two annual CIPs can change. Consequently, even though the annual CIPs are based on the Ten-Year Capital Plan, they do not always match by project or dollar amount, but often times does.

There are two sections to the Ten-Year Capital Plan:

1. The Hetchy Water Renewal and Replacement Program – This program is financed by Water revenue bonds; the Hetchy Water Renewal and Replacement budget includes Power Infrastructure and Joint, Water (45.0 percent)/Power (55.0 percent) projects that are located up-country and managed by Hetchy Water.
2. The Hetchy Power Capital Program - The program undertakes projects both within San Francisco and up-country and is financed by operating revenues, Cap and Trade Carbon auction revenue, project de-appropriation in FY 2014-15, and Power revenue bonds. Hetchy Power includes the renewable generation and energy efficiency projects critical to attain greenhouse gas reductions and begin climate change mitigation.

Chart H4 shows Hetch Hetchy's capital budget trend over ten-years. These trend lines show that even with the greater amount of funds allocated to Hetchy Power, the major growth over ten years is in Hetchy Water managed under Renewal and Replacement projects.

Chart H4. Hetch Hetchy Water and Power Ten-Year Capital Plan Trend



Hetchy Water Renewal and Replacement (R&R) Program

The Hetchy Water renewal and replacement program is comprised entirely of the projected costs of \$494.0 million for Hetchy Water. These proposed program costs will be financed with a combination of revenue bonds.

Many Hetch Hetchy Water and Power facilities and system components are aging and/or have reached/exceeded their useful life. The condition of these facilities and equipment must be or has been assessed and proposed projects evaluated and prioritized based on risk (financial/criticality, safety and regulatory), efficiency of operations, and to provide a safe working environment for employees working in remote areas.

Water Infrastructure, \$123.9 million

The Water Infrastructure capital R&R program will include concept, development, design and upgrades for operating, managing, and maintaining the Hetchy Water Infrastructure. In general, this includes water facilities from Hetch Hetchy Reservoir to Alameda East. The new and upgraded systems will have increased coverage, capacity or reliability, or improve employee safety and/or operating efficiency for those projects. R&R projects include continued rehabilitation to the San Joaquin Pipeline, Priest Reservoir Lining Water Quality, and the Lower Cherry Aqueduct Project, due to age and damage caused by the Rim Fire, is unable to reliably convey water from Cherry Creek to Early Intake Reservoir.

Power Infrastructure – Powerhouse & Transmission Lines Switchyards, \$159.7 million

Hetchy Power infrastructure, facilities and equipment have reached their life expectancy. Power generation will become less reliable if upgrades are not performed.

The Capital Plan provides funding for various generation renewal and replacement projects at the Holm, Kirkwood and Moccasin Powerhouses. Projects include upgrades to the

powerhouse protection, control, and monitoring systems, replacement of pumps which divert water from Eleanor to Cherry Reservoir, and upgrades to the existing oil separation system to prevent oil discharges.

The Capital Plan also includes rehabilitation of transmission lines, a condition assessment of the lines to reduce the risk of failure, replacement of large transformers at switchyards that have exceeded their expected life, and renewal and replacement of switchyard and substation components including an inadequate grounding system that may result in potential electrical hazards. Hetchy maintains these assets to avoid transmission line failure resulting in costly repairs and revenue loss.

Joint Projects – Water & Power Infrastructure, \$822.6 million

The plan proposes rehabilitation and upgrades to Hetchy penstocks, reservoirs, and the condition assessment of Hetchy dams. Failure of the penstocks could cause flooding, impact the ability to generate power and maintain reliability of the water supply to SFPUC customers.

The plan includes \$628.7 million for the Mountain Tunnel Rehabilitation/Bypass Project and condition assessment of all six storage and regulating reservoirs and identifies work to be performed that will be prioritized and included in the plan. Failure to upgrade these facilities could jeopardize the system resulting in loss of storage or conveyance and may impact the SFPUC's water supply reliability and/or the ability to deliver water and generate power.

Included in the plan are funds for rehabilitating roads and bridges and upgrading existing or constructing new support structures and facilities, security and communication projects. These improvements will allow Hetchy to meet California Building Code requirements and address life-safety issues.

Reclassification - Power Infrastructure, Joint Water & Power Projects, \$612.1 million

The Hetchy Water Capital budget includes the reallocation of Hetchy Power infrastructure, \$159.7 million, and Hetchy Power's share (55%) of Joint Water & Power projects, \$452.4 million to the Hetchy Power Capital Budget. These cost reallocations are for projects located up-country and are managed by Hetchy Water.

Hetchy Power Capital Program

The capital program is comprised entirely of \$748.4 million in projected costs for Hetchy Power.

Streetlights, \$60.1 million

Hetchy provides power to all of San Francisco's 44,528 streetlights and maintains the 25,509 streetlights owned by the City and funds the maintenance of the 19,019 streetlights owned by Pacific Gas & Electric (PG&E). The approved plan adds an additional \$15.4 million for streetlight repair and rehabilitation in the first two years, and \$31.1 million over the full ten years.

Hetchy Power is in the process of performing an assessment of the existing streetlight system, particularly City-owned facilities over 60 years old, and preparing a retrofit/replacement program that will include specific recommendations, strategies for capital recovery, and an implementation schedule. The plan also includes funding for a portion of the engineering and construction costs associated with the replacement of the inefficient lighting systems through the conversion of high voltage series loop circuits in to multiple standard voltage services and replace fixtures with LEDs streetlights as part of the High Voltage 5kV Series Loop Conversion to Standard Voltages.

Transmission and Distribution, \$2.3 million

Transmission and Distribution projects address the SFPUC's ability to assess and develop City-owned transmission and distribution assets as well as evaluate its reliance on assets owned by a third-party. Projects support the SFPUC's responsibility to provide long-term electric reliability options and services for the City. Projects include the following:

- A project to evaluate the feasibility of two scenarios: (1) replacing all or a portion of the 2000 PG&E meters used to serve the SFPUC's municipal load customers with meters that would be owned by the Power Enterprise; and (2) SFPUC purchasing these meters from PG&E.
- Transbay Center Project - Provide construction and permanent electric services to the new Transbay Transit Center, including adjacent bus ramps, and the new bus storage facility at Stillman Street, in San Francisco. The SFPUC, in agreement with the Transbay Joint Powers Authority will provide electric service to the Transit Center by installing two 12-kilovolt (kV) electric circuits, 12-kV switchgear, transformers, and other electrical equipment.

Renewable/Generation Power, \$26.0 million

- In accordance with City policies and directives to increase renewable energy and reduce greenhouse gases, Hetchy Power is continuously developing and implementing new renewable generation resources. The Capital Plan proposes a series of small municipal and energy development projects including solar photovoltaic, solar thermal, biogas fuel cells, wind projects, and other renewable energy projects.

The Capital Plan funds portions of the long-term development of cost-effective, small hydroelectricity projects. Small hydro provides the potential for relatively low generation costs, sustainability, and good stewardship of SFPUC's resource. The SFPUC is installing a small hydro project to capture clean renewable energy from Hetchy Water System pipelines that serve the University Mound Reservoir and ongoing development of the Calaveras Small Hydroelectric Plant to be constructed at the Sunol Filter Plant. The Plan provides funding for the GoSolarSF program administered by Hetchy Power that provides a City incentive payment towards non-municipal solar projects in San Francisco.

Energy Efficiency, \$10.0 million

Energy efficiency improvements are an important component of an electric utility's resource portfolio. These investments reduce facility operating costs and electric bills for customers, improve system functionality, and reduce the environmental impact of energy use. The Plan proposes funding for lighting and mechanical system efficiency upgrades. These investments are consistent with State policies that place emphasis on energy efficiency and that support greenhouse gas reduction.

- General Fund Departments – Funding for General Fund facilities for the planning, design and construction of energy efficiency projects. Energy retrofits include lighting, heating and ventilation, and energy management systems and demand response projects. Funds will support municipal facilities for Fire, Police, Public Health, and Human Services Agency, as well as staff to implement projects started in FY 2013-14.
- Enterprise Departments/Other - Funds energy efficiency improvements for Power Enterprise customers paying retail electric rates, including Enterprise Departments, municipal tenants, residential new construction at Hunters Point, Treasure Island, and commercial customers.
- Civic Center District - Planning, design and construction of projects in the green energy district in the Civic Center in accordance with the partnership Memorandum of Understanding with the Clinton Global Initiative. This effort will employ new technologies in energy efficiency and obtain Leadership in Energy and Environmental Design certification for upgraded buildings from the US Green Building Council. This program includes City Hall, Davies Symphony hall, Opera House, Main Library, Public Health Headquarters, Asian Art Museum, Bill Graham Auditorium, Civic Center Garage, and the Civic Center.

Treasure Island/Other Development, \$37.9 million

The Cooperative Agreement discussed in the Water Enterprise's Renewal Program also requires the SFPUC to provide utility operations and maintenance services at Treasure Island and Yerba Buena Island for the electrical and natural gas utility systems. The SFPUC has developed a work plan for creating a public power utility on each of the islands.

The capital projects identified are required to support the future development electric load at Treasure and Yerba Buena Islands. The current planning for the development shows that the existing electrical overhead poles, lines, and substation are adequate to serve the first phase of development. At some point in the development, when the electric load approaches the design limit of the electric lines at approximately 10 megawatts, the lines will have to be upgraded and subsequently installed underground.

The plan provides funding for the second phase of development at Hunters Point Shipyard, Candlestick Point, and the Alice Griffith Housing Complex. The project will require the installation of new underground 12 kV electrical distribution system in all three areas. The SFPUC as the electric utility provider will install the conductors in the conduits, transformers, switches, and metering equipment required for the electric distribution system

Reclassification – Power Infrastructure, Joint Water & Power Projects, \$612.1 million

The Hetchy Power Capital budget includes the reallocation from Hetchy Water for the Power Infrastructure, \$159.7 million, and the Power Enterprise's share (55%) of Joint Water & Power projects, \$452.4 million. The projects are located up-country and managed by Hetchy Water.

Hetch Hetchy Water and Power Ten-Year Financial Plan

Table H7 shows Hetch Hetchy Water and Power Ten-Year Financial Plan, from FY 2014-15 to FY 2023-24.

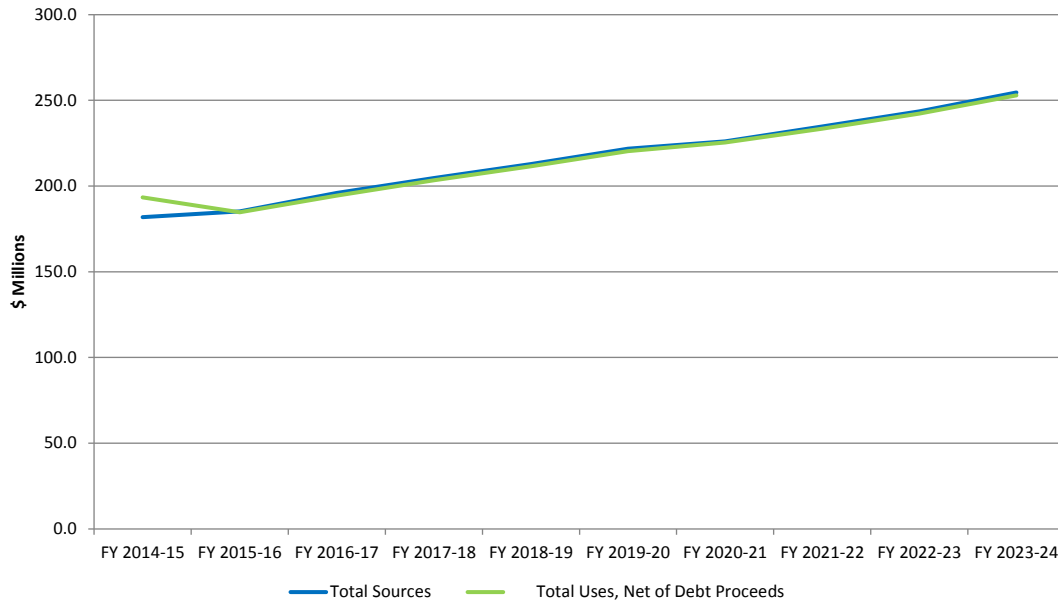
Table H7. Hetch Hetchy Water and Power Ten-Year Financial Plan

\$ Millions											
	FY 2013-14 (Pre-Audit) FY 2014-15 FY 2015-16 FY 2016-17 FY 2017-18 FY 2018-19 FY 2019-20 FY 2020-21 FY 2021-22 FY 2022-23 FY 2023-24										
Beginning Operating Fund Balance	63.9	24.8	32.8	33.3	34.9	36.2	37.4	38.8	39.4	40.7	42.1
CCA Reserve Reprogrammed	-	19.5	-	-	-	-	-	-	-	-	-
Sources											
Power Sales	98.0	122.9	125.8	134.6	141.3	147.4	154.4	162.0	169.0	176.0	185.0
Water Sales	35.8	38.5	38.3	39.4	40.6	41.8	43.0	44.3	45.6	47.0	48.4
Natural Gas & Steam	8.9	13.4	13.9	14.3	14.7	15.2	15.6	16.1	16.6	17.1	17.6
Interest Income	1.1	0.6	0.6	0.7	0.7	0.7	0.8	0.7	0.7	0.7	0.7
Other Misc Income	4.3	6.4	6.7	7.0	7.3	7.7	7.9	2.9	2.8	2.8	2.8
Total Sources	148.1	181.8	185.3	196.0	204.6	212.8	221.7	226.0	234.8	243.5	254.5
Uses											
Operations & Maintenance	128.8	129.0	143.6	146.6	152.3	158.1	164.0	171.0	179.3	185.3	191.8
Water Programmatic Projects	1.7	0.7	0.7	0.7	0.7	0.7	0.7	0.7	0.7	0.7	0.7
Power Programmatic Projects	10.3	17.6	15.5	14.9	12.4	12.5	12.6	12.8	10.9	11.0	11.2
Debt Service	2.0	3.2	5.9	10.3	13.9	17.6	20.3	25.9	31.4	37.5	42.2
Total Uses	142.8	150.5	165.7	172.5	179.3	188.9	197.8	210.4	222.3	234.5	245.9
Net Revenues Before Capital	5.3	31.3	19.6	23.5	25.3	23.9	24.0	15.6	12.5	9.0	8.6
Capital and Programmatic Projects	71.1	107.6	92.9	97.8	103.6	109.9	164.1	151.2	149.4	132.4	133.6
Less: Capital Financing	(26.8)	(64.8)	(73.8)	(75.9)	(79.5)	(87.2)	(141.5)	(136.2)	(138.2)	(124.7)	(126.7)
Total Uses, Net of Debt Proceeds	187.2	193.3	184.7	194.4	203.3	211.6	220.4	225.4	233.4	242.2	252.8
Net Revenues After Capital	(39.1)	(11.5)	0.5	1.6	1.3	1.2	1.3	0.6	1.3	1.3	1.7
Ending Fund Balance	24.8	32.8	33.3	34.9	36.2	37.4	38.8	39.4	40.7	42.1	43.8
Fund Balance as % of Revenue	19.5%	18.0%	18.0%	17.8%	17.7%	17.6%	17.5%	17.4%	17.4%	17.3%	17.2%
Fund Balance as % of Expense	15.4%	17.0%	18.0%	18.0%	17.8%	17.7%	17.6%	17.5%	17.4%	17.4%	17.3%
Fund Balance as % of Operating Expense	19.3%	25.4%	23.2%	23.8%	23.8%	23.7%	23.6%	23.1%	22.7%	22.7%	22.8%
Debt Service Coverage (Indenture)	36.44	18.78	10.07	6.60	5.40	4.46	4.05	3.13	2.68	2.34	2.22
Debt Service Coverage (Current)	4.49	11.02	4.47	3.36	2.88	2.40	2.21	1.63	1.42	1.26	1.22

All SFPUC Enterprises develop a Ten-Year Financial Plan as well as a Ten-Year Capital Plan. As noted in Table H7, the Hetch Hetchy fund and the Power Enterprise will increasingly issue revenue bonds instead of solely cash funding all of its projects as it has done for decades.

Chart H5 provides the Ten-Year Financial Plan trend.

Chart H5. Hetch Hetchy Water and Power Ten-Year Financial Plan Trend



The SFPUC’s Ten-Year Financial Plan as required by City and County of San Francisco Charter Section 8B.123, includes a ten-year financial summary (FY 2014-15 through FY 2023-24), describing projected sources and uses, resulting fund balances and associated financial reserve ratios. This is not a budget nor are funds appropriated based on the Plan. It is a planning document intended to inform the development of the Ten-Year Capital Plan, the water and power rates and the fiscal year budgets. Projected costs and revenues are estimates and subject to variations inherent in all such projections. Consequently, the estimates should not be viewed as precise predictions but rather as indications of expected trends, given certain expenditure, receipt, and financing assumptions. These assumptions are based on current Board of Supervisor’s and Commission policies, goals, and objectives representing management’s best estimates at this time.

Rates and Charges

Hetch Hetchy Water and Power charges for services related to the storage and delivery of water, as well as generating and delivering electricity to contractual and municipal customers. Fund transfers from the Water Enterprise are projected to increase as associated operating and capital costs increase at their respective 3.0 percent and 5.0 percent annual rates. For municipal power services, Enterprise department customers generally pay rates based on the projected PG&E equivalent rate based on customer class. General Fund department customers generally pay subsidized rates. On May 27, 2014, the Commission, through Resolution 11-0203, approved a 1.0 cent per kWh rate increase per year in FY 2014-15 and FY 2015-16. Hetchy Power completed a revenue requirement analysis in 2009 and completed a formal retail rate-setting process in FY 2011-12 to support new retail electric customers coming on-line over the next few years in the redevelopment areas, mainly Hunters Point and Treasure Island. The next electric rate-setting process is planned to start in the Fall of 2014 for new rates to take effect on July 1, 2016.

Table H8 shows the electric schedule for residential service rates and low-income residential services rates.

Table H8. FY 2014-15 Retail Residential Electric Schedules

\$	R-1 Residential	R-2
	Service Rates	Low-Income Residential Service Rates
Monthly Service Charge (per account)	\$ 2.91	\$ 2.91
First 278 kWh (\$ per kWh)	0.11451	0.08015
Next 83 kWh (\$ per kWh)	0.13018	0.09112
All Additional kWh (\$ per kWh)	0.26649	0.18655

Total bundled services charges for residential service rates and low-income residential service rates are calculated using the total rates shown above, on a monthly basis, based on monthly meter reading, plus any applicable taxes.

Sources of Funds

Hetch Hetchy Water and Power operates the Hetch Hetchy Reservoir, the main source of water for the Hetch Hetchy system and is responsible for generating, transmitting and distributing electricity to City and County of San Francisco customers. The Enterprise operates and maintains power transmission and generation facilities, buys and sells electric power, provides energy conservation and renewable resource solutions to City departments and maintains 25,509 City-owned streetlights as well as providing the power and required funding for the 19,019 streetlights operated by PG&E. Total sources are forecast to increase from \$181.8 million in FY 2014-15 to \$254.5 million by FY 2023-24.

- Power Sales receipts are projected to increase from \$122.9 million in FY 2014-15 to \$185.0 million by FY 2023-24. Over the period, about 65.0 percent of power sales are projected to be made to City departments for municipal use; 15.0 percent to the Modesto and Turlock Irrigation Districts as wholesale customers; and the remaining, about 20.0 percent, to other customers.
- Water-related Sales will increase from \$38.5 million to \$48.4 million over the ten years, representing services related to maintaining the Hetch Hetchy Water system and water sales up-country.
- Other income including natural gas and steam, reimbursements and interest income, are forecast to average \$21.6 million annually over the period.

Uses of Funds

The Plan includes a 3.0 percent annual growth assumption for operations and maintenance costs and a 5.0 percent annual escalation in capital costs.

The Ten-Year Financial Plan includes operation and maintenance costs, repair and replacement costs for existing equipment and facilities, and loans used to finance capital improvements. Operations and maintenance costs average approximately 85.7 percent of the Hetch Hetchy Water and Power's expenditures with revenue-funded capital projects the remaining 12.2 percent. Over the period, total expenditures, net of debt proceeds, average \$196.8 million per year with annual variations in operating and capital funding requirements.

- Operations and Maintenance costs include labor salaries and fringe benefits, materials and supplies, watershed management costs, power purchases, and services of other City departments (including the SFPUC Bureaus). The FY 2014-15 budget to operate the Enterprise is \$129.0 million, increasing to \$191.8 million by FY 2023-24. Beginning in FY 2015-16, costs are projected to increase an estimated 3.0 percent per year over the period.

- Debt Service costs, which represent the Power Enterprise's debt service as Water's debt service is separately budgeted in the Water Enterprise fund for both upcountry and in-City needs, including repayment on loans and debt financing which are increasing from \$2.0 million to \$42.2 million over the ten years to fund capital projects. Hetch Hetchy Water and Power developed a financial plan that will allow for future capital financing needs to be funded with Power Revenues Bonds as well as Revenues.
- Revenue-funded Capital Projects include major maintenance and rebuilding projects associated with the up-country power infrastructure. This includes projects associated with the Hetch Hetchy Reservoir as well as the nearby power generating and distribution facilities. Project needs, net of debt proceeds, average \$19.4 million annually over the ten year period.

These investments represented by the debt service and revenue-funded capital costs are to improve reliability, provide essential seismic upgrades, and repair and replace infrastructure which is beyond its useful life. However, these investments will not reduce the personnel, non-personnel service or services of other departments needed to operate and maintain the systems. These budget categories dominate the operating budget.

Financing of Capital Needs

The Hetch Hetchy Water and Power Ten-Year Financial Plan assumes both revenue and bond financing of Water and Power capital needs. Of the \$748.4 million Power capital program over the next 10 years, \$193.0 million is revenue-funded and \$555.4 million is debt financed. Of the \$494.0 million Water 10-year capital program, all \$494.0 million is debt financed, through the source of Water Revenue bonds in the Water Enterprise Fund. Subsequently, a transfer is processed to the Hetch Hetchy Fund to pay for Water Capital cost.

Financial Ratios

It is the financial objective of the SFPUC to maintain a minimum revenue bond coverage ratio of 1.25 times on an indenture basis and 1.00 times on a current operations basis; the latter does not include available fund balances. Over the ten-year period, the Power Enterprise indenture coverage ranges from 18.78 to 2.22. On a current basis, the coverage ratio is projected to exceed the 1.00 minimum with a range from 11.02 to 1.22 times coverage.

Fund Balances and Reserves

In FY 2014-15, the ending fund balance as a proportion of operating expense is projected to be 15.0 percent (2.3 months) of operating expense. Capital financing options are currently being developed to fund the Power Enterprise capital needs over the longer term. Projected fund balances conform to established fund balance reserve policies.

Hetch Hetchy Water and Power, Pro-forma Allocation

FY 2014-15 sources and uses of funds are \$181.7 million of which \$146.7 million, or 80.7 percent is for Hetchy Power and \$35.0 million, or 19.3 percent, is for Hetchy Water. Uses of funds show operating costs of \$21.6 million and capital and programmatic costs of \$10.9 million being allocated from Hetchy Water to Hetchy Power.

FY 2015-16 sources and uses are \$188.5 million of which \$147.2 million, or 78.1 percent is for Hetchy Power and \$41.3 million, or 21.9 percent, is for Hetchy Water. Uses of funds show operating costs of \$16.0 million and capital and programmatic costs of \$9.0 million being allocated from Hetchy Water to Hetchy Power.

Table H9 shows the allocation of Hetch Hetchy Water and Power Sources and Uses of Funds based on water and power service delivery by the respective Divisions, Hetchy Water and Hetchy Power for FY 2013-14 to FY 2015-16 adopted budgets, FY 2012-13 audited actual, and FY 2013-14 pre-audit actual, and budget variances between FY 2014-15 and FY 2013-14, and between FY 2015-16 and FY 2014-15.

Table H9. Hetch Hetchy Water and Power Sources and Uses of Funds by Division

\$ Millions										
Category	FY 2012-13	FY 2013-14	FY 2013-14	FY 2014-15	FY 2015-16	FY 2014-15 vs. FY 2013-14		FY 2015-16 vs. FY 2014-15		
	Audited Actual	Adopted Budget	Pre-Audit Actual	Adopted Budget	Adopted Budget	Adopted Budget Amount	%	Adopted Budget Amount	%	
SOURCES OF FUNDS										
Hetchy Power										
Federal Interest Subsidy	0.9	0.8	0.4	0.7	0.7	(0.1)	-10.9%	-	0.0%	
Interest Income	1.5	1.9	1.1	0.5	0.5	(1.4)	-71.1%	-	0.0%	
Other Revenues	4.3	6.2	4.1	5.5	5.5	(0.6)	-10.4%	-	0.0%	
Sale of Natural Gas & Steam (Pass-through)	7.6	10.2	8.9	11.4	11.8	1.2	12.2%	0.4	3.2%	
Fund Balance	4.7	21.0	35.1	4.6	(1.6)	(16.4)	-78.3%	(6.2)	0.0%	
Sale of Water	-	-	-	-	-	-	0.0%	-	0.0%	
Sale of Electricity	96.4	110.2	98.0	124.0	130.4	13.8	12.5%	6.4	5.2%	
Hetchy Power Subtotal	115.4	150.2	147.6	146.7	147.2	(3.5)	-2.3%	0.5	0.3%	
Hetchy Water										
Federal Interest Subsidy	-	-	-	-	-	-	0.0%	-	0.0%	
Interest Income	-	-	-	-	-	-	0.0%	-	0.0%	
Other Revenues	0.3	0.3	0.3	0.3	0.3	-	0.0%	-	0.0%	
Sale of Natural Gas & Steam (Pass-through)	-	-	-	-	-	-	0.0%	-	0.0%	
Fund Balance	(3.3)	(0.3)	(1.7)	(4.6)	1.6	(4.3)	1394.1%	6.2	-135.9%	
Sale of Water	37.3	35.0	35.8	39.3	39.4	4.4	12.5%	0.1	0.3%	
Sale of Electricity	-	-	-	-	-	-	0.0%	-	0.0%	
Hetchy Water Subtotal	34.2	34.9	34.4	35.0	41.3	0.1	0.3%	6.3	18.0%	
Hetch Hetchy Water and Power										
Federal Interest Subsidy	0.9	0.8	0.4	0.7	0.7	(0.1)	-10.9%	-	0.0%	
Interest Income	1.5	1.9	1.1	0.5	0.5	(1.4)	-71.1%	-	0.0%	
Other Revenues	4.5	6.4	4.3	5.8	5.7	(0.7)	-10.2%	-	0.0%	
Sale of Natural Gas & Steam (Pass-through)	7.6	10.2	8.9	11.4	11.8	1.2	12.2%	0.4	3.2%	
Fund Balance	1.4	20.7	33.5	-	-	(20.7)	-100.0%	-	0.0%	
Sale of Water	37.3	35.0	35.8	39.3	39.4	4.4	12.5%	0.1	0.3%	
Sale of Electricity	96.4	110.2	98.0	124.0	130.4	13.8	12.5%	6.4	5.2%	
Hetch Hetchy Total Sources	149.6	185.1	182.0	181.7	188.5	(3.4)	-1.8%	6.8	3.8%	
USES OF FUNDS										
Hetchy Power										
Operations and Maintenance	46.7	64.1	58.1	61.9	83.0	(2.2)	-3.4%	21.1	34.0%	
Natural Gas & Steam (Pass-through)	7.6	10.2	8.9	11.4	11.8	1.2	12.2%	0.4	3.2%	
Debt Service	0.4	2.0	2.0	2.2	2.2	0.2	11.2%	-	0.0%	
General Reserve	-	-	-	7.5	0.2	7.5	100.0%	(7.4)	-97.8%	
Reclass, Power Only & Joint Operating Costs	21.5	18.1	22.7	21.6	16.0	3.6	19.7%	(5.6)	-25.9%	
Subtotal	76.2	94.3	91.8	104.7	113.1	10.4	11.0%	8.4	8.1%	
Capital/Revenue Reserve	13.6	23.9	23.9	23.3	17.4	(0.6)	-2.7%	(5.9)	-25.4%	
Programmatic Projects	6.7	6.9	6.9	7.9	7.7	1.0	14.6%	(0.2)	-2.2%	
Reclass, Power Only & Joint	18.9	25.1	25.1	10.9	9.0	(14.2)	-56.7%	(1.8)	-16.8%	
Hetchy Power Subtotal	115.4	150.2	147.6	146.7	147.2	(3.5)	-2.3%	0.5	0.3%	
Hetchy Water										
Operations and Maintenance	52.1	51.7	55.8	55.8	56.5	4.1	8.0%	0.7	1.3%	
General Reserve	-	-	-	0.1	0.1	0.1	100.0%	-	0.0%	
Reclass, Power Only & Joint Operating Costs	(21.5)	(18.1)	(22.7)	(21.6)	(16.0)	(3.6)	19.7%	5.6	-25.9%	
Subtotal	30.6	33.6	33.0	34.2	40.5	0.6	1.9%	6.3	18.4%	
Capital/Revenue Reserve	18.9	20.9	20.9	-	-	(20.9)	-100.0%	-	0.0%	
Programmatic Projects	3.6	5.6	5.6	11.6	9.8	6.1	108.9%	(1.8)	-15.6%	
Reclass, Power Only & Joint	(18.9)	(25.1)	(25.1)	(10.9)	(9.0)	14.2	-56.7%	1.8	-16.8%	
Hetchy Water Subtotal	34.2	34.9	34.4	35.0	41.3	0.1	0.3%	6.3	18.0%	
Hetch Hetchy Water and Power										
Operations and Maintenance	98.8	115.8	113.9	117.7	139.4	1.9	1.7%	21.8	18.5%	
Natural Gas & Steam (Pass-through)	7.6	10.2	8.9	11.4	11.8	1.2	12.2%	0.4	3.2%	
Debt Service	0.4	2.0	2.0	2.2	2.2	0.2	11.2%	-	0.0%	
General Reserve	-	-	-	7.6	0.3	7.6	100.0%	(7.4)	-96.6%	
Subtotal	106.8	127.9	124.8	138.9	153.6	11.0	8.6%	14.8	10.6%	
Capital/Revenue Reserve	32.5	44.8	44.8	23.3	17.4	(21.5)	-48.1%	(5.9)	-25.4%	
Programmatic Projects	10.3	12.4	12.4	19.5	17.5	7.1	56.9%	(2.0)	-10.2%	
Hetch Hetchy Total Uses	149.6	185.1	182.0	181.7	188.5	(3.4)	-1.8%	6.8	3.8%	

Chart H6 displays the allocation of Hetch Hetchy Water and Power FY 2014-15 fund sources based on water and power service delivery by the respective Divisions.

Chart H6. FY 2014-15 Hetch Hetchy Water and Power Sources of Funds by Division, by Category

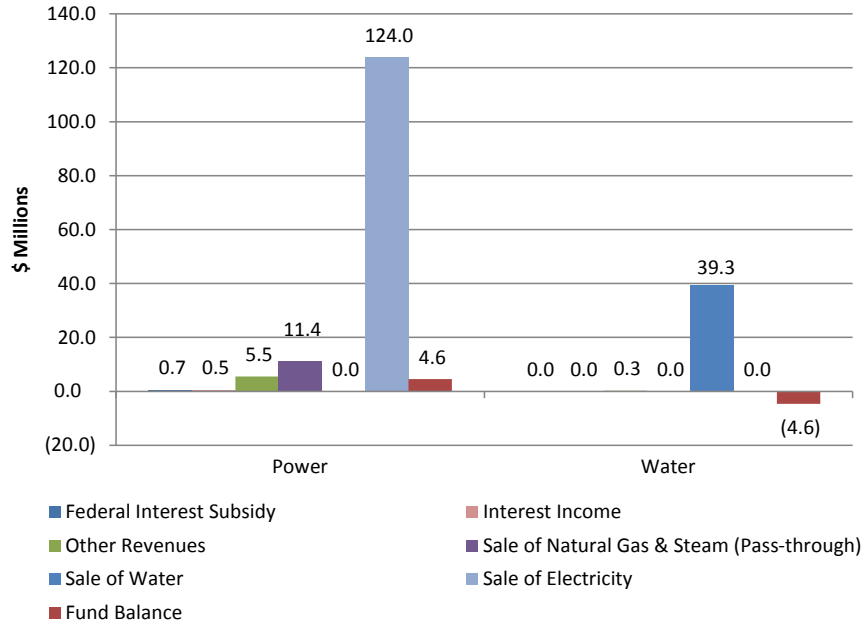


Chart H7 displays the allocation of Hetch Hetchy Water and Power FY 2014-15 fund uses based on water and power service delivery by the respective Divisions.

Chart H7. FY 2014-15 Hetch Hetchy Water and Power Uses of Funds by Division, by Category

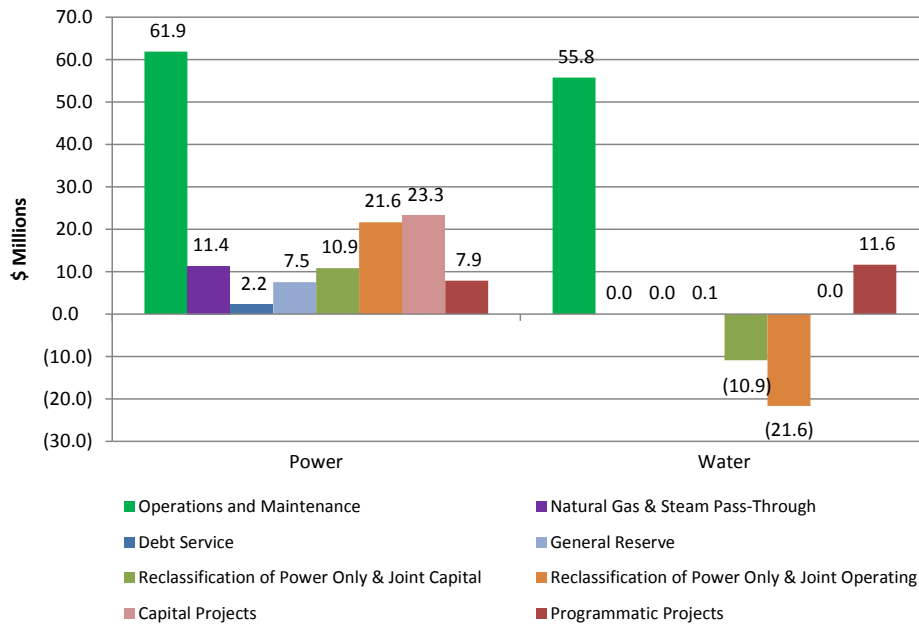


Chart H8 displays the allocation of Hetch Hetchy Water and Power FY 2015-16 fund sources based on water and power service delivery by the respective Divisions.

Chart H8. FY 2015-16 Hetch Hetchy Water and Power Sources of Funds by Division, by Category

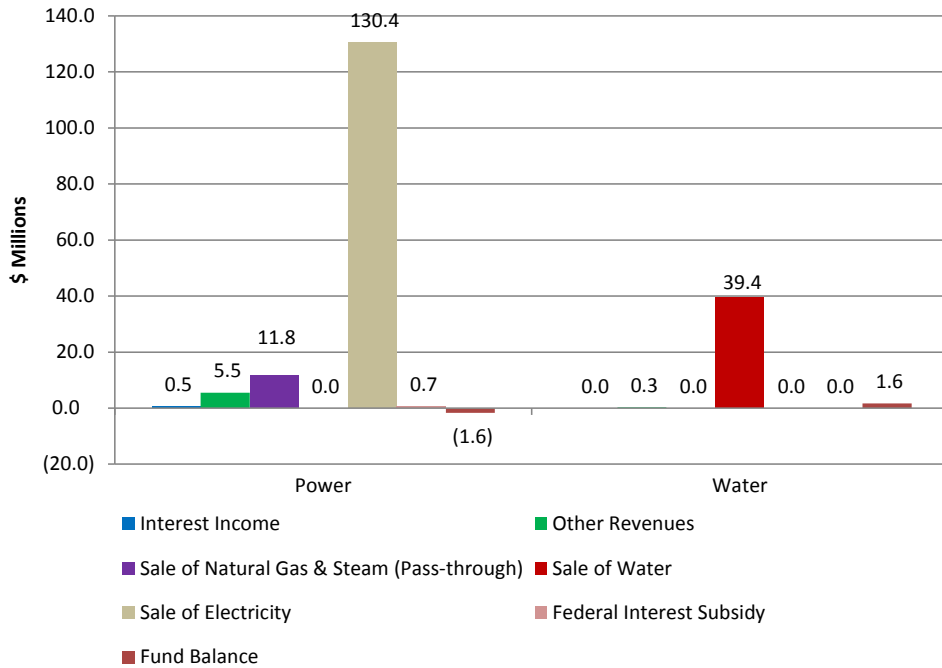
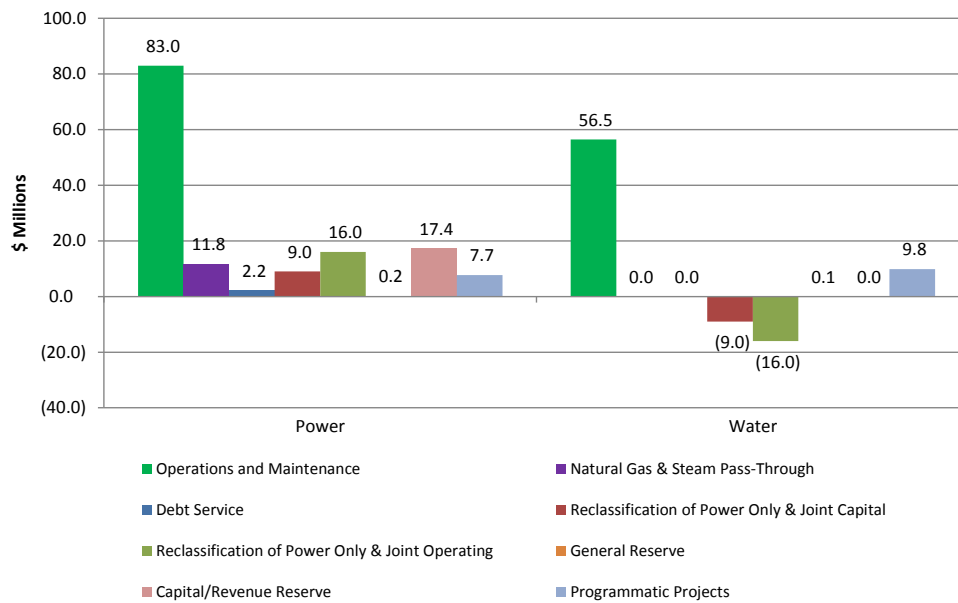


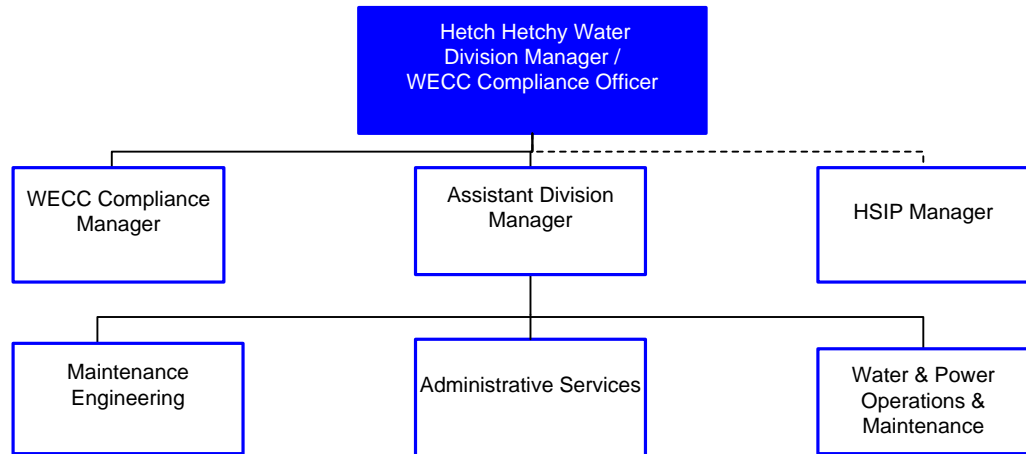
Chart H9 displays the allocation of Hetch Hetchy Water and Power FY 2015-16 fund uses based on water and power service delivery by the respective Divisions.

Chart H9. FY 2015-16 Hetch Hetchy Water and Power Uses of Funds by Division, by Category



Hetch Hetchy Water

Hetch Hetchy Water Organization Chart

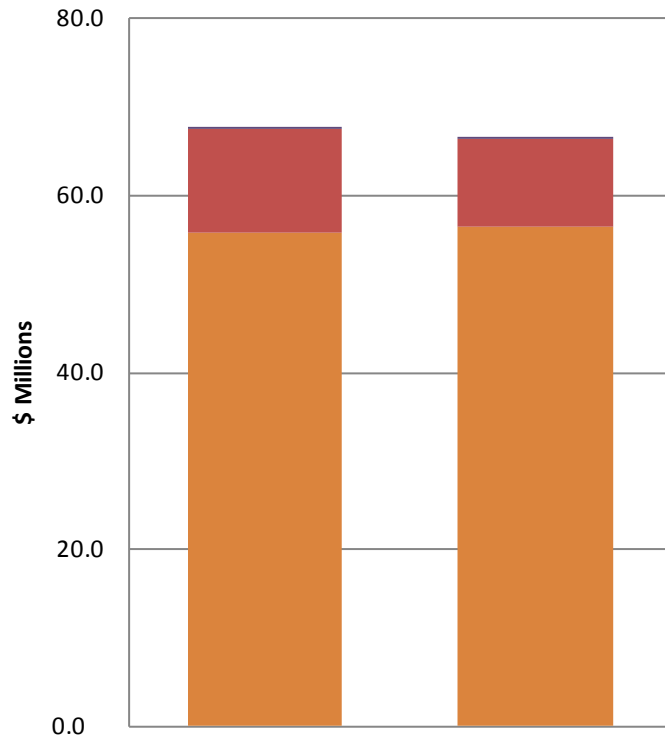


Budget Summary

Hetchy Water is responsible for operating three up-country impounding reservoirs including the Hetch Hetchy Reservoir, the main source of water for the Hetch Hetchy system. Hetchy Water is also responsible for the operation, maintenance, and improvements of smaller dams and reservoirs, water transmission systems, power generation facilities and power transmission assets from Tuolumne County to Alameda County, compliance with Western Electric Coordinating Council (WECC) and North American Electric Reliability Corporation (NERC) generator and transmission owner and operator regulatory standards, and support facility roads, and rights-of-way structures.

Chart H10 displays Hetchy Water's Uses of Funds budget allocation for operations, programmatic projects and general reserve.

Chart H10. FY 2014-15 and FY 2015-16 Hetchy Water Uses of Funds



	FY 2014-15		FY 2015-16	
	\$	% of Total	\$	% of Total
Operations	55.8	82.6%	56.5	85.1%
Programmatic Projects	11.6	17.2%	9.8	14.8%
General Reserve	0.1	0.1%	0.1	0.1%
Total	\$ 67.5	100.0%	\$ 66.4	100.0%

The FY 2014-15 budget for Hetchy Water includes \$55.8 million for operations, or 82.6 percent of the total budget, \$11.6 million for programmatic projects, or 17.2 percent of the total budget and \$0.1 million for general reserve or 0.1 percent of the total budget.

The FY 2015-16 budget for Hetchy Water includes \$56.5 million for operations, or 85.1 percent of the total budget, \$9.8 million for programmatic projects, or 14.8 percent of the total budget and \$0.1 million for general reserve or 0.1 percent of the total budget.

Table H10 shows the FY 2013-14 to FY 2015-16 adopted budgets, FY 2012-13 audited actual and FY 2013-14 pre-audit actual, and budget variances between FY 2014-15 and FY 2013-14, and between FY 2015-16 and FY 2014-15.

Table H10. Hetchy Water Operations Budget Summary

Expenditure Category	FY 2012-13	FY 2013-14	FY 2013-14	FY 2014-15	FY 2015-16	FY 2014-15 vs. FY 2013-14		FY 2015-16 vs. FY 2014-15	
	Audited Actual	Adopted Budget	Pre-Audit Actual	Adopted Budget	Adopted Budget	Amount	%	Amount	%
Personnel	23,030,667	24,999,159	23,250,284	26,546,828	26,835,739	1,547,669	6.2%	288,911	1.1%
Non-Personnel Services	16,702,186	14,958,023	18,094,320	16,669,233	17,074,900	1,711,210	11.4%	405,667	2.4%
Materials & Supplies	2,348,301	2,302,491	2,450,521	2,291,598	2,384,822	(10,893)	-0.5%	93,224	4.1%
Equipment	832,731	634,508	1,147,012	637,092	562,282	2,584	0.4%	(74,810)	-11.7%
Services Of Other Depts	9,170,560	8,756,312	10,848,066	9,628,600	9,619,852	872,288	10.0%	(8,748)	-0.1%
Total	52,084,445	51,650,493	55,790,203	55,773,351	56,477,595	4,122,858	8.0%	704,244	1.3%

As shown in Table H10 above, there is a 8.0 percent increase in the Operations Budget for Hetchy Water between FY 2013-14 and FY 2014-15 adopted budgets; and a slight reduction from FY 2014-15 to FY 2015-16; the result is a net increase from FY 2013-14 adopted budget to FY 2015-16 of 9.3 percent.

Reasons for Changes, FY 2013-14 to FY 2014-15

The following describes FY 2014-15 and FY 2015-16 budget category variances that are greater than ten percent.

- **Personnel** – Adds three new project-funded positions to support WECC/NERC regulatory activities.
- **Non-Personnel Services** – Adds funds for payment to the Modesto Irrigation District for dry-year water supply. This amount is an annual purchase cost for 2,240 acre-feet of water at \$700 per acre-foot and projected costs for miscellaneous fees, licenses and payments to other governments.
- **Services of Other Departments** - Adjusts the budget for services of the SFPUC Bureaus and telephone service.

Reasons for Changes, FY 2014-15 to FY 2015-16

- **Personnel** – Adds three new project-funded positions to support WECC/NERC regulatory activities.
- **Equipment** – Reflects the cost of projected equipment needs for FY 2015-16.

Hetch Hetchy Power

Hetch Hetchy Power Organization Chart



Hetchy Power's Strategic Sustainability Trends

The Strategic Sustainability Plan (SSP) provides the SFPUC with a system for planning, managing, and evaluating SFPUC-wide performance that takes into account the long-term economic, environmental, and social impacts of its business activities. The SSP is described in the introduction of this report and in Appendix F are the 2013-14 performance results and the 2014-15 and 2015-16 targets. The SSP combines the SFPUC strategic mission and goals, essential business activities and appropriate sustainability measures consistent with the Global Reporting Initiative recommendations.

The SSP report communicates a cross section of performance goals to support planning and inform customers, the SFPUC Commission, the Controller's Office, Bondholders, rating agencies, regulators and the general public. The annual organization-wide review, measurement and reporting protocol tasks SFPUC management and staff to:

- Plan and deliver high quality power services to current and future generations of San Franciscans based on triple bottom line sustainability;
- Embed sustainability into SFPUC's business DNA and long-term strategic decision-making;
- Communicate SFPUC's organizational culture and build relationships with stakeholders;
- Benchmark SFPUC's strategic sustainability performance against SFPUC's and peers;
- Build capacity for longer term trend, risk and foresight analyses; and
- Provide stakeholders with ongoing review of SFPUC-wide triple bottom line performance.

Fiscal Year 2013-14 Strategic Sustainability Performance Results

The fiscal year 2013-14 report is the sixth annual assessment of SFPUC-wide performance on the strategic sustainability plan.

The SFPUC's six sustainability categories as described in the Introduction Chapter on page 31 are:

- Customers (CR)
- Community (CY)

- Environmental and Natural Resources (ENR)
- Governance and Management (GM)
- Infrastructure and Assets (IA)
- Workplace (WP)

The associated objectives in the SSP are aimed at continuous improvement and meeting the SFPUC-wide five key strategic goals:







- Plan for the Future
- Invest in SFPUC's People
- Promote a Green and Sustainable City
- Provide High Quality Services
- Engage SFPUC's Public and Invest in Communities

Chart H11 on the next page provides a representation of the performance of Hetchy Power in FY 2013-14 in these categories. Targets for FY 2014-15 and FY 2015-16 are included in Appendix F where the Performance Measure Report is located. As shown in Appendix F there are some trends for the Power Enterprise that can be noted:

- The high percentage of metered customers provides Hetch Hetchy Power information about who is using power, how much, and when. This information is essential for a modern utility business. Such information is critical as the Power program moves into a debt funded capital program and new rates structures.
- The average monthly kWh used per SFPUC streetlights is 51.67 kWh which is an improvement over the FY 2012-13 report of 57 kWh. The Hetch Hetchy Power has been upgrading street lights over the last few years as part of its capital program, this reduction in use of electricity is an indication that the investment is working and is expected to provide long-term value. The target for FY 2014-15 is 29 kWh; and
- The Community, Governance and Management and Workplace goals shown below are aggregate of the SFPUC-wide performance.

Chart H11 provides a representation of the performance of Hetchy Power in FY 2013-14 in SFPUC's six sustainability categories.

Chart H11. FY 2013-14 Power Enterprise Excerpts from the Strategic Sustainability Plan

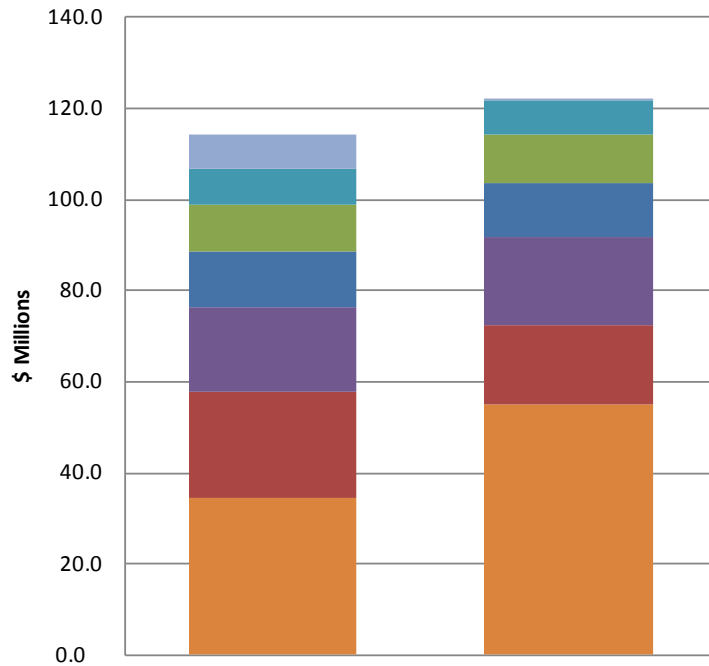
Strategic Mission	Strategic Sustainability Categories					
						
	CR	CY	ENR	GM	IA	WP
Provide High Quality Services	91% of the customers are metered			100% of outages repaired in <4 hours		
Promote a Green and Sustainable City	100 % of retail rate encourages conservation Customer gas reductions of 1,823,225 therms		Reductions in annual peak load reductions 276 kW Total reductions 2,686 MWh		Average monthly electricity used by street light 51.67 kWh	
Plan for the Future	Encourage conservation to reduce peak demand					
Invest in SFPUC's People				Security Plan is 50% completed		6.9 injuries per 100 staff; 3.5 hours lost per 100 staff
Engage SFPUC's Public and Invest in the Communities SFPUC-wide goals		48.10% of labor hours worked by service area residents 37% of labor hours worked by local residents (goal is 20%) 80% of apprentice labor hours worked by local residents (goal is 50%)				

Sections

Hetchy Power has four sections, Administration, Energy Services, Long Range Planning and Power Purchase, and Light, Heat and Power. The Hetchy Power budget grows by 6.9 percent from FY 2014-15 to FY 2015-16, with much of the growth in Long-Range Planning and Policy 59.4 percent due to an increase for transmission and distribution costs based on historical Independent System Operator (CAISO) transmission charges and expected rate increases upon the expiration (July 2015) of the Interconnection Agreement with PG&E.

Chart H12 displays Hetchy Power's Uses of Funds budget allocation for operations by section and for capital/revenue reserve, programmatic projects and general reserve.

Chart H12. FY 2014-15 and FY 2015-16 Hetchy Power Uses of Funds by Section and Other Categories



	FY 2014-15	% of Total	FY 2015-16	% of Total
Long Range Planning and Power Purchase*	\$ 34.5	30.3%	\$ 55.0	45.0%
Capital/Revenue Reserve	23.3	20.4%	17.4	14.2%
Light, Heat & Power	18.6	16.3%	19.3	15.8%
Power Administration	12.0	10.5%	12.1	9.9%
Energy Services	10.3	9.0%	10.5	8.6%
Programmatic Projects	7.9	6.9%	7.7	6.3%
General Reserve	7.5	6.6%	0.2	0.1%
Total	\$ 114.1	100.0%	\$ 122.1	100.0%

*Includes Power Purchasing for FY 2014-15 and FY 2015-16 budgets.

The FY 2014-15 operations budget includes: \$10.3 million for Energy Services, \$18.6 million for Light, Heat and Power, \$12.0 million for Power Administration, and \$34.5 million for Long Range Planning and Power Purchase (\$31.0 million for Purchase of Power only). Capital/revenue reserve totals \$23.3 million, Programmatic Projects total \$7.9 million and General Reserve totals \$7.5 million.

The FY 2015-16 operations budget includes: \$10.5 million for Energy Services, \$19.3 million for Light, Heat and Power, \$12.1 million for Power Administration, and \$55.0 million for Long Range Planning and Power Purchase (\$51.4 million for Purchase of Power only). Capital/revenue reserve total \$17.4 million, Programmatic Projects total \$7.7 million and General Reserve totals \$0.2 million.

Administration

Power Administration assists Hetchy Power operations managers with biennial budget submittal, monthly planning, reporting, cost monitoring, transaction processing and contract management support. Administration also supports internal and external information requests and business needs dashboard reporting, records management and retention coordination, and Electric Vehicle Infrastructure strategy coordination.

Budget Summary

Table H11 shows the FY 2013-14 to FY 2015-16 adopted budgets, FY 2012-13 audited actual and FY 2013-14 pre-audit actual, and budget variances between FY 2014-15 and FY 2013-14, and between FY 2015-16 and FY 2014-15.

Table H11. Hetchy Power Administration Budget Summary

Expenditure Category	FY 2012-13	FY 2013-14	FY 2013-14	FY 2014-15	FY 2015-16	FY 2014-15 vs. FY 2013-14		FY 2015-16 vs. FY 2014-15	
	Audited Actual	Adopted Budget	Pre-Audit Actual	Adopted Budget	Adopted Budget	Amount	%	Amount	%
Personnel	3,450,525	3,811,530	3,488,308	4,115,555	4,164,791	304,025	8.0%	49,236	1.2%
Non-Personnel Services	955,071	328,779	436,485	286,420	286,420	(42,359)	-12.9%	-	0.0%
Materials & Supplies	24,539	58,250	32,465	59,000	59,000	750	1.3%	-	0.0%
Services Of Other Depts	6,556,471	6,767,865	8,437,907	7,511,167	7,559,995	743,302	11.0%	48,828	0.7%
Total	10,986,606	10,966,424	12,395,165	11,972,142	12,070,206	1,005,718	9.2%	98,064	0.8%

Reasons for Changes, FY 2013-14 to FY 2014-15

The following describes FY 2014-15 and FY 2015-16 budget category variances that are greater than ten percent.

- **Personnel** – Reflects salary standardization.
- **Non-Personnel Services** – Transfers membership funding for the Western Renewable Energy Generation Information System to Long Range Planning and Power Purchase to reflect management of funds and services.
- **Services of Other Depts** – Reflects Hetchy Power’s share of SFPUC Bureaus’ cost of service and projected costs for workers’ compensation claims.

Reasons for Changes, FY 2014-15 to FY 2015-16

There were no major changes in the FY 2015-16 Adopted Budget.

Energy Services

Energy Services consists of eight service areas: Retail Services, Power Purchasing and Scheduling, Energy Data Systems, Strategic Planning and Regulatory Affairs, Community Choice Aggregation, Power Transmission and Distribution Field Service, Retail Interconnections, and Redevelopment Projects.

Budget Summary

Table H12 shows the FY 2013-14 to FY 2015-16 adopted budgets, FY 2012-13 audited actual and FY 2013-14 pre-audit actual, and budget variances between FY 2014-15 and FY 2013-14, and between FY 2015-16 and FY 2014-15.

Table H12. Energy Services Budget Summary

Expenditure Category	FY 2012-13	FY 2013-14	FY 2013-14	FY 2014-15	FY 2015-16	FY 2014-15 vs. FY 2013-14		FY 2015-16 vs. FY 2014-15	
	Audited Actual	Adopted Budget	Pre-Audit Actual	Adopted Budget	Adopted Budget	Amount	%	Amount	%
Personnel	4,329,012	4,654,794	4,454,139	4,847,909	4,902,006	193,115	4.1%	54,097	1.1%
Non-Personnel Services	21,562,362	38,918,304	30,075,730	3,159,165	3,323,565	(35,759,139)	-91.9%	164,400	5.2%
Materials & Supplies	900	9,726	363	1,000	1,000	(8,726)	-89.7%	-	0.0%
Equipment	133,226	-	-	-	-	-	0.0%	-	0.0%
Services Of Other Depts	1,317,841	2,306,656	2,306,656	2,306,656	2,306,656	-	0.0%	-	0.0%
Total	27,343,341	45,889,480	36,836,888	10,314,730	10,533,227	(35,574,750)	-77.5%	218,497	2.1%

Reasons for Changes, FY 2013-14 to FY 2014-15

- **Non-Personnel Services** – Transfers funding for purchase of power to Long Range Planning and Power Purchase to reflect management of funds and services.
- **Materials and Supplies** – Adjust the budget to reflect projected costs for office and data processing materials and supplies.

Reasons for Changes, FY 2014-15 to FY 2015-16

There were no major changes in the FY 2015-16 Adopted Budget.

Long Range Planning and Power Purchase

The Long Range Planning and Power Purchase Group is responsible for: planning, developing and implementing energy efficiency programs and projects, and renewable generation facilities. The group is also responsible for power purchasing and scheduling, transmission planning and managing the City's solar incentive program, GoSolarSF.

Budget Summary

Table H13 shows the FY 2013-14 to FY 2015-16 adopted budgets, FY 2012-13 audited actual and FY 2013-14 pre-audit actual, and budget variances between FY 2014-15 and FY 2013-14, and between FY 2015-16 and FY 2014-15.

Table H13. Long Range Planning and Power Purchase Budget Summary

Expenditure Category	FY 2012-13	FY 2013-14	FY 2013-14	FY 2014-15	FY 2015-16	FY 2014-15 vs. FY 2013-14		FY 2015-16 vs. FY 2014-15	
	Audited Actual	Adopted Budget	Pre-Audit Actual	Adopted Budget	Adopted Budget	Amount	%	Amount	%
Personnel	1,114,519	734,757	1,279,013	779,232	787,988	44,475	6.1%	8,756	1.1%
Non-Personnel Services	74,364	62,375	57,399	31,071,973	51,541,733	31,009,598	49714.8%	20,469,760	65.9%
Materials & Supplies	886	20,000	31,343	5,000	5,000	(15,000)	-75.0%	-	0.0%
Debt Service	421,667	1,975,885	1,975,885	2,196,683	2,165,783	220,798	11.2%	(30,900)	-1.4%
Services Of Other Depts	493,681	595,519	595,519	493,319	493,319	(102,200)	-17.2%	-	0.0%
Total	2,105,117	3,388,536	3,939,159	34,546,207	54,993,823	31,157,671	919.5%	20,447,616	59.2%

Reasons for Changes, FY 2013-14 to FY 2014-15

- Non-Personnel Services** – Transfers funding for purchase of power from Energy Services to Long Range Planning and Power Purchase and funding for the Western Renewable Energy Generation Information System from Administration to Long Range Planning and Power Purchase to reflect management of funds and services. WREGIS tracks renewable energy generation and creates renewable energy certificates that can be used to verify compliance with state and provincial regulatory requirements.

Also purchase of power budget was reduced by \$4.0 million to adjust for Hetch Hetchy maintenance and operating changes, updated energy prices based on forward energy curves, and more clarity of the City's renewable power requirements.

- Materials and Supplies** – Transfers funding associated with the maintenance and analysis of renewable energy projects to Light, Heat and Power to reflect management of funds and services.
- Debt Service** - Reflects projected principal and interest payments on the Clean Renewable Energy Bonds (CREBs) issued to fund solar photovoltaic (PV) projects at seven City-owned locations and projected bond principal and interest payments related to Clean Renewable Energy Bonds, California Energy Commission load and Certificates of Participation (COP) for SFPUC Headquarters.
- Services of Other Depts** – Reduces staff support funding from Department of Environment related to energy efficiency services provided to Hetchy Power.

Reasons for Changes, FY 2014-15 to FY 2015-16

- Non-Personnel Services** – Reflects an increase for transmission and distribution costs based on historical Independent System Operator (CAISO) transmission charges and expected rate increases upon the expiration (July 2015) of the Interconnection Agreement with Pacific Gas & Electric.

Light, Heat and Power

The Light, Heat and Power (LHP) section is responsible for maintaining over 25,509 SFPUC-owned streetlights in the City and County of San Francisco, and maintaining other City-owned, or other agency-owned power transmission and distribution systems, including substations, meters, backup generators, overhead and underground power lines, transformers, and switchgears. New installation work is also performed including the installation of new overhead service and underground connections up to 12 kilovolts (kV), meters, streetlights, switchgear, transformers, etc.

Streetlight Engineering Services is a section within LHP which manages all activities related to the administration, planning, design, investigation and reporting functions of the street light infrastructure owned and operated by the SFPUC. This group also facilitates planning and conducts design review of street lighting system installations in the public right of way performed by other agencies and contractors. Underground Service Alert requests are also managed by the engineering group. Work is performed for other City and State agencies, merchant and/or community groups, and general contractors.

Budget Summary

Table H14. Light, Heat and Power Budget Summary Table H14 shows the FY 2013-14 to FY 2015-16 adopted budgets, FY 2012-13 audited actual and FY 2013-14 pre-audit actual, and budget variances between FY 2014-15 and FY 2013-14, and between FY 2015-16 and FY 2014-15.

Table H14. Light, Heat and Power Budget Summary

Expenditure Category	FY 2012-13	FY 2013-14	FY 2013-14	FY 2014-15	FY 2015-16	FY 2014-15 vs. FY 2013-14		FY 2015-16 vs. FY 2014-15	
	Audited Actual	Adopted Budget	Pre-Audit Actual	Adopted Budget	Adopted Budget	Adopted Budget	Adopted Budget	Amount	%
Personnel	2,626,033	2,989,793	2,758,445	3,104,609	3,144,290	114,816	3.8%	39,681	1.3%
Non-Personnel Services	10,650,416	12,149,338	12,209,766	14,342,649	14,980,034	2,193,311	18.1%	637,385	4.4%
Materials & Supplies	379,687	367,500	386,853	502,675	514,094	135,175	36.8%	11,419	2.3%
Equipment	247,840	46,090	6,470	283,568	212,880	237,478	515.2%	(70,688)	-24.9%
Services Of Other Depts	363,240	419,974	485,918	404,959	408,746	(15,015)	-3.6%	3,787	0.9%
Total	14,267,216	15,972,695	15,847,452	18,638,460	19,260,044	2,665,765	16.7%	621,584	3.3%

Reasons for Changes, FY 2013-14 to FY 2014-15

- **Non-Personnel Services** – Reflects a \$1.2 million increase to fund gas and steam commodity rates increases, projected consumption and the addition of City facilities and \$1.0 million to fund projected contract costs for streetlight maintenance provided by PG&E.
- **Materials and Supplies** – Reflects projected costs for streetlight maintenance supplies.
- **Equipment** – Reflects the cost of projected equipment needs for FY 2014-15.

Reasons for Changes, FY 2014-15 to FY 2015-16

- **Equipment** – Reflects equipment needs for FY 2015-16.

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SFPUC BUREAUS

Mission, Roles, and Responsibilities

The SFPUC Bureaus provide support services to all three Enterprises, and include the Office of the General Manager, Business Services, and External Affairs. The Office of the General Manager includes four sections: the General Manager's Office, the Emergency Response and Security Division, Human Resources and Real Estate Services. Business Services includes Administration, Financial Services, Asset Management, Information Technology Services, Customer Services, and Assurance and Internal Controls, Fleet Management & Operations, and Records Management. External Affairs includes Communications, Governmental Affairs, and Community Benefits. The Bureaus' budgets are funded through an allocation model that recovers costs of services to the three Enterprises.

Budget Summary

Table S1 shows the FY 2013-14, FY 2014-15, and FY 2015-16 adopted budgets, FY 2012-13 audited actual, FY 2013-14 pre-audit actual, and the budget variance between FY 2014-15 and FY 2013-14 and between FY 2015-16 and FY 2014-15.

This Bureau Budget Summary, in Table S1 below, rolls up all the changes in the three organizations, Office of General Manager, Business Services and External Affairs. The Bureau's budget in Table S1 increases by 8.3 percent from FY 2013-14 to FY 2014-15, and there is a decrease in the overall budget of (0.5) percent from FY 2014-15 to 2015-16. The budget net increases from the adopted budget in FY 2013-14 to FY 2015-16 by 7.7 percent. Non-Personnel Services has a net growth of 13.8 percent from FY 2013-14 to FY 2015-16 explained primarily by two programs, Disaster Preparedness and Continuity of Operations. The largest single percentage growth in the budget is in Equipment with a significant growth of 100.4 percent between FY 2013-14 and FY 2014-15 and a net growth of 20.5 percent from FY 2013-14 and FY 2015-16. Overhead was allocated directly to the Enterprises as of FY2014-15. The reductions between FY 2014-15 and 2015-16 in Non-Personnel Services and Equipment account for the overall budget reduction in FY 2015-16.

Table S1. Bureaus Budget Summary

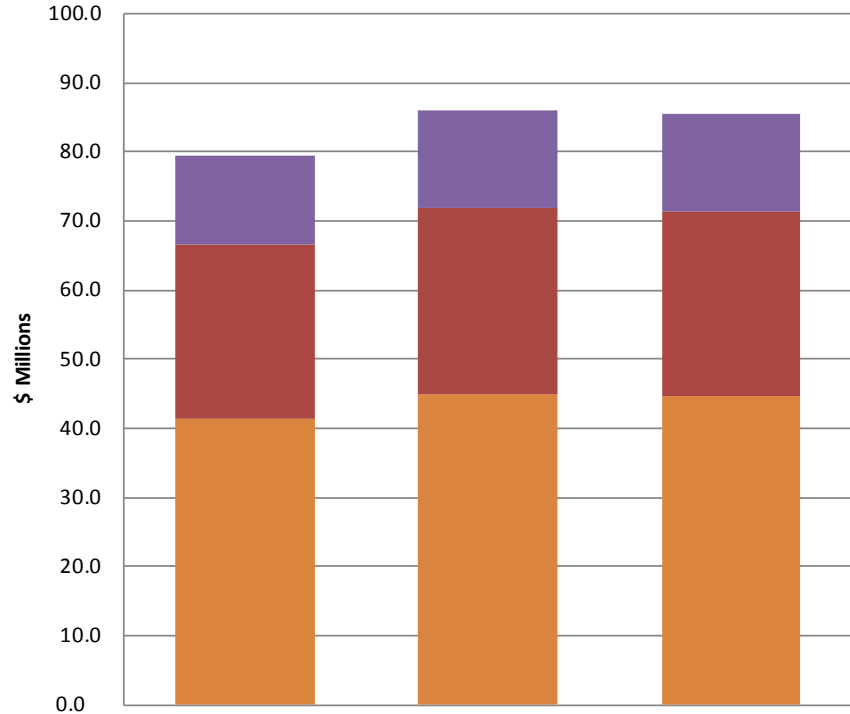
Expenditure Category	FY 2012-13	FY 2013-14	FY 2013-14	FY 2014-15	FY 2015-16	FY 2014-15 vs.		FY 2015-16 vs.	
	Audited Actual	Adopted Budget	Pre-Audit Actual	Adopted Budget	Adopted Budget	FY 2013-14 Adopted	%	FY 2014-15 Adopted	%
Personnel	49,722,562	53,474,810	53,266,008	56,107,252	57,223,511	2,632,442	4.9%	1,116,259	2.0%
Overhead	3,779,416	557,951	557,951	-	-	(557,951)	-100.0%	-	0.0%
Non-Personnel Services	8,484,816	9,172,435	11,865,962	10,996,343	10,440,345	1,823,908	19.9%	(555,998)	-5.1%
Materials & Supplies	1,661,695	2,020,523	2,106,918	2,136,570	2,243,991	116,047	5.7%	107,421	5.0%
Equipment	2,335,929	1,779,447	2,607,449	3,565,973	2,143,757	1,786,526	100.4%	(1,422,216)	-39.9%
Services of Other Depts	11,626,513	12,374,433	12,674,407	13,187,128	13,469,458	812,695	6.6%	282,330	2.1%
Total	77,610,931	79,379,599	83,078,695	85,993,266	85,521,062	6,613,667	8.3%	(472,204)	-0.5%

Sources of Funds

Chart S1 shows a breakdown of the FY 2013-14, FY 2014-15 and FY 2015-16 Sources of Funds by Enterprise.

The Bureaus Sources of Funds grows 7.7 percent from FY 2013-14 to FY 2015-16; this growth occurs primarily between FY 2013-14 and FY 2014-15 and is carried fairly evenly across the three enterprises.

Chart S1. FY 2013-14 to FY 2015-16 Bureaus Sources of Funds



	FY 2013-14 % of Total		FY 2014-15 % of Total		FY 2015-16 % of Total	
Water Enterprise	\$ 41.5	52.3%	\$ 44.9	52.2%	\$ 44.6	52.2%
Wastewater Enterprise	25.1	31.6%	26.9	31.3%	26.8	31.3%
Hetch Hetchy Water & Power	12.8	16.2%	14.2	16.5%	14.1	16.5%
Total Sources of Funds	\$ 79.4	100.0%	\$ 86.0	100.0%	\$ 85.5	100.0%

The FY 2014-15 Bureaus budget of \$86.0 million is funded by the Water Enterprise, \$44.9 million, or 52.2 percent; Wastewater Enterprise by \$26.9 million, or 31.3 percent; and Hetch Hetchy Water and Power by \$14.2 million, or 16.5 percent. The allocation of costs to the Enterprises includes consideration of employee full-time equivalent (FTE) employment, salary surveys, and direct services provided to the Enterprises.

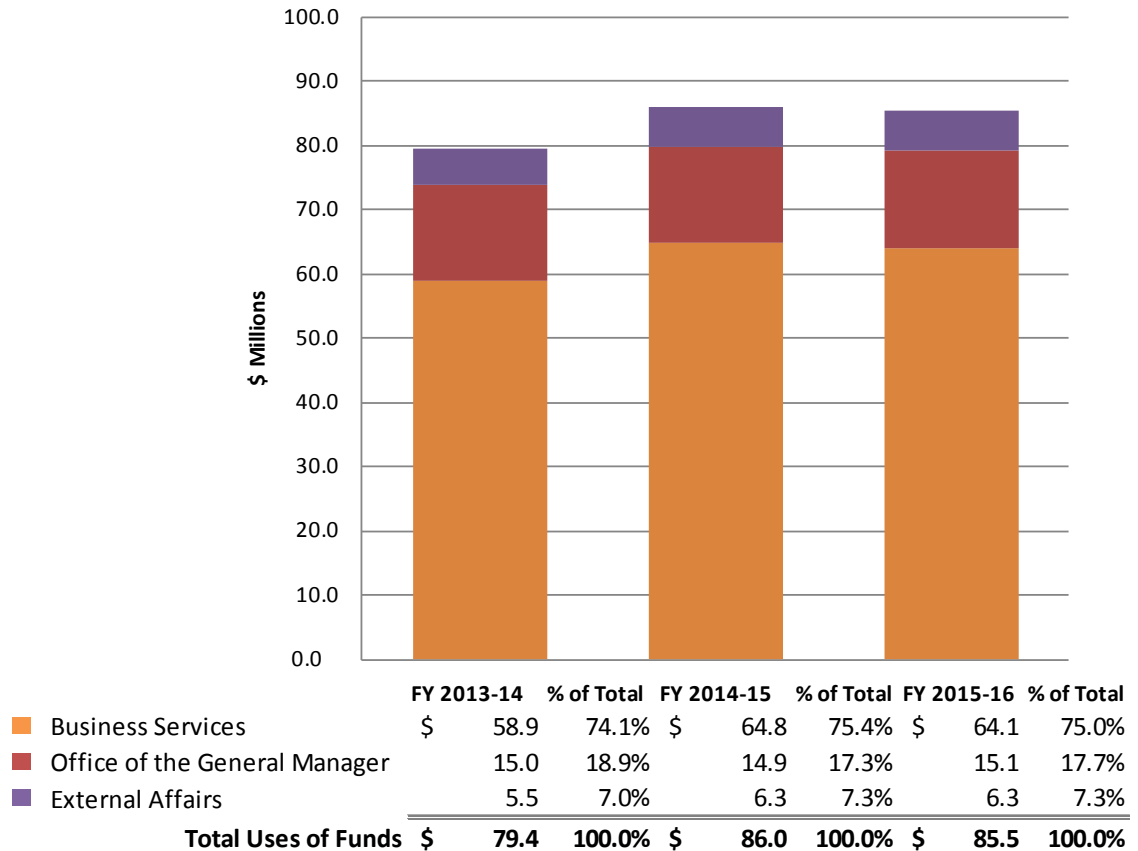
The FY 2015-16 Bureaus budget of \$85.5 million is funded by the Water Enterprise, \$44.6 million, or 52.2 percent; Wastewater Enterprise, \$26.8 million, or 31.3 percent; and Hetch Hetchy Water and Power, \$14.1 million, or 16.5 percent. This allocation of costs to the Enterprises is based on the same allocation model as that for FY 2014-15.

Uses of Funds

Chart S2 shows a breakdown of the FY 2014-15 and FY 2015-16 Uses of Funds by Bureau.

The Business Services bureau uses the majority of the Funds in both fiscal years, with a slight decrease in funding from FY 2014-15 to FY 2015-16 which accounts for the .06 percent reduction in the total uses of funds from one fiscal year to the next.

Chart S2. FY 2013-14 to FY 2015-16 Bureaus Uses of Funds



Total Uses of Funds in FY 2014-15 for the Bureaus is \$86.0 million. This is a \$6.6 million, or 8.3 percent, increase from the prior year (see Table S1). The General Manager's budget is \$14.9 million, or 17.3 percent of the total, and a 0.8 percent decrease from FY 2013-14. The Business Services budget is \$64.8 million, or 75.4 percent of the total, and a 10.2 percent increase from the prior year. The External Affairs budget is \$6.3 million, or 7.3 percent of the total, a 13.6 percent increase from FY 2013-14.

Total Uses of Funds in FY 2015-16 for the Bureaus is \$85.5 million. This is a \$0.5 million, or 0.5 percent, decrease from the prior year (see Table S1). The General Manager's budget is \$15.1 million, or 17.7 percent of the total, and a 1.6 percent increase from FY 2014-15. The Business Services budget is \$64.1 million, or 75.0 percent of the total, or a 1.1 percent decrease from FY 2014-15. The External Affairs budget is \$6.3 million, or 7.3 percent of the total with relatively no change from the prior year.

The following sections go into further detail about the Bureaus. Tables G1, B1, and E1 provide the budget variances – between the FY 2014-15 and FY 2013-14 budgets, and between the FY 2015-16 and FY 2014-15 budgets – for the Office of the General Manager, Business Services, and External Affairs, respectively.

Authorized and Funded Full-Time Equivalents (FTEs)

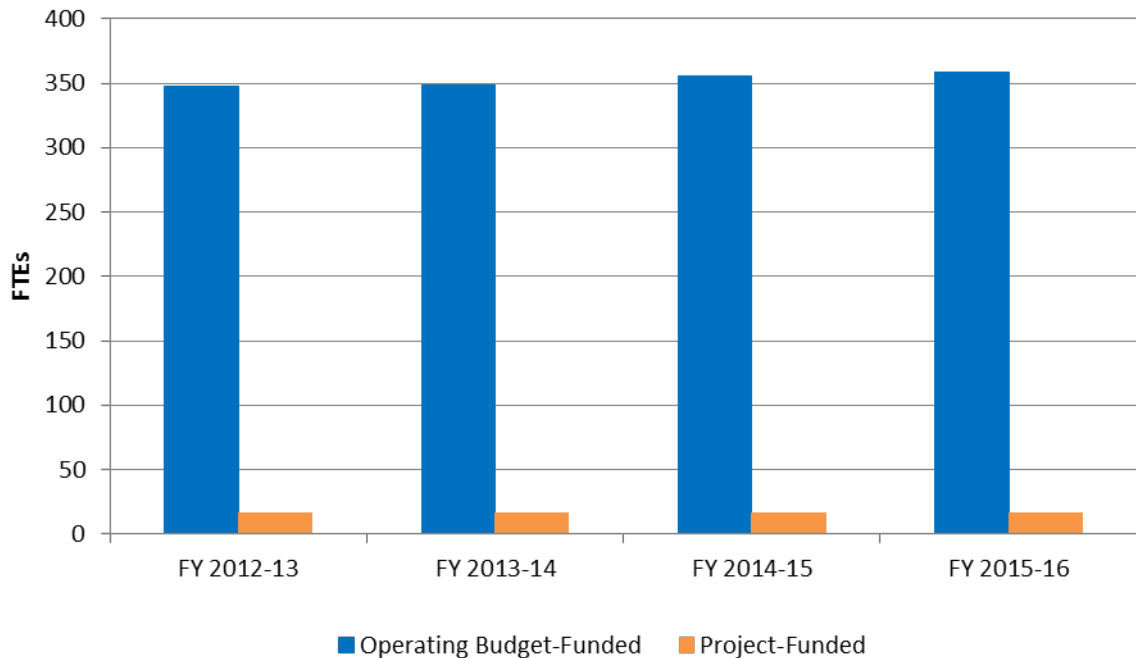
Table S2 shows total full-time equivalents (FTEs) operating budget, project funded, and temporary positions for FY 2012-13 to FY 2015-16.

Table S2. Bureaus Authorized and Funded Full-Time Equivalents (FTEs)

Position Type	FY 2012-13 Adopted Budget	FY 2013-14 Adopted Budget	FY 2014-15 Adopted Budget	FY 2015-16 Adopted Budget	FY 2014-15 vs FY 2013-14 Adopted Budget	FY 2015-16 vs FY 2014-15 Adopted Budget
Permanent Positions	342.80	343.54	347.61	349.30	4.07	1.69
Temporary Positions	5.04	4.79	7.97	9.86	3.18	1.89
Subtotal Operating-Funded	347.84	348.33	355.58	359.16	7.25	3.58
Project-Funded Positions	16.00	16.00	16.00	16.00	-	-
Total Positions	363.84	364.33	371.58	375.16	7.25	3.58

Chart S3 shows the operating budget and project-funded positions four-year trend.

Chart S3. Bureaus Operating and Project FTEs Trend



As noted on Table S2, on the previous page, the SFPUC Bureaus full-time equivalent (FTE) operating budget, project-funded, and temporary positions for FY 2014-15 is 371.58 FTEs, a 7.25 FTE increase from FY 2013-14. Chart S3, on the previous page, illustrates the trend of the number of operating and project-funded FTEs from FY 2012-13 to FY 2015-16. FY 2014-15 permanent positions increased by 4.07 FTEs, from 343.54 in FY 2013-14 to 347.61 FTEs in FY 2014-15. The net position increase includes four new positions – two to support the Development and Succession Preparedness program, one position dedicated to Information Technology Disaster Preparedness, one to support Asset Management and an increase to attrition savings. The increase is offset by one position reassignment to the Infrastructure Bureau.

Temporary positions from FY 2013-14 to FY 2014-15 increased by 3.18 FTEs, from 4.79 FTEs in FY 2013-14 to 7.97 FTEs in FY 2014-15. The increase supports the Community Benefits Program implementation, administrative support for the Outmigration Project Manager, support for Environmental Justice policies, and the expansion of security staffing.

Project-funded positions from FY 2013-14 to FY 2014-15 remained the same.

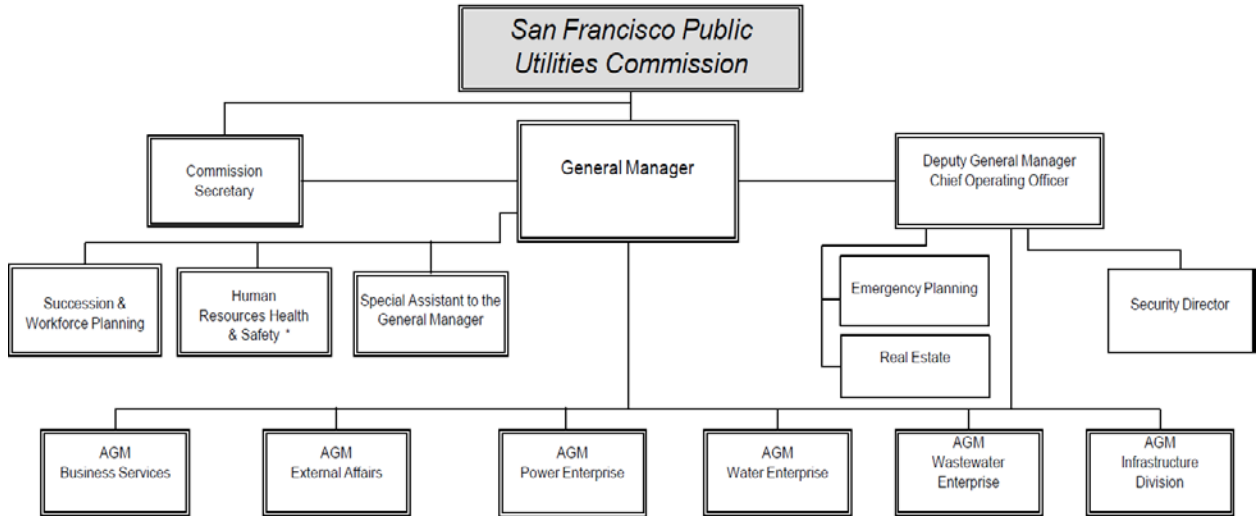
Table S2 provides a breakdown of positions by position type.

Also noted on Table S2, the SFPUC Bureaus full-time equivalent (FTE) operating budget, project-funded, and temporary for FY 2015-16 is 375.16 FTEs, a 3.58 FTE increase from FY 2014-15. FY 2015-16 permanent positions increased by 1.69 FTEs, from 347.61 FTEs in FY 2014-15 to 349.30 FTEs in FY 2015-16. The net position increase includes the annualization of four new FY 2014-15 positions.

The number of temporary positions from FY 2014-15 to FY 2015-16 increased by 1.89 FTEs, from 7.97 FTEs in FY 2014-15 to 9.86 FTEs in FY 2015-16. The increase primarily reflects administrative support to the General Manager as well as to support the implementation of the Community Benefits Program.

Office of the General Manager

Organization Chart



Mission, Roles, and Responsibilities

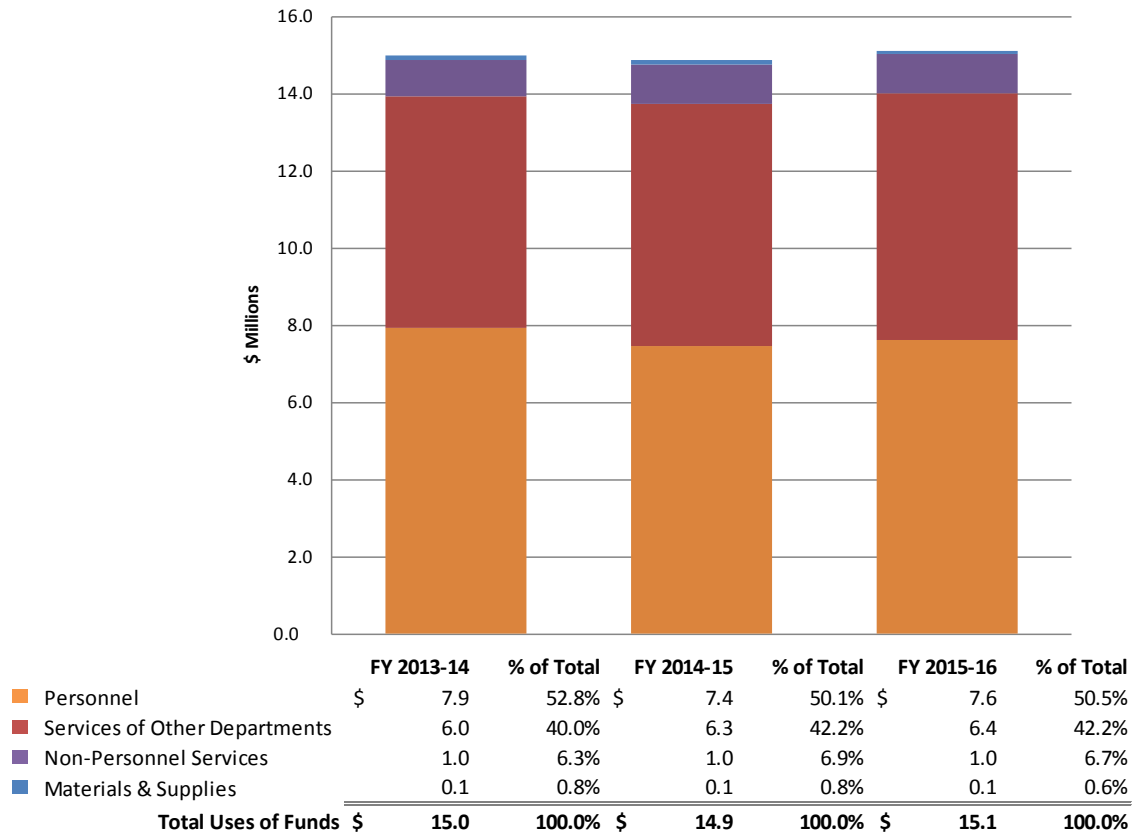
The General Manager of the SFPUC oversees the regional utility that delivers reliable, high quality drinking water to more than 2.6 million Bay Area customers, collects and treats wastewater and stormwater for the City and County of San Francisco (CCSF), and provides hydroelectric and other renewable power resources for San Francisco municipal customers. The functions of the Office of the General Manager support the General Manager in key oversight areas.

* Human Resource Services reports to the General Manager while the budget still remains under Business Services. This organization change was implemented after the adoption of the FY 2014-15 budget.

Uses of Funds

Chart G1 shows a breakdown of FY 2013-14, FY 2014-15, and FY 2015-16 Uses of Funds by expenditure category costs.

Chart G1. FY 2013-14 to FY 2015-16 Office of the General Manager Uses of Funds



Summary

The FY 2014-15 Office of the General Manager budget is \$14.9 million, a \$0.1 million, or 0.8 percent, decrease from the prior year. The major change from FY 2013-14 budget is the decrease in Personnel due to the reassignment of two FTEs, one position reassigned to Records Management and one position to the Infrastructure Bureau, offset by cost increases for Worker's Compensation and Risk Management services.

The FY 2015-16 Office of the General Manager budget is \$15.1 million, a 1.6 percent increase from FY 2014-15. The increase from FY 2014-15 is due to salaries and benefits adjustments and also services from other City departments.

Table G1 shows the FY 2013-14, FY 2014-15, and FY 2015-16 adopted budgets, FY 2012-13 audited actual, FY 2013-14 pre-audit actual, and the budget variance between FY 2014-15 and FY 2013-14 and between FY 2015-16 and FY 2014-15.

The Budget for the Office of the General Manager is 17.3 percent of the Bureau's budget in FY 2014-15 and 17.7 percent in FY 2015-16 (See Chart S2). The Office of the General Manager's budget decrease by 0.8 percent between FY 2013-14 and 2014-15 and thereafter increases by 1.6 percent in FY 2015-16; with a net increase from 2013-14 to 2015-16 of 0.8 percent. As is indicated in Table G1, these net increases are modest in Non-Personnel Services and Services to Other Departments.

Table G1. Office of the General Manager Budget Summary

Expenditure Category	FY 2012-13	FY 2013-14	FY 2013-14	FY 2014-15	FY 2015-16	FY 2014-15 vs.		FY 2015-16 vs.	
	Audited Actual	Adopted Budget	Pre-Audit Actual	Adopted Budget	Adopted Budget	FY 2013-14 Adopted Budget	%	FY 2014-15 Adopted Budget	%
Personnel	7,917,228	7,918,864	8,354,374	7,447,508	7,635,703	(471,356)	-6.0%	188,195	2.5%
Non-Personnel Services	702,601	951,531	1,461,156	1,024,631	1,005,233	73,100	7.7%	(19,398)	-1.9%
Materials & Supplies	53,755	117,301	52,175	114,430	91,492	(2,871)	-2.4%	(22,938)	-20.0%
Services of Other Depts	6,586,030	5,999,725	5,818,193	6,278,318	6,375,541	278,593	4.6%	97,223	1.5%
Total	15,259,614	14,987,421	15,685,898	14,864,887	15,107,969	(122,534)	-0.8%	243,082	1.6%

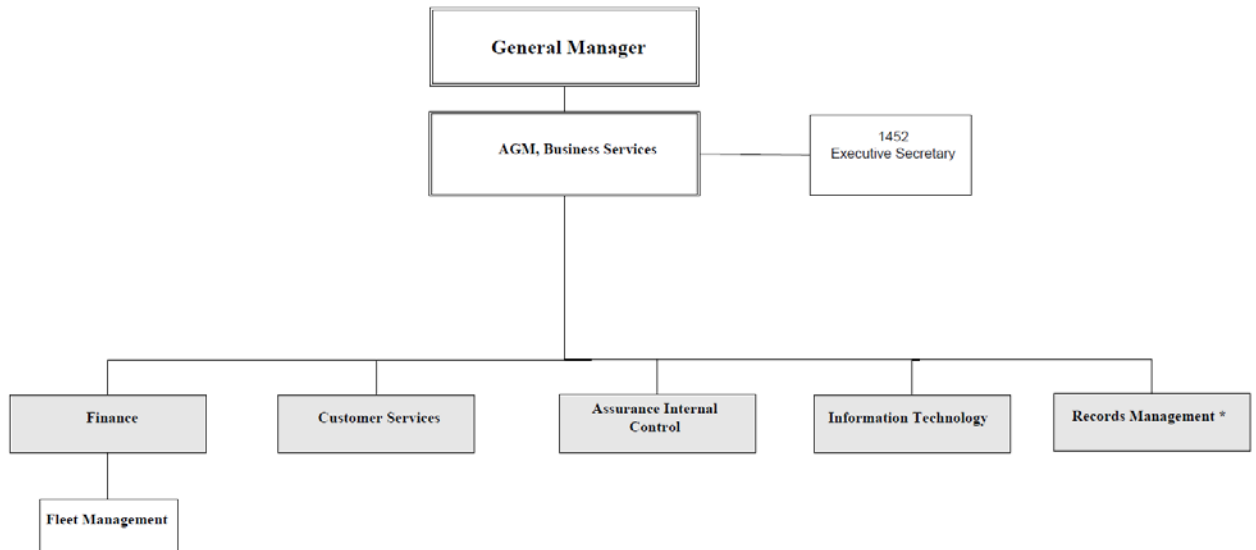
Reason for Changes – FY 2014-15 to FY 2015-16

The following describes FY 2014-15 and FY 2015-16 budget category variances that are greater than ten percent.

- Materials and Supplies:** The FY 2015-16 Materials and Supplies budget decreased from the prior year mainly due to one-time expenses for minor furnishings and materials and supplies for the General Manager.

Business Services

Organization Chart



* Budget for Records Management is in Business Services Administration

Mission, Roles, and Responsibilities

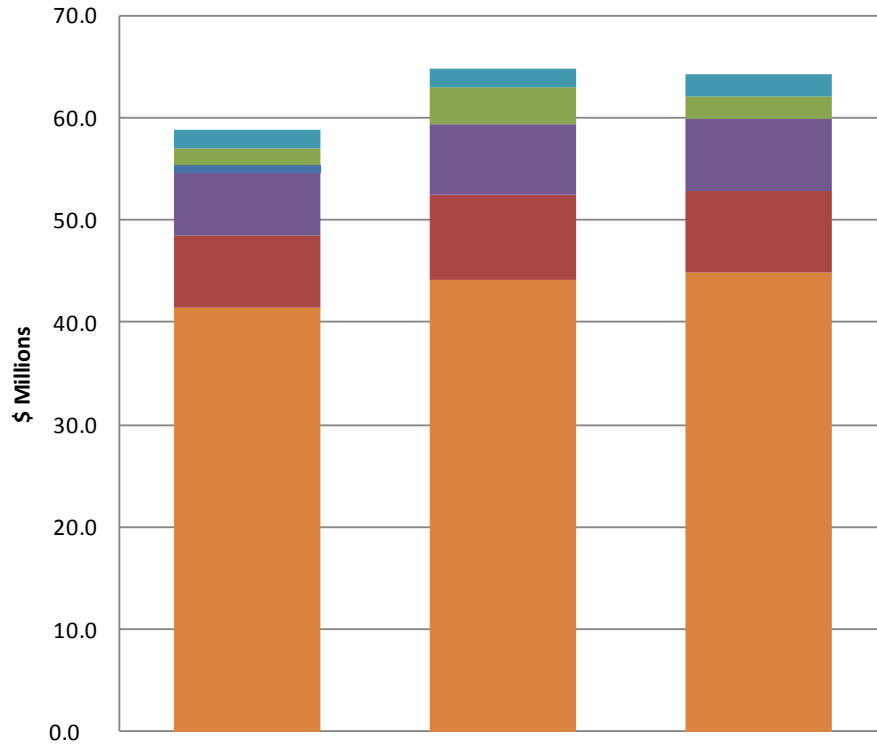
Business Services supports the Water, Power and Wastewater Enterprises to achieve human resource and operational efficiency, industry-leading customer service and sound financial performance.

* Budget for Records Management is in Business Services Administration.

Uses of Funds

Chart B1 shows a breakdown of FY 2013-14, FY 2014-15, and FY 2015-16 Uses of Funds by expenditure category cost.

Chart B1. FY 2013-14 to FY 2015-16 Business Services Uses of Funds



	FY 2013-14 % of Total		FY 2014-15 % of Total		FY 2015-16 % of Total	
Personnel	\$ 41.4	70.4%	\$ 44.1	68.0%	\$ 44.8	69.9%
Non-Personnel Services	7.0	11.9%	8.4	12.9%	8.0	12.5%
Services of Other Depts	6.3	10.7%	6.9	10.6%	7.1	11.1%
Overhead	0.6	0.9%	-	0.0%	-	0.0%
Equipment	1.8	3.0%	3.6	5.5%	2.1	3.3%
Materials & Supplies	1.8	3.1%	1.9	3.0%	2.1	3.2%
Total Uses of Funds	\$ 58.9	100.0%	\$ 64.8	100.0%	\$ 64.1	100.0%

Summary

The FY 2014-15 Business Services budget is \$64.8 million, a \$5.9 million or 10.2 percent increase from the prior year. Major changes from the FY 2013-14 budget include four new positions, increase in equipment, software, and professional contracts supporting the Disaster Preparedness, off-set by the elimination of the City-wide overhead cost. Other increases reflect City work orders including SFPUC's share of the new City-wide accounting system and services from the Department of Technology.

The FY 2015-16 Business Services budget is \$64.1 million, a \$0.7 million, or 1.1 percent, decrease from the prior year. The major change from the FY 2014-15 budget reflects one-time funding in equipment.

Table B1 shows the FY 2013-14, FY 2014-15, and FY 2015-16 adopted budgets, FY 2012-13 audited actual, FY 2013-14 pre-audit actual, and the budget variance between FY 2014-15 and FY 2013-14 and between FY 2015-16 and FY 2014-15.

This budget is the largest portion, 75.4 percent of the Bureau’s budget. The Business Services budget as shown in Table B1 reflect the major changes in the Bureaus Budget Summary as discussed above; these are the net increase of 14.5 percent from FY 2013-14 to 2015-16 in the Non-Personnel Services, the net increase of 20.5 percent in Equipment over the same period and the zeroing out of Overhead.

Table B1. Business Services Budget Summary

Expenditure Category	\$					FY 2014-15 vs.		FY 2015-16 vs.	
	FY 2012-13	FY 2013-14	FY 2013-14	FY 2014-15	FY 2015-16	FY 2013-14 Adopted Budget		FY 2014-15 Adopted Budget	
	Audited Actual	Adopted Budget	Pre-Audit Actual	Adopted Budget	Adopted Budget	Amount	%	Amount	%
Personnel	38,013,038	41,412,397	40,700,340	44,084,398	44,838,796	2,672,001	6.5%	754,398	1.7%
Overhead	3,779,416	557,951	557,951	-	-	(557,951)	-100.0%	-	0.0%
Non-Personnel Services	6,915,058	6,983,086	9,470,560	8,378,240	7,998,953	1,395,154	20.0%	(379,287)	-4.5%
Materials & Supplies	1,557,234	1,813,222	1,987,761	1,919,497	2,060,856	106,275	5.9%	141,359	7.4%
Equipment	2,335,929	1,779,447	2,607,449	3,565,973	2,143,757	1,786,526	100.4%	(1,422,216)	-39.9%
Services of Other Depts	4,825,228	6,308,630	6,685,314	6,888,810	7,093,917	580,180	9.2%	205,107	3.0%
Total	57,425,903	58,854,733	62,009,375	64,836,918	64,136,279	5,982,185	10.2%	(700,639)	-1.1%

Reason for Changes – FY 2014-15 to FY 2015-16

The following describes FY 2014-15 and FY 2015-16 budget category variances that are greater than ten percent.

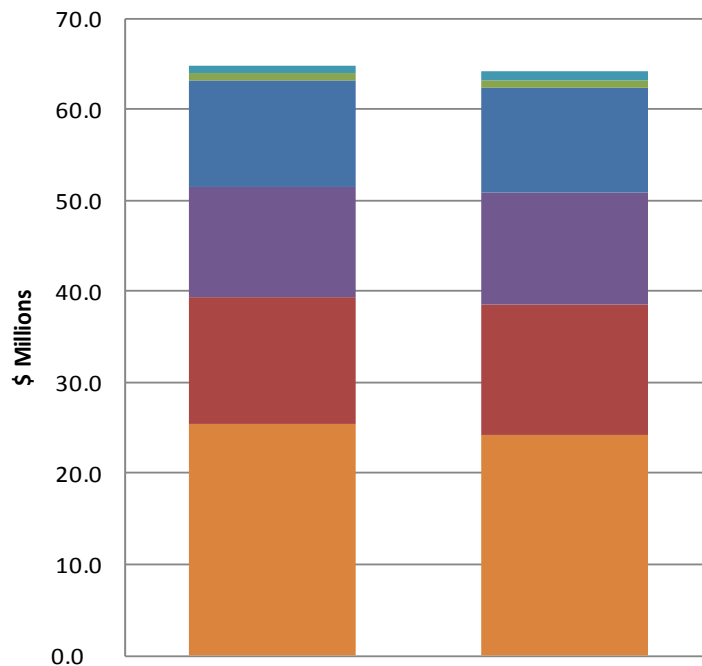
- **Overhead:** The City-wide overhead budget of \$0.6 million from FY 2013-14 has been eliminated by the Controller based on a two-year rolling average. Allocations are directly budgeted in the three Enterprises.
- **Non-Personnel Services:** The FY 2014-15 Non-Personnel budget is \$8.4 million, a \$1.8 million, or 20.0 percent, increase from FY 2013-14. This budget funds equipment, maintenance, travel, training, memberships, entertainment and promotion, and professional services. The increase reflects equipment needs to support for Disaster Preparedness and the Development and Succession Preparedness, and the enhancement of SFPUC’s Record Management.
- **Equipment:** The FY 2014-15 Equipment budget is \$3.6 million, a \$1.4 million, or 100.0 percent, increase from FY 2013-14. The increase reflects the support for Disaster Preparedness and Continuity of Operations.

Bureaus – Business Services

Chart B2 shows a breakdown of the FY 2014-15 and FY 2015-16 Business Services budget by bureau

The decrease from FY 2014-15 to FY 2015-16 is 1.1 percent. Only Information Technology Services and Human Resources have actual reductions.

Chart B2. FY 2014-15 and FY 2015-16 Business Services Budget by Bureau



	FY 2014-15	% of Total	FY 2015-16	% of Total
Information Technology	\$ 25.4	39.2%	\$ 24.3	37.9%
Customer Services	14.0	21.6%	14.2	22.1%
Financial Services	12.1	18.7%	12.4	19.3%
Human Resources	11.6	17.8%	11.5	17.9%
Administration	0.8	1.3%	0.8	1.3%
Assurance & Internal Controls	0.9	1.4%	1.0	1.5%
Total Uses of Funds	\$ 64.8	100.0%	\$ 64.1	100.0%

Chart B2 provides a breakdown of the FY 2014-15 Business Services budget by Bureau. The ITS budget is \$25.4 million, or 39.2 percent of the total. The Customer Services budget is \$14.0 million, or 21.6 percent of the total. The Financial Services budget is \$12.1 million, or 18.7 percent of the total. The Human Resources budget is \$11.6 million, or 17.8 percent of the total. The Administration budget is \$0.8 million, or 1.3 percent of the total. The Assurance and Internal Controls budget is \$0.9 million, or 1.4 percent of the total.

Chart B2 provides a breakdown of the FY 2015-16 Business Services budget by Bureau. The Information & Technology Services (ITS) budget is \$24.3 million, or 37.9 percent of the total. The Customer Services budget is \$14.2 million, or 22.1 percent of the total. The Financial Services budget is \$12.4 million, or 19.3 percent of the total. The Human Resources budget is \$11.5 million, or 17.9 percent of the total. The Administration budget is \$0.8 million, or 1.3 percent of the total. The Assurance and Internal Controls budget is \$1.0 million, or 1.5 percent of the total.

Administration, including Records Management

Administration provides overall administrative services and oversight within Business Services, as well as general support to the three Enterprises and other Bureaus.

Budget Summary

Table B2 shows the FY 2013-14, FY 2014-15, and FY 2015-16 adopted budgets, FY 2012-13 audited actual, FY 2013-14 pre-audit actual, and the budget variance between FY 2013-14 and FY 2014-15 and FY 2014-15 and FY 2015-16.

Table B2. Administration Budget Summary

Expenditure Category	FY 2012-13	FY 2013-14	FY 2013-14	FY 2014-15	FY 2015-16	FY 2014-15 vs.		FY 2015-16 vs.	
	Audited Actual	Adopted Budget	Pre-Audit Actual	Adopted Budget	Adopted Budget	FY 2013-14 Adopted Budget	%	FY 2014-15 Adopted Budget	%
Personnel	805,901	373,839	917,208	574,812	581,208	200,973	53.8%	6,396	1.1%
Overhead	3,779,416	557,951	557,951	-	-	(557,951)	-100.0%	-	0.0%
Non-Personnel Services	946,521	8,575	25,506	194,967	194,967	186,392	2173.7%	-	0.0%
Materials & Supplies	237	9,000	11,406	24,000	24,000	15,000	166.7%	-	0.0%
Services of Other Depts	19,893	71,387	111	20,118	20,139	(51,269)	-71.8%	21	0.1%
Total	5,551,968	1,020,752	1,512,182	813,897	820,314	(206,855)	-20.3%	6,417	0.8%

Reasons for Changes, FY 2013-14 to FY 2014-15

- **Personnel** – Reflects an increase in salary to support the Records Management Program.
- **Overhead** – Reflects the elimination of this funding based on two-year rolling average.
- **Non-Personnel Services** – Reflects the external support for Records Management continued deployment of SharePoint SFPUC-wide over two years.
- **Materials & Supplies** – Reflects miscellaneous office equipment to support Records Management.
- **Services of Other Departments** - Reflects City-wide services for Records Management.

Reasons for Changes, FY 2014-15 to FY 2015-16

There were no major changes to the FY 2015-16 adopted budget.

Financial Services, including Fleet Management

Financial Services supports the SFPUC Enterprises and Bureaus, ensuring financial stewardship and oversight for ratepayer assets, and includes Fleet Management & Operations which is responsible for the establishment, implementation, and maintenance of policies and procedures governing SFPUC-owned vehicles. Financial Services include accounting operations, asset management, audit oversight, reconciliation and financial reporting, budget management, debt management, purchasing support, and rates administration. Accurately communicating the financial position of the SFPUC to rate payers, City departments, rating agencies, investors and other stakeholders is the central mission of Financial Services.

Budget Summary

Table B3 shows the FY 2013-14, FY 2014-15, and FY 2015-16 adopted budgets, FY 2012-13 audited actual, FY 2013-14 pre-audit actual, and the budget variance between FY 2013-14 and FY 2014-15 and FY 2014-15 and FY 2015-16.

Table B3. Financial Services Budget Summary

Expenditure Category	FY 2012-13 Audited Actual	FY 2013-14 Adopted Budget	FY 2013-14 Pre-Audit Actual	FY 2014-15 Adopted Budget	FY 2015-16 Adopted Budget	FY 2014-15 vs. FY 2013-14 Adopted Budget		FY 2015-16 vs. FY 2014-15 Adopted Budget	
						Amount	%	Amount	%
Personnel	8,272,037	8,833,296	8,632,117	9,194,380	9,299,919	361,084	4.1%	105,539	1.1%
Non-Personnel Services	393,705	1,147,215	1,027,580	1,147,215	947,215	-	0.0%	(200,000)	-17.4%
Materials & Supplies	53,815	106,332	36,280	132,466	157,924	26,134	24.6%	25,458	19.2%
Equipment	75,187	-	-	-	-	-	0.0%	-	0.0%
Services of Other Depts	813,419	1,034,047	945,308	1,666,328	1,984,868	632,281	61.1%	318,540	19.1%
Total	9,608,163	11,120,890	10,641,285	12,140,389	12,389,926	1,019,499	9.2%	249,537	2.1%

Reasons for Changes, FY 2013-14 to FY 2014-15

- **Personnel** – Reflects an increase due to salary standardization.
- **Materials & Supplies** – Reflects an increase in office supplies and minor furnishings based on the Bureau's projected needs.
- **Services of Other Departments** - Reflects SFPUC's share of the new City-wide accounting system.

Reasons for Changes, FY 2014-15 to FY 2015-16

- **Personnel** – Reflects an increase due to salary standardization.
- **Non-Personnel Services** – Reflects the elimination of the rate study.
- **Materials & Supplies** – Reflects an increase in office supplies and minor furnishings based on the Bureau's projected needs.
- **Services of Other Departments** - Reflects SFPUC's share of the new City-wide accounting system.

Fleet represents \$0.8 million for FY 2014-15 and FY 2015-16

Information Technology Services (ITS)

Information Technology Services (ITS) partners with the SFPUC Enterprises, Divisions and Bureaus, reliably supports the SFPUC's information technology, and delivers innovative solutions which enable the SFPUC to achieve its mission to provide its customers with high quality, efficient, and reliable water, power, and wastewater services.

Records Management includes the SFPUC's Record Retention Program, and within this Program are the SFPUC Historical Archive and the SFPUC Historian. The Records Retention Program promotes the integrity, confidentiality, and availability of records created and maintained to ensure the achievement of the organization's commitments, objectives and legal obligations.

Budget Summary

Table B4 shows the FY 2013-14, FY 2014-15, and FY 2015-16 adopted budgets, FY 2012-13 audited actual, FY 2013-14 pre-audit actual, and the budget variance between FY 2013-14 and FY 2014-15 and FY 2014-15 and FY 2015-16.

Table B4. ITS Budget Summary

Expenditure Category	FY 2012-13 Audited Actual	FY 2013-14 Adopted Budget	FY 2013-14 Pre-Audit Actual	FY 2014-15 Adopted Budget	FY 2015-16 Adopted Budget	FY 2014-15 vs. FY 2013-14 Adopted Budget		FY 2015-16 vs. FY 2014-15 Adopted Budget	
						Amount	%	Amount	%
Personnel	10,734,389	11,956,917	12,411,797	13,025,240	13,243,426	1,068,323	8.9%	218,186	1.7%
Non-Personnel Services	4,571,209	4,612,243	7,399,465	5,545,267	5,514,967	933,024	20.2%	(30,300)	-0.5%
Materials & Supplies	1,294,546	1,265,000	1,590,470	1,385,300	1,517,630	120,300	9.5%	132,330	9.6%
Equipment	2,253,699	1,779,447	2,607,449	3,462,175	2,118,125	1,682,728	94.6%	(1,344,050)	-38.8%
Services of Other Depts	1,637,046	2,023,447	2,188,310	2,026,252	1,912,130	2,805	0.1%	(114,122)	-5.6%
Total	20,490,889	21,637,054	26,197,491	25,444,234	24,306,278	3,807,180	17.6%	(1,137,956)	-4.5%

Reasons for Changes, FY 2013-14 to FY 2014-15

- **Personnel** – Reflects an increase in salary to provide technical assistance for Wastewater's work load management and asset management.
- **Non-Personnel Services** – Reflects the support for the Disaster Preparedness program and the Continuity of Operations program to mitigate risk if an unexpected disaster was to occur.
- **Equipment** – Reflects the support for the Disaster Preparedness program and the Continuity of Operations in the event an unexpected disaster was to occur.

Reasons for Changes, FY 2014-15 to FY 2015-16

- **Personnel** – Reflects an increase due to salary standardization and position annualization.
- **Equipment** – Decrease reflects one-time funding in equipment.

Human Resources

Human Resources adopted FY 2014-15 and FY 2015-16 budgets originally approved under Business Services now report to the General Manager.

Human Resources recruits, compensates, supports and retains a diverse and highly qualified workforce, and serves the SFPUC Enterprises and Bureaus in an efficient, responsive, and professional manner. The promotion of health, safety, workforce planning, and professional development for all SFPUC employees is critical to the SFPUC mission and Human Resources' functions.

Budget Summary

Table B5 shows the FY 2013-14, FY 2014-15, and FY 2015-16 adopted budgets, FY 2012-13 audited actual, FY 2013-14 pre-audit actual, and the budget variance between FY 2013-14 and FY 2014-15 and FY 2014-15 and FY 2015-16.

Table B5. Human Resources Budget Summary

Expenditure Category	\$					FY 2014-15 vs.		FY 2015-16 vs.	
	FY 2012-13	FY 2013-14	FY 2013-14	FY 2014-15	FY 2015-16	FY 2013-14 Adopted Budget		FY 2014-15 Adopted Budget	
	Audited Actual	Adopted Budget	Pre-Audit Actual	Adopted Budget	Adopted Budget	Amount	%	Amount	%
Personnel	6,703,497	7,765,757	6,741,725	8,294,387	8,558,727	528,630	6.8%	264,340	3.2%
Non-Personnel Services	676,427	702,485	608,290	942,353	694,083	239,868	34.1%	(248,270)	-26.3%
Materials & Supplies	57,155	85,825	105,663	123,038	105,651	37,213	43.4%	(17,387)	-14.1%
Equipment	7,043	-	-	103,798	25,632	103,798	0.0%	(78,166)	-75.3%
Services of Other Depts	1,694,881	1,895,955	2,185,942	2,090,090	2,090,090	194,135	10.2%	-	0.0%
Total	9,139,003	10,450,022	9,641,620	11,553,666	11,474,183	1,103,644	10.6%	(79,483)	-0.7%

Reasons for Changes, FY 2013-14 to FY 2014-15

- **Personnel** – Reflects an increase in salaries for new positions to support SFPUC's University program to address development and succession preparedness.
- **Non-Personnel Services** – Reflects the support for the Development and Succession Preparedness Program.
- **Materials & Supplies** – Reflects an increase in office supplies and minor furnishings based on the Bureau's projected needs.
- **Services of Other Departments** – Reflects the increase in medical exams for prospective new hires and for SFPUC's share of the Department of Human Resource PeopleSoft system.

Reasons for Changes, FY 2014-15 to FY 2015-16

- **Personnel** – Reflects an increase due to salary standardization and position annualization.
- **Non-Personnel Services** – Reflects the elimination of one-time funding for the Development and Succession Preparedness Program.
- **Materials & Supplies** – Reflects one-time funding for miscellaneous materials and supplies.
- **Equipment** – Decrease reflects one-time funding in equipment.

Customer Services

Customer Services is responsible for the billing and collection of utility services and is the primary point of contact for water and wastewater customers. CSB maintains over 174,000 water and wastewater service accounts, over 2,200 municipal and retail electric service accounts, and approximately 500 land-lease accounts totaling over \$730 million in annual revenue. Customer Services is also responsible for meter reading and field investigations, as well as responding to over 200,000 customer inquiries, complaints and requests for services annually.

Customer Services is comprised of five units all of which are dependent on one or more of the other sections to effectively fulfill their respective roles. The five units are:

- Administration
- Business Center
- Customer Accounts
- Customer Contact Center
- Field Services

Budget Summary

Table B6 shows the FY 2013-14, FY 2014-15, and FY 2015-16 adopted budgets, FY 2012-13 audited actual, FY 2013-14 pre-audit actual, and the budget variance between FY 2013-14 and FY 2014-15 and FY 2014-15 and FY 2015-16.

Table B6. Customer Services Budget Summary

Expenditure Category	FY 2012-13	FY 2013-14	FY 2013-14	FY 2014-15	FY 2015-16	FY 2014-15 vs.		FY 2015-16 vs.	
	Audited Actual	Adopted Budget	Pre-Audit Actual	Adopted Budget	Adopted Budget	FY 2013-14 Adopted Budget	%	FY 2014-15 Adopted Budget	%
Personnel	10,793,225	11,677,204	11,511,591	12,146,307	12,297,304	469,103	4.0%	150,997	1.2%
Non-Personnel Services	278,365	494,458	370,094	519,102	543,313	24,644	5.0%	24,211	4.7%
Materials & Supplies	148,035	341,695	241,498	249,323	250,281	(92,372)	-27.0%	958	0.4%
Equipment	-	-	-	-	-	-	0.0%	-	0.0%
Services of Other Depts	659,719	1,281,794	1,363,644	1,085,022	1,085,690	(196,772)	-15.4%	668	0.1%
Total	11,879,344	13,795,151	13,486,827	13,999,754	14,176,588	204,603	1.5%	176,834	1.3%

Reasons for Changes, FY 2013-14 to FY 2014-15

- **Personnel** – Reflects an increase for salary standardization.
- **Materials & Supplies** – Reflects a decrease in office supplies based on the Bureau's projected needs.
- **Services of Other Departments** – Reflects the reduction in the mail services work order and Treasurer/Tax Collector services.

Reasons for Changes, FY 2014-15 to FY 2015-16

There were no major changes to the FY 2015-16 adopted budget.

Assurance and Internal Controls (AIC)

Assurance and Internal Controls (AIC) administers the SFPUC Governance Risk & Compliance framework and champions best practices for risk management, internal controls, accountability, compliance, transparency and completeness. The AIC Bureau supports all business divisions enterprise-wide with the objective to mitigate financial and operational risks, enhance opportunities for positive outcomes, and advance the achievement of SFPUC's strategic goals.

It manages the following areas related to governance, risk and compliance:

- Enterprise Risk Management
- Contractual Risk Transfer
- Governance & Assurance
- Audit & Compliance
- Data Analysis & Forensics

Budget Summary

Table B7 shows the FY 2013-14, FY 2014-15, and FY 2015-16 adopted budgets, FY 2012-13 audited actual, FY 2013-14 pre-audit actual, and the budget variance between FY 2013-14 and FY 2014-15 and FY 2014-15 and FY 2015-16.

Table B7. Assurance and Internal Controls Budget Summary

Expenditure Category	FY 2012-13		FY 2013-14		FY 2013-14		FY 2014-15		FY 2015-16		FY 2014-15 vs.		FY 2015-16 vs.	
	Audited	Adopted	Adopted	Pre-Audit	Adopted	Adopted	Adopted	Adopted	Adopted	Adopted	FY 2013-14 Adopted Budget		FY 2014-15 Adopted Budget	
	Actual	Budget	Budget	Actual	Budget	Budget	Budget	Budget	Amount	%	Amount	%		
Personnel	703,990	805,384	805,384	485,904	849,272	858,212	858,212	858,212	43,888	5.4%	8,940	1.1%		
Non-Personnel Services	48,831	18,110	18,110	39,627	29,336	104,408	104,408	104,408	11,226	62.0%	75,072	255.9%		
Materials & Supplies	3,446	5,370	5,370	2,444	5,370	5,370	5,370	5,370	-	0.0%	-	0.0%		
Services of Other Depts	270	2,000	2,000	2,000	1,000	1,000	1,000	1,000	(1,000)	-50.0%	-	0.0%		
Total	756,537	830,864	830,864	529,975	884,978	968,990	968,990	968,990	54,114	6.5%	84,012	9.5%		

Reasons for Changes, FY 2013-14 to FY 2014-15

- **Personnel** – Reflects an increase for salary standardization.
- **Non-Personnel Services** – Reflects the increase in software licenses and maintenance fees for data mining software.
- **Services of Other Departments** – Reflects the decrease in Reproduction services.

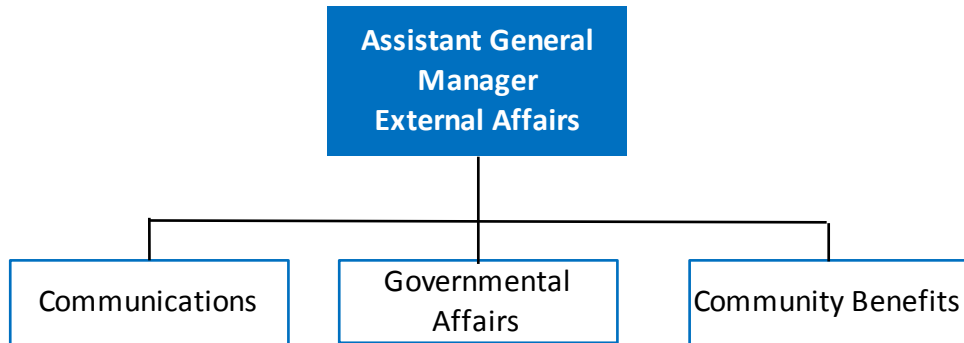
Reasons for Changes, FY 2014-15 to FY 2015-16

- **Personnel** – Reflects an increase due to salary standardization.
- **Non-Personnel Services** – Reflects outside support for various internal controls processes.

External Affairs

Organization Chart

This organizational chart reflects the budget structure of External Affairs.



Mission, Roles, and Responsibilities

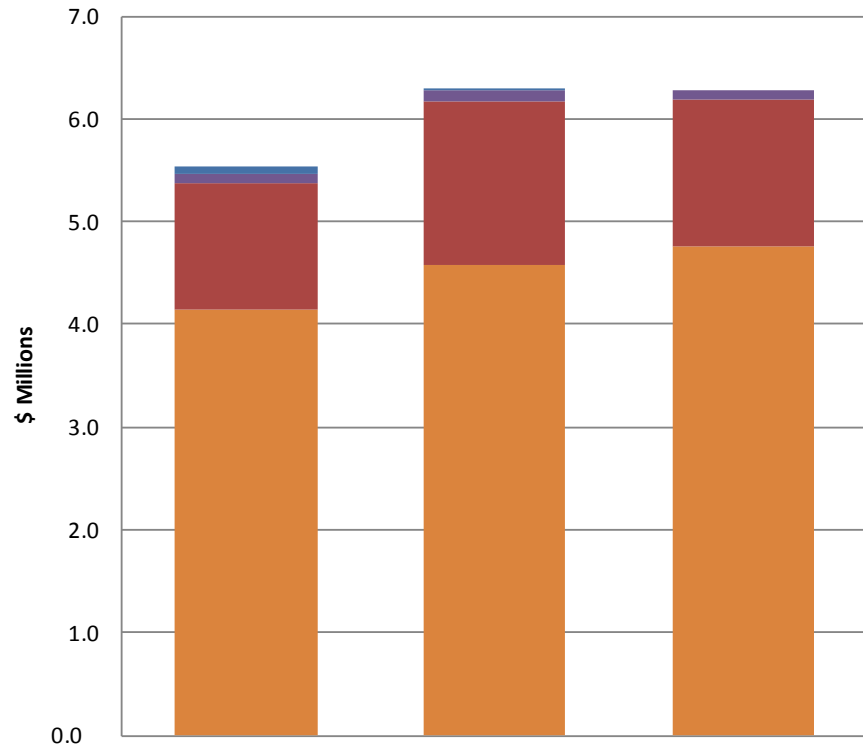
SFPUC External Affairs is comprised of three sections: Communications, Governmental Affairs, and Community Benefits. The Bureaus track and coordinate legislation, perform public outreach and media relations, educate and communicate, and coordinate SFPUC community benefits activities. These activities support the SFPUC's mission to provide its customers with high quality, efficient, and reliable water, power, and wastewater services.

The External Affairs budget as shown in Chart S2 is 7.3 percent of the total budget for the Bureaus. The budget has increased from FY 2013-14 to FY 2014-15 by 13.6 percent and reduced by 0.2 percent from FY 2014-15 to FY 2015-16. The net increase from FY 2013-14 adopted budget to FY 2015-16 is 13.4 percent.

Uses of Funds

Chart E1 shows a breakdown of FY 2013-14, FY 2014-15, and FY 2015-16 Uses of Funds by expenditure category.

Chart E1. FY 2013-14 to FY 2015-16 External Affairs Uses of Funds



	FY 2013-14 % of Total		FY 2014-15 % of Total		FY 2015-16 % of Total	
Personnel	\$ 4.1	74.8%	\$ 4.6	72.7%	\$ 4.7	75.6%
Non-Personnel Services	1.2	22.4%	1.6	25.3%	1.4	22.9%
Materials & Supplies	0.1	1.6%	0.1	1.6%	0.1	1.5%
Services of Other Depts	0.1	1.2%	0.0	0.3%	-	0.0%
Total Uses of Funds	\$ 5.5	100.0%	\$ 6.3	100.0%	\$ 6.3	100.0%

Summary

The FY 2014-15 External Affairs budget is \$6.3 million, a \$0.8 million, or a 13.6 percent, increase from FY 2013-14. Major changes from the prior year's budget include a 28.7 percent increase in Non-Personnel Services, and a 14.0 percent increase in Materials and Supplies.

The FY 2015-16 External Affairs budget is \$6.3 million, relatively no change from FY 2014-15.

Table E1 shows the FY 2013-14, FY 2014-15, and FY 2015-16 adopted budgets, FY 2012-13 audited actual, FY 2013-14 pre-audit actual, and the budget variance between FY 2013-14 and FY 2014-15 and FY 2014-15 and FY 2015-16.

Table E1. External Affairs Budget Summary

Expenditure Category	FY 2012-13	FY 2013-14	FY 2013-14	FY 2014-15	FY 2015-16	FY 2014-15 vs.		FY 2015-16 vs.	
	Audited Actual	Adopted Budget	Pre-Audit Actual	Adopted Budget	Adopted Budget	FY 2013-14 Adopted Budget	%	FY 2014-15 Adopted Budget	%
Personnel	3,792,295	4,143,549	4,211,293	4,575,346	4,749,012	431,797	10.4%	173,666	3.8%
Non-Personnel Services	867,157	1,237,818	934,245	1,593,472	1,436,159	355,654	28.7%	(157,313)	-9.9%
Materials & Supplies	50,707	90,000	66,982	102,643	91,643	12,643	14.0%	(11,000)	-10.7%
Services of Other Depts	215,255	66,078	171,025	20,000	-	(46,078)	-69.7%	(20,000)	-100.0%
Total	4,925,414	5,537,445	5,383,545	6,291,461	6,276,814	754,016	13.6%	(14,647)	-0.2%

Reason for Changes – FY 2013-14 to FY 2014-15

The following describes FY 2013-14 and FY 2014-15 budget key variances.

- **Personnel:** The FY 2014-15 Personnel budget is \$4.6 million, a \$0.5 million, or 10.4 percent, increase from FY 2013-14. The increase from the FY 2013-14 budget reflects an increase in temporary salaries supporting the Community Benefits Program Implementation and provide administrative support for the Outmigration project manager.
- **Non-Personnel Services:** The FY 2014-15 Non-Personnel Services budget is \$1.6 million, a \$0.4 million, or 28.7 percent, increase from the FY 2013-14 budget. This budget funds services for External Affairs including travel, training, memberships, entertainment and promotion expenses, equipment maintenance, and professional services. The increase from the FY 2013-14 budget reflects support for national partnerships on capital programs; expanding the strategic business plan; and supporting the Outmigration Task Force.
- **Materials and Supplies:** The FY 2014-15 Materials and Supplies budget is \$0.1 million, or 14.0 percent, increase from the FY 2013-14. The increase from the FY 2013-14 budget reflects support for the Community Benefits Program Implementation.
- **Services of Other Departments:** The FY 2014-15 Services of Other Departments budget is \$0.02 million, a 69.7 percent decrease from FY 2013-14. This budget funds projected costs of services provided by other City Departments. This decrease reflects the reduction in reproduction services.

Reason for Changes – FY 2014-15 to FY 2015-16

The following describes FY 2014-15 and FY 2015-16 budget key variances.

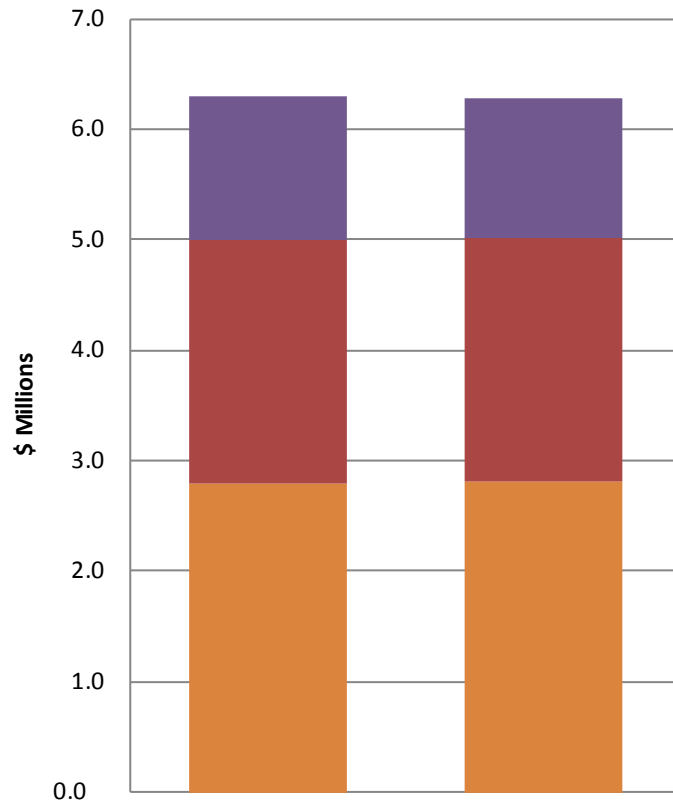
- **Personnel** – Reflects an increase due to salary standardization.
- **Materials and Supplies:** The FY 2015-16 Materials and Supplies budget is \$0.09 million, or 10.7 percent, decrease from FY 2014-15 and reflects a reduction by the Board of Supervisors.
- **Services of Other Departments:** The FY 2015-16 Services of Other Departments budget was eliminated.

Bureaus – External Affairs

Chart E2 shows a breakdown of the FY 2014-15 and FY 2015-16 External Affairs budget by Section

The allocation to the three sections of the External Affairs is flat and consistent between FY 2014-15 and FY 2015-16 and the budget is essentially flat.

Chart E2. FY 2014-15 and FY 2015-16 External Affairs Budget by Bureau



	FY 2014-15 % of Total		FY 2015-16 % of Total	
Communications	\$ 2.8	44.4%	\$ 2.8	44.9%
Governmental Affairs	2.2	35.1%	2.2	34.9%
Community Benefits	1.3	20.5%	1.3	20.2%
Total Uses of Funds	\$ 6.3	100.0%	\$ 6.3	100.0%

The FY 2014-15 Communications budget is \$2.8 million, or 44.4 percent of the total. The Governmental Affairs budget is \$2.2 million, or 35.1 percent of the total. The Community Benefits budget is \$1.3 million, or 20.5 percent of the total.

The FY 2015-16 Communications budget is \$2.8 million, or 44.9 percent of the total. The Governmental Affairs budget is \$2.2 million, or 34.9 percent of the total. The Community Benefits budget is \$1.3 million, or 20.2 percent of the total.

Communications

Communications oversees the SFPUC's communications, education, media and outreach functions; provides a full range of communication services to all of the Enterprises and Bureaus of SFPUC and oversees SFPUC publications; develops community understanding and support for Water, Power and Wastewater Enterprise projects; coordinates community outreach for capital improvement projects, hosts special community and media events, develops background collateral materials for SFPUC projects and programs, handles press and media inquiries, conducts surveys, and serves as the content manager for www.sfwater.org, the SFPUC website; and promotes diversity and the health, safety, and professional development of its employees.

Budget Summary

Table E2 shows the FY 2013-14, FY 2014-15, and FY 2015-16 adopted budgets, FY 2012-13 audited actual, FY 2013-14 pre-audit actual, and the budget variance between FY 2013-14 and FY 2014-15 and FY 2014-15 and FY 2015-16.

Table E2. Communications Budget Summary

Expenditure Category	FY 2012-13 Audited Actual	FY 2013-14 Adopted Budget	FY 2013-14 Pre-Audit Actual	FY 2014-15 Adopted Budget	FY 2015-16 Adopted Budget	FY 2014-15 vs. FY 2013-14 Adopted Budget		FY 2015-16 vs. FY 2014-15 Adopted Budget	
						Amount	%	Amount	%
Personnel	2,350,133	2,380,448	2,531,576	2,496,348	2,525,876	115,900	4.9%	29,528	1.2%
Non-Personnel Services	188,741	228,315	220,717	246,332	259,531	18,017	7.9%	13,199	5.4%
Materials & Supplies	21,940	45,000	38,434	31,700	31,700	(13,300)	-29.6%	-	0.0%
Services of Other Depts	60,759	54,143	66,571	20,000	-	(34,143)	-63.1%	(20,000)	-100.0%
Total	2,621,573	2,707,906	2,857,298	2,794,380	2,817,107	86,474	3.2%	22,727	0.8%

Reasons for Changes, FY 2013-14 to FY 2014-15

- **Personnel** – Reflects an increase for salary standardization.
- **Materials & Supplies** – Reflects a decrease in office supplies and based on the Bureau's projected needs.
- **Services of Other Departments** – Reflects the reduction in the mail services.

Reasons for Changes, FY 2014-15 to FY 2015-16

- **Personnel** – Reflects an increase for salary standardization.
- **Services of Other Departments** – Reflects the elimination of the mail services.

Governmental Affairs

Governmental Affairs oversees the SFPUC's legislative affairs and strategic planning functions; manages the SFPUC's relationship with key stakeholders; provides a full range of legislative services to the Enterprises and Bureaus of the SFPUC; directs SFPUC activities associated with local, regional, State and Federal government; secures approvals and community support for all Water, Power and Wastewater Enterprise projects; plans for the continued service of reliable, high quality water to San Francisco and its customers, and for the continued collection, treatment, and discharge and reuse of wastewater for San Francisco in compliance with current and anticipated laws and regulations; and promotes diversity and the health, safety, and professional development of its employees.

Budget Summary

Table E3 shows the FY 2013-14, FY 2014-15, and FY 2015-16 adopted budgets, FY 2012-13 audited actual, FY 2013-14 pre-audit actual, and the budget variance between FY 2013-14 and FY 2014-15 and FY 2014-15 and FY 2015-16.

Table E3. Governmental Affairs Budget Summary

Expenditure Category	\$					FY 2014-15 vs.		FY 2015-16 vs.	
	FY 2012-13	FY 2013-14	FY 2013-14	FY 2014-15	FY 2015-16	FY 2013-14 Adopted Budget		FY 2014-15 Adopted Budget	
	Audited Actual	Adopted Budget	Pre-Audit Actual	Adopted Budget	Adopted Budget	Amount	%	Amount	%
Personnel	949,475	1,246,755	1,127,638	1,382,787	1,413,323	136,032	10.9%	30,536	2.2%
Non-Personnel Services	524,067	484,503	667,173	796,630	746,630	312,127	64.4%	(50,000)	-6.3%
Materials & Supplies	26,417	20,000	15,522	29,943	29,943	9,943	49.7%	-	0.0%
Services of Other Depts	715	1,935	1,935	-	-	(1,935)	-100.0%	-	0.0%
Total	1,500,674	1,753,193	1,812,268	2,209,360	2,189,896	456,167	26.0%	(19,464)	-0.9%

Reasons for Changes, FY 2013-14 to FY 2014-15

- **Personnel** – Reflects an increase in temporary salaries to provide analytical and administrative support to determine the impact of outmigration (workforce development) to the SFPUC.
- **Non-Personnel Services** – Reflects support for national partnerships on large scale capital programs; expanding the strategic business plan; and supporting the Outmigration Task Force Development and Succession Preparedness program.
- **Materials & Supplies** – Reflects a decrease in office supplies based on the Bureau's projected needs.
- **Services of Other Departments** – Reflects the elimination in the reproduction work order.

Reasons for Changes, FY 2014-15 to FY 2015-16

There were no net major changes to the FY 2015-16 adopted budget.

Community Benefits

Community Benefits coordinates and implements SFPUC community benefits programs and policies, environmental justice and land use policies, and jobs, workforce, and economic development policies. The Community Benefits Bureau was created in FY 2011-12 to engage communities where the SFPUC program and facilities are located and be a focal point within the SFPUC for the City and County of San Francisco community programs.

Community Benefits is also budgeted in the Enterprises Programmatic Projects representing an additional \$4.7 million over the two budget years.

Budget Summary

Table E4 shows the FY 2013-14, FY 2014-15, and FY 2015-16 adopted budgets, FY 2012-13 audited actual, FY 2013-14 pre-audit actual, and the budget variance between FY 2013-14 and FY 2014-15 and FY 2014-15 and FY 2015-16.

Table E4. Community Benefits Budget Summary

Expenditure Category	FY 2012-13 Audited Actual	FY 2013-14 Adopted Budget	FY 2013-14 Pre-Audit Actual	FY 2014-15 Adopted Budget	FY 2015-16 Adopted Budget	FY 2014-15 vs. FY 2013-14 Adopted Budget		FY 2015-16 vs. FY 2014-15 Adopted Budget	
						Amount	%	Amount	%
Personnel	492,689	516,346	552,078	696,211	809,813	179,865	34.8%	113,602	16.3%
Non-Personnel Services	154,349	525,000	46,355	550,510	429,998	25,510	4.9%	(120,512)	-21.9%
Materials & Supplies	2,350	25,000	13,027	41,000	30,000	16,000	64.0%	(11,000)	-26.8%
Service of Other Depts	153,781	10,000	102,519	-	-	(10,000)	-100.0%	-	0.0%
Total	803,169	1,076,346	713,979	1,287,721	1,269,811	211,375	19.6%	(17,910)	-1.4%

Reasons for Changes, FY 2013-14 to FY 2014-15

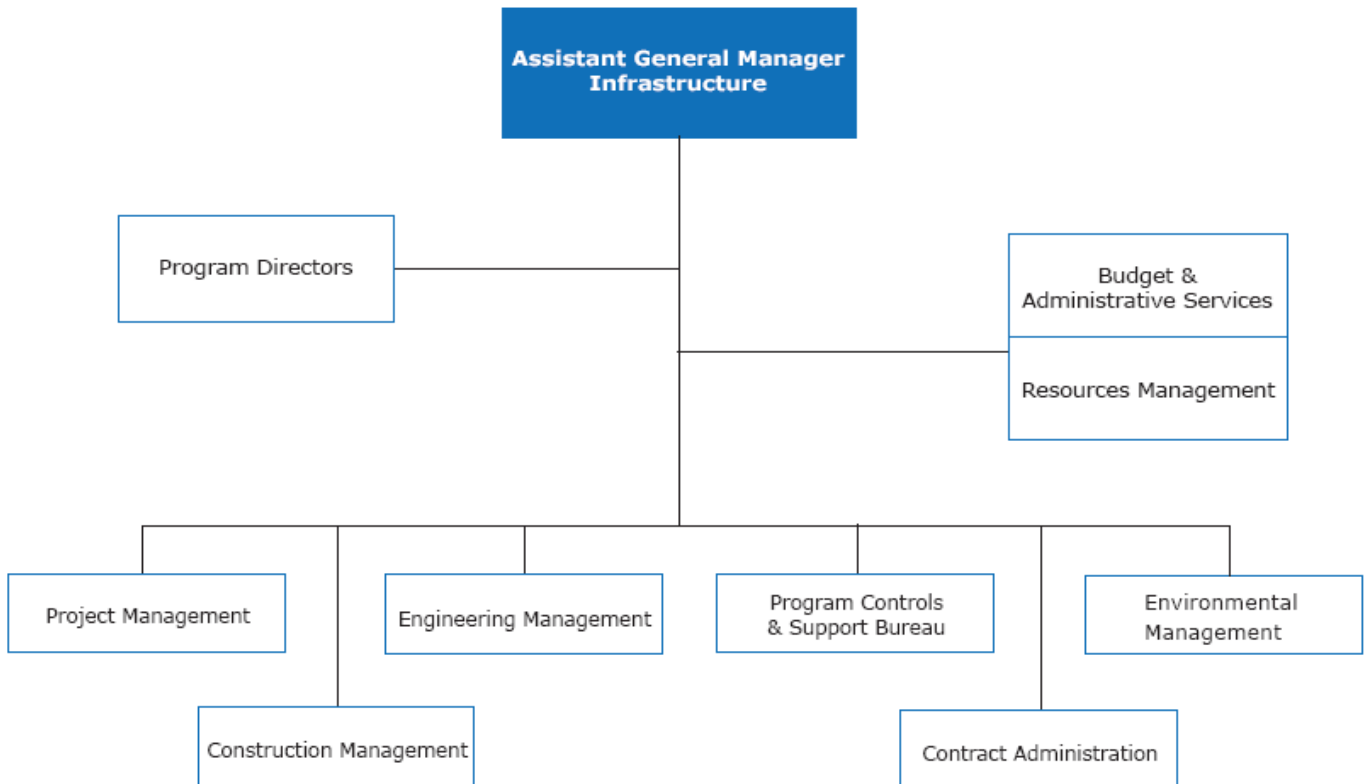
- **Personnel** – Reflects support for the Community Benefit Program implementation.
- **Materials & Supplies** – Reflects an increase in office supplies based on the Bureau's projected needs.
- **Services of Other Departments** – Reflects the elimination of the human services work order.

Reasons for Changes, FY 2014-15 to FY 2015-16

- **Personnel** – Reflects support for the Community Benefit Program implementation.
- **Non-Personnel Services** – Reflects the elimination of one-time funding.
- **Materials & Supplies** – Reflects a decrease in office supplies based on the Bureau's projected needs.

Infrastructure

Organization Chart



Mission, Roles, and Responsibilities

Infrastructure manages the planning, design and construction of the capital programs of SFPUC, as well as the renewal and replacement of the Water, Wastewater and Power Enterprise facilities. The mission of Infrastructure is to provide high quality and cost-effective services in an environmentally sensitive manner, while at the same time meeting or exceeding customer and stakeholder expectations.

Infrastructure is led by the Assistant General Manager (AGM) of Infrastructure, whose office consists of a Contracting Initiatives Manager, a Capital Resources Strategic Planner, an SFPUC Headquarters Project Director, and a Manager of Water System Improvement Program (WSIP) Expediting and Assistant to the AGM for Infrastructure. Infrastructure is supported by five divisions, three groups, and two Programs Managers who report directly to the Assistant General Manager of Infrastructure.

The responsibilities of Infrastructure include the implementation of the following:

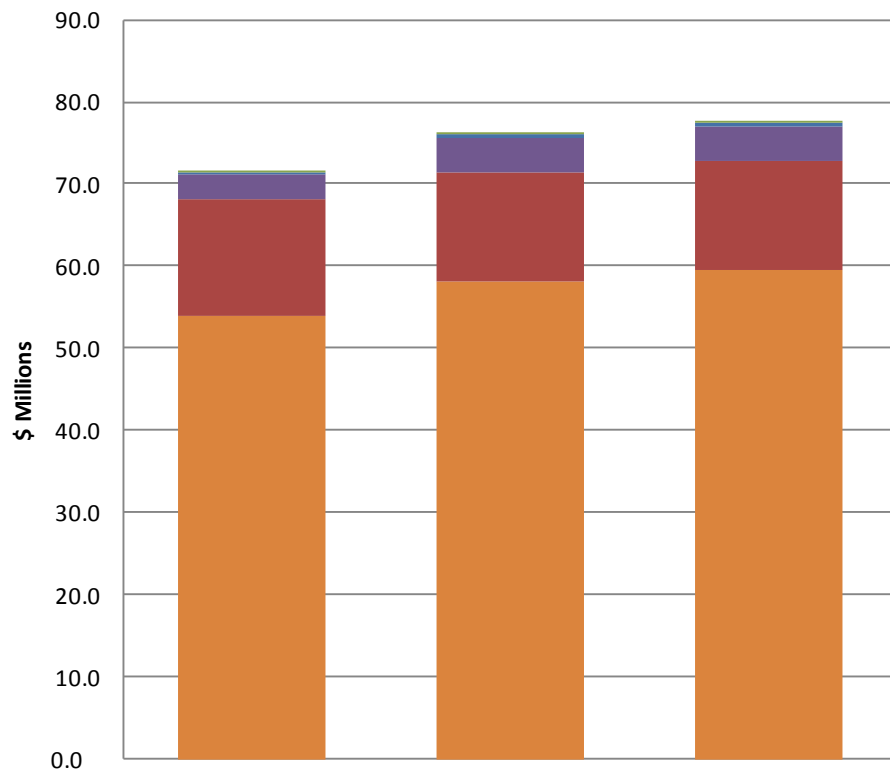
- The \$4.8 billion Water System Improvement Program (WSIP), which will result in the repair, replacement and seismic upgrade of the Hetch Hetchy Water System, which directly serves 2.6 million residential, commercial and industrial customers in the San Francisco Bay Area. This program is 81 percent complete as of July 1, 2014, with only one major project, the Calaveras Dam to complete.

- The Sewer System Improvement Program (SSIP), estimated at \$6.9 billion over the next 30 years, to provide a Bayside Biosolids Center, Rehabilitation of the Southeast Treatment Plant, new Central Bayside Facilities including a new tunnel in the Channel Basin, and improvements to all collection systems and treatment facilities.
- The Repair and Renewal Capital Programs for Water, Wastewater that are not included in the WSIP or the SSIP.
- A Hetch Hetchy Improvement Program, which is being developed to address the needed work and projects for Power and water systems.
- The capital programs and projects that is necessary to provide a safe, adequate and reliable electrical power supply to San Francisco Government facilities and operations.

Uses of Funds

Chart I1 shows a breakdown of FY 2013-14, FY 2014-15, and FY 2015-16 Uses of Funds by expenditure category.

Chart I1. FY 2013-14 to FY 2015-16 Infrastructure Uses of Funds



	FY 2013-14 % of Total		FY 2014-15 % of Total		FY 2015-16 % of Total	
Personnel	\$ 54.0	75.5%	\$ 58.2	76.5%	\$ 59.6	76.8%
Services of Other Depts	14.2	19.9%	13.1	17.3%	13.2	17.0%
Non-Personnel Services	2.8	3.9%	4.2	5.5%	4.1	5.3%
Materials & Supplies	0.4	0.6%	0.5	0.6%	0.5	0.7%
Equipment	0.1	0.1%	0.2	0.2%	0.2	0.2%
Total Uses of Funds	\$ 71.6	100.0%	\$ 76.2	100.0%	\$ 77.5	100.0%

Summary

The Infrastructure budget is funded by SFPUC's capital programs. The FY 2014-15 Infrastructure budget is \$76.2 million, a \$4.6 million, or 6.4 percent, increase from the prior year. Major changes from FY 2013-14 budget are a 107.3 percent increase in Equipment and a 47.2 percent increase in Non-Personnel Services, offset by a 7.5 percent decrease in Services of Other Departments.

The FY 2015-16 Infrastructure budget is \$77.5 million, a \$1.4 million, or 1.8 percent, increase from the prior year. Major changes to the FY 2015-16 budget are a 10.6 percent increase in Materials and Supplies.

Table I1 shows the FY 2013-14, FY 2014-15, and FY 2015-16 adopted budgets, FY 2012-13 audited actual, FY 2013-14 pre-audit actual, and the budget variance between FY 2013-14 and FY 2014-15 and FY 2014-15 and FY 2015-16.

As shown in Table I1 below, the Infrastructure budget has increased by 6.4 percent from FY 2013-14 adopted budget to FY 2014-15 and another 1.8 percent from FY 2014-15 to FY 2015-16. The net increase from FY 2013-14 adopted budget to FY 2015-16 is 8.4 percent.

Table I1. Infrastructure Budget Summary

Expenditure Category	FY 2012-13 Audited Actual	FY 2013-14 Adopted Budget	FY 2013-14 Pre-Audit Actual	FY 2014-15 Adopted Budget	FY 2015-16 Adopted Budget	FY 2014-15 vs.		FY 2015-16 vs.	
						FY 2013-14 Adopted Budget		FY 2014-15 Adopted Budget	
						Amount	%	Amount	%
Personnel	22,182,559	54,033,780	20,791,128	58,239,077	59,578,558	4,205,297	7.8%	1,339,481	2.3%
Non-Personnel Services	5,238,818	2,823,232	5,155,278	4,156,973	4,089,507	1,333,741	47.2%	(67,466)	-1.6%
Materials & Supplies	351,633	418,850	358,874	468,682	518,424	49,832	11.9%	49,742	10.6%
Equipment	84,827	73,344	8,606	152,047	159,657	78,703	107.3%	7,610	5.0%
Services of Other Depts	13,435,770	14,216,409	14,195,202	13,146,323	13,202,901	(1,070,086)	-7.5%	56,578	0.4%
Total	41,293,607	71,565,615	40,509,088	76,163,102	77,549,047	4,597,487	6.4%	1,385,945	1.8%

Reason for Changes – FY 2013-14 to FY 2014-15

The following describes FY 2013-14 and FY 2014-15 budget category variances that are greater than ten percent.

- **Non-Personnel Services:** The FY 2014-15 Non-Personnel Services budget is \$4.2 million, a \$1.3 million, or 47.2 percent, increase from FY 2013-14. This budget funds services including maintenance of equipment and facilities, travel, training, memberships, professional services, rent, and other expense that support maintenance for Infrastructure. The increase supports the contract support services and office space at 554 Golden Gate Avenue, mainly for contractors.
- **Materials & Supplies:** The FY 2014-15 Materials and Supplies budget is \$0.47 million, a \$0.05 million, or 11.9 percent, increase from FY 2013-14. This budget funds construction supplies and hardware, equipment supplies, safety supplies, refreshments for meetings, and fuel, and related office supplies for Infrastructure. The increase reflects anticipated expenditures for data processing supplies and other miscellaneous office supplies.
- **Equipment:** The FY 2014-15 Equipment budget reflects a 107.3 percent increase from FY 2013-14. This budget funds various equipment, including vehicles, plotters, and printers, that have a value greater than \$5,000 and a useful life of at least three years. The increase primarily reflects two replacement vehicles.

Reason for Changes – FY 2014-15 to FY 2015-16

The following describes FY 2014-15 and FY 2015-16 budget category variances that are greater than ten percent.

- **Materials & Supplies:** The FY 2015-16 budget is \$0.5 million, a \$0.05 million, or 10.6 percent, increase from FY 2014-15. The increase reflects anticipated expenditures for data processing supplies and other miscellaneous office supplies.

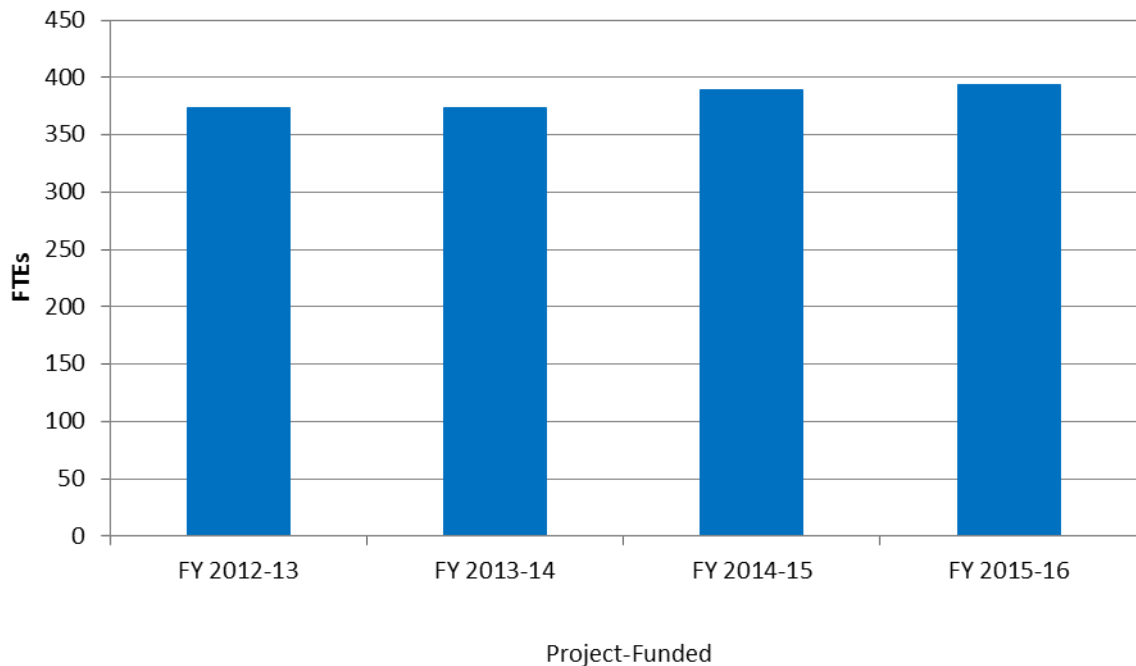
Authorized and Funded Full-Time Equivalents (FTEs)

Table 12 shows total full-time equivalents (FTEs) operating budget, project funded, and temporary positions for FY 2012-13 to FY 2015-16.

Table 12. Infrastructure Authorized and Funded Full-Time Equivalents (FTEs)

Position Type	FY 2012-13	FY 2013-14	FY 2014-15	FY 2015-16	FY 2014-15 vs	FY 2015-16 vs
	Adopted Budget	Adopted Budget	Adopted Budget	Adopted Budget	FY 2013-14 Adopted Budget	FY 2014-15 Adopted Budget
Permanent Positions	369.00	368.23	384.16	389.00	15.93	4.84
Temporary Positions	5.03	4.93	4.87	5.03	(0.06)	0.16
Total Positions	374.03	373.16	389.03	394.03	15.87	5.00

Chart 12. Infrastructure Authorized Position Trend



Infrastructure's authorized full-time equivalent (FTE) positions are funded through various capital projects. As Table 12 above shows, the total positions for FY 2014-15 are 389.03 FTEs, a 15.87 FTE increase from FY 2013-14. Chart 12 illustrates the trend of the number of FTEs from FY 2012-13 to FY 2015-16. The variance from FY 2013-14 to FY 2014-15 reflects twenty one new positions (FTEs) to support the Sewer System Improvement Program, Hetchy System Improvement Program, Renewal and Replacement Program support and administrative services for the Bureau. The FY 2015-16 FTEs increased by 4.84 due to standardization of new positions from FY 2014-15.

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Appendix A – City and County of San Francisco Economy and General Information

This Appendix provides general economic and demographic information about the City and County of San Francisco (the “City”) and the Bay Area (defined below). The various reports, documents, websites and other information referred to herein are not incorporated herein by such references.

Area and Economy

The corporate limits of the City encompass over 93 square miles, of which approximately 49 square miles are land, with the balance consisting of tidelands and a portion of the San Francisco Bay (the “Bay”). The City is located on a peninsula bounded by the Pacific Ocean to the west, the Bay to the east, the entrance to the Bay and the Golden Gate Bridge to the north and San Mateo County to the south. The City is the economic center of the nine counties contiguous to the Bay: Alameda, Contra Costa, Marin, Napa, San Francisco, San Mateo, Santa Clara, Solano and Sonoma Counties (the “Bay Area”). The economy of the Bay Area includes a wide range of industries, supplying local needs as well as the needs of national and international markets. Major business sectors in the Bay Area include retail and entertainment, conventions and tourism, service businesses, banking, professional and financial services, corporate headquarters, international and wholesale trade, multimedia and advertising, biotechnology, and higher education.

Population and Income

The City’s estimated population as of 2013 was 837,442. Table A1 reflects the population and per capita personal income of the City, as estimated by the U.S. Census bureau and the Bureau of Economic Analysis (BEA).

Table A1. San Francisco Population and Income, 2009-2013

CITY AND COUNTY OF SAN FRANCISCO Population and Income 2009-2013		
Year	Population ¹	Per Capita Personal Income ²
2009	815,358	66,894
2010	805,235	68,555
2011	812,826	74,425
2012	827,420	80,014
2013	837,442	82,230 ³

¹ Source: Population Division, U.S. Census Bureau, 2009-2013. U.S. Census Bureau State & County QuickFacts.

² Source: Regional Economic Information System, Bureau of Economic Analysis, U.S. Department of Commerce. Updated on May 30, 2014; information is updated with newly available data.

³ Per capita personal income of a region is the total personal income of the residents of the region divided by the population of the region. The 2013 San Francisco City and County per capita personal income was estimated by assuming that San Francisco personal income as percent change from preceding period is 2.77 percent as consistent with California’s rate. Information was updated on May 30, 2014 according to the Regional Economic Information System, Bureau of Economic Analysis, U.S. Department of Commerce.

Conventions and Tourism

According to the San Francisco Travel Association (the “Travel Association”), a non-profit membership organization, during the calendar year 2013 approximately 16.9 million people (134,231 average per day) visited the City, generating approximately \$9.38 billion for local businesses up 2.3% from the previous year. Visitors in San Francisco spent \$25.7 million on an average day (including spending related to meetings and conventions). Also, as reported by San Francisco Travel Association, hotel occupancy rates in the City averaged 85.4% for calendar year 2013, an increase of 2.8% from the previous year. Average daily room rates in the City during 2013 increased about 9.3%: from \$187.67 compared to the prior year’s average of \$171.73. During calendar year 2013, only 31.0% of all out-of-town visitors stayed in City hotels, but the Travel Association estimates that overnight hotel guests account

for more than two of every three dollars spent locally by out-of-town visitors despite representing one third of all visitor to the City. According to the US Department of Commerce, during 2013 San Francisco attracted approximately 2.7 million (9.5 percent) of total national overseas travelers, 82.4 percent of which visits to San Francisco were for leisure purposes including vacation, and the remaining 17.6 percent were business visitors. In 2013, the City was ranked fifth in market share for international visitors to the U.S., behind New York, Miami, Los Angeles, and Orlando. The City was ranked ahead of Las Vegas, Honolulu, and Washington, D.C. Table A2 illustrates hotel occupancy and related spending from calendar years 2009 through 2013, as reported by the San Francisco Convention & Visitors Bureau.

Table A2. San Francisco Overnight Hotel Guests, 2009-2013

CITY AND COUNTY OF SAN FRANCISCO San Francisco Overnight Hotel Guests			
Calendar Year	Annual Average Hotel Occupancy	Visitors Staying in Hotels or Motels (\$ Thousands)	Estimated Hotel Visitor Spending (\$ Thousands)
2009	75.5%	4,520	4,870,000
2010	79.5%	4,890	4,640,000
2011	81.9%	5,040	5,200,000
2012	82.6%	5,080	5,540,000
2013	85.4%	5,240	5,200,000

Source: San Francisco Travel Association, Economic Research Associates

The Moscone Convention Center offers more than 2 million square feet of building area including over 700,000 square feet of exhibit space, up to 106 meeting rooms, and close to 126,000 square feet of prefunction lobbies. It covers more than 20 acres on three adjacent blocks. The new Moscone Expansion & Improvements project will add over 305,000 square feet of functional area, including new exhibition space, new meeting room and prefunction space, new ballroom space, and support areas. According to PKF Consulting, there are 215 hotels in San Francisco, and 20,000 of these rooms are within walking distance of the Moscone Center.

Employment

The City benefits from a highly skilled, educated and professional labor force. Key industries include tourism, real estate, banking and finance, retailing, apparel design and manufacturing. Emerging industries include multimedia and bioscience. See Table A4 for more information on the top employment sectors in the City. According to the California Employment Development Department, the unemployment rate for the City was 4.3% for June 2014 compared with an unadjusted unemployment rate of 7.4% for the State. See Table A3 and Table A4 for more information on the civilian labor of employment and unemployment in the City; and estimated average annual employment by sector from 2009-2013.

Table A3. San Francisco Civilian Labor Force, Employment, and Unemployment, June 2013 and June 2014

CITY AND COUNTY OF SAN FRANCISCO Civilian Labor Force, Employment, and Unemployment Jun 2013 and Jun 2014					
Year	Area	Labor Force	Employment	Unemployment	Unemployment Rate
Jun-13	San Francisco	1,032,000	972,000	60,000	5.8%
	State	18,609,000	16,928,000	1,681,000	9.0%
Jun-14	San Francisco	1,037,700	992,600	45,100	4.3%
	State	18,618,600	17,240,700	1,378,000	7.4%

¹ The Unemployment Rate and Labor Force data are based upon "place of residence" – where people live, regardless of where they work. Individuals who have more than one job are counted only once. Civilian Labor Force is the sum of civilian employment and civilian unemployment. Civilian Employment includes all individuals who worked during the week including the 12th of the month. Civilian Unemployment includes those individuals who were not working but were able, available, and actively looking for work. Unemployment Rate is the number of unemployed divided by the labor force then multiplied by 100.
Data not seasonally adjusted.

Source: California Employment Development Department (EDD), Labor Market Information Division.

Table A4. San Francisco Estimated Average Annual Employment by Sector, 2009-2013

CITY AND COUNTY OF SAN FRANCISCO Estimated Average Annual Employment by Sector, 2009-2013					
Sector	2009	2010	2011	2012	2013
Professional & Business Services	121,200	121,900	131,500	143,600	154,700
Government	89,400	90,000	89,800	89,200	88,600
Leisure & Hospitality	76,000	76,800	79,400	84,600	87,700
Trade, Transportation & Utilities	63,600	61,700	62,400	65,400	69,400
Educational & Health Services	73,200	75,900	75,100	78,400	85,000
Financial Activities	50,200	48,400	46,900	47,700	48,900
Other Services	21,800	21,600	21,800	22,900	23,900
Information	19,500	19,500	22,700	25,500	25,300
Manufacturing	9,400	8,700	8,900	9,600	9,200
Total	524,300	524,500	538,500	566,900	592,700

Source: California Employment Development Department (EDD), Labor Market Information Division.

Table A5 shows the annual unemployment rates for San Francisco County, the State and the United States.

Table A5. San Francisco County Unemployment Rates, 2003-2013

COUNTY OF SAN FRANCISCO Unemployment Rates, 2003-2013			
Year	County of San Francisco	California	United States
2003	6.7%	6.8%	6.0%
2004	5.8%	6.2%	5.5%
2005	5.0%	5.4%	5.1%
2006	4.2%	4.9%	4.6%
2007	4.2%	5.4%	4.6%
2008	5.2%	7.2%	5.8%
2009	8.9%	11.3%	9.3%
2010	9.5%	12.4%	9.6%
2011	8.5%	11.8%	8.9%
2012	7.2%	10.4%	8.1%
2013	5.7%	8.9%	7.4%

Source: State of California, Employment Development Department, Labor Market Information Division and US Department of Labor, Bureau of Labor Statistics.

Table A6 lists the 25 largest employers in the City, as reported by the California Employment Development Department.

Table A6. San Francisco Major Employers

CITY AND COUNTY OF SAN FRANCISCO Major Employers	
Employer Name	Industry
10,000 + Employee	
University of Ca-San Francisco	Schools-Universities & Colleges Academic
5,000-9,999 Employee	
HC Moffitt Hospital	Hospitals
Pacific Gas & Electric Corporation	Electric Companies
UCSF Medical Center-Parnassus	Hospitals
California Physicians Ins Corp	Insurance
1,000 -4,999 Employees	
Bechtel Corp	Engineers
Black Rock, Inc.	Financial Advisory Services
California Pacific Medical Center	Hospitals
Deloitte	Accountants
Federal Reserve Bank	Federal Reserve Banks
Golden Gate University	Schools-Universities & Colleges Academic
GSA Pacific Rim Region	Government Offices-Us
Hilton-Union Square	Hotels & Motels
Kaiser Foundation Hospitals	Hospitals
Laguna Honda Hospital & Rehab	Rehabilitation Services
Pacific Gas & Electric Company, Inc.	Electric Companies
Police Department-Public Affairs	Police Departments
San Francisco Chronicle	Newspapers (Publishers/Mfrs)
San Francisco Municipal Railway	Government Offices-City, Village & Twp
San Francisco Police Department	Police Departments
State Compensation Ins Fund	Insurance
UCSF Medical Center-Parnassus	Hospitals
UCSF-Medical Center At Mt Zion	Cancer Treatment Centers
US Veterans Medical Center	Hospitals
Williams-Sonoma	Kitchen Accessories
Yellow Cab	Taxicabs & Transportation Service

Source: State of California, Employment Development Department (EDD), Labor Market Information Division; EDD extracted this information from the America's Labor Market Information (ALMIS) Employer Database, 2014 2nd Edition.

Taxable Sales

Table A7 provides information on taxable sales for the City for calendar years 2008 through 2012. Total retail sales increased in 2012 by approximately \$0.9 billion compared to 2011. Data for full years after 2012 are not available from the California State Board of Equalization at this time.

Table A7. San Francisco Taxable Sales, Calendar Years 2008-2012

CITY AND COUNTY OF SAN FRANCISCO					
Taxable Sales - Calendar Year 2008-2012 (\$ Thousands)					
Categories	2008	2009	2010	2011	2012
Bldg. Matriil and Garden					
Equip and Supplies	411,392	330,749	348,729	414,096	466,949
Clothing and Accessories					
Stores	1,228,156	1,426,280	1,499,912	1,701,395	1,886,746
Food and Beverage Stores	501,880	600,033	617,920	651,528	698,890
Food Services and Drinking					
Places	2,749,584	2,639,121	2,812,995	3,120,655	3,442,081
Gasoline Stations	625,727	461,329	507,626	626,887	664,318
General Merchandise	1,169,571	659,370	700,755	768,818	804,628
Home Furnishing and					
Appliance Stores	616,325	660,784	679,445	732,495	825,268
Motor Vehicle and Parts					
Dealers	407,489	379,901	413,479	452,375	505,612
Other Retail Stores	2,094,512	1,353,579	1,390,897	1,471,647	1,588,780
Retail Stores Total	9,804,636	8,511,146	8,971,758	9,939,895	10,883,271
All Other Outlets	5,033,053	4,122,429	4,471,363	4,950,632	5,070,334
Total All Outlets	14,837,689	12,633,575	13,443,121	14,890,527	15,953,605

¹Data categories for 2008 to 2010 and 2012 are grouped according to categories from the subsequent year 2011

²Other Retail Stores include Health and Personal Care Stores, Sporting Goods, Hobby, Book, and Music Stores, Miscellaneous Store Retailers, and Nonstore Retailers.

Because two-thirds of SFPUC's water is sold to customers outside of San Francisco, key highlights from those counties where most of the wholesale water customers reside are also included.

San Mateo County, Alameda County and Santa Clara County Economy and General Information

The information in this section provides economic and demographic information concerning the Counties of San Mateo, Alameda and Santa Clara. The following economic and demographic information about the Counties of San Mateo, Alameda and Santa Clara has been collected from the Counties or, as noted, third party sources. The historical economic and demographic data set forth in this section is current as of the dates indicated.

County of San Mateo and General Information

General

The County of San Mateo ("San Mateo County") was established on April 19, 1856. Located on the San Francisco Peninsula, coastal mountains run north and south through San Mateo County, dividing the lightly-populated western part from the heavily-populated eastern corridor between San Francisco and Santa Clara/Silicon Valley. San Mateo County covers 446 square miles and contains 20 incorporated cities and the San Francisco International Airport (SFO). As of July 1, 2013, the estimated population was 747,373.

Population

Table A8 shows population data for San Mateo County, its six largest cities, and the State of California (the "State"). San Mateo County's population increased by approximately 4.7% during the five-year period.

Table A8. San Mateo County Population, Its Six Largest Cities, and California, 2009-2013

COUNTY OF SAN MATEO					
Six Largest Cities and State of California, 2009-2013					
County/Cities	2009	2010	2011	2012	2013
San Mateo County	713,818	718,451	728,288	738,681	747,373
Six Largest Cities:					
Daily City	100,692	101,099	101,493	103,838	104,739
San Mateo	96,170	97,207	97,557	99,755	101,128
Redwood City	76,198	76,802	77,299	79,114	80,872
So. San Francisco	62,999	63,664	63,827	65,615	66,174
San Bruno	40,993	41,053	41,663	42,037	42,443
Pacifica	37,153	37,295	37,367	38,260	38,606
State of California	36,966,713	37,253,959	37,668,681	37,999,878	38,332,521

¹As of July 1 for the years shown. Other than 2009 as of January 1; and 2010 as of April 1.

Sources: 2009 data are from State of California, Department of Finance, E-4 Population Estimates for Cities, Counties and the State, 2001-2010, with 2000 Census Benchmark. Sacramento, California, August 2011; 2010 to 2013 figures are of State of California, Department of Finance, E-4 Population Estimates for Cities, Counties and the State, 2011-2014, with 2010 Census Benchmark. Sacramento, California, May 2014.

Employment

Table A9 shows annual averages of the estimated number of wage and salary workers by industry for calendar years 2009 through 2013.

Table A9. San Mateo County Estimated Average Annual Employment by Sector, 2009-2013

COUNTY OF SAN MATEO					
Estimated Average Annual Employment by Sector, 2009-2013					
Categories	2009	2010	2011	2012	2013
Goods Producing	40,500	39,200	39,700	39,600	42,400
Trade, Transportation & Utilities	69,900	68,400	68,500	70,200	72,400
Information	18,100	17,500	17,900	20,900	23,600
Financial Activities	19,100	18,600	19,400	20,000	20,200
Professional & Business Services	60,900	60,000	64,000	69,500	71,000
Education & Health Services	36,700	35,300	36,400	37,400	39,700
Leisure & Hospitality Services	33,500	33,800	35,400	36,800	39,500
Other	11,500	11,200	12,200	12,900	13,300
Government	31,300	31,300	30,600	30,300	30,400
Total Non-Farm	321,300	315,300	323,900	337,500	352,500
Total Farm	1,700	1,700	1,600	1,600	1,600
Total All Industries	323,000	317,000	325,500	339,100	354,100

Source: State of California, Employment Development Department, Industry Employment & Labor Force - by Annual Average, March 2013 Benchmark, San Mateo County.

Table A10 lists 25 major employers in San Mateo County, as reported by the California Employment Development Department.

Table A10. San Mateo County Major Employers

COUNTY OF SAN MATEO Major Employers		
Employer Name	Location	Industry
<i>5,000 -9,999 Employees</i>		
Oracle Corp	Redwood City	Computer Software-Manufacturers
US Interior Dept	Menlo Park	Federal Government-Conservation Depts
<i>1,000-4,999 Employees</i>		
AB SCIEX	Redwood City	Scientific Apparatus & Instruments-Mfrs
Electronic Arts, Inc.	Redwood City	Game Designers (Mfrs)
Facebook, Inc.	Menlo Park	Internet Service
Forced Dump Debris Box Services	Burlingame	Garbage Collection
Franklin Templeton Institutional, LLC.	San Mateo	Investments
Gilead Sciences, Inc.	Foster City	Biological Products (Mfrs)
Guckenheimer, Inc.	Redwood City	Marketing Programs & Services
Kaiser Permanente Medical Center	Redwood City	Hospitals
Kaiser Permanente Medical Center	South San Francisco	Hospitals
Peninsula Medial Center	Burlingame	Hospitals
San Francisco International Airport-SFO	San Francisco	Airline Companies
San Mateo County Behavior	San Mateo	Government Offices-County
San Mateo Medical Center	San Mateo	Hospitals
Seton Medical Center Health Science	Daly City	Services NEC
SRI International, Inc.	Menlo Park	Research Service
Stanford Linear Accelerator	Menlo Park	Research Service
Visa, Inc.	Foster City	Credit Card & Other Credit Plans
Visa International Svc Assn	Foster City	Credit Card & Other Credit Plans
Visa USA, Inc.	Foster City	Credit Card & Other Credit Plans
<i>500-999 Employees</i>		
Burlingame Millbrae Yellow Cab	Burlingame	Taxicabs & Transportation Service
Caltrain	San Carlos	Transit Lines
San Mateo County Human Services	Belmont	County Government-Social/Human Resources
Franklin Resources, Inc.	San Mateo	Asset Management

Source: State of California, Employment Development Department (EDD), Labor Market Information Division; EDD extracted this information from the America's Labor Market Information (ALMIS) Employer Database, 2014 2nd Edition.

Table A11 shows the annual unemployment rates for San Mateo County, the State and the United States. During each of the years set forth in the table, the unemployment rate in San Mateo County has been lower than the unemployment rate in the State and in the United States.

Table A11. San Mateo County Unemployment Rates, 2003-2013

COUNTY OF SAN MATEO Unemployment Rates, 2003-2013			
Year	County of San Mateo	California	United States
2003	5.8%	6.8%	6.0%
2004	4.9%	6.2%	5.5%
2005	4.3%	5.4%	5.1%
2006	3.7%	4.9%	4.6%
2007	3.8%	5.4%	4.6%
2008	4.9%	7.2%	5.8%
2009	8.4%	11.3%	9.3%
2010	8.7%	12.4%	9.6%
2011	7.9%	11.8%	8.9%
2012	6.7%	10.4%	8.1%
2013	5.4%	8.9%	7.4%

Source: State of California, Employment Development Department, Labor Market Information Division and US Department of Labor, Bureau of Labor Statistics.

Taxable Transactions

Table A12 shows taxable transactions by type of business for the calendar years 2008 through 2012 in San Mateo County.

Table A12. San Mateo County Taxable Sales, Calendar Years 2008-2012

COUNTY OF SAN MATEO Taxable Sales - Calendar Year 2008-2012 ¹ (\$ Thousands)					
Categories	2008	2009	2010	2011	2012
Motor Vehicle and Parts Dealers	1,238,307	1,063,294	1,117,487	83,506	1,464,005
Home Furnishings and Appliance Stores	541,919	630,587	664,299	75,456	750,756
Bldg. Matrl. and Garden Equip. and Supplies	762,664	713,094	699,781	75,967	758,787
Food and Beverage Stores	436,383	501,724	508,941	86,504	563,507
Gasoline Stations	1,055,256	804,551	935,284	182,845	1,262,692
Clothing and Clothing Accessories Stores	472,321	568,905	595,402	180,891	683,382
General Merchandise Stores	1,287,235	950,724	1,026,497	159,784	1,130,266
Food Services and Drinking Places	1,279,611	1,226,275	1,279,295	205,170	1,502,049
Other Retail Group	1,348,031	996,613	1,019,289	180,481	1161700
Retail Stores Total	8,421,727	7,455,767	7,846,275	1,230,604	9,277,144
All Other Outlets	4,716,186	3,871,255	4,120,063	248,170	4,629,834
Totals All Outlets	13,137,913	11,327,022	11,966,338	1,478,774	13,906,978

¹Data categories for 2008 to 2010 are grouped according to categories from the two subsequent years 2011

²Other Retail Stores include Health and Personal Care Stores, Sporting Goods, Hobby, Book, and Music Stores, Miscellaneous Store Retailers, and Nonstore Retailers.

County of Alameda General Information

General

Alameda County ("Alameda County") is located on the east side of the San Francisco Bay and extends from the Cities of Berkeley and Albany in the north to the City of Fremont in the south. It is the seventh most populous county in the State, with most of its population concentrated in a highly urbanized area between the San Francisco Bay and the East Bay Hills.

The northern part of Alameda County has direct access to San Francisco Bay and the City of San Francisco. It is highly diversified with residential areas as well as traditional heavy industry, the University of California at Berkeley, the Port of Oakland, and sophisticated manufacturing, computer services and biotechnology firms. The middle of Alameda County is also highly developed, including older established residential and industrial areas. The southwestern corner of Alameda County has seen strong growth in residential development and manufacturing. Many high-tech firms have moved from neighboring Silicon Valley in Santa Clara County into this area. The southeastern corner of Alameda County has seen the most development in recent years due to land availability. Agriculture and the rural characteristics of this area are disappearing as the area maintains its position as the fastest growing residential, commercial and industrial part of Alameda County.

Population

Table A13 summarizes population figures for Alameda County.

Table A13. Alameda County Population, 2003-2013

ALAMEDA COUNTY Estimated Population 2003-2013	
Year	Population
2003	1,467,187
2004	1,465,540
2005	1,459,882
2006	1,464,839
2007	1,476,401
2008	1,491,781
2009	1,503,827
2010	1,513,527
2011	1,531,324
2012	1,553,960
2013	1,578,891

Source: The 2010-2013 data are U.S Census figures. The figures for the years 2003-2009 are from the State of California, Department of Finance E-6 Population Estimates state and county population 2000 and 2010 benchmarked.

Note: The estimates are based on the 2010 Census and reflect changes to the April 1, 2010 population.

Employment

Table A14 summarizes historical employment and unemployment in the Oakland Metropolitan Statistical Area ("MSA"), which is comprised of both Alameda and Contra Costa Counties.

Table A14. Oakland MSA Civilian Labor Force, Employment, and Unemployment, 2009-2013

OAKLAND Metropolitan Statistical Area (MSA) Civilian Labor Force, Employment and Unemployment Annual Averages ¹					
Categories	2009	2010	2011	2012	2013
Employment	1,153,300	1,142,500	1,161,000	1,196,400	1,224,100
Unemployment	133,300	144,300	133,800	117,700	97,800
Total Civilian Labor Force	1,286,600	1,286,800	1,294,800	1,314,100	1,321,900
Unemployment Rate	10%	11%	10%	9%	7%

¹ The Unemployment Rate and Labor Force data are based upon "place of residence" – where people live, regardless of where they work. Individuals who have more than one job are counted only once. Civilian Labor Force is the sum of civilian employment and civilian unemployment. Civilian Employment includes all individuals who worked during the week including the 12th of the month. Civilian Unemployment includes those individuals who were not working but were able, available, and actively looking for work. Unemployment Rate is the number of unemployed divided by the labor force then multiplied by 100. Data not seasonally adjusted.

Source: California Employment Development Department (EDD), Labor Market Information Division

Table A15 summarizes the historical numbers of workers in the Oakland Metropolitan Statistical Area, which is comprised of both Alameda and Contra Costa Counties, by industry.

Table A15. Oakland MSA Estimated Average Annual Employment by Sector, 2009-2013

OAKLAND MSA Estimated Average Annual Employment by Sector, 2009-2013					
Categories	2009	2010	2011	2012	2013
Agricultural	1,400	1,400	1,500	1,500	1,500
Natural Resources and Mining	1,200	1,200	1,200	1,200	1,200
Construction	53,500	47,400	47,600	52,000	56,100
Manufacturing	80,500	77,400	78,300	78,300	78,600
Trade, Transportation and Utilities	179,000	173,600	175,400	180,300	185,400
Information	25,300	23,600	22,600	22,000	21,400
Financial Activities	48,000	48,200	47,700	48,800	49,500
Professional and Business Services	151,100	152,100	157,200	166,100	172,300
Educational and Health Services	152,600	153,300	153,200	160,100	171,000
Leisure and Hospitality	85,100	85,800	88,200	92,200	98,000
Other Services	34,700	35,000	35,700	36,300	37,000
Government	172,600	165,300	163,900	162,800	163,400
Total All Industries	985,100	964,300	972,400	1,001,400	1,035,300

Source: California Employment Development Department (EDD), Labor Market Information Division.

Major Employers

Table A16 lists 25 major employers in Alameda County, as reported by the California Employment Development Department.

Table A16. Alameda County Major Employers

ALAMEDA COUNTY Major Employers		
Employer Name	Location	Industry
More than 10,000 Employees		
University of California-Berkeley	Berkeley	Schools-Universities & Colleges Academic
5,000-9,999 Employees		
Lawrence Berkeley National Lab	Berkeley	Physicians & Surgeons
Lawrence Livermore National Lab	Livermore	Small Arms Ammunition (Manufacturers)
Alta Bates Summit Medical Center	Oakland	Hospitals
1,000 -4,999 Employees		
Alameda County Law Enforcement	Oakland	Sheriff
Alameda County Sheriff's Office	Oakland	Sheriff
Alta Bates Summit Medical Center	Berkeley	Hospitals
Bayer Corp	Berkeley	Drug Millers (Manufacturers)
Berkeley Coin & Stamp	Berkeley	Coin Dealers Supplies & Etc
California State-East Bay	Hayward	Schools-Universities & Colleges Academic
Children's Hospital Health Library	Oakland	Special Interest Libraries
Cooper Vision, Inc.	Pleasanton	Physicians & Surgeons Equip & Supls-Mfrs
East Bay Water	Oakland	Transit Lines
Highland Hospital	Oakland	Hospitals
Intel Corp	Fremont	Semiconductor Devices (Manufacturers)
Kaiser Permanente Hospital	Hayward	Hospitals
Kaiser Permanente Medical Center	Oakland	Hospitals
Oakland Police Patrol Division	Oakland	Police Departments
Residential & Student Svc Program	Berkeley	Schools-Universities & Colleges Academic
Safeway, Inc.	Pleasanton	Grocers-Retail
Tesla Motors	Fremont	Automobile Repairing & Service
Transportation Dept-California	Oakland	State Government-Transportation Programs
Valley Memorial Hospital	Livermore	Hospitals
Washington Hospital	Fremont	Hospitals
Waste Management	Oakland	Garbage Collection

Source: State of California, Employment Development Department (EDD), Labor Market Information Division; EDD extracted this information from the America's Labor Market Information (ALMIS) Employer Database, 2014 2nd Edition.

County of Santa Clara Economy and General Information

General

The County of Santa Clara ("Santa Clara County") lies immediately south of San Francisco Bay and is the sixth most populous county in the State. It encompasses an area of approximately 1,316 square miles. Named after Mission Santa Clara, which was established in 1777, and named for Saint Clara of Assisi, Italy, Santa Clara County was incorporated in 1850 as one of the original 28 counties of the State and operates under a home rule charter adopted by Santa Clara County voters in 1950 and amended in 1976 (the "Santa Clara County Charter").

The southern portion of Santa Clara County has retained the agricultural base which once existed throughout the area and has two cities, separated by roughly twenty

miles. The northern portion of Santa Clara County is densely populated, extensively urbanized and heavily industrialized. It contains 15 cities, the largest of which is the City of San Jose, the third largest city in the State and the county seat. The uppermost northwestern portion of Santa Clara County, with its concentration of high-technology, electronics-oriented industry, it's popularly referred to as the "Silicon Valley." Large employers include Lockheed Martin Space Systems, Intel, and NASA.

Recent Annual Population Changes: All of the cities in Santa Clara County reported population increases over the period 2009 to 2013, with Morgan Hill posting the largest population growth (6.4% percent). Gilroy followed with a 5.9 percent increase, followed closely by the Sunnyvale, with a 5.5 percent increase. The number of residents living in the unincorporated areas of Santa Clara County increases by 4.7 percent within the same period. From 2009 to 2013, Santa Clara County's population rose by approximately 4.2 percent. Approximately 5.2 percent of Santa Clara County's residents lived in unincorporated areas in 2009, but the number has steadily decreased over time as the population continues to migrate toward the cities. By the year 2020, it is predicted that Santa Clara County's population will grow to approximately 1.9 million residents. Table A17 provides a historical summary of population in Santa Clara County and its incorporated cities for calendar years 2009 through 2013.

Table A17. Santa Clara County Population, 2009-2013

SANTA CLARA COUNTY					
Population, 2009-2013 ¹					
County/City	2009	2010	2011	2012	2013
Campbell	39,032	39,349	39,610	39,820	40,373
Cupertino	57,289	58,302	58,665	58,931	59,575
Gilroy	48,627	48,821	49,316	50,081	51,505
Los Altos	28,376	28,976	29,136	29,414	29,769
Los Altos Hills	7,892	7,922	7,969	8,015	8,258
Los Gatos	29,182	29,413	29,613	29,808	30,225
Milpitas	66,392	66,790	66,637	66,865	67,845
Monte Sereno	3,328	3,341	3,360	3,368	3,417
Morgan Hill	37,653	37,882	38,255	39,067	40,049
Mountain View	73,074	74,066	74,618	75,158	76,204
Palo Alto	63,496	64,403	64,853	65,443	66,318
San Jose	937,965	945,942	957,369	969,880	983,574
Santa Clara	114,795	116,468	117,998	118,632	120,196
Saratoga	29,815	29,926	30,153	30,316	30,683
Sunnyvale	138,213	140,081	140,898	142,674	145,864
Incorporated	1,675,129	1,691,682	1,708,450	1,727,472	1,753,855
Balance Of County	92,075	89,960	85,887	86,230	87,040
County Total	1,767,204	1,781,642	1,794,337	1,813,702	1,840,895

¹As of July 1 for the years shown. Other than 2009 as of January 1; and 2010 as of April 1. Sources: 2009 data are from State of California, Department of Finance, E-4 Population Estimates for Cities, Counties and the State, 2001-2010, with 2000 Census Benchmark. Sacramento, California, August 2011. State of California, Department of Finance, E-4 Population Estimates for Cities, Counties and the State, 2011-2014, with 2010 Census Benchmark. Sacramento, California, May 2014.

Employment and Industry

According to the California Employment Development Department, the 2012 annual average of the labor force in Santa Clara County was an estimated 910,400 compared to 891,500 in 2011. From 2011 to 2012, unemployment in Santa Clara County fell slightly from 9.8 percent (87,400 unemployed) to 8.4 percent (76,700 unemployed), primarily due to a slight recovery from the economic recession. The unemployment rate in Santa Clara County as of 2012 was slightly higher than the nationwide annual unemployment rate of 8.1 percent and lower than the State annual unemployment rate of 10.4 percent during the same period.

In June 2013, the Employment Development Department reported preliminary numbers showing that there were an estimated 923,200 people in the labor force in Santa Clara County, with approximately 860,100 employed and 63,200 unemployed.

The unemployment rate in Santa Clara County in June 2013 was 6.8 percent, which is lower than the nationwide unemployment rate of 7.4 percent, and lower than the State unemployment rate of 8.9 percent during the same period.

Within Santa Clara County, development of high technology and high technology jobs have been enhanced by the presence of Stanford University, Santa Clara University, San Jose State University, other institutions of higher education, and research and development facilities such as the Ames Research Center (NASA). In addition, the Rincon de los Esteros Redevelopment Area in northern San Jose has been the site of industrial/research and development submarkets in Silicon Valley.

Table A18 lists wage and salary employment in Santa Clara County by industry from 2007 to 2011.

Table A18. Santa Clara County Civilian Labor Force and Annual Employment by Sector, 2009-2013

SANTA CLARA COUNTY					
Civilian Labor Force and Annual Employment by Sector					
Industry Employment	2009	2010	2011	2012	2013
Civilian Labor Force	875,700	879,600	891,500	910,400	923,200
Civilian Employment	781,000	782,600	804,200	833,700	860,100
Civilian Unemployment	94,800	97,000	87,400	76,700	63,200
Civilian Unemployment Rate	10.8%	11.0%	9.8%	8.4%	6.8%
Total Employment	859,300	856,600	876,900	911,400	951,800
Total Farm	3,500	3,500	3,400	3,300	3,400
Total Non-Farm	855,800	853,100	873,500	908,100	948,400
Goods Producing					
Mining and Logging	200	200	200	200	300
Construction	33,400	31,400	30,900	33,900	36,700
Manufacturing	151,300	148,900	152,600	153,200	153,300
Subtotal Goods Producing	184,900	180,500	183,600	187,300	190,300
Service Providing					
Trade, Transportation & Utilities	124,200	123,100	125,000	129,000	132,500
Information	43,800	46,300	51,200	54,100	58,600
Financial Activities	31,200	30,700	32,000	33,000	33,200
Professional & Business Services	160,400	160,800	166,600	177,700	190,200
Education & Health Services	120,200	122,500	124,800	132,700	143,400
Leisure & Hospitality Services	73,500	73,800	76,300	81,300	86,100
Other	24,100	23,900	24,100	24,300	25,000
Government	93,500	91,500	89,900	88,700	89,100
Subtotal Service Providing	670,900	672,600	689,900	720,800	758,100

The unemployment rate is calculated using unrounded data. Data may not add due to rounding.

Source: California Employment Development Department (EDD), Labor Market Information Division.

Major Employers

Santa Clara County is home to numerous high technology and computer software and hardware manufacturing companies, which, together with public sector employers, continue to top the list of the largest employers in Santa Clara County. The County ranks as the number one public sector employer, with all departments collectively employing over 16,500 workers. The City of San Jose alone has approximately 5,800 full-time employees. Although there have been hiring freezes and cut-backs that have impacted public-sector organizations, such organizations typically tend to remain more stable in a volatile job market.

Table A19 lists 25 major employers in Santa Clara County, as reported by the California Employment Development.

Table A19. Santa Clara County Major Employers

SANTA CLARA COUNTY Major Employers		
Employer Name	Location	Industry
5,000 -9,999 Employees		
Intel Corp	Santa Clara	Semiconductor Devices (Mfrs)
Lockheed Martin Space Systems	Sunnyvale	Satellite Equipment & Systems-Mfrs
Nasa	Mountain View	Federal Government-Space Research/Tech
Philips Lumileds Lighting Co	San Jose	Lighting Fixtures-Supplies & Parts-Mfrs
Fine Pitch	Milpitas	Solar Energy Equipment-Manufacturers
Kaiser Permanente Medical Grp	San Jose	Hospitals
Santa Clara Valley Med Ctr	San Jose	Hospitals
1,000-4,999 Employees		
Adobe Systems Inc	San Jose	Publishers-Computer Software (Mfrs)
Advanced Micro Devices Inc	Sunnyvale	Computers-System Designers & Consultants
Apple Inc	Cupertino	Computers-Electronic-Manufactu
Bon Appetit-Cafe Adobe	San Jose	Restaurant Management
California's Great America	Santa Clara	Amusement Places
Christopher Ranch, LLC	Gilroy	Garlic (Mfrs)
El Camino Hospital	Mountain View	Hospitals
General Motors Advanced Tech	Palo Alto	Automobile-Manufacturers
Hewlett-Packard Co	Palo Alto	Computers-Electronic-Manufactu
Kaiser Permanente Medical Ctr	San Jose	Hospitals
Microsoft Corp	Mountain View	Computer Software-Manufacturers
Net App Inc	Sunnyvale	Computer Storage Devices (Mfrs)
San Jose State	San Jose	Schools-Universities & Colleges Academic
Sap Center At San Jose	San Jose	Stadiums Arenas & Athletic Fields
Silicon Valley Sports & Entrtn	San Jose	Entertainment Bureaus
Stanford Univ School Medicine	Stanford	Schools-Medical
US Post Office	San Jose	Post Offices
Valley Medical Ctr-Palo Alto	Palo Alto	Hospitals

Source: State of California, Employment Development Department (EDD), Labor Market Information Division; EDD extracted this information from the America's Labor Market Information (ALMIS) Employer Database, 2014 2nd Edition.

Income

Owing to the presence of relatively high-wage skilled jobs and wealthy residents, Santa Clara County historically achieves high rankings relative to the rest of the State on a variety of income measurements. The per capita personal income in Santa Clara County increased from \$62,623 in 2011 to \$66,535 in 2012, which is higher than the 2011 national level of \$42,298 and the estimated 2012 State level of \$43,735¹.

¹ Source: US and California, Regional Economic Information System, Bureau of Economic Analysis, US Department of Commerce, updated May 30, 2014.

Appendix B – Pro-Forma Statement of Operations

Water Enterprise

SAN FRANCISCO WATER ENTERPRISE		
Statement of Revenues, Expenses, and Changes in Net Assets		
Year Ended June 30, 2014 and June 30, 2013		
(\$ Thousands)		
	Pre-Audit 2014	Audited 2013
Operating Revenues:		
Charges for Services*	354,827,365	700,512,877
Rents and Concessions	10,674,788	9,598,889
Capacity Fees	2,372,755	2,086,602
Other Revenues	12,006,585	9,271,065
Total Operating Revenues	379,881,493	721,469,433
Operating Expenses:		
Personal Services	119,848,576	119,151,127
Contractual Services	10,920,644	12,818,697
Materials and Supplies	12,154,377	13,074,325
Depreciation and Amortization	89,026,082	75,447,549
Services Provided by Other Departments	54,855,852	57,684,436
General and Administrative	16,188,932	6,124,859
Other Operating Expenses	30,558,631	19,437,806
Total Operating Expenses	333,553,094	303,738,799
Operating Income (Loss)	46,328,399	417,730,634
Non-operating Revenues (Expenses):		
Federal and State Grants	715,226	4,593,344
Interest and Investment Income	10,906,961	(280,638)
Interest Expense	(130,476,563)	(142,063,940)
Net Gain (Loss) From Sale of Assets	30,103	3,259,058
Other Non-operating Revenues	28,452,375	30,068,650
Other Non-operating Expenses	(2,089,641)	(2,327,332)
Net non-operating Revenues (Expenses)	(92,461,539)	(106,750,858)
Income (Loss) Before Transfers	(46,133,140)	310,979,776
Capital Contribution	309,601	
Transfers to the City and County of San Francisco	405,036	63,483,893
Net Capital Contributions and Transfers	714,637	63,483,893
Changes in Net Assets	(45,418,503)	374,463,669
Net Assets at Beginning of Year	699,631,000	358,495,167
Net Assets at End of Year	654,212,497	732,958,836

*Significant decrease as the result of a one-time, early repayment made by our wholesale customers of \$356 million for FY 2012-13

Wastewater Enterprise

SAN FRANCISCO WASTEWATER ENTERPRISE Statement of Revenues, Expenses, and Changes in Net Assets Year Ended June 30, 2014 and June 30, 2013 (\$ Thousands)		
	Pre-Audit 2014	Audited 2013
Operating Revenues:		
Charges for Services	244,704,588	235,478,987
Other Revenues	15,391,902	17,074,404
Total Operating Revenues	260,096,490	252,553,391
Operating Expenses:		
Personal Services	85,114,149	84,155,073
Contractual Services	14,314,200	13,418,349
Materials and Supplies	10,830,004	10,481,242
Depreciation and Amortization	48,402,411	46,347,479
Services Provided by Other Departments	35,273,549	34,140,652
General and Administrative	396,255	3,760,286
Other Operating Expenses	22,010,306	15,957,476
Total Operating Expenses	216,340,874	208,260,557
Operating Income (Loss)	43,755,616	44,292,834
Non-operating Revenues (Expenses):		
Federal and State Grants	1,780,309	19,049,274
Interest and Investment Income	2,399,798	524,100
Interest Expense	(27,126,143)	(15,467,154)
Other Non-operating Revenues	12,812,965	5,836,338
Other Non-operating Expenses	(533,000)	(566,322)
Net non-operating Revenues (Expenses)	(10,666,071)	9,376,236
Income (Loss) Before Transfers	33,089,545	53,669,070
Transfers to the City and County of San Francisco	19,621	888,563
Changes in Net Assets	26,953,548	54,557,633
Net Assets at Beginning of Year	1,154,912,292	1,100,352,659
Net Assets at End of Year	1,181,865,840	1,154,910,292

Hetch Hetchy Water and Power

SAN FRANCISCO HETCHY HETCHY WATER AND POWER ENTERPRISE						
Statement of Revenues, Expenses, and Changes in Net Assets						
Year Ended June 30, 2014 and June 30, 2013						
(\$ Thousands)						
	Water	Power	Total Pre-Audit 2014	Water	Power	Total Audited 2013
Operating Revenues:						
Charges for Services	\$ 35,521,463	\$ 98,693,215	\$ 134,214,678	\$ 37,284,340	\$ 96,397,943	\$ 133,682,283
Rents and Concessions	100,776	123,170	223,946	110,010	134,755	244,765
Total Operating Revenues	35,622,239	98,816,385	134,438,624	37,394,350	96,532,698	133,927,048
Operating Expenses:						
Personal Services	13,342,569	33,761,734	47,104,303	13,057,066	33,563,731	46,620,797
Contractual Services	834,918	4,063,106	4,898,024	888,788	4,956,415	5,845,203
Light, Heat and Power	-	26,214,588	-	-	20,891,181	-
Materials and Supplies	1,352,326	2,075,437	3,427,763	1,330,569	1,671,439	3,002,008
Depreciation and Amortization	4,185,559	11,127,992	15,313,551	4,377,686	11,078,525	15,456,211
Services Provided by Other Departments	1,211,181	5,576,994	6,788,175	1,706,109	5,002,438	6,708,547
General and Administrative	13,861,257	4,133,930	17,995,187	13,879,347	3,662,853	17,542,200
Other Operating Expenses	237,470	14,086,513	14,323,983	(337,587)	12,432,769	12,095,182
Total Operating Expenses	35,025,280	101,040,294	109,850,986	34,901,978	93,259,351	107,270,148
Operating Income (Loss)	596,959	(2,223,909)	24,587,638	2,492,372	3,273,347	26,656,900
Non-operating Revenues (Expenses):						
Federal and State Grants	20,347	136,422	156,769	-	373,401	373,401
Interest and Investment Income	486,520	1,289,338	1,775,858	(344,272)	138,909	(205,363)
Interest Expense	-	(1,573,858)	(1,573,858)	-	(1,630,115)	(1,630,115)
Other Non-operating Revenues	49,342	5,661,984	5,711,326	290,298	4,519,498	4,809,796
Other Non-operating Expenses	(99,450)	(2,757,346)	(2,856,796)	(67,500)	(3,024,914)	(3,092,414)
Net non-operating Revenues (Expenses)	456,759	2,756,540	3,213,299	(121,474)	376,779	255,305
Income (Loss) Before Transfers	1,053,718	532,631	21,374,339	2,370,898	3,650,126	26,401,595
Extraordinary Loss	(2,708,957)	(4,134,421)	(6,843,378)	-	-	-
Capital Contribution	165,614	202,417	368,031	-	-	-
Transfers to the City and County of San Francisco	-	(37,886)	(37,886)	-	(196,167)	(196,167)
Net Loss, Capital Contributions, and Transfers	(2,543,343)	(3,969,890)	(6,513,233)	-	(196,167)	(196,167)
Changes in Net Assets	(1,489,625)	(3,437,259)	(4,926,884)	2,370,898	3,453,959	5,824,857
Net Assets at Beginning of Year	138,893,362	379,583,724	518,477,086	136,522,469	376,129,764	512,652,233
Net Assets at End of Year	\$ 137,403,737	\$ 376,146,465	\$ 513,550,202	\$ 138,893,367	\$ 379,583,723	\$ 518,477,090

Appendix C – SFPUC Rates Policy

- I. The SFPUC is an Enterprise department of the City and County of San Francisco, and receives no support from the San Francisco General Fund. The SFPUC's cost of providing utility service is covered by rate-paying customers through: service based rates, fees and charges, non-operating revenues (i.e. land leases).
- II. Rates are set by the SFPUC Commission pursuant to the authority and provisions set forth by the San Francisco Charter (Section 8b.125, above) and the Water Supply Agreement with the SFPUC's wholesale water customers.
- III. All budgets, rates, fees, and charges presented by SFPUC staff to the Commission will conform to the SFPUC Rates Policy. Any deviations from this policy will be reported to the Commission along with their impact to ratepayers and departmental operations.
- IV. The four key principles of the SFPUC Rates Policy are: affordability, compliance, sufficiency, transparency.
 - a. Affordability – In order to keep rates affordable to the SFPUC's retail and wholesale customers:
 - i. Rates will be set such that retail and wholesale customers pay for benefits and services that they receive.
 - ii. Budgets will provide for fund balance reserves to mitigate cost and revenue uncertainties and stabilize rates to minimize large rate changes.
 - iii. Rate setting will include comparative information of neighboring and other California utilities.
 - iv. Capital and program decision making will be based on both annual and total lifetime cycle costs.
 - v. Rate setting will include consideration of affordability for low-income customers.
 - b. Compliance – Rate-funded budgets will comply with:
 - i. All applicable State and Federal laws;
 - ii. San Francisco Charter, ordinances, resolutions, and other policy directives;
 - iii. Regulations and permits;
 - iv. Contract commitments;
 - v. Bond covenants;
 - vi. Other laws and Commission policies and objectives including, but not limited to:
 1. Budget law and policies,
 2. Debt law and policies,
 3. Ratepayer accountability,
 4. Community benefits policy,
 5. Environmental justice policy,
 6. Sustainability and resource conservation,
 7. Land use policy,
 8. Local hire ordinance,
 9. Electric resource plan,

- 10. Technology adoption and implementation best practices,
 - 11. Asset management best practices.
- c. Sufficiency – Rates will be sufficient to recover the full cost of providing the SFPUC’s essential utility services and mission, including:
- i. Adopted levels of service for Water, Power, and Sewer;
 - ii. Adopted and best practice levels of service for asset repair and replacement to ensure the maintenance of assets in a state of good repair;
 - iii. All anticipated operating and capital costs, including personnel cost changes and other operating cost inflation;
 - iv. Funding to carry out adopted Commission policies, including prudent reserves sufficient to mitigate unplanned rate changes, revenue, uncertainty, and operating contingencies for the duration of the rate adoption period.
- d. Transparency – Rate making will be transparent and include:
- i. Open and timely public meetings and review of rate setting alternatives and timing;
 - ii. Public information designed to provide clear explanation of rate changes and trends, including average bill impact illustrations;
 - iii. A description of both operating and capital costs to ensure that ratepayers know the component costs of their utility service and related programs;
 - iv. Rate-setting oversight, including communications with the:
 - 1. Customers, both retail and wholesale,
 - 2. Citizens’ Advisory Committee,
 - 3. Rate Fairness Board,
 - 4. Revenue Bond Oversight Committee,
 - 5. San Francisco Public Utilities Commission,
 - 6. Board of Supervisors, and
 - 7. Mayor’s Office.

The Rates Policy was approved by the SFPUC Commission on February 14, 2012.

Appendix D – SFPUC Ratepayer Assurance Policy

SFPUC Ratepayer Assurance Policy

PURPOSE

The Ratepayer Assurance Policy provides assurance to ratepayers that their money will be spent wisely, and serves as guidance to the SFPUC General Manager and staff of the Commission's expectations regarding the wise use of ratepayer funds. SFPUC departments are ratepayer, self-supported enterprises that receive no support from San Francisco's General Fund. Our Water, Power & Sewer Enterprises are supported by service-based rates, fees and charges, as well as non-operating revenues such as rental income from land leases. Accountability to ratepayers is a central tenet that guides the management of our self-supported enterprise, a tenet always considered when using any ratepayer monies to support critical stewardship of our utility systems and the management of our resources. Ratepayer-related SFPUC good management practice is guided by two Commission-adopted policy cornerstones: 1) the Rates Policy and 2) this Ratepayer Assurance Policy. We recognize that SFPUC revenue comes from the hard-earned money of our ratepayers and that we take seriously our commitment to provide affordable and reliable Water, Power and Sewer services.

Ratepayer resources pay for: 1) what we do, i.e. our essential-service water, power and sewer utilities, 2) when we do it, i.e. our 24/7 reliability, and 3) how we do it, through our commitment to sustainability and adherence to the Commission's Environmental Justice and Community Benefits policies. Some of these factors are mandated by federal, state or local law; others are guided by local policies established through San Francisco's public process and reflect our commitments to environmental and sustainability best practices. Some factors are also the product of managerial decision making and their recommendations to prioritization and timing of key capital improvements, to ensure reliability, and financial impacts, to ensure ratepayer affordability. This policy is particularly focused toward the latter factors and is intended to provide ratepayers with the assurance that management recommendations and Commission decisions are and will be made in the ratepayers' best interest. This policy promotes accountability and transparency by requiring a biannual, independently developed report card through which ratepayers and the Commission can see verifiable results that the ratepayer safeguards and policies are being implemented and yielding successful outcomes. The report card shall address the following:

Mission Management

The SFPUC must comply with all San Francisco Charter requirements, including the development of our budget, as well as our long-term capital, financial and strategic plans. This includes mission-driven budgets for SFPUC Enterprises which are timely considered, adopted and published. It is the policy of the Commission that the mission statement is reviewed early in the budget process and that any changes to the mission are adopted by the Commission prior to the cost of such changes being budgeted. It is further the policy of the Commission that each budget presented to the Commission contain an analysis of mission changes, in both function and degree, funded by the proposed budget.

Personnel Management

Personnel costs are driven by how we staff our operations and organize our workforce; this includes the number of staff and the position classifications we hire. Compensation and benefit rates are determined by labor agreements, the Civil Service Commission, the City's Retirement Board and the City's Health Service System. Position classifications and hiring authorizations include a review process that is governed by the Civil Service Commission as well as the City's Human Resources Department to ensure our hiring is appropriate for the work assigned.

In order to adjust to changing needs, and in order to capture productivity savings made possible by technology advances consistent with the Commission's Technology Policy, it is the policy of the Commission to meet new position needs by reassignment of existing positions or substituting new positions for existing ones wherever possible. The Commission will also review all proposed position changes in every budget it considers in order to assure compliance with this policy.

In order to encourage high quality, high morale, high satisfaction and economic fairness in the workforce, it is the policy of the Commission to structure its workforce to ensure that customer service is both effectively and efficiently achieved, while at the same time job content is fulfilling and compensation is just.

Asset Management

As a utility, a good portion of the SFPUC budget is allocated for the acquisition, construction, repair and replacement of critical, physical assets. Purchasing, construction and the contracting for repair services are subject to extensive legal and administrative regulation. Asset costs are ultimately driven by the assets acquired and the way in which they are maintained. In order to minimize the utility cost of service over time, it is the policy of the Commission to acquire, design, construct, repair and replace assets such that their life cycle cost is minimized, and to fund such activities accordingly.

It is the policy of the Commission to utilize vehicle pools and public transit wherever feasible and to acquire energy efficient and Green House Gas-free vehicles whenever practicable to do so. All vehicle purchases should be reviewed and approved through the budget process and be consistent with City policies as well as best practices promulgated by the General Manager.

It is the policy of the Commission, promulgated by the General Manager, to assure that assets (including, but not limited to, vehicles, computers and other electronic devices) assigned to individuals are selected and assigned to meet utility needs in a cost effective manner and that they are used for business purposes that benefit the ratepayers.

It is the policy of the Commission to support the development of promising technologies, including the consideration of prudent demonstration projects, and to implement proved technologies that will ensure utility reliability, performance effectiveness, cost minimization, and strive toward continued environmental impact improvements and the sustainability of our utility operations.

Sustainability

It is the policy of the Commission to provide workplaces that are functional, economical, safe, secure, efficient and environmentally sustainable. Workspaces should be designed to facilitate the efficient use of our utility resources, including water, power and wastewater, as well as encourage recycling of waste products, and the promotion of environmentally sustainability practices such as ride-sharing and the use of public transportation.

Operating Cost Containment

To the extent that operating costs are determined by PUC actions and choices, it is the policy of the commission to limit operating cost increases, exclusive of debt service and cash funded capital investment, to no more than the cost of inflation. Any budget that increases the operating budget above this level will be supported by findings of necessity, adopted by the commission, that detail the specific reasons and needs for increases above the rate of inflation.

Report Card

The elements noted above shall be reviewed at least biannually as part of the budget cycle and recorded in an independently verified Ratepayer Assurance Report Card.

SFPUC Ratepayer Assurance Scorecard



SFPUC Ratepayer Assurance Scorecard CITY AND COUNTY OF SAN FRANCISCO OFFICE OF THE CONTROLLER

A-

FY 2012-13

ASSET MANAGEMENT	1. Preventative Maintenance B- Combined Utility Avg Benchmark = 80% <p>80% 40% 0%</p> <p>WATER 79% POWER 78% SEWER 50%</p>	2. Regulatory Compliance A Meets or Exceeds the Standard <p>Zero fines or sanctions for WATER POWER or SEWER Enterprises</p>
	STEWARDSHIP	STEWARDSHIP
MISSION MANAGEMENT SUSTAINABILITY	3. Average Monthly Bill A <p>Phone Land line \$32.81 Garbage Collection \$34.51 SFPUC Electric Power \$66.32* SFPUC Water Sewer \$37.50/\$48.97 \$86.47 AT&T Cell Phone Nat'l Plan 1350 \$103.83 Comcast Internet Cable \$52.95/\$74.81 \$127.76 PG&E Gas Electric \$63.21/\$77.26 \$140.47</p> <p>CA Average Combined Utility Bills = \$178.89 * SFPUC provides electricity to Hunter's Point and Treasure Island.</p>	4. Cost of Service B+ \$1.70 per person/day CA Average Cost/Person/Day = \$1.99 <p>\$1.70 \$1.80 \$2.00 \$3.33 \$3.59 Power = 74¢ W & S = 96¢ SFPUC W, S & P Avg Coffee MUNI Adult Fare Cell Phone Cost/Day Avg BART Fare</p>
	SERVICE	SERVICE
PERSONNEL MANAGEMENT	5. Credit Ratings A Maintained Low Risk AA- WATER Investment Grade rated by S&P/Moody's Aa3 SEWER	6. Customer Service Quality B % of Retail Customers that rate SFPUC good or better 86% YTD
	STEWARDSHIP	SERVICE
7. Environmental Stewardship - All Enterprises Exceed Standards A California Average 100 gallons per person/day San Francisco 49 gallons per person/day SF residential use is well under the CA average SFPUC 100% Renewable Energy, Retail/Municipal 20% California Requirement SEWER Zero unauthorized discharges in 3 years		
ENVIRONMENTAL STEWARDSHIP		
8. Contracted Hours A Exceeds Minimum Local Hire Ordinance by 4% 29% WATER POWER SEWER Local Hires 25% 2010 Local Hire Ordinance Requirement	9. Lost Time Incidents C Per 100 Employees Needs Improvement 3.2 out of 100	
RESPECT/EQUAL OPPORTUNITY	SAFETY	



SFPUC Ratepayer Assurance Scorecard
CITY AND COUNTY OF SAN FRANCISCO
OFFICE OF THE CONTROLLER

A-

FY 2012-13

PURPOSE

The San Francisco Public Utilities Commission (SFPUC) is an agency of the City and County of San Francisco that provides high-quality drinking water to a population of approximately 2.6 million people, including retail customers in San Francisco and wholesale customers located in San Mateo, Santa Clara, and Alameda Counties. The SFPUC provides wastewater services to over 800,000 residents of San Francisco and green hydroelectric solar power to the City’s municipal departments.

The [SFPUC’s Ratepayer Assurance Policy](#) was adopted on October 23, 2012 and is reviewed annually as part of the budget process to ensure measurable, verifiable, wise use of ratepayer resources for all enterprises- **Water (W)**, **Power (P)**, and **Sewer (WW)**. The policy promotes accountability and transparency with an annual scorecard developed and performed by the Office of the Controller, City Services Auditor (CSA).

This scorecard provides useful information to the ratepayers and the Commission using metrics that measure the performance of ratepayer strategies and policies in mitigating risk and taking advantage of opportunities to yield positive outcomes. Each metric addresses one of the following policy categories of Asset Management, Mission Management & Sustainability, and Personnel Management in line with the [Effective Utility Management \(EUM\)](#) initiative and model. For further information, please refer to the [SFPUC Ratepayer Assurance Scorecard Manual](#).

GRADING SCALE

The measures are graded based on the standard academic scale illustrated below. Grades are based on comparison to a relevant industry standard, best practice, comparison to peer jurisdictions, or comparison to SFPUC standard or policy:

Grade	Description	Score Range
A	Exceptionally	3.8 - 4.0
A-	Above Standard	3.4 - 3.7
B+	Slightly Above or Meets Standard	3.1 - 3.3
B		2.8 - 3.0
B-		2.4 - 2.7

Grade	Description	Score Range
C+	Slightly	2.1 - 2.3
C	Below	1.8 - 2.0
C-	Standard	1.4 - 1.7

Grade	Description	Score Range
D+	Below Standard	1.1 - 1.3
D		0.8 - 1.0
D-		0.4 - 0.7
F	Critically Below Standard	0.0 - 0.3

FY13 SUMMARY

The SFPUC in the aggregate scored slightly above average or a letter grade A-. The SFPUC exceeded benchmarks for five (56%) of the measures and met industry benchmarks for three (33%) of measures. One measure (11%) were slightly below the standard and need improvement.

Policy Category	#	Measure	W	P	WW	Average Score	Grade
Asset Management	1	Stewardship: Preventive maintenance ratio	B	B	C	2.7	B-
	2	Regulatory Compliance: Number of incidents of fines/sanctions	A	A	A	4.0	A
Mission Management & Sustainability	3	Service: Average monthly combined water, power, and sewer residential bill	A	A	A	4.0	A
	4	Service: Cost per person per day	A	B	B	3.3	B+
	5	Stewardship: Credit rating	A	NA	A	4.0	A
	6*	Service: Percent of retail customers that rate SFPUC as good or better	B	B	B	3.0	B
	7	Environmental Stewardship: Amount of water sold to SF residential customers Emissions-free municipal and retail electricity supplied Unauthorized discharges from combined sewer system	A	A	A	4.0	A
Personnel Management	8*	Respect/Equal Opportunity: Percent of local hire hours	A	A	A	4.0	A
	9*	Safety: Recordable lost time rate	C	C	C	2.0	C
Overall			A-	A-	B+	3.4	A-

*Measures are rated such that the corresponding enterprise grade is the same as the overall grade.



Appendix E – Debt Management Policies and Procedures

I. Scope and Application

The San Francisco Public Utilities Commission (“SFPUC” or “Commission”) has established these Debt Management Policies and Procedures (“Policies”) for debt financings associated with the Water, Wastewater and Power Enterprises.¹ These Policies are intended to enable the SFPUC to effectively manage its debt issuance and debt management practices. To the extent that any of the Policies contained herein conflict with the terms and conditions of the existing or subsequently adopted SFPUC legal requirements or agreements, such legal requirements or agreements will control. These Policies will be reviewed regularly, and revised or amended, as appropriate or desirable, with Commission approval.

This policy shall govern the issuance and management of all bonds and other forms of indebtedness of the SFPUC, together with any credit, liquidity, or other security instruments and agreements that may be executed in connection with the issuance of bonds and other forms of indebtedness (“Bonds”).

These policies will be on file with the Commission, SFPUC’s Finance Department (Financial Planning Group), the Public Utilities Commission Revenue Bond Oversight Committee (RBOC) and posted on the website of the SFPUC (www.sfwater.org) with copies delivered to the Office of Public Finance (OPF), the City Treasurer, the City Controller, and the Clerk of the Board of Supervisors (BOS).

II. SFPUC’s Debt Management Mission

SFPUC’s debt management mission is to serve, within the financial objectives and parameters established by the Commission, the capital financing needs of the respective enterprises in a cost effective, risk-appropriate and flexible manner, through the implementation of sound financial decision-making and the use of prudent debt management practices.

III. Debt Management Objectives

- a. Finance capital projects of SFPUC’s enterprises in a timely and cost-effective manner.
- b. Manage debt effectively within Commission objectives and parameters.
- c. Achieve and maintain the highest practicable credit ratings to minimize total borrowing costs of SFPUC debt.
- d. Retain financial flexibility.
- e. Maintain compliance with all relevant laws, reporting, and disclosure requirements

IV. Types and Purposes of Debt

The SFPUC may issue debt to finance the acquisition and/or construction of capital improvements, unless otherwise decreed by court order or adjudicated settlement. Debt financings are not to be used to fund SFPUC operating costs.

- a. SFPUC revenue bonds are secured by a pledge that the rates of the applicable enterprise will generate net revenues sufficient to pay the principal of and interest on indebtedness.
- b. The SFPUC may issue the following types of tax-exempt or taxable debt:
 - i. Fixed rate bonds - long-term securities with serial and term maturities. Interest rates are determined when the bonds are sold and are fixed to maturity.

¹ The Policies are the same for each enterprise, unless otherwise noted.

- ii. Fixed rate notes - securities with short-term maturities (i.e. 1 to 5 years). Interest rates are determined when the notes are sold and fixed to maturity.
- iii. Variable rate bonds - long-term securities that bear interest at variable rates adjusted at agreed upon intervals, such as daily, weekly or monthly. The holder of the variable rate security may be allowed to "put" the security to the SFPUC or to a liquidity provider retained by the SFPUC.
- iv. Commercial paper - short-term (1-270 days) security with fixed interest rates. Customarily, commercial paper is secured by a junior pledge of net revenues, a letter of credit, or a liquidity facility. Commercial paper is designed to provide flexible, low-cost financing for capital projects and will be ultimately refunded with the issuance of long-term indebtedness.
- v. Refunding bonds - issued to realize debt service savings, or for other debt restructuring purposes. Absent significant non-economic factors, the Commission's policy is that refunding transactions should produce aggregate net present value debt service savings of at least 3% of the par value of the refunded bonds, calculated using the refunding issue's true interest cost (TIC) as the discount rate.
- vi. State Revolving Fund (SRF) Loan program –
 - 1. Managed by the California Water Resources Control Board, SRF loans provide alternative capital financing for certain facilities of the Wastewater Enterprise. The lien status will be determined at the time such loans are considered.
 - 2. Managed by the California Department of Public Health, SRF loans provide alternative capital financing for certain facilities of the Water Enterprise. The lien status will be determined at the time such loans are considered.
- vii. Tax Credit Financings
 - 1. Clean Renewable Energy bonds (CREBs) – no- or low-interest bonds administered by the Federal government to finance renewable energy projects of the Power Enterprise. CREBs are part of the 2009 American Reinvestment and Recovery Act (ARRA) legislation designed to stimulate state and local government capital project construction and improvements.
 - 2. Qualified Energy Conservation Bonds (QECBs) – also part of 2009 ARRA, this program authorized local communities to use some or all of their QECB allotment for funding municipal solar and energy efficiency projects, including capital expenditures of the Power Enterprise that reduce energy consumption on publicly-owned buildings by at least 20%, and implementing green community programs.
- viii. Build America Bonds (BABs) – also part of the 2009 ARRA, this program allows state and local governments to issue taxable bonds for capital projects and to receive a new direct federal subsidy payment for a portion of their borrowing costs. This program expired on December 31, 2010.
- ix. Capital Lease Financing – equipment or facility lease financing as allowed by the Charter and Administration code.

V. Debt Financing Authorization

a. Charter

- i. Section 8B.124 Revenue Bonds (Proposition E, approved by voters November 2002): Authorizes the SFPUC to issue revenue bonds or other forms of indebtedness for the purpose of reconstructing, replacing, expanding, repairing or improving water facilities or clean water facilities when authorized by ordinance approved by a two-thirds vote of the BOS.
 - 1. Required Certification: Bonds issued against Prop E require the certification of a Qualified Independent Consultant that

estimated net revenues of the applicable enterprise will sufficiently meet debt service coverage and other Indenture requirements, as well as certification from an Independent Engineer that the projects to be financed by the bonds meet utility standards.

- ii. Section 9.107 Revenue Bonds (Proposition A, approved by voters November 2002): Authorizes the SFPUC, subject to BOS approval, to issue up to \$1.628 billion in revenue bonds or other forms of indebtedness to finance the acquisition and construction of improvements to the City's water system.
- iii. Section 9.107(8) Revenue Bonds (Proposition H, approved by voters November 2001): Authorizes the issuance of revenue bonds to finance or refinance the acquisition, construction, installation, equipping, improvement or rehabilitation of equipment or facilities for renewable energy and energy conservation.
- iv. Section 9.109 Refunding Bonds: Authorizes the issuance of refunding bonds that achieve aggregate net debt service savings on a present value basis without voter approval. Refunding bonds must be approved by the BOS.
 1. Water Refunding Bonds – Preauthorization of up to \$500 million in refunding of Water Revenue Bonds made before June 30, 2017(BOS Resolution No.151-12)

b. Commercial Paper Authorization

- i. Wastewater Enterprise \$300 million program:
 1. Voter authorized under Proposition E (Charter Sec. 8B.124, approved by voters November 2002)
 2. \$150 million authorized by SFPUC Resolution No. 06-0164 and BOS Ordinance Nos. 266-06/270-06.
 3. Authorization to increase Wastewater CP issuance from \$150 million to \$300 million (SFPUC Resolution No. 11-0197, BOS Ordinance No. 91-12)
- ii. Water Enterprise \$500 million program
 1. \$250 million voter authorized under Proposition A (Sec. 9.107, approved by voters November 2002)
 2. \$250 million voter authorized under Proposition E (Charter Sec. 8B.124, approved by voters November 2002)
 3. Authorization to issue up to \$150 million (SFPUC Resolution No. 99-084 and BOS Ordinance No. 451-99)
 4. Authorization to increase Water CP issuance from \$150 million to \$250 million (SFPUC Resolution No. 00-0234 and BOS Ordinance No. 953-00)
 5. Authorization to increase Water CP issuance from \$250 million to \$500 million (SFPUC Resolution Nos. 08-0202/09-0175 and BOS Ordinance No. 311-08)

c. San Francisco Administrative Code

- i. Article V of Chapter 43 of Part I enacted by Ordinance No. 203-98 adopted on June 8, 1998 by the BOS and amended in December 2006 establishes a procedure for the SFPUC to issue commercial paper.
- ii. Appendix 54 Revenue Bonds (Proposition B, approved by voters November 2001): Authorizes the issuing, subject to BOS approval, of up to \$100 million in revenue bonds or other forms of indebtedness to finance solar energy, energy conservation, or renewable energy facilities and equipment.

VI. Debt Financing Approval Process

- a. Voter Authorization and Ballot Procedure – SFPUC may, pursuant to Charter Section 9.107, seek voter approval for revenue bond issuance. Prior to placing any measure

on the ballot, the SFPUC must submit the item to the Capital Planning Committee (CPC) for its review. Legislation requesting the submission of a proposal for the issuance of revenue bonds to the voters of the City must be submitted in the form of a resolution by the SFPUC at a regularly scheduled BOS meeting in sufficient time prior to the due date to the Department of Elections to account for a 30-day review period at the BOS and BOS Finance Committee meetings.

- b. SFPUC – Two Commission approvals in the form of a resolution is required for all SFPUC debt financings, as follows:
 - i. Bonding Authorization resolution approved by the Commission at the time of project appropriation.
 - ii. Transaction Authorization resolution approved by the Commission at the time of the bond sale. The resolution incorporates the legal documents of the transaction.
- c. Capital Planning Committee (CPC) – Pursuant to the City's Administrative Code, Section 3.2, the CPC must review and submit a recommendation to the BOS on all proposed new long-term financing transactions for capital improvements.
- d. Budget Analyst Review – Any financing-related item submitted for BOS approval must first be reviewed and analyzed by the Budget Analyst who prepares a report and recommendation for the BOS.
- e. Board of Supervisors – BOS approval in the form of a resolution or ordinance is required for SFPUC financings, as follows:
 - i. Pursuant to voter-approved debt (e.g., Proposition A, Proposition B), a resolution passed by a majority of the BOS is required.
 - ii. Pursuant to Charter Section 8B.124 (Proposition E), an ordinance passed by two-thirds vote of the BOS is required and is subject to referendum requirements of Charter Section 14.102. The ordinance does not become effective until 30 days after its adoption.
 - iii. Resolution passed by majority vote of the BOS is required to approve transaction details and legal documents in advance of the bond sale.
- f. Certification pursuant to administrative code section 8B.124, as follows:
 - i. Certification by an independent engineer retained by the SFPUC that:
 - 1. Projects to be funded by the bonds, including the prioritization, cost estimates and scheduling, meet utility standards; and
 - 2. Estimated net revenue after payment of operating and maintenance expenses will be sufficient to meet debt service coverage and other indenture or resolution requirements, including debt service on the bonds to be issued, and estimated repair and replacement costs.
 - ii. Certification by the San Francisco Planning Department that facilitates under the jurisdiction of the Public Utilities Commission that projects funded with such bonds will comply with applicable requirements of the California Environmental Quality Act.
- g. Revenue Bond Oversight Committee (RBOC) may review anticipated bond sales in advance of the issuance of the proposed financing transaction, including details with respect to amount, timing, and purpose of the issuance (Sec. 5A.30-36, Proposition P, approved by voters, November 2002) . RBOC is scheduled to sunset on December 31, 2016, pursuant to extension legislation (Ordinance No. 236-12) by the Board of Supervisors on December 4, 2012.

VII. Debt Limitations

- a. The Commission has adopted financial policies and/or is subject to legal agreements and requirements that effectively limit the amount of debt that can be issued. These include:
 - i. Debt service coverage requirement: for senior lien bonds, net revenues equal to at least 125% of annual debt service.

- ii. Fund Balance Reserve Policy: establishes minimum levels of fund balance reserves from an operations perspective. (SFPUC Resolution No. 10-0027, approved February 11, 2010)
 - iii. Rate policy: predictable and financially prudent rate increase policy (SFPUC Resolution No. 12-0027, approved February 14, 2012).
 - iv. Ratepayer Assurance Policy: ensure accountability to ratepayers in all aspects of SFPUC operations and management (SFPUC Resolution No. 12-0196, approved October 23, 2012).
- b. Additional Bonds Test—(Sec. 8B.124) SFPUC legal documents require an independent certification that debt coverage of 1.25 will be maintained for 3 years after issuance of additional bonds.

VIII. Method of Bond Sale

- a. General
 - i. Marketing – Bond sales shall be advertised, and the Preliminary Official Statement be distributed, as broadly as possible and receive a rating from at least one nationally recognized rating agency, with two ratings preferred. The financial advisors and/or the underwriters, if applicable, for each transaction shall undertake to market the bonds to prospective bidders and investors as appropriate or relevant.
 - ii. Amendments – Terms of the bonds shall be subject to amendment as late as practicable in the issuance process.
- b. Competitive – New money and refunding fixed rate revenue bonds should be issued by competitive sale unless (i) there is significant deterioration in the SFPUC’s overall credit rating or outlook, (ii) there are market issues specific to a transaction that are outside of the SFPUC’s credit profile such as market volatility, threat of war or changes in taxation or sector risks, (iii) there is a financing structure that is not conducive to a successful competitive sale, or (iv) there are other factors which mitigate or make the use of the competitive sale process less attractive or likely to ensure a successful sale with the lowest total borrowing costs. The SFPUC may take bids in person, by facsimile or by electronic means, which is the preferred approach.
 - i. Cancellation – Bond sales shall be subject to cancellation at any time prior to the time bids are to be received.
 - ii. Award – The bonds shall be awarded to the bidder whose conforming bid represents the lowest true interest cost (TIC) to the SFPUC. The SFPUC’s financial advisor will confirm the calculation of the TIC before any bonds are awarded. The SFPUC’s bond counsel will confirm that the bids conform to the requirements of the Notice of Sale. The SFPUC may then restructure the bonds in accordance with the Official Notice of Sale. The General Manager or his/her designee shall award the sale of SFPUC bonds.
 - iii. Rejection - The SFPUC shall reserve the unfettered right to reject all bids or waive bid irregularities.
- c. Negotiated Sale – Bonds, including fixed rate bonds, variable rate demand notes, , commercial paper, etc. may be issued by negotiated sale, at the discretion of the General Manager, if deemed necessary for a successful offering. One or more underwriters may be selected by the SFPUC for a negotiated bond sale from a competitive selection process or from the approved Underwriter Pool of the Office of Public Finance after an RFP solicitation to members of the Underwriter Pool. An independent pricing verification agent should also be selected to assist the SFPUC in a negotiated sale to provide further ratepayer assurance of lowest cost borrowing success. The SFPUC may retain more than one dealer or remarketing agent for each issuance of variable rate indebtedness. The SFPUC shall reserve the right to replace a dealer or remarketing agent with notice at any time for any reason in its sole discretion.
- d. Private Placement – If any SFPUC obligations lack an active and liquid secondary market and/or comprise complex and/or unusual credit characteristics, the General Manager may issue such obligations by means of a private placement pursuant to a bond purchase contract and placed with an accredited investor in Rule 501(a) of

Regulation D (or such other investor restrictions appropriate to the transaction), subject to the General Manager finding that such a sale method would result in a lower overall cost than would be achieved by selling bonds at a public sale.

IX. Debt Structuring Policies

- a. Standard terms – The following terms will apply to the SFPUC’s transactions, as appropriate. Individual terms may change as dictated by the marketplace and/or by the unique characteristics of a given transaction.

i. Fixed Rate Revenue Bonds

1. Term	Up to 40 years per issue
2. Maximum interest rate	Not to exceed 12%
3. Maximum premium or discount	Case by case as recommended by SFPUC’s financial advisor(s)
4. Payment dates	<p>Water: November 1 for annual principal and semi-annual interest; May 1 for semi-annual interest</p> <p>Wastewater: October 1 for annual principal and semi-annual interest; April 1 for semi-annual interest</p> <p>The first payment may be extended beyond the first November or October after the bond sale if it is advantageous</p> <p>Power: December 15 for annual 2008 CREBs payments; December 15 and June 15 for semi-annual QECBs payments; April 25 and October 25 for semi-annual 2012 CREBs payments</p>
5. Call provisions	<p>Shortest possible optional call consistent with optimal pricing; no more than 30 days’ notice</p> <p>Make Whole Call: Permitted if market conditions required to ensure lowest total borrowing costs</p>
6. Structure of debt	Level debt service unless an alternative structure is advantageous, such as deferral of principal so as to achieve level overall enterprise debt service – principal payments may be serial and/or term bonds
7. Reserve funds	The lesser of what is required, including no reserve requirement, pursuant to indenture requirements, and as governed by current tax law, or acceptable to the marketplace; surety may also be used, assuming availability
8. Capitalized interest	Up to three years or such other lower amount as may be legally permissible and advantageous
9. Good faith deposit	1% of par amount which may be satisfied by cash, surety or equivalent

10. Other, Federal, and State	Unique structures as appropriate such as federal subsidies or stimulus funding, as in the case of Build America Bonds, CREBs, and QECBs.
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X. Variable Rate Obligations – The SFPUC may elect to issue variable rate obligations, including variable rate demand obligations, auction rate securities and commercial paper.

1. Purpose	Lower net borrowing costs; match assets and liabilities; diversify debt portfolio
2. Portfolio allocation	No more than 25% of each enterprise's outstanding debt shall be variable rate
3. Term	Up to 40 years per issue, except commercial paper which has a maximum maturity of 270 days
4. Maximum interest rate	12%
5. Monitoring	SFPUC will monitor all variable rate bonds on a regular basis and shall determine, from time to time, whether to change modes, alter hedging strategies and/or replace a dealer or remarketing agent
6. Budgeting	SFPUC will recommend an annual budget of debt service on any variable rate obligations at a minimum of 1.5 times the rolling 3-year average of the Bond Market Association short-term index, or other appropriate index over a similar time frame.
7. Remarketing inventory obligation	SFPUC may require that remarketing or dealer agreements contain a provision requiring that the dealer or agent, in the event of a failed remarketing, inventory the securities, at prevailing interest rates, for up to 30 days.
8. Call/Conversion provision	On any date without penalty; no more than 10 days' notice.
9. Liquidity	A liquidity facility or letter of credit will be obtained for all variable rate obligations as market conditions may require; Liquidity or letter of credit providers will maintain short-term ratings in the Tier 1 level of short-term ratings (P-1 and A-1 or higher).
10. Mode	Variable rate obligations, with the exception of commercial paper, may be issued as "multi-modal".

XI. Derivatives Policy

XII. Permitted Investments

All investments of bond proceeds shall be limited to the City's Investment Policy approved periodically by the Treasury Oversight Committee, unless otherwise required and approved

apart from any debt authorization for the Commission. The "Permitted Investments" language of any debt issuance will be reviewed by the City Treasurer's office prior to closing.

Investment of bond proceeds that are held by the Trustee must be limited to those permitted in the financing documents or agreements.

Investment agreements which may be entered into from time to time. In general, uncollateralized investment agreements shall be executed with counterparties rated at least "AA". Collateral may be required upon a downgrade below a "AA" rating.

Repurchase agreements or forward delivery agreements shall be executed with counterparties rated at least "AA" with downgrade provisions requiring assignment or collateral upon a rating downgrade below the "A" level.

Investment agreements shall have the following general limitations:

1. Purpose	Preserve principal Maximize interest earnings thereby reducing net borrowing costs Match assets and liabilities
2. Counterparty	Minimum rating of AA from at least one major credit rating agency
3. Mandatory termination	Limited to credit-related events and non-payment.
4. Cure provisions	Timelines on SFPUC's obligations to cure must be adequate to accommodate City process.
5. Priority of payment	Termination payments shall be subordinate to related debt payments
6. Procurement	Award based on best bid as defined in bid form

XIII. Professional Assistance

- a. Financial Advisors – SFPUC shall utilize the services of independent financial advisors in connection with financing-related issues. The financial advisors shall be selected via a competitive Request for Proposals (RFP) process or via the City-wide approved pool of financial advisors, and the services to be provided shall be documented by contract. Compensation shall be capped.
- b. City Attorney's Office – SFPUC shall utilize the services of the City Attorney's Office when appropriate for legal support on financing-related matters to ensure all City and Charter requirements are fully met.
- c. Bond Counsel – SFPUC, with the City Attorney's Office recommendation, shall select bond counsel for each transaction. Bond counsel shall be responsible for developing the legal documents required for each transaction.
- d. Disclosure Counsel – SFPUC shall utilize the services of a disclosure counsel for each transaction, with the City Attorney's Office's recommendation. Disclosure counsel shall be responsible for assisting the SFPUC to prepare the Preliminary and Final Official Statements and any other disclosure documents.
- e. Underwriters – Such firms shall be solicited pursuant to a competitive RFP basis utilizing the Underwriter's Pool of the City's Office of Public Finance. Selection will be based on a formal, scored evaluation process.
- f. Dealers, Auction Agents and Remarketing Agents – Such firms shall be selected on a competitive RFP basis and performance will be monitored regularly. SFPUC shall retain the right to replace any such firm with due notice at any time.

- g. Trustees – Trustee shall be selected on a competitive RFP basis and have a combined capital and surplus of at least \$50 million and be subject to supervision or examination by relevant Federal or State regulatory bodies.
- h. Letter of credit or liquidity facility providers – Selected via competitive RFP from the City-wide pool of approved credit facility provider banks, or from banks who are HRC compliant, and subject to negotiations of its terms.
- i. Investment agreement counterparties – Selected from pool approved by the Office of Public Finance, if one exists. If no pool exists, selected on the basis of a competitive bid process, with bidders subject to approval by the City's Human Rights Commission (HRC).
- j. Arbitrage Rebate Consultant – Selected via competitive RFP process.
- k. Independent pricing verification agent - Financial advisor not involved in transaction, engaged in negotiated transactions to provide independent pricing report and comparative sales details so as to reassure negotiated sale provided best possible pricing for the rate payers.
- l. Other professional assistance may be secured as necessary or desirable.

XIV. Ongoing Debt Administration

- a. Continuing Disclosure – In connection with financings, the SFPUC will provide timely information to the marketplace, as required by law. Disclosure information will be tracked in an annual binder, along with submission verification details.
 - i. Ongoing disclosure requirements established per continuing disclosure certificates and other financing documents and agreements shall be promptly met. See Appendix B for further disclosure requirements and reporting.
 - ii. Annual Disclosure Report – SFPUC covenants to provide its annual disclosure report no later than 270 days following the end of the fiscal year. However, SFPUC shall use its best efforts to issue the Annual Disclosure Report as soon as practical following the issuance of the City's annual Comprehensive Annual Financial Report (CAFR). The SFPUC will use its best efforts to issue the Annual Disclosure Report electronically, post it on its web site (www.sfwater.org), the Electronic Municipal Market Access (EMMA) site of the Municipal Securities Rulemaking Board (MSRB), the Main Library, and file with the Commission, the Office of Public Finance, the City Treasurer, the City Controller, and the Clerk of the Board of Supervisors. The report shall include CUSIPs, trustee and issuer contacts, and all other information as required pursuant to continuing disclosure certificates.
 - iii. Material Event – A material event notice will be filed, in accordance with the provisions of SEC Rule 15c2-12, on EMMA. Prior to the issuance of any material event notice, the SFPUC will convene a meeting of the Commission, the Office of Public Finance, the City Treasurer, the City Controller, the City Attorney and outside professionals as appropriate, to discuss the materiality of the event and the process for equal, timely and appropriate disclosure to the public and investment community.
 - iv. Official Statements – Existing continuing disclosure obligations shall be included in all official statements, which may exceed obligations enumerated in SEC Rule 15c2-12.
- b. Arbitrage Rebate Compliance – The SFPUC shall calculate arbitrage annually in each year that the related project fund (or equivalent) has had an outstanding balance. Thereafter, the SFPUC shall calculate arbitrage on the fifth anniversary of the bond issuance in accordance with IRS recommended practices. Any arbitrage liabilities will be reflected in the SFPUC financial statements. See Appendix C for Arbitrage/Rebate Tax Compliance Policy.
- c. Credit Ratings – SFPUC's policy is to secure underlying ratings on all newly issued obligations from at least one nationally recognized rating agency, though two is preferred.

- i. Annual Meetings – The SFPUC will meet (or formally communicate) with credit rating agencies when rating any outstanding obligations at least annually unless such meeting is deemed unnecessary by the rating agencies.
- ii. Reporting – The SFPUC will promptly make available to rating agency the following documents:
 - 1. Annual Audited Financial Statements
 - 2. Adopted budgets (Annual or Bi-annual)
 - 3. Other relevant documents
- d. Citywide Ratings Notification – Any changes in ratings will be promptly noticed to the Commission, the Mayor, the Office of Public Finance, the Mayor’s Budget Director and Press Secretary, the City Controller, City Treasurer, President of the Board of Supervisors, Chair of the Finance Committee of the Board of Supervisors, as relevant.
- e. Public Utilities Revenue Bond Oversight Committee (RBOC) - Provides oversight to ensure that the proceeds from revenue bonds authorized by the BOS and/or the voters after November 2002 are expended in accordance with the authorizing bond resolution and applicable law. (Administrative Code Chapter 5A and Proposition P, passed by voters in November 2002)
 - i. Reports at least annually to the Mayor, the BOS and the Commission regarding the SFPUC’s expenditure of revenue bond proceeds. Such reports are filed with the Commission, the Clerk of the BOS and the Main Library.
 - ii. May prohibit further issuance or sale of authorized revenue bonds, pursuant to:
 - 1. Independent audit of actual expenditures of revenue bond proceeds.
 - 2. Consultation with the City Attorney.
 - 3. Determination that proceeds are being or have been expended for unauthorized or illegal purposes.
 - 4. Majority vote of all its members.
 - a. Determination may be appealed to the BOS within 30 days of the RBOC’s decision.
 - b. BOS may overturn the decision of the RBOC by resolution approved by two-thirds vote of all its members.
 - iii. SFPUC will provide notice to the RBOC in advance of the issuance of a proposed financing transaction, including details with respect to the amount, timing and purpose of the issuance.
 - iv. To the extent permitted by law, one-twentieth of one percent of revenue bond proceeds fund the costs of the RBOC, except that costs associated with clerical, technical and administrative assistance in furtherance of its purposes and any compensation due the members are to be paid by the BOS. These amounts are subject to the applicable IRS rules associated with issuance of tax-exempt debt and generally must be spent within three years of issuance.

Derivative Policy

- I. Derivatives (including swaps, swaptions, caps, floors and collars) – Purpose and Objectives
 - a. To achieve significant savings as compared to a product available in the bond market.
 - b. To prudently hedge risk in the context of a particular financing or the overall asset/liability management of the SFPUC’s balance sheets for its respective enterprises.

- c. To ensure flexibility in meeting overall financing objectives.
- d. To generate increased net investment return.

II. Derivative Approval Process

- a. Commission approval - The Commission, prior to SFPUC entering into a derivative product, shall approve the transaction. If a proposed derivative product meets the objectives of the SFPUC as described herein, SFPUC shall provide to the Commission for their review and approval, an analysis and evaluation of the proposal including all risk factors indicated below.
 - i. Risk/benefit analysis – Identification and evaluation of proposed benefit and potential risks and any mitigations thereto. Such potential risks shall include:
 - 1. Counterparty Credit Risk – Risk of credit-worthiness of the counterparty. Mitigation is to include provisions in the documents that protect SFPUC from exposure to adverse changes in counterparty’s credit standing.
 - 2. Market or interest rate risk – Risk of exposure to fluctuations in interest rates.
 - 3. Tax law risk – Risk of rate adjustments, extraordinary payments, termination or other adverse consequences in the event of a future change in federal income tax policy.
 - 4. Termination risk – Risk of termination by the counterparty in an adverse market (other than at the option of the SFPUC). Mitigation is the maintenance of sufficient liquidity to cover this exposure.
 - 5. “Put” risk – Risk of a future financing that is dependent upon third party participation. Mitigation is to obtain commitment that can be or have been secured for such participation.
 - 6. Legal authority risk – Risk of removal of any party’s legal authority to participate in the transaction.
 - 7. Ratings Risk – Risk that the transaction could impact the SFPUC’s current credit ratings or its desired future ratings and that the transaction could conflict with rating agency recommended practices today or in the future.
 - 8. Basis Risk – Risk that the payments that SFPUC would make or receive would not match the payments that it seeks to hedge because of changes in relationships between floating rates.
 - 9. Tax-exemption of SFPUC Debt Risk – Risk that the transaction is not in compliance with all federal tax law requirements with respect to the SFPUC’s outstanding tax-exempt bonds.
 - 10. Volatility Risk – The change of the mark-to-market value of a transaction resulting from a change in implied volatility.
 - 11. Accounting Risk – Risk that the transaction is not compatible with internal accounting procedures and reporting practices. Related risk is the impact on SFPUC’s rate covenant calculation or compliance.
 - 12. Administrative Risk – Risk of counterparty’s or SFPUC’s failure to administer and monitor transactions consistent with the policies herein.
 - 13. Subsequent Business Conditions – Risk of dependence on the continuation or realization of specific industry or business conditions.
 - ii. Savings Analysis – Independent analysis of potential savings from proposed transaction.

- iii. Rate Exposure – Fixed versus variable rate and swap exposure on a project and for a counterparty before and after proposed transaction.
 - iv. Market Net Termination Exposure – Termination exposure on a per transaction and per counterparty basis for all existing and proposed transactions.
 - v. Notional Value – Total notional value of derivative products before and after proposed transaction.
 - b. Board of Supervisors Approval – When required, Board of Supervisors approval may be required.
- III. Inappropriate Use of Derivative Products – SFPUC shall never enter into a derivative transaction for the following purposes or if certain conditions exist.
 - a. For speculative purposes, including potential trading gains.
 - b. To achieve extraordinary leverage.
 - c. If liquidity is insufficient to protect against early termination.
 - d. Insufficient price “transparency” wherein SFPUC is unable to reasonably value the instrument.
- IV. Methods of Soliciting and Procuring Derivatives – Regardless of the method of procurement, the SFPUC shall obtain an independent finding that the terms and conditions of any derivative product entered into reflect a fair market value as of the date of its execution.
 - a. Competitive – SFPUC would pre-qualify prospective bidders and reserve the right to select one or more bidders for the transaction in addition to the winning bidder if deemed in SFPUC’s best interest.
 - b. Negotiated – SFPUC may determine that negotiating a transaction is in its best interest if:
 - i. Due to size or complexity of the transaction, a negotiated process would result in the most favorable pricing or terms in which case an independent financial advisor would be assigned to assist in the process.
 - ii. Doing so will advance SFPUC’s interests by encouraging and rewarding innovation and/or the substantial commitment of time and resources by a counterparty.
- V. Counterparty Requirements
 - a. Minimum rating – At least one Aa3 or AA- from two rating agencies.
 - b. Minimum capitalization – \$250 million or credit enhancement in one of the following forms:
 - i. Contingent credit support or enhancement.
 - ii. Collateral held by a 3rd party trustee and marked to market monthly.
 - iii. Ratings downgrade triggers.
 - c. Demonstrated record –
 - i. Successful track record and reputation for executing and performing derivative transactions.
 - ii. Creating and implementing innovative ideas in the derivative market.
- VI. Standard Terms for Swaps and Derivatives
 - a. Term – Consistent with the purpose for which the derivative product is used while taking into account the call dates for the related debt or obligation. In no event shall the term extend beyond the existing debt (or other obligation being hedged).
 - b. Events of default – An event of default by the counterparty shall lead to SFPUC having the option to terminate the agreement with the termination payment

being calculated on the side of the bid-offered spread most beneficial to SFPUC. Events of default of a counterparty include:

- i. Failure to make payment when due.
- ii. Material breach of representations and warranties.
- iii. Failure to comply with downgrade provisions.
- iv. Failure to comply with any other provision of the agreement after a specified notice period.

c. Termination provisions

- i. Optional – All derivative transactions shall contain provisions granting the SFPUC the right to optionally terminate an agreement at any time over the term of the agreement.
- ii. Mandatory – A termination payment to or from the SFPUC may be required in the event of termination of an agreement ONLY in the case of credit-related and non-payment events. Prior to entering into an agreement or making any such termination payment, as appropriate, SFPUC shall evaluate whether it would be financially advantageous for the SFPUC to enter into a replacement transaction as a means of offsetting any such termination payment or obtaining insurance to guarantee performance of the counterparty. Any termination payment due from the SFPUC shall be made from available SFPUC monies.
- iii. Available liquidity - SFPUC shall consider the extent of the SFPUC's exposure to termination payment liability in connection with each transaction, and the availability of sufficient liquidity to make any such payments that may become due.
- iv. Cure provisions - Timelines on SFPUC's obligations to cure must provide for adequate time to affect the cure.
- v. Payment - Payments may be structured on a monthly, quarterly, semi-annual or annual basis.
- vi. Security – The agreement shall identify the security attributable to the derivative.

vii. Collateral -

1. Required - The SFPUC shall require collateral or other credit enhancement to be posted by each counterparty if the credit rating of the counterparty or its guarantor falls below the "AA" category by two of the three nationally recognized rating agencies (Moody's, Standard & Poor's and Fitch).

2. Value –

- a. The amount of collateral posted shall be equal to the positive termination value of the agreement to the SFPUC.
- b. SFPUC will determine reasonable threshold limits for the initial deposit and for increments of collateral posted thereafter.

3. Features of Collateral –

- a. Cash, U.S. Treasury securities and U.S. Agency securities. The market value of the collateral shall be determined on at least a monthly basis.
- b. Deposited with a custodian, acting as agent for the SFPUC, or as mutually agreed upon between the SFPUC and the counterparty.
- c. The SFPUC shall determine on a case-by-case basis whether other forms of collateral are more beneficial to the SFPUC.

VII. Monitoring and Reporting - SFPUC shall report to the Commission at least annually and as requested

a. Agreements –

- i. A summary of each swap agreement, including but not limited to: the type of swap; the rates and dollar amounts paid by the SFPUC and received by the SFPUC; the rate and amounts that were required to be paid and received; and current market value.
- ii. Highlights of all material changes to the agreements or new agreements since the last report.
- iii. Sensitivity analysis with net impact to the SFPUC of a 25 basis point movement (up or down) in the appropriate swap index or curve.
- iv. Actual collateral posting by each counterparty, if any, under each agreement and in total by that counterparty.
- v. Information concerning any default by a counterparty under a swap agreement with the SFPUC, and the results of the default, including but not limited to the financial impact to the SFPUC, if any.
- vi. A summary of any agreements that were terminated.
- vii. A summary of key terms of outstanding agreements, including notional amounts, interest rates, maturity and method of procurement.
- viii. Values of early termination, shortening or lengthening the term to certain benchmarks, sale or purchase of options.
- ix. Discussion of other risks associated with each transaction.

b. Counterparties –

- i. Full name, description and credit ratings of each counterparty and credit enhancer insuring payments, if any.
 - ii. For each counterparty, the SFPUC shall provide the total notional amount position, the average life of each agreement, the available capacity to enter into a transaction, and the remaining term of each agreement.
 - iii. Listing of any credit enhancement, liquidity facility or reserves and accounting of all costs and expenses associated with the credit enhancement, liquidity facility or reserves.
 - iv. Aggregate marked to market value for each counterparty and relative exposure compared to other counterparties.
 - v. Calculation of SFPUC's net termination exposure for each counterparty.
- c. Future transactions - A summary of any planned transactions and the projected impact of such transactions on the SFPUC.

VIII. Payments

- a. Budgeting - Termination payment risk shall be determined annually and offset by a hedge or reserve to a predetermined limit.
- b. Priority of payment –
 - i. Swap payments - no greater than parity with obligation being hedged
 - ii. Termination payments – If economically feasible, subordinate to related debt payments
- c. Swap counterparty termination exposure limit –
 - i. AAA Counterparties: \$40 million maximum collateralized net termination exposure; \$40 million maximum uncollateralized net termination exposure; \$40 million maximum total net termination exposure

- ii. AA Counterparties: \$40 million maximum collateralized net termination exposure; \$10 million maximum uncollateralized net termination exposure; \$40 million maximum total net termination exposure
- iii. Disclosure and documentation –
 - 1. Disclosure - Derivatives will be disclosed in the related Official Statement, if relevant, and in the SFPUC's annual financial statements in accordance with generally accepted accounting principles and in the Annual Disclosure Report.
 - 2. Documentation – Each transaction must utilize International Swaps and Derivative Association approved documents.

Summary of Disclosure Requirements as of February 2013

ISSUE	SOURCE DOCUMENT	DISCLOSURE OBLIGATION	RECIPIENT	DUE
<ul style="list-style-type: none"> •All Water Bonds •All Wastewater Bonds 	<ul style="list-style-type: none"> •Indenture •Section 6.07 •Section 6.08 	<ul style="list-style-type: none"> •Audited Financials •No Default Certificate •Annual Budget 	Trustee Bondholder	<ul style="list-style-type: none"> • Water November 30 • Wastewater January 30
<ul style="list-style-type: none"> •All Water Bonds •All Wastewater Bonds 	Continuing Disclosure Certificates	Annual Disclosure Report <i>Include for Water:</i> <ul style="list-style-type: none"> •audited financials •outstanding debt •obligations payable from revenues •water sales •rate increases •historical financials/coverage •WSIP budget and spending summary •status of WSIP projects <i>Include for Wastewater:</i> <ul style="list-style-type: none"> •audited financials •outstanding debt •sewer rates •sewer accounts by type •historical financials/coverage 	EMMA, SFPUC Financial Management, CCSF Senior Managers	March 31
<ul style="list-style-type: none"> •All Water Bonds •All Wastewater Bonds •Water and Wastewater CP 	Moody's Credit Report	Annual financial and statistical information for Water and Wastewater	Moody's Rating Analyst	Annually
<ul style="list-style-type: none"> •All Water Bonds •All Wastewater Bonds •Water and Wastewater CP 	Standard & Poor's Credit Report	Annual audits and budgets and quarterly progress reports on projects for Water and Wastewater	S&P Rating Services	Annually
<ul style="list-style-type: none"> •Water 2006A •Water 2006B 	Indenture Section 5.03	WSIP Quarterly Report	Trustee	September 30
<ul style="list-style-type: none"> •Water 2006B •Water 2006C 	Financial Guaranty Agreement(s) Section 2.06 (a)-(c)	<ul style="list-style-type: none"> •Quarterly financials (if available) •Audited financials •Compliance Certificate 	Syncora Guarantee, fka XL Capital (Surety)	<ul style="list-style-type: none"> •w/in 90 days •w/in 180 days •Annually
Water Commercial Paper	Letter of Credit Agreement Section 5.02	<ul style="list-style-type: none"> •Audited Financials •No Default Certificate •Annual Budget 	Bank of America	<ul style="list-style-type: none"> •December 31 •December 31 •45 days from adoption
Water and Wastewater Commercial Paper	Liquidity Facility Agreements Section 7.1	<ul style="list-style-type: none"> •Audited Financials •Annual Budget •Water Bond Final OS 	JP Morgan US Bank Bank of Tokyo Union Bank	<ul style="list-style-type: none"> •December 31 •December 31 •w/in 10 days
Water and Wastewater Commercial Paper	Dealer Agreement Section 8	<ul style="list-style-type: none"> •Annual Disclosure Report for Water •Water Bond Final OS 	Dealers	<ul style="list-style-type: none"> •March 31 •w/in 30 days
<ul style="list-style-type: none"> •Clean Renewable Energy Bonds (CREBs) •Qualified Energy Conservations Bonds (QECBs) 	Master Lease/Purchase Agreement Section 2.01(g)	<ul style="list-style-type: none"> •Audited financials •Annual budget 	Bank of America	<ul style="list-style-type: none"> •March 31 •Annually

SFPUC Arbitrage/Rebate Tax Compliance Policy

The SFPUC will bear primary responsibility for all ongoing tax compliance matters relating to the obligations (referred to herein as the “Bonds”) issued by the SFPUC and subject to the terms of these Policies. The person(s) who hold the following title(s) shall be responsible for monitoring ongoing tax compliance matters relating to the Bonds, including compliance with the arbitrage rebate requirements of Section 148 of the Code, as set forth in these Procedures, which are intended to satisfy Section 7.2.3.4.4 of the Internal Revenue Manual: [Chief Financial Officer (“CFO”)]

- I. External Advisors/Documentation
 - a. The CFO, to the extent necessary, will consult with bond counsel and other legal counsel and advisors following issuance of the Bonds to ensure that all applicable post-issuance requirements in fact are met. Such consultation will include, without limitation, questions about future contracts with respect to the use of Bond-financed or refinanced assets.
 - b. The CFO will from time to time engage expert advisors (each a “Rebate Service Provider”) to assist in the calculation of arbitrage rebate payable in respect of the investment of Bond proceeds as required under the Code.
 - c. The CFO shall prepare (or cause to be prepared) regular, periodic statements regarding the investments and transactions involving Bond proceeds and such statements shall be delivered to the Issuer if it so requests.
- II. Arbitrage Rebate and Yield – In connection with Bonds subject to these Policies the CFO shall be responsible for:
 - a. Engaging the services of a Rebate Service Provider and, prior to each rebate calculation date, causing the trustee or other account holder to deliver periodic statements concerning the investment of Bond proceeds to the Rebate Service Provider;
 - b. Providing to the Rebate Service Provider additional documents and information reasonably requested by the Rebate Service Provider;
 - c. Monitoring efforts of the Rebate Service Provider;
 - d. Assuring payment of required rebate amounts, if any, no later than 60 days after each 5-year anniversary of the issue date of the Bonds, and no later than 60 days after the last Bond of each issue is redeemed;
 - e. During the construction period of each capital project financed in whole or in part by Bonds, monitoring the investment and expenditure of Bond proceeds and consult with the Rebate Service Provider to determine compliance with any applicable exceptions from the arbitrage rebate requirements during each 6-month spending period up to 6 months, 18 months or 24 months, as applicable, following the issue date of the Bonds; and
 - f. Retaining copies of all arbitrage reports and account statements as described below under “Record Keeping Requirements” and, upon request, providing such copies to the Issuer.
- III. Use of Bond Proceeds and Bond-Financed or Refinanced Assets – The CFO, together with applicable City departments, shall be responsible for:

- a. Monitoring the use of Bond proceeds and the use of Bond-financed or refinanced assets (e.g., facilities, furnishings or equipment) throughout the term of the Bonds to ensure compliance with covenants and restrictions set forth in any tax agreement relating to the Bonds;
- b. Maintaining records identifying the assets or portion of assets that are financed or refinanced with proceeds of each issue of Bonds, including a final allocation of Bond proceeds as described below under "Record Keeping Requirements";
- c. Consulting with bond counsel and other legal counsel and advisers in the review of any contracts or arrangements involving use of Bond-financed or refinanced assets to ensure compliance with all covenants and restrictions set forth in the Tax Agreement relating to the Bonds;
- d. Maintaining records for any contracts or arrangements involving the use of Bond-financed or refinanced assets as described below under "Record Keeping Requirements";
- e. Conferring at least annually with personnel responsible for Bond-financed or refinanced assets to identify and discussing any existing or planned use of Bond-financed or refinanced assets, to ensure that those uses are consistent with all covenants and restrictions set forth in the Tax Agreement relating to the Bonds; and
- f. To the extent that the Borrower discovers that any applicable tax restrictions regarding use of Bond proceeds and Bond-financed or refinanced assets will or may be violated, consulting promptly with bond counsel and other legal counsel and advisers to determine a course of action to remediate all nonqualified bonds, if such counsel advises that a remedial action is necessary.

IV. Record Keeping – The CFO shall be responsible for maintaining the following documents for the term of each issue of Bonds (including refunding Bonds, if any) plus at least three years:

- a. A copy of the Bond closing transcript(s) and other relevant documentation delivered to the City at or in connection with closing of the issue of Bonds, including any elections made by the City in connection therewith;
- b. A copy of all material documents relating to capital expenditures financed or refinanced by Bond proceeds, including (without limitation) construction contracts, purchase orders, invoices, trustee requisitions and payment records, draw requests for Bond proceeds and evidence as to the amount and date for each draw down of Bond proceeds, as well as documents relating to costs paid or reimbursed with Bond proceeds and records identifying the assets or portion of assets that are financed or refinanced with Bond proceeds, including a final allocation of Bond proceeds;
- c. A copy of all contracts and arrangements involving the use of Bond-financed or refinanced assets; and
- d. A copy of all records of investments, investment agreements, arbitrage reports and underlying documents, including trustee statements, in connection with any investment agreements, and copies of all bidding documents, if any.

SFPUC Direct Pay Bond Compliance Policy

This policy establishes procedures to ensure the San Francisco Public Utilities Commission (the SFPUC) complies with rules and regulations relating to Direct Pay Bonds, including Build America Bonds (“BABs”) authorized under the American Recovery and Reinvestment Act. These procedures shall be reviewed and modified from time to time.

V. Pre-Issuance

- a. The SFPUC will establish, prior to settlement of the Bonds, separate and discreet accounting codes for the following funds and accounts of the Bonds:
 - i. Project Fund
 - ii. Debt Service Fund
 - iii. Debt Service Reserve Fund
 - iv. Capitalized Interest Account
 - v. Cost of Issuance Fund
- b. The SFPUC will, in consultation with bond counsel engaged on the transaction and the City Attorney, determine the expected placed-in-service dates of capital improvements to be financed with Bonds. Placed-in-service date considerations shall be as follows:
 - i. Placed-in-service dates will be estimated conservatively, with the early project completion date for any financed project used in formulating capitalized interest on the Bonds, to the extent capitalized interest is necessary, desirable and permissible.
 - ii. The SFPUC's financial advisor(s) will use the above-information regarding placed in service dates to structure debt service on the Bonds and will provide detailed analyses of the methods and assumptions employed in determining the amount and duration of capitalized interest, if any.
 - iii. The SFPUC, the City Attorney and the SFPUC's financial advisor(s) will present the analyses to bond counsel engaged on the transaction for tax compliance review and approval.
- c. In coordination with its financing team, the SFPUC shall instruct bond counsel to draft an “Underwriter's Certificate” or “Purchase Price Certificate” or other appropriate document (singularly or collectively, “Underwriter's Certificate”) to be included with the Bid Form or Notice of Sale, clearly setting forth the SFPUC's requirements for and expectations of a bona fide public offering of the Bonds and establishment of the “issue price” of the Bonds.
- d. To the extent necessary and required, the SFPUC will coordinate with the SFPUC's financing team to ensure that all notices, bid forms and other documentation as may be necessary, clearly state limiting parameters relating to costs of issuance, capitalized interest, underwriters' discount, initial offering price and bona fide public offering for the Bonds.

VI. Date of Issuance

- a. The SFPUC will coordinate with its financing team and the underwriter of the Bonds for receipt of the Underwriter's Certificate attesting to the bona fide

public offering and establishment of the "issue price" of the Bonds. The SFPUC shall rely on this certificate for purposes of complying with section 54AA(d)(2)(C) of the Code.

- b. In coordination with its financial advisor(s), the SFPUC will determine that the underwriter has complied with all terms and provisions of the bond offering, including:
 - i. Minimum and maximum bid and price parameters;
 - ii. Permissible costs of issuance, including underwriters' discount, at or below 2% of the par amount of Bonds.
- c. The SFPUC will receive from its financial advisor(s) and/or bond counsel, a computation of initial offering price for each maturity of the Bonds. Such computation shall include the maximum price Bonds may be sold to the public without violation of the de minimis premium limitation.

VII. Post-Issuance

- a. Beginning on the sale date and continuing until the settlement date, the SFPUC in coordination with its financial advisor(s) will track the secondary market prices of its Bonds to determine that the underwriter has complied with the provisions of the Underwriter's Certificate.
 - i. All secondary market trades of the newly issued BABs as reported on EMMA (or other publicly available records and records) will be noted and kept in a file, in hard copy or in electronic form.
 - ii. The SFPUC in coordination with its financial advisor(s) will track the principal amount and dollar price of all trades to determine if and when at least the first 10% of each maturity of Bonds has been sold to the general public at or below the initial offering price.
 - iii. The SFPUC may cancel its sale or otherwise refuse to settle the Bonds if it determines that the underwriter is in violation of any provision of the Underwriter's Certificate or is otherwise unable to provide bond counsel with a sufficient certification as to the establishment of the "issue price" of the Bonds.
- b. Immediately after issuance of the Bonds, the SFPUC and the City Attorney will meet with project staff and accounting staff to brief them on the federal tax rules and requirements regarding investment (including rebate), expenditure and recordkeeping relating to the Bonds (including BABs). All BABs proceeds, other than moneys in a reasonably required reserve fund, if any, or used to pay costs of issuance, must be spent on capital expenditures.
- c. At least on a quarterly basis following the issuance of the Bonds, the SFPUC and the City Attorney shall review expenditures made with proceeds relating to BABs from the bond-related funds and accounts held with the Trustee and the City Treasurer to ensure compliance with all spend-down rules. Such review shall continue until all proceeds have been spent, after which no further reviews shall be necessary. If the SFPUC and the City Attorney determine that any violations of the Tax have occurred, such violations will be remedied through the "remedial action" regulations (Treas. Reg. Section 1.141-12) or the Voluntary Closing Agreement Program (VCAP) described in IRS Notice 2008-31 (or successor guidance). If any changes to the terms or provisions of Bonds are contemplated, the SFPUC and the City Attorney will consult bond counsel.

- d. Immediately after issuance of any Bonds, the SFPUC shall engage a nationally-recognized arbitrage rebate consultant for purposes of complying with arbitrage restrictions on all issuances of the Bonds.
- e. Quarterly, semi-annually or annually, as appropriate, the SFPUC shall confirm that investment earnings on all BABs-related funds and accounts are properly transferred to the Project Fund and spent on eligible capital projects. The Controller's Office will reconcile balances recorded by project accountants.
- f. Not sooner than 90 days nor later than 45 days prior to each interest payment date on BABs, the SFPUC shall, in cooperation with the Trustee on the Bonds, BABs calculation agent, and other relevant parties, as applicable and necessary, calculate the amount of interest coming due on the immediately pending interest payment date and determine the amount of the refundable credit then due for inclusion on IRS Form 8038-CP for submittal to the US Treasury.
- g. The SFPUC will coordinate with the Trustee on the Bonds, BABs calculation agent, and other relevant parties, as applicable and necessary, for completion and submittal of each IRS Form 8038-CP.
 - i. The SFPUC shall cause the Trustee on the Bonds, BABs calculation agent, City departments, and other relevant parties, as applicable and necessary, to prepare the appropriate forms (including the IRS Form 8038-CP), which shall be signed by an appropriate officer of the SFPUC.
 - ii. The City Treasurer or his designee or the Trustee on the Bonds, as applicable, shall be the recipient of the refundable credit for deposit to the debt service fund of the appropriate series of the SFPUC's BABs.
- h. No later than 15 days before each interest payment date, the SFPUC will coordinate with the Trustee on the Bonds, BABs calculation agent, and other relevant parties, as applicable and necessary, to confirm that the interest subsidy payment has been received and will be applied in compliance with the Tax Code for BABs.
 - i. In the event that a partial interest subsidy payment or no interest subsidy payment is received, the SFPUC will coordinate with the Trustee on the Bonds, BABs calculation agent, and other relevant parties, as applicable and necessary, to
 - 1. determine the cause of the partial payment or no payment
 - 2. resolve disagreements, disputes, etc. with the IRS and/or US Treasury.
 - ii. In the event that a partial interest subsidy payment or no interest subsidy payment is received, the SFPUC will coordinate with the Trustee on the Bonds, BABs calculation agent, and other relevant parties, as applicable and necessary, to budget the gross amount of interest due on the Bonds in the applicable fiscal year until the full amount of interest subsidy payments are received.
- i. The SFPUC will create a monitoring record that tracks compliance with all applicable provisions of the Tax Code for BABs.
- j. The SFPUC will maintain a copy of each Form 8038-CP that is submitted. In addition, the SFPUC will maintain copies of all relevant documents and records sufficient to support that the tax requirements relating to BABs have been satisfied, including the following: closing transcript; all records of investments, arbitrage reports, returns filed with the IRS and underlying documents;

construction contracts, purchase orders, invoices and payment records; documents relating to costs reimbursed with bond proceeds; all contracts and arrangements involving private business use of the bond-financed property; all reports relating to the allocation of bond proceeds and private business use of bond-financed property; and itemization of property financed with bond proceeds. Records may be kept in any combination of paper or electronic form.

- k. The SFPUC will confirm that no more than two percent (2%) of the proceeds of any issue of BABs will be used for costs of issuance.

Appendix F – FY 2011-16 Strategic Sustainability Plan Performance Results

Our Strategic Sustainability Plan is a system for planning, managing, and evaluating SFPUC-wide performance that takes into account the long term economic, environmental and social impacts of our business activities.

Our reports reflect the feedback we’ve received over time from six sustainability categories: Customers, Community, Environment & Natural Resources, Government & Management, Infrastructure & Assets, and Workplace.

Performance Evaluation and Scoring Methodology

Normalizing Performance Data

To facilitate evaluation and benchmarking, we have normalized data where appropriate. Normalizing data refers to the process of representing data against a driver or strongest determinant or correlator of performance.

For example, the amount of water distributed by the SFPUC is a driver that has a direct impact on the energy use of the organization. Thus, when looking at efficiency measures, for instance, data can be presented as energy use per million gallons of water delivered. Normalizing data enables trends to be seen over time as they hold the variable operating factors constant.

Performance Scale and Scoring

To score its annual performance, SFPUC uses a performance scale developed for its Sustainability Baseline Assessment. Because data collection for each sustainability performance indicator can result in a variety of quantitative and qualitative forms, we developed a performance scale to enable a more consistent, methodical approach to data analysis and assessment.

The following figure shows that each indicator is scored using an ordinal scale from 1 to 5, indicating progressive levels of performance. Each score represents the following:

SCORING CRITERIA		Strategic Sustainability Performance Scoring				
		1	2	3	4	5
Impact		Negative impact		No impact / Average	Positive impact	Significantly Positive Impact
Performance	Via Peers (/Via Self)	Doesn't meet requirements		Meets requirements	Exceeds requirements	Significantly exceeds requirements
	Baseline	Baseline data with no benchmark(s) with score 3				
Practice		Doesn't meet best practice		Meets best practice	Exceeds best practice	Leads best practice

Note that the term “average” reflects a score of 3. In this report, “average” does not refer to an industry average, but rather to average performance levels based on this relative scale from 1 to 5. When describing performance levels, therefore, SFPUC may use the phrase “below average” for scores less than 3 and the phrase “above average” for scores above 3.

For a qualitative indicator that requires a subjective evaluation of performance, SFPUC assumes that enough information is available to provide a basis for an assessment and score. An example is the following: GM1.4 “Management is held accountable for project and division performance through audits and performance reports”. In this example, we compare and benchmark against the previous year’s performance to determine whether there has been an improvement in performance toward the objective to drive accountability and transparency.

In a case where SFPUC is assessing data for the first time or for which there is no appropriate industry standard or existing trend data, we use this initial data to establish a baseline. As we have in the past, we typically assign the result a neutral score of 3 with the expectation that in future years the SFPUC can use the results to determine if performance is improving from the baseline year.

Sample of FY 2012-14 Actual Performance Data

The following is a sample of our Fiscal Year 2012-14 performance data. Complete results, analyses, evaluation, benchmarking and scores, including our one-page performance profile, are posted on our website at www.sfwater.org/sustainability.

Customers (CR)

Performance Measure	FY2011-12 Actual Data	FY2012-13 Actual Data	FY2013-14 Actual Data
Customers			
CR1.1: Percent of retail customers surveyed that rate SFPUC as good or better	83%	85%	85%
CR1.2: Average Wholesale Customer Satisfaction (1 to 5 scale)	4.5	4.5	4.6
CR3.1 Billing Accuracy (billing errors per 10,000 completed for Water and Wastewater combined, and billing errors for Power for which 100% of (primarily municipal) accounts are reviewed prior to billing)	16 errors	13 errors	8 errors
CR 3.3: Percent of customers that are metered:	100%	100%	100%
a. Wholesale water:			
b. Retail water:	100%	100%	100%
c. Power:	91%	91%	91%
CR 3.4: Water meter reading accuracy (number of errors per 1,000 reads)	1.31	1.07	0.64
CR5.1: Average residential water, wastewater, and power bill as a percent of median income in San Francisco :	0.69%	0.55%	0.59%
1) Water:			
Wastewater:	0.49%	0.72%	0.77%
Power:	1.00%	0.64%	0.67%
2) Water & Wastewater:	1.18%	1.27%	1.36%
3) Water, Wastewater, & Power:	2.18%	1.91%	2.03%
CR6.3: Percent of rate and fee structure that reflects cost of service:	100%	100%	100%
a. Water:			
b. Wastewater:	100%	100%	100%
c. Power:	55%	78%	70%
CR 6.4: Percent retail rate and fee structure that encourages conservation and is designed to reduce peak demands on the system:	58%	100%	100%
a. Water:			
b. Wastewater:	100%	100%	100%
c. Power:	1%	100%	100%

Community (CY)

Performance Measure	FY2011-12 Actual Data	FY2012-13 Actual Data	FY2013-14 Actual Data
Community			
CY 3.1: Percent of labor hours worked by Service Territory Residents covered by the WSIP Project Labor Agreement: a. Percent labor hours worked by SFPUC Service Territory Residents as percent of all hours worked	51%	50%	48.10%
b. Percent apprentice labor hours worked by Service Territory Residents Apprentices as a percent of all Apprentice hours worked	78%	75%	72.50%
CY3.2: Percent of labor hours worked by local residents on SFPUC construction projects covered by the City's Local Hiring Ordinance: a. Labor hours worked by local residents as percent of all hours worked	N/A	FY11-12 March to March Ordinance Requirement: 20%: 36% FY12-13 March to March Ordinance Requirement : 25%: 29%	FY11-12 March to March Ordinance Requirement: 20%: 37% FY12-13 March to March Ordinance Requirement : 25%: 39%
b. Labor hours worked by local resident apprentices as a percent of all apprentice hours worked.	N/A	FY11-12 March to March Ordinance Requirement: 50%: 80% FY12-13 March to March Ordinance Requirement : 50%: 72%	FY11-12 March to March Ordinance Requirement: 50%: 80% FY12-13 March to March Ordinance Requirement : 50%: 68%
CY 4.1: Stakeholder Access/Exchange: b. Percent of projects for which engagement is timely, effective, and for which stakeholder feedback is included in early input (i.e. at design or other early planning stage):	100%	100%	100%

Environment & Natural Resources (EN)

Performance Measure	FY2011-12 Actual Data	FY2012-13 Actual Data	FY2013-14 Actual Data
Environment & Natural Resources			
EN 6.1: Total amount of water delivered/sold to customers:	89.59 gpcd	87.75 gpcd	Data not available
a. Total amount of water delivered to retail customers (gpcd):			
b. Total amount of water sold to San Francisco residential customers (gpcd):	50.29 gpcd	48.94 gpcd	48.82 gpcd
c. Total amount of water delivered to wholesale customers (mgd):	144.4 mgd	147.9 mgd	Data not available
d. Total City and suburban water demand (mgd):	77.8 mgd	77.2 mgd	Data not available
EN8.2: Percent of total water supplied by alternative sources to retail customers	3%	3.40%	Data not available
EN9.4: Percent sewage sludge going to beneficial reuse	100%	100%	100%
EN10.1 Number of unauthorized discharges from the combined sewer system	0 discharges	0 discharges	5 discharges
EN 10.2: Percent annual wet and dry weather flow treated before discharged per year (by level of quality)	100%	100%	100%
EN12.1: Quantify energy use by City municipal buildings and streetlights	77.53 kBTU/sq.ft	74.74 kBTU/sq.ft	73.09 kBTU/sq.ft
a. Total Calendar year energy use intensity for municipal buildings (kBTU/sq. ft.):			
b. Average monthly electricity used per SFPUC street light (in kWh):	52 kWh	57 kWh	51.67 kWh
EN12.2: Quantify Reductions in Customer Electricity and Gas Consumption:	639 kW	282 kW	276 kW
a. Annual Peak Load Reduction (kW):			
b. Total Electricity Reduction Achieved by Customers (MWh):	639 MWh	3140 MWh	2686 MWh
c. Total Gas Reduction Achieved by Customers (therms):	639 therms	543493 therms	1823225 therms
EN 13.2: Percent of electricity supplied from GHG-emissions-free and/or renewable sources:	100%	100%	100%
a. Percent of electricity supplied to retail and municipal customers that is GHG-free and/or renewables shown on the SFPUC's Power Content Label			
b. Percent of GHG-free and/or renewable electricity sold to all customers (wholesale and retail)	97.60%	95.60%	97.30%

Performance Measure	FY2011-12 Actual Data	FY2012-13 Actual Data	FY2013-14 Actual Data
Environment & Natural Resources			
EN16.1: Annual greenhouse gas (GHG) emissions due to: a. SFPUC's electricity and/or natural gas consumption for provision of all SFPUC services:	3430.25 GHG	2581.41 GHG	2506 GHG
b. SFPUC's fleet fuel consumption :	5296.24 GHG	4976.46 GHG	5223 GHG
EN16.3: NOx, SOx air emissions by weight :	234 lbs.	0 lbs.	0 lbs.
a. Electricity Purchased:			
b. Natural Gas:	523 lbs.	1990 lbs.	3529 lbs.
c. Total Emissions:	757 lbs.	1990 lbs.	3529 lbs.
EN17.1: Direct energy consumption broken down by source= Energy Intensity (EI metric):			
a. Water Delivered (In-City Retail Water):	1.05 MWh/MG	1.14 MWh/MG	1.13 MWh/MG
b. Water Delivered (Regional Water System):	0.48 MWh/MG	0.45 MWh/MG	0.46 MWh/MG
c. Wastewater Treated:	2.14 MWh/MG	2.1 MWh/MG	2.2 MWh/MG
EN17.3: Advance and measure SFPUC IT energy efficiencies and IT energy use reductions:	100%	100%	100%
a. Percent of laptops, desktops and monitors that meet the EPEAT Gold standard:			
b. Percent of printers and servers that meet the Climate Savers Computing Base standard:	95%	95%	95%
EN 19.2: Percent of waste diverted from landfill using three SFPUC San Francisco locations. (excludes biosolids, construction and industrial waste)	76.33% average	N/A KPI revision	64%

Government & Management (GM)

Performance Measure	FY2011-12 Actual Data	FY2012-13 Actual Data	FY2013-14 Actual Data
Government & Management			
GM1.1: Percent of Current Services meeting level of service goals a. Water : 1)Percent of Deliveries met in drought years (water supply) 2)Percent of Deliveries met after Seismic events	1) 100% 2) 50%	1) 100% 2) 17%	1) 100% (see note) 2) 20%
b. Wastewater: 1) Number of odor complaints from neighbors adjacent to operating facilities (SEP, Oceanside, Channel Pump Station) 2) Miles of sewer lines inspected	1) 5 odor complaints 2) 125 miles	1) 9 odor complaints 2) 130 miles	1) 3 odor complaints 2) 90 miles
c. Power: Percentage of outages repaired in less than 4 hours	N/A	N/A	100%
GM 1.2: Quantify compliance with regulatory requirements: a. Incidents of, and fines or non-monetary sanctions for non-compliance with applicable laws and regulations	3 incidents	0 incidents	2 incidents
b. Drinking water quality compliance rate (percent days in full compliance with drinking water standards)	100%	100%	100%
GM1.4: Management is held accountable for project and division performance through audits and performance reports 1) Number of audits completed 2)Number of clean audits with no findings 3)Number of findings or recommendations implemented from all prior audits within: Within 6 months Within 12 months Within 18 months 4) Number of findings not implemented	1) 23 2) 24 3) within: 6 mos.: 27 12 mos.: 15 18 mos.: 13 4) 15	1) 22 2) 5 3) within: 6 mos.: 44 12 mos.: 4 18 mos.: 2 4) 33	1) 17 2) 5 3) within: 6 mos.: 0 12 mos.: 15 18 mos.: 6 4) 142

Performance Measure	FY2011-12 Actual Data	FY2012-13 Actual Data	FY2013-14 Actual Data
Government & Management			
GM 2.1: Credit rating for:	S&P: AA-	S&P: AA-	S&P: AA-
a. Water:	Moody's: Aa3	Moody's: Aa3	Moody's: Aa3
b. Wastewater:	S&P: AA-	S&P: AA-	S&P: AA-
	Moody's: Aa3	Moody's: Aa3	Moody's: Aa3
GM2.2: Operating Cost Coverage (total operational revenues/total operating costs):	1.86	1.52	1.77
a. Water:			
b. Wastewater:	1.68	1.51	1.62
c. Power:	1.47	1.11	1.16
GM2.3: Enterprise Operating Fund Balance is Sufficient to Comply with Fund Balance Reserve Policy:	6.20%	43%	60.60%
1) OFBR as % of Annual Revenue:			
Water:			
Wastewater:	17.60%	30.40%	42.10%
Power:	51.70%	26.10%	16.40%
2) OFBR as % of Annual Expenditures:	11.50%	71.70%	43.80%
Water:			
Wastewater:	29.60%	31.20%	39.80%
Power:	76.10%	21.30%	7.70%
3) Debt Service Coverage Ratio:	1.50	3.50	2.70
Water:			
Wastewater:	3.20	4.30	4.08
Power:	204.30	52.50	27.30
GM3.1: Percent improvement in contracting procedures:	82.90%	56.50%	62%
a. Percent of completion within 45 days from Commission Award to Certification of components of professional service contracts that are within SFPUC control			
b. Percent of completion within 60 days from Commission Award to Certification of components of construction contracts that are within SFPUC control	65%	66%	44%
GM3.2: Percent of professional service firms for which post-project quality and satisfaction reviews have been carried out (does not include construction contracts)	0	65%	55%
GM 3.3: Percent of purchasing decisions that have been screened for compliance with the City's environmentally preferable purchasing ordinance	N/A	95%	100%

Performance Measure	FY2011-12 Actual Data	FY2012-13 Actual Data	FY2013-14 Actual Data
Government & Management			
GM 4.3a: Identify potential climate change risks to the organization and analyze and develop adaption measures that may be needed in the future for water	Completed calibration of hydrologic model HFAM, conducted sensitivity analysis of the effect of various climate change scenarios on stream flow above Hetch Hetchy, and issued subsequent report. The report, entitled "Sensitivity of Upper Tuolumne River Flow to Climate Change Scenarios," was finalized and released in January 2012. At the January 10, 2012 Commission meeting, the Commission received a written and oral summary of report of findings as well. Substantially developed scope of work for a comprehensive assessment of the potential effects of climate change on water supply, and are targeting the scope to be completed and work initiated in FY 12-13. Continue our collaboration and leadership with the Water Utility Climate Alliance (CUWA) for long term sector cooperation on needed research and adaptive strategies.	SFPUC further developed the scope of work for comprehensive assessment of the potential effects of climate change on water supply. This process has been delayed while additional data gathering, advancing scientific capabilities and new knowledge is incorporated into the scope of work. In addition, conversations with potential consulting team have advanced the project's ability to incorporate decision support planning methods into the scope. The Project will be initiated in FY2013-14 and completed late in FY2013-14 or in FY2014-15.	Continued to develop scope of work for comprehensive assessment of the potential effects of climate change on water supply. Adding additional elements to scope, including water supply modeling, consultant roles assisting with overall program and contract management, and incorporation of Sewer System Improvement Program expertise to ensure collaboration between climate change assessment efforts across the SFPUC. Initiation of project was delayed in part due to requirements on the part of Water Enterprise staff to the drought.
GM 4.4: Percent of power supplied vs. forecasted	99%	101%	100%
GM 5.3: Percent of organization integrating Enterprise Risk Management (ERM) into sustainability and operational planning, management, and decision-making. Types of risk can include: strategic, operational, financial, reputational, environmental, political, regulatory and license to operate	18.50%	18.50%	16.90%
GM 6.1: SFPUC-wide strategic security plan in place including annual implementation targets	Contract and task order in place to begin planning work with Consultant CH2MH	20.00%	50.00%
GM 6.2: Emergency drinking water plan in place, and reviewed, updated and tested annually	Contract in place & beginning work with consultant AECOM	100% completed of SFPUC portion of the City's Emergency Drinking Water Plan 75% of the total City Plan is complete	75.00%
GM 6.3: Quantify progress institutionalizing Emergency Operations Plans (EOPs) a. SFPUC EOP in place including required annual review and updates	90.00%	100.00%	100.00%
b. SFPUC Enterprise and Bureau EOPs in place including required annual review and updates to be completed	60.00%	W: 100% WW: being revised P: 10% Finance: 50% all other bureaus: 10%	71.50%

Infrastructure & Assets (IA)

Performance Measure	FY2011-12 Actual Data	FY2012-13 Actual Data	FY2013-14 Actual Data
Infrastructure & Assets			
IA 2.1: Lost time incident rate for procured construction hours	0.7	0.7	0.7
IA2.2: Deviation in Actual vs. Planned Facilities and Project Expenditures (in Million dollars):	19.2	15.3	5
a. WSIP Local:			
b. WSIP Regional:	3.9	122	14
c. SSIP:	0	281	149
d. WWE:	22.7	38.6	19
IA 2.3: Percent of projects completed within the program budget	75%	100%	100%
IA2.4: Percent Deviation in Actual vs. Planned Capital Facilities and Project Schedules:	80.20%	1.20%	0.90%
a. WSIP Local			
b. WSIP Regional	42.70%	6.30%	2.50%
c. WWECIP		12.70%	2%
IA5.1: Preventive Maintenance Ratio for:	80.81%	78.56%	71.57%
a. Water:			
b. Wastewater	38%	50%	40%
IA 5.2: Number of planned and unplanned outages lasting more than 4 hours per 1000 accounts (Water)	N/A	0.00008	a. 0.046% service connections without water for 4 hours or less b. 0.00115% service connections without water for 12 hours or more waiting on data from water
IA5.3: System Renewal and Replacement Rates (in miles):	8 miles	4.82 miles	5.1 miles
a. Water Distribution Mains			
b. Wastewater Pipelines	11.8 miles	13.7 miles	12.75 miles
IA 6.2: Non-revenue water in percent and MGD	9.80%	9.20%	Data not available

WorkPlace (WP)

Performance Measure	FY2011-12 Actual Data	FY2012-13 Actual Data	FY2013-14 Actual Data
Workplace			
WP1.2: Number of Complaints Filed Regarding Equal Opportunity Violations/Discrimination	10 Complaints	12 Complaints	10 Complaints
WP 3.1: Average percent of SFPUC workforce turnover	N/A	5.38%	7.17%
WP 3.2: Percent of satisfaction among current employees surveyed (conduct survey annually)	54.90%	54.90%	N/A (Data for this KPI was not collected in FY13/14.)
WP4.2: Recordable Injury, Lost Time Rates, and Work Related Fatalities (based on previous calendar year): a. Recordable Injury Rate (per 100 employees):	7.9	7.6	6.9
b. Recordable Lost Time Rate (hrs./100 employees)	4.1	3.2	3.5
c. Number of Work-Related Fatalities	0 Fatalities	0 Fatalities	0 Fatalities
WP 5.2: Percent of staff and management surveyed that rate internal communications efforts as good or better a. % employees responding to survey b. % employee breakdown of responses	42.90%	42.90%	N/A (Data for this KPI was not collected in FY13/14.)
WP 6.1: Average number of days to fill vacant position from the date the requisition is issued	178 days	201 days	287 days
WP 7.2: Percent of work force receiving performance reviews on annual basis	63.59%	71%	16.4% (as of 9/19/14)
WP 8.1: Average hours of training per year per employee	16.38 hours	16 hours	11.59 hours
WP9.1: Advance Succession Planning: a. Implement a competency model framework to be populated as the basis for succession preparedness b. Define processes for identification of at-risk positions c. Percent of at-risk positions identified for which populating models finalized	a. 43.35% expected to retire within 5 years. Mapping of at-risk job categories and formal succession planning not completed b. Competency Model consultants selected.	a. 44% of Employees Eligible to Retire within 5 Years. No data (%) provided for which a succession preparedness plan has been developed, including knowledge sharing and transfer, work process and job duties documentation b. Competency model for Stationary Engineers in progress.	a. The competency model framework has been established and a process for populating that framework has been finalized for leadership competencies. b. See FY14-15 target c. See FY15-16 target

Glossary of Terms

Accrual Basis of Accounting

A method of accounting in which all assets and liabilities associated with its operations is included on the statement of net assets; revenues are recorded when earned, and expenses recorded when liabilities are incurred.

American Recovery and Reinvestment Act (ARRA)

The ARRA, or the Stimulus or The Recovery Act, is an economic stimulus package enacted by the United States Congress in February 2009 and signed into law on February 17, 2009, by President Barack Obama. The primary objective for ARRA was to save and create jobs almost immediately; and secondary objectives were to provide temporary relief programs for those most impacted by the recession and invest in infrastructure, education, health, and 'green' energy.

Annual Appropriation Ordinance (AAO)

Upon approval, this document is the legal authority for the City to spend funds during the fiscal year. It contains information on the sources and uses of selected City funds detailed by department and by program. Additional schedules summarize selected City revenues and expenditures by service area, department and fund.

Annualization

New positions for the fiscal year are budgeted at 0.77 FTE, to account for the time it takes to hire a new employee (approximately three months). These new positions are annualized in the following fiscal year at 0.23 FTE, to reflect the annual salary costs.

Assistant General Manager (AGM)

An AGM supports the General Manager of the SFPUC as principal member of the senior management team: Business Services, External Affairs, Infrastructure, Power Enterprise, Water Enterprise, and the Wastewater Enterprise.

Attrition Savings

Attrition savings is the projected amount of permanent salaries that will be saved during a fiscal year due to attrition or employee turnover.

Auxiliary Water Supply System (AWSS)

A system of mains and 1889 High Pressure Fire Hydrants, independent of the domestic water supply built solely for the purpose of firefighting. The system is supplied with fresh water, by gravity, from a reservoir and two tanks located at high elevation in the City.

Balanced Budget

The Constitution of the State of California requires all cities to adopt a balanced budget wherein revenues must match expenditures.

Bay Area Water Supply and Conservation Agency (BAWSCA)

BAWSCA represents the interests of 27 suburban wholesale that purchase water wholesale from the San Francisco regional water system. These entities provide water to 1.7 million people, businesses and community organizations in Alameda, Santa Clara and San Mateo counties.

Board of Supervisors (BOS)

The Board of Supervisors is the legislative branch of the City and County of San Francisco. The Board consists of 11 members. Each member is elected on a non-partisan basis from a district where he or she lives. The Board is responsible for amending and approving the SFPUC's proposed budget. The Board's Budget Analyst also participates in reviews of City spending and financial projections.

Budget and Finance Committee

The Budget and Finance Committee of the Board of Supervisors oversees appropriation ordinances, and measures concerning bond issues, taxes, fees and other revenue measures, redevelopment, and real estate. The Committee also oversees the annual appropriation and annual salary ordinances, and holds a public hearing on the Mayor's budget instructions to City departments for each annual City budget after the instructions are released.

Build America Bonds (BABs)

This is a tax credit or direct payment subsidy bond for municipal capital projects.

Bureau of Economic Analysis (BEA)

The BEA is an agency of the U.S. Department of Commerce, and along with is part of the Department's Economics and Statistics Administration. It produces economic accounts statistics that allow government and business decision makers, researchers, and the American public, to follow and understand the performance of the nation's economy. The BEA collects source data, conducts research and analysis, develops and implements estimation methodologies, and disseminates statistics to the public.

California Building Code (CBC)

The California Building Standards Code is the building code for California, and title 24 of the California Code of Regulations (CCR). It is maintained by the California Building Standards Commission.

California Energy Commission (CEC)

The California Energy Commission has responsibility for activities that include forecasting future energy needs, promoting energy efficiency appliance and building standards, and supporting renewable energy technologies.

California Environmental Quality Act 1970 (CEQA)

The California Environmental Quality Act is a statute that requires state and local agencies to identify the significant environmental impacts of their actions and to avoid or mitigate those impacts, if feasible.

California Public Utilities Commission (CPUC)

The California Public Utilities Commission is an administrative agency that exercises both legislative and judicial powers. The major duties of the CPUC are to regulate privately owned utilities, securing adequate service to the public at rates that are just and reasonable to both customers and shareholders of the utilities. The CPUC also provides electricity and natural gas forecasting, and analysis and planning of energy supply and resources.

Capital Improvement Program (CIP) (Annual CIP)

The Capital Improvement Program is supported by the Ten-Year Capital Plan and Ten-Year Financial Plan. The SFPUC's CIP includes projects for renewal and replacement (R&R) to the three Enterprises' various facilities, and includes upgrades to improve water efficiency, power infrastructure, and sewage treatment facilities. The issuance of revenue bonds, other forms of indebtedness, and the execution of governmental loans are provided under the San Francisco City Charter to finance the SFPUC's capital programs. The repayment of this indebtedness is provided for under the annual rates and revenues of the particular Enterprise that incurs the debt, categorized as debt service in the budget.

Capital Planning Committee (CPC)

The legislation creating the Ten-Year Capital Plan created the Capital Planning Committee (CPC). This body is chaired by the City Administrator and consists of the President of the Board of Supervisors, the Mayor's Finance Director, the Controller, the City Planning Director, the Director of Public Works, the Airport Director, the Executive Director of the Municipal Transportation Agency, the General Manager of the Public Utilities System, the General Manager of the Recreation and Parks Department, and the Executive Director of the Port of San Francisco. Through a series of meetings, the Capital Planning Committee reviews proposals, staff recommendations, and documents toward the development of a City-wide capital plan and annual capital budget. Furthermore, the Committee establishes prioritization and assessment criteria to assist the City Administrator and staff in developing the capital plan.

Capital Planning Program (CPP)

The Capital Planning Program is responsible for the development and implementation of the City and County of San Francisco's ten-year capital plan and its annual capital budget. The program reviews and analyzes infrastructure needs and facility conditions, evaluates capital project requests, reports on existing capital projects, and establishes financing strategies to meet the City's long- and short-term capital needs. The mission of the Capital Planning Program is to develop and implement a sustainable plan for the long-term safety, accessibility and modernization of San Francisco's public infrastructure and facilities.

Capital/Revenue Reserve

Capital projects for the Repair and Replacement (R&R) program were previously part of the annual budget, but beginning in FY 2012-13, the program is funded through a supplemental appropriation as to not gross-up the annual budget for better year-over-year comparability. Capital Projects are infrastructure projects that include: minor construction projects, major maintenance and rehabilitation projects, planning studies, and preliminary engineering analysis for major capital improvements; major maintenance and routine additions, and major improvements to sewers, pumping stations, and treatment plants. The Capital/Revenue Reserve is revenue appropriated in each of the Enterprises to fund the revenue portion of their respective capital programs.

Carryforward

Outstanding budget commitments at the end of the fiscal year funded out of the operating budget, that are authorized to be carried over and expended during the following fiscal year.

Certificates of Participation (COP)

An instrument evidencing a pro rata share in a specific pledged revenue stream, usually lease payments by the issuer that are subject to annual appropriation. The certificate generally entitles the holder to receive a share, or participation, in the lease payments from a particular project. The lease payments are passed through the lessor to the certificate holders. The lessor typically assigns the lease and lease payments to a trustee, which then distribute the lease payments to the certificate holders.

Chemical Oxygen Demand (COD)

This is one of the determinants of wastewater rates for nonresidential customers.

Citizen's Advisory Committee (CAC)

The purpose of the Citizen's Advisory Committee is to provide policy recommendations to the Mayor, Board of Supervisors, City Administrator and Commissions on prioritization of public benefits.

City and County of San Francisco (CCSF)

CCSF is the City and County of San Francisco and SFPUC is one of departments governed by the Mayor and Board of Supervisors.

Clean Renewable Energy Bonds (CREBs)

CREBs are bonds used to fund the solar photovoltaic projects included in the Hetch Hetchy Water and Power budget as debt service. CREBs are a form of tax credit bond in which interest on the bonds is paid in the form of Federal tax credits by the United States government in lieu of interest paid by the issuer. Created under the Energy Tax Incentives Act of 2005, CREBS can be used, among other entities, by local governments, to finance certain renewable energy and clean coal facilities.

Clean Water Act

The Clean Water Act establishes the basic structure for regulating discharges of pollutants into the waters of the United States and regulating quality standards for surface waters.

Commercial Paper (CP)

Used as a financing strategy that utilizes short-term financing to calibrate financing needs with project spending. The CP program facilitates short-term financing typically at lower interest rates than longer-term debt, which minimizes costs.

Committee on Information Technology (COIT)

COIT is composed of five (5) permanent members consisting of the Mayor, the President of the Board of Supervisors, the Controller, the City Administrator, and the CIO, or their designees. There are eight (8) additional rotating seats held by department heads that represent each of the major service areas. The five permanent and eight rotating seats are voting members of COIT. Additionally, the Administrative Code provides for the inclusion of two (2) public members. COIT has one (1) subcommittee staffed by technical, financial, and administrative representatives of City departments, the Budget and Performance Subcommittee supports the planning, budgeting, and performance oversight functions of the central Committee.

Community Choice Aggregation (CCA)

As defined by Assembly Bill 117, CCA permits any city, county or city and county to aggregate the electric loads of residents, businesses and municipal facilities to facilitate the purchase and sale of electrical energy.

County-Wide Cost Allocation Plan (COWCAP)

The County-Wide Cost Allocation Plan is developed annually by the Controller's Office and calculates the overhead rate charged to each department for its share of City-wide overhead costs, such as payroll, accounting, and operations.

Cubic Feet (Ccf)

The billing unit for water and wastewater bills, where 1 Ccf=100 cubic feet=748 gallons. The average single-family residence uses about 51 gallons per person per day versus the California State-wide average of 155 gallons per day per capita.

Debt Service

Debt service is principal and interest payments on revenue bonds, State Revolving Fund loans used to finance system improvements, repayments on loans, and financing for Clean Renewable Energy Bonds.

Department of General Services (DGS)

DGS serves as business manager for the State of California. DGS provides a variety of services to State agencies through innovative procurement and acquisition solutions, creative real estate management and design, state-of-the-art telecommunications, environmentally friendly transportation, and funding for the construction of safe schools.

Earthquake Safety and Emergency Response (ESER)

The San Francisco's Earthquake Safety and Emergency Response Program first approved by voters through a bond measure in 2010. The purpose of the program is to make repairs and improvements to neighborhood firehouses, upgrade the emergency firefighting water system and construct the City's new Public Safety Building that will allow San Francisco to quickly respond to a major earthquake or disaster.

Enterprise Fund

Enterprise fund is to account for financial operations operated in a manner similar to private businesses. Enterprise costs of providing goods or services to the general public are recovered primarily through user charges.

Environmental Protection Agency (EPA)

The EPA is an agency of the United States federal government, created to protect human health and the environment by writing and enforcing regulations based on laws passed by Congress

Equipment

Equipment has a value greater than \$5,000, and a useful life of three years or more, such as vehicles and software, or other heavy equipment.

Fats, Oils, and Grease (FOG)

The SFPUC Water Pollution Prevention Program has materials that can assist businesses in properly managing their fats, oils and grease wastes; FOG can be a major problem for San Francisco's sewers and for the Bay and Ocean that surround San Francisco, because when not disposed of properly, FOG forms thick layers inside sewers and constricts flow.

Financial Accounting Standards Board (FASB)

The FASB is the designated organization in the private sector for establishing standards of financial accounting. Those standards govern the preparation of financial statements. They are officially recognized as authoritative by the Securities and Exchange Commission (SEC) (Financial Reporting Release No. 1, Section 101, and reaffirmed in its April 2003 Policy Statement) and the American Institute of Certified Public Accountants (AICPA) (Rule 203, Rules of Professional Conduct, as amended May 1973 and May 1979).

Fiscal Year (FY)

San Francisco's fiscal year is from July 1st to June 30th.

Full-Time Equivalent (FTE)

An FTE is one or more employees who cumulatively work 40 hours per week.

Fund Balance

Fund balance is used to balance annual budgeted revenues and expenditures. Fund balance is used when budgeted expenditures exceed revenues.

General Fund

The General Fund is a source of discretionary spending and funds many of the basic municipal services in the City and County of San Francisco such as public safety, health and human services and public works. Primary revenue sources include local taxes such as property, sales, payroll and other taxes.

General Reserves

General Reserves are budgeted to balance annual revenue and expenditure amounts. It is budgeted when revenues exceed expenditures.

GoSolarSF Program

The GoSolarSF Program was developed by the San Francisco Solar Task Force to encourage the installation of photovoltaic systems on residents and businesses within the City. The GoSolarSF solar incentive program was approved by the San Francisco Public Utilities Commission in January 2008. The Board of Supervisors passed ordinances establishing a long-term Solar Energy Incentive Program and a Solar Energy Incentive Pilot Program in June 2008. The program was launched on July 1, 2008.

Governmental Accounting Standards Board (GASB)

The Governmental Accounting Standards Board (GASB) is the independent organization that establishes and improves standards of accounting and financial reporting for U.S. State and local governments.

Hetchy System Improvement Program (HSIP)

HSIP is the capital improvement program to upgrade the aging Hetchy Regional Water/Power infrastructure.

Independent System Operator (ISO)

The Independent System Operator is nonprofit public benefit corporation that manages the flow of electricity across the high-voltage, long-distance power lines that make up 80 percent of California's and a small part of Nevada's power grid.

Interconnection Agreement (IA)

The interconnection agreement is a business contract between telecommunications organizations for the purpose of interconnecting their networks and exchanging telecommunications traffic and certain services.

Interest Income

Revenue earned by an Enterprise for its cash investments.

Interim Capital Improvement Program (Interim CIP)

The SFPUC launched the Wastewater Enterprise Interim Capital Improvement Program (Interim CIP) to address the immediate needs of San Francisco's wastewater system. These special projects are aimed at reducing flood risk, reducing wastewater odors, and improving treatment facilities. Interim CIP projects are funded through your wastewater service charges.

Key Performance Indicators (KPIs)

Financial and non-financial metrics used to quantify objectives to reflect strategic performance of an organization.

Kilovolt (kV)

This is a measure of the potential energy of a unit charge at a given point in a circuit relative to a reference point.

Leadership in Energy and Environmental Design (LEED)

LEED stands for Leadership in Energy and Environmental Design and was developed by the U.S. Green Building Council (USGBC) to set a benchmark for design, construction, and operation of high-performance green buildings.

Light-Emitting Diode (LED)

LED is a new solid-state lighting technology that offers better lighting performance and energy efficiency. Light is emitted from clusters of diodes, which direct light. The fixture lasts for 15 years.

Low-Impact Design (LID)

Green stormwater management technologies that can help mitigate the effects of urbanization on stormwater. This technology and design mimics natural watershed processes by replicating pre-existing hydrologic site conditions. LID directs runoff to natural vegetated systems, such as landscaped planters, swales and gardens that reduce filter or slow stormwater runoff. Strategic placement of this system can help mitigate the impacts of impervious surfaces and in some cases increase the level of service provided by the traditional sewer pipes.

Materials & Supplies (M&S)

M&S is an expenditure category that includes maintenance, safety, fuel, office supplies, and other miscellaneous materials and supplies for the maintenance and operations of an Enterprise/Bureau.

Megawatt (MW)

Megawatt is a standard unit of power in the international system equal to one million watts, used as a measure of the output of a power station.

Memorandum of Understanding (MOU)

A memorandum of understanding describes a bilateral or multilateral agreement between two or more parties

Million Gallons per Day (mgd)

Million gallons per day is a measurement of water flow frequently used in measurement of water consumption.

Modesto Irrigation District (MID)

One of four irrigation districts in California; its electric service area includes Modesto, Salida, Empire, Waterford, Mountain House and parts of LaGrange, Riverbank, Ripon, Escalon and Oakdale.

Modified Accrual Basis of Accounting

A basis of accounting used with a current financial resources measurement focus. It modifies the accrual basis of accounting in two significant ways: first, revenues are not recognized until they are measurable and available; and second, expenditures are recognized in the period in which the SFUC normally liquidates the related liability rather than when the liability is first incurred, if earlier.

National Pollutant Discharge Elimination System (NPDES)

A permit program, authorized by the Clean Water Act, that controls water pollution by regulating point sources that discharge pollutants into waters of the United States.

Non-Personnel Services

Non-personnel services includes the maintenance of equipment and facilities, travel, training, memberships, professional services, rent, and other expenses that support maintenance for the operation of an Enterprise.

North American Electric Reliability Corporation (NERC)

The electric reliability organization (ERO) certified by the Federal Energy Regulatory Commission purpose is to establish and enforce reliability standards for the bulk-power system. NERC develops and enforces reliability standards; assesses adequacy annually via a 10-year forecast, and summer and winter forecasts; monitors the bulk power system; and educates, trains and certifies industry personnel.

Office of the General Manager (GM)

Supports the General Manager in his key oversight functions, which are to oversee the regional utility that delivers reliable, high quality drinking water to more than 2.5 million Bay Area customers; that collects and treats wastewater and stormwater for the CCSF; and that provides hydroelectric and other renewable power resources for the San Francisco municipal customers.

Oil and Grease (O/G)

One of the determinants of wastewater rates for nonresidential customers.

Operating Transfers Out

Operating transfers out refers to the revenue transfers between Enterprise funds.

Operations and Maintenance (O&M)

Includes budgets for Personnel, Overhead (or COWCAP), Non-Personnel Services, Materials and Supplies, Equipment, and Services of Other Departments.

Other Non-Operating Revenues

Revenues from other sources, including rent, permit fees, sale of property, custom work, and reimbursements.

Pacific Gas & Electric (PG&E)

Incorporated in California in 1905, Pacific Gas & Electric is a natural gas and electric utilities company, with a service area from Eureka in the north to Bakersfield in the south, and from the Pacific Ocean in the west to the Sierra Nevada in the east. The company is based in San Francisco.

Pass-through

A pass-through is when the budget and/or expenditures are off-set by a like amount in revenues.

Personnel

Personnel refers to all labor costs including full-time, temporary, and projected-funded employees, overtime, premium and holiday pays and related benefits.

Pretreatment and Pollution Prevention (P2)

Programs to ensure regulatory compliance in wastewater collection systems; they focus on contaminant reduction activities for residential, commercial, and industrial dischargers. The major P2 programs include: Street Sweeping, Fats, Oils & Grease (FOG), Mercury Reduction Program, Pesticides/Integrated Pest Management (IPM), and Storm Water P2 Program/Construction Runoff Control.

Proceeds from Debt

Refers to revenues received through the issuance of bonds, loans, or other borrowings.

Programmatic Projects

Programmatic projects are annual projects that close-out at the end of the fiscal year. Programmatic projects capture operating expenses; costs will not result in a capitalized asset.

Proposition 218

Prop 218 amended the California Constitution (Articles XIIC and XIID) which, as it relates to assessments, requires the local government to have a vote of the affected property owners for any proposed new or increased assessment before it could be levied. The Proposition was passed by California voters on November 5, 1996, and the assessments portion placed in effect on July 1, 1997

Proposition A (2002)

Approved by voters in November 2002, authorizes the SFPUC, subject to Board of Supervisors approval, to issue up to \$1.628 billion in revenue bonds or other forms of indebtedness to finance the acquisition and construction of improvements to the City's water system.

Proposition A (2009)

Approved in November 2009, this Proposition amended the City Charter to require the City to transition to a two-year budget cycle by FY 2012-13. The SFPUC is one of four early implementation departments that adopted a two-year budget for FY 2010-11 and FY 2011-12, and adopted their first biennial budgeted for FY 2012-13 and FY 2013-14

Proposition E (2002)

Approved by voters in November 2002, authorizes the SFPUC to issue revenue bonds or other forms of indebtedness for the purpose of reconstructing, replacing, expanding, repairing or improving water facilities or clean water facilities when authorized by ordinance approved by a two-thirds vote of the Board of Supervisors.

Qualified Energy Conservation Bonds (QECCBs)

QECCBs are tax credit bonds specifically targeting energy conservation and green programs.

Rate Fairness Board (RFB)

The RFB was established with the passage of Proposition E, approved by San Francisco voters on November 5, 2002. The RFB advises the SFPUC on water and sewer rate matters. Its specific duties are: Annual review of a five-year rate forecast; hold one or more public hearings on annual rate recommendations before the SFPUC Commission adopts rates; provide a report and recommendations to the SFPUC on the rate proposal and; in connection with periodic rate studies, submit to the SFPUC rate policy recommendations for the Commission's consideration, including recommendations to reallocate costs among various retail utility customer classifications, subject to any outstanding bond requirements.

Renewal and Replacement (R&R)

R&R refers to projects in the Enterprises, including both minor and major construction projects, maintenance and rehabilitation projects, planning studies, and preliminary engineering analysis for major capital improvements.

Request for Proposal (RFP)

The process by which a corporate department or government agency prepares bid documents to acquire equipment or services.

Retail Water Sales

Retail water sales consist of rate schedules that include City and Suburban Retail rates. City Retail Rates include general rates - single-family residential, multiple-family residential, and commercial (industrial). These rates consist of a monthly service charge based on meter size and a two-step commodity charge for single- and multiple-family residential customers, and meter size and a uniform commodity charge for commercial (industrial) customers. Suburban retail rates include rate schedules for use outside of San Francisco.

Sale of Electricity

Sale of electricity refers to charges for electric power to City departments for municipal use, wholesale customers, and other retail customers.

Sale of Gas and Steam

Revenues from gas and steam provided to City departments by Hetch Hetchy Power. These revenues are a pass-through and have no impact on Hetchy Hetchy's fund balance levels.

Sale of Water

The budget category for revenues from sales of water to retail customers in San Francisco and suburban areas and to wholesale customers under the terms of a long-term Water Supply Agreement (WSA).

San Francisco Municipal Transportation Agency (SFMTA)

A public service Enterprise department of the CCSF that provides a surface transportation network for pedestrians, bicyclists, transit and paratransit customers, motorists, and taxis.

San Francisco Public Utilities Commission (SFPUC)

The SFPUC is a department of the City responsible for the maintenance, operation and development of three utility enterprises: the Wastewater Enterprise, the Water Enterprise and the Power Enterprise. The SFPUC provides regional water, local water, wastewater (collection, treatment, and disposal), and power.

Services of Other Departments

Services performed for the SFPUC by other City departments.

Sewer Service Charges

Sewer service charges are the primary funding source for the payment of costs associated with the Wastewater Enterprise's sanitary waste and stormwater collection, treatment and disposal.

Sewer System Improvement Program (SSIP)

A major focus of the Wastewater Enterprise, the SSIP is a long-term capital plan that provides strategies and policies for the future. The San Francisco Sewer System Improvement Program objectives are to: develop a long-term vision and strategy for the management of the City's wastewater and stormwater; provide a detailed capital planning roadmap for improvements needed; estimate the funds to implement these improvements; address specific challenges facing the system; and maximize system reliability and flexibility.

SFPUC Commission

Under the Charter, the SFPUC is given exclusive charge of the operation and management of all water, wastewater and municipal customers' energy supplies and utilities of the City as well as the real, personal and financial assets under the SFPUC's jurisdiction. The Commission consists of five Commissioners appointed by the Mayor and subject to confirmation by a majority of the Board of Supervisors serving four-year terms.

State Revolving Fund (SRF)

State revolving funds are available as loans to government entities for the construction of publicly owned wastewater treatment facilities. The fund is administered by the U.S. Environmental Protection Agency and state agencies.

Strategic Sustainability Plan (SSP)

The SSP provides the SFPUC with a system for planning, managing, and evaluating SFPUC-wide performance that takes into account the long-term economic, environmental, and social impacts of the SFPUC's business activities.

Ten-Year Capital Plan

The City and County of San Francisco requires, through the City's Administrative Code, the annual creation of a Ten-Year Capital Plan for City-owned facilities and infrastructure. Under the authority of the City Administrator, the Capital Planning Program prepares the plan and presents it to the Capital Planning Committee (CPC) for their review. The CPC completes its review of the capital plan by March 1 and presents it to the Board of Supervisors (BOS). The BOS must adopt the Capital Plan by May 1.

Ten-Year Financial Plan

The Ten-Year Financial Plan is a planning document as required by the City and County of San Francisco, that includes a ten-year financial summary for each Enterprise, describing projected sources and uses, resulting fund balances and associated financial reserve ratios.

Total Suspended Solids (TSS)

A water quality measurement that serves as one of the determinants of wastewater rates for nonresidential customers.

Transmission & Distribution (T&D)

These are transmission and distribution lines that move electricity from the upcountry powerhouses to the San Francisco Bay Area.

Treasure Island (TI)

The Water, Wastewater, and Power Enterprises operate and maintain the water, wastewater, and power distribution systems, and the associated revenues, on Treasure Island, on behalf of the Treasure Island Development Authority (TIDA) and in accordance with a water supply and quality permit issued by the California Department of Health Services, and the National Pollutant Discharge Elimination System (NPDES) permit issued by the California Regional Water Quality Control Board.

Treasure Island Development Authority (TIDA)

The Treasure Island Development Authority (TIDA) is a non-profit, public benefit agency dedicated to the economic redevelopment of former Naval Station Treasure Island. The Authority is vested with the powers of a California Redevelopment Agency as well as the

rights to administer Tidelands Trust property. TIDA also performs and administers vital municipal services for the residential and daytime population during the interim reuse of the former military base.

Turlock Irrigation District (TID)

This is one of four irrigation districts in California that provides irrigation water as well as electric retail energy directly to homes, farms and businesses.

Up-country

Up-country refers to the water and power facilities located east of Alameda Country to the Sierras.

Water Supply Agreement (WSA)

The City and County of San Francisco and the 27 suburban wholesale customers entered into an agreement to purchase water from San Francisco on a wholesale basis and distribute it to residents, businesses, and thousands of community organizations in Alameda, Santa Clara and San Mateo Counties. The WSA was approved in April 2009 and has a term of 25 years. The Agreement changes the cost basis by which the wholesale rate is determined from a "utility cost basis" to a "cash basis". Beginning in FY 2009-10, wholesale customers will pay a proportionate share of regional system operating expenses, debt service on bonds sold to finance regional improvements, and other regional system improvements funded from current revenues. The WSA requires the rate be calculated and set annually and include a "true-up" between prior year revenues and expenses.

Water System Improvement Program (WSIP)

The SFPUC launched a \$4.6 billion Water System Improvement Program (WSIP) to repair, replace, and seismically upgrade the San Francisco Regional Water System's aging facilities. Built in the early to mid-1900s, many parts of the San Francisco Regional Water System, often referred to as the Hetch Hetchy System, are nearing the end of their working life, with crucial portions crossing over or near to three of the nation's most active earthquake faults. The WSIP increases resilience to vulnerable portions of the system to mitigate earthquake risk and enhance water treatment processes to ensure a reliable supply of water for SFPUC customers.

Western Electricity Coordinating Council (WECC)

The Western Electricity Coordinating Council (WECC) is the Regional Entity responsible for coordinating and promoting Bulk Electric System reliability in the Western Interconnection. In addition, WECC provides an environment for coordinating the operating and planning activities of its members as set forth in the WECC Bylaws.

Western Renewable Energy Generation Information System

The Western Renewable Energy Generation Information System (WREGIS) is an independent, renewable energy tracking system for the region covered by the Western Electricity Coordinating Council (WECC). WREGIS tracks renewable energy generation from units that register in the system using verifiable data and creates renewable energy certificates (RECs). WREGIS certificates can be used to verify compliance with state and provincial regulatory requirements (i.e. - Renewable Portfolio Standards) and in voluntary market programs.

Western Systems Power Pool (WSPP)

WSPP is an agreement and an organization that creates power trading opportunities and allows WSPP members to manage power delivery and price risk. The mission of the organization is to provide a catalyst for an efficient and robust wholesale electric power market. WSPP accomplishes this by constantly facilitating refinements to the Agreement, and promoting trading relationships.

Wholesale Water Sales

The Water Enterprise provides wholesale water service to 27 wholesale customers, which consist of 24 municipalities and water districts, one private utility, one private non-profit university and one mutual water association. Wholesale customers are located in

Alameda, Santa Clara and San Mateo counties. The SFPUC and the wholesale customers have negotiated a new Water Supply Agreement (WSA) that changes the cost basis by which the wholesale rate is determined from a "utility basis" to a "cash basis". Beginning in FY 2009-10, wholesale customers will pay a proportionate share of regional system operating expenses, debt service on bonds sold to finance regional improvements, and other regional system improvements funded from current revenues.

San Francisco Public Utilities Commission
A Department of the City and County of San Francisco, California

Financial Services

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For more information visit
sfwater.org



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